

**Managing the Paradox:
NGOs, Resource Dependence and Organisational
Independence – Case studies from Mexico and
Portugal**

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**Managing the Paradox: NGOs, resource dependence and organisational independence –
Case studies from Mexico and Portugal**

Abstract

This study explores the impact of resource relations on NGO independence. Specifically, the research question is: “Can NGOs be resource dependent on the government and remain independent? If so, how?” Most of the non-profit and NGO literatures on this topic suggest a negative relationship between government funding and NGO independence, called here “the piper hypothesis” due to frequent references to the saying “they who pay the piper call the tune.” The piper hypothesis, if true, describes an increasingly critical situation in this time of increasing “partnerships’ between government and NGOs. However, in the organisational theory literature, Resource Dependency Perspective (RDP) suggests that organisations can pursue strategies to protect their independence and resist external control. This study explores the independence strategies pursued by NGOs when they receive government funding, drawing on and building upon an RDP lens. Independence is a complex concept encompassing many dimensions of managerial attitudes and organisational behaviour.

To explore the piper hypothesis, this study adopted a qualitative research design, comparing NGO case-studies in Mexico and Portugal. Surprisingly, my findings mostly disproved the “piper hypothesis”. In both countries, some NGOs that received the great majority of their funding from the government still managed to retain a very high level of organisational independence, suggesting a paradox: NGOs can in some conditions remain independent and non-governmental even when the majority of their resources are of governmental origin.

There were various conditions that help explain the paradox. Contrary to common assumptions, proportion of government funding is not equal to resource dependence since NGOs are rich in non-pecuniary resources, which are often overlooked in analyses of NGO resource dependence. Moreover, the government is often not interested or is incapable of controlling NGOs, leaving much room for NGO discretion in partnership programmes. At the same time, NGOs can and do pursue strategies to protect their independence when they receive government funding. These strategies have been mostly ignored in the nonprofit and NGO literatures. One particularly important set of strategies involved strengthening organisational commitment to mission, through strengthening leadership structures and accountability to the grassroots. This set of strategies was ignored by RDP and most subsequent research on resource dependence.

These findings have important implications for theory, policy and management. Contrary to much of the literature on NGOs and non-profits, resource dependence on government funding was not a sufficient condition for low organizational independence. RDP provided a useful

framework to begin an exploration of why this was so. In fact, applying RDP to understand NGOs was mutually enriching. RDP suggests various independence strategies for NGOs, which have been neglected in the non-profit and NGO literatures. Likewise, examining NGOs suggested new possible independence strategies, which have been ignored by RDP. In terms of policy, government can take various steps to help protect NGO independence. In terms of management, NGOs can and often do manage the paradox of resource dependence and organisational independence, by pursuing various independence strategies. Moreover, since resource dependence can emerge from sources other than funding and because of the importance of organisational independence for NGOs and non-profits, even organisations that do not receive government funding need to take active steps to manage their independence.

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Acronyms and Abbreviations

CEMEFI: Centro Mexicano para la Filantropia – Mexican NGO (Mexican Centre for Philanthropy)

DFID: Department for International Development

EDP: Electricidade de Portugal – electricity company in Portugal

EU: European Union

GEOTA: Grupo de Estudos de Ordenamento do Território e Ambiente – Portuguese NGO (Group of Planning and Environmental Studies)

GRO: Grassroots organisation

INE: Instituto Nacional Ecologista – Mexican government agency (National Institute of Ecology)

IPAMB: Instituto de Promoção Ambiental – Portuguese government agency (Environmental Promotion Institute)

LPN: Liga para a Protecção da Natureza – Portuguese NGO (League for the Protection of Nature)

MNSD: Mexican NGO for Sustainable Development

NAFTA: North American Free Trade Agreement

NGO: Non-governmental Organization

Non-profit: Non-profit organisation

OECD: Organization for Economic Co-operation and Development

QUANGO: Quasi-NGO

RDP: Resource Dependency Perspective (often referred to as Resource Dependence Theory)

SEMARNAP: Secretaria de Medio Ambiente, Recursos Naturales y Pesca – Government Agency in Mexico, now known as SEMARNAT, Secretaria de Medio Ambiente y Recursos Naturales, (Secretary of Environment and Natural resources)

UGA: Unión de Grupos Ambientalistas – Mexican NGO (Union of Environmental Groups)

UK: United Kingdom

US: United States of America

USAID: United States Agency for International Development

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CHAPTER 1. INTRODUCTION

The purpose of this study can be stated simply – to explore the conditions for NGO independence. Within this broad subject, it focuses on the relationship between NGOs and the government, the complex impact of government funding on NGO independence, and the strategies NGOs pursue to protect their independence. In so doing, it delves into a paradox – mostly neglected in the academic literature – that NGOs may be simultaneously resource dependent and organisationally independent.

NGOs are often described as intrinsically independent. As their label suggests, the defining characteristic and much of the legitimacy of "*non-governmental* organisations' rests on their assumed difference and independence from the government. They are also characterised by being not-for-profit, that is, independent and different from the business sector. NGO independence is important from various perspectives. Politically, independence enables NGOs to counter-balance government and business power and keep them accountable to their own promises and to society at large. NGOs and wider civil society are thus seen by many as contributing to good governance and a democratic regime (e.g., Edwards and Hulme 1995, 1997). In conflict situations, independence allows NGOs to undertake critical humanitarian work in politically dangerous contexts (Mowjee 2001). Economically, independence can foster greater efficiency through organisational differentiation: if NGOs are too close to governments or business then there is little to be gained from using them in service delivery. It is NGOs' independence and distinctiveness from the government that makes them attractive partners for public service provision (Kanter 1994). By being independent from wider state institutions and business organisations, and as part of and contributors to "civil society" (Blair 1997), NGOs can make important contributions to policy.

At the same time, NGOs are often described as intrinsically resource dependent. Like any organisation, NGOs need resources to fulfil their mandate. Because critical resources often lie outside the organisation, organisations need to enter into exchange contracts to acquire those resources, limiting their autonomy and independence as a result (Pfeffer and Salancik 1978). Moreover, NGOs deliver services to marginalized groups who cannot pay for their services so they face a weak market for funding, and they provide public goods but do not have taxation powers. Like non-profit organisations in the North, NGOs face major challenges in attracting sufficient funding, generally facing a situation of chronic resource scarcity (e.g., Anheier and Themudo 2004, Froelich 1999, Rose-Ackerman 1996). To secure access to funding many NGOs are forming partnerships with government agencies and receiving government funding in exchange for the delivery of contracted services as part of a larger process of privatisation of public services, which has been variously termed "mixed economy of welfare" (Harris et al.

2001), “new public management” (Deakin and Taylor 2002), and in the development field, “new policy agenda” (Edwards and Hulme 1995, Lewis 2001a). Many authors have warned that these ideological evolutions have been accompanied by a closer relationship between the government and non-profits or NGOs and the emergence of what is often called a “contract culture” reigning over the relationship (Kendall 2003, Hodson 1997). They warn that NGOs are becoming too close to government and in the process losing much of their independence and legitimacy. Their argument is that while funding from private sources has remained constant for much of the 1990s, government funding to NGOs has increased in the same period (Fowler 2000) and therefore so has their dependence on government funding.

Despite the rhetoric of inter-dependence and “partnership” in contracting, NGOs facing chronic resource scarcity are placed at a disadvantage in negotiating with other, better resourced, organisations such as government agencies and international donors. The result is that NGOs are often resource dependent on those better resourced organisations. This resource dependence leads to more power flowing to the better resourced party (Emerson 1962), so NGOs are being increasingly subject to external influence and control (e.g., Edwards and Hulme 1997, Hudock 1999, Wood 1997) in a process that distorts their mandate and undermines their organisational independence. For Hodson (1997:186):

Some NGO commentators worry about the rise of the “contract culture” and the apparent loss of autonomy of NGOs. ... Only the strongest organisations, with international reputations, can influence their donors and even then the extent is hardly sufficient to speak of autonomy. One can lament that “he who pays the piper calls the tune.”

Many contributors to the edited volumes by Edwards and Hulme (1992, 1995, 1997) have repeatedly warned of the danger of increased proximity to the government and donor agencies, and claimed that NGOs are increasingly “playing the government’s tune.” More recently, this claim has been reiterated by, for example, Blackmore (2004), Ebrahim (2003), Edwards (1999b), Fower (1997, 2000), Lindenberg and Bryant (2001), and Smillie (2000a). Changing patterns of funding between government and NGOs since the events of September 11th, 2001, are making NGO independence issues more important than ever. For example, Oxfam and various other NGOs rejected any funding from the US and the UK governments for their humanitarian work in Iraq, as a statement of their independence (Oxfam 2003). More generally, many commentators warn of the danger that non-profits and NGOs will simply become “public sector contractors”, unable to stay true to their values, maintain their organisational distinctiveness, keep the government accountable or to represent the interests of their grassroots constituencies (Dahrendorf 2001, Edwards and Hulme 1997, Korten 1990), essentially agreeing with what I call here – the “piper hypothesis”. This hypothesis permeates much of both the

NGO and non-profit literatures. Basically it states that as NGOs and non-profit organisations receive more government funding they increasingly lose their organisational independence.¹

The theoretical and policy relevance of the piper hypothesis is demonstrated by the fact that many discussions about the very future of the NGO and non-profit sectors often revolve around issues of funding and independence, and I would argue, around the applicability of the piper hypothesis and how NGOs respond to it. For example, in one of the earliest statements of the hypothesis, Korten (1990) suggested that to better reflect empirical reality NGOs should be divided between “voluntary organisations” which are value oriented and “public service contractors” whose existence is based on serving as implementing arms of government. Similarly, Knight (1993) argues that the voluntary sector will polarise between organisations that become government agents, depending mainly on government funding and acting as delivery agents for government, and those that become “civic organisations”, dedicated to advocacy, funded primarily by private funding, and remaining close to their grassroots. Following Korten (1990), Edwards (1999b) predicts that in an aid environment characterised by increased competition, NGOs must choose between competing for government contracts and moving closer to the public sector or reducing in size and joining social movements. Edwards (2002a) also suggests that NGOs need to choose between being “agents of foreign aid” or “vehicles of international cooperation.” These discussions place issues of funding, resource dependence, and organisational independence at the centre of the NGO and non-profit sectors’ future. Recent publications confirm the current relevance of the debate over the impact of government funding on non-profits and NGOs (e.g., Brown and Troutt 2004, Sargeant and Lea 2004, Hues and Lucsetich 2004, Eckel and Grossman 2004, Edwards and Fowler 2002, Kendall 2003, Ebrahim 2003).

Surprisingly, however, most of the claims behind the piper hypothesis have been backed by little systematic research. In fact, existing evidence on the impact of government funding on non-profit independence is mixed (Kendall 2003), suggesting the hypothesis may not have universal applicability. With notable exceptions however there has been a lack of attention to outlier cases, that is, NGOs that seemingly defy the negative impact of government funding on independence. Proponents of the piper hypothesis paint a picture of mostly helpless non-profits and NGOs, on one hand, and controlling governments and international donors on the other. With rare exceptions there is little in the literature to help us understand any hypothetical NGO resistance to this external influence (Ebrahim 2003).

¹ For one statement of the hypothesis see Edwards and Hulme (1996). Similar hypotheses are put forward by many authors including Hudock (1995, 1997a), Edwards and Hulme (1995, 1997, 1999), and Korten (1990). In the non-profit literature similar hypotheses are put forward by Smith and Lipsky (1993), Anheier et al. (1997), and Knight (1993), as discussed in section 1.3.

This study explores the applicability and limits of the “piper hypothesis” by examining NGOs dedicated to sustainable development in Mexico and Portugal. This thesis explores the vital process of how resource dependence on the government purportedly narrows down NGOs’ ability to remain independent, and whether and how NGOs may actively protect their independence while receiving government funding. Because of the relevance of NGO and non-profit independence to policy and management of these organisations, there exists a pressing need for more research on this topic, in an effort to better understand NGO strategies for coping with dependence on government funding and the applicability and limits of the piper hypothesis. As Salamon and Anheier (1996:121) have noted,

Few issues are as crucial ... as ... how to fashion cooperation with the government in a way that protects the non-profit sector from surrendering its basic autonomy and thus allows it to function as a true partner with the government rather than simply as an “agent” or “vendor”.

Alongside its policy and NGO management relevance, this study has an important theoretical dimension. Organisational theory, including for example Resource Dependency Perspective, developed mainly through the study large businesses in the North (Baker and Aldrich 2000). By using organisational theory to examine relatively less well known organisational forms such as NGOs, this study affords an opportunity to explore the validity of existing theory and potentially suggest new ways of expanding it. Such research is very much needed in both non-profit/NGO literature and wider organisational theory (Galaskiewicz and Bielefeld 1998).

In this chapter I define the object of study and frame the analysis by reviewing the literature on NGO and non-profit funding and the management of resource relations. I then present the study, its justification, and conclude by laying out the structure of the thesis.

1.1. NON-PROFITS AND NGOS

This section defines “non-profits” and “NGOs” and explains how the two terms are used throughout this thesis.

Defining the actors in this study has proven to be one of its most difficult challenges. The comparative nature of this study challenged simple conceptual definitions of “NGOs”, requiring that I draw on both the NGO and the non-profit literatures. This proved enlightening and essential, but also highlighted the conceptual murkiness surrounding the definition of NGOs.

The concept “NGO” has been used to describe different sets of organisations such as membership organisations, community-based organisations and grassroots assistance organisations. At the same time, many different concepts have been used to refer to what could be broadly defined as “NGOs”. Najam (1996b), for example, identified 49 such concepts

including “third sector organisations”, “civil society organisations”, “non-profits”, “voluntary organisations” and “community organisations”. These concepts emerged out of different cultural and legal contexts and emphasise different traits of these organisations (Lewis 2001a).

The “non-governmental” has been variously conceptualised as a “third sector” of institutions (alongside more familiar configurations of government and business sectors), as a “voluntary” sector (characterised by uncoerced, value-driven behaviour in pursuit of the public good), as “charitable” activity governed by tax benefit and private philanthropy, as “civil society” as a public sphere in which organised citizens act upon a range of concerns and as the “not-for-profit” sector in which a set of organisations are primarily characterised by motivation values which sets them apart from conventional businesses. Other formulations such as the idea of the “community sector” (referring to small-scale associationalism), the French concept of “*l’*économie sociale”, and debates on “social capital” have all been influential, as has the recent revitalisation of the theory and discourse of “civil society” (Lewis and Themudo 2003: 3).

Strangely there has been little communication between research on the “non-governmental” or voluntary action undertaken in the North and that undertaken in the South (Deakin 2001). Lewis (1999) argues that most research on the “non-governmental” has been divided into two main bodies of literature. The *non-profit literature* which has been mainly concerned with studying “non-profit” and “voluntary organisations” working in an industrialised Western context, and the *NGO literature* which has been concerned with similar organisations working internationally or in “developing countries”. Glacius and Kaldor (2002) see NGOs not in terms of where they work but what they do. They see NGOs as organisations dedicated to working in humanitarian assistance, development, environment and human rights (see also Vakil 1997, Lewis 2001a). So traditionally there is a type of work or a North/South distinction where “NGO” has been the most commonly used term to refer to non-profit and non-governmental organisations working in sustainable development and operating in the South and internationally, while “non-profit” and “voluntary organisation” has been the preferred term to describe similar organisations operating in the North (Billis and McKeith 1993). The differing terminology is one of many elements that have led to the emergence of two “parallel worlds” of research literature, broadly defined as the “non-profit” and the “NGO” fields (Lewis 1999).

The comparative nature of this study prevented easy slotting within either the NGO or the non-profit/voluntary sector literatures, based on the criteria of North/South origin or development/welfare work. Mexico can be classified as the “North of the South” and Portugal as the “South of the North”, so they escape traditional geographic divisions between non-profits and NGOs. Neither could the terminological choice be made simply based on the countries’ stage of development as Mexico and Portugal occupy an intermediary position (Santos 1994) manifested in various development indicators (see chapter 3) not matching those of “more developed countries” or those of “developing countries”. Indeed in both Portugal and Mexico,

“non-profit organisation” and “non-governmental organisation” are equally common denominations for third sector organisations.²

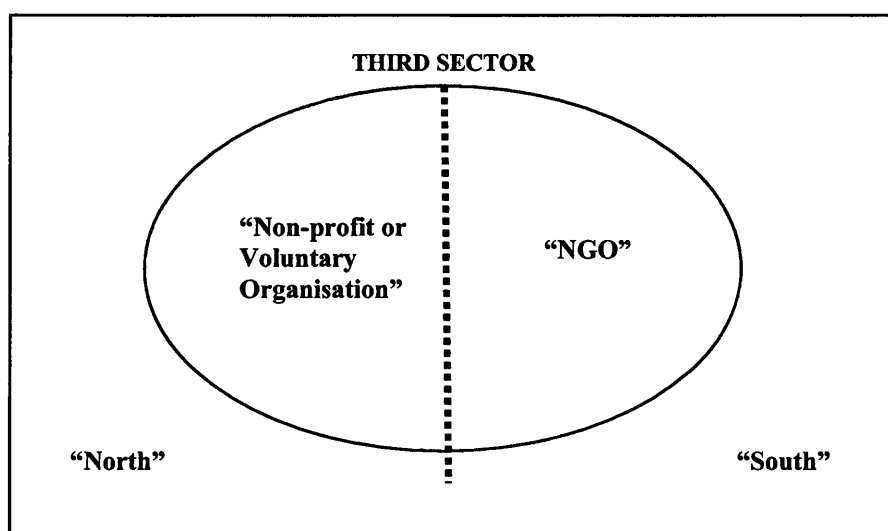
This terminological confusion reinforces the need to draw on both literatures in search of useful clues to answer the research question. There are also other good reasons to do so. Firstly, it provides an important opportunity for learning across the two literatures or fields, which focus on phenomena that are not entirely different, and in many cases are extremely similar. Secondly, the non-profit literature is much more developed in its examination of internal management compared to the NGO literature, which has been more concerned with contextual issues (Lewis 1999). Drawing on both literatures offers opportunities to learn more about both internal and external aspects of NGO management. Indeed, and specifically relevant for this study, the literature on NGO resource dependence on governments and international donors is paralleled by a body of literature in the non-profit and voluntary sectors on resource dependence and “contracting” between non-profits and the government. Drawing on both literatures allowed me to refine my conceptual framework and methodology. Thirdly, the changing contexts of voluntary action present non-profits with pockets of extreme poverty in the North as well as NGOs with an expanding middle class in the South (Lindenberg and Bryant 2001, Young 1995). These trends question the very separation between North and South on which much of the division between non-profits and NGOs rests. Fourthly and finally, there are important precedents by other researchers who have crossed the divide successfully (e.g., Lewis 1999, Najam 1996b, 2000, Vakil 1997). In retrospect, the decision to draw on both NGO and non-profit literatures proved wise, as both literatures added important clues in trying to answer the research question. By studying NGOs that do not fit easily into the traditional NGO or non-profit literature I was able to draw on different literatures and bridge what Lewis (1999) has called the “parallel worlds” of non-profit and NGO research.

One of the key objectives and contributions of this study is therefore to integrate the sometimes artificially separate non-profit and NGO literatures. In doing so it builds on previous work in this direction, which has concluded that much could be learnt by drawing on both literatures (e.g., Najam 2000, the various works in the edited volume by Lewis 1999, Salamon and Anheier 1999, Anheier and Themudo, 2004). On the other hand, in searching for what is common between the two literatures I conceptualised both “non-profits” and “NGOs” as being part of the third sector (see Figure 1). To define a third sector organisation, I adopt Salamon and Anheier’s (1999) definition of “non-profit organisation” developed for an international comparative study that included both Northern and Southern countries. A third sector organisation is any

² In Portugal third sector organisations are commonly referred to as “organizações sem fins lucrativos” (not for profit organisations) or “organizações não-governamentais” (NGOs). In Mexico they are

organisation which is: formal, self-governing, private (i.e., non-governmental), not-for-profit and voluntary. This definition is appropriate to define both non-profits operating in the North and NGOs operating in the South or working in international development (Salamon and Anheier 1999), so it is adequate for a study that spans both the “South of the North” (Portugal) and the “North of the South” (Mexico).

Figure 1: Traditional divisions between the third sector, non-profit and NGO literatures



To describe my empirical observations, I chose the concept “NGO” to refer to the case-studies in Portugal and Mexico instead of “third sector organisation”, “non-profit” or “voluntary organisation”, due to three reasons. Firstly, although the organisations studied were national in the scope of their activities, the nature of their work in sustainable development required important relations with international organisations and institutions such as the European Union and NAFTA. Consequently, there was an important international dimension to their work and funding portfolio. In this aspect, these organisations are more similar to the organisations commonly described in the NGO literature than to the domestically oriented organisations described by the non-profit and voluntary sector literature. As I will show below, Portugal and Mexico’s resource environment for NGOs concerned with sustainable development is in many ways closer to that of developing than developed countries, that is, without consolidated institutional relations and a “culture of giving” to NGOs dedicated to newer social issues such as sustainable development. Secondly, the organisations studied label *themselves* as “NGOs”. This choice has local cultural as well as legal justifications which would be obscured were I to re-label them. Thirdly, because this study is concerned with organisational independence mainly with respect to government, the label “non-governmental” is more appropriate than “non-profit”, “voluntary”, “third sector” or “civil society”. Therefore, while the latter terms could

commonly referred to as “organizaciones sin fines de lucro” (non-profit organisations) or “organizaciones

arguably have been used, I gave the label of “NGO” to organisations working in Mexico and Portugal, which are formal, self-governing, private (i.e., non-governmental), not-for-profit and voluntary.

Importantly, when describing the existing literatures, I maintain the traditional division between non-profit/voluntary sector and NGOs. In seeking clues in the different literatures about the relationship between my NGO case-studies and their environment I could not simply “iron out” North/South differences in the literature, as this could lead to overlooking the contextual origins underpinning the claims made in the different literatures. There are important contextual differences in the management of NGOs in the South or international arena vis-à-vis organisations working in the North (Smillie and Hailey 2001). By keeping this distinction in mind I could contextualise existing research data, which is important for interpretation and also help readers evaluate my claims.

In sum, instead of using the term “third sector organisation” or another generic term to describe both non-profits and NGOs, I use the term “NGO” to refer to third sector organisations working in the “South” as well as in Portugal and Mexico. I use non-profit organisation specifically to refer to third sector organisations working in “more developed” contexts, mostly in the US and UK. Moreover, the case-studies are also *organisations* in general, therefore to answer my research question I drew on general organisational theory alongside NGO and non-profit/voluntary sector literatures. Each of these literatures provided insights about resource dependence relations which together are invaluable to the emerging NGO management field with which this study engages mostly closely, though some of its lessons have broader relevance for non-profit and wider organisational theory literatures.

1.2. NGO FUNDING CHALLENGES AND THE RISE OF CONTRACTING

This section describes the challenges NGOs face in acquiring resources, and the implications of the rise of government funding as a possible solution to those challenges.

The “fundamental revenue problem” of non-profits and NGOs

GEOTA is an NGO dedicated to the promotion of sustainable development through service delivery and advocacy. It is one of the most well known and influential NGOs in Portugal. Its work is widely recognised, demonstrated for example by the fact that recently its leader was voted by a major news magazine to be among the 200 most influential people in Portugal, because of his work in GEOTA (Visão March 21st, 2001).

