



The largest alliance of U.S.-based international nongovernmental organizations focused on the world's poor and most vulnerable people.

Development Dialogue
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The Change We Seek: The Evolving Role of NGOs in a Shifting Aid Landscape

Introduction

Thank you for inviting me to speak with you this morning. Last year, I had an amazing opportunity to reflect on one of USAID's largest and longstanding partners in international development and humanitarian assistance – U.S. NGOs. What is the future role of U.S. NGOs? With fundamental shifts in the aid system, why should we continue to exist? How can we make a greater collective impact?

These are the questions I am working with our members and partners to answer at InterAction—an alliance of around 200 members NGOs that work in almost every country around the world. InterAction is a northern civil society actor, independent of our own government, with a mission that is focused on helping the poorest and most vulnerable people around the globe.

Our members specialize in a broad array of thematic sectors ranging from health, education and democracy, rights and governance issues to humanitarian efforts such as working with refugees or alleviating the effects of climate change. Some of our members operate with billion dollar budgets while others manage a staff of 5. But all are united by one common mission: making the world a more peaceful, just and prosperous place.

Roughly half of our members have decades-long partnership with the U.S. government, over 80% of InterAction members have strong relationships with the American public and also partner with the private sector. These partnerships include over 800 major corporations. Our members manage over \$18 billion a year. While the prevalent assumption is that U.S. NGOs tap ODA for most of their programs, in reality, 74% of all resources flowing to InterAction members do not come from the U.S. government. Collectively US NGOs are the 4th largest aid donor.



What are our Future Roles?

There are six areas where US NGOs will continue to add value for generations to come:

- Educate and influence the American people
- As a legitimate part of American civil society influence US government policy
- Implement programs around the world where nation states and markets do not function or where extreme inequality exists
- Build global civil society networks and institutions (flat, South-North, fully multinational entities)
- Protect civic space from governments
- Influence the evolution of global capitalism and markets.

A Changing Global Landscape

Progress Made

To most Americans, it is unbelievable that the world's poorest people are better off today than any time in history. Over the past 15 years, we have seen massive improvements in human wellbeing. Whether it is the stemming of hunger, reducing preventable diseases, dramatically curbing infant mortality or strengthening civic actors, NGOs and governments have contributed to tremendous improvement in human wellbeing. We must now build on this progress. But to do this, we must first understand the world we are operating in and the constantly shifting landscape.

Emerging Economies and Income Inequality

U.S. NGOs and partners work in two very distinct worlds. On the one hand, emerging economies now have the wealth to help their own poor. On the other, in fragile states, citizens struggle to survive with limited or no future prospects. In emerging economies, even poor ones, the private sector creates jobs. New social safety nets reduce extreme poverty. Effective policies and strong economic growth lifts millions out of abject poverty. Yet millions of people still live outside the formal economy or remain marginalized by history, entrenched in social classes, and corruption. Poverty is not merely a reflection of sluggish economic growth, or limited income; it also reflects a failure to address social and economic inequalities.

Failed and Fragile States

Then there is the other world. By 2020, half of the world's extremely poor people will live in fragile or failed states. People live with conflict, government repression and violent extremists. Governments lack the most basic capacity. Regimes intentionally prevent citizens from exercising their rights and complex emergencies continue to expand. We know that effective humanitarian and development investments can deliver results. In some cases international collaboration can help stabilize insecure environments. We know that in many it cannot. No one has figured out how to create large numbers of jobs in fragile environments. No one has figured out how to consistently improve the rights and dignity of marginalized groups. No one has figured out what to do when states fail.



So how is a Changing Aid Landscape Influencing US NGOs?

Rise of local resources and cooperation between emerging economies

Within this global landscape, there is also a shift in resources. Local resources in the \$ trillions far exceed any investments from aid agencies. Many INGO are going local with extensive local government, private sector and civil society partnerships.

While the traditional donor countries are the U.S. and European countries, aid from nontraditional countries is increasing. Cooperation between emerging countries is increasingly common. Brazil, Russia and China each grew their aid budgets by more than 20 percent in 2010. In 2013, China's foreign aid spending was \$6.4 billion while India's was \$1.3 billion. (Sources: [Lowy Institute](#); [Devex](#))

Increase in Private Spending

And multiple public and private donors are funding international and humanitarian assistance projects. Global private flows dwarf official aid. Foreign direct investment and remittances are by far the largest flows. Private philanthropy, remittances, and private capital flows make up 89% of U.S.'s net flows to other countries, while the U.S. government funds make up 11%. For decades, many NGOs relied on U.S. government funding as the primary revenue source. But as the percentage of U.S. government funds is decreasing and there is an increase in private philanthropy, in the 1990s US NGOs began to change their business models to tap new sources of revenue.

