

Helpdesk Research Report: Performance of Civil Society Organisations

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Query: What evidence exists of the relative cost effectiveness, efficiency, impact and quality demonstrated by civil society organisations, in comparison to the UN or profit-making organisations?

Enquirer: Policy and Research Division, DFID

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1. Overview

There is no clear consensus that civil society organisations necessarily perform better or worse than private sector, government, or multilateral organisations. Few studies make direct comparisons of performance, but those that do show mixed results. This is not surprising, considering the wide range of organisations and country contexts.

Civil society organisations (CSOs) are very diverse, including a broad range of informal and formal organisational forms from grassroots community organisations to local and international NGOs. Their functions include promoting political participation and accountability, developing social capital, enabling collective action, supporting the rights of citizens, and providing services to citizens. This report focuses primarily on the subset of civil society organisations formally organised as non-governmental organisations (NGOs), and on service delivery, which is the area most amenable to assessing organisational performance and the area in which civil society organisations, the private sector, and multilateral agencies are all active and can be most readily compared. However, even here performance data are scarce, as most NGOs have historically had limited capacity for monitoring and evaluation, and most publicly available information is project-oriented rather than organisational.

NGOs gained prominence as development actors in the mid-1980s because they were believed to have advantages in efficiency and effectiveness and because they fit well with dominant paradigms of shrinking and bypassing the state. An increasing proportion of development assistance was channelled through NGOs, and by the 1990s they were seen as 'the *preferred channel* for service provision in *deliberate substitution* for the state.' (Edwards and Hulme 1995) However, there was a lack of evidence to support belief in NGO efficiency. By the mid-1990s it was beginning to be admitted that 'there is no empirical study which demonstrates a general case that NGO provision is cheaper than public provision' (Edwards and Hulme 1995) and by the late 1990s more studies 'pointed to numerous ways in which development NGO performance fell well short of expectations in relation to performance, sustainability and impact.' (Lewis and Opoku-Mensah 2006)

Today, the consensus appears to be that NGOs do not necessarily have a consistent cost-effectiveness advantage over other types of organisations, although they are often

considered better at promoting participation. NGOs that have developed close relationships with international funding agencies or that operate on the large scale (e.g. nationally and internationally) may have lost some of the independence and flexibility that originally distinguished NGOs from other kinds of organisations. It is difficult to draw general conclusions, though, because there is wide variation among NGOs (as well as among private sector and state organisations) and because it is difficult to compare performance across different activities and country contexts.

2. Emerging critiques of NGOs

Agg, C., 2006, 'Trends in Government Support for Non-Governmental Organizations: Is the "Golden Age" of the NGO Behind Us?' Civil Society and Social Movements Programme Paper Number 23, United Nations Research Institute for Social Development (UNRISD)

[http://www.unrisd.org/UNRISD/website/document.nsf/ab82a6805797760f80256b4f005da1ab/e8bc05c1e4b8ad6fc12571d1002c4f0b/\\$FILE/Agg.pdf](http://www.unrisd.org/UNRISD/website/document.nsf/ab82a6805797760f80256b4f005da1ab/e8bc05c1e4b8ad6fc12571d1002c4f0b/$FILE/Agg.pdf)

This paper outlines the role of international NGOs in development policy, from their strong rise in importance in the 1980s to the present day. As large NGOs took on greater responsibilities and larger projects, they lost some of their initial advantages (being small-scale, non-bureaucratic and flexible), and the original justification of bypassing corrupt or inefficient states has been challenged on the grounds of legitimacy and accountability. Agg argues that the idea that NGOs are more cost-effective and better able to reach marginalised groups than government agencies 'has not been supported by any major study... there is no reason why states should not be equally competent service providers if they have the same level of subsidies from donors' (p. 24).

Shutt, C., 2009, 'Changing the World by Changing Ourselves: Reflections from a Bunch of BINGOs', IDS Practice Paper 3, Institute of Development Studies

<http://www.ids.ac.uk/download.cfm?file=pp3.pdf>

This paper discusses the changing roles of big international NGOs (BINGOs), and Chapter 4 discusses their supposed strengths along with emerging critiques and concerns. Shutt argues that 'the routes BINGOs have taken to carve out new roles for themselves and grow, largely due to the availability of increased aid budgets, makes some of their claims of independence and moral legitimacy untenable... INGOs that have decided to accept money from official donors and the corporate sector are viewed as having become part of the international aid system, an expression of the hegemonic political and economic projects of donor governments... their efforts to survive and grow have cost INGOs their distinctive identity.' (p. 15)

United Nations Research Institute for Social Development (UNRISD), 2000, 'Visible Hands: Responsibility for Social Development', UNRISD, Geneva.