Despite its acclaimed success, like most NGOs that I examined in Portugal, GEOTA struggles on a monthly basis to balance its accounts and find enough resources to undertake its socially critical work. The NGO has three full-time paid staff but they spend as much of their time dealing with different aspects of fundraising – individual giver appeals, writing proposals, reporting back to donors and managing the budget – as they spend on programmatic work. The effect is an actual halving of their work force capacity to implement their programmes. As an NGO with one of the strongest support bases in Portugal, individual giving barely pays for the costs of keeping supporters informed of organisational activities through a newsletter and a website. Worse, occasionally when the organisation is in the “red”, its leaders have had to lend some of their own money to enable the organisation to pursue its work!

I found similar challenges facing Mexican NGOs. During my interviews I repeatedly met with the quintessential worry of NGO managers: how to get resources. For instance, the leader of Naturalia, a Mexican NGO, said that:

The majority of my time is spent on fund-raising. I estimate that I spend about *90% of my time* in activities related to fund-raising. Donors normally require high level managerial involvement in proposal writing and reporting. This drives me away from focusing on more strategic or programmatic work but someone has to do it. ... Without funding we would not even exist.³

In a study of Mexican NGOs, Natal (2001) found that over two-thirds of the time spent in organisational meetings was dedicated to discussing issues relating to funding. Kurzinger et al. (1991) found that the most prevalent organisational challenge facing Mexican NGO leaders and managers was clearly the financing of their organisation and activities.

The problem is not limited to Portuguese and Mexican NGOs. Gronbjerg (1993) found that fundraising is a critical management task in non-profits. Anheier and Cunningham (1994) also argued that fundraising is one of the most prevalent management problems reported by NGOs. There is therefore a strong recognition that finding resources and dealing with resource providers is one of the most important tasks in NGO management (Fowler 1997, 2000). Similarly, as mentioned above many of the discussions around the future of the NGO and non-profit sectors revolve around the organisational impact of different types of funding (private vs. public, national vs. international) that organisations are able to mobilise (Edwards 1999b, Knight 1993, Froelich 1999, Hudock 1997a).

Surprisingly, given its key relevance for NGO work and survival, there are few systematic studies of non-profit or NGO funding and its implications for management (Ebrahim 2003,

³ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

Gronbjerg 1993, Hudock 1999).⁴ To address this gap, we must begin by recognising that, like any organisation, NGOs need resources to pursue their mission and survive. Resources can come in many forms. Many NGOs rely on volunteers to undertake their work. Others rely mainly on paid staff and need funding to pay wages. Moreover NGOs normally need an office, equipment, supplies, etc. They also need inputs to undertake their work such as books, food, computers, bricks, trucks, vaccines, etc. Finally, NGOs need symbolic resources such as reputation and legitimacy (Ebrahim 2003) and logistical resources such as information.

A key element in the analysis of NGO funding is that like most third sector organisations they face a “fundamental revenue problem” (Anheier and Themudo 2004), which leads to resource scarcity and uncertainty. NGOs seek needed resources in their organisational environment, but the process of acquiring resources is very problematic, for both NGOs and non-profit organisations in general. Their ability to attract resources is strongly conditioned by the nature of the services they provide. In so far as non-profits and NGOs provide public goods such as health care, education, environmental protection or humanitarian assistance, they are subject to free-riding, i.e., many people who benefit from their services can avoid paying for them (see McLean 1987, Olson 1965, Rose-Ackerman 1996). Voluntary donations are therefore a fragile basis upon which to resource the provision of public goods (Gronbjerg 1993, Weisbrod 1998).

Aside from donations, NGOs can get funding from two main sources: fees from users and other sales, and funding from government or its bilateral donor variant (Fowler 1997, Gronbjerg 1993). But these options also present important challenges for NGO management. Income from user fees is often inadequate to resource NGOs as the intended users usually cannot afford to pay for their services. In trying to reach the poor, non-profit organisations must provide their services at a subsidised level, for free or below cost, so they face a permanent excess of demand over their ability to supply those services. Many NGOs therefore have difficulty in attracting sufficient resources by charging fees – so they tend to face a chronic scarcity of resources to make up for the shortfall and to provide services at a subsidised level, must find matching resources from other sources. Cross-subsidisation, i.e., drawing resources from a lucrative activity to a loss-making activity, is very common and many non-profits sell products which make a profit to pay for the services provided at a loss (Weisbrod 1998). For example a hospital can use profits made from charging people who can pay in order to subsidise the costs of offering services to those who cannot pay. Similarly schools can use profits to offer scholarships to those who cannot pay. One problem with cross-subsidisation is that the effort to

⁴ There is much more “grey literature” on the subject such as consulting reports and fundraising guides (e.g., Kelly 1998, Holloway 2001, Tempel 2003, Weinstein 1999). However with some exceptions discussed below (e.g., Blackmore 2004) these texts deal with fundraising rather than the impact of different funding profiles on organisational behaviour.

attract sufficient resources can distract NGOs from working with those in greatest need. Others include distraction from a non-profit mission and becoming increasingly like businesses.⁵

NGOs can also try to obtain funding from government and its international donor arm. One of the key challenges in examining government funding is its diversity. Government funding may have different implications for NGO management depending on its origin, such as the type of agency (ministry, QUANGO), level (national, regional, local), and the ideology of those currently in power (different political parties, inclinations of officials). Another important distinction is between government funding awarded as a grant or as a contract. Generally, grants afford much more flexibility than contracts regarding how the funding can be used (Mowjee 2001, Scott and Russell 2001). Government funding also poses serious management threats such as resource dependence and its potential consequences of organisational goal displacement, cooptation, and loss of accountability to the grassroots, to name a few (Gronbjerg 1993, Froelich 1999, Edwards and Hulme 1995). The challenges of government funding will be discussed at length below.

NGOs working in international development and in the South also suffer from the “fundamental revenue problem”. But they face even more difficulties in finding funding from fees, donations and government contracts than their non-profit counterparts in the North. The levels of beneficiary poverty make financing through fees even less likely than in the case of most non-profits. The weakness of Southern governments and their fiscal base makes government funding of NGOs less common and with more attached conditions. Moreover, NGOs in the South normally face a weak tax deductibility legal framework, which lacks clarity and where the government retains much discretion over which organisations can receive fiscal benefits and which ones can't. The absence of an individual and company “culture of giving” presents yet more challenges for NGO fundraising in the South.⁶ Development NGOs do however have access to foreign aid and international giving. Ditcher (1999) described most countries in the South as “non-philanthropic spaces”, characterised by very low domestic resources and high dependency on foreign aid. While the concept of “non-philanthropic space” is somewhat misleading it drives the point home that NGOs have little access to national or domestic philanthropic giving. Therefore, perhaps even more than many non-profit organisations working in the North, NGOs working for and in the South face a very severe form of the “fundamental revenue problem”.

⁵ Froelich (1999) provides an excellent summary of the literature on the impact of different funding sources on non-profit management.

⁶ This is not to say that people do not give money to good causes in such societies. The public may regularly give to traditional institutions such as the Church, local associations or trade unions, but they will not normally give people they do not know or to NGOs or non-profits working for public goods,

There is some evidence in Mexico and Portugal to support this idea. There is an almost complete absence of a “culture of giving” to NGOs in Mexico.⁷ Verduzco (2003) found that only 6% of Mexican NGOs’ funding derives from donations. Portugal is richer than Mexico per capita but still suffers from a general absence of a “culture of giving” to NGOs as compared to the US or Northern European countries (Sequeira 1998). In fact, Hespanha et al. (2000) found that, in a sample of NGOs, income from donations represented only 3.9% of total funding. Looking at NGOs dedicated to environmental protection, which in the UK and US get most of their funding from donations (Kendall 2003), Kurzinger et al.’s (1991) found that in Mexico less than one-quarter of the NGOs in their sample (9 of 41) received any donations.

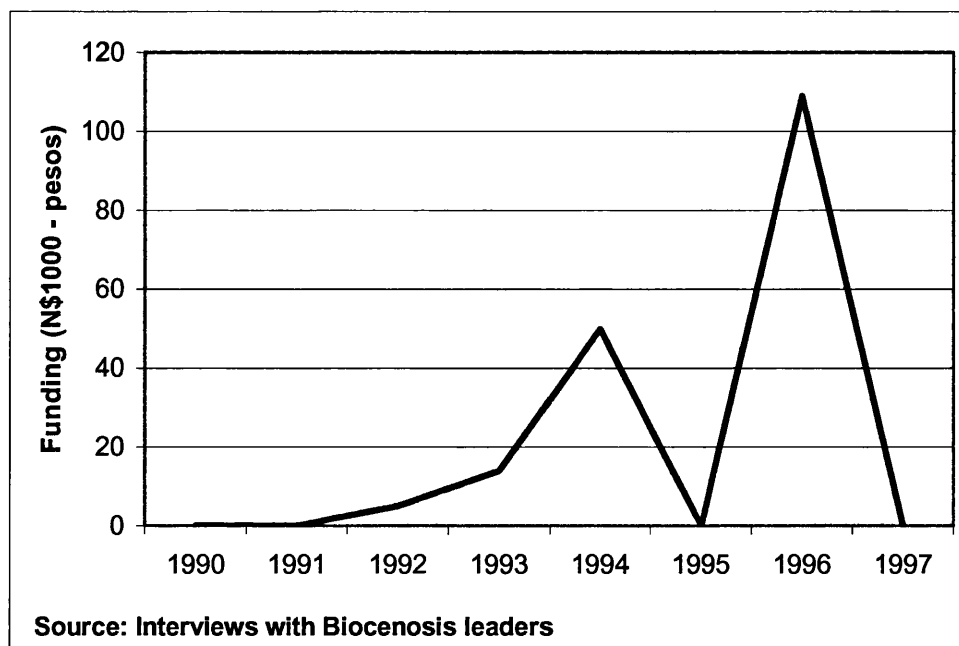
With limited access to stable funding sources, NGOs experience resource scarcity, dependency and high uncertainty. Indeed, Hudock argues that (1997a:5, emphasis added) “the *defining characteristic* of many NGOs generally ... is the absence of a dependable resource base.”

Similarly, Smillie and Hailey (2001) argue that NGOs are characterised by erratic funding. Scarcity and uncertainty present major challenges to NGOs’ survival and ability to pursue their mission effectively. The uncertainty that many NGOs experience is perhaps best demonstrated with one example. Biocenosis A.C. (Valle de Bravo branch) is a Mexican NGO dedicated to sustainable development. Despite the strong social legitimacy of and need for its work, Biocenosis was faced with very strong uncertainty in its funding. Figure 2 shows the strong variability of the NGO’s funding between 1990 and 1997.

which have only gained widespread importance more recently, such as development, gender or environmental protection (see Tempel 2003).

⁷ Interview with Martha Delgado, Presencia Ciudadana, Mexico City, June/99.

Figure 2: Income of Biocenosis A.C. (Valle de Bravo)

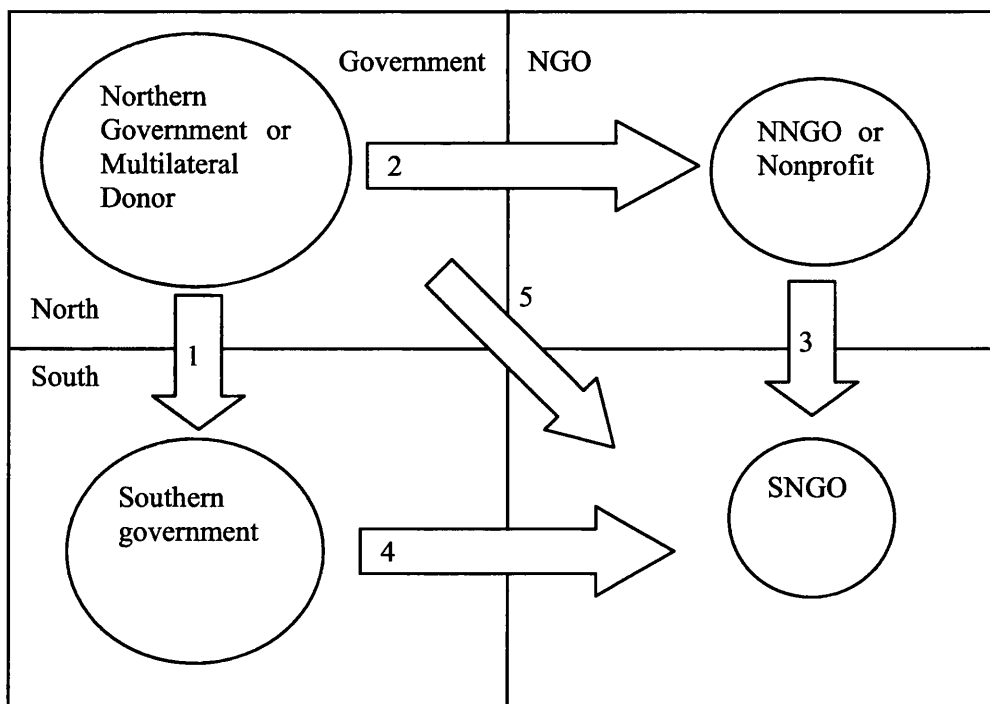


Froelich (1999: 258) argues that “the essence of charity is to provide needed goods and services to the poor – in other words, to those who cannot pay.” Very few non-profits and NGOs can survive from individual donations alone. By being able to draw from taxation resources, i.e., government funding, NGOs and non-profits expand their ability to deliver critical public goods and services (Kramer 1994, Lindenberg and Bryant 2001). That is partly why GEOTA, faced with a difficult funding environment, has increasingly relied on government funding to supplement its meagre and unstable income from other sources. But, as discussed below, this strategy creates as many problems as it solves.

Recent trends: the rise of government funding and contracting

Before describing recent trends in government funding of NGOs/non-profits it is useful to establish what I mean by “government funding”. Figure 3 presents the most common direct and indirect funding flows between government and NGOs.

Figure 3: Funding flows between government and NGOs/non-profits



SNGOs may receive government funding indirectly via another NGO, generally a NNGO (flow 3), from a Southern government (flow 4), and directly from a Northern government (bilateral donor agency) or multilateral donor (flow 5) (Lewis and Sobhan 1999). Nonprofits receive government funding from Northern governments (and not international donors) (flow 2).

In this study I focus on the direct funding of national NGOs by *national governments* in Portugal and Mexico (flows 2 and 4), and put it in the context of international donor and other funding flows (flows 3 and 5). Official donor funding given directly to SNGOs or indirectly via NNGOs as part of the “aid industry” is therefore distinguished from national government funding. These different types of government funding have very different implications for NGO management (Fowler 1997) and organisational independence. For example, alongside direct funding, national governments which have regulatory and taxation powers, enjoy greater opportunities to exert influence over national NGOs than donors do. To a large extent, therefore, this study’s findings will not be relevant to understand funding relationships between international donor and NGOs or between NNGOs and SNGOs. Hypotheses about potential comparisons are discussed in the conclusion. Despite focusing on national government funding the literature on the relationships between donors and NGOs is still reviewed here in search of clues and testable hypotheses about NGO resource dependence relationships.

Despite their fundraising pains, NGOs have grown impressively in number and size over the past two decades. The last few decades witnessed the expansion of non-profits and NGOs to levels unknown in the past, accounting for about 6% of total employment in OECD countries

(Salamon et al. 1999). Indeed, by the late 1990s, the 10 largest development and relief international NGOs alone had combined expenditures of over US\$ 3billion, which represented about half of the official US aid budget at the time (Lindenberg and Dobel 1999). A more recent assessment estimates that NGOs have expenditures of between US\$ 12 billion and US\$ 15 billion (Fowler 2000), which would imply that NGO expenditures may exceed USAID's current budget (around US\$ 14 billion), the largest development donor in the world (USAID 2003). NGOs' recent rise in size and profile has led to both the emergence of a literature concerned with NGO management (Lewis 2001a) and to increased scrutiny of NGO activities and legitimacy (Edwards 1999b).

Table 1 shows the large increase in funding for NGOs from the Department for International Development (DFID), the international development arm of the UK's government. Between 1987-8 and 1994-5, government funding to NGOs grew almost 5 times.

Table 1: Increase in DFID funding of NGOs, in £ million

	1987-8	1994-5
Emergency work	19.5	83.1
Joint-funding scheme	8.4	34.3
Geographical desks	5.6	42.3
Total	33.6	161.7

Source: based on Wallace (2000)

The rise of NGOs' funding and profile is a consequence both of successful local and voluntary action, and of their increasing popularity among governments and donors (Edwards and Hulme 1995, 1997). This increase in popularity and in government funding is closely related to the revival of "civil society"⁸ and the rise of New Public Management ideas (Deakin and Taylor 2002), which combined to form a new governmental agenda of cooperation with non-profits at the national level and with NGOs in international development. In development circles, this new agenda was labelled the "New Policy Agenda" by Robinson (1993). The New Policy Agenda is driven by neo-liberal economics and liberal democratic theory:

[U]nder the New Policy Agenda NGOs and GROs are seen as vehicles for "democratisation" and essential components of a thriving "civil society", which in turn are seen as essential to the success of the Agenda's economic dimension (Hulme and Edwards 1997:6).

⁸ Lewis (2001a: 44-56, 62-67) presents an thorough summary of the issues surrounding the current interest in civil society and NGOs under the New Policy Agenda.

Support for NGOs is justified on the grounds that NGOs have many inherent organisational strengths, which make them effective and efficient deliverers of development services, such as closeness to the poor, flexibility, and innovativeness (e.g., Carroll 1992, Clark 1991, Edwards and Hulme 1995, Fowler 2000). At the same time, NGOs are seen as important advocates who are part of and strengthen civil society, thus contributing to democratisation and good governance (Blair 1997). Similarly, for Smillie and Hailey (2001: 21):

Civil society, of which NGOs are a part, is sometimes seen as a buffer, even as an antidote to anti-democratic government behaviour. Support for the creation of a strong and vocal civil society, therefore, became part of the donor arsenal for better governance throughout the South in the late 1980s and the 1990s.

However, the past decade has witnessed important changes in the development aid system generally. The 1990s saw consistent reductions in foreign aid (Fowler 2000). At the same time, it appeared as if NGOs were falling out of favour with official donors (Edwards 1999a). Some official donors, such as UK's Department for International Development under its Secretary Clare Short, questioned the prominent position of NGOs in development. In the late 1990s some commentators suggested we may be entering a "post-New Policy Agenda" development era with a return to the government at the centre of development (see Rahnema 1997) so that in the future NGOs may receive less, not more, government and donor funding. As a consequence of these apparent trends, various authors warned about the possibility of a "future without aid" (Hulme and Edwards 1997), that is, without government aid funding for NGOs.

The 2000s have seen a reverse in the decline of overall official aid observed during the 1990s. This is partly due to the events of September 11, which suggested we need more development aid to fight poverty and possible incentives for terrorism. The demand for development services as part of the reconstruction of Afghanistan and Iraq has also increased the need for official aid. At the same time, new ambitious development goals – the Millennium Development Goals – have been widely adopted by the international community and have increased the need for official aid. Consequently, in 2002, world leaders met in the Monterrey Summit on Financing for Development to discuss the financing of the Millennium Development Goals and the possible increase in development aid. Most donor countries agreed to increase their official aid budget. President Bush for example promised to increase the annual expenditure on international development by US\$ 5 billion by 2006 (InterAction website). USAID has doubled its budget since 2001 from US\$ 7 billion to US\$ 14 billion (USAID 2003). There are therefore strong signals that despite warnings of a "future without aid", official aid is actually increasing. Indeed since the Monterrey Consensus, OECD donor countries have pledged an extra US\$ 16 billion in annual aid taking international aid to a historical high of over US\$ 70 billion. In constant 2000 US dollars, aid decreased from US\$ 57 billion in 1990 to US\$ 54 billion in 2001 but in 2002 it rose to US\$ 56.5 billion and OECD donors have pledged another US\$ 16 billion by 2006 (Human Development Report 2003, chapter 8). Moreover, Fowler (2000) claims that

even when official aid was declining during the 1990s, funding for NGOs increased from US\$ 6 billion in the early 1990s to US\$ 13 billion by the end of the decade. Assessing how much funding NGOs actually receive as a sector is difficult because of the variety of NGOs and the diversity of funding flows from which they derive their income (Smillie 2000a) – see Figure 3.

While some indicators point to an increase in international aid funding, the conditions under which it is given to NGOs are changing. USAID for example has a lot less money available to unsolicited funding proposals and discretionary funding. Instead the majority of its budget is earmarked and directed to “President Initiatives” such as the re-building of Afghanistan and Iraq, and the HIV-AIDS initiative.⁹ Similarly, private giving is increasingly earmarked to causes that donors care about rather than general support (Tempel 2003). The end result is that funding for NGOs appears to be increasingly associated with conditions relating to how it can be spent. The end result may therefore be rising total aid but declining funding to traditional areas for NGO work such as fighting poverty in Latin America (Smillie and Hailey 2001).

So far it is not clear whether the promises will fully materialise or how much official aid will reach NGOs or with what associated conditions and restrictions, but judging from past experience NGOs are likely to receive a significant share of these aid flows. In a period of rising official aid, it is likely that much funding will be channelled through NGOs. Rising conditionality of aid may have even more serious impacts on NGOs because of their rising dependence on government funding. Fowler (2000:56) claims that during the 1990s:

Private funding has remained more or less static while other, previously very limited sources – such as for-profit activity or business support – are increasingly minimally. Consequently, the proportion of official, tax-derived, funding in the [NGO] total has increased from about 20 to about 50 percent.

The rise in government funding to NGOs has been coupled with stagnation in other types of funding, which led to a consequent rise in resource dependence on the government and their international aid arms, official donors. The rise in the resource dependence on the government was also identified by Edwards and Hulme (1996: 962) who point out that:

levels of dependence on government grants [oscillated] between 18% and 52% in 1994, up from between 7% and 15% 10 years earlier. Levels of dependency are much higher in continental Europe and in North America; for example, it is common to find government grants making up between 50% and 90% of the budgets of major NGOs in Scandinavia, the Netherlands and Canada...

These claims are partly supported by a study undertaken by the Overseas Development Institute (Riddell and Robinson, 1995) which found that UK development NGOs are significantly

⁹ Conference presentation by Robert Groelsema, USAID Civil Society Specialist, University of Pittsburgh, March 27, 2004.

dependent on government funding, varying between 20 and 55% of total funding. In Sweden and other Scandinavian countries the figure often reaches 85% (Smillie 2000a).

At the individual organisational level, development NGOs vary strongly in the amount of government funding they receive. Even within the same NGO, different national branches receive different amounts of government funding (Table 2). According to Lindenberg and Bryant (2001), while Oxfam America receives no government funding, Oxfam Netherlands receives 73% of their funding from the government, while Oxfam UK receives 32% from the same source. What is the impact of such different levels of resource dependence on NGOs' ability to remain independent?

Table 2: Proportion of government funding in selected NGOs

NGO	Private funding (%)	Government funding (%)
Oxfam America	100	0
Oxfam Great Britain	68	32
Oxfam Australia	65	35
Oxfam Spain	59	41
Oxfam Netherlands	27	73
World Vision US	81	17
Save the Children Fund UK	50	40
Care US	28	70

Source: Adapted from Lindenberg and Bryant (2001: 36-37)

According to Lindenberg and Bryant (2001: 38) the answer depends on which government NGOs get their funding from.

