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# Keeping body and soul together: southern NGOs' strategic responses to donor constraints

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## Abstract

Most Southern Non-Governmental Organizations (SNGOs) depend on donor agencies for their survival. To qualify for donor funding, SNGOs typically have to meet a range of funding conditions. Critics argue that donor requirements may have undesirable consequences. Based on qualitative research involving 41 SNGOs in India and Ghana, this article explores (1) the (potentially) adverse effects of donor conditions on SNGOs and (2) the strategies that SNGOs employ to deal with these conditions. We demonstrate that certain donor conditions are difficult to reconcile with a view of development that emphasizes local ownership and a strong and autonomous civil society. We also show that SNGOs employ a multitude of strategies to deal with adverse donor conditions, highlighting that they are not powerless in their relations with donors. Yet, these strategies are not always available to all organizations and may have undesired consequences.

## Points for practitioners

Private development aid is increasingly characterized by pressure for accountability and a tightening of funding arrangements. Donors supporting SNGOs need to take into consideration that their funding conditions may have a range of undesirable consequences. Our study offers an overview of these consequences, enabling donor agencies to systematically review their conditions in the light of their potentially adverse effects. In addition, our study shows that – when confronted with unworkable donor conditions – SNGOs employ strategic behaviour. This is particularly problematic when SNGOs resort to manipulating the perception of donors resulting in the creation of a paper reality.

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**Keywords**

accountability, donor conditionality, donors, non-governmental organizations, organizational responses, power asymmetries, strategic behavior

**Introduction**

Relationships between donor agencies and SNGOs are characterized by resource dependence, often resulting in power asymmetries. Through their funding conditions, donors are known to exercise influence over SNGOs' project design and implementation (Lister, 2000; Michael, 2004), set requirements for monitoring, reporting and evaluation (Bornstein, 2003; Ebrahim, 2002; Ashman, 2001; Elbers and Schulpen, 2010) and earmark funding to specific activities (Michael, 2004; Bornstein, 2003). Critics suggest that donor conditions may have all kinds of undesirable consequences, including the invalidation of participatory approaches, reduced cultural sensitivity, weakened ties with the grassroots level and a dilution of core values (Hailey, 2000; Wallace et al., 2006). Earlier research on the power asymmetries between donors and SNGOs has emphasized the former's domination over the latter, painting a rather bleak picture of SNGOs' ability to pursue their own preferences and neutralizing adverse donor constraints.

Drawing upon qualitative research involving 41 SNGOs in Ghana and India, this article asks two interrelated questions which thus far have not been systematically addressed in the literature: (1) What makes donor conditions problematic given the importance attached to local ownership and the strength and autonomy of SNGOs and (2) how do SNGOs strategically try to manage those conditions they consider to be problematic?

We start by framing the research within the debate on the power asymmetries in donor-SNGO relations and the undesirable effects of donor conditionality. After having discussed issues related to methodology, we address our research questions. We rely for this on two separate analytical steps. First, we identify the range of donor conditions SNGOs are commonly confronted with and assess their consequences in light of the importance attached to a strong and autonomous civil society and local ownership. Second, based on an iteration process between the organizational institutionalist literature on the one hand and our empirical findings from the field on the other, we construct a typology of SNGOs' strategic responses to donor conditions. The article concludes with a deliberation on the implications of the findings for SNGOs and donor agencies.

**Donor conditions and power asymmetries**

In the pursuit of their mission, most SNGOs depend on donor agencies for their survival (Tvedt, 2006; Riddell, 2007). Although there are variations between countries, local opportunities for fundraising in developing countries are often limited or caught in red-tapeism. Very few SNGOs can sustain themselves by membership

or service fees (Fowler, 2000a). Moreover, local state authorities or corporate foundations do not allow their funding to be used in activities that could be perceived as political (Michael, 2004).

SNGOs' financial dependence on donors is known to result in power asymmetries (see Ebrahim, 2002; Hudock, 1995; Fowler, 2000b; Fernando, 2007; Lister, 2000; Ashman, 2001; Morse and McNamara, 2006; Brinkerhoff, 2002). Numerous studies have shown that the qualities that SNGOs bring to the relationship, such as local knowledge, grassroots linkages, implementation capacity and cultural understanding, do not yield the same leverage during negotiations as the funds which donors bring along. In addition, funding agencies are known to develop their policies with limited participation from Southern 'partners' (Lister, 2001; Elbers and Schulpen, 2010). Consequently, critics argue that development agendas are being dominated by donors (Mawdsley et al., 2002) and that SNGOs' ability to elaborate and pursue alternative notions of development has largely disappeared (Townsend et al., 2004). As such, the literature on development NGOs consistently depicts SNGOs as wielding the shorter end of the power stick.