Disintermediation

There is also increasing disintermediation. Organizations that enable the U.S. public to transfer cash straight to the SIM cards of poor people in Tanzania, for example, do not require U.S. NGOs to act as an intermediary. NGOs must evaluate—what is their added value by working with communities in Tanzania if donors are giving directly to poor people? NGOs are assessing whether they can provide technical expertise that otherwise would not have been available; or whether they have the unique capacity to bring a successful program to scale.

The Evolving Role of U.S. NGOs

To find solutions to the many challenges we face, the world has committed to different frameworks from the Sustainable Development Goals and COP21 to the commitments made at The World Humanitarian Summit. They address not only issues directly related to poverty, but other aspects of human wellbeing, from the promotion of inclusive, sustainable economic growth, to peaceful societies.

So what is the role of civil society, or specifically, of U.S. NGOs in advancing these various global agendas and commitments? We all know that effective development is ultimately local, it is driven by market economies and government institutions, and shaped by civil society. Success is generating local capacity. It is about functioning governments, markets and societies. To some our goal as international nonprofits is to “work ourselves out of a



job.” Unfortunately, this is a limiting idea. Now, do not get me wrong, the Global South must manage its own development. Some forms of aid must end. But U.S. NGOs must reject the idea of a future without civil society working across borders.

We live in an increasingly globalized world with competing interests. Corporations and governments work globally, and multilateral institutions continue to shape global policies. Isolated civil society organizations and national social movements on their own are no match for these global forces. International nonprofits have a role to play; U.S. NGOs and NGOs from the global South combined.

We must continue to blur the line between Northern and Southern civil society. Go local and remain global. As the line blurs, we must not ask if there is a long-term role for U.S. NGOs, but rather, how we should evolve to have the greatest possible positive impact.

Humanitarian Assistance

Many U.S. NGOs acknowledge that the aid landscape is shifting. But our goal is not to finish our work abroad, pack up and go home. In failed or fragile countries with weak governments and a limited private sector, the U.S. NGOs have rapidly assumed responsibilities. One NGO was largely responsible for managing all the wheat going into Aleppo. U.S. NGOs played a key role in the Ebola response and they continue to play a vital role in delivering basic services to those affected by conflict in Syria and Yemen.

Private Sector Engagement

U.S. nonprofits are one of the world’s largest financiers and remain a powerful tool in challenging global inequality and poverty. NGOs are exploring innovative ways to do business. Currently, Official Development Assistance (ODA) is only 10% of global resource flows to the developing world.

We are now trying to leverage these private resources. As part of a 3 year \$1.5 billion food security pledge, between 2013 and 2014, InterAction members collectively spent \$1.4 billion in donations from the American public and businesses towards ending hunger and improving nutrition. This pledge complemented the US government’s Feed the Future initiative.

We are more centered on the American public, foundations and corporations than on USAID. USAID has found it challenging to adapt to this reality and barely leverages the US NGO sector. Through these partnerships, NGOs are playing a role in influencing private businesses. Both NGOs and private businesses are exploring shared values and partnerships in areas such as health, education, climate change, and job creation.

Here are some examples:

- *Heifer International* and the Bill and Melinda Gates Foundation launched the East African Dairy Development (EADD) program—helping small farmers gain access to new markets. Heifer now helps run 20% of the Kenyan milk market.



- *Mercy Corps' Bank Andara* is fully licensed commercial bank dedicated to providing micro loans to serve the needs of low income small business owners in Indonesia.
- *Habitat for Humanity* has entered the mortgage markets, supported by OPIC and a major bank. They are providing affordable interest-bearing mortgages to low and moderate-income families with the dream of homeownership.

Engagement with U.S. Government

To leverage the private donations, NGOs are working to move past the donor-recipient model, and form partnerships with the U.S. government. Each year, the NGO community invests billions of dollars in humanitarian and development assistance. These resources are an important indicator of public support for these programs. It is important for both NGOs and the U.S. government to leverage the private investments of the American people as well as public taxpayer dollars to achieve greater scale and effectiveness.