The government of the Netherlands decided early on to have 10 percent of its official development assistance flow through NGOs. Not only is this the highest rate for any official donors, but the country is also of the most politically liberal environments generally, with strong popular support for development and for NGOs. Hence few NGOs in the Netherlands feel threatened by large amounts of government support. ... MSF Belgium, one of the oldest members of the MSF family, has also historically accepted a large percentage of public funding – and appears not to have found that money to carry too many strings.

While accurate data is hard to come by, the picture of resource dependence is probably even starker in the South. Edwards and Hulme (1997:7) argue that in their experience SNGOs are 80% to 95% dependent on official donor funding, that is, foreign governments. Smillie and Hailey (2001: 32) confirm this observation in their study of SNGOs stating that “none of the

NGOs in this study (and few anywhere else) would exist in anything like their present form without the support they have received, and continue to receive, from international donors.”

In the North, the UK voluntary sector and US non-profit literatures have also described the rise of a “mixed economy of welfare” characterised by a greater role for non-profits in public service provision as governments “contract out” various tasks to non-profits. This trend has led to a large increase in government funding to non-profits and an increase in non-profit resource dependence on public funding, in what has been called a “contracting era” (e.g., Billis and Harris 1996, Ferris 1993, Froelich 1999, Gutch 1992, Gronbjerg 1993, Kumar 1997, Kramer and Grossman 1987, Salamon 1987, Smith and Lipsky 1993).

Indeed, Salamon (1987) suggests that the relationship with the government is essential to explaining the emergence and growth of the non-profit sector. Based on extensive quantitative data on non-profits in the US, he developed an “inter-dependence theory” which argues that, contrary to the common assumption that the non-profit sector had developed to fill gaps left by a retreating government, the non-profit sector tends to be strongest where the government is also strongest. Government and non-profit sectors develop in tandem with each other. He also argued that again contrary to the myth of the non-profit being funded essentially by voluntary donations, government funding is generally more important for non-profits than donations and has been the main responsible for the growth of the sector. This is echoed by recent international comparative research on the non-profit sector (Salamon et al. 2000) and on the voluntary sector in the UK (Kendall and Knapp 1996) which describe the rise of the “contract culture” and the increasing financing of voluntary organisations by the government (Harris et al. 2001). In the UK, government funding of the voluntary sector has been growing steadily (Kendall 2003). Between 1990 and 1995 government funding grew from £13.7 billion to £22.4 billion, excluding indirect support through tax benefits. In the same period the proportion of government funding grew from 39% to 46%, becoming the main source of funding for the first time (Kendall 2003:25).

The rise of government funding has important implications for NGO and non-profit management. The high funding scarcity and uncertainty NGOs face (partly as a result of the “fundamental revenue problem”) in turn increase resource dependence on the few available sources of funding (Pfeffer and Salancik 1978, Hudock 1997a). In one recent conference gathering academics and practitioners¹⁰ the discussion turned to the topic of funding and resource dependence. A manager of a non-profit organisation said:

¹⁰ Annual Meeting of the Copeland Fund, Pittsburgh, November/2003.

Of course we are resource dependent, all non-profits are resource dependent. That is our very nature. Because we provide services to those who cannot pay for them we must as a result be resource dependent.

This comment highlights that resource dependence may be an important result of the “fundamental revenue problem”, which most non-profits and NGOs face due to the public nature of the services they provide. Kramer (1994: 50) agrees:

All organisations are dependent on their environment and are embedded in larger systems of relations. Non-profit organisations, however, may be more vulnerable to external constraints because they have no mandated existence or legal claim to public funds.

Not surprisingly, the increase in government funding has been accompanied by a change in the conditions accompanying it, reflecting, some argue, an increase in the power of government over its relationship with non-profits (e.g., Smith and Lipsky 1993). Both in the non-profit and NGO sectors government funding is increasingly given to NGOs under the guise of “partnership” arrangements with complex contracts that include clearly specified performance outputs and outcomes (e.g., Kramer 1994, Ebrahim 2003, Edwards and Hulme 1996, Gronbjerg 1993). In the UK, contracting is increasingly replacing a more flexible system whereby the government gives discretionary grants to voluntary organisations for the delivery of important social services (Mowjee 2001, Scott and Russell 2001). Many commentators however have argued that these changes are the result of an unequal “partnership” in which NGOs and non-profits are resource dependent on the government (e.g., Edwards and Hulme 1995, Knight 1993).

The rise of government funding and “contracting” in non-profits and NGOs has had important implications for NGO/non-profit management. On the positive side, government funding and contracting are seen as bringing greater continuity, predictability and availability than other sources of income (Gronbjerg 1993). It may offer enhanced status and legitimacy as well as the opportunity to influence public policy by providing access to decision-makers (Hassel 1996) and it may provide greater clarity about the services to be provided in exchange for funding (Richardson 1995). There are also some suggestions that government funding may promote organisational learning by encouraging and providing funding for systematic project evaluation (Randel and German 2000d).

On the negative side, government funding and contracting present important challenges for NGOs/non-profits. Firstly, government funding and contracting are seen as offering inadequate reimbursement of the costs of service so that voluntary agencies actually subsidise the government (Russell et al 1995; Kramer and Grossman 1987). Secondly, funding uncertainty and instability may rise due to the government’s need for flexibility in programmes and priorities and the short-term nature of some funding agreements (Russell et al 1995; Ferris

1993; Smith and Lipsky 1993). Thirdly, goal deflection may arise from programme changes required to meet apparent government preferences (Kramer 1994; Smith and Lipsky 1993). NGOs may therefore “succumb to the temptation to take on functions which they know will attract large amounts of donor funding, to the detriment of other aspects of their mission” (Edwards and Hulme 1996: 966). NGOs also risk losing their independence and distinctiveness because they need to fulfil government specifications on client eligibility, staffing and service content (Kramer 1994; Gutch 1992). Richardson (1993) argues that the extent to which services are specified by the government or determined by mission-led voluntary agencies is central to the debate about voluntary sector independence.

While donors refer to their support for NGOs as “building civil society”, much of the relationship is contractual and output-oriented. An NGO is funded to do what the donor wants and some of its own priorities can easily go missing. (Smillie and Hailey 2001: 37)

Fourthly, it may lead to deflection of staff time and effort from service provision, toward funding applications and reporting. These requirements as well as a donor preference for dealing with centralised organisations may force small agencies to become more formal and bureaucratic and to re-allocate volunteers from core to peripheral tasks (Russell et al 1995, Smith and Lipsky 1993; Gutch 1992). Fifthly, constraints on advocacy, arising from a fear of loss of income, may lead to NGOs engaging in self-censorship (Smillie 1995). There is some evidence that increasing resource dependence on government contracts has hindered the involvement of some US non-profits in campaigning (Smith 1990, Salamon and Anheier 1993; Smith and Lipsky 1993). Dissent is displaced from professionalized non-profits entering into partnership relations with the government (Knight 1993). Similarly, Hashemi and Hassan (2001) argued that donor pressures were important influences on the “de-radicalisation” of Bangladesh’s NGO sector, which is now mostly concerned with micro-credit service delivery. Where NGO advocacy does occur, its effectiveness may be affected if government funding reduces NGO legitimacy (Hellinger et al. 1988, Lehmann 1990); NGOs can be dismissed by their local government targets as “dancing to the tune of a foreign piper with no legitimate right of entry into domestic policy debates” (Bratton 1989: 584).

Sixthly, resource dependence may negatively impact on NGOs’ ability to remain accountable to the grassroots (Edwards and Hulme 1995, Fowler 1997, Najam 1996a). The danger is that as NGOs receive more resources from donors and governments, their accountability “upwards”, (that is, to donors) diverts NGOs from their accountability “downwards” (that is, to their beneficiaries). Similarly accountability to donors may divert NGOs from their accountability to their own mission (Najam 1996a). Seventhly, resource dependence on government and donor funding may reduce organisational learning and risk-taking, which are essential for innovation. There is some evidence that NGOs tend to not be fully honest about their mistakes in their reports to donors, which also curtails learning both at the organisation and sector level (Ebrahim

2003, Smillie and Hailey 2001). Eighthly and finally, resource dependence may reduce sustainability because organisational survival becomes dependent on a very powerful funding source (Hudock 1995, 1997a). If that funding source, in this case the government, is undependable and changes its funding priorities, its support for NGOs may diminish or cease altogether, so that NGO ability to survive is severely damaged. Implicit in most of these challenges is the claim that contracting reduces NGOs' overall effectiveness (Hulme and Edwards 1997). High dependence on government funding may therefore threaten the very survival of the sector. These challenges are not mutually exclusive and will often reinforce each other.

As mentioned above, some have even argued that the rise of dependence on government funding is leading to NGOs becoming mere "public service contractors" rather than independent organisations pursuing a civil society mission (e.g., Korten 1990, Knight 1993, Edwards 1999a). Harris (2001:180) cites a voluntary organisation manager:

Charities like ourselves have long ceased to be charities in the true sense of the word; just subsidiaries of the state, that's what we are.

This trend has profound implications for the NGO and non-profit sectors, as independence from government is a defining characteristic of NGOs and non-profits (Salamon and Anheier 1997, Harris 2001) and this characteristic is seen as circumscribing their much of their social usefulness. "Many, if not most NGOs were formed to do things that government could not, or would not do... For many observers this is the NGOs' greatest asset: its independence from the old ways of doing things and from rigid, bureaucratic structures [such as those of government]" (Smillie and Hailey 2001: 27).

In sum, there are strong indications that recent trends of increased funding relations between the government and NGOs, often referred to as the rise of "contracting" (Kendall 2003), have important implications for NGO and non-profit management and are likely to continue in the near future, bringing concerns about non-profit and NGO resource dependence on the government.

1.3. NGO INDEPENDENCE AND THE "PIPER HYPOTHESIS"

This section defines NGO independence and the piper hypothesis on the relationship between government funding and organisational independence, and discusses the evidence behind the hypothesis.

Defining NGO independence and the “piper hypothesis”

Underlying much of the academic and practitioner literature on the rise of contracting is the claim that the rise of funding relations between NGOs and the government has increased NGO profile but has also brought about new management challenges. Most important for this study is the challenge that government funding and contracting may erode organisational independence. In this study I define “organisational independence” by adapting Burt’s (1980) definition (see chapter 2 below):

Organisational independence from another party is the ability to pursue and realise organisational interests without constraint from that party (in this study, the government).

In other words, independence is the freedom from external constraint to pursue organisational mission and values. External actors will often try to control an organisation (Pfeffer and Salancik 1978). Independence is the freedom from any such external control. Because organisations are always subject to some form of external regulation and other forms of constraint, independence is never absolute. Instead organisations have different degrees of independence or, alternatively, dependence (Kramer 1994). This definition and its implications are discussed in depth in chapter 2.

As mentioned above, a literature review on the relationship between government funding and NGO independence reveals a widespread claim that that an increase in closeness between NGOs and the government leads to a loss of NGO independence, brought about by increasing resource dependence on the government. A similar claim is commonly found in the non-profit literature. I labelled this claim “the piper hypothesis”.

The term “piper hypothesis” emerged from the common reference in the non-profit and NGO literatures to the saying “he who pays the piper calls the tune”, used to suggest the danger that NGOs and non-profits are losing their independence and increasingly playing the government’s tune, rather than their own (e.g., Deakin 2001, Ebrahim 2003, Edwards and Hulme 1995, 1997, Edwards and Sen 2002, Harris et al. 2001, Hodson 1997, Smillie 2000a, Hudock 1999, Fowler 1997, 2000). For example, Edwards and Hulme (1996: 962) argue that the rise in government funding, and NGOs’ increasing resource dependence on it, “give rise to important questions concerning ... the ability of NGOs to act independently in pursuing their goals.” Government funding leads to an increase in external control. According to Edwards and Hulme (1997:12-13):

both donors and developing-country governments are taking a much greater interest in NGO activity and are making greater efforts to influence it directly and indirectly. ... The main donor lever has been the incentive of direct access to increased volumes of foreign aid. For developing country governments a range of interventions have been utilised to influence NGOs and GROs including “sticks” (closure, deregistration,

investigation and coordination) and “carrots” (tax exempt status, access to policy makers and public funding).

This hypothesis is also present outside the academic literature. It underlies a piece written by the influential magazine *The Economist* (January 29, 2000: 25), whose headline asked whether NGOs were after all “governments’ puppets”. The main text stated that

[NGOs] are often far from being non-governmental, as they claim. ... the principal reason for the recent boom in NGOs is that western governments finance them. ... many “non-governmental” groups are becoming contractors for governments. ... This symbiotic relationship with government ... hardly reflects their independence.

Similarly, Oxfam America rejects any form of government funding on the grounds that such fundraising policy protects its independence.

[Since its creation] Oxfam America decided not to accept US government grants and to try instead to build broad-based, grassroots support that would remain independent of government. (Oxfam America website)

Generally speaking, the non-profit literature echoes the worries voiced by NGO researchers that non-profit independence is endangered by increasing dependence on government funding. For example, Smith and Lipsky (1993:172) found that:

Non-profit agencies under contract are often heavily dependent upon government financially and cannot easily develop new sources of revenues. They also may depend upon government for client referrals. Thus non-profit agencies find that they must remain on good terms with government, even though they can sometimes mobilize political support to fight unfavourable decisions. The result is a complex relationship of unbalanced reciprocity. Government and non-profit contractors may be interdependent, but government dominates the relationship; in contrast to non-profits, its survival and stability do not depend upon contracts.

Thus, the piper hypothesis suggests that government funding and resource dependence in general have a negative influence on organisational independence, or more formally,

1. high resource dependence on the government leads to organisational dependence and
2. low resource dependence on the government leads to organisational independence.

Alternatively, the piper hypothesis posits that high resource dependence on the government is a necessary and sufficient condition for NGO loss of independence, that is, it implies a resource deterministic view of organisational independence. To ascertain the organisational independence of an organisation all we need to do is to examine the origins of its funding (see Table 3).

Table 3: The piper hypothesis

		NGO or non-profit independence	
		Low	High
Resource dependence on the government	High	Piper hypothesis (e.g., Edwards and Hulme 1996, Smith and Lipsky 1993)	Unexplored
	Low	Coercive forms of control (e.g., Bratton 1989, Hulme and Edwards 1997)	Piper hypothesis (e.g., Edwards and Hulme 1996, Smith and Lipsky 1993)

The piper hypothesis is expressed as a hypothesis because, although the literature is awash with warnings about the dangers of resource dependence, there is a lack of systematic empirical research on the impact of funding on non-profit and NGO organisational independence (Taylor 1999, Wang 2000). Edwards and Hulme (1996: 963) expressed caution because of the weakness of the empirical basis for their claims:

...although we have reviewed a very considerable literature for this paper, much of what has been written is anecdotal, produced within the NGO community, and based on small selective samples; independent and rigorous comparative research on or about NGOs and GROs is still rather rare, and it is therefore dangerous to generalise from such scanty material.

Thus, like various other commentators, Edwards and Hulme (1996: 962, emphasis added) expressed their concern as a hypothesis in need of testing rather than as a fact:

we hypothesize that official funding... compromises the performance of NGOs [and] weakens the legitimacy of NGOs and GROs as independent actors in society.

I turn to an examination of selected empirical evidence behind the piper hypothesis.

Empirical support for the piper hypothesis

As described above, there is some evidence on the dangers of the impact of contracting on NGO and non-profit independence, that is, their ability to pursue their mission. Resource dependence on the government may lead to goal displacement and short termism (Russell et al 1995; Ferris 1993; Smith and Lipsky 1993, Kramer 1994, Edwards and Hulme 1996, Smillie and Hailey 2001), loss of distinctiveness (Kramer 1994, Gutch 1992, Richardson 1993), bureaucratisation (Russell et al 1995, Smith and Lipsky 1993; Gutch 1992), self-censorship (Smillie 1995, Smith 1990, Salamon and Anheier 1993, Smith and Lipsky 1993, Knight 1993), reduction in the ability to remain accountable to the grassroots and mission (Edwards and Hulme 1995, Fowler

1997, Najam 1996a), less sustainability (Hudock 1995, 1997a), and less effectiveness (Hulme and Edwards 1997). Some of the limitations of this evidence are that most of these studies have focused on non-profit organisations rather than NGOs and a few of them were not based on primary data collection. But, there are some important exceptions, which are relevant to the purposes of this study.

Hudock (1995, 1997a, 1997b) provides the most detailed analysis of the impact of the resource dependence on NGOs working in developing countries. She developed and applied a conceptual framework to analyse the relation between Southern and Northern NGOs in The Gambia and Sierra Leone. Hudock (1997a) observed that NGOs rely on other organisations for resources such as monetary, physical work, information and social legitimacy. These external organisations or groups, capable of satisfying certain needs of a particular NGO, may try to obtain some advantage of their situation and put some demands on NGO actions, behaviour and resources. Generally resources are scarce and providers are limited so that a particular NGO may find that there is only one actor or group of actors capable of providing a critical resource for its survival.

She concluded that three out of four case-studies she examined were vulnerable to their donors and their survival and effectiveness was therefore at risk. SNGOs tend to face “vulnerability dependence” in their relationship with NNGOs that fund them. She also argued that the number and nature of relations to resource providers are critical to the resource dependence experienced by an NGO. The more resource providers an NGO has the less resource dependent it is but the more resources it has to spend maintaining those relations, i.e., the higher its transaction costs in keeping those relations. One of the key contributions of Hudock’s study is her evidence that NGO management needs to look at external relationships as determining factors in the survival and independence of NGOs.

The limitations of Hudock’s (1995, 1997a, 1997b) study for the purposes of this thesis are that she focused on the relations between NNGOs and SNGOs. She did not look into the relation between NGOs and government, either Southern governments or Northern donors. She recognised this weakness in her study, given the importance of government generally. She also provided very unclear measures of important variables such as criticality of funding or nature of the demands being made on the focal NGO. This renders almost impossible the replication of her analysis. Finally, Hudock focused on NGO survival rather than independence more broadly. She did not examine how funding led to external influence or control of the recipient’s activities. She examined instead whether funding relations made SNGOs vulnerable to their environments and therefore less likely to survive.

Dechalert (2003) looked into the relations between the survival of NGOs and funding in Thailand and concluded that funding sources do have a very important impact on organisational behaviour. His study provides important clues about the relations between internal management and external funding relations, which will be explored below. Like Ebrahim (2003), he concluded that in terms of resource exchanges there is a tendency for NGOs to be resource dependent on donors.

Noeri (2003) examined the relations between Palestinian NGOs and their foreign donors. She examined the failings of NGOs to provide formal education in Palestine and found a high level of resource dependence of her case-study NGOs on donors. She concluded that

[the study] clearly revealed [that the NGO case-studies] had developed a lack of user accountability, goal displacement and bias for easily attainable outcomes. Furthermore, it revealed the importance of environment [and resource dependence on donors] upon [NGO] service provision (Noeri 2003: 35).

Both Hudock's (1997a) and Noeri's (2003) systematic evaluation of NGO resource dependence lends support to the piper hypothesis by equating resource dependence with external influence and various threats to NGO independence: goal displacement, lack of downwards accountability, bias toward donor processes, and low sustainability. Neither study however examined the impact of resource dependence on other dimensions of independence such as advocacy work and the potential for self-censorship.

In the non-profit literature, Gronbjerg (1993) provides one of the most extensive empirical examinations of funding relations. She examined funding of non-profits in the US. She found it helpful to divide the main funding relations into a) fees, b) special events, c) donations, and d) public (or government) funding. She examined case-studies from the social services provision and community development fields. The case-studies varied systematically with respect to a) field of activity, b) dominance of one of the types of funding relations, and c) funding stability. They were constant in their location (City of Chicago) and size (medium). Gronbjerg (1993:289) concluded that funding relations vary considerably in the management contingencies they present. Funding from fees presents different challenges from funding from donations or government funding. In relation to government funding she argued that non-profits like this type of funding because it is very stable, but it carries large administrative costs because of the normally heavy bureaucratic reporting requirements. Management contingencies also vary with service field, in her study social services and community development. She noted that the way non-profits manage these contingencies is very important for their work and survival. Resource relations can therefore vary not only with respect to type of resource provider but also with respect to the type of relation, i.e., contract vs. donation, one-off vs. repeated, etc.

In terms of the impact of resource dependence on non-profits, in one of her case-studies Gronbjerg (1993) found a dip in government funding after a strong advocacy campaign against the government. This finding lends some support to the piper hypothesis, which suggests that governments will use funding as an incentive and its withdrawal as punishment for non-profits in order to curtail advocacy work, particularly advocacy involving criticisms of government policy.

Similarly, Anheier et al.'s (1997) evidence supports the piper hypothesis. They examined the impact of government funding on non-profit managers' attitudes in Germany. In their sample of over 500 non-profits, they found a correlation between more government funding and more complaints by managers of organisational dependence on the government. They found that "Organizations dependent on public funds (either grants or third-party payments) are indeed more likely to be government oriented than organizations which rely for more than 50 per cent of their revenue on donative or other forms of private income" (Anheier et al. 1997: 212).

In the UK, Taylor (1999: 189) cites some anecdotes which lend support to the piper hypothesis:

In 1980, MIND was told by central government that unless it withdrew allegations of brutality in secure psychiatric hospitals, it would lose part of its government grant... In centres and agencies which received funding through central government's special employment funding in the 1980s found their funding at risk if they displayed political posters, and funds were taken away from community arts and unemployment centres for that reason.

There is also some evidence that government contracting may reduce independence by influencing organisational structure and leading to professionalization and loss of volunteers (Smith and Lipsky 1993; Taylor 1997; Kramer 1994). The work of Duncan Scott and colleagues (Russell et al. 1995, Scott and Russell 2001) on voluntary organisations in the UK suggests that government funding and contracting has an important impact on volunteers and organisational structure. Following extensive, both quantitative and qualitative, empirical research they argue that contracting creates pressures for voluntary organisations to bureaucratise and professionalize in order to deal with the administrative complexity of contracting with the government. As a result volunteers are often pushed toward peripheral activities while a professional, paid, core develops. Similarly, Johnsson (1998) found bureaucratisation and loss of identity through resource dependence on the government.

Following an extensive review of the non-profit literature on resource dependence, Froelich (1999: 256, 257) concluded that:

The most pronounced effects of government funding involve changes in internal process and ultimately in the structures of non-profit organisations. Overwhelming evidence points to government-driven professionalization, bureaucratisation, and loss of administrative autonomy. ... The aggregate result [of administrative requirements and pressures] can be goal displacement of another kind – when the means rather than

the ends come to absorb internal energies, and procedures rather than outcomes dominate non-profit actions.

The emergence of the piper hypothesis is partly supported and strongly influenced by organisational theory literature, with the backing of wider empirical research. Resource Dependency Perspective (RDP), developed by Pfeffer and Salancik (1978), focuses on the relationship between resource dependence and external control. It argues that organisations which are more resource dependent are more likely to lose their autonomy and be subject to external control. RDP has been extensively used in the non-profit (e.g., Kramer 1981, 1994, Gronbjerg 1993, Froelich 1999) and NGO literatures (Hudock 1995, 1997a, Natal 2001, Ebrahim 2003, Dechalert 2003, Mowjee 2001).

