

## **Trends in UK NGOs: a research note.<sup>1</sup>**

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### ***Context***

There is an on-going research project into UK NGOs, which includes their relationships with their donors in the UK, and the ways in which they engage with their field offices or partners in two countries in Africa- South Africa and Uganda. The core purpose of the research is to see what drives the changing ways in which UK NGOs work as evidenced through their policies and aid disbursement procedures. Are their evolving approaches having, or are they likely to have, a positive impact on their goals of reducing poverty, building strong local civil societies, promoting participation and addressing inequalities.

The canvas is broad and the data is plentiful. There are emerging case studies of the European context, key UK donors and over 15 UK NGOs of different sizes and ideologies. There are contextual studies in Uganda and South Africa and a growing set of case studies that both sit within their own donor and political context and relate back to UK donors and NGOs. The study is producing a wealth of detailed research and analysis, challenging to conceptualise and pull together into a clear and coherent 'story of our times'.

There are, however, some broad but critical issues emerging that need presenting to donors and the NGO sector sooner rather than later. The purpose here is to highlight some of the strongest generic findings that are emerging from the UK research and the powerful implications they have for development management and practice. These are outlined here.

### ***Changing donor patterns***

Previous research highlighted the critical role of donors in shaping what UK NGOs do and they ways in which they do it, and this trend has increased in the past four years, though boards and chief executives do also play key roles in shaping the work of these agencies. Focusing on the donors, the context has changed significantly, and while this is commonly known the implications seem to have been little discussed or glossed over. Overall there is less donor funding available to support the agendas developed by UK NGOs. That shortfall is much larger than any new money being distributed now through direct funding to NGOs in the south, some of which- rightly or wrongly<sup>2</sup>- UK NGOs try to access in country. There are, however, increasing amounts of money available for UK NGOs through large contracts to directly implement the donor strategy in a country. These are often multi-million pound contracts from EU or DFID, accessed through tendering or other forms of selection, but primarily only open to large NGOs with incomes of over £20 million per annum and significant staff capacity.

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<sup>1</sup> Published in Development In Practice .....

<sup>2</sup> The ethics of northern NGOs competing directly with southern NGOs for direct funding in-country is a big issue for the research team, but one which is the subject of very muted debate and decision making in many UK NGOs.

The reasons for the cut back in available funding for development work, especially for smaller and medium sized NGOs, are many. These include the shift of DFID funding away from using NGOs as a key conduit of aid and returning to a focus on government funding, through budget support and sector wide funding, especially in much of sub-Saharan Africa. The Joint Funding Scheme was closed and the new Civil Society Challenge Fund has new criteria, which favour funding through partnership agreements with large (and more recently some few specialist NGOs) and smaller funding for NGOs that work with an advocacy and rights approach to development. The EU experienced a crisis of confidence and ceased funding for a year or more in 2000, and has resumed with a rolling programme of bids under themes they determine and advertise occasionally throughout the year. The timeline for applying is short and again it favours large, or coalitions of, NGOs. Many NGOs who received regular EU funding through the NGO budget now find themselves largely excluded from this funding.

The lottery funding, now known as the Community Fund, has fallen because of the fall in the popularity of the lottery itself in UK. The international programme especially has come under scrutiny and has been unable to maintain a constant fund over recent years. Comic Relief funding, in contrast, has risen and is becoming one of the only real alternative sources of funding for many small and medium sized NGOs, a cause of concern to CR itself. The money available from Foundations and small donor trust funds are all declining because of the fall in stock market values, and many NGOs have seen dramatic falls in the value of their reserves for the same reason.

There are many complexities within the funding regimes open to UK NGOs, and the shifts impact differently on NGOs according to their size, origins, and the focus of their work. The broad trend is a shift away from plentiful funding and NGO proliferation. Increasingly a number of NGOs find their backs to the walls with little room for manoeuvre and closures seem imminent.<sup>3</sup>

So what? Many have been predicting the demise of some NGOs, or the need for mergers and alliances for a long time now. Does it matter? The critical question arising from the research is not does it matter, but has anyone studied the implications of the demise of a range of medium sized UK NGOs? There has been little analysis of what they bring to development, nor why they should or should not continue. The research hints at some issues that require proper analysis, including their specific expertise often built up from years of experience, their often close working relations with partners who may feel less intimidated by them, their highly regulated use of their funds with no room for wastage or slack. Are they able to remain more value based and less 'corporate driven'? Do they use money more prudently? Do they work more equally with partners or not? Are they so donor dependent that they have lost their independence? These questions remain unanswered. Yet leaving these questions unexplored and allowing the possible demise of many NGOs in UK provides an clear example of what is seen repeatedly throughout the

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<sup>3</sup> A group of small and medium NGOs in UK has formed themselves into a group called Domingo to look at these problems and to explore ways of addressing them; Barings fund this work.

development sector: change is not based on an analysis of what works well and what does not but on changing theory and ideology.