There are indications that the power imbalances – which have always existed in donor–SNGO relations – have worsened in recent years. Aid is not fulfilling its promise and public doubts about its legitimacy and effectiveness have increased. Fuelled by the ideas and practices of managerialism, donor agencies have tightened control and accountability measures to improve effectiveness, efficiency and transparency (Wallace et al., 2006; Roberts et al., 2005). Among other things, this has resulted in the widespread adoption of professional standards for impact measurement, planning and accountability, more tightly defined programmatic policies and a shift towards more contractual relationships (Mawdsley et al., 2002; Hailey, 2000; Roberts et al., 2005). In addition, donors are increasingly moving away from flexible core funding arrangements towards project-based funding (Wallace et al., 2006).

There is a relatively small but growing literature dealing with the negative impact of donor conditions on SNGOs. As donor requirements have become more demanding and relationships have become more formal, SNGOs are increasingly forced to operate as sub-contractors in a competitive environment (Hailey, 2000). The emphasis on demonstrating tangible results and accountability is said to depoliticize organizations and turn them into mere 'implementers' of donor policy (Bornstein, 2003). Markowitz and Tice (2002) observed, for example, how exposure to 'professional' requirements transformed a grassroots-oriented organization with an activist outlook into a professional service delivery organization. Not only did the organization lose its grassroots linkages but its internal decision-making became highly hierarchical. Wallace et al. (2006) showed that rational planning tools do not go well together with people-centred approaches to development. More specifically, they illustrated that the emphasis on control and planning for predictable outcomes is difficult to reconcile with approaches that are characterized by a considerable degree of unpredictability and emphasize process over product. Critics point out that it is increasingly difficult for SNGOs to retain those elements which made them different compared to companies or bi- and multilateral agencies

in the first place: cultural sensitivities, participatory approaches, close grassroots linkages and a strong intrinsic motivation (Hailey, 2000).

A common theme running through the above studies is that the increasingly 'professional' nature of donor demands undermines the added value of SNGOs. In this article we go beyond this perspective by examining the impact of donor conditions on two dimensions which thus far have not yet been systematically assessed: (1) the *strength and autonomy* of SNGOs; and (2) *SNGOs' ownership* of development interventions. In the literature, it is widely recognized that SNGOs have to be strong and autonomous if they are to effectively contribute to poverty reduction and democratic governance (Mercer, 2002; Biekart, 1999; Edwards, 2004; Fox, 1996). In a similar vein, development thinking generally recognizes that local organizations are to assume control over the design and implementation of development interventions if these are to be effective and sustainable (Fowler, 1997; Chambers, 1997; Hoksbergen, 2005; OECD, 2005). As such, the choice of these two dimensions reflects a focus on those aspects that are perceived to be critical preconditions for effective private development aid.

We believe it is crucial to combine an analysis of the (negative) impact of donor conditions with an exploration of SNGOs' ability to manage these conditions. Given the tendency in the literature to portray SNGOs as having little room to manoeuvre to resist donor pressures, to date no study has systematically assessed the range of strategies used by SNGOs to strategically manage their donors' demands. This has led to a somewhat caricaturized image of donor-SNGO relations, in which the former are (too greatly) depicted as the pull-down partner in an asymmetrical power structure, based on financial dependence (Harrison, 2007). Although North-South power asymmetries cannot be denied in the field of development assistance, the question is whether they are as absolute as suggested. Giddens (1984) deploys the concept of *dialectics of control* to express that any partner in whatever relationship is always able to employ at least some counter-vailing power. He even dares to use the example of the executioner and his victim. Even the latter can always affect the former, however small these effects may be. Giddens uses this concept as a response to those power theorists who – according to him – tend to overvalue power structures over agencies' capabilities, like Lukes (1974) or Foucault (1994). In the second part of this article, we explore Giddens' perspective empirically while drawing simultaneously upon organizational institutionalist theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) for conceptual guidance. By combining a critical analysis of the impact of donor conditions while highlighting SNGOs' ability to manage these conditions, we contribute to a more balanced power perspective of donor-SNGO relations.

## Data and methods

We draw for this study on interviews with NGOs in Ghana and India conducted over a period of eight months in 2008. Given the research aim of exploring the wide range of SNGOs' experiences with – and responses to – adverse donor conditions,

capturing as much variety as possible was the main consideration of our sampling strategy. By selecting NGOs from two countries known to have vastly different civil society sectors (Heinrich, 2007), a wider range of organizations, experiences and practices could be included in the study. We selected organizations on the basis of their primary intervention strategy, which is an accepted approach in classifying development NGOs (Vakil, 1997). Following Riddell (2007), we distinguished between three main intervention strategies: (1) direct poverty alleviation (specific projects for particular groups of poor people), (2) policy influencing (e.g. lobbying, advocacy, awareness raising and development education), and (3) civil society strengthening (e.g. capacity-building, network-building, leadership development). Secondary selection criteria included size, age, type of constituents, geographical location and the number of donors. Furthermore, only those NGOs were selected that received funding from internationally operating donor agencies. To identify organizations matching our criteria, two main techniques were used. First, use was made of the knowledge of local civil society experts to select NGOs meeting our criteria. Second, snowball sampling was used to locate organizations outside the local experts' network (Ritchie and Lewis, 2003). Finally, a total of 41 organizations participated in the study, 19 in Ghana and 22 in India (see Table 1).