Other organisational theories point toward an influence of resource dependence on organisational behaviour. Ecology approaches (see Aldrich 1999) emphasise the role of resources and the environment in determining the survival of organisations, thus, leading to a selection of organisational traits according to a “survival of the fittest” rule. New Institutionalism (see Powell and Dimaggio 1991, Scott 1995) on the other hand emphasises the need for organisations to conform to normative pressures in their environment in an effort to maintain legitimacy and guarantee access to resources and survival. They lend some support to the importance of resource relations to understand organisational behaviour but they focus on the relationship between resources and organisational survival and they do not address explicitly issues of organisational independence.

In Portugal, research undertaken by Hespanha et al. (2000) suggest that resource dependence on the government is leading to some bureaucratisation, loss of closeness to the grassroots, and external control of non-profits, echoing concerns found in the wider non-profit and NGO literatures.

Empirical questioning of the piper hypothesis

Importantly, a few authors have questioned the negative relation between government funding and NGO independence, i.e., the piper hypothesis. In the NGO literature, Natal's (2001) research examined whether receiving funding from the government increased or decreased NGO ability to foster beneficiary participation in development projects. He looked into a regional government scheme to fund local environmental NGOs in Mexico. He found that in the cases that he looked at, government funding did not reduce NGO ability to promote beneficiary participation. On the contrary, he points to a number of positive influences that government funding had on NGOs, which translated into higher participation promotion. Government funding, for instance, gave NGOs an incentive to improve their management and organisation. NGOs were then more capable of motivating and involving beneficiaries in their projects. Thus

rather than conflicting, his surprising conclusion was that upward and downward accountabilities were inter-linked and strengthened each other.

However Natal's (2001) research did not look at the impact of government funding on external influence or independence of NGOs. We do not know whether the government made demands concerning grassroots participation on NGOs receiving government funding. He found that grassroots participation was strengthened in NGOs that received more government funding, but was this because the government required participation (i.e., communities contributing materials and labour) or was it despite government demands against participation because NGOs were independent? Thus his research was not an exploration of the impact of government funding on NGO independence, but a demonstration that government and NGOs may often want similar things (in this case participation) and questioned the assumption of a negative relation between government funding and reduction in beneficiary participation.

Other studies have suggested that NGOs have more choice than the piper hypothesis would lead us to believe. In his study of Thai NGOs, Dechalert (2003: 269-270) found that while NGOs need funding from donors, they can actually choose from many donors, thus reducing resource dependence on any of them.

In fact, [funding] is not particularly controlled by an individual organisation in the environment. Therefore, NGOs are free to acquire funding from their environment rather than from a particular source. Very few NGOs depend on a single donor as this study has demonstrated. In these conditions, the RDP concedes that an organisation is less controlled by environment and, therefore, has more choice at their discretion.

Similarly, Smillie and Hailey (2001: 5) question many suggestions of external control of NGOs by governments:

As incorrect as it is dramatic, the suggestion has been made by some writers that there has been a general NGO shift away from grassroots mobilization toward service delivery, or even welfarism, and that NGO activity outside of these areas is actively and successfully discouraged by the government of Bangladesh. Further, it is said that NGOs have become little more than stooges for donor agencies.

NGOs are also not passive recipients of government influence. Sanyal (1991) found that NGOs and governments often work in "antagonistic co-operation", engaging in partnerships and at the same time keeping their distance. NGOs can pursue strategies to protect their independence even when engaging in partnerships with government (Fisher 1998). Ebrahim (2003) provides the most systematic study of NGO independence strategies. He undertook research on the relationship between NGOs and international donors and the organisational change that resulted from NGOs accessing major EU grants. He found that while resource dependence of NGOs on donors is very real and entails various challenges for NGO management, NGOs pursue various strategies to protect their independence and resist external influence in relations of resource dependence. Drawing on organisational theory, Ebrahim (2003) named these strategies

“buffering strategies”, which will be described below in chapter 2. From my study’s perspective, while providing key insights into how NGOs protect their independence, his research did not examine the relationship between NGO independence and national government funding, which can have different dynamics from the relationship with international donors.

Moreover, the piper hypothesis may be wrong if government refrains from trying to control NGOs when it is funding them. The literature describes this possibility in a few Northern European countries. For example, Randel and German (2000a) found that in Denmark, levels of dependency on government funding are around 90% but this does not appear to affect NGO advocacy. Danish NGOs do not feel inhibited and the scope for disagreement is small. They found similar results in Sweden (Randel and German 2000c). There is often a relationship of respect and mutual dependence. “Since NGOs are disbursing a quarter of the aid programme and are the most visible part of it, the [Norwegian] government can hardly afford to be overly critical” (Randel and German 2000b). Randel and German (2000d:239) argue that the loss of NGO independence may be exaggerated even in non-Scandinavian countries; for example in the UK: “In most instances, the funding that NGOs receive from bilateral desks is actually for projects conceived and designed by NGOs themselves.” Similarly, they found that “many charitable NGOs (most of whom receive substantial government funding) also joined in the criticism of [UK] government’s misuse of aid, its trade policy towards Malaysia and its approach to arms exports” (Randel and German 2000d:244). However Randel and German (2000a) do not claim that government funding is without dangers. For example government funding appears to lead to increasing professionalization and this may distance NGOs from their grassroots. But while a few NGOs may work with “benevolent” governments that respect NGO independence, the majority of NGOs does not have such luck, normally working with governments that are taking an increasing interest in controlling NGOs (Edwards and Hulme 1997).

In the non-profit literature, some studies have also implicitly questioned the piper hypothesis. Saidel (1991) interviewed government and non-profit leaders about their inter-dependence. She found that while non-profits were resource dependent on the government, the reverse was also true. “Relationships of resource inter-dependence in all four sub-sectors were characterised by resource flows upon which public agencies and non-profit organisations are equally dependent” (Saidel 1991: 550). She concluded:

In summary, public sector agencies and third sector organisations described, in the aggregate, a similar relationship of reciprocal dependence. Of the total theoretical dependence possible, each sector saw itself as about 60 percent dependent for resources on the other. Although this suggests considerable inter-sectoral dependence, it also indicates that each sector perceived that it retained substantial resource autonomy relative to the other sector (Saidel 1991: 547)

Kramer et al. (1993) found that although government funding for non-profits doubled in real terms over the 1980s it did not seem to have affected the advocacy roles of social care organisations that they studied. Similarly, a previous study (Whiteley and Winyard 1987) found that three-quarters of non-profits in the poverty lobby received some funding from the government. Kumar (1997) examined various case-studies of relations between voluntary organisations and local government in the UK. She found a balance of power between the sectors because of their inter-dependence. The contracting process led to the recognition by government and voluntary sector that they shared many aims and values in common. She also found that contracting led to a mutual respect between government and the voluntary sector for each party's knowledge and expertise and to recognition of their need for each other. Therefore, she argues that trust was a key dimension of the relationship between government and the voluntary sector. Briggs (2002) found that concerns over loss of organisational independence were over-stated. She chose two non-profit case-studies in the UK which received more than 90% government funding to examine resource dependency. She found that relations between government and non-profits were better described as "inter-dependence" than as dependence.

Similarly, Taylor (1999: 188) asks "is public benefit campaigning compatible with the contract culture?" She argues that typically the literature on the non-profit and voluntary sector tell a story of the dangers of co-optation that an increased role in service delivery and increasing partnership with the government creates for voluntary organisations. However she cautions that some studies find the assumption unsubstantiated. Taylor (1999) also suggests that dependence has been exaggerated. Perri 6 and Forder (1996: 226) argued that government funding and campaigning can co-exist, indeed, "campaigning against a government that also provides funding can be the watermark of a [non-profit's] independence."

Therefore, despite its intuitive appeal, the actual evidence on the piper hypothesis is contradictory and, in fact, some studies have found dependence fears to be exaggerated (Kendall 2003). This suggests two implications. Firstly, the prevalence of the hypothesis in much of the literature does point to a significant potential *danger* to NGOs and non-profits. Independence is critical to NGOs and non-profits and threats to it may be very damaging to their work and survival. Secondly, the contradictory evidence suggests that the hypothesis may be valid under some circumstances and not in others – it is in fact a possibility, not a certainty, and many fears about it may be over-stated. Exploring the circumstances in which the danger becomes a reality, and affects independence, is essential to a more nuanced understanding of the relationship between government funding, resource dependence, and NGO independence.

None of the studies questioning the piper hypothesis systematically examined the conditions for NGO independence when NGOs receive a large proportion of their funding from the national government. This study will address that gap and address what Salamon and Anheier

(1996:121) have identified as a crucial issue in non-profit and NGO research of “how to fashion cooperation with the government in a way that protects the non-profit sector from surrendering its basic autonomy,” that is, the conditions of NGO independence and limits to the piper hypothesis.

Exploring the limits of the piper hypothesis

There are two main sets of reasons why resource dependence on the government may not lead organisational dependence and external influence. There is evidence that some “progressive” governments do not want to control NGOs in exchange for government funding. Such governments include Sweden (Randell and German 2000c), Norway (Randell and German 2000b), Denmark (Randell and German 2000a) and Holland (Lindenberg and Bryant 2001). On which government NGOs are dependent is therefore an important condition influencing NGO independence.

Some authors have also suggested that NGOs can pursue strategies to limit their resource dependence or avoid external demands. It is hardly surprising that, given the importance of independence for their work and legitimacy, NGOs should be trying to manage their affairs so as to enhance it. The piper hypothesis suggests that organisational independence is a simple function of resource dependence. It therefore suggests that managing independence is a straight forward process: keep government funding at low levels. This is the strategy pursued by NGOs such as GreenPeace, Amnesty International, and Oxfam America that reject any type of government funding (Lindenberg and Bryant 2001).

But the ambiguity of the empirical evidence on the hypothesis suggests that NGOs receiving government funding may not be as helpless as the hypothesis would imply even when they are resource dependent on government funding. Most of the literature on NGO and non-profit resource dependence ignores the possibility of *management of independence*, emphasising structure rather than agency and contextual influence rather than leadership as determinants of NGO independence.

Some authors (e.g., Ebrahim 2003, Hudock 1999, Fisher 1998) have departed from this trend and suggested the possibility of management of organisational independence and resource relations. In some cases, NGOs can receive government funding and remain independent thus avoiding the trade-offs implied by the piper hypothesis. Fisher (1997: 76) argues that “it takes great ingenuity to avoid some of the trade-offs involved in maintaining grassroots ties, strengthening ties to the government, and building up NGO advocacy functions.” Similarly, after examining various case-studies of Asian NGOs, Smillie and Hailey (2001: 32) put forward that

What the case-study NGOs demonstrate is that NGOs and governments *can* work effectively together at all levels, from relief programmes, to joint development projects, to policy-level interaction on issues as mundane as tree planting and as fundamental as national conservation strategy. From an NGO perspective, however, the relationship must be managed with caution and dexterity. An old joke comes to mind: “How do you sleep with an elephant?” The answer: “Carefully”.

As the above indicates, there is a small dissenting literature which indicates that in some cases NGOs can receive government funding and remain independent. However, despite the importance for NGO and non-profit independence, there are very few systematic studies of the strategies which NGOs and non-profits use to resist government influence, i.e., how NGOs protect their independence, *when receiving government funding*. These studies will be reviewed in chapter 2, when the conceptual framework for this study is developed. This study hopes to further an understanding of the limits of the piper hypothesis, that is, when it is true and when it is false, with important implications for NGO management, policy, and theory.

Implications for policy, NGO management, and theory

The piper hypothesis suggests that as NGOs receive a greater share of their income from the government they become “public service contractors” for the government and lose their organisational independence. This possibility has serious consequences for NGO management as well as for policy and theory in general.

In terms of management, the piper hypothesis suggests a fundamental dilemma for most NGOs and non-profits. On the one hand, by seeking government funding, NGOs can access more resources, grow as organisations, and increase their impact. On the other hand, because of the fundamental revenue problem, other types of funding are scarce and by seeking government funding NGOs may increase their resource dependence on the government, bringing a likely rise of government influence in NGO affairs and a loss of organisational independence. Examining how NGOs resist external influence and manage such a dilemma was a key objective of this study.

Government funding offers precious opportunities such as greater continuity, predictability and availability of funding as well as greater status in the policy process. But it also poses important challenges such goal displacement, bureaucratisation, self-censorship, adoption of established rather than innovative practices, low accountability to beneficiaries, and low sustainability if funders change their priorities. High dependence on government funding may threaten the very survival and long term existence of the sector.

However, at a sector level, the recent growth in “contracting” and government funding has also coincided with increasingly confident NGO advocacy on complex issues such as debt and

landmines and the spread of ideologies such as participatory development and rights based development. How can we explain that? We need to explore both the piper hypothesis and the possibility of NGO strategies used to respond to potential threats to their independence.

In terms of policy, the piper hypothesis spells out hard choices for government and official donors. If indeed government funding corrupts NGOs so that they lose their independence and distinctiveness, then there is a strong danger that government support will corrupt the very reasons why governments support NGOs, such as NGO cost effectiveness, flexibility, innovativeness, closeness to the grassroots, democratisation, and a balancing role in governance. There is a danger that government may “kill the goose that laid the golden eggs.” This possibility is unsatisfactory to both government and NGOs (or non-profits) and that is partly why we see the emergence of institutions protecting non-profit independence, such as the Compact between government and the voluntary sector in the UK.

Understanding the applicability of the piper hypothesis and of RDP to the study of NGOs and their resource relations is an important theoretical dimension of this study. NGO and non-profit independence remains under-theorised (Blackmore 2004). Although the concept of independence is widely used to justify management and policy decisions, a definition is rarely offered. Moreover, the operationalisation of organizational independence alongside the operationalisation of resource dependence remains very crude in the literature. Commonly both resource dependence and organisational independence are equated with proportion of funding from a given source (Muller 2004).

The literature on the piper hypothesis suggests that when NGOs are resource dependent on the government they are mostly passive in relation to government influence attempts. There is little attention to NGO resistance to external control, that is, what strategies NGOs can pursue to protect their independence (Ebrahim 2003). There is therefore an emphasis on structural over agency influences of NGO independence. This is a surprising omission, given that many NGOs are set up to change social structures through agency. RDP developed by Pfeffer and Salancik (1978) has been usefully employed to analyse issues of funding and organisational independence in non-profits and NGOs (e.g., Hudock 1995, Ebrahim 2003, Natal 2001, Gronbjerg 1993). However, like the piper hypothesis, RDP has been used more as a “metaphor” than as a testable theory (Pfeffer 2003) and empirical testing of RDP has mostly neglected possible strategies used by organisations to protect their independence (Pfeffer 2003). By examining how government funding influences NGO independence and NGO responses to it, this study will contribute to a test of wider organisational theory, in this case RDP, and possibly suggest routes for its expansion.

At the same time, the empirical evidence on the hypothesis is ambiguous and calls for more research on finding out when the hypothesis is true and when it is false, so that policy makers as well as NGO and non-profit managers can maximise the opportunities of government funding and minimise its threats. Greater knowledge about the limits of the piper hypothesis will help develop theoretical perspectives on resource dependence and knowledge of its implications for organisational behaviour.

Because of its important implications for management, policy, and theory, the lack of systematic research on the relationship between government funding and NGO and non-profit independence is a pressing research need (Edwards and Hulme 1996, Ebrahim 2003, Salamon and Anheier 1999) to which this research responds.

1.4. ENVIRONMENTAL NGOS

This section introduces relevant characteristics of environmental NGOs and their funding, contrasting them with development NGOs and welfare non-profits, and later justifies why they were chosen as units of observation.

Environmental NGOs and sustainable development

When the Brundtland Commission published its report in 1987 it established the inherent relationship between development and environment (Levine 2002, Pellow 1999). Since then, the Rio Summit in 1992, which attracted enormous policy maker and activist participation, consolidated this relationship within both international and national development institutions (Carter 2001). As a result both multilateral and bilateral development donors now apportion a significant share of their budget to environmental priorities and there is increasing convergence between development and environmental goals and programmes at the donor and implementing agencies levels (Levine 2002). Consequently, development NGOs have added environmental objectives to their programmes, such as Natural Resource Management to community development interventions (Ebrahim 2003).

However, despite the increasing merger between the development and environmental spheres, arguably environmental NGOs are, to an extent, different from welfare non-profits (Kendall 2003) and development and relief NGOs, on which most of the literature concentrates.

There are for example important differences in their work. The environmental NGO sector is commonly associated with “promoting rights and self-expression” as opposed to “traditional social welfare”, and it is more closely associated with advocacy work, such as that undertaken by GreenPeace (Kendall 2003). Traditional social welfare or development NGOs are more

closely associated with service delivery, such as delivering food, primary education, vaccination, micro-credit, etc. At the same time, environmental NGOs also perform important service delivery functions, such as management of land and the provision of information and education (Kendall 2003). Also their work may include research and the training of government officials and farmers, or agricultural extension, which is an important element of service delivery (see Lewis 2001). At the same time, development NGOs are increasingly involved in advocacy work (Lewis 2001) such as in campaigning for debt relief, fair trade, and against landmines. In fact as development NGOs increasingly adopt a “rights based” approach to development, they are moving from service delivery toward more advocacy work (Lindenberg and Bryant 2001). Nonetheless, for the present moment it is probably fair to say that environmental NGOs focus more on advocacy and development NGOs and social welfare non-profits focus on service delivery. This leads to other important differences in funding, reliance on volunteers, and governance.

In the North, environmental NGOs tend to rely mainly on private donations, although government funding is very important in countries like Holland and Germany (Carter 2001, Markova 1996), and it is significant and growing in UK and US. In the UK, environmental NGOs’ proportion of government funding rose from 19% to 27% between 1990 and 1995. In the US environmental NGOs received 44% of their funding from the government in 1990 (no data was available for 1995). Compared with equivalent data for development NGOs, resource dependence on the government tends to be lower in environmental NGOs. In the UK, environmental NGOs received 27% while development NGOs received 40% of their funding from the government. A similar pattern can be found in Holland, Germany, and France. One exception is the US where environmental NGOs received 44% compared to 31% for development NGOs in 1990 (Johns Hopkins Comparative Non-profit Sector Project website).

In the UK, environmental NGOs and non-profits also tend to rely more on volunteers than development NGOs or the average non-profit. Environmental NGOs employed 2.6% of all volunteers (in full time equivalent terms) while development NGOs employed only 0.4% in 1995 (Kendall 2003). In terms of professionalization, environmental NGOs employed 18,000 paid staff and 44,000 volunteers (both in full time equivalent terms) while development NGOs employed 54,000 paid staff and 7,000 volunteers (both in full time equivalent terms). In the US, environmental NGOs account for 2% of all American volunteers while development NGOs account for just 1% in 1995 (JHCNSP website). In the North, therefore, environmental NGOs tend to rely much more on volunteers and less on paid staff as well as generally depending less on government funding than development NGOs or the average non-profit organisation. Moreover, other things being equal, smaller and younger environmental NGOs tend to rely more on volunteers and less on paid staff than do larger and older organisations (see Carter 2001).

There are arguably some differences in leadership and governance as well. Environmental NGOs often adopt a membership based governance structure, while development NGOs tend to adopt a governance structure based on a self-selecting board (see Uphoff 1995). However, many environmental NGOs' "members" are actually supporters without voting rights (Anheier and Themudo 2004), similar therefore to development NGOs. Moreover, it is often argued that most leaders of environmental NGOs come from particular sections of the middle class (Dalton 1994, Diani 1995, Petulla 1987). That however is also true of many development NGOs (Bebbington and Farrington 1993). Therefore it is difficult to generalise about governance and leadership differences between environmental NGOs and their development and social welfare counterparts.

Less is known about environmental NGOs in the South. In the case of Mexico, Kurzinger et al. (1991) argues that environmental NGOs tend to be small both in terms of workers (paid or unpaid) and members. Out of 42 organisations in their sample, only 5 NGOs had more than 10 workers. Only 7 NGOs had more than 50 members. It is notable that, with the exception of three NGOs, all leaders had university degrees. Another study undertaken by Verduzco (2003) established that environmental NGOs rely extensively on volunteers accounting for 4% of all volunteers in Mexican NGOs or non-profits, but only 1% of paid staff, which is higher than the average non-profit or NGO (Verduzco 2003).

These observations are not surprising given the traditional advocacy emphasis of environmental NGOs and they have important implications for my analysis of NGO independence and the impact of government funding.

Funding and organisational challenges of environmental NGOs

How does government funding influence environmental NGOs? Despite the very high level of actual and potential public support for environmentalism (Mertig and Dunlap 2001), like most other NGOs and non-profits, environmental NGOs are typically very poorly resourced (Carruthers 2001), i.e., they also face the fundamental revenue problem (see Kendall 2003). Not surprisingly, the non-profit and NGO literatures focusing on environmental NGOs have also examined the impact of rising government funding and "contracting", agreeing with the "piper hypothesis". In fact, Davis (1996) argues that "patron funding", including government grants and contracts, is a key explanation why environmental NGOs manage to mobilise in spite of the "free rider" problem suggested by Olson (1965). Consequently some analysts claim that government funding may both co-opt and institutionalise environmental NGOs (Dreiling and Wolf 2001, Rucht and Roose 2001, Willetts 2002). Similarly, Carter (2001) argues that institutionalisation leads to professionalization and de-radicalisation of environmental NGOs.

In terms of organisational structure and work many environmental NGOs are increasingly institutionalised. Due to their organisational growth and to a closer proximity to government, many NGOs are leaving participatory activist structures and adopting bureaucratic ones. As in the wider non-profit and NGO literatures, there are concerns that as environmental NGOs institutionalise they push volunteers and active members to peripheral tasks, mainly fundraising, and rely increasingly on “couch members”, whose only involvement is to write a cheque regularly, and professional staff who undertake all the work (Carter 2001, Rootes 1999). Also, they are abandoning direct action protests and relying increasingly on institutional lobbying such as membership in consultation bodies, partnerships with government and business, and legal action (Carter 2001, Diani and Donati 1999, Rootes 1999).

In Mexico, Kurzinger et al.'s (1991) study of environmental NGOs also points to the relevance of the piper hypothesis. In their survey NGOs were asked to evaluate their own work. They found that NGOs' lack of financial independence was their weakest area. Financial independence was *the only* theme where NGOs gave an overall negative evaluation of themselves. About 30% (12) of all NGOs interviewed received financial support from the government. Moreover, for many of them the government was the only or the major donor which “allows us to conclude that there exists a surprisingly close web of relations between NGOs and the government” (p.98). Strangely, they found that financing through regular dues from members is uncommon in Mexico and so is receiving donations, a situation which further increases the potential for resource dependence on the government. Kurzinger et al.'s (1991) research is discussed in chapter 5. Similarly, Levine (2002) found that in Tanzania, environmental NGOs and international donors have found new opportunities to collaborate. The result however is that increasing donor funding to environmental NGOs may be leading to their co-optation, as they implement and legitimate donors' neo-liberal agenda.

Therefore environmental NGOs often avoid funding from large external actors such as the government because they want to avoid their potential influence (Carmin and Balser 2002). Many prominent environmental NGOs, such as GreenPeace, Friends of the Earth and the National Trust in the UK, have a policy of rejecting any government funding. However Rucht and Roose (2001) have found evidence which questions the piper hypothesis. In an empirical survey of German environmental NGOs they found that the opposite may be true, that is, as their funding grows, even if a strong dependence on government funding develops, they increase their protests, suggesting their independence is not compromised by government funding.

