

# HOW TO IMPROVE NGO EFFECTIVENESS IN DEVELOPMENT?

## A DISCUSSION ON LESSONS LEARNED

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The international aid system's approach to build a world free of poverty and achieve sustainable development has evolved over the last four decades in response to the deepening appreciation of extremely complex and multi-dimensional nature of poverty. Poverty is now treated as the lack of access to and control over commodities that are not only related to survival (e.g. food and shelter), but also related to people's well-being (e.g. health, literacy) and their empowerment (psychological and political).<sup>1</sup> With this appreciation of the complicated nature of poverty and by and large unsuccessful results of aid, multinational and bilateral agencies have lately given renewed prominence to NGOs<sup>2</sup> "whose existence is legitimized by the presence of poverty". They largely re-emphasized NGOs' economic efficiency and contribution to good governance.<sup>3</sup> Especially in the period of the late 1980s and 90s, it was a "boom" for the non-governmental sector in terms of proliferation and also growing sophistication. In developed countries, OECD estimates that the number of Northern NGOs engaged in international programs rose from 1,600 to 2,500 between 1980 and 1990.<sup>4</sup> Though estimates are not reliable in developing countries, there are also over 250,000 Southern NGOs.<sup>5</sup> However, such significant expansion in the sector has inevitably brought critical questions about NGOs' effectiveness, and sustainability. Increasing concerns which are still on the agenda of the development community require rethinking of NGOs' role in development and exploring ways to improve their effectiveness. In this context, this paper attempts to draw some key lessons from the review of selected NGO literature that could provide useful recommendations for NGOs, and perhaps in a wider sense, for any non-profit to improve organizational performance.

**1. "Vision without action is a daydream; action without vision is a nightmare:"** This Japanese proverb captures the first lesson on NGO management: While vision and mission are not sufficient to determine the role and activities of an NGO, the action itself without a link to a clear, shared vision often leads to failure of NGO in realizing its potential. The lack of coherence between what an NGO envisions and what it does bring ineffectiveness since it creates confusion in the minds of the NGO staff, its supporters, and the outside world and weakens focus and energies. In order to ensure that the path from vision to action is coherent, an NGO needs to experience a three-stage process described by Fowler as (i) re-examining and confirming what the NGO stands for; (ii) linking these values to

long-term choices [through appropriate strategic plans]; and (iii) translating choices to tangible actions and tasks to be carried out by staff and stakeholders.<sup>6</sup> Taking this process seriously under a strong leadership and promoting internal dialogue such as organizing workshops including all staff can help achieving organizational effectiveness.

Indeed, the role for strategic planning, which is a key stage in the process, is often found weak in Southern NGOs since they simply re-orient their priorities towards the choices of their Northern partners.<sup>7</sup> This weakness in strategic planning is also an important issue as the international aid system has been clustering around realizing the Millennium Development Goals and setting unifying parameters for NGO access to official aid.<sup>8</sup> Under these trends, maintaining a clear link between vision and action and staying focused on primary stakeholders and mission require strong leadership, staff commitment, and also optimum degree of organizational flexibility to respond to changing needs, interests, and priorities. However, when it comes to the need for strong leadership and commitment by NGO staff, it is worth mentioning that many NGOs, especially those in less developed countries, may suffer from the leadership bailout and staff turnover as a result of the lack of institutionalization and overdependence on the founder<sup>9</sup>, which in turn creates a great risk of collapse at the demise of founders. A way to solve this institutional sustainability problem is creating systems for leadership development, staff empowerment, promotion of organizational culture, as well as balancing of psychological motivation of staff with market-related incentives and expectations.

**2. *Organizational learning and strategic knowledge are keys to gain leverage and credibility as a means of increasing policy influence:*** NGOs, especially those with grass-root links have great opportunity of learning from practice and use this experience as a non-financial source of leverage. However, NGOs' prevailing culture of action over reflection often inhibits organizational learning.<sup>10</sup> Also, considering the cost of investment on learning under limited funds, learning is treated as an optional extra.<sup>11</sup> In this context, NGOs have an urgent need to develop systems ensuring that they know, learn from what they achieve, and apply what they learn. Fowler provides the example of a human rights defender NGO, *CENDEC*, in Brazil that carries out a periodic, critical review of its work by a knowledgeable outsider with the support of Save the Children Fund (UK). *CENDEC* also has two-day sessions in every three months in which staff present and discuss their work and achievements. While providing this specific example, Fowler also delivers tips for increasing NGOs' ability to learn. These include a management allocating time for reflection, a management information system with processed primary data, a designated fund for specific learning activities of staff, team-building finance to bring different perspectives, mandatory post-mortems on closed

