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## WORKING PAPER SERIES

Managing Non-Governmental  
Development Organisations: The  
Case of Australia

Ruth Kiraka

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# MANAGING NON-GOVERNMENTAL DEVELOPMENT ORGANISATIONS: THE CASE OF AUSTRALIA

*Ruth N. Kiraka*

## **Abstract**

*The Australian Non-Governmental Development Organisations (NGDO) sector is generally well developed, organised and managed. There exist clear lines of accountability to institutions such as the Australian Agency for International Development (AusAID) and the Australian Council for Overseas Aid (ACFOA). However, several challenges face the sector. Among these are: developing adequate governance and management systems with a focus on recipients of services; establishing professional and ethical fundraising strategies; delivering quality and sustainable development assistance; and developing advocacy and development education programs aimed at educating key stakeholders to ensure their continued support for NGDO work.*

## **1. Introduction**

The primary motivation for providing aid is founded on the humanitarian desire to help the disadvantaged communities in society. This also reflects Australia's national interest in the stable and equitable development of poorer nations of the world. Although it must accommodate emergency relief, the aid program is essentially about sustainable long-term development, not welfare (Simons, Hart and Walsh 1997, p. 11).

The official Australian aid program, valued at over \$1 billion a year is administered predominantly by the Australian Agency for International Development (AusAID). Aid is channeled through bilateral and multilateral programs in a number of forms, including project aid, student scholarships, food aid, emergency relief, contributions to international development agencies and funding for non-governmental development organisations (NGDOs). Australia's aid program is centered on the Asia-Pacific region, although aid is provided to a

number of countries outside this region, primarily in South Asia and Africa (Simons *et al.* 1997, p. 11).

This paper reviews the Australian overseas aid sector in general, and outlines the role of Australian Non-Governmental Development Organisations (NGDOs) in it.

## **2. *Rationale for Australia's Development Assistance***

In Australia, many global problems present a significant risk, to which it is especially vulnerable given its long coastline, sparse population and dependence on primary production. Problems such as environmental impacts, new human health epidemics, narcotics, plant and animal diseases pose increasing threats. It is in the interest of Australia to establish well-targeted development assistance programs that contribute to addressing such threats (Simons *et al.* 1997; ACFOA 1998). It is also in Australia's broad national interest to be recognised as a good international citizen and credible player on the world stage, and to be appreciated as a significant contributor to key international development policy debates (Simons *et al.* 1997, p. 32).

Additionally, Australia is one of only a few developed countries to be located in a region of developing countries. It is situated in a region where 75 per cent of the world's poorest people live (Australian Council for Overseas Aid [ACFOA] 1998). This fact highlights the links between the development of Australia's neighbours and its own prosperity and security. Economic, social and political development in the region have benefits for Australia both in the short- and longer-term. Amongst other things, it increases trade benefits for Australia and also diminishes the risk of conflict in which Australia could become embroiled and the associated risk of large-scale refugee movements (DAC 1996; Simons *et al.* 1997). Australian aid is therefore an investment in Australia's economic, environmental and political security. Helping to create healthy, educated, working communities in the region is an investment in potential markets for Australian goods (ACFOA 1998).

It is therefore fair to say that although overseas aid is principally humanitarian, its motivation is not wholly altruistic. Fostering greater regional and world security is in Australia's strategic and commercial interests (Simons *et al.* 1997, p. 33).

Within this rationale, Australian-based non-governmental development organisations serve as convenient channels for official assistance, working together with the Australian Agency for International Development (AusAID) to deliver Australia's aid. NGDOs make broad contributions to the development process. These include representing community views on aid policy and program issues, their contribution to the development of civil society and their ability to mobilise voluntary community contributions (Simons *et al.* 1997, p. 261).

The rest of this paper reviews the cooperation between AusAID and NGDOs, and the role and challenges of Australian NGDOs in international development.

### **3. *The Australian NGDO Community***

In 1995 there were about 120 non-governmental development organisations in Australia involved in raising funds to provide relief and assistance in developing countries (Industry Commission 1995a, p.143). In 2000, there were about 100 NGDOs providing significant assistance to developing countries and another 20 whose contribution was considered marginal or insignificant (ACFOA 2000f). The Industry Commission (1995) notes that while more agencies have been formed, others have closed down, thus the total number has remained largely unchanged. One striking aspect of the Australian NGDO community is its extreme diversity. NGDOs vary in size, scope, age, the kind of work they do and where, the kind of support they raise and from whom, and the way they deliver development assistance (McLeod 1991, p. 76).

Although it is diverse, the NGDO sector seems to be characterised by a few very large and many small organisations. The Australian public therefore tends to associate overseas aid with a few agencies – approximately twelve, with the

majority remaining largely unknown (Industry Commission, 1995a). Indeed, an ACFOA survey of NGDOs in 1999 showed that one agency, World Vision, raised more from public sources than 97 smaller agencies combined (ACFOA 2000a, p. 14).

The NGDO sector also has a strong relationship with the Federal Government through the Australian Agency for International Development (AusAID). The government channels some types of overseas aid through NGDOs because it considers that they can best deliver that aid. This is particularly so in countries where the Australian government cannot, or does not maintain official or diplomatic links (Industry Commission 1995a, p. 143).

### **3.1 Overview of Scope, Size and Trends**

A survey of 109 Australian NGDOs by the Australian Council for Overseas Aid (ACFOA) for calendar 1999 provided the following figures on the scope and size of the sector.

- \$264.6 million was raised by NGDOs from the Australian community;
- \$80.5million was received by NGDOs from AusAID, a decrease of \$7.1 million (8 per cent) over 1998. This figure represented 5.3 per cent of the total Australian aid program (\$1.5 billion);
- \$67.7million was received by Australian NGDOs from international sources including UN agencies, and development banks;
- 1,309 full time and part time staff were employed by NGDOs, an 8 per cent increase over 1998;
- 68,705 Australians contributed their volunteer skills and time to NGDOs in Australia;
- More than 2 million Australians gave their financial support to NGDOs in 1999, including 1.1 million who provided regular donations to overseas aid and development programs (ACFOA 2000a, p. 13).