Despite the potential differences between environmental and other types of NGOs and non-profits, the literature on environmental NGOs tells a story similar to that told in the wider literature about non-profits and development NGOs concerning the impact of government

funding on the organisational behaviour of its recipients. Generally, the NGO literature has focused on relief and development NGOs and less on other types of NGOs such as environmental, human rights and gender NGOs. By focusing on NGOs with a clear environmental mandate, i.e., environmental NGOs, this study hopes to contribute to the filling of this gap.

In a book on development NGOs, Smillie (1995:58) praises environmental NGOs and their independence:

[A] difference between most Northern development NGOs and some of their most politically active counterparts has to do with the heavy reliance of the former on government financial support. ... But many environmental NGOs do take money from government and manage to criticize government policies at the same time. Unlike their development cousins, this was a primary *raison d'être* for many environmental NGOs, one that has remained front and centre. The fundamental goal was to change government policy, rather than to service it; to advocate, rather than to be implementers of project-based 'assistance'.

Much can be learnt about the piper hypothesis and NGO resistance strategies from organisations that “do take money from government and manage to criticise government policies at the same time.” Surprisingly however there is little in the environmental NGOs literature explaining how they respond to the piper hypothesis, that is, how they resist government influence and manage their independence. By examining environmental NGOs, within a framework of insights drawn from the wider NGO and non-profit literatures, this study hopes to further an understanding of the limits of the piper hypothesis, that is, when it is true and when it is false, with important implications for NGO management, policy, and theory.

In sum, the review of the literature on environmental NGOs suggests some differences between them and more service delivery oriented NGOs and non-profits. It appears however that these differences reflect different emphases rather than categorical differences. How different environmental NGOs are from typical development NGOs and non-profits is a matter for empirical examination and depends on the actual sample selected. Since the case-studies chosen for this study also had important development goals the term “sustainable development NGOs” was chosen to describe them.

1.5. OUTLINE OF THE STUDY

This section presents the research question and briefly explains how it was addressed.

Research question and approach

This study explores the piper hypothesis and NGO responses to it. That is, it explores the claim made by several academics, practitioners and policy makers alike that increasing government

funding to NGOs leads to a loss of NGO organisational independence. However the empirical base on which this hypothesis rests is limited. Moreover various studies question a straight forward relation between government or donor funding and loss of independence. Indeed some have suggested that NGOs and non-profits can pursue strategies to protect their independence.

Therefore, this study will answer the following research question:

Can NGOs be resource dependent on the government and remain independent? If so, how?

By answering this question, I will explore some of the limits of the piper hypothesis. Much of the literature spells out when it is true, but when is it false? This question echoes similar questions made by Edwards and Hulme (1996: 967) who ask: “to what extent are organisations dependent on official funding “nongovernmental”...? Is it possible to have an independent mission while relying on [government] funds?”

To answer the research question I will examine the management contingencies presented by government funding in a context of wider NGO resource relations, that is, (a) the *management challenges* posed by government funding, (b) the *strategies* used by NGOs to deal with these challenges, and (c) the impact of government funding on NGO independence. So while exploring the hypothesis I also analyse the process through which funding may or may not lead to organisational dependence and NGO responses to it, in an effort to find out *how* resource dependence on the government compromises NGO independence (if it does), or *how* NGOs avoid organisational dependence in spite of resource dependence (if government funding does not compromise independence).

To explore the piper hypothesis, and the influence of government funding on NGO independence, I need to unpack its assumptions and examine its implications. Traditionally the literature suggests that *resource dependence on the government* leads to *organisational dependence* on the government. Is this necessarily true?

- When are NGOs resource dependent on government funding?
- When are NGOs organisationally dependent on the government?
- Does resource dependence lead to organisational dependence? If not, why not?

As explained further in chapter 2, the conceptual framework is based on RDP, developed by Pfeffer and Salancik (1978). Many of the studies on the resource dependence of NGOs and non-profits suggest that RDP is a useful framework to conceptualise relations between NGO and non-profit funding and independence (Hudock 1995, Gronbjerg 1993, Natal 2001, Ebrahim 2003). RDP suggests that while resource dependence is a strong threat to organisational independence, organisations can pursue various strategies to protect their independence.

Chapter 2 reviews in detail the strategies suggested by RDP as well as other strategies identified in the non-profit and NGO literatures.

I chose a qualitative comparative research design that maximised the opportunities to examine NGO independence issues, following closely Anheier's (1990: 386-7) description of important areas for future non-profit research:

budgetary dependencies on government finances and organisational autonomy deserve greater attention in different legal, economic, political, and policy environments. The ultimate goal of non-profit sector research is the development of a theory that is more general than those based on one country. Moreover, it seems desirable that the theories of non-profits are conceptually linked to more general social science theories.

As explained in chapter 3, this study looks at "budgetary dependencies on government finances and organizational autonomy." And it does so by looking at the experiences of NGOs in two country contexts, Mexico and Portugal, in an attempt to develop "a theory that is more general than those based on one country." It also relates non-profit theory to "more general social sciences theories", in this case RDP. At the same time I draw on previous works on resource relations from the NGO (Dechalert 2003, Fowler, 1997, 2000, Hudock 1995, 1997, Natal 2001) and the non-profit/voluntary sector literatures (Gronbjerg 1993, Weisbrod 1998). In so doing I hope to help bridge them (see Lewis 1999).

To explore the hypothesis empirically, I chose a comparative case-study methodology. I selected two countries for observation, Mexico and Portugal, based on personal as well as methodological reasons (chapter 3). There were two main phases of data collection. In the first phase, in each country, I chose one NGO with a high proportion of government funding, and one with a low proportion of government funding. The Mexican and Portuguese resource environments provided a particularly interesting comparison. In terms of wider economic, political and social contexts both countries are comparable as intermediate development countries (see Kurzinger et al. 1991, Santos 1994). At the same time NGOs in each country face very different "resource opportunity structures". Mexican NGO organisational environment is dominated by funding provided by international official donors, i.e., Northern government funding, limited government funding and a very limited private funding base (see Verduzco 2003, Kurzinger et al. 1991). Portuguese NGOs' resource environment, on the other hand, is dominated by a different resource base. NGOs acquire their resources mainly from the national government and a wealthier private client base (see Hespanha et al. 2000).

In the second phase of data collection, case-studies were also selected by their level of organisational independence. I purposefully chose cases that successfully remained independent even when they received government funding. These cases point to limits in the applicability of the piper hypothesis. Moreover, I chose a "control case" to increase my confidence on the causal inferences being made. This case-study, kept anonymous in this study, received

government funding and was partly subject to external control. By comparing successful and unsuccessful cases I hoped to learn more about the conditions in which the case studies managed to protect their independence successfully. The selection is further justified in chapter 3.

This study's findings rest, therefore, on a qualitative methodology, which emphasises induction so that any generalisations are indicative and analytic (Yin 1989) rather than statistically significant. This study seeks to establish "causal inferences", concerning the relationship between government funding and NGO independence, rather than "descriptive inferences", concerning how common some characteristics are across the population (King et al. 1994). Because of the nature of its sample, therefore, this study's findings are indicative and not generalisable to the wider population of NGOs and non-profits.

Moreover, this is *not* a study of the politics of NGO-government interaction although political activity is a critical dimension or independence, which I will examine. Neither is this study about social movements or the NGO sector as a whole. Instead it takes the organisation as unit of analysis and examines organisational independence in that perspective.

Overview

Chapter two develops the conceptual framework drawing on RDP (Pfeffer and Salancik 1978) and research on non-profits and NGOs.

Chapter three describes the methodology. It justifies the comparative case-study research design. It explains the rationale for the choice of Mexico and Portugal as fertile environments for this study. The chapter also briefly presents some of the lessons learned from researching NGOs.

Chapter four and chapter five introduce the case-studies and begin the presentation of the empirical findings. They explore the impact of government funding on NGO independence.

Chapter six analyses the impact of structural conditions of NGO independence: resource dependence and country context. It argues that government funding is not resource dependence and resource dependence is not organisational dependence, and suggests that a more nuanced analysis of these different variables is needed in exploring the piper hypothesis. The chapter also discusses some of the reasons why government often cannot or may not be interested in controlling NGOs.

Chapter seven presents the strategies used by the case-studies to protect their organisational independence. NGOs pursued strategies to reduce their resource dependence, avoid external demands, prevent external control, and ensure a strong commitment to their mission.

Chapter eight concludes by reviewing the evidence on the piper hypothesis and developing the concept of “government funding paradox” as a helpful way to summarise some of the empirical findings and conceptualise a possible relationship between government funding and NGO independence. The thesis ends by drawing implications for theory, management and policy.

CHAPTER 2. CONCEPTUAL FRAMEWORK

This chapter lays out the conceptual framework used to answer the research question and explore the piper hypothesis. To examine NGO independence and its relation with government funding, the chapter begins with a discussion of the concept of independence. Then I present the RDP, upon which I base the framework for the study, and explore its application in the non-profit and NGO literatures.

2.1. DEFINING NGO INDEPENDENCE

Defining organisational independence

Despite the serious concerns about NGO and non-profit loss of independence, very few authors actually provide a definition of “independence”. Typically, independence is “another loosely used concept” (Kramer 1994: 50). So instead most simply enumerate one or more consequences of low independence: mission drift, bureaucratisation, self-censorship, low sustainability, etc. A systematic examination of NGO independence however requires a clear definition. An examination of the NGO and non-profit literatures reveals that “organisational independence” and “organisational autonomy” are often employed as synonyms. Similarly, The Concise Oxford Dictionary (8th Edition) defines “autonomous” as “having self-government; acting *independently* or having the freedom to do so” and “independent” as “not depending on authority or control; self-governing.” In common usage, therefore, both concepts refer to the freedom from (external) control and self-government, that is, the ability to set and pursue own goals.

To find an academic definition of independence I searched the non-profit, NGO and organisational theory literatures for relevant definitions of either organisational independence or organisational autonomy. Interestingly, the authors of RDP, Pfeffer and Salancik (1978), did not offer any explicit definition of organisational independence or autonomy, taking instead its meaning for granted. They appear to use the concept inter-exchangeably with “managerial decision making discretion” and as an antonym for “external control”.

Kramer (1994: 50) offers the only explicit definition of organisational autonomy that I could find in the non-profit literature:

Autonomy, then, can refer to an optimum measure of discretion in organisational decision making that occurs in a context of trade-offs, exchange of resources, and, as part of the price for a measure of security and control, some sharing of discretionary judgements about type of clients, staff, and mode of service.

Kramer's (1994) definition of autonomy provides important insights for this study's definition of organisational independence. He suggests that autonomy is a matter of degree rather than a "black or white" (bivariate) variable. "Obviously, no organisation can be completely autonomous or independent; autonomy is a matter of degree" (Kramer 1994: 50). He also suggests that autonomy is "a means, not an end" (Kramer 1994: 50). Autonomy can be a means to greater legitimacy or greater effectiveness. Moreover he seems to imply that autonomy may be subjective and relative to organisational goals, which vary by organisation, and which may be more or less in tune with the government: "governmental requirements are not always felt by organisations as direct coercion" (Kramer 1994: 50 citing Walter Powell). These characteristics of autonomy are also applicable to my definition of independence.

Although Kramer's definition is nicely nuanced, it has a few weaknesses. His definition rests with identifying "optimal discretion", which while interesting is not very helpful because he does not offer any solution to the problem of how to determine what would be an optimal level of discretion for a given organisation or situation; that is, when is autonomy actually maximised? Kramer (1994:50) adds that it is "relative and conditional" without specifying what it is relative to or conditional on.

Because of these weaknesses I turn to a definition commonly found in the organisational theory literature, Burt's (1980) definition of "autonomy". Burt's definition probably presents the most widely employed understanding of the concept in the resource dependence tradition (Aldrich, 1999) and therefore one of the most widely used in the organisational theory literature. He defined it as "the ability to pursue and realise interests without constraint from other actors in the system" (Burt 1980: 893).

In other words, autonomy is the freedom from external constraints which enables an organisation to pursue its mission and values, that is, its "organisational interests". Moreover, following Burt (1980), ability should be understood as "freedom", "discretion", and "absence of constraints", rather than as "capacity". This definition is relational, that is, it refers to relationships between an organisation and other actors in its environment. It is also consistent with RDP. As Pfeffer and Salancik (1978) suggest, external actors will often try to control an organisation. Therefore at its most basic level "autonomy" refers to the ability to operate freely from external control or influence.

While "autonomy" and "independence" tend to be used interchangeably, as noted earlier, when analyzed closely we see that "independence" is sometimes used to refer to freedom from control within a particular relationship between 2 actors. This contrasts with the more general relationship between an organisation and its organisational environment (consisting of many relationships) often implied by "autonomy". In this line, Dahl (1982: 16) states that to be

independent “in a political sense is to be not under the control of another.” This is echoed by a recent argument made by Nicholas Deakin that an analysis of non-profit independence needs to consider “Independence from whom?” and “Independence for what?”¹¹ In this study I also adopt this notion that independence relates to a relationship with another actor, rather than simply equating it with autonomy.

Therefore, while both autonomy and independence are appropriate concepts for examining the object of this study, I prefer the concept of “independence” because it more closely reflects my objective – to examine the influence of one relationship (government funding) on NGOs rather than their relationship to the wider organisational environment. Explained in this way, it is not surprising that independence is the concept most commonly used in the literature suggesting the piper hypothesis (e.g., edited volumes by Edwards and Hulme 1996, 1997, Korten 1990). That the latter is the literature to which I am responding provides a final justification for my choice of the term.

Building on Burt (1980) and Dahl (1982) I therefore offer the following definition of “organisational independence”, referring to independence from the government:

Organisational independence from another party is the ability to pursue and realise organisational interests without constraint from that party (in this study, the government).

Unless stated otherwise, when referring to “independence”, “organisational independence”, and “NGO independence” I mean organisational independence from the government.

Finally, it is important to also note the distinction between the above definition of independence and “inter-dependence”, and the relation between independence and the wider concept of power. The concept of “inter-dependence” is closely associated with the concept of independence. Because organisations are always subject to some form of external regulation and other forms of structural constraint, independence is rarely absolute. Rather organisations are typically “inter-dependent” with other organisations and actors in their context. But because different organisations have different resources and needs, inter-dependence may not be symmetrical. Organisation A may be more dependent on the resources of organisation B than vice-versa. In this case A is dependent on B, and potentially subject to external control (see below in the summary of RDP). Consequently organisations have different degrees of independence or alternatively dependence in typically inter-dependent relationships. Organisational independence may therefore refer to different kinds of relationships: no relationship with another party (low inter-dependence), low asymmetrical inter-dependence

¹¹ Presentation by Professor Nicholas Deakin at London School of Economic conference *An Independent*

(two parties equally dependent upon each other), and favourable asymmetrical inter-dependence (the other party is more dependent than us).

It is also important to relate the concept of organisational independence to the wider concept of power. The importance of power in organisational life is widely recognised, but there is generally a lack of consensus about the meaning of the term (Emerson 1962). Nevertheless, Weber's definition of power can be used as a starting point. "Power is the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance" (Weber 1947: 152). Pfeffer (1994:30) expanded the definition: "Power is the potential ability to influence behaviour, to change the course of events, to overcome resistance, and to get people to do things that they would not otherwise do." At the same time, influence is the process, the actions, the behaviours through which this potential power is utilized and realized (Pfeffer 1994). It is easy to see how the definition of organisational independence proposed above relates to Pfeffer's (1994) definition of power. Organisations have power (and organisational independence) to the extent that they will be able to carry out their organisational interests despite external resistance or constraints.

Similarly it is easy to draw parallels between the popular definition of power suggested by Dahl (1957: 202) and organisational independence: "A has power over B to the extent that he can get B to do something that he would not otherwise do." An organisation which has to comply with external constraints and control is normally seen as an organisation with low power and low independence.

The measurement of NGO organisational independence examines an organisation's ability to pursue and realise its interests and the constraints imposed by another party, in this study, the government. This definition is different from Kramer's (1994) in that it does not refer to an "optimal level of discretion". According to the definition that I propose, the more discretion and less constraints an organisation faces the more independent it is.

The government, through its funding, can influence NGOs in many ways. Chapter 1 reviewed the literature on this influence in the context of the rise in contracting and the NPA, which forms the basis for the components of NGO independence as described in chapter three.

Government funding, resource dependence and organisational independence

Of particular interest to this study is the relation between independence and resource dependence on the government. In the NGO, non-profit and organisational theory literatures, I

found three main “schools of thought” on, or typical uses of, “organisational independence” and its relationship with resource dependence: independence as separation, as costs, and as an inherent trait of organisations. All of these understandings refer to an organisation’s position in relation to another organisation or to its wider environment.

Independence as separation

Often independence is understood as isolation or separation (Blackmore 2004). That is, any resource dependence of NGOs on the government is unacceptable since receiving funding from the government is perceived as “contamination” or “corruption” and therefore lack of independence. This is an extreme version of the piper hypothesis. This view is often expressed by advocacy NGOs such as Amnesty International and GreenPeace which strongly reject *any* government funding as being a possible source of corruption of their independence (Kendall 2003). Similarly, Oxfam America’s avoidance of government funding is part of its ethos and mission:

... As a privately-funded organization, we can speak with conviction and integrity as we challenge the structural barriers that foster conflict and human suffering and limit people from gaining the skills, resources, and power to become self-sufficient. (Oxfam America website)

Independence as separation entails avoiding any government funding. It equates organisational independence with financial self-reliance. It suggests independent organisations are not dependent on others’ funding and direct their own affairs according to their priorities with little or no influence from external parties.

The problem with such an understanding of independence is that it precludes most forms of partnership with the government as an intrusion into independence and internal affairs. Moreover, as mentioned in chapter 1, non-profits and NGOs face a “fundamental revenue problem”, which makes financial self-reliance the privilege of only a few organisations. Many others need to choose between engaging in some way with government funding or severely reducing their activities and impact.

Independence as low inter-dependence costs

Many authors have therefore argued that independence as separation is nearly always impossible (e.g., Pfeffer and Salancik 1978, Blackmore 2004). They argue that there are serious problems with the view of independence as separation. “Obviously, no organisation can be completely autonomous or independent; autonomy is a matter of degree.... All organisations are dependent on their environment and are embedded in larger systems of relations” (Kramer

1994: 50). Particularly, in the current age of “partnership” and inter-dependence very few organisations remain truly separate from others.

Also, government generally provides many resources beyond funding, such as tax benefits, access to environmental natural resources, sensitive information, legal frameworks and coercive power. Moreover, advocacy NGOs which do not receive any funding from governments still try to influence government. To accomplish their objectives (e.g., policy change) they need some degree of collaboration with government. Therefore even NGOs that refuse any government funding are in some ways *inter-dependent* with government. What Clark (1991) said over 10 years ago is still true today: NGOs can oppose, reform or collaborate with government, but they *cannot* ignore it. In relation to the government, it is difficult to speak of independence as separation since most NGOs have at least some level of inter-dependence. While we may be speaking of dependence and independence it is essential that we remember we are more likely speaking of different levels of inter-dependence. It may still be possible to find an isolated NGO with minimal interactions with government, but it is very difficult to achieve most NGO goals without entering into some form of inter-dependence relationship with the government.

Many authors have argued that independence is possible in a context of inter-dependence between government and NGOs/non-profits. Probably the most common view in the literature, including that of RDP, defines independence as the relative costs to each party within an inter-dependent relationship. When the costs of leaving an inter-dependent relationship are very high, an organisation has low independence as it would find it very difficult to exit the relationship and act independently. Organisational independence is therefore facing low inter-dependence costs within a relationship so that the organisation can exit the relationship whenever its leaders decide.

In this line, Hudock (1997a: 61, 63, emphasis added) suggests two types of inter-dependence relationships, corresponding to two different levels of NGO independence:

Sensitivity and vulnerability can be understood as the degree to which the absence of a resource impacts an actor. If that actor can acquire the resource elsewhere, or exist without it, then it is sensitive to the actor possessing the resource. However, if the actor cannot get the resources elsewhere or exist without it, then it is vulnerable to the actor possessing the resource. Vulnerability implies that the *cost* of adjusting to the absence of the resource is felt in a substantial way for a prolonged period of time. ...Vulnerability inter-dependence... leads to external control.

An NGO is therefore least independent when it faces high costs if it tries to exit the relationships it is engaged in. This view focuses on the costs and benefits organisations face in making different decisions, and construes their independence based on them. If an organisation has much to gain by complying with government demands or much to lose if it opposes the government then it is not independent from the government. A rational manager trying to

minimise the costs and maximise the benefits of its relation with the government would try to act independently when the costs involved are lower than those of acting in a dependent manner.

This view recognises costs and benefits of different resource relations and the need for organisations to manage them. Relating it to my object of study, NGOs are subject to external control if they receive resources from the government and if there are no alternatives to finding funding from another source, and therefore face a high risk of incurring substantial organisational costs if they antagonise the government. This principle implicitly underlies many analyses of resource dependence and NGO independence. By focusing on costs the possibility of receiving some government funding and still being independent is introduced. The lower the costs involved in acting independently, by for example, criticising the government, the more independent NGOs are.

Pfeffer and Salancik (1978) and RDP add one important dimension to this conceptualisation of resource dependence and organisational independence. Aside from the loss of discretion that accompanies the high cost of exiting a relationship, it is fundamental to also consider the symmetry or asymmetry in the costs faced by two inter-dependent organisations, that is, the relative costs of leaving the relationship. If both an NGO and government face vulnerability resource dependence with respect to each other, then they have equal power in their negotiation of the partnership terms. However if, as the piper hypothesis implies, NGOs face higher costs and higher vulnerability than government in an NGO-government relationship, then NGOs will be more subject to external control than vice-versa. This conceptualisation of organisational dependence is therefore consistent with RDP's suggested relationship between resource dependence and organisational independence. According to this view, therefore, an *organisation is more independent if it has less to lose than its inter-dependent partner.*

There are also important limitations with conceptualising organisational independence as relative inter-dependence costs. It presupposes organisational leaders who are rational and can make adequate calculations of inter-dependence costs. If they can not, organisational behaviour will not correspond to predictions based on actual inter-dependence costs. As Pfeffer and Salancik (1978) note, the organisational environment is as much perceived as it is real. Moreover, how can we know whether organisations can afford the costs of dissention? This is an area where there has been very little research not only in non-profits and NGOs but also in organisations in general (Pfeffer 2003). Many of these relative cost calculations correspond to "what if" calculations rather than an actual observation of costs and benefits. Often an assessment of relative costs is obvious but sometimes it is not. If an NGO leader chooses to leave a relationship with the government, does that mean that the organisation faced low costs within it? And what if the organisation subsequently disappears, does this mean it had low

independence? How did it choose to break away? To avoid this problem and make costs calculations more objective, most commonly organisational independence is equated with financial dependence. Typically, a threshold of financial dependence is chosen, such as 50%, and organisations above this level are dependent while the ones below are independent (e.g., Anheier et al. 1997, Bordt 1997, Gronbjerg 1993, Pfeffer and Salancik 1978). Another limitation is therefore that by focusing on costs organisational independence becomes essentially synonymous with financial independence. But the government's dependence on an NGO may be due to the latter's reputation or expertise, both of which are very difficult to quantify. Therefore the operationalisation of this view of organisational independence is very problematic. Is an NGO that receives 40% of its funding from the government necessarily less independent than one that receives 20%? These limitations are not easy to solve and require analyses of organisational independence based on data of multiple resources, as well as interviews with actual organisational decision makers to ascertain their cost calculations. The problem of operationalising organisational independence will be discussed further below.