The data collected for this study consisted of semi-structured interviews with NGO leaders. This enabled us to systematically collect sensitive data while allowing respondents to share experiences and interpretations based on their own perspectives and also bring up issues not covered by the interview guide. Respondents were those responsible for managing the relations with donor agencies. This was usually the managing director or equivalent. Interviews typically lasted between one and two hours and were all conducted face-to-face. In several cases SNGOs were interviewed twice when the initial interview was particularly rewarding. Data collection continued until the point was reached that additional interviews merely confirmed earlier findings while not yielding any new information. All interviews were recorded and transcribed for analysis.

Data analysis consisted of two stages: (1) coding of interview transcripts, and (2) analysing the pattern of relationships among the codes. We first fractured the data into three broad main categories: donor conditions, problems associated with these conditions and strategic responses. While analysing the data belonging to each main category, we worked iteratively between the transcripts and relevant literature to develop appropriate codes to further 'open up' the data. Only when analysing

**Table 1.** Orientation breakdown of NGOs in the sample

Primary orientation	Ghana	India	Total
Direct poverty alleviation	9	13	22
Policy influencing	5	5	10
Civil society strengthening	5	4	9
Total	19	22	41

SNGOs' strategic responses, were codes explicitly derived from (institutional) theory. In the course of the analysis, we revised and elaborated our initial ideas by tracing patterns and (in)consistencies between the different interviews and codes. Existing codes were modified to create simpler, more robust codes that could be more clearly related to each other (see Strauss and Corbin, 1990). The results of our exercise allowed us to systematically explore, identify and illustrate (the problems associated with) donor conditions and SNGOs' strategic responses to them.

We believe that our sample of 41 SNGOs was sufficient to capture the full range of (the problems associated with) donor conditions and SNGOs' strategic responses to them. The fact that the donor conditions encountered in this study have become part and parcel of the field of international development (see also Mawdsley et al., 2002; Bornstein, 2003; Wallace et al., 2006; Michael, 2004) makes it likely that the experiences captured here are not unique to the SNGOs in our sample. Whether or not some problems associated with donor conditions are more common than others or some strategies are more frequently employed, however, remains beyond the scope of this study. To improve the validity of the research and the sensitivity of the research topic, confidentiality was promised to respondents. In addition, an earlier version of this article was shared with some of the SNGOs that participated in this study for feedback purposes. While this yielded several small refinements, it did not result in any major changes.

## **The undesirable consequences of donor conditions**

In this article we define donor conditions as the requirements that SNGOs must adhere to in pre-finance, project, or post-project phases, to qualify for financial support from donor agencies (Wallace et al., 2006: 12). Donors in our analysis are those organizations that provide official private development funding. This definition includes bi- and multilateral agencies, private aid agencies and charitable foundations. Below, we first briefly outline the range of donor conditions we encountered in our fieldwork. We then continue examining the adverse effects of these conditions on (1) SNGOs' strength and autonomy and (2) their ownership over development interventions.

### *The nature of donor conditions*

We found that donor conditions cover three main areas: project-design and planning, accountability and the structuring of funds (see Table 2). While different donors have specific conditions attached to their funding, those listed in Table 2 are all widely encountered by the SNGOs that participated in this study.

The first set of conditions relates to project-design and planning. Virtually all donors work with requirements that outline the type of projects they seek to support (see also Elbers and Schulpen, 2010; Michael, 2004). Criteria usually include (sub-)themes, target groups, strategies and geographical areas. Most donors have 'mainstreamed' gender into their programmatic policies, meaning that all projects



**Table 2.** The main areas of donor conditions

Project design and planning	Accountability	Funding arrangements
theme	narrative and financial reporting	project funding
target group	reporting formats	earmarking
strategy	indicators for M&E	length of funding
geography	evaluations	branding
gender	separate bank accounts	
logical framework	independent auditing	

Source: Own analysis based on interviews.

should take gender equality into account.<sup>1</sup> In addition, many donors encourage the use of logical frameworks to articulate project goals and the means by which to achieve those using indicators for measuring and verifying progress (see also Wallace et al., 2006). While there are differences between donor agencies, the emphasis is usually on planning for predictable outcomes.

A second set of requirements relates to SNGOs' (upwards) accountability and addresses financial and project performance. Most donors expect periodical narrative and financial reports which review the progress and performance of projects against the goals, intended results, indicators, time lines and budgets formulated in the original contracts (see also Ebrahim, 2002, 2003). Most donors also expect SNGOs to use specific reporting formats and require a separate bank account designated for the project they fund. Also, SNGOs are usually required to undergo evaluations and independent financial audits.