By the same token, the NGDOs surveyed by ACFOA showed:

- \$290.3 million was disbursed to overseas aid and development activities and to direct project costs – an increase of 11 per cent over 1998;
- More than 2,668 separate projects were supported by NGDOs in 128 countries;
- 2,347 Australians were employed overseas or placed as volunteers by NGDOs in 46 countries, a decrease of 17 per cent over 1998 (ACFOA 2000a, p. 15).

These figures give a broad overview of the scope, size and trend of the NGDO sector in Australia. While in themselves they may appear to be a significant contribution, when viewed against the investments required (and occurring) in developing countries, it is but a modest contribution. In 1999-2000 for example, while Australia's total official development assistance was at \$1,651 million, NGDOs' contribution (that is, excluding funding from AusAID) was \$ 210 million (ACFOA 2000a; AusAID 2000b), or 11 per cent of the total financial contribution to developing countries. While this AusAID to NGDO contribution ratio has increased since the early 1990s when it was just 4 per cent (McLeod 1991), it is still a modest contribution compared to the growing needs and requests for assistance presented each year that NGDOs are unable to respond to. The intense disparity between what NGDOs would like to achieve, and the resources at their disposal, dictate that they must make hard choices as to the best use of those resources.

Viewed in the wider international development cooperation context, NGDO flows appear even smaller. In 1998, the net long-term capital flow to developing countries from 20 OECD countries was US\$ 275 billion, of which US\$ 227.1 billion was private capital. This was an increase from US\$ 43.9 billion in 1990. On the other hand, the Official Finance for Development – that includes concessional grants and loans, concessional bilateral and multilateral assistance, and non-concessional bilateral and multilateral assistance was at US\$ 47.9 billion in 1998, dropping from 56.9 in 1990 (Campodónico, 2000, pp. 7-8). In this context, NGDOs worldwide have generally continued to account for

no more than 4-5 per cent of capital flows, although there have been significant variations over the years (OECD 1995).

Consequently, Fowler (1997, p. 18) concurs with McLeod's (1991) argument that when it comes to investment in development in financial terms, NGDOs are and will probably continue to be minor players. This calls for a revised response to reflect their humility in what they can reasonably achieve, and a change in focus from poverty alleviation through direct projects, to gaining leverage on larger forces that contribute to poverty.

### **3.2 *Institutional Arrangements***

There are important institutional arrangements that determine or influence the functions and operations of Australian NGDOs. These arrangements comprise the Committee for Development Cooperation (CDC) and the Australian Council for Overseas Aid (ACFOA).

#### **3.2.1 *Committee for Development Cooperation (CDC)***

The CDC is a joint AusAID/NGDO advisory and consultative body made up of twelve members, six each from the NGDO community and from AusAID. While the CDC provides input into NGDO policy matters, it does not make decisions on such matters. These are taken by the Government, usually through a delegate within AusAID (AusAID 2000a).

The functions performed by the CDC relate to accreditation, development of standard scheme policy and documentation, and the operation of the AusAID-NGO Cooperation Program (ANCP) (AusAID 2000a).

For accreditation, the five most common functions are: advising on policy issues on the accreditation of Australian NGDOs; advising on criteria against which NGDOs are assessed; advising on procedures for assessing NGDOs; conducting organisation reviews of NGDOs; and assessing NGDOs for accreditation (AusAID 2000a).

For standard scheme documentation the most common function is advising on formats for applications, budgets and reporting (AusAID 2000a).

For the operation of the ANCP the four most common functions are: advising on policy affecting the ANCP; recommending rules and procedures for the ANCP; advising on annual Indicative Planning Figures<sup>1</sup> (IPFs); and assisting with the appraisal of development activities submitted for funding (AusAID 2000a).

### **3.2.2 Australian Council for Overseas Aid (ACFOA)**

The Australian Council for Overseas Aid (ACFOA) is a not for profit association of Australian NGDOs concerned primarily with cooperation in relief and international development with a view to promoting sustainable development and the eradication of poverty in developing countries (ACFOA 2000b, p. 1).

Established in 1965, ACFOA aims to respond to the urgent and expanding needs of people in many parts of the world for promotion and protection of human rights, and to provide a vehicle through which Australian NGDOs can contribute to development by sharing Australian resources and strengthening civil society. Through ACFOA, NGDOs are also able to relate to the Australian government more easily (ACFOA 2000b, p. 1).

The common objectives of all the members of ACFOA are to work on social and economic justice, respond appropriately to human needs, and promote conditions for sustainable development and the relief and eradication of poverty (ACFOA 2000b, p.1).

Not all NGDOs are members of ACFOA. As at June 2001 there were 94 ACFOA members (ACFOA 2001a). To be members of ACFOA, NGDOs are expected to meet the following eligibility criteria. They should be Australian, voluntary, not-for-profit organisations, involved in activities in the fields of

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<sup>1</sup> Indicative Planning Figure (IPF) is the upper limit of funds that an NGDO may access through the ANCP in one financial year.