Independence as inherent to self-governing organizations

A final understanding of organisational independence found in the literature conceptualises it as inherent to self-governing organisations and essential to their very definition. Therefore, resource dependence may influence but it does not determine organisational independence. Organizations can be defined as a group of individuals who pursue common goals (Child 1972, Perrow 1977, Scott 1992). Within organisations, its leadership should ensure that the organisation pursues the interests of its mission (Kaplan 2002). This view of independence emphasises a self-governance rather than self-reliance understanding of independence. In much of organisational theory, there is thus a presumption that organizations are independent and set up to achieve its members' and owners' goals (Milgrom and Roberts 1992).

Non-profits and NGOs, as any self-governing organisation, are ultimately free to enter or to reject partnerships with other organisations. For Kramer (1994:50):

In [non-profit contracting], as in other resource exchanges, there is a trade-off: some decision making must be shared with government if a non-profit organisation wants to be funded. If it is unwilling to comply with the standards and procedures of the contract or to try to negotiate more acceptable terms, then it is not required to enter into such an arrangement.

This view of organisational independence emphasises that NGOs are free to choose the relationships they enter into and type of funding they will pursue, so subsequently, the associated demands and external control attempts are ultimately chosen by organisational leaders. It also implies that while costs of leaving a relationship may be important in an inter-dependent relationship, the organisation always retains the freedom to exit even if the costs of

doing so are high. Indeed, in an extreme case, the organisation's leadership (including its board of governance) may even decide to extinguish the organisation.

The previous view, focusing on independence as costs, largely equates organisational independence with resource dependence, broadly understood. When facing high relative inter-dependence costs, NGOs are resource dependent and, by the same token, they are also organisationally dependent. Viewing organisational independence as an inherent trait of self-governing organisations suggests that resource dependence does not determine organisational independence. An organisation may face high costs in leaving an inter-dependent relationship and still leave it. It may be penalised in terms of resources, but its leaders may prefer to exit the relationship. I would argue that distinguishing between organisational dependence and resource dependence is essential for a richer understanding of NGO independence.

Indeed resource dependence and organisational independence may co-exist as they need not be opposites as implied by the piper hypothesis. Based on ideas originally developed by Oppenheim (1961), Dant and Gundlach (1998: 39) argue that unlike common usage of these terms, organisational independence and resource dependence may coexist "where symbiotic relationships are strategically critical to the viability of all participating members". Dant and Gundlach (1998: 38) note that:

even in asymmetrical exchange relationships, asymmetries tend to be resource specific. In other words, rarely do all the asymmetries place one party in an advantageous position over the other party to create unilateral-dependency structures. Much more likely are situations where asymmetries favouring party A are counterbalanced or offset (at least partially) by asymmetries over other resources favouring party B. Such settings, in turn, permit the emergence of relationships characterized by high levels of resource and domain-specific [independence], and simultaneously high levels of dependence perceptions on other resources and domains.

They suggest therefore that we need to look at the multiplicity of resource exchanges that take place between organisations rather than focus on just one, such as funding. Hudock (1999) and Ebrahim (2003) for example argue that many symbolic resources such as information and reputation are critical to understanding NGO relationships with their donors.

In support of this view, there is some empirical evidence in the non-profit and NGO literatures, presented in chapter 1, suggesting that the piper hypothesis and the inverse relationship it entails between resource dependence and organisational independence may be wrong or not valid for all cases.

The main weakness of this view on organisational independence is that it does not provide any guidance as to how organisations will respond to different levels of resource dependence. Arguably resources are power (Emerson 1962) and different resource profiles in different inter-

dependent relationships lead to different power distributions with ensuing consequences for organisational behaviour.

By combining these different understandings of organisational independence I hope to provide a richer description of the complex concept of organisational independence. Independence as separation suggests that we consider the areas of overlap and inter-action between NGOs and government. Independence as costs suggests that we examine the costs of a relationship as a measure of how resource dependent an NGO is. And independence as an inherent trait of self-governing organisations suggests that relationships and cost structures of the relationship between government and NGOs may influence independence, but remind us that they were *chosen* by the leaders of the organisation. In other words, organisational behaviour is determined by and determines resource dependence. Understandings of independence as separation, inter-dependence costs and an inherent trait are helpful in examining the relationship between NGOs and the government, to which I turn now.

Organisational independence and government-NGO relationships

To understand the impact of government funding on NGO organisational independence we must also conceptualise the broader relation between government and NGOs. The concept of independence offers important insights about this relationship.

The relationship between government and non-profits or NGOs has attracted much academic interest. A large number of works have emerged discussing different aspects of the relationship between NGOs and government, for example, the works edited or written by authors such as Tandon (1991), Bebbington and Thiele (1993); Farrington and Lewis (1993); Wellard and Coopestake (1993); Clark (1995), Heyzer, Riker and Quizon (1995); Trivedy and Acharya (1996); Scurrah (1996); Elliott (1996); Edwards and Hulme (1996) and Hulme and Edwards (1997). At the same time, there is a similar interest in the non-profit literature with many academic works exploring the relationship between the non-profit or voluntary sector and the government (e.g., Salamon 1987; Smith and Lipsky 1993; Lewis 1997; Kramer 1981, 1994; Taylor 1997).

What does the literature tell us about different types of relationship with the government? Within the non-profit literature, one of the most popular models of government/non-profit relationships was put forward by Young (2000: 149). He suggests that

different strands of theory support the alternative views that non-profits (a) operate independently as supplements to government, (b) work as complements to government in a partnership relationship, or (c) are engaged in an adversarial relationship of mutual accountability with government.

He added that these ways of understanding the relationships between non-profits and government are not mutually exclusive at the sector level and any country will display a combination of them. The predominance of any type in different periods will vary according to levels of economic prosperity, internal diversity, international context (wartime, forging nationhood), and social change and social unrest.

The usefulness of Young's (2000) model for this study is to show that independence manifests itself in very different ways. NGOs can be independent in a relationship where they supplement the government by working separately from government delivering different services. NGOs can also be independent from government where they are engaged in an adversarial relationship, lobbying and campaigning to influence government and keep it accountable. Finally, NGOs can be independent where they work in partnership with government and have equal power in deciding on the goals and strategies of the partnership.

Traditionally, independence has been more closely associated with relationships where NGOs are supplements or adversaries of government. As discussed in the previous chapter, the piper hypothesis common in the literature implies that independence has been less discussed as a possibility within partnership relations when these involve financial transfers: "he who pays the piper calls the tune." As the payer of NGOs, the government is normally assumed to dominate the relationship in a relationship of dependence, where NGOs are often simply "contractors". Within a framework of scarcity and uncertainty NGOs are generally vulnerable and dependent, and subsequently often subject to co-option attempts (Jensen 1987).

While Young's (2000) framework clearly suggests the possibility of independence when NGOs are supplements and adversaries of government, it does not distinguish between dependence and independence in partnership relationships when NGOs are complements to the government. "Complements" and "partnership" offers no guidance as to whether NGOs are dependent or independent in the relationship therefore being not nuanced enough to explore the piper hypothesis.

Najam (2000) suggests an alternative framework. To understand different types of relationships between NGOs and the government we must examine the goals and strategies of both parties. Based on the degree of match between goals and preferred strategies he suggests four main types of relationships. When goals and strategies of both government and NGO coincide the relationship is characterised by "co-operation". When goals are similar but preferred strategies dissimilar, the relationship is best characterised as "complementarity". When both goals and strategies are dissimilar, the relationship is one of "confrontation". When goals are dissimilar and preferred strategies are similar, the relationship is characterised as one of "co-optation".

Table 4: Najam's (2000) typology of NGO-government relationships

		Goals (ends)	
		Similar	Dissimilar
Preferred strategies (means)	Similar	Co-operation	Co-optation
	Dissimilar	Complementarity	Confrontation

There is a great deal of overlap between Najam's (2000) framework and Young's (2000) or indeed other frameworks (e.g., Clark 1991). Young's description of NGOs as supplements of the government is very similar to Najam's "complementarity" relationship. Young's adversarial relationship is very similar to Najam's "confrontation". But Najam's model offers a more nuanced understanding of partnership relationships (Young's "complementarity" relationships). He suggests two types of partnerships: co-operation and co-optation. These types would loosely match the ideas of mutual dependence (independence) and dependence.

Najam (2000) also offers important insights into "co-optation". He suggests that co-optation relationships are inherently unstable. The lack of agreement about goals forces government and NGO into attempts of mutual influence in an effort to convince the other party into accepting one's goals. If either succeeds they move on to a partnership characterised by "co-operation". If not, the partnership will break down and the two parties will move into a relationship of confrontation. This description is largely consistent with the literature on contracting in both non-profit and NGO sectors, reviewed in the previous chapter, which tells a story of dependence and co-optation, involving goal displacement, self-censorship, and lack of accountability to the grassroots. These dangers imply, as Najam (2000) suggests, a move toward "co-operation" as NGOs change their goals (goal displacement) and their strategies (e.g., move from advocacy toward service delivery, bureaucratisation) to forms which are more acceptable to their funders, i.e., the piper hypothesis.

NGO independence is typically associated with three of the four types of NGO-government relationships. "Confrontation" is the type of relationship most commonly associated with NGO independence. Confrontational NGOs keep the government accountable and represent the interests of normally excluded social groups. Confrontation normally entails the greatest distance between NGOs and government and an understanding of independence as separation.

“Complementarity” involves little interaction between NGOs and government so again it is easily associated with independence as separation. Co-operation in partnerships on the other hand goes against an understanding of independence as separation as it involves the closest interaction between NGOs and government. Independence as cost is still possible however. Depending on the extent of cooperation it may involve vulnerability or sensitivity inter-dependence. The closer the cooperation with the government the more an NGO has to lose by ending the relationship so the most likely it faces vulnerability inter-dependence. “Co-optation” on the other hand is most readily associated with lack of independence (both as separation and as cost) since NGOs have to forgo their preferred strategies to comply with government demands. This type of relationship is associated with external control and dependence. Interestingly, independence as an inherent quality of organisations underlies all types of relationship since according to Najam (2000) NGO decision makers can choose the type of relationship they develop with the government. Even co-optation relationships involved NGO leaders’ choices. Najam’s (2000) framework points toward different types of inter-dependence and organisational independence relationships and combined with the different understandings of organisational independence will form the basis for an analysis of government funding and NGO independence.

Najam’s (2000) typology offers little insight into why some NGOs suffer goal displacement and move from co-optation to co-operation while others will resist government influence attempts and maintain their dissimilar goals engaging instead in relationships of confrontation, thus avoiding goal displacement and maintaining their independence. In seeking to explore this issue, this study aims to build on Najam’s (2000) typology and potentially extend it. To understand the critical process of why some NGOs are further pushed into co-operation with the government while others aren’t, we now turn to the organisational theory literature and in particular RDP.

2.2. RDP: RESOURCES, DEPENDENCE AND EXTERNAL CONTROL

In the organisational theory literature, many approaches have examined resource relations and their implications for organisations. There is a clear suggestion that resources and resource providers influence organisations as in Ecological approaches (Aldrich 1999), New Institutionalism (Powell and DiMaggio 1991) and RDP (Pfeffer and Salancik 1978). There are increasing overlaps between new institutionalism and RDP as new approaches to institutionalism argue that compliance with structural norms carries resource sanctions or rewards in a similar fashion to that predicted by RDP (Hardy and Clegg 1996, Pfeffer 2003). RDP gives central stage to issues around resource relations and organisational dependence. Moreover, typically Ecological and Institutional approaches take the population or the sector as

the main level of analysis, while RDP focuses more on the organisation (Hatch 1997). Since this study is mainly concerned with organisations rather than the sector, RDP is more appropriate.

In sociology, Social Exchange Theory (SE) (Blau 1964, Cook 1977, Cook and Emerson 1978, Cook et al. 1983, Emerson 1962, 1976) also focuses on resources and dependence relations. RDP builds on SE and is strongly related to it (Baker and Aldrich 2000, Barney and Ouchi 1986, Cook and Whitmeyer 1992) as evidenced by Pfeffer and Salancik's (1978) references to its basic tenets and authors. Both theories are based on constructions of "power as dependence" in social relationships and therefore would be useful to examine the research question. But while SE suggests some strategies to reduce dependence (e.g., network extension or diversification, coalition formation) RDP focuses on to a greater extent on independence strategies including most SE as well as other independence strategies. In addition, SE typically uses networks as their units of analysis (e.g., Cook and Emerson 1978, Cook et al. 1983, Cook and Whitmeyer 1992) while RDP focuses on organisations, which is also this study's focus.

Also RDP has been usefully applied to analyse resource relations in non-profits (e.g., Gronbjerg 1993; Heimovics et al. 1993, Saidel 1998) and to a lesser extent to NGOs (e.g., Ebrahim 2003, Hudock 1997a, Lister 2001) including the impact of government funding on NGO management (Natal 2001). Indeed, most studies of non-profit or NGO resource relations and organisational independence or autonomy used RDP as the basis for their conceptual framework. For example, Gronbjerg (1993:310, emphasis in original) concludes that

my findings give broad support to the *resource dependency model* and the tremendous utility of examining resource exchange relations in the study of organisational behaviour [in the non-profit sector].

For all these reasons, RDP offers the basis for this study's conceptual framework.

Resources and survival

I will summarise the main traits of RDP as it applies to the object of my study. The starting point for RDP's organisational analysis is that organisations need resources:

To survive organisations require resources. Typically, acquiring resources means the organisation must interact with others who control those resources. In that sense, organisations depend on their environments. Because the organisation does not control the resources it needs, resource acquisition may be problematic and uncertain. Others who control resources may undependable, particularly when resources are scarce. Organisations transact with others for necessary resources, and control over resources provides others with power over the organisation. Survival of the organisation is partially explained by the ability to cope with environmental contingencies; negotiating exchanges to ensure the continuation of needed resources is the focus of much organisational action (Pfeffer and Salancik 1978: 258)

Organisations need to establish relationships with other actors in their organisational environment in order to attain needed resources. For Pfeffer and Salancik (1978) the organizational environment is the space where organizations gather for resources and transact with other organizations in order to realize their objectives. It is the space where organizations coexist and interact with each other.

Effectiveness is intrinsically related to organisational ability to attract sufficient resources from the environment.

Our position is that organisations survive to the extent that they are effective. Their effectiveness derives from the management of demands, particularly the demands of interest groups upon which the organisations depend for resources and support. ... The key to organisational survival is the ability to acquire and maintain resources (Pfeffer and Salancik 1978: 2).

While all organisations depend on their environment for resources, their dependence need not be problematic. "Organisations experience uncertainty when the organisations controlling resources are undependable, as they often are in resource scarce environments' (Hudock, 1997a: 57). The problematic nature of dependence emerges therefore from the undependable character of some resource providers.

One of the key contributions of RDP to organisational theory was to emphasise the importance of organisational environment and social context to explain internal decisions as well as external alliances and strategies, portraying organisations as embedded in networks of interdependencies. These dependencies are often reciprocal and can at times be indirect, through other actors in the context (Pfeffer 2003).

In evaluating the relation between an organisation and its resource environment, RDP argues that we need to consider both characteristics of resources and resource relations. In terms of resources themselves, RDP suggests that we need to examine the quantity and criticality of a resource to an organisation. Critical resources are essential for the operation of the organisation. Organisations need therefore to secure sufficient quantity of critical resources to ensure survival and effectiveness. Pfeffer and Salancik (1978) do not provide a definition of resources; instead they list them: "monetary or physical resources, information, or social legitimacy" (p. 43). It appears therefore that RDP takes a broad interpretation of the meaning of "resources" to include tangible as well as intangible resources. For this study I will adopt Saidel's (1991: 544) more rigorous definition of resources: "anything of value, tangible or intangible, that can be exchanged between organisations."

In terms of resource relations, RDP focuses on the number and quality of relationships (Hudock 1995). The larger the number of potential providers of a resource the less dependence an organisation experiences with respect to any one particular relationship. The number of

relationships is related to the existence of alternative origins for a particular resource. The quality of relationships is more ambiguous but it basically refers to traits such as the actual terms of the resource exchange and the demands that both parties make upon each other, that is, the discretion that an organisation is allowed after fulfilling the other party's demands.

Resources, resource dependence and external control

Organizations are framed in a system in which social interaction is based on inter-dependence (Pfeffer and Salancik, 1978: 40). Organizations have to engage in exchanges and transactions with other groups or organizations. The exchanges may involve monetary or physical resources, information, or social legitimacy (Pfeffer and Salancik, 1978:43). Though inter-dependence may provide NGOs with the resources they lack, it can also mean a limit to NGOs' freedom of action. Organisations are therefore torn between their desire for autonomy and their need to control uncertainty created by dependence on the environment, which threatens their very survival.

Hudock (1995) provides a very good summary of RDP particularly as it applies to NGOs so I will not attempt to replicate it here. At its most basic level, Pfeffer and Salancik (1978) argued that:

1. all organisations need resources to survive
2. organisations get those resources from their environment
3. providers of resources make demands on the organisation
4. to acquire resources, organisations must comply with those demands
5. therefore, organisations may be subject to external control.¹²

Since some actors have greater control of critical resources needed by other actors and since resources are scarce, inter-dependence does not necessarily imply equal power in the relationship. Asymmetric inter-dependence arises when one party is more powerful than the other in a relationship (see Pfeffer and Salancik, 1978: 41). Under certain condition, resource relationships imply loss of autonomy and independence. Alternatively, resource dependence implies loss of organisational power (Emerson 1962).

¹² Alternatively, for the purposes of this study we could summarise the main points of the RDP as follows: (a) any organisation is embedded in an environment from which it receives resources and associated with those resources are demands to which it must respond; (b) organisations are interconnected in that environment in a complex web of relations; (c) organisations are inter-dependent with their environment, that is, because no organisation is totally self-sufficient it has to transact with other organisations to gather the resources it needs in exchange for the resources it owns; (d) organisations face constraints by the environment, which profoundly determine organisational choices and opportunities; (e) organisations try to control their environment. According to RDP, organisations' main function is to try to control their environment in order to have secure access to resources and therefore ensure survival.

RDP puts forward an understanding of organisations and their context which is in many ways similar to the piper hypothesis, described in the previous chapter, which states that NGOs receiving government funding are subject to external control by the government and consequently suffer a loss of organisational independence. However the piper hypothesis reflects only part of the RDP's story. While RDP suggests that resource dependence leads to external control and loss of independence, it also suggests that organisations can pursue various strategies to protect their independence. Therefore the piper hypothesis corresponds to either a misapplication of RDP or to ignoring it, thus neglecting the possibility that NGOs can pursue independence strategies. Given that most authors suggesting the hypothesis do not refer to RDP, it is probably fair to assume that instead of misapplying it, they simply overlooked RDP. Bringing RDP to the analysis provides therefore an opportunity to develop new knowledge on the applicability of the piper hypothesis.

Pfeffer and Salancik (1978: 45-6) state the conditions of resource dependence and consequently external control:

Three factors are critical in determining the dependence of one organisation on another. First, there is the importance of the resources, the extent to which the organisation requires it for continued ... survival. The second is the extent to which the interest group has discretion over resources allocation and use. And, third, the extent to which there are few alternatives, or the extent of control over the resources by the interest group, is an important factor determining the dependence of the organisation.

In evaluating the impact of government funding on NGO independence we need therefore to assess three factors. Firstly, assess extent to which an NGO needs funding for survival. As NGOs professionalize, their need for funding increases. Pfeffer and Salancik (1978) called this "criticality of a resource". Secondly, determine whether the government has discretion over the allocation of government funding. Although usually the answer is "yes", government funding may be provided by different government agencies, such as local authorities and national government, without a centralised control over the different budgets. Thirdly, assess funding alternatives. Because of the "fundamental revenue problem" faced by most NGOs and non-profits, government is one of the few sources of critical funding, so NGOs often become resource dependent on the government.

It is essential to examine the government's side and analyse to what extent is the relationship one of asymmetrical inter-dependence. To answer this we must look into the resources that NGOs provide to the government in exchange for funding.

NGOs, in general, do possess resources that may be attractive to other social actors. In the particular case of environmental NGOs, they have knowledge of "*in situ*" conditions about environmental conditions; they have local knowledge and/or scientific information and know-how; they have volunteers, which time and effort are highly valued resources. And more, they have the capacity to more efficiently deliver for the poor. These resources may put NGOs in a situation in which, for other

organizations, they may become attractive social actors to be inter-dependent with (Natal 2001: 20-21).

Ebrahim (2003) and Lister (2001) argued that NGOs also provide important resources to official donors, namely, information, legitimacy, links to grassroots, links to Northern constituencies, local knowledge and service delivery capacity. By analysing NGO resource dependence on the government and the government's resource dependence on NGOs we can ascertain asymmetrical resource dependence, which according to RDP is a main determinant of organisational independence. The lower the level of asymmetrical resource dependence, the less constraints an NGO will face, and the higher its organisational independence will be.

In sum, in their efforts to acquire resources, organisations may face dependence and external control. Organisational inter-dependence explains why organisational activities and outcomes are a consequence of the context in which the organisation is embedded. This is to say that NGOs' choices are limited by the exchanges, transactions and demands other organisations impose on them. At the same time, RDP suggest various strategies, developed below, which organisations can employ to protect their independence. By focusing on resources, resource dependence and external control, RDP provides therefore a useful explanatory framework with which to examine the piper hypothesis and the research question.

Criticisms and limitations of RDP

I found very little criticism of RDP in the non-profit and NGO literatures. This is surprising since RDP was not developed by examining the non-profit and NGO sectors and was instead developed essentially by looking at large business organisations in the North (Baker and Aldrich 2000). While various studies have applied it successfully to non-profits and NGOs in the South, we must still treat with caution its relevance for NGOs working in the South. By using RDP to understand NGOs, authors such as Hudock (1995) have helped to understand the management contingencies presented by different resources relations in an entirely different setting from that of business management in the North. Interestingly, I could find no discussion on the limits of applicability of RDP to an NGO or non-profit context. On the contrary, most authors suggested that RDP was even more relevant in such contexts, which are characterised by scarcity and undependable resource providers (e.g., Hudock 1997a).

RDP is one of the most popular organisational theories (Aldrich 1999, Hatch 1997, Scott 1992). Indeed in the spring of 2002 there were over 2,300 citations to Pfeffer and Salancik's (1978) classic work. And the number of citations to it has been accelerating in the past 10 years (Pfeffer 2003). Despite its undeniable popularity, RDP has received many criticisms in the organisational theory literature. Here I review some criticisms that are relevant to this study: its use as a metaphor, its weakness on organisational strategies, and its evidence bias.

Theory or metaphor?

Unfortunately while RDP provides powerful hypotheses about organisations, they have rarely been tested empirically. Instead RDP has been mainly used as part of “ex post” descriptions of events (Galaskiewicz 1985). One of its authors, Pfeffer (2003: xvi) agrees:

there is a limited amount of empirical work explicitly extending and exploring resource dependence theory and its central tenets. ... It has been suggested that one of the sources of the success of resource dependence ideas has been that they are as much a metaphorical statement about organisations, not particularly open to being tested or disproved.

For Baker and Aldrich (2000: 3),

The RDP has benefited from continued and extensive use for more than 20 years ... Despite negative empirical findings and powerful theoretical critiques, “resource dependence” persists as a familiar concept in organization theory. ... However, it has achieved only a portion of its early promise. Currently, use of the perspective typically involves the application – frequently ad hoc – of a few power-dependence themes developed by Emerson (1962) and Blau (1964)...