NGOs are not simply extensions of the U.S. government. We are working with poor and marginalized people in countries considered “too rich” by the U.S. government such as Brazil and Mexico. NGOs are involved with no funding from the U.S. government.

With daunting global challenges, we must find new ways to collaborate, coordinate and partner. We look forward to exploring ways the NGO community can co-invest with the U.S. government in humanitarian and development initiatives.

Going Local

Along with NGOs' engagement with the private sector and the U.S. government, many big NGOs are increasingly working with more local staff, with local executive directors and boards. The big NGOs are now global players. Some operate at over \$ 2 billion per year, with 50,000 paid staff working in over 100 countries. World Vision Uganda has a Ugandan Executive Director and Board. While the organization is connected with World Vision's international network, it is rooted locally and operated by local staff.

We are also seeing international NGOs emerging from developing countries (ex-BRAC). As the global and local civil society organizations rise, there is a blurring of lines between what we consider “northern” civil society and “southern” civil society.

Global Advocacy

U.S.-based NGOs engage with NGOs and governments in other countries, our government here at home as well as multilateral institutions and fora such as the United Nations, World Bank, and G20/G7 summits. U.S. NGOs are non-state diplomatic actors in our own right.

For instance, the G7/G20 Advocacy Alliance, a group of 40 NGOs and labor groups coordinate meetings each year and present the group's top policy recommendations to the White House prior to the G7 and G20 Summits. Many civil society organizations believe that governments should be more transparent and allow taxpayers to



know how it's allocating their money. In 2014, the Alliance advocated for public institutions to manage budgets readily available to the public. Subsequently, G20 countries committed to implementing "best practices for public sector transparency and integrity."

NGO Platforms, such as InterAction in the U.S., Coordination Sud in France, VANI in India, Bond in the UK or ABONG in Brazil are increasingly part of aligned diplomatic efforts that work together to shape and promote common positions to better the lives of the poor and marginalized people of the world.

Civil Society Space

Following the Arab Spring and as civil society organizations become stronger, governments threatened by their own civil society are constricting and at times even crushing local civil society organizations. Inappropriate counterterror rules here at home are also impacting how U.S. NGOs operate. Recently, China passed a law that will affect over 7000 foreign NGOs. According some human rights groups, authorities—particularly the police—will have virtually unchecked powers to target NGOs, restrict their activities, and ultimately crackdown on civil society.

And as many of you may have seen on the news, NGOs working in hospitals as well as the people they are serving in Afghanistan, Syria, and Yemen are increasingly indiscriminately attacked or deliberately targeted by governments or terrorist organizations. U.S. NGOs are beginning to partner with other civil society organizations throughout the world to push back against existing restrictions. CIVICUS, an alliance dedicated to strengthening civil society worldwide, supports activists and organizations all over the globe to collectively bolster civil society's ability to mobilize and provide necessary services to people in need.

Conclusion

We live in an increasingly globalized world with competing interests. Corporations and governments work globally and multilateral institutions continue to shape global policies. So is our success measured by our ability to go home and hand over all work to effective local groups? This makes sense if U.S. NGOs are solely seen as project implementers. Accomplish a task and go home. Development is after all local and should run by local organizations. It does not make sense if U.S. NGOs have a broader role to play.

Government and the private sector are essential ingredients to increase the overall wellbeing of people. But they are not sufficient. An increase in gross wealth, even when accompanied by government interventions, does not necessarily translate into an increase in wellbeing for poor and marginalized people. U.S. nonprofits are one of the world's largest financiers and remain a powerful tool in challenging global inequality and poverty.

In failed or fragile countries with weak governments and a limited private sector, U.S. non-profits have rapidly assumed key responsibilities (Ebola outbreak, Syria, Nepal, and Yemen). Civil society voice helps ensure transparency and accountability of public spending at the national level (Post-2015 data revolution).



Alongside multilateral governing bodies and transnational corporations, a global civil society infrastructure is crucial to shaping our globalized world by amplifying the interests of the poor and marginalized communities. NGOs are an integral part of achieving the SDGs, World Humanitarian Summit commitments and other commitments. With the changing landscape, we welcome strategic partnerships with the U.S. government and the private sector to leverage our resources and truly help build prosperous, peaceful and just communities throughout the world.

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