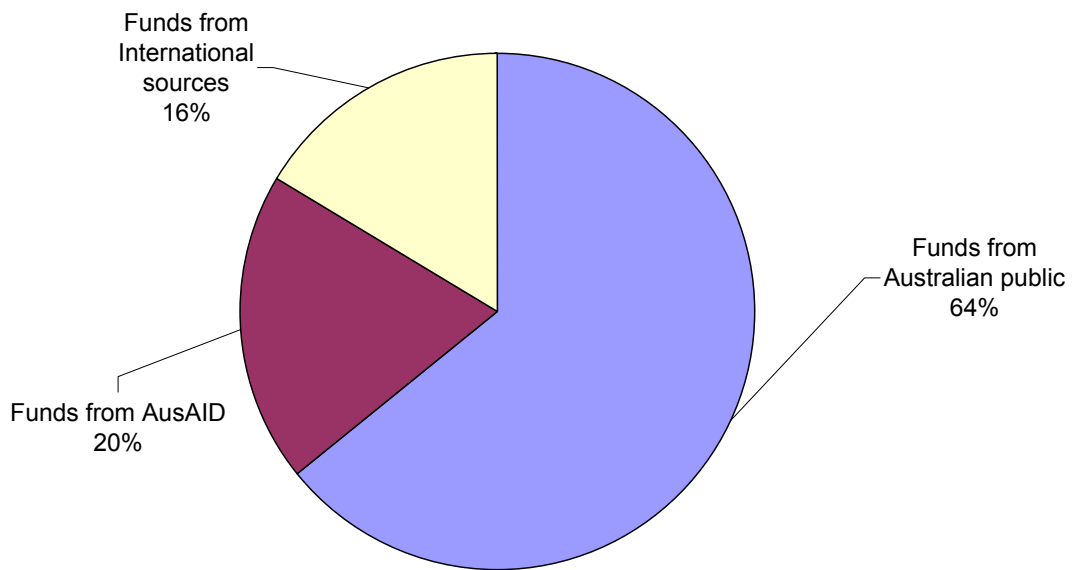
cooperation in international relief and development, development assistance, development education and/or related services in Australia that, are consistent with and supportive of the objectives of ACFOA. On becoming members, NGDOs must become signatories to the ACFOA Code of Conduct (ACFOA 2001b).

Those that do not wish to be members of ACFOA may also be associated with it by becoming signatories to the ACFOA Code of Conduct. For an organisation to become a signatory to the ACFOA Code of Conduct it must be an Australian, voluntary, not-for-profit organisation (ACFOA, 2001b). As at March 2001, there were 31 agencies that were signatories to the Code, but not members of ACFOA (ACFOA 2001c).

The ACFOA Code of Conduct is based on the principles of industry self-regulation. It defines standards of governance, management, financial control and reporting with which NGDOs should comply and identifies mechanisms to ensure accountability in NGDO use of public monies (ACFOA 2000c, p. 4).

### **3.3 Sources of Support for Australian NGDOs**

From the overview of their scope and size, it is evident that NGDOs receive support from three main sources: the Australian public, the Australian government and international agencies. Figure 1 below shows the contribution made by each of these main funding sources to NGDOs in 1999, according to the ACFOA survey of 109 NGDOs.



**Figure 1: NGDO Funding Sources**

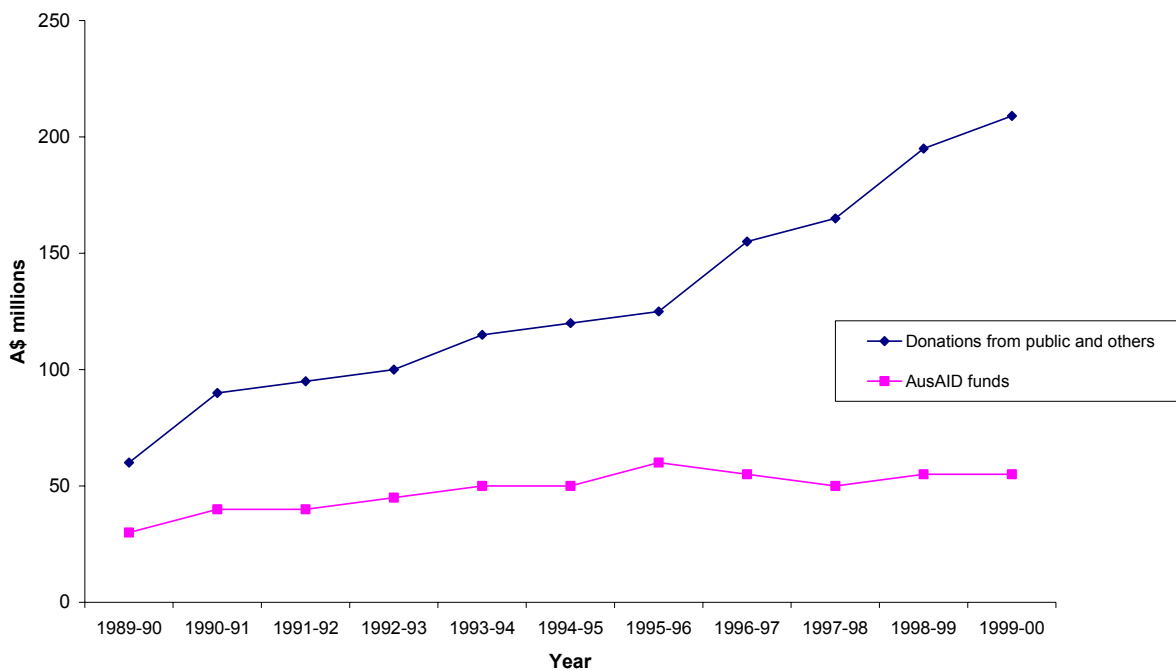
Data source: ACFOA 2000a, p. 13

The corporate sector is also becoming increasingly involved in overseas aid (Downer 1999, p. 11). The next section reviews how each of these sources support Australian NGDOs.

### ***3.3.1 The Australian Community***

The Australian community supports overseas aid agencies in a variety of ways, providing financial support and volunteering time and expertise to numerous NGDO activities, both in Australia and overseas.

In 1999 \$264.6 million was raised by NGDOs from the Australian community, an increase of \$48.5 million (22 per cent) over 1998 (ACFOA 2000a, p. 13). Figure 2 below shows the trends in Australian community support of NGDOs.



**Figure 2: Trends in funding to NGOs**

Source: Adapted from AFCOA 2000a, p. 15

Over the last ten years, support for overseas aid from the Australian community has continued to increase, more so in the last five years. Their support is further evidenced by the AusAID/ACFOA Australian public opinion survey conducted in 1998 that showed that 84 per cent of respondents supported overseas aid.

### **3.3.2 The Australian Government**

The Australian government supports and funds NGDO work as an acknowledgement of their significant contribution (AusAID 2000b). However, as seen from Figure 2, the total financial flows from the Australian Government to NGDOs have remained relatively static over the past ten years.

According to Simons *et al.* (1997, p. 266) NGDOs have a special role to play in the Australian official aid program because of their special characteristics. First, NGDOs are an expression of community interest in overseas development and bring to their cooperation with AusAID considerable public support and voluntary contributions. Second, as community organisations, NGDOs have a

unique part to play in representing community views on the direction and management of the official aid program and in promoting community awareness about development issues.