A third set of conditions deals with the funding arrangement itself. Most donors earmark their funds to particular expenses and many do not allow their grantees to use their funds to cover overhead costs (e.g. for capital costs, human resources and fundraising) (also see Michael, 2004). Furthermore, donors work with fixed time periods for which they provide funding, typically ranging from one to three years. Also, some donors require their grantees to display the donor's name, for example, in public statements or on vehicles (branding).

### *Consequences for SNGOs' strength and autonomy*

Donors' unwillingness to fund overhead costs has an enormous impact on SNGOs' ability to sustain and strengthen themselves:

They just give you enough money to cover stationary costs.... But it creates huge problems. Because how do you function, how do you pay your rent, how do you keep your staff, how do you build and maintain your expertise?... You can't grow your organization on that kind of funding. (interview 31 March 2008)

Respondents in Ghana as well as India explained that they struggled to build and sustain their organization. A range of problems were brought forward,

including attracting and retaining quality staff, investing in research and staff development and devoting time and resources to learning. Several of the organizations claimed to be living from hand to mouth due to the lack of core funding. Also, in the absence of core funds, respondents pointed out that they had a difficult time diversifying their resource base and finding the capital necessary to invest in opportunities for internal revenue generation.<sup>2</sup> Several respondents pointed out that donors' unwillingness to fund core costs actually creates perverse incentives:

Then you start pushing your expenses under so many things [in the budget]. Because you know that if you don't inflate the budget, you will surely get problems later. (interview 31 March 2008)

Such behaviour, as another respondent noted, breeds mistrust in the relationship. This is problematic as organizations are only transparent if they know that sharing problems or constraints will not result in the termination of the funding relationship.

The above-outlined problems forthcoming from the lack of core funding are amplified by the short funding periods and one-off contracts favoured by some donors. Such funding arrangements do not offer the stability needed to build and maintain expertise. In addition, they also undermine SNGOs' ability to undertake long-term planning:

The length of the contract is crucial if you want to develop a vision for your organization. To make long-term plans, you need stability over a longer period of time. And this implies that you need to get a predictable amount per year. (interview 19 March 2008)

Respondents pointed out that they, due to short-term and one-off funding arrangements, had to spend a lot of time and resources on chasing funds. Not surprisingly, they strongly prefer funding from donors known for favouring long-term relations.<sup>3</sup>

Many respondents shared experiences on how they were forced to divert considerable time and resources away from their core activities due to extensive accountability requirements (see Wallace et al., 2006, and Markowitz and Tice, 2002, for similar observations). While some donors are flexible in terms of formatting and ask for only one report per year, others demand monthly financial and narrative reports following specific formats. An Indian NGO, for example, had four donors which each required separate bank accounts and separate narrative and financial reports based on separate reporting formats. To meet these reporting requirements, the organization recruited highly educated staff with the explicit purpose of collecting and processing data and writing the (English-language) reports. Only a few organizations were encountered that managed to negotiate one shared report to satisfy multiple donors simultaneously.<sup>4</sup>

Finally, numerous SNGOs, due to the lack of core funding support, short-term and one-off contracts, met huge problems for remaining consistent with their original mission. Ideally, an SNGO's mission is the fundamental expression of what the

organization stands for, capturing its identity and providing focus for action. While some SNGOs did not appear to attach too much attention to remaining consistent to their mission, many others felt that it was crucial:

When you start changing your mission, the nature of your organization changes. You tend to forget your cause, or whatever it is you started fighting for. You start following the buzzwords, like HIV or climate change, you merely become a project holder. . . . I've seen it happening with many organizations. (interview 28 August 2008)

Respondents explained that mission constancy is also crucial for building and maintaining expertise in a certain field. Furthermore, they pointed out that it largely determines whether an organization is perceived as solid, trustworthy and having its constituents' interests at heart. For SNGOs lacking core funding support and a stable inflow of funds, however, taking a principled stance or being too critical of donors is not always an option.

### *Consequences for local ownership*

Numerous respondents shared experiences of donors whose programmatic criteria were so tightly defined that the respective organizations had problems pursuing local priorities. A Ghanaian NGO leader explains that in such cases 'donors see you as an implementer of their ideas, not as the one who has to take the lead in transforming society' (interview 28 April 2008). While some SNGO leaders did not appear to have any problems following donors' preferences, many felt it undermined their work because it caused difficulties in tailoring projects to local realities and being responsive to locally defined needs. During the fieldwork, several organizations were encountered whose work had very little to do with being responsive to local needs. One example concerned a Ghanaian NGO involved in water and sanitation which was given funds by its (only) donor to construct ten hand-dug wells. Local communities, however, had a strong preference for boreholes. The NGO therefore had to visit as many as 50 communities before it found ten 'willing' to take the wells. Although the NGO's leader fully admitted that his work was donor-driven, he explained that with no alternative funding sources available survival was his main priority.