<http://www.unrisd.org/80256B3C005BCCF9/%28httpAuxPages%29/BD5376B979D13E81C1256BDF004FB9A2?OpenDocument&panel=additional>

Civil society organisations, typically in the form of non-governmental development organisations (NGDOs), have taken on increasing responsibility for providing a wide range of basic services, but this report argues that there is little evidence to support the widely-held belief that they are more efficient than governments (chapter 6). Summarising various impact studies conducted before 2000, the authors point out the weaknesses of NGDOs in seven key areas:

- 'Reaching the poorest: Most NGDO projects do reach the poor, though not necessarily the poorest. There is still little evidence, however, that NGDOs are intrinsically better at reaching the poor than state services.
- Poverty reduction: NGDO projects in health, education and water supply alleviate poverty in the communities where they operate, but generally they do not significantly reduce it.
- Coverage: The scale of operations is limited and the coverage patchy. Moreover, NGDOs are often not very good at co-ordinating with each other or with the state.
- Quality: There is little evidence that NGDOs provide better-quality services than the state. What seems to matter more is which of the two has more money.
- Technical capacity: NGDOs perform better in sectors and sub-sectors where they have built up expertise—as in delivering local-level services. They have considerable capacity for innovation, experimentation and flexible adaptation of projects to suit local needs and conditions. They are less successful at more complex interventions such as integrated rural development.
- Cost-effectiveness: There is little evidence that NGDOs are inherently more cost-effective than the state. Small projects may be more efficient than larger ones, regardless of who is running them. One comparative study in India, for example, found that the costs of NGDO and state health services were broadly similar.
- Policy direction: One of the major concerns about relying on NGDOs for service provision is that they cannot provide a broader frame-work for action. Only a government can develop clear policy and regulation in fields like health and education.' (p. 95-96)

Degnbol-Martinussen, J., and Engberg-Pedersen, P., 2003, 'Aid: understanding international development cooperation', Zed Books

http://books.google.co.uk/books?id=2w0RM2P_egkC&lpg=PP1&pg=PA157#v=onepage&q=&f=false

NGOs became much more prominent in development cooperation in the 1980s, largely due to increased funding from official aid agencies, which was at least partly due to scepticism about working with governments in developing countries. NGOs were believed to have many advantages over states, including flexibility, idealism, close cooperation with beneficiaries, the ability to work in remote regions, independence from political influence, ability to experiment with alternative models, and cost-effectiveness. Many of these advantages are strongest in small-scale projects but difficult to maintain in large-scale operations, and some are shared by certain kinds of international agencies, especially UN agencies. (p. 157-159)

However, very few studies have directly compared NGOs with other aid organisations. The authors cite one 1996 study which noted that there were no major differences between NGOs and other organisations. 'NGOs were generally less bureaucratic and more flexible in methods of working, but the difference was not marked,' (p. 159) and the different types of organisations were similar in their participatory strategies, cooperation with target groups, working in remote areas, or learning from local partners.

3. Evaluations of civil society service provision

There are not many studies that explicitly compare civil society organisations' activities against similar activities undertaken by private sector, government, or multilateral agencies. There does not appear to be a clear consensus regarding whether one type of organisation is consistently better than another, but this is not surprising considering the wide range of possible types of organisations and country contexts.

Reinikka, R., and Svensson, J., 2003, 'Working for God? Evaluating Service Delivery of Religious Not-for-Profit Health Care Providers in Uganda', Policy Research Working Paper 3058, Development Research Group, The World Bank.

http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2003/06/30/000094946_03061804170194/Rendered/PDF/multi0page.pdf

This study of health care providers in Uganda finds that faith-based providers are significantly more cost-effective than other providers. The authors write that 'religious not-for-profit facilities hire qualified medical staff below the market wage. Moreover, religious not-for-profit facilities are more likely to provide pro-poor services and services with a public good element, and charge strictly lower prices for services than for-profit units. Religious not-for-profit and for-profit facilities both provide better quality care than their government counterparts, although government facilities have better equipment.' (p. 3)

Rose, P., 2007, 'NGO Provision of Basic Education: Alternative or Complementary Service Delivery to Support Access to the Excluded?' Create Pathways to Access Research Monograph No. 3, Centre for International Education, University of Sussex.

