

The Growing Market for NGO Influence

Lynn Ilon
Florida International University

*"Can NGOs Provide Alternative Development in a Market-Based System of Global Economics?"
(Ilon, 1998)*

Today, a full ten years after I first asked this question, we still have only partial answers. There is no doubt that NGOs are playing in a more significant role in global ODA (overseas development assistance). While the reasons for supply of aid are varied, certainly furthering the institutional or national strength of the donor is a primary consideration. While NGOs may not entirely voice this agenda, NGOs are increasingly linked to the economic and political motives behind such aid. Additionally, NGOs' position between governments and economies means that they face controls that government recipients of international aid funds do not often face. This positions the NGOs in a constrained environment. In this context, NGOs sometimes act as agents of state or global economic forces. This article addresses these four points as a means of addressing my original question.

Growing Links to Global and Bilateral ODA

CICE's focus on NGOs in 1998 was on the heels of what was then a relatively new trend – NGOs' increasing role as direct recipients of aid. Historically, some INGOs (International Non-Governmental Organizations) had largely been recipients of grants from governments; rarely did this apply to local NGOs.

Global data on NGOs is notoriously lacking and of poor quality, necessitating various authors to work around this problem. Writing for the United Nations Research Institute for Social Development, Agg (2006) looked at trends in aid to NGOs using Organization for Economic Cooperation and Development (OECD) data, though she acknowledges the unreliability of the OECD as a source. OECD categories, she reminds us, do not incorporate all NGO funding. Nevertheless, the trends are clear. Table 1 shows the percentage of ODA given to NGOs since 1984.

Table 1: Percent of ODA directed to NGOs, 1984-2003

Year	% of ODA to NGOs
1984	0.2%
1991	2.3%
1998	4.7%
2003	5.9%
Derived from: Agg (2006), p.17, Figure 10.	

In 1984, less than one percent of the ODA was given directly to NGOs. By 2003, the percentage had grown to six percent. This translates into a substantial amount of money as shown in Table 2.

Table 2: ODA dollars to NGOs: 1984-2003 (USD)

Year	Millions of USD ODA to NGOs
1984	0.8m
1991	900.0m
1998	1,100.0m
2003	2,200.0m
Derived from: Agg (2006), p. 23, Figure 16	

USAID (United States Agency for International Development) has developed an “NGO Sustainability Index” (USAID, May 2007) which track progress of NGO development – a clear indication that NGO strengthening is important enough to track and index. How are NGOs faring in an environment where they are increasingly funded through international aid? Agg (2006) examines the reasons behind this growth and disputes two commonly argued (often heralded) notions. First, she notes that governments frequently argue that NGOs are more efficient in getting aid to local recipients than are governments (who sometimes contract with NGOs). She finds no study that supports this conclusion (Agg, 2006). She examines the “capacity building” notion. This posits that, if local NGOs are a more direct voice of local communities, then ODA to NGOs might be explained by a desire to build NGO capacity. Agg (2006) along with Fisher and Green (2004) dispute this notion arguing, instead, that the relationship between local NGOs and their global partners is uneasy, complex and not always advantageous to local NGOs, or their ability to speak for local communities.

Unease in a Global Environment

Increasing NGO funding has meant increasing integration into a global economic and political spectrum, though this is often an uncomfortable fit. Several authors suggest that the need to integrate NGOs into a global ODA scenario has caused many NGOs to trade local effectiveness for global integration and legitimacy (Agg, 2006; Gilles and Yontcheva, 2006; Mayer and Gereffi, 2006; Cooley and Ron, 2002; Fisher and Green, 2004; Dolhinow, 2005). Cooley and Ron (2002) contend that the increasingly global environment in which NGOs live creates a number of constraints. The authors site several specific problems:

First, NGOs are often required to act as policy agents of donor organizations. Whereas local communities may have identified specific needs, these needs do not always coincide with the goals of the donor. For example, a local community may need better local health facilities while the donor may be motivated by a desire to show immediate health results, such as HIV testing, in order to justify their spending and legitimize further funding. Immediate results may conflict with long-term institution building and the NGO is left to negotiate between the two. Known as the “principal-agent” problem in Economics discipline, the result is that recipient needs are mitigated by the actions of the agent (NGO) in order to maintain a relationship with the donor.

Second, as NGOs increasingly vie for development monies, the international fund-seeking environment becomes more competitive. This pervasive focus on bidding for the next grant means that the organizations face constant threats of lay-offs and down-sizing. These short term grants also means that start-up costs are increased as each grant begins a new cycle.