Donor conditions not only affect the orientation of projects, but also the way in which they are designed and planned. Where organizations are forced to work in a manner that goes against their own principles, priorities or learning practices, local ownership is undermined (see also Wallace et al., 2006; Mawdsley et al., 2002). Numerous organizations, for example, explained how they had been forced into 'mainstreaming' gender or HIV/AIDS components into their projects although they were not convinced of their relevance. Several SNGOs also pointed out that their project design revolved around the necessity to demonstrate tangible outcomes, even though their own interest was in the process: 'It seems to me that they are not interested in how you get there. How did it empower them? What can

we learn? For us, these are the things that matter' (interview 13 April 2008). Other respondents explained that due to 'tight' funding arrangements they were refraining from experimentation and innovation.

The rigidity of some donors when it comes to allowing SNGOs to deviate from the original planning of a project undermines the latter's responsiveness to changes in the project environment. SNGOs are usually required to submit detailed work plans which they are contractually compelled to follow during implementation. The commonly used logical framework, in itself, is known to be a rather rigid planning tool: 'By the time you reach the third year [of the project] a lot of the context has changed and your own approaches have evolved. But you are stuck with a log frame that you wrote three years ago' (interview 24 September 2008). As the original logic of a project often does not hold in practice while unexpected changes in the environment are common, a degree of flexibility is therefore considered to be essential for successful implementation. Numerous experiences were shared, however, of donors that did not allow *any* deviation from original project-documents even though local circumstances had completely changed due to unexpected events.<sup>5</sup>

The earmarking of funds to particular activities or causes, which makes it impossible to transfer funds earmarked for one purpose to another, further limits flexibility during implementation. A Ghanaian NGO leader shares his experiences:

Through their reporting requirements donors have a lot of influence over what is happening on the ground. Many of them are involved in micro-management, everything has to be exactly according to what was written in the project document. . . . It limits your flexibility. For example, if the project document listed a four-wheel drive, some donors do not allow you to change this into four motorbikes, even when these are cheaper. (interview 2 May 2008)

Respondents emphasized that with complex long-term projects it is impossible to foresee everything in advance.

Many of the SNGO leaders also pointed out that, due to the way funding is structured, they had great difficulties ensuring the sustainability of ongoing projects. For SNGOs having to work with short-term and one-off contracts, the sustainability of projects often is a constant cause of concern (see also Michael, 2004). Several respondents referred to perfectly successful projects that collapsed at the end of the contract period because they had not succeeded in finding a new donor on time:

We had a project in girls' education which started to become very successful, but then just before the ending of the contract, they [the donor] changed their policy. They said they changed to water and sanitation and stopped the funding. We couldn't find a new donor on time and everything we had built up collapsed. . . . It was a disaster that nearly caused the end of the organization. (interview 13 April 2008)

The leader of this NGO explained that due the collapse of the project, his organization could no longer meet the expectations of local stakeholders resulting in tensions and a loss of credibility. Moreover, he was forced to fire skilled and experienced staff.

In sum, our findings illustrate that donor conditions have a profound impact on SNGOs and the activities they undertake. Specific configurations of donor conditions were identified that do not go well together with the importance attached to local ownership and a strong and autonomous civil society. In that sense our findings reveal a certain paradox: while donor conditions are often motivated by improving effectiveness and efficiency, they may have the opposite effect in practice. The fact that several of our findings correspond with the outcomes of other studies (see Bornstein, 2003; Markowitz and Tice, 2002; Mawdsley et al., 2002, Michael, 2004; Wallace et al., 2006) further illustrates how widespread the problems associated with donor conditions are.

### **Strategic responses to conflicting donor conditions**

Strategic responses are understood as conscious and active responses of SNGOs to (the opportunities or problems associated with) donor conditions. Given the complexity of organizational behaviour, conceptual guidance for systematically identifying SNGOs' strategic responses to donor conditions is required. The development NGO literature offers very little guidance in this respect. However, organizational institutionalist theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) offers a rich body of literature that sheds light on organizational behaviour. Most of the earlier institutional work focused on conformity to institutional pressures (see DiMaggio and Powell, 1983). By following accepted standards or procedures and engaging in activities considered to be relevant by key stakeholders, organizations secure their legitimacy in the eyes of those stakeholders. Organizations not in conformity with external rules or standards are often perceived to be illegitimate, thus undermining their ability to attract resources and hence affecting their survival (Suchman, 1995; Scott, 2008).