http://www.create-rpc.org/pdf_documents/PTA3.pdf

This paper examines the role of NGOs in education, which has changed from aiming to set up parallel, independent systems of education to playing a complementary role alongside the state system with the intention of supporting children's access to a state-provided education. Analysis of access, quality, and cost-effectiveness is difficult due to a lack of systematically-collected data and because of the challenge of comparing different contexts – for example, comparing remote locations which may be served by NGOs with towns served by the state system. However, a USAID study across eight countries indicates that alternative (NGO and community) education programmes show systematically better access and completion rates than the formal government system (p. 26). The study also shows that 'complementary education models are more cost-effective in terms of the amount of completion and learning for the resources spent, even though in some (for example, Ghana and Mali) the annual unit costs are higher than government schools – no doubt partly because the increased costs required in educating those who are most difficult to reach' (p. 27). However, it may not always be possible to replicate or scale up such apparent successes; for example, in Bangladesh an NGO school system relies on 'para-teachers working on a semi-voluntary basis' who are paid one-eighth the wage of teachers in government schools (p. 28), an arrangement which is unlikely to be sustainable on a large scale.

Oxfam, 2009, 'Blind Optimism: Challenging the Myths About Private Health Care in Poor Countries', Oxfam Briefing Paper 125.

http://www.oxfam.org.uk/resources/policy/health/downloads/bp125_blind_optimism_private_health_care.pdf

This paper argues strongly that publicly financed and delivered health care is both better quality and more equitable than private-sector health care. Civil society providers, the report says, 'have some inherent advantages over for-profit private ones, precisely because in the

same way as the public sector they are not motivated by profit' (p. 25). However, 'some reports have found that charities and mission hospitals are no more effective in terms of coverage and equity than state services. And CSOs can be prone to some of the same problems as for-profit providers, especially in terms of duplication and fragmentation, charging for services, accountability, and competing for public health professionals' (p. 25).

Lloyd, R., Warren, S., and Hammer, M., 2008, '2008 Global Accountability Report', One World Trust

http://www.oneworldtrust.org/index.php?option=com_docman&task=doc_view&gid=226&tmpl=component&format=raw&Itemid=55

Each year, One World Trust evaluates the accountability of 30 organisations from the inter-governmental (IGO), non-governmental (NGO), and corporate sectors on criteria of transparency, participation, evaluation / organisational learning, and complaint-handling. As the programme has been running for three years, 90 organisations have now been evaluated. 'Each year, the IGO sector has consistently scored highest in transparency and evaluation and the INGO sector has, by a large margin, scored highest in participation. Companies present a more mixed picture. While in 2006 and 2007 companies outperformed the other sectors in complaints handling, this year's results suggest that the picture is more nuanced and is partly dependent on where the company is headquartered.... Overall, the corporate sector lags behind the other sectors in its accountability capabilities.' (p. 6) However, the highest-scoring organisation in each sector typically performed twice as well as the lowest-scoring, indicating that the variation within sectors is as significant as the variation between sectors.

Ministry of Foreign Affairs, Norway, 2006, 'New Roles for Non-Governmental Organisations in Development Cooperation', Report of the Ministry of Foreign Affairs committee for the evaluation of non-governmental organisations as a channel in Norway's development cooperation, Government of Norway.

<http://www.regjeringen.no/upload/kilde/ud/rap/2006/0127/ddd/pdfv/289230-rattso-rapport-eng.pdf>

This report by an independent committee evaluates the role of NGOs in Norwegian development cooperation. The committee considered the cost-effectiveness of NGOs compared with multilateral and bilateral agencies but did not reach a firm conclusion: 'It is difficult to demonstrate clear-cut differences in the cost-effectiveness of different types of development actors. This conclusion applies in particular to the wide range of activities in the fields of human rights, civil society, democracy, and peace and reconciliation. Overlapping and inadequate coordination, particularly in emergency relief efforts, reduce cost-effectiveness considerably and make evaluation difficult. The committee is of the opinion that the difficulty of evaluating the results of activities is a greater problem than the cost level.' (p. 23)

The committee noted great diversity among NGOs and that supporting civil society in developing countries is particularly difficult because civil society must develop from within, rather than through external stimuli. Compared with government agencies, NGOs have greater flexibility, more relaxed security requirements, can often use low-cost local partners, mobilise volunteers, and raise funds through private donations. However, NGOs sometimes lack financial management expertise and suffer from poor coordination with other agencies working in the same locations, and large NGOs have large administrative overheads. Multilateral organisations are 'generally understood' (p. 24) to be more expensive than bilateral and NGO assistance and suffer from weaker financial controls, and recommended that multilateral channels not be used extensively in operational efforts, while acknowledging that multilaterals have a role to play in 'ensuring cooperation between donor countries and recipient countries and in the coordination of development cooperation.' (p. 24)

Bano, M., 2008, 'Non-Profit Education Providers vis-à-vis the Private Sector: Comparative Analysis of Non-Governmental Organizations and Traditional Voluntary Organizations in Pakistan', *Compare: A Journal of Comparative and International Education*, vol. 38.