Third, this competitive environment has another consequence. As a result of the competition between NGOs, some NGO energies are siphoned off into competitive actions such as highlighting

competitors' weaknesses and downfalls. Their limited resources are spread thinner in countering such forces and building a defense against attacks by others.

Fisher and Green (2004) add a fourth and a fifth constraint. They proffer that local NGOs typically do not have an international base upon which to build their legitimacy as an organization. Their ability to demonstrate their viability and effectiveness depends upon their ability to gain legitimacy locally, which transmits that legitimacy to global levels. The local environment may not always be conducive to such efforts. "For delegates from politically volatile nations, for example, negotiating multilateral agreements will likely be low on the list of domestic political priorities..." (Fisher and Green, 2004, p. 8).

The fifth constraint, as articulated by Fisher and Green (2004) is the link to information on a global scale. Links between organizations and scientists, academics and policy-makers are easier when an organization is transnationally located rather than nationally located. Keeping current on complex scientific and policy information is a challenge for local NGOs, who have limited links to both the professional networks and the policy trends of global sources.

Increasing Influence on a Global Scale

Incorporation into a global network of ODA has meant that many NGOs must learn to operate in a new international environment – far from the community roots from which many sprang. Gilles and Yontcheva (2006) ask whether ODA monies to NGOs really go toward poverty reduction. They develop a model which attempts to predict the amount of international aid targeted to NGOs on the basis of recipient country characteristics. These characteristics were poverty level, democracy[1], level of militarization[2], living standards, health care, and economic interests (imports to recipient country from donor country). Using several different specifications of the model, they find that poverty is the only significant and stable explanation for NGO aid allocations.

These results are remarkably robust across regions of the world. Table 3 shows that poverty remains the only consistent explanation of ODA to NGOs across all four regions delineated.

Table 3: Determinants of ODA to NGOs by Region

Explanatory variable	Africa	Western Hemisphere	Middle East	Asia
Living standards (life expectancy)		*	*	
Imports				
Militarization		*	*	
Poverty	*	*	*	*
Democracy			*	
Derived from: Gilles and Yontcheva (2006), p. 13, Table 4				

What we learn from the Gilles and Yontcheva (2006) study is that poverty levels partially determine the distribution of monies to NGOs from bilateral donors. There are two possible explanations. First, donors may feel that their monies are best spent through NGOs in the poorest of countries either because NGOs can access more local avenues for getting to the poorest people or because

they have structural advantages over more traditional ODA organizations. Second, it is possible that donors see NGOs as relatively effective actors in programs that are poverty-focused. Whether NGOs are effective in addressing poverty issues is unanswered by Gilles and Yontcheva's (2006) work.

Gereffi et. al. (2002) make a strong case that NGOs have become effective actors in at least one realm – that of advocating for global certification of environmental and labor standards. Contending that their efficacy takes the form of “Manufacturing Shame” (p. 2), the authors trace the complex means by which local and regional NGOs have changed the global contents for environment issues and labor. They see “voluntary” industry led certification as having a weak base - often requiring industry self-monitoring. In the authors' view, NGO influence has substantially changed this regulatory content. “The contrast between industry-led certification and the NGO variety is stark” (p. 5). Examining forestry and apparel industries as examples, they contend that these examples “underscore the growing power of NGOs to compel corporations to adopt new environmental and labor standards.” (p. 7).

Mayer and Gereffi (2006) echo this finding. They claim that “fierce pressures” have resulted in proliferation of codes of conduct for many industries (p. 8-9). NGO success in this particular arena has changed the nature of NGOs working collectively on global issues. “Over time... certification arrangements became more pro-active and preemptive with NGOs no longer waiting for accidents but rather seeking out ongoing corporate wrongdoing” (Gereffi et. al., 2001, p. 3). This changing NGO environment has had mixed results.

NGOs in a Global Environment

Can NGOs provide alternative development in a market-based system of global economics? NGO influence is growing. Yet, NGOs' occasionally uncomfortable relationship with bilateral and global donors continues to grow in size and influence. While donor rationale for increasing this assistance remains unclear, there is some evidence that it increases most when a country has high levels of poverty. NGOs face increasing pressures when they move from entirely local actors to a place on the global stage. No longer wholly linked to local community needs, they must negotiate viability within a global context that pits them against other local NGOs and agendas of local governments. While they receive their legitimacy from local arenas, they must nevertheless assure that the agendas of global development partners are attended to, even while they lack the informational linkages that would put them on a more equal footing. Even so, they have succeeded on a global scale in pushing environment and labor standards toward a global norm and causing whole industries to adopt their practices.