Third, their independent, non-governmental status means they are able to make an important contribution to the growth of civil society in recipient countries, particularly in building the capacities of indigenous NGOs. Fourth, NGOs often have long-established working partnerships with community groups in recipient countries, which enables AusAID to support small scale community level activities, and engender long term commitment by recipient communities to such projects. Fifth, as independent development organisations they can act as conduits for the provision of assistance in areas where direct government-to-government assistance may be difficult or inappropriate.

NGOs also often have greater flexibility in their operations, and are a major source of innovation on development cooperation programs. They also have special skills in areas such as participatory approaches to development, micro-enterprise development, appropriate technology, and capacity building for community groups (Simons *et al.* 1997, p. 266).

For these reasons NGOs can and do make a valuable contribution to the official aid program, making the AusAID-NGO cooperation effective in achieving quality aid outcomes and extending the aid program to the communities with which NGOs work (Downer 1999, p. 5).

In addition to direct financial support to NGOs, the Australian government supports the work of NGOs by providing tax deductibility status to NGOs for gifts towards development work, thereby encouraging supporters to continue making contributions, and by providing income tax exemptions (AusAID 2000a).

The Australian government perceives the role of NGOs in the aid program to be twofold:

*Delivering Australian aid:* NGDOs have expertise and experience in a range of development activities and sectors. They also use their strong links in developing countries to effectively engage local communities in development activities. The Australian Government recognises that these situations make a practical contribution to quality aid outcomes (Downer 1999, p. 7).

*Policy dialogue:* A key mechanism for dialogue is the Committee for Development Cooperation (CDC) which is a joint consultative body with representatives from AusAID, NGDOs and ACFOA. The CDC debates on policy issues relating to NGDO accreditation and operations of NGDO programs. Additionally, NGDOs with specialist expertise and experience in specific countries and sectors act as consultants advising the government on its aid program. NGDOs are also represented in the Minister for Foreign Affairs' Aid Advisory Council. The Council discusses key policy issues (Downer 1999, p. 7).

### ***Financial support provided by AusAID***

Accredited Australian NGDOs can obtain funding from AusAID through various schemes – the AusAID NGO Cooperation Program (ANCP), AusAID NGO Country and Regional Program Windows, and the Humanitarian Relief Programs. Before discussing how these funding arrangements operate, a brief overview of the accreditation process is warranted.

### ***The Accreditation Process***

The accreditation process aims to provide AusAID and the Australian public with confidence that the Australian Government is funding professional, well managed, community based organisations, that are capable of delivering quality development outcomes. Accreditation acts as a front-end risk management process and ensures accountable use of funding with minimal activity overview by AusAID (AusAID 2000a, p. 9).

Accreditation is an assessment of an NGDO's capacity to appraise, manage, report on, and be accountable for developmental activities, competently and independently (AusAID 2000a). There are two levels of accreditation – base and full accreditation. The differences between the two accreditation levels relate to the number of indicators against which assessment is made, with full accreditation having more indicators with regard to development experience and philosophies, linkage with the Australian community, and management and financial systems (AusAID 2000a, p. 139).

There are two components to the accreditation process. The first is an Organisation Review Process that assesses the NGDO's management capacity, structure, systems, operations, philosophies and linkages with the Australian community. The second is a Financial System Assessment (FSA), which assesses the NGDO's ability to comply with the Umbrella Contract – that is the legal document that sets out the relationship between an accredited NGDO and AusAID (AusAID 2000a, p. 11).

The Organisation Review Process is an important tool for both NGDOs and AusAID as it enables the Committee for Development Cooperation (CDC) to make recommendations on accreditation and serves as a learning tool for NGDOs. It also provides the CDC and AusAID with a better understanding of many aspects of NGDO operations, including those not related to AusAID funding, and assists AusAID to assess the risk associated with providing grants to NGDOs (AusAID 2000a, p. 11).

For NGDOs seeking only base accreditation, the Organisation Review Process consists of two stages – Desk Assessment (DA) and an Organisation Review in Australia (ORA). The Desk Assessment reviews an NGDO's operations, systems and capacities. The ORA provides an opportunity for discussion between the NGDO and the review team, and also reviews the NGDO profile, files, records and other documents including project documents held by both the NGDO and AusAID (AusAID 2000a, pp. 14-15).

NGDOs applying for full accreditation must meet all the criteria for base accreditation as well as additional criteria specific to full accreditation. They must also complete a third stage of the Organisation Review Process – an Organisation Review Overseas (ORO). The ORO involves an in-country review including a review of relevant records held by an NGDO's partner organisations in overseas countries, and discussions as appropriate with other donors, recipient government, management and staff of partner organisations, and the Australian Embassy or High Commission (AusAID 2000a, p.15).

The Financial Systems Assessment (FSA) is submitted to AusAID every five years by an NGDO. The assessment is conducted by the external auditors of the NGDO (AusAID 2000a, p. 17). Other accreditation criteria include being a signatory to the ACFOA Code of Conduct (for all NGDOs), and adhering to the principles of the International Red Cross and Red Crescent Movement Code of Conduct (for NGDOs interested in accessing funds for humanitarian relief work).

Aid agencies must reapply for re-accreditation every five years (AusAID, 2000a). To maintain current accreditation, an aid agency must submit to AusAID its annual report and audited financial statement within five months of the end of the agency's financial year. It must also draw funds from AusAID at least every second financial year (AusAID 2000a, p. 139).

Since the reformation of funding mechanisms in November 1997 to include this more rigorous accreditation process, the number of accredited NGDOs has decreased. Accredited NGDOs dropped from 93 in November 1997, to 68 in July 1998 (Australian National Audit Office [ANAO] 1998, p. 28). In 2001, there were 53 accredited NGDOs, with 20 having the base accreditation status and 33 having the full accreditation status (although 3 of these had provisional accreditation status) (AusAID 2001b).