The current dominant concern of many donors to cut transaction costs leads to contracting out and a bias towards working with fewer, large NGOs. The belief in competition means that NGOs are required to compete with the government and the private sector for money that in the past was channelled through the NGO sector. There does not appear to be any analysis of the costs of this approach in terms of time and energy invested versus success rates, nor is it clear how criteria for effectiveness are judged. The belief that advocacy is an essential aspect of all development work, or even the key tool for change now, results in a bias against those working with the poor directly.

This tightening donor context has many consequences. The key donors do not meet regularly to share their ideas systematically<sup>4</sup>, or to discuss changes in approach and implications for the NGO sector. This means that there is no clear donor position or conceptualisation on the role for the UK NGO sector in development. The impact may perhaps in some instances be intended and in others unexpected, what is clear is that the impact of changes made at donor level on the NGO sector is not analysed or planned for.

### ***Some key consequences***

As funding becomes tighter competition increases. Competition appears to exacerbate some of the existing deficiencies and problems in the NGO sector in the UK, and allows donors to increasingly set the agenda and funding conditionalities.

One of the most alarming consequences is the evident fear and secrecy within the entire 'aid chain'. These are strong words, but words that accurately describe many current relationships. The hall mark of doing research with NGOs is always that they request confidentiality, they do not wish to damage their image with either their donors or the wider public by sharing openly issues of failure and problems as well as successes. This situation has worsened. No-one wants to be identified directly with some of the critical issues emerging from the research. They fear incurring the displeasure of those who fund them. This is true for large, medium and small UK NGOs, it is also true for NGOs in Africa receiving funds from UK NGOs. At every level people will only open up and discuss their concerns and experiences if they are guaranteed anonymity.

This reveals a cancer at the heart of the process, a lack of openness and trust in these relationships between the funded and the funders at each level. Of course there are some few exceptions, where the relationships of trust and confidence allow for open discussion and dialogue. But as a working rule the hallmark is secrecy and not wanting to be seen to challenge or rock the boat.

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<sup>4</sup> Intrac have facilitated two international donor workshops in UK, Development Initiatives hosted a global workshop of donors for DFID in 2000, and this research project has facilitated two small donor workshops. Bi-lateral meetings take place and there are continuing attempts to meet more regularly on the part of some UK donors.

This has major implications when it comes to understanding the nature of these relationships around other issues beyond funding, and for learning. And if learning is seriously impeded by the fear of losing funding, then sharing real information, warts and all, closes down, and relationships are characterised by the desire to meet all the donor demands without explaining problems encountered or challenging donor paradigms or procedures.

One result of this is seen in the mushrooming of claims that NGOs make about what they can do with relatively small amounts of money. They have to be able to work at several levels, to do hands-on work and advocacy, to make linkages, to network, to build organisations, to promote partnership in order to secure an income. There is an upward spiral of claims in order to access scarce funding and then reporting becomes a process of proving these claims were met. Another is the adoption of donor tools, again uncritically. While the impact of many of these tools has never been undertaken (and in a way this research is the start of an analysis of how these tools shape development thinking) they have been freely embraced. Indeed they are often at the heart of the training and capacity building programmes undertaken by UK NGOs in the south.

These factors combine to make NGOs secretive and often uncritical of their own and donor practice. Their critiques of donor conditionalities remain largely unvoiced<sup>5</sup>, the questions raised by their southern partners are often not passed on to their donors. Evaluations or learning that raise real question marks over their ability to meet all their aims, or which highlight real weaknesses in their organisational processes or development work are not shared. While the World Bank places highly critical evaluations and reviews on its website, NGOs feel they cannot afford to be so open; their continued existence or growth depends on keeping up the cycle of rising claims and evidence of meeting them. The growing reporting requirements increase this pressure to show in a positive light everything that has been done.

The cuts in accessible funding for many, the rise in contracting for others, the steep rise in demands for detailed project planning and reporting, for strategic thinking and accountability, for demonstrating achievements against claims laid out in project documents combine to make NGOs work hard to meet these multiple requirements. In the process of fund-raising and reporting they become highly dependent on their donors and the donors goodwill. The growing demands of the donors increasingly dominate the UK NGO landscape. There are several serious implications of this, which appear relatively unexplored by either the NGOs or their donors.

The focus on donors and donor requirements weighs heavily and risks taking more time and energy than the time spent listening to and responding to the needs of those the NGOs work with. They face dilemmas hard to solve when the needs and perspectives of those they want to support clash with those of

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<sup>5</sup> There are some exceptions where agencies come together to input into donor debates or to question donor procedures. But the voices are infrequent and muted even around issues such as the development effectiveness review of DFID's work, or the lack of support they feel from the Secretary of State for development.

their donors, and different NGOs feel and handle these tensions and contradictions at different levels. Detailed donor demands for reporting are passed down to the next level, as are the onerous budgeting requirements. What is true for the majority of UK NGOs in relation to their donors, then becomes true at the next level when they become the donors passing on these demands to the southern organisations they work with.

The research does not deny the agency of individuals and NGOs within this wider context, but these are some of the startling findings that appear to be largely shaping the current work of UK NGOs, and relations between funders and those they fund. These must be well understood and even, perhaps, challenged by those who do perceive a future role of NGOs, in the UK and in the south, in promoting positive change and long term development processes.

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**3<sup>rd</sup> December 2002.**