Since the 1990s, institutionalist scholars have shown that organizations do much more than passively comply with environmental pressures (see Ashforth and Gibbs, 1990; Edelman, 1992; Suchman, 1995; Oliver, 1991; DiMaggio, 1988). Although a number of institutional scholars have explored organizational responses to adverse institutional pressures, a coherent typology in this field has not yet been developed.<sup>6</sup> We therefore integrated existing literature on strategic responses with the findings from our own research to develop a new typology. Our typology distinguishes between organizational strategies on the basis of their aim. Based on an iteration process between the institutional literature on the one hand and our empirical findings on the other hand we identify four major organizational strategies:

1. Organizations may try to avoid interaction with stakeholders (Oliver, 1991; Tschirhart, 1996). By preventing exposure of the organization to adverse

institutional pressures, organizations may succeed in avoiding having to compromise altogether.

2. Organizations may try to influence the content of institutional pressures (DiMaggio, 1988; Oliver, 1991; Alexander, 1998). By changing the very nature of the institutional pressures, organizations may succeed in eliminating or minimizing their problematic content.
3. Organizations may try to buffer themselves against unavoidable institutional pressures (Alexander, 1996, 1998; Thompson, 1967). When a degree of compliance is simply inevitable, organizations may take compensatory measures to minimize the negative effects of institutional pressures.
4. Organizations may try to portray themselves in a positive light in front of stakeholders (Meyer and Rowan, 1977; Ashforth and Gibbs, 1990; Elsbach and Sutton, 1992; Ebrahim, 2002). By manipulating the perceptions of their donors, organizations may improve their chances of qualifying for, or secure the inflow of, funds while averting the necessity to change themselves or their activities.

SNGOs appeared to pursue the above strategies in different ways which we refer to in our typology as 'tactics'. The tactics mentioned in Table 3 were all identified from an analysis of our own data. Our analysis also showed that the different strategies and tactics do not exclude each other. In fact, most SNGOs employ multiple tactics simultaneously.

### Avoiding

Avoiding refers to a set of tactics aimed at limiting or avoiding interaction with stakeholders whose conditions are considered problematic (see also Oliver, 1991; Tschirhart, 1996). The SNGOs in this study considered avoiding to be a superior strategy as its utilization is completely independent from donors. Three avoiding tactics were identified: selecting, rejecting and exiting.

*Selecting* is a pro-active tactic based on making sure that the organization only enters into relations with donors known to have compatible conditions. The director of a Ghanaian NGO involved in lobby and advocacy illustrates:

Before we approach any new donors, we grade candidates on a number of criteria. We look at their mode of operation, their ideology, where they get their money from, that kind of thing. . . . to make sure that we don't have to compromise on our principles. (interview 28 April 2008)

Many of the SNGOs that participated in the study, especially the older more experienced ones, appeared to be very familiar with the 'market' of donor agencies.

**Table 3.** SNGOs' strategic responses to adverse donor conditions

Strategy	Aim	Tactic	Description
Avoiding	Prevent exposure to donor conditions	Selecting	NGO limits contact to compatible donors
		Rejecting	NGO turns down funding offers
		Exiting	NGO terminates funding relations
Influencing	Change content of donor conditions	Negotiating	NGO uses mutual dependence as leverage
		Persuading	NGO convinces using arguments
		Involving	NGO personally engages donor representatives
Buffering	Mitigate impact of unavoidable donor conditions	Shielding	NGO insulates key parts from exposure
		Compensating	NGO offsets problems with discretionary funds
Portraying	Pretend compliance with donor conditions	Window-dressing	NGO conforms superficially
		Withholding	NGO selectively releases information
		Misrepresenting	NGO forwards inaccurate information

SNGOs learn about the compatibility of donors from their own experiences, by scanning the websites and policy papers of donors and by sharing experiences with other SNGOs. At the same time, however, respondents pointed out that being too selective is not always viable, especially when the organization is in desperate need of funds.

*Rejecting* is a reactive tactic which occurs when an SNGO turns down a funding offer due to conflictive conditions. The director of an Indian NGO involved in rural development shares his experiences:

We have been offered big money which would have made our life very comfortable but we rejected the offer because compromising on our principles would have led to a much deeper decay. (interview 6 September 2008)

Rejecting is a tactic that is not always viable, particularly when the organization is financially with its back against the wall. A positive side effect of rejecting is that it gets the message out that the SNGO refuses to be compromised, which in fact may increase its attractiveness to donors.

*Exiting* is a tactic in which an SNGO terminates an existing relation with a donor to avoid exposure to newly imposed donor conditions. The leader of an Indian NGO involved in women's empowerment illustrates this as follows:

We've always run our organization with the idea of being able to walk away [from a financial relation with a donor] at any time. And we have done it once, when they [a donor] wanted us to do things we found unacceptable. (interview 18 September 2008)

Like rejecting, exiting is not a tactic most NGOs will pursue easily. A Ghanaian NGO leader explains how resource dependence made him decide not to terminate his relation with his main donor although he was forced to accept an approach that he did not really support: 'I have my pride and I have my mission, but the way I look at it, it is better to keep my twenty staff working' (interview 25 April 2008).