projects, planned thematic studies, and annual review of organizational progress.<sup>12</sup> In this regard, another tip could be investing in monitoring and evaluation systems, which in turn will create opportunity to learn in process, take actions/revisions timely and increase accountability. NGOs should also provide sufficient transparency through revealing results of performance evaluation and reporting practices and achievements to stakeholders and global community in order to gain support and credibility. Mass communications media has an unprecedented potential for this purpose.

An NGO emphasizing the action-reflection-learning chain will benefit its development activities as sources of experimentation, innovation, demonstration and learning for leverage. At the same time, it will exploit its comparative advantages and stay relevant to the poor community's needs. When the leverage is accumulated from learning –either technical or policy related-, it can be applied/disseminated through various ways to underpin pressure for change. For instance, it can be demonstrated experience to influence other NGOs and supporters or can be public policy advocacy and political lobbying to be aimed at governments or monitoring of compliance to affect public, private, and aid sector. Other types of leverage are disseminating new ideas and findings, research and development education. In fact, it's not only general public or NGO supporters' education, but it can also be the education of government officers as NGOs gain leverage on issues including specific knowledge for better implementation, which in turn creates greater potential to influence policy. Despite the limitations of defining what works internationally or even nationally, the NGO emphasis on learning and acquiring technical, managerial, and strategic knowledge through practical experience has been influencing all governments worldwide. For instance, in Mexico, the Autonomous Institute for Environmental Research operating to educate government and the media on environmental issues participates in negotiations with government to build the first hazardous-waste treatment facility in the Federal District. Also, Argentina government incorporates the NGOs' criteria in its public housing policies.<sup>13</sup> Thus, a proper coupling between NGOs micro-actions (e.g. material, social, financial services) and macro tasks (e.g. public advocacy, lobbying, public education and mobilization) is the way to gain leverage.<sup>14</sup> Of course, not every NGO can do both, but it is NGOs strategic choice to at least involve in networks with good technical, strategic, and managerial expertise about development. This brings us to the following topic which is networks and partnerships.

**3. *Interactive, authentic partnerships among NGOs, public and private organizations are required for sustainable impact on development:*** Simply put, “the days of working in isolation and separation are ending”<sup>15</sup> and today's trend is towards improved partnership between NGOs,

governments, and the private sector. This trend obviously helps NGOs develop core competencies, get advantage of different expertise, and influence policy actors. However, regarding collaboration among NGOs, the real picture is still full of many NGOs competing for limited financial support, hesitating to collaborate with each other, duplicating efforts in the same field and often involving in a dominant North-South NGO contract culture with either a passive, consultative or at most functional levels of partnership. If this separation is brought to an end, NGOs can have significant gains varying from sharing of information and documentation of good practices to enhanced impact on community and policy, mobilization of additional resources, greater recognition and legitimacy, depending on the level of collaboration.<sup>16 17</sup>

Furthermore, building strong relationships with national and local governments in areas other than funding is vital for NGOs. It is widely acknowledged that collaboration, contracting and trilateral arrangements between NGOs, government, and aid agencies have been growing.<sup>18</sup> These relationships can provide NGOs with greater influence on the way governments work, increased scale and impact. In fact, there are many examples where the combined efforts of governments and NGOs are more effective than the solo interventions of each one. For instance, two succeeding evaluations of a combination of subsidized credit from official banks through the government's IRDP<sup>19</sup> in southern India showed that the government's intervention was ineffective to benefit the poor and NGO involvement in later stages improved IRDP's impact.<sup>20</sup> In addition to government, NGO relationships with private sector have been growing with a number of successful cases.<sup>21</sup>

Considering aforementioned benefits of strategic partnerships, it should be reminded that there is always a trade-off for NGOs in partnerships in terms of balancing their gains with potential dangers of co-optation, weakened autonomy, and demands for compliance with partner's negatively tying conditions. While the key ingredient for success is each partner's understanding of its contribution and role and an equitable relation between North and South, threats to autonomy is inevitable in any partnership. These threats are also related to concerns on dependence on donor funding, which will be the next topic.