This changing environment has taken its toll on NGOs. In an excellent article tracing the NGO influence in grassroots organizing along the US-Mexico border, Dolhinow contents, “As NGO funding becomes more competitive, NGOs often find they must follow donor agendas in order to keep their funding. As NGOs push the more fundable project they move away from community needs and closer to the neoliberal interventions preferred by many donors” (Dolhinow, 225, p. 559).

Fisher and Green (2004) call this phenomenon, “disenfranchisement” and link it to myriad global forces. “Even though these civil society actors are connected transnationally, their geopolitical status – and the power associated with it – comes from their specific national context” (p. 10). These authors propose a theory of disenfranchisement based on three factors. “Endogenous resources” refers to the limited resources of NGOs, such as human resources, knowledge of English and

a politically stable environment. “Transnational connectivity” refers to their ability to link into global networks of experts and like-minded organizations. “Geopolitical status” refers to their ability to derive status from the status of their home country within a global context, such as political influence and natural resources.

While this may explain some of NGOs’ challenges in adapting to their changing environment, it does not go far enough in helping us to understand how NGOs fundamentally change when placed in this global environment. As NGOs derive their increasing strength and influence from global donors, they move away from a primary focus on voicing the needs of local communities and, instead, increasingly become the voice of the donor. Dolhinow (2005), examining a specific case of small communities on the US-Mexico border, finds that NGOs tie residents “to the neoliberal state through their position in civil society, often propagate dominant neoliberal discourses of leadership and activism, and at times reinforce dominant and marginalizing forms of social governance” (p. 575).

This leads us back to global market influences. Mayer and Gereffi (2006) trace this new global environment to three market characteristics. First, the flow of goods and production across borders are no longer tied to local government capacity. Markets can move based on foreign direct investment derived from outside forces. Second, in face of less local government influence, regulation on a global scale is generally weak except in the case of markets. Only markets have really strong global structures such as the IMF, the WTO and the World Bank. Each is fairly well funded and managed by widely adhered to regulations. Labor, environment, development and humanitarian global organizations lack these substantial resources (the ILO, UNESCO, WHO for example). Third, government regulatory capacity within developing countries is overwhelmed by global market forces. Thus, local governments frequently bow to global economic forces to set local standards and regulations. In their view, this global market environment limits NGO effectiveness in promoting global standards and regulations.

While NGO growth and, in some cases, influence has been growing since I first posed the question of market influence on NGOs, a changing environment has meant that the powerful NGOs are increasingly linked and constrained by global forces – especially those imposed by market forces. Their ability to be the voice of global social movements has increased but, at the same time, they do so by weakening their links to local communities. They do not yet have the transnational resources or links to compete on the same ground as traditional development actors. Neither can all but the smallest devote themselves entirely to voicing the needs of the poorest communities. While their place within a global development context is growing and increasingly powerful, there remains a question as to whether they continue to effectively voice the needs of the world’s poorest populations.

Notes

- [1]. Taken from the ‘Political Score’ based on an index called Overall Polity Score of the Country Indicators for Foreign Policy (CIPF) developed by the Canadian Department of Foreign Affairs and International Trade.
- [2]. Ratio of military personnel as a percentage of labor force (World Development Indicators).

References

Agg, C. (2006) Trends in government support for non-governmental organizations: Is the “golden age” of the NGO behind us? *Civil society and social movement programme paper 23*. United Nations Research Institute for Social Development.

Colley, A. & Ron, J. (2002). The NGO scramble: Organizational insecurity and the political economy of transnational action. *International Security* 27(1), 5-39.

Dolhinow, R. (2005) Caught in the middle: The state, NGOs, and the limits to grassroots organizing along the US-Mexican border. In N. Laurie and L. Bondi (Eds.) *Working the spaces of neoliberalism*. Blackwell.

Fisher, D. & Green, J. (2004). Understanding disenfranchisement: Civil society and developing countries' influence and participation in global governance for sustainable development. *Global Environmental Politics* 4(3), 65-84.

Gereffi, G., Garcia-Johnson, R., & Sasser, E. (2001). The NGO-industrial complex. *Foreign Policy* 125, 56-66.

Gilles, N. & Yontcheva, B. (2006). Does NGO aid go to the poor? Empirical evidence from Europe. *IMF Institute Wp/06/39*. International Monetary Fund.

Ilon, L. (1998). Can NGOs provide alternative development in a market-based system of global economics? *Current Issues in Comparative Education*, 1(1), 42-45. Available at <http://www.tc.edu/cice>.

Mayer, F. and G. Gereffi (2006). Economic globalization, private governance and the rise of the state. In N. Woods (Ed.), *Making global self-regulation effective*. Oxford: Oxford University Press.

United States Agency for International Development (2007). *2006 NGO sustainability index for Central and Eastern Europe and Eurasia*. USAID.