### *Influencing*

Influencing refers to a set of tactics in which SNGOs attempt to eliminate or minimize the problematic content of donor conditions (see also DiMaggio, 1988; Oliver, 1991; Alexander, 1998). Three different influence tactics were identified: negotiating, persuading and involving. What these tactics have in common is that they are almost always about 'creating an exception to the rule'. In other words, very few SNGOs were encountered that claimed to have actually influenced the policies underlying conflicting donor conditions.

*Negotiating* is a tactic in which organizations derive their influence from the mutual dependence that exists between donors and SNGOs. While SNGOs need funding agencies for their financial survival, donor agencies need to be seen to be funding successful organizations that can communicate their successes to achieve their own goals. Due to the agencies' need to demonstrate success, solid performance and credibility enhances SNGOs' attractiveness towards funding agencies partners and hence increases their leverage in decision-making. As such, negotiating is a strategy which is usually only available to strong performing or otherwise attractive SNGOs. A Ghanaian organization explains that '[with regard to funding] we have reached a point in which donors call us, we don't call them. That completely changes the way you negotiate, because they need you more than you need them' (interview 28 March 2008). Some of the more established SNGOs further improved their ability to negotiate by funding part of the budget themselves, or by bringing multiple donors to the negotiation table which limits the influence of individual funders.

*Persuading* is a tactic based on providing convincing arguments. Unlike negotiating, in which SNGOs use funding agencies' need for success to enforce their preferences, persuading ultimately depends on the quality of the argumentation and the susceptibility of donor representatives. As such, it usually implies that a degree of personal contact and trust is present. 'Mostly you try to reason with



them, providing arguments in the hope of convincing them, for example, that their new policy will hurt the sustainability of the project or cause problems with our constituents' (interview 28 August 2008). One way of making arguments more convincing is backing them up with 'proof'. An Indian NGO working in the field of HIV/AIDS, for example, explained that its success in dealing with donor agencies was due to its research capacity: 'Once you have the figures to show that your approach works, it is very difficult for them [donors] to push you in another direction' (interview 1 September 2008).

*Involving* is a tactic based on influencing donor-representatives by engaging them on a personal level in the SNGO's work. Respondents explained that this creates an understanding, whether it is based on sympathy, flattery, guilt or pity, which goes beyond the 'paper reality' of narrative reports. As a result 'it makes them understand our work better, also why we have certain expenses' (interview Ghanaian NGO leader, 3 April 2008). As with persuading, frequent face-to-face contact and the presence of trust were identified by respondents as preconditions. As such, it is not surprising that respondents considered the frequent changing of donor representatives as one of the most frustrating aspects in their relationship with donor agencies.

### **Buffering**

Buffering refers to a set of tactics aimed at taking measures to neutralize, or at least minimize, the negative effects of unavoidable donor conditions (see also Alexander, 1996, 1998; Thompson, 1967). SNGOs were found to have two buffering tactics at their disposal: shielding and compensating.

*Shielding* is a tactic aimed at insulating certain key parts or activities of the organization from exposure. By complying only partially in certain areas, the organization protects itself against the most adverse effects of donor conditions. For example, the director of an Indian NGO involved in disaster management explained how he managed the field visits of one of its donors:

We had experience with our team on the ground being seriously demoralized by these people [donor representatives] making uninformed and negative comments. So what we do now is make sure that there is always someone from the office who deals with donor relations, who acts as a shield and literally tries to keep them apart. (interview 24 September 2008)

Shielding is a tactic that only works to a limited extent, as overdoing it is likely to get noticed at a certain point in time.

*Compensating* is a tactic in which SNGOs draw money from other sources to cover those parts which donor agencies are unwilling to fund. These parts may relate to, for example, overhead costs or less 'sexy' project activities. A Ghanaian NGO involved in community development, for example, explains that 'there are certain things that our donor will not fund, but we feel are crucial to the

organization, like our core costs and our social accountability process. We get these things covered with funding from other sources' (interview 13 April 2008). As highlighted by this example, having alternative sources of funding is essential for the compensating tactic. Most organizations participating in the study therefore tried to diversify their resource base, for example, by means of consultancy work or renting out buildings. Two organizations were encountered that had established a separate consultancy unit with the aim of providing its NGO counterpart with discretionary funds.

### Portraying

Portraying refers to a set of responses deliberately aimed at manipulating the perceptions of funders regarding SNGOs' compliance with donor conditions (see also Meyer and Rowan, 1977; Ashforth and Gibbs, 1990; Elsbach and Sutton, 1992; Ebrahim, 2002). The SNGOs in this study were found to use three tactics when portraying: window-dressing, withholding and misrepresenting.