AusAID staff have expressed concern on the accreditation arrangements which appear to have a strong emphasis on the NGDO's capacity to manage and report on aid activities, and insufficient emphasis on the achievement of activity outcomes. The ANAO recommends that the accreditation arrangements give

due consideration to an NGDO's success in achieving activity outcomes – a recommendation that AusAID plans to take on board in future revisions to the process (ANAO 1998, pp. 31-32).

### ***The AusAID Funding Schemes***

The implication of the two levels of accreditation becomes apparent when accessing funding through the AusAID schemes. These differences are presented in Table 1 below.

**Table 1: Funding available to aid agencies as determined by the accreditation level**

<b>Scheme</b>	<b>Base Accreditation Funding Eligibility</b>	<b>Full Accreditation Funding Eligibility</b>
<b>AusAID NGO Cooperation Program (ANCP)</b>	Limit set by annual Indicative Planning Figure (IPF), currently \$50,000 maximum per NGDO per annum. Minimum of \$5,000 per activity per year.	Limit set by annual Indicative Planning Figure (IPF).  No maximum or minimum on activities.
<b>Country and Regional Windows</b>	\$30,000 minimum per activity per annum \$100,000 maximum per activity per annum	\$ 30,000 minimum per activity per annum. No maximum.
<b>Humanitarian Relief Program Relief and Rehabilitation</b>	Not eligible	\$150,000 minimum per activity per annum.  No maximum.
<b>Humanitarian Relief Program Rapid Response Assistance</b>	\$30,000 minimum per activity per annum \$100,000 maximum per activity per annum	\$ 30,000 minimum per activity per annum. No maximum.

Source: AusAID 2000a, p. 10.

As this paper focuses on long-term development activities (as opposed to humanitarian relief activities), the last two schemes will not be discussed. A brief description of the first two schemes is presented.



**AusAID NGO Cooperation Program (ANCP):** The ANCP is a matching grant scheme, designed to supplement rather than replace NGDO fundraising activities. Funding is provided to base accredited NGDOs on a 1:1 matching basis, that is, for every dollar contributed by the NGDO to an activity, the ANCP contributes one dollar, up to the Indicative Planning Figure (IPF). For full accredited NGDOs, funding is provided on a 3:1 matching basis, that is three dollars of the ANCP for every dollar contributed by the NGDO, up to the IPF (AusAID 2000a).

Base accredited agencies are funded for projects, while full accredited ones are funded for annual development plans (APD). For purposes of funding, projects are defined as sets of activities with identifiable objectives, outputs, time frames and implementation plans. Projects may be funded on a single year or multi-year basis with a maximum time frame of three years (AusAID 2000a, p. 88). Continued funding for multi-year projects is dependent upon the ANCP budget allocation, and on satisfactory progress and timely reporting (AusAID 2000a, p. 88).

The ADP to be submitted by a full accredited NGDO is an annual plan of development activities – that is, one or more projects and/or programs. The ADP provides AusAID with performance information on progress of ANCP funded activities while giving NGDOs considerable flexibility to manage the implementation and funding of their portfolio on ANCP supported activities (AusAID 2000a, p. 92).

For all NGDOs, unused ANCP allocations cannot be carried over to the next year. They are redistributed by AusAID to ensure the maximum amount of ANCP funding is reasonably used for development activities by the end of the financial year (AusAID 2000a).

**Country and Regional Windows:** Sometimes funding may be available for NGDO projects on a country or regional basis. Such funding, unlike the ANCP, is provided through a competitive panel selection process (AusAID 2000a, p. 103).

### **3.3.3 International agencies**

In 1999 Australian NGDOs raised \$67.7million from international sources including the UN agencies and development banks, an increase of \$15.8 million (or 23 per cent) over 1998 (ACFOA 2000a, p. 13).

Fowler (1997, p. 137) notes that the sourcing of funds from multilateral agencies is not without its challenges. Basic pre-conditions for collaboration between NGDOs and UN agencies, for example, need to be constructed, as they do not exist. These include processes in decision-making, motivations, incentives, reward systems, organisational performance measures, and theories, beliefs and policies about development. Dealing with these differences and establishing some practical inter-organisational working relationships requires an investment in time and energy by NGDOs, which many may lack.

However, as shown in Figure 1, Australian NGDOs sourced 16 per cent of their funding from international agencies in 1999. Thus, those agencies for whom these sources represent a significant part of their income may choose to continue mobilising resources this way, while others may increasingly adopt this method. Caution, however, needs to be exercised to avoid being co-opted into multilateral agencies' policies, strategies and systems that may threaten the autonomy and identity of NGDOs, making them little more than an extension of the multilateral agencies (ACFOA 2000a).

### **3.3.4 Corporations**

Private corporations have in recent years become increasingly involved in overseas aid. Their roles vary, as they are both providers of goods and services as part of the aid program, and donors to Australian NGDOs. Corporations have also begun to work collaboratively with NGDOs, especially in cases where they may have common interests. Micro-enterprise development and health services are particularly significant sectors in this regard. There is recognition of the

distinct, often complementary skills of NGDOs and corporations, which when combined may result in improved development outcomes (Downer 1999, p 11).

#### **4. Key Issues for the Australian NGDO Sector**

In spite of what appears to be a well developed, organised and managed NGDO sector, Australian organisations continue to face multiple challenges that affect their functioning and performance. Among these are: fundraising difficulties caused by inconsistency in State regulations, accountability to donors and government, and a high level of government funding for directive programs compared to development work. Others relate to establishing performance measures and developing quality systems of service delivery (ACFOA 2000d; AusAID 2000b; Industry Commission 1995a; Simons *et al.* 1997). Lastly, they are also faced with the challenge of developing and maintaining capabilities in the following four dimensions.

First, they need to strengthen their capabilities to carry out functions according to their missions. Second they need to strengthen their capacity to mobilise and use a mix of resources and account appropriately to the various donors. Third, they need to establish well-defined relationships with government and other multilateral agencies so that they remain reasonably autonomous and distinct, while benefiting from these institutions. Fourth, they need to collaborate with each other and with other development assistance agencies for effective service delivery (Industry Commission 1995; ACFOA 1998; 1999; 2000d; AusAID 2000b).