**3. What is vital for sustainability is not only sufficient quantity of funding, but also its quality and diversification:** A great majority of NGOs largely depends on donor funding and often faces the risk of collapse when these funds cease. Perhaps more importantly, even when funding from such sources continues, the greater dependence on them may also threaten NGOs performance, distort their autonomy and weaken legitimacy.<sup>22</sup> In fact, Fisher mentions reducing dependency on a single

donor as a key factor tied to autonomy.<sup>23</sup> Covering the works on this funding issue, the fundamental conclusion is that when mobilizing funds, NGO manager needs to find an optimum mix of quantity and quality of funds in relation to organization's mission, culture and strategy. Fowler defines quality funds for NGOs as being free from stringent conditions, allocated on programs rather than projects, not constrained by administrative requirements, predictable and reliable in terms of flow, disbursed timely, and based on demonstrated performance.<sup>24</sup> He also focuses on the need to check the temperature of funds as explaining *hot* money with volunteered funds such as an individual's sponsoring of a child and *cold* money with funds and official aid taken from taxes, distributed through international financial institutions. Following his analogy, if NGOs with a hot organizational temperature (strong grass-root link) benefit largely from cold funds, this can lead the organization get colder over time. So, it's a strategic challenge for NGOs not only diversify funders, but also choosing the type and origin of alternative sources.

It can be a strategy to stay in the aid system, but having multiple donors instead of a single one. Although this will reduce vulnerability and increase independence, the negative sides will be costs in time, reporting, and administration which require a strong capacity and management. As a second strategy, NGOs can look for alternatives to official aid. Basically, these are self-financing (income-generating activities), local fund-raising (public, corporations, national/local governments, local foundations), and external financing (venture capital, revolving loan/credit funds, etc.).<sup>25</sup> In fact, for Southern NGOs, raising money domestically is perhaps the strongest alternative to be viable, autonomous and truly indigenous. However, philanthropic tradition is still weak and domestic fund-raising is in infancy in less developed countries.<sup>26</sup> Thus, NGOs in those countries should give special priority in designing and implementing effective fund-raising strategies. Luckily, today's effective communication tools such as media and Internet provide great opportunity for NGOs to gain support and access domestic funds.

As Alan Fowler states in his book on NGO management, *Striking a Balance*, NGOs today are skating on a thin ice.<sup>27</sup> So, what is required to manage an NGO under such circumstances is easier said than done. In that spirit, this paper attempted not to give the complete picture of recommendations on NGO management, but rather highlight the following major challenges faced by NGOs: (i) the need for a coherent link between vision and action under strong leadership and staff commitment; (ii) the importance of organizational learning for gaining leverage; (iii) the need for interactive, authentic partnerships for greater impact; and (iv) the need for reducing dependence on donor funding and increasing quality of financial sources. NGOs must achieve a fine balance in each of these headings

and continually adjust and manage the mix of internal and external forces if they are to be competent agents of development not only today, but also in the future.

## Notes

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<sup>1</sup> Fowler (1997)

<sup>2</sup> For purposes of this paper, the term NGO denotes private, non-profit and non-governmental development organizations – within the framework of international cooperation.

<sup>3</sup> Edwards and Hulme (1998)

<sup>4</sup> Lindenberg and Bryant (2001)

<sup>5</sup> Fisher (1998)

<sup>6</sup> Fowler (1997)

<sup>7</sup> Ibid.

<sup>8</sup> Fowler (2004)

<sup>9</sup> This is often called “founder-member syndrome”.

<sup>10</sup> VanSant (2003)

<sup>11</sup> Fowler (1997)

<sup>12</sup> Ibid.

<sup>13</sup> Fisher (1998)

<sup>14</sup> Fowler (1997)

<sup>15</sup> Fowler (2004)

<sup>16</sup> Fowler (1997)

<sup>17</sup> From the lowest to the highest level, possible collaboration types are networks, alliances, consortium, coalition, and coordination.

<sup>18</sup> Ibid.

<sup>19</sup> IRDP: Integrated Rural Development Program

<sup>20</sup> Fisher (1998)

<sup>21</sup> Examples are fair trade campaign with Starbucks coffee, microfinance programs with banks, etc.

<sup>22</sup> Edwards and Hulme (1998)

<sup>23</sup> Fisher (1998)

<sup>24</sup> Fowler (1997)

<sup>25</sup> Ibid.

<sup>26</sup> Fisher (1998)

<sup>27</sup> Fowler (1997)

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