*Window-dressing* is a tactic in which SNGOs conform only superficially to donor conditions without changing actual core tasks or procedures. It revolves around highly visible donor demands with the main aim of sending a signal to funders. The SNGOs participating in this study gave many examples of window-dressing. Several organizations, for example, admitted that their board, gender policy or strategic plan mainly had a symbolic function. Several respondents pointed out that window-dressing is a potentially dangerous strategy 'because credibility is very key if you want to stay alive in the NGO world. If you are caught, the results will be disastrous' (interview 31 March 2008).

*Withholding* is a tactic which involves suppressing information regarding SNGOs' organization, activities or outcomes which would likely undermine their legitimacy in the eyes of donors. SNGOs may be concerned that openly sharing certain information might lead to misinterpretation or unwanted interference in their activities. As a result, they release information selectively, withholding information that could put the organization at a disadvantage with a donor. Several respondents, for example, admitted that they had emphasized successes and downplayed failures in their reporting. An SNGO leader explained how he did not provide full disclosure about his organization's sources of funding in his financial reporting as he feared that this would result in reduced overhead contributions in the future.

*Misrepresenting* is a tactic in which SNGOs intentionally forward inaccurate information to donors. It is a tactic that organizations might use when they think that providing accurate information would be harmful to them. There are degrees of misrepresentation. Several respondents admitted to routinely making 'conservative' estimates regarding their overhead costs when submitting a proposal, redirecting budgets already spent on other initiatives to a new project thus meeting 'matching' monies requirements, or redefining budget line items previously associated with project implementation as planning costs. As pointed out by the leader of

a Ghanaian NGO, 'when you work in an NGO you have to be clever, you have to be operating within the legal limits of accounting procedures to survive' (interview 1 April 2008).

## Conclusions and outlook

This study explores (1) the (potentially) adverse consequences of donor conditions on the strength and autonomy of SNGOs and their ownership over development interventions, and (2) the strategies used by SNGOs to manage donor constraints. It makes three contributions to the literature.

First, it systematically captures the full range of conditions that donors attach to their funding as well as the problems associated with them from the perspective of SNGOs. Our findings demonstrate that certain configurations of donor conditions undermine SNGOs' strength and autonomy and the local ownership of development interventions. We find that unwillingness to fund overhead costs, short funding periods, single contracts and excessive accountability requirements make it difficult for SNGOs to diversify and secure their resource base, attract and retain high-quality staff, invest in research and long-term planning, learn and remain consistent with their original mission. In a similar vein, tightly defined programmatic frameworks, priority of outcomes over process, tight funding arrangements, short-term funding periods and single contracts make it difficult for SNGOs to pursue local priorities, experiment and innovate, engage in process-oriented activities, respond to unexpected events and ensure sustainable outcomes.

Our second contribution is that we show that SNGOs use a range of strategies to manage donor constraints, highlighting that they are not powerless in their relations with funders. More specifically, we have developed a coherent typology of SNGOs' strategic responses to adverse donor conditions, consisting of the main strategies of portraying, avoiding, influencing and buffering. Our analysis shows that most of the available strategies require the presence of either alternative sources of funding, strong performance or personal contact with a degree of trust. When these are not present, SNGOs may have limited choice, and resort to manipulating the perceptions of donors.

Third, this study implies a change agenda on the part of donors. Our findings call on donors to recognize that they themselves contribute to undesirable SNGO behaviour. Unworkable donor conditions lie at the base of SNGO strategies aimed at manipulating donor perceptions. As such, donors themselves are in large part to blame for breeding mistrust, creating and maintaining a virtual reality and reducing the potential for learning. Ultimately, we demonstrate that major inconsistencies exist between what donors perceive to be critical preconditions for effective private development aid and their actual practices. This means that donors should either revise their starting points regarding effective private development aid or change their behaviour towards SNGOs.

## Notes

1. Other normative criteria – like good governance and sustainability – are also conditional, but not followed as strictly as gender, both for the SNGO itself and for its projects.
2. Michael (2004: 134–139) and Bornstein (2003: 400–401) observed similar problems related to the unwillingness of donors to fund core costs, illustrating that those outlined here are not unique to the SNGOs in our sample.
3. Respondents also argued that short-term and one-off funding arrangements are problematic because they do not allow trust-building and learning, which they considered essential for effective relationships.
4. Several respondents considered the collection and processing of data and report writing to be a major source of frustration and cynicism. Not only did they feel that the reports were of little use to their own organization, but the lack of feedback also made them doubt whether the reports were actually used.
5. Respondents also pointed out that some types of work are simply not compatible with planning for predictable outcomes. The leader of a Ghanaian NGO involved in peace and reconciliation, for example, explained how a donor required detailed outcome predictions years in advance, while this is simply impossible with peace and reconciliation dynamics.
6. Existing typologies, for example, Ashforth and Gibbs (1990), Oliver (1991), Hernes (2005) or Alexander (1998), do not classify strategic behaviour from the explicit perspective of mitigating *conflicting* institutional pressures.

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