The following paragraphs discuss in detail some of the major capability challenges facing the Australian NGDO sector.

##### **4.1 Governance and Management**

Hudson (1999, p. 22) notes that a distinguishing management feature of NGDOs is the weak link between providers of funds and service users. The consequence is that it is easy to have vague objectives, impact is hard to

measure, management structures are intricate, and the bottom line is not well defined. The management challenge presented by these circumstances is being manifested in Australian NGDOs in various ways.

***Governance and good management:*** Within AusAID there have been a series of substantial changes aimed at improving the quality of the aid program. These include changes in organisational structure, the development of field operating manuals, guidelines and training packages to up-grade staff capacity, and a deliberate move towards a results-based management culture. Key result areas have also been defined relating to the five priority sectors – health, education, agriculture and rural development, infrastructure and effective governance of developing countries' social and economic resources (DAC 2000).

Similarly, AusAID has extended these governance issues to its cooperation with NGDOs. To receive funding from AusAID for example, Australian NGDOs must adhere to the ACFOA Code of Conduct, demonstrate continued support from the Australian community – as indicated by public donations of at least \$30,000 annually, and maintain their accreditation with AusAID. These measures are aimed at promoting NGDO standards of governance, management, financial control, reporting, delivery of services and support from the Australian public (DAC 2000).

While the good governance measures that have been put in place have contributed to reduced regulatory inspection to ensure compliance with requirements, and constant monitoring by various levels of government, the resources required to ensure compliance have resulted in some NGDOs being unable to maintain accreditation. As noted previously, the number of accredited NGDOs has declined since 1997, begging the question by some segments of the sector as to the appropriateness of some of the requirements, and the extensive use of resources for this function (ANAO 1998).

***Evaluation and Performance:*** Together with the governance and management issues, there have been increasing questions, especially in the lack of documented evidence, as to the capabilities of NGDOs to deliver development

assistance. As such, NGOs have been the subject of increasing criticism from scholars and practitioners with growing pressure to prove the claims made by them and others (Adair 1999; Fowler 2000; Holloway 1998).

Various forms of evaluation are essential to comprehend the extent to which NGO claimed capabilities are realised. In their cooperation with AusAID, NGOs have numerous indicators to assess performance in the various funding schemes. A proportion of funding provided for an activity (no more than five per cent) may be used on evaluation activities, where the project cost is over \$100,000 (AusAID 2000a). However, these evaluation activities have focused heavily on outputs and outcomes, and not given nearly enough attention to impact assessments. A need to look into the long-term effect of development work is essential, as is suggested by the NGOs preferred term “long-term” development assistance (Kruse *et al.* 1997).

Simons *et al.* (1997, p. 268) further suggest that AusAID also conduct thematic studies into NGO capabilities, while encouraging NGOs to undertake more frequent independent assessments of their own performance on both organisational aspects and project activities.

The Australian aid sector is gradually moving from using project evaluations as their prime vehicle for providing feedback to a focus on assisted self-evaluation of policy and capabilities to guide adjustments during all the project cycle. Self-evaluation requires expert guidance and sufficient time and resources to ensure that the system works and is used consistently in decision-making (DAC 2000).

## **4.2 Fundraising**

The predominant resource transfer role to developing countries (Sogge 1996; Fowler 1997; Streeten 1997) makes fundraising one of the more important functions of NGOs. Three challenges have been identified in this regard – their financial independence, professional and ethical fundraising, and the difficulty and cost in adhering to fundraising regulations across Australian States and Territories.

**Financial independence:** For the more than 90 NGDOs that are members of ACFOA, the proportion of their overseas aid funds derived from AusAID rose from 30 per cent in 1990 to 49 per cent in 1995. While this has decreased to about 20 per cent in 1999 (ACFOA 2000a), it has prompted concern about the increasing reliance of NGDOs on government funds, and whether this reliance is having an impact on the independence of NGDOs in a broader sense (Simons *et al.* 1997, p. 272). According to ACFOA though,

There is no evidence to suggest that NGOs as organisations are becoming increasingly dependent on AusAID nor that they are in danger of losing their identity as NGOs. NGOs have maintained their critical tension with the Australian Government despite the increase in Government funding (ACFOA 1997, cited in Simons *et al.* 1997, p. 272).

However, Simons *et al.* (1997) note that while there may be no evidence to suggest a threat to independence, there still exists the potential risks to autonomy and to the NGDOs' ability to represent community views on official aid. However, these risks can be resisted by maintaining strong governing bodies and a firm commitment to values.

**Professional and ethical fundraising:** Coupled with the issue of financial independence, is the question of ethics and professionalism in fundraising. A fundamental problem for the sector is that the resource base on which it operates is too small to enable it to deliver the services communities need. Most NGDOs receive funding from two sources – public donations and the Federal government. Some also receive revenue from international agencies such as UN agencies and the World Bank. This resource base is insufficient to meet the growing needs of NGDOs and target beneficiaries (ACFOA 2000a).

The result has been widespread and severe competition within the sector to raise funds resulting in NGDOs adopting some fundraising techniques to attract high levels of public support, such as media advertising. This competition is heightened by the fact that the overseas aid sector is competing for resources

with Community Social Welfare Organisations (CSWOs) and other private sector organisations whose operations are targeted to the Australian community. In a sense therefore, there is competition and a choice between giving resources for overseas versus domestic service provision (Industry Commission 1995a, 1995b).

The Industry Commission – Australia (1995a, p. 238), raises concern that these fundraising techniques seem to contribute to increased fundraising costs, and redistribution of donations within the sector, rather than any real growth in financial support for the sector as a whole. Public nuisance resulting from too many fundraising appeals may even reduce donor contributions. The Commission suggests that fundraising efficiency of the sector may be improved by controlling competition for the donor dollar. This may be done by limiting participation or entry to certain fundraising activities, and encouraging cooperation through a combined approach to fundraising.