Related to treating RDP as a metaphor, rather than a theory capable of generating testable hypotheses, is the general lack of conceptual clarity and good indicators that would permit its operationalisation.

As mentioned above, Pfeffer and Salancik (1978) offered no rigorous definition for two of its central concepts: resources and autonomy. By treating the concept of “resources” as if its definition was obvious, RDP weakened its ability to generate rigorous hypotheses. Are relationships themselves resources? Is autonomy a resource or the outcome of resource relations? What is not a resource? Autonomy, too, is largely treated by RDP as the absence of external control rather than given a rigorous definition.

Likewise, the operationalisation of key variables such as resource dependence has been characterised by the use of crude indicators. Pfeffer and Salancik (1978) used “50% or more” funding from the government as the indicator of resource dependence on the government. This indicator has been repeatedly used by others applying RDP to the study of non-profits (e.g., Anheier et al. 1997, Gronbjerg 1993, Bordt 1997). Worse still, resource dependence has been treated as a bivariate rather than a continuous variable, despite the fact that RDP implies that independence is not a “black or white” variable.

Despite Pfeffer and Salancik’s (1978) recognition that funding is just one of many possible resources, most research on resource dependence has used funding as a proxy for all resources, beginning with Pfeffer and Salancik’s (1978) own work. Not surprisingly therefore, most research on NGO and non-profit relationship with the government has played up the funding dependence of NGOs and non-profits and largely ignored the contributions of volunteers,

capacity, information and legitimacy to the relationship. Notable exceptions include Natal (2001), Ebrahim (2003), and to a lesser extent Hudock (1997a).

Another critique concerns RDP's lack of attention to process. Pfeffer and Salancik's (1978) evidence was basically statistical and therefore demonstrated correlations rather than causal effects. This provided a poor basis for judging whether organisations were responsive to government because of their dependence on public funding or whether they received public funding because of their responsiveness to government. Pfeffer (2003: xvii) partly acknowledges this problem.

Although the title of the book speaks to external control ...there is actually very little research that has explored the operation of external constraints on organisational decisions. ...Rather, much of the empirical exploration has focused on the relationship between resource dependence and organisational decisions that might be construed as being made in response to dependence, such as efforts to absorb or co-opt constraint.

Clearly, the power of RDP ideas as a metaphor rather than as a testable theory has parallels with concerns about the use of the piper hypothesis as a "metaphor" describing the relationships between NGOs or non-profits and the government in the "age of contracting". Indeed the frequent use of sayings such as "he who pays the piper calls the tune" or "you can't bite the hand that feeds you" suggests the intuitive appeal of RDP. The danger is that RDP becomes an assumption and a blind spot emerges in our understanding of its limits and possible exceptions, because its weaknesses as a theory have not been recognised when applied to the NGO and non-profit literatures. We need to recognise this, for even as Pfeffer (2003: xxv) acknowledges, "resource dependence theory, although in many aspects quite successful, has been too readily accepted as an obligatory citation and not often enough engaged empirically ...to further develop the theory."

Exploring independence strategies

Related to the lack of rigorous empirical examination of RDP, I believe is our lack of knowledge about the strategies pursued by organisations to protect their independence. We have generally ignored what organisations (including NGOs) can do to avoid external control even when they are resource dependent on government funding. RDP suggests various possible strategies but many of those strategies may not apply in a straight forward manner to NGOs. And NGOs may pursue new strategies which RDP has not identified. For Pfeffer (2003: xxiv):

Resource dependence predicts that organisations will attempt to manage the constraints and uncertainty that result from the need to acquire resources from the environment. However, the theory is largely silent concerning which of the various ... strategies organisations will use, and how the use of these strategies varies over time and other circumstances.

But even more limiting is the fact that RDP has been criticised within organisational theory for not explaining why organisations do not pursue independence strategies. If all they have to do is to pursue independence strategies, why do organisations fall short of full independence? (Barney and Ouchi 1986) There must be something preventing organisations from diversifying their way out of external control, which Pfeffer and Salancik (1978) did not discuss. How successful are different strategies and in what contexts?

Virtually all of the research treating organisational responses to inter-dependence has a strange omission – any consideration of whether these various ... strategies are successful, or at an even more refined level, the conditions under which the various strategies work and when they don't (Pfeffer 2003: xix)

As will be discussed below, RDP ignores an important set of potential independence strategies for non-profits and NGOs: strategies that strengthen commitment to mission based on leadership and accountability systems. This is a major gap in our knowledge on the impact of resource relations on NGO management and independence. Indeed the need to fill this gap is a major justification for this study.

Empirical bias

As mentioned above RDP developed essentially from examinations of large businesses in the North. As a result small and young organisations have been mostly neglected by the literature on RDP, as Baker and Aldrich (2000: 3) explain:

Researchers studying resource dependence have typically focused on large and established organizations, thus hampering the cumulative development of the perspective. In a parallel development, research on the management of dependencies that result from resource acquisition in small and new organizations has proceeded without much concern for the propositions of the RDP.

Similarly, non-business organisations and organisations operating in non-Western contexts have also been mostly overlooked in the RDP, and even wider organisational theory literature. "Living in business schools has led US sociologists who inhabit them to an overly narrow and business centred view of organisations' (Stern 1996: 192).

Various studies have used RDP successfully to explain the behaviour of non-business such as non-profits (e.g., Gronbjerg 1993, Anheier et al. 1997) and organisations in non-Western contexts such as NGOs (e.g., Hudock 1995, 1997a, Lister 2001, Dechalert 2003). However these studies used RDP as a framework to explain their empirical observations rather than setting up an empirical examination of RDP itself. In other words, these studies applied RDP rather than testing it. Yet, the contradictory empirical evidence around the piper hypothesis may suggest a limited application of RDP to non-profits and NGOs. By examining the piper hypothesis this study also tests the applicability of RDP to a different context.

As mostly small, young, non-business organisations which often operate in non-Western contexts, NGOs present an excellent ground to test and explore RDP. Generally, there is an under-theorised understanding of NGO independence and the effect of resource relations on it. By testing RDP's tenets and by developing our knowledge of independence strategies, this study hopes to increase our knowledge and shed some light on this important topic.

Only a few authors have questioned RDP's applicability to non-profits and NGOs. Galaskiewicz and Bielefeld (1998) found that RDP, while relevant, was not fully supported by their data on non-profit organisations. Their observations did not match theoretical predictions on the influence of resources profile on organisational behaviour.

Bordt (1997) looked at the influence of resource dependence on the organisational structure of non-profits dedicated to women's issues in New York. RDP predicts that resource dependence is a major determinant of organisational structure. But Bordt found that resource dependence was not a good predictor of organisational structure. Instead, task environment and age were good predictors of organisational structure. Interestingly, Bordt's (1997) indicator for resource dependence was the proportion of government funding received by the different organisations thus suggesting that government funding does not influence organisational behaviour. Her work both questions RDP and contributes to the small dissenting view in the non-profit literature that organisations may be resource dependent but still not be externally controlled.

These limitations of RDP provide both potential sources of bias in this study and opportunities for theory development. By looking at relatively lesser known organisational forms, NGOs, hypotheses generated by RDP can be tested and theory can be expanded.

2.3. STRATEGIES TO PROTECT INDEPENDENCE

RDP and the literature on non-profits and NGOs suggest there are three sets of conditions for NGO independence in their relationship with government. NGOs can have low resource dependence on the government, the government may not be interested in controlling resource dependent NGOs (as in Scandinavian countries), and NGOs can pursue strategies that protect their independence.

RDP suggests that organisations do not sit idle in the face of external control attempts and may pursue various strategies to protect their independence (Pfeffer and Salancik 1978). The first pillar of RDP is that organisations need resources to survive and that to get those resources they need to enter into inter-dependent relationships, which may lead to resource dependence and the loss of independence. The second pillar in RDP is that alongside resources, organisations also seek independence. Despite the loss of independence implied by the process of obtaining

resources from their environment, organisations *may be able to pursue independence-enhancing strategies*.

RDP's framework departs therefore from the piper hypothesis, common in the non-profit and NGO literatures, which puts forward a straight forward and deterministic relationship between resource dependence and external control. That is, the literature generally overlooks the possibility suggested by RDP that NGOs may pursue independence strategies other than the diversification of resources. The NGO and non-profit literatures emphasise structural dependence of organisations and downplays agency and leadership options.

Why such an obvious gap in our knowledge? One reason may be that NGOs do not normally pursue such strategies, therefore deserving no mention. This is however unlikely if we believe Pfeffer and Salancik's (1978) basic principle that all organisations strive for autonomy and independence. The possibility of NGOs pursuing independence strategies deserves closer examination.

A different reason may be that commentators on NGO resource relations misunderstood Pfeffer and Salancik's (1978) theory and focused on the dependency side at the expense of the strategic potential. This appears to be common in readings of their approach which tend to emphasise "resource dependence" and "external control" rather than "independence strategies". Such an emphasis is partly justified by Pfeffer and Salancik's (1978) own emphasis. Pfeffer and Salancik (1978) titled their book purposefully as "The External Control of Organisations: a resource dependency perspective", which clearly suggest an emphasis on resource dependence leading to external control, rather than the ability of organisations to pursue autonomy strategies. This emphasis on resource dependence rather than on autonomy strategies has also been interpreted by other authors as the key contribution of RDP at a time when organisational theory had mostly focused on internal affairs downplaying the possibility of external influence (Hudock 1997a).

At the same time NGOs and non-profit commentators appear to over play the sector's fragility in its relation to government (Taylor 1999). The predominance of common expressions such as "who pays the piper calls the tune" or "you can't bite the hand that feeds you" suggest the use of intuitive reasoning and anecdotal evidence rather than a systematic application of Pfeffer and Salancik's (1978) theoretical approach.

I believe this is an important gap in our knowledge of NGOs and NGO management. By carefully applying Pfeffer and Salancik's (1978) theoretical approach I intend to shed new light on this very important issue.

RDP argues that organisations can and do pursue strategies to protect their independence. They can be divided into three main groups. Organisations can avoid demands, reduce their financial dependence, or develop mutual dependence. Another set of possible independence strategies, and which RDP ignores, have been identified by the non-profit and NGO literatures. These strategies emphasise strengthening leadership and accountability as ways to protect organisational independence. All of these independence strategies will be explored below in the context of non-profits and NGOs.

Strategies to reduce resource dependence

The most obvious step organisations can take in dealing with their problem of resource dependence is by reducing it. By pursuing self-reliance NGOs can remain largely separate from government thus protecting their independence. They can seek greater self-reliance by developing an endowment like a foundation, aggressively pursuing membership and individual supporter donations, using revolving funds which get replenished when users pay back their loans, charging fees for their services or developing lines of business which produce a profit that can then be re-invested into the social mission. This is a strategy commonly pursued by NGOs such as GreenPeace, Amnesty International, and Oxfam America that refuse any type of government funding. It is also the most commonly mentioned independence strategy in the non-profit and NGO literature (e.g., Fisher 1998, Fowler 2000, Hudock 1995). Of course self-reliance works better in democratic and tolerant rather than in autocratic regimes. Government has many tools to externally influence or control NGOs, such as registration requirements, tax benefits, audits, and even prohibition (see Bratton 1989). In such cases the only option to remain independent may be to become “invisible” or clandestine. Many NGOs followed this route in times when the Mexican government tried to repress them (Kurzinger et al. 2001).

Often however NGOs cannot avoid government or cannot afford to avoid government funding. Because of the “fundamental revenue problem”, NGOs normally face a situation of resource scarcity and are unable to finance themselves purely out of donations. In this case resource dependence can still be avoided by trying to limit the amount of government funding received to a low proportion of total funding (Lindenberg and Bryant 2001). Strategies to avoid resource dependence, which “results from reliance on a single critical resource exchange”, include building slack, substituting resources, and diversifying sources of critical resources.

Organisations can build slack to weather unforeseen shortfalls. Slack can take the form of funding reserves and endowment, purchased assets, or inventory build up. Slack can be invaluable in helping an organisation to weather a sudden funding shortfall which could happen if another party tried to intimidate the organisation into submission to its demands (Gronbjerg 1993). But slack deals with the timing of resources not the ultimate flow of resources and

accompanying demands. If the funding decrease is long term then slack is quickly eroded and the organisation may find itself needing to curtail its operations.

Organisations can substitute some resources for others so that critical resources become less critical and resource dependence is reduced. So for example an organisation may reduce its dependence on volunteers by substituting their labour with labour from paid staff (Russell et al. 1995, Scott and Russell 2001). Alternatively NGOs can replace funding needed to pay for staff with volunteer labour so as to reduce the criticality and dependence on funding. But it is not clear how substitutable these resources are. The type of labour, paid or volunteer, has very different consequences for organisational management and activities.

The

most effective strategies for dealing with dependence which arises from reliance on a single product or market are those which alter the purposes and structure of the organisation so that it no longer requires only a limited range of inputs or serves only a few markets. Given that the organisation's vulnerability derives from dependence on single exchanges, the most direct solution is to develop an organisation which is dependent on a variety of exchanges and less dependent on any single exchange. ... The two ways of diminishing dependence are the development of substitutable exchanges and diversification (Pfeffer and Salancik 1978: 109).

Diversification is probably the key strategy pursued by NGOs to avoid external control caused by resource dependence (Fisher 1998, Hudock 1999). If an organisation gets its resource from a number of origins it stands to reason that it is less dependent on any one source. Non-profits also use diversification (Gronbjerg 1993, Froelich 1999). One limitation on diversification as an independence strategy is the growing transaction costs entailed by a growing funder base. Hudock (1997) argued that the more resource providers an NGO has the less resource dependent it is but the more resources it has to spend maintaining those relations. So while diversification reduces resource dependence it increases the costs spent on fundraising (see Gronbjerg 1993, Hudock 1997a).

Pfeffer and Salancik (1978: 109) suggested that "the more radical form of dependence avoidance is through diversification into different lines of business." NGOs can change "lines of business" and they often do. But there is a big difference between changing activities so as to accomplish the organisational mission better and changing activities to get more resources. Unlike businesses, cause-motivated organisations, such as NGOs, do not have the same flexibility to go into different lines of business. NGOs are normally created to address a particular social problem and although I could find no research on this, many NGOs will probably cease to exist if they cannot get the resources to do their job and move to a totally new area just to attract resources. The point is that NGOs are more bound by their original values than business, whose main value is to pursue profit and not to produce this or that product.

For example, Oxfam may start a micro-credit programme. But the implications are very different if they started the programme because it is a good way to fight poverty as compared to it being a donor requirement or a good way to attract some funding. The line between the two is often blurred but the consequences for organisational independence, goal setting, structure and activities are quite different. Businesses would not have such qualms as their main mission and the drive of attracting resources are the same thing. So we have to be careful when examining this strategy as a way to avoid resource dependence. It may reduce resource dependence but at the same time reduce independence to set organisational goals and determine activities.

Often organisations cannot reduce resource dependence, because, for example, there are only a few resource providers and diversification is impossible. Because NGOs experience the “fundamental revenue problem” described in chapter 1, they often find themselves with very few resource providers and very alternative sources (Hudock 1997a). According to RDP, in that case organisations may still pursue strategies to avoid demands or prevent external control.

Demand avoidance strategies

Pfeffer and Salancik (1978:108-9) argue that the first strategy in dealing with external demands is avoidance. Organisations providing resources do not always have the willingness or the capacity to monitor the recipient organisation. NGOs often act as agents of the government or other donors in conditions where monitoring is very difficult, such as in other countries or in emergency situations. Therefore, a situation of “asymmetrical information” develops where NGOs know more about their own activities than external actors trying to control them. Because NGOs work in far removed areas and donor evaluation is very costly and plagued with uncertainties, enforcement of demands is costly and NGOs can often simply avoid the demands being made on them.

Based on research on the relation between donors and NGOs in India, Ebrahim (2003) suggests that NGOs can avoid demands by pursuing various “buffering strategies” to protect their independence. He identifies three broad types of buffering strategies: symbolism, selectivity, and professionalization. Symbolism refers to the gathering of information which helps the NGO build trust in the eyes of donors. Often this information is not used for decision making, at least in the short run. Selectivity describes the donor preference for product rather than process data. Professionalization refers to the hiring of people who speak the same language as donors. By speaking the same language and using the same symbols and tools (e.g., “logframe”), NGOs can acquire critical trust and space from donors.

However, it is unclear how these strategies would work in the long run as there is a high probability that such strategies could backfire and an NGO would suffer loss of reputation if

caught deliberately and consistently avoiding the commitment to fulfil certain government demands. Nevertheless, these strategies can be used by NGOs in dealing with loss of power resulting from resource dependence. In some conditions, this low visibility makes external control more difficult (Pfeffer and Salancik 1978) allowing NGOs some discretion as to what government demands to comply with.

Ebrahim (2003) also questions the effectiveness of these strategies in the longer term. For example, even if information is gathered to simply comply with donor demands there is a strong possibility that this information will eventually be used. Ebrahim (2003:99) argues:

It should be noted, however, that these three inter-related strategies – symbolism, selectivity, and professionalization – are not entirely successful in buffering NGOs from funder influence, are not used with all funders, are not always deliberately employed, and are not free of unintended effects. ... [S]ome of the strategies discussed above are also subject to unanticipated long-term dynamics of their own. For example, while the information generated by a monitoring unit may initially be largely symbolic, the professionals hired to collect and analyse that information may eventually find ways of making that information important to decision making [thus undermining the independence strategy].

Therefore symbolism and selectivity may buffer the organisation in the short run but may be less effective in the long run in preventing external control. At the same time the professionalization of NGOs can be seen as much as a buffering strategy as it can be seen as loss of independence and the result of donor demands and external control. Professionalization may also lead to bureaucratisation and loss of NGO values (Russell et al. 1995, Narayama 1992) questioning its value as an independence strategy. Finally, professionalization may be the result of organisational life cycle (Cameron and Quinn 1988, Smillie and Hailey 2001) rather than due to external pressures or NGO responses to it.

Strategies to prevent external control

When demands cannot be reduced or avoided and donors are interested in control, there are other important independence strategies, which enable NGOs to avoid donor control. Examples include NGOs challenging the power of the resource provider, inviting members of the controlling organisation to sit on the board of governance, and by acquiring “countervailing power”.

In order to challenge the power of the resource providers, organisations can join networks, enter joint-ventures or merger agreements (Pfeffer and Salancik 1978). These various forms of alliances help to reduce horizontal competition and increase bargaining power against a common target for influence, e.g., the government. For various reasons, mergers have traditionally been quite rare in the non-profit and NGO sectors as compared to the business sector, but their number is increasing rapidly (Golensky and DeRuiter 1999). On the other hand,

joint-ventures and alliances are very common in advocacy efforts, where they are one of the most common forms of action, exemplified by the International Campaign to Ban Landmines or the Coalition to Stop the Use of Child Soldiers (Keck and Sikkink 1998, Anheier and Themudo 2002). In service delivery, partnerships are very common (Lewis 1998), but it is less clear that they are a strategy to reduce horizontal competition. Therefore, NGOs regularly employ various forms of horizontal alliances as key strategies to increase their influence on target actors.

There is very little literature on alliances in the sense used by Pfeffer and Salancik (1978) as a strategy to reduce resource dependence, i.e., uniting to reduce competition and acquire resources together. United Way is an important example for non-profits in the US but such alliances are very rare in the NGO world. Recently NGOs have established fundraising alliances to attract resources to address humanitarian emergencies. This coordination appears to be more motivated by a desire to increase effectiveness and avoid duplication than to increase their bargaining power with donors or the government. Although NGOs enter alliances frequently, they appear to do so to lobby a political target and less so to improve their bargaining position with respect to common resource providers. Indeed the effectiveness of this strategy in NGOs is questionable. Competition for resources is often mentioned as a key difficulty in co-operation between NGOs (Bennet 1995, Smillie and Hailey 2001). Therefore, competition and resource dependence could handicap the pursuit of strategies designed precisely to address resource dependence.

Similarly, interlocking directorships and inviting members of the controlling external organisation to integrate the governance structures of the dependent organisation may be used to avoid external control. As external members become involved in the organisation's affairs they are more likely to defend the organisation in face of external control attempts (Pfeffer and Salancik 1978). Generally speaking however this is not an option for NGOs dealing with the government. I could find no evidence in the literature of NGOs inviting government members to sit at their boards. Indeed such moves may even question their private nature as non-profits or NGOs (see Salamon and Anheier 1999). Paradoxically, such an attempt could reduce external demands on the NGO but it could also destroy its reputation as an independent organisation. Therefore again a strategy extensively used in the private sector does not "travel well" into the NGO world.

Lobbying is another strategy envisaged by Pfeffer and Salancik (1978: chapter 10) to avoid external control. Lobbying and political pressure can be used to reduce the demands experienced by a resource dependent organisation. Lobbying requires the mustering of various political resources which can influence the party making demands on the organisation. For example the Compact in the UK is partly an example of successful lobbying by UK voluntary organisations to reduce the ability of the government to control them (Roberts 2002).

Smillie and Hailey (2001: 37) suggest other buffering strategies employed by NGOs:

Consortia, joint monitoring missions, programme funding, and advisory councils ... are buffering strategies that help to protect core [NGO] activities from undue outside interference and from the inherent instability of the funding regime.

Donor consortia, joint monitoring missions and advisory councils appear to partly reflect Pfeffer and Salancik's (1978) strategies of alliance building and inviting external actors to participate in decision making decisions. Changing project into programme funding on the other hand appears to imply an ability of NGOs to lobby donors into making less demands on them. By pursuing these strategies, NGOs manage to have greater control over their relationships with donors and protect their independence.

Finally, to prevent external control organisations can develop "counter-veiling power", that is, they can develop control over resources which the other organisation needs, creating a situation of co-dependence rather than one-sided dependence. Thus they reduce resource dependence by decreasing the asymmetry in the resource exchange. Within a RDP framework organisational power comes to a large extent from the control over resources. There is some evidence in the non-profit literature that government and non-profits often develop co-dependence in a "mixed economy of welfare" where partnerships between the two sectors develop drawing on the strengths of both sides. Non-profits can bring into the relationship resources which the government needs such as volunteer work, capacity, expertise, legitimacy, or other funding (e.g., Salamon 1987, Seibel 1991).

There is also evidence that NGOs have resources which donors and the government wants. Hudock (1997a) and Natal (2001) argued that we should see the relation between NGOs and other actors in terms of inter-dependence where NGOs will often provide important resources to their funding partners such as legitimacy or local knowledge. In Hudock's (1997a) study of four NGOs, one NGO managed to retain much of its autonomy by pursuing three strategies: diversification of donors, selling consultancy services, and increasing its awareness of what it could offer to donors so as to improve its bargaining position. In terms of Pfeffer and Salancik's (1978) strategies, Hudock's (1997a) autonomous NGO pursued diversification of donors and other resource origins (selling services) and developed co-dependence by increasing its capacity to give donors resources they needed such as management expertise and local knowledge. Finally, Fisher (1998) argues that NGOs can strengthen their independence by developing technical, management and strategic knowledge; and training government officials. These competencies would make NGOs more desirable parties with whom to be inter-dependent, thus increasing their leverage in negotiating with the government.