<http://dx.doi.org/10.1080/03057920701420932>

This paper highlights the great diversity that can be found among civil society organizations. Surveying twenty non-profit education providers in Pakistan, it compares NGOs sponsored by international donors against 'Traditional Voluntary Organizations' (TVOs) that depend on domestic donations. Internationally-sponsored NGO schools were more informal, had worse infrastructure, employed child-centred pedagogy, had greater community participation, had more intensively trained teachers, and were less sustainable than TVOs. NGOs tended to be motivated by donor concerns, while TVOs were motivated by the need to link education to better livelihoods. The study concludes that the TVO model performed better in terms of improving the livelihood opportunities of the poor.

4. Evaluations of aid allocation by international NGOs

There have been some attempts to determine whether NGOs allocate resources more effectively (in terms of reaching people in greatest need) than multilateral or bilateral agencies. Of the three studies reported below, two conclude that international NGOs generally conform to the agendas of the governments that provide the majority of their funding, but the third suggests that sources of funding do not strongly affect allocation decisions.

Koch, D.-J., 2007, 'Geographical choices of aid agencies: Uncharted territories', *The Broker*, issue 3.

<http://www.thebrokeronline.eu/en/articles/Uncharted-territories>

Agencies including the UN, World Bank, DFID, and Netherland Ministry of Foreign Affairs argue that in fragile states where government capacity is weak and bilateral development assistance unworkable, aid can be effectively delivered through civil society or NGOs. However, Koch's analysis shows no link 'between the quality of governance in a country and the level of aid it receives from NGDOs. There is no distinction between the choices of countries by bilateral donors and NGDOs, in terms of the quality of governance. Thus the choices made by NGDOs contradict the expectations regarding their supposed added value in countries with bad governance. They focus on the same countries as bilateral donors.'

Nunnenkamp, P., Weingarth, J., and Weisser, J., 2008, 'Is NGO Aid Not So Different After All? Comparing the Allocation of Swiss Aid by Private and Official Donors,' *Kiel Institute for the World Economy*

http://www.globalpolicy.org/images/pdfs/KWP_1405_Version_final.pdf

It is generally believed that NGOs have closer relationships with the poor than official development agencies, and that their work is less affected by commercial and political interests. The authors analyse Swiss data on NGO aid allocation, noting that 'empirical evidence is extremely scarce' (p. 18) and conclude that NGOs are highly influenced by official aid agencies' agendas, even when allocating money that the NGOs have raised on their own, and are not as independent as is commonly believed. 'The allocation of self-financed NGO aid reveals striking similarities to the allocation of Swiss ODA... NGO aid is not generally more poverty oriented.' (p. 18) They conclude that aid would not necessarily be better targeted if NGOs had more resources, and that 'the incentives of NGOs to swim against the tide are weaker than widely believed, even when deciding on the allocation of their own resources.' (p. 19)

Nancy, G., and Yontcheva, B., 2006, 'Does NGO Aid Go to the Poor? Empirical Evidence from Europe', IMF Working Paper WP/06/39, International Monetary Fund.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=892930

This paper argues that poverty is the main determinant of European-based international NGOs' aid allocation decisions. The authors do not find a significant link between aid allocation and the national strategic or commercial interests of the NGOs' home countries, and conclude that the funding source does not strongly influence decisions. In addition to poverty, other factors that influence aid allocation vary by region: in the Middle East, less democratic and highlight militarised countries are less likely to benefit from aid; in the Western Hemisphere and the Middle East, low life expectancy increases the likelihood that NGOs will intervene. The authors conclude, 'on the whole, NGOs seem relatively immune to strategic interests and seem to keep up their promise of being advocates of the poor and vulnerable' (p. 16).

5. Additional information

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Websites visited

Google, Google Scholar, Eldis, INTRAC, Bond, LSE Centre for Civil Society, ESRC Non-Governmental Public Action Programme, Chronic Poverty Research Centre, BetterAid, GSDRC, aideffectiveness.org, cso-effectiveness.org.

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