NGDOs have been particularly innovative in finding ways to raise support, by launching campaigns that people can identify with, and contribute to each year. The 'Walk Against Want' by Community Aid Abroad, and '40-hour Famine' by World Vision have been praised as some examples of professional and innovative fundraising campaigns. These campaigns not only involve donors personally, but to also raise resources without being a public nuisance, both characteristics resulting in increased giving (Industry Commission 1995a). It is not surprising therefore that these two agencies represent a significant portion of funds contributed by the Australian community to the overseas aid sector.

Ethical questions have, however, been raised with regard to hard-hitting images used in fundraising campaigns to demonstrate desperation, starvation and death. Hudson (1999, p. 122) refers to this as the fundraising dilemma – the hard-hitting campaigns might on the one hand raise more money, but on the other might increase a sense of incapacitation and dependency in target communities, thereby having long-term negative effects on development work. Advancing fundraising campaigns to address root causes of poverty – inequality, poor governance and policies, political and economic instability – has

a much deeper fundraising effect than simply addressing the manifestation of poverty – the starved and diseased children. That is the challenge for NGDOs.

Commercial activities, another source of funds, are a rapidly expanding phenomenon in the sector as well. NGDOs establish commercial businesses to raise funds for their development assistance activities. These undertakings often compete directly with for-profit entities, which raises the issue of competitive neutrality in that these NGDO enterprises may enjoy taxation advantages (Industry Commission 1995a, p. 149).

***Divergent regulations across Australian States and Territories:*** While the Industry Commission (1995a) has suggested cooperation between NGDOs in their fundraising ventures, NGDOs are regulated by incorporation requirements and State/Territory fundraising legislation. Most of them have a national charter, and are disadvantaged by interstate disparities and outmoded legislation. World Vision Australia estimates that its compliance costs for State fundraising legislation are at least \$1 million a year (Industry Commission 1995a, pp. 161-62). Amnesty International Australia stated:

A major problem for Amnesty International Australia (AIA) is the inability to run an Australia wide fundraising raffle...[on] advice from one of our major legal firms and it is clear that although AIA has a presence in all the State capitals and Canberra, State laws prevent a combined raffle (Industry Commission 1995a, p. 162).

Inconsistencies between States/Territories in matters such as reporting and record keeping requirements and limitations on authorisation to raise funds hinder the efficiency of Australia-wide fundraising by national NGDOs. The Industry Commission (1995b, p. 26) recommends that the Council of Australian Governments (COAGs) consider approaches to achieving greater efficiency and effectiveness in fundraising regulation among States/Territories. Two suggested approaches are the uniformity of legislation, and/or the mutual recognition of legislation.



### **4.3 Delivery of Development Assistance**

Overall strategies are required by aid agencies to ensure that their delivery of development assistance is consistent with their mission statements and that they provide the intended benefits to target groups. In this regard, questions about the effectiveness and quality of assistance, as well as the sustainability of project benefits have been of concern.

**Quality of development assistance:** AusAID defines quality of assistance as a demonstrable contribution to economically sound, socially equitable and environmentally sustainable growth. In addition, responsiveness, participation, consultation and partnership with target groups are important in design and delivery of aid programs, as are accountability, flexibility and efficiency (AusAID 2001a).

From the perspective of individual donors supporting Australian NGDOs, the quality of assistance is represented by the potential and reasonable expectation that donations and contributions will be used to address the needs of the poor and provide a sustainable benefit. Quality elements tend to lean towards empathy and responsiveness. ACFOA notes that the quality of overseas assistance centres on the definitions and measurements of aspects such as accountability, effectiveness and legitimacy of institutions and support, the outcomes of which are crucial for maintaining the continued public support of the Australian aid program (ACFOA 2000d, p. 34).

The concepts of flexibility and responsiveness in funding arrangements are central to quality. While the AusAID definition appears to embrace the concepts of flexibility and responsiveness, there is growing pressure on NGDOs by AusAID to ensure funds are expended according to pre-determined project budgets and schedules. This is the case even when there may be a good reason to delay or change the implementation of a project component, where it threatens to undermine the sustainability of the intervention. The question then becomes what flexibility and responsiveness mean for AusAID in practice (ACFOA 2000d).

There is need for NGDOs to clarify and define what they see as key dimensions of quality in their programs and projects, and come up with credible indicators and measures to assess those indicators. They also need to negotiate with key stakeholders, especially donors, so that these measures are acceptable to them. Focus should be outcome-based, with an emphasis on flexibility and a stronger commitment to meeting the needs of recipients, as opposed to those of the donor (ACFOA 2000d, p. 35).

On quality, ACFOA (2000d) also suggests that a continual improvement in quality of service delivery is contingent upon reflection and learning by all stakeholders. There is need to develop more open and intentional learning systems where lessons learnt can be incorporated into future interventions and funding mechanisms.

***A focus on sustainability:*** The generic guidelines for NGDO schemes require that NGDO activities must have a strategy to ensure the development outcomes will be sustainable by the end of the activity. They must also have strategies in place to strengthen counterpart organisations in developing countries so as to enable them to sustain activities after Australian assistance has ceased (AusAID 2000a, p. 228).

Sustainability is defined as the ability of a development activity to deliver substantial benefits for an extended period of time after financial, managerial and technical assistance from a donor ceases. The activity should be established and conducted in such a manner as not to erode the natural resource base and the natural environment in which it takes place. It must also not be dependent on organisational, financial and skills inputs which will not be available when a particular development activity is completed. Another component of sustainability is that the activity should aim to utilise the potential of all sections of a community, including women and the poor (AusAID 2000a, p. 228).

Whereas projects generally aim to achieve a satisfactory level of sustainability, this may not always be possible. Factors that may affect sustainability include government policies in the country in which the activity is being implemented, as well as the management of organisational and local participation in the activity. Other factors could include the financial, technological or socio-cultural factors, including gender, environmental and ecological factors of the community in which the activity is being implemented. Factors external to a project activity such as political instability, economic policies and natural disaster risks may also pose a threat to sustainability (AusAID 2000a, p. 228).

The challenge for NGDOs is to identify the defining criteria for sustainability, and work towards achieving it in the face of these multiple, sometimes conflicting factors and interests.

An interesting point to note here is that in mentioning the factors affecting sustainability, AusAID makes no mention of its policies, strategies, development priorities, and/or expectations, nor does it mention the policies and strategies of Australian NGDOs. The assumption made here appears to be that sustainability is affected only by factors within the country/community in which a project is being implemented. This is one area that calls for further research. The apparent skewness in perception with regard to success of projects needs to be addressed, and the positive (and negative) contributions of all actors acknowledged and examined.

#### **4.4 *Advocacy and Development Education***

As can be observed from the discussions, NGDOs interact with a variety of actors in governance, management, fundraising, and service delivery. While NGDOs continue with these functions, they also have a responsibility to consider and educate those actors whose actions, conditions and expectations negatively impact on their work as ignoring this function could result in undermining their work.

**Advocacy issues in relation to AusAID:** NGDOs have taken a responsibility to provide insights and advice into a number of areas relating to the Australian Government's aid policies and activities. First, has been advocacy for increased aid to developing countries. Australian NGDOs acknowledge with concern that the amount of Australia's official aid to developing countries has continued to decline, reaching an all-time low of 0.25 per cent of GNP in 1999-2000 (ACFOA 1999). NGDOs are advocating for a level of at least 0.28 per cent of the GNP (although this is much lower than the UN target of 0.7 per cent of GNP (ACFOA 2000e). In 1998 only four of twenty OECD countries had reached the UN target, with Australia in eleventh position (Randel, German and Ewing 2000, p. 5).

Second, with regard to a fairer distribution of funds, NGDOs note the apparent contradiction between Australia's 'needs-based' aid policy and the continued assistance to regions that do not represent the world's poorest. NGDOs are proposing a funding model that allows Australia to continue supporting East Asia and the Pacific, while allocating growth funds to the poorer regions of South Asia and Africa (Luke 2000, p. 43).

Third, given the recognition of their skills in terms of community-based programmes (Downer 1999; Simons *et al.* 1997), NGDOs have also been advocating for greater levels of financial support from the Australian Government to their work. Government funding to NGDOs has dropped by 13 per cent in real terms since the Howard Government came into office in 1996 (Luke 2000, p. 43). On average, only seven per cent of Australia's official development assistance goes to NGDOs, compared with an international average of 10 per cent (ACFOA 2000e, p. 18).

Fourth, has been the concern regarding imposing narrow economic models on the Pacific countries. Luke (2000, p. 43) notes that while improvements in economic governance are necessary for a number of Pacific economies, it is important that the strategies applied are owned by local people, are appropriate to each culture and economy and seek to ameliorate negative transitional effects. NGDOs are trying to bring a clearer focus on the significance of these issues.

Fifth, is the need to broaden the debate from aid policies to sustainable development. Aid agencies of governments and non-governmental organisations have focused substantially and rightly so, on aid policy. However, the challenge is to achieve policy coherence to promote sustainable development. It does little to give aid to the poor with one hand, while supporting unproductive expenditure with the other. The challenge for NGOs is to extend their expertise to unexplored, or only partially explored policy areas and to shift the balance of their work from simply funds transfer to advocacy work aimed at linking policy to practice (Wilson 1998, pp. 5-6).

***Public opinion and development education:*** A joint AusAID/ACFOA public opinion survey in 1998 found that 84 per cent of Australians supported foreign aid and were motivated by humanitarian concerns, but that support was fragile as understanding of issues was generally weak. Addressing issues relating to the reality of aid and public attitudes to it—development education—is therefore a high priority for NGOs (DAC 2000).

There has been much scepticism and uncertainty among both donors and recipients about the role and influence of aid in helping countries implement policies that foster sustained poverty reduction, growth and sustainable development. Part of the reason for scepticism is that the number of people living in absolute poverty continues to increase in developing countries in spite of development programs. Additionally, while some aid programs have made remarkable successes in targeting specific problems such as immunisation, agricultural production and population policies, there appears to be no systematic effect on either growth or policy change (Wilson 1998).

While the 1998 AusAID/ACFOA survey showed a high level of support for Australian aid, their level of belief in the effectiveness of aid is considerably lower. Sixty per cent of respondents claimed NGOs were effective while 46 per cent considered government aid to be effective. This doubt in aid effectiveness is consistent with polls conducted in other countries. In spite of high support for aid, there is high scepticism as to whether aid actually reaches

the intended target groups. This seeming contradiction is as a result of a mixed record of aid effectiveness, the images and information communicated to the public and a poor public understanding of development (Wilson 1998).

Consequently, Australian authorities have been making concerted efforts to educate the public about the aid programme. Activities range from outreach seminars, to providing information about business opportunities available through the aid program and mobilising NGDOs to inform their supporters of the significance of the aid program (DAC 2000).

But Wilson (1998) notes that the government is not doing nearly enough to address this issue. In fact, according to Wilson, Australia and other governments have dramatically curtailed their support of NGDOs for development education work, in spite of the low understanding of development among the public in donor countries. The intangible benefits of development education, coupled with the fact that it is targeted at the public in donor countries as opposed to that in developing countries, makes it particularly difficult to raise resources for. As a result, Australian NGDOs are faced with multiple challenges to address this crucial issue of development education.

First, is to present a case for increased support for development education from the Australian government. Second, is to understand and address the factors that contribute to the mixed public attitudes. Third, is to devise effective ways of increasing community understanding of development issues, and of the connection between the Australian public and international development. Fourth, is to reconcile the messages in their own fundraising campaigns because they too have contributed to confusion. Fifth, there is need to overcome competition and encourage cooperation between themselves in communicating development messages (Wilson 1998, pp. 7-8).

These matters need to be urgently addressed because long-term public support of overseas aid and NGDOs is dependent on a well-informed and educated public. NGDOs need that long-term support because as demonstrated in Figure 2, they raise most of their support from the public.

## 5. Conclusion

Clearly, the Australian NGDO sector is faced with a wide range of challenges now and in the future. Research is needed to examine how these divergent issues are influencing NGDO work and the mechanisms being established to enhance effective delivery of services and the achievement of program objectives. Key issues and implications for management can then be identified as a step towards developing a guide to good management practices for NGDOs.

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