Ensuring commitment to mission

A final set of strategies, which were largely ignored by Pfeffer and Salancik (1978), can be found within the non-profit and NGO literatures, and needs to be added to this analysis. Non-profits and NGOs can pursue strategies aimed at ensuring commitment to organisational mission, such as strengthening NGO leadership, accountability to mission and the grassroots, and commitment to independence. These strategies are distinct but mutually reinforcing in strengthening commitment to mission. This set of strategies contributes to reducing resource dependence, avoiding demands, and preventing external control. As such they cannot be categorised under RDP's traditional sets and require separate listing.

By strengthening organisational commitment to its mission, NGOs may protect their independence as they make better choices about the resource dependence relationships they enter, avoiding unnecessary demands and dependence. Strategies to ensure commitment to mission correspond to a view of independence as an inherent trait of organisations, in this case NGOs (see discussion of different views of organisational independence above). This view puts more emphasis on organisational leadership and accountability to mission and grassroots since it recognises a role for leaders in choosing funding relationships and resource dependence level (see Kramer 1994).

The role of leadership in promoting independence is under-developed in RDP (Aldrich 1999).

Pfeffer and Salancik were of two minds about the likelihood of planned transformations in organisations. In some portions of their account, individuals were active agents of their organisation's adaptation to environmental contingencies. However, in other accounts, individuals were fairly insignificant as change agents, thus leaving an organisation's fate in the hands of external agents. (Aldrich 1999: 64)

Thus individual leaders have little impact on organisational independence. For example, Pfeffer and Salancik (1978:15) argue that:

The concept of constraint explains why individuals account for relatively little variance in the performance and activities of organisational systems. ... Even leaders are not free from it.

RDP recognises some role for leaders in protecting independence. For example, they argue that inter-locking board memberships are one such strategy. However leaders are responsible for organisational adaptation to its environment (Kaplan 2002, Smillie and Hailey 2001) including the resource environment. So arguably organisational leadership plays a large role in key activities impacting organisational independence, such as negotiating terms with funders (Kumar 1997) or developing strategic clarity and commitment to mission (see Kumar and Nunan 2002).

Moreover, RDP does not directly engage with accountability, which is a critical dimension of NGO work (Mowjee 2001). Yet, there are suggestions that strengthening accountability and building strong ties to the grassroots may also help protect NGO independence (Fisher 1998). For Pratt (2002: 1),

NGOs that are proactive in terms of reviewing the needs of the poor and taking the interests of their clients as their driving focus should be able to remain independent whilst completing contracts for donors.

Unfortunately neither author provides any systematic evidence of how these strategies could be pursued in a context of NGO resource dependence. Natal (2001) provides some evidence relating to these strategies. He concluded that promoting participation was a key strategy to protect organisational independence in NGOs' relation with the government. Participation allows NGOs to acquire important resources, such as information about user needs, which help reduce the asymmetrical dependence of NGOs on government funding. That is, promoting participation both promotes co-dependence and strengthens NGO commitment to its beneficiary serving mission.

Finally, Fisher (1998) suggests that developing a clear and self-conscious organisational commitment to independence is an important strategy to protect independence. She adds: "surprisingly, this commitment often increases as contacts with governments become more common" (p. 78). Unfortunately, she limits her argument on this strategy to a description of cases where it is true without explaining why it is so.

Despite the small body of evidence supporting it, an argument can be made that NGOs may protect their independence by pursuing strategies that enhance NGO commitment to mission such as strengthening leadership capacity, governance, and accountability mechanisms. This study will explore this argument.

In sum, this chapter has developed a conceptual framework to examine the research question based on a discussion of RDP, its application to non-profits and NGOs, and my definition of independence. Its main aim is to provide a conceptual lens to examine the relation between government funding and NGO independence, which as I have argued remains under-theorised and lacking in systematic empirical research.

This chapter has argued that RDP is a theoretical framework which is very well suited to examine the research question. RDP suggests that, quite like the piper hypothesis, the more dependent an NGO is on the government for funding, the more likely it is that the NGO will be subject to government influence and lose part of its independence. But unlike the piper hypothesis, RDP also suggests NGOs can pursue strategies to protect their independence. Indeed, the ambiguity of the empirical evidence on the piper hypothesis suggests that NGOs

receiving government funding may not be as helpless as some of the literature implies. Most of the literature on NGO and non-profit resource dependence ignores the possibility of management of independence, emphasising structure rather than agency and contextual influence rather than leadership. I would expect that if an organisation is quite independent despite receiving external resources, it is probable that it pursues a variety of independence strategies such as diversification or lobbying of the resource providers. Therefore this study explores both the conditions of resource dependence and the strategies that NGOs pursue to deal with resource dependence on the government in order to understand the limits of the piper hypothesis.

However I have also described some of the weaknesses of RDP such as its common use as a metaphor rather than a testable theory, its empirical bias toward large businesses in the US, and some unanswered questions with respect to the effect and the ability of organisations to pursue independence strategies. Accordingly, I have argued that some of the strategies to avoid external demands, reduce resource dependence and prevent external control as listed by Pfeffer and Salancik (1978) do not necessarily apply to NGOs in the same way that they apply to businesses in the North. Mergers are generally rarer in NGOs, for example. On the other hand, NGOs can arguably pursue different strategies which were not considered by Pfeffer and Salancik (1978). But aside from obvious strategies such as diversification we have very little knowledge about what strategies NGOs use to protect their independence in the face of a hostile resource environment. This is an important gap in our knowledge of this type of organisations and in the knowledge of the strategies pursued by organisations in general to avoid resource dependence and external control.

CHAPTER 3. METHODOLOGY

I have argued that the relation between government funding and NGO independence remains under-explored. I have pointed to some of the key gaps in this literature, which this study will try to fill. To answer the research question I will explore the “piper hypothesis” using the conceptual framework developed in chapter 2.

This chapter provides the link between theoretical and empirical chapters. It is divided into three main parts. First, the research problem and objectives are presented systematically. Second, the methodology designed to address the research problem is discussed, justifying the exploratory and qualitative nature of the study. The selection of countries and case-studies is also explained. Third, the process of research is described and lessons about researching NGOs are drawn.

3.1. RESEARCH QUESTION AND VARIABLES

The research question

The review of the non-profit and NGO literatures suggested the prevalence of a “piper hypothesis” to explain the impact of government funding and contracting on NGOs. Simply stated, the hypothesis suggests that government funding compromises NGO independence and it points to theory, policy and management problems. Accordingly, this study will answer the following research question:

“Can NGOs be resource dependent on the government and remain independent? If so, how?”

To answer the research question I need to answer three component questions: a) How does resource dependence on the government influence NGO independence? b) How do NGOs protect their independence? And, c) Are NGOs successful in protecting their independence?

By answering the research question, I will explore limits of the piper hypothesis which states that NGOs cannot remain independent when they are resource dependent on government funding. While much of the literature spells out when this is true, when is it false? While exploring the hypothesis I also analyse the process through which funding may or may not lead to organisational dependence and NGO responses in an effort to find out *how* government funding compromises NGO independence (if it does) or *how* NGOs protect independence in spite of receiving government funding (if government funding does not compromise independence).

To explore the piper hypothesis, and its limits, I need to unpack its assumptions and formally examine its implications. My research question is concerned with understanding the limits of the hypothesis by examining the following claims:

- If NGOs receive a large proportion of their funding from the government then they will be resource dependent on the government.
- If NGOs are resource dependent on the government then they will be subject to external control, compromising their independence.
- If NGOs lose their independence their attitudes and behaviour will be influenced, e.g., they will not be able to criticise the government.
- Therefore, if NGOs receive a large proportion of their funding from the government then their attitudes and behaviour will be influenced in a way that reflects external control rather than independence.

The conceptual framework developed in chapter 2 points to various important dimensions of this question. In answering the question I look into the management contingencies presented by NGO resource relations, that is, (a) the *management challenges* of government funding, (b) the *strategies* used by NGOs to deal with these challenges, (c) the impact of government funding on NGO independence, and (d) the impact of the previous dimensions on actual *management attitudes* and *organisational behaviour*.

This hypothesis implies that government funding has an important influence on organisational dependence of NGOs, or more formally,

1. high dependence on the government leads to organisational dependence and
2. low resource dependence on the government leads to organisational independence.

Alternatively I will explore the assertion that government funding is a necessary and sufficient condition for NGO (lack of) independence.

This argument may be limited if NGOs can as the organisational theory literature suggests pursue different strategies to protect their independence. The organisational theory literature review also highlighted our weak knowledge of the *process* through which government funding compromises NGO independence and more importantly the way in which NGOs respond to this process, i.e., strategies that they may pursue to protect their independence.

There is still a limited amount of good descriptive data on non-profits in general (Salamon and Anheier 1997) and NGOs in particular (Lewis 2001a). These questions correspond to a need to fill in gaps in the literature, providing descriptive and analytical data.

Variables and indicators

A major methodological challenge was the identification of indicators, which would robustly relate to the concepts developed in the conceptual framework (chapter 2). This is often one of

the toughest aspects of reliable social research (Gilbert 1993). Albeit less common in qualitative studies, thinking about what the variables are and the limitations in the choice of indicators allows for a better estimation of the potential biases of the study. This is particularly important when adopting a comparative case-study approach where the choice of cases is crucial to the validity of the findings (King et al. 1994).

Poor indicators of resource dependence and organisational independence are one of the greatest obstacles to a more nuanced understanding of these important variables. It was particularly difficult to evaluate organisational independence. To avoid bias I decided to as far as possible triangulate my findings from a variety of cases, sources, and interviewees (Hammersley and Atkinson 1983, Maxwell 1998, Pratt and Loizos 1992). Thus, consistency could increase the confidence in the findings and inconsistency could point toward new issues and new problems.

Organisational independence from the government, defined as the ability to pursue and realise organisational interests without constraint from the government, is the key dimension which this study tries to explain, i.e., the dependent variable. As a theoretical construct it presents difficult challenges in its operationalisation. For this study the operationalisation of “independence” presented the greatest challenge because of the somewhat abstract and relative nature of the concept and the general shortage of previous empirical research in this area. In many ways “independence is often in the mind!” (Pratt 2002: 1) and observing it presented difficult challenges and the need to make some assumptions.

To determine the key dimensions, or components, of NGO independence I relied on Anheier et al.’s (1997) management attitude indicators and a review of the literature on the impact of government funding and contracting on NGOs and non-profits (chapter 1). The literature suggests that NGOs lose organisational independence by diverting their programmatic goals and work (i.e., programmatic discretion), engaging in self-censorship and avoiding criticisms of the government (i.e., advocacy freedom), bureaucratising and reducing volunteer input (i.e., organisational structure), shifting their accountability from beneficiaries and mission pursuit to “patrons” (accountability), and losing effectiveness and sustainability. These components of NGO independence therefore are empirically based and theoretically consistent with RDP.

Specifically, the above components of NGO independence refer to the following. *Programmatic discretion* refers to the ability of organisations to choose programme priorities so as to pursue their organisational interests. *Advocacy work freedom* refers to the freedom of organisations to advocate for important issues using the strategies of their choice (e.g., lobbying or campaigning). *Organisational structure* refers to the systems which constrain and organise the cooperation of organisational members (see Pfeffer and Salancik 1978). Following Bordt (1997) I chose to use two main structure ideal types, which permeate the literature on non-profit

organisations – bureaucracies and collectivities. Defining *accountability* is very challenging. As Kramer (1989: 109) points out, “its popularity ... is exceeded only by the lack of agreement about its meaning”. For our purposes it can be defined both as reporting to a recognised authority (Edwards and Hulme 1995) and as a “moral principle... whose purpose is to govern the relationship between those who delegate authority and those who receive it” (Simey 1985 in Kumar 1996:237). To examine accountability to the grassroots I borrowed Kovach et al (2003) accountability indicators: general public and grassroots’ access to organisational information, and grassroots’ access to organisational decision making. Accountability as a moral principle was probed through interviews. *Organisational effectiveness* is observed following RDP: “One measure of effectiveness is whether the organisation is able to sustain sufficient support from its environment to be able to acquire resources. ... While growth is not the only, or a perfect, indicator of effectiveness, it does indicate the extent to which the organisation can generate support and resources from the environment” (Pfeffer and Salancik 1978:173-174). Therefore RDP suggests that organisational growth and resource sustainability are indicators of organisational effectiveness. Moreover they are also appropriate to evaluate organisational survival and sustainability, which is strongly influenced by resource dependence (Hudock 1995). Organisational growth was complemented by interviewing NGO members about their organisations’ “ability to say no to inadequate funding”, which is another key indicator of *organisational sustainability* (Edwards and Hulme 1996, Hudock 1999). Instead of relying on one indicator of independence as many studies do (e.g., Pfeffer and Salancik 1978), this study relied on different dimensions and indicators, which may tell different stories about this complex variable and permit more robust assessments (see Table 5).

Traditionally most studies on organisational independence have relied on interviews or questionnaires of managers (e.g., Pfeffer and Salancik 1978, Anheier et al. 1997, Seibel 1991). Fewer studies (e.g., Ebrahim 2003) have combined interviews with actual observation of organisational behaviour. This approach has the advantage of identifying gaps between rhetoric and practice and providing more information about a key dimension of interest (actual organisational behaviour).

In the field, I sought the following variables and corresponding indicators (Table 5):

Table 5: Study parameters

Variable	Indicator	Data sources
Resource dependence (including both financial and non-financial resources)	1. Government funding income as proportion of all funding income (Pfeffer and Salancik 1978) 2. Other government resources not reflected on funding income (e.g., tax deductibility, access to debt ‘swaps’)	Organisational financial reports Interviews with NGO and government members

3. Other NGO resources (e.g., information, reputation)		
Independence (including both management attitudes and actual behaviour)	<ol style="list-style-type: none"> 1. Management attitudes indicators¹³ (Anheier et al. 1997, see below) 2. Organisational behaviour indicators (programmatic discretion, organisational structure, advocacy behaviour, rejection of government funding, accountability relations, effectiveness and sustainability) 	<p>Interviews with NGO members to ascertain attitudes and behaviour</p> <p>Interviews with government officials to ascertain possible constraints on NGO independence</p> <p>Press releases for advocacy behaviour</p> <p>Web site content</p> <p>Organisational charts to determine organisational structure when available</p> <p>Funding applications</p>
Independence strategies	<p>Following Pfeffer and Salancik (1978):</p> <ol style="list-style-type: none"> 1. financial reserves and income, 2. contracting and reporting process, 3. alliances and networks, 4. lobbying of government) <p>And also "Commitment to mission" (see chapter 2):</p> <ol style="list-style-type: none"> 1. leadership 2. governance 3. accountability mechanisms 	<p>Interviews of NGO and government members</p> <p>Funding applications</p> <p>Project reports</p>
Organisational interests and goals	<ol style="list-style-type: none"> 1. Formal Mission (e.g., environmental, advocacy) (rhetoric) 2. Organisational behaviour (practice) 	<p>Interviews with different organisational stakeholders</p> <p>Observation of organisational practice</p>
Context – resource and political opportunity structure	Country indicators (e.g., government agencies, GDP per capita, culture) – see below	Literature on NGOs and non-profits in Mexico and Portugal UNDP statistics

¹³ In the non-profit literature, Anheier et al. (1997: 197) asked how strongly managers agreed or disagreed with the following statements:

1. Government views organizations like ours with suspicion
2. We have become too dependent on government money
3. We are concentrating too much on service delivery and too little on advocacy
4. Increases in fees and charges strained our organization's ability to serve those in greatest need
5. In recent years, we had to devote a much larger share of our resources to fund raising
6. Our organization is increasingly being called on to accept additional tasks shifted to us from government
7. Organizations like ours are really as bureaucratic and unresponsive as government agencies
8. We are increasingly becoming more like a business enterprise
9. Receipt of government funds as distorted our organization's purposes
10. Whatever local grassroots support we had has decreased in recent years

According to my conceptual framework and the indicators table, to explore the hypothesis I must combine an assessment of resource dependence indicators (such as total government funding), independence indicators (such as the ability to criticise government policy or actual restrictions on other types of NGO behaviour) and independence strategies.

3.2. RESEARCH APPROACH

To answer the research question I chose a qualitative and comparative case-study research design. Qualitative research is more suitable than quantitative research to examine process and causal relationships (Yin 1994). The qualitative comparative case-study research design allowed me to look deeply into the causal mechanisms between government funding and NGO independence across two countries, Mexico and Portugal. The lack of general knowledge about NGOs in Mexico and Portugal, such as the lack of a population frame, as well as the lack of specific knowledge on NGO funding, also suggested a qualitative rather than a quantitative design.

I chose at least two case-studies in each country so that comparison could take place both across countries and within the same country. The cases were selected based on the quantity of government funding and organisational independence they received as well as other variables which were kept constant. All the cases selected were NGOs dedicated to sustainable development, working on service delivery and advocacy.

Qualitative research

Based on Creswell (1994), the choice for a qualitative approach to this research (as opposed to a quantitative approach) rests with the following reasons: (1) the lack of theory and previous research on the area in general; (2) the need to explore a new area; (3) the primary concern with a process rather than outcomes; (4) the concepts of independence, external influence and resources being ambiguous and “immature”, therefore not readily amenable to questionnaire treatment. Moreover, I chose to use a case-study approach, which, according to Yin (1994:1), “are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.” Clearly, any causal examination of organisational independence involves “how” and “why” questions, which relate to NGOs in their “real-life context”, not least government funding and influence.

According to Bradshaw and Wallace (1991) case-studies can inform general theory by pointing out how particular cases support or contradict theory. By looking at purposefully selected NGOs in Mexico and Portugal I was able to explore the piper hypothesis.

A final justification is derived from the fact that case-study methodology is also widely used in management and organisational research. Yin (1994:3) states that “the case-study allows an investigation to retain the holistic and meaningful characteristics of real-life events – such as ... organizational and managerial processes.”

There are some important limitations to the case-study approach. The first, and probably most obvious, limitation pertains to generalisability. King et al. (1994) defend that without random sampling and large enough numbers the conditions of unity homogeneity are not met and confident generalisability is impossible. However, in some conditions random sampling may not be desirable or possible, because there are only small numbers in the universe or we do not have an adequate frame. In these conditions a careful and conscious selection of cases is preferred. Namely, choosing cases which have a large variation in the explanatory variable (King et al. 1994); in this study, the explanatory variables are resource dependence on the government and country context.

To improve generalisability I chose a comparative case-study design using multiple case-studies (see Ragin 1987). According to Hakim (1987:64),

confidence in the generalisability of the results of a case-study design increases with the number of cases covered, with the greatest proportional gains being achieved when the number of cases is increased from one to two, three, or more.

By choosing 4 case-studies, 2 in Portugal and 2 in Mexico, complemented later by a control case-study in Mexico, I hoped I can increase the generalisability of my findings.

A qualitative study permitted greater attention to qualitative aspects of the resource environment. Also, not enough was known in the available literature about the resource environments to indicate a quantitative design. Indeed while Portugal has a fairly accurate frame on the universe of NGOs dedicated to sustainable development (because of a close relation with the government) such a frame does not exist in Mexico. A quantitative research design would suffer from very large biases under such conditions.

A comparative study permitted variation of context especially with respect to the nature of the government, which was very appropriate for examining the impact of not only funding but also other contextual variables on NGOs.

The unit of analysis is the organisation, in this case the NGO. The unit of analysis is seen as embedded in a context characterised by webs of relationships. The interest in studying resource

dependence, which is a result of relationships (Pfeffer 2003), required extensive data collection from those relationships. In particular the focus on NGO resource dependence on the government, called for data collection on other organisations (including other NGOs, government agencies) and individuals with whom NGOs were inter-dependent. Sampling of contextual elements was determined through interviews and mapping of selected case-studies' organisational environment.

Exploratory research: multiple phase research process

The research question and exploratory nature of my research required a multiple phase design. Qualitative research is well suited to exploratory research. Therefore the study was guided by the framework proposed above but the framework itself was open to modifications based on the collected data (Yin 1994). Case-study identification decisions require extensive knowledge of the setting to be studied (Maxwell 1998). Therefore the preliminary phase of research aimed at providing sufficient background knowledge about the setting, which would facilitate appropriate sampling in subsequent phases.

In the preliminary phase I explored Mexican and Portuguese NGOs in relation to key variables about which very little academic research has been undertaken. The preliminary phase also allowed me also to refine my research problem and make it more valuable for real life problems so that the research could be of use to NGO practitioners. This decision turned out to be critical in facilitating access to the case-studies.

The preliminary phase took place between June 1997 and November 1997. During this period, I interviewed a large number of NGO leaders, representatives of umbrella organisations, academics and government officials. Subjects were selected based on their organisational positions, e.g., government official in charge of relations with NGOs, and on references by other interviewees. In this phase, I undertook thirty-one in depth interviews (21 in Mexico and 10 in Portugal - more interviews undertaken in Mexico due to the expected greater variability in the NGO universe in Mexico than in Portugal). The names of the organisations interviewed are in appendix I. This phase followed a methodology similar to Billis and MacKeith's (1992) research on the management challenges of NGOs. They conducted a moderate number of in-depth interviews on 10 large UK NGOs to explore their management challenges.

During this phase, I collected basic information about the organisations and about their context. The question that presided over the first phase of data collection was: "What are the management challenges NGOs face in attracting resources such as funding or beneficiary participation?" This is a very general question that allowed me to collect general data on NGOs and their resources. There is a general lack of literature on the specific conditions of both

Mexican and Portuguese NGOs in relation to the important variables for this study, such as funding sources or relationship to the government so the first phase of data collection aimed at filling this gap. In terms of the organisation specific information, questions were asked in relation to NGO size (membership, financial resources, staff), activities, participation, management, and funding. Questions were also asked with respect to the relation to the government and donors, to other NGOs, to the media, and to unorganised civil society. The information collected strongly pointed toward the problems around resources and resource dependence. During this phase I was also able to collect preliminary funding and resource dependence data on interviewed NGOs, which was essential for the choice of case-studies for subsequent phases. Because of the sensitive nature of financial information this information would not have been available otherwise.

The data collected in the preliminary phase provides an opportunity for corroboration of later findings from the case-studies (increasing their generalisability and confidence). It also provides essential information about the NGO resource context and NGO sector, which could not have been obtained by looking at the case-studies alone. The semi-structured interview guidelines were also tested and changed to reflect my evolving understanding about the subject.

Having identified suitable case-studies in the preliminary phase, the first and second phases involved the collection of extensive case-study data in order to explore the actual research question. Consequently these phases provided the bulk of the evidence presented below and will be described in greater detail. Suffice it to say here that while the first phase aimed at answering the first part of the research question – Can NGOs be resource dependent on the government and remain independent? – the second phase answered the second part of the research question – “If so how?” These phases required slightly different case-study selections to improve the reliability of the findings following advice by King et al. (1994) on designing qualitative research. The first phase took place between December 1997 and June 1998. The second phase took place between July 1998 and November 1998. It also involved follow up visits to the case-studies, which took place in 2000 and 2001.

Criteria for the selection of case-studies

The criteria for case-study selection were derived from the research question and the conceptual framework put forward in chapter 2. The first part of the research question – Can NGOs be resource dependent on the government and remain independent? – explores the impact of resource dependence on organisational independence. Therefore I chose NGOs with different levels of resource dependence in terms of the proportion of government funding they received. The literature and the conceptual framework also identify government attitudes and country context as a major dimension influencing NGO independence. Therefore I chose two countries

for data collection. So the case-study selection involved, in each country, one case-study with high and one with low resource dependence. As explained below the Mexican and Portuguese resource environments provided a particularly interesting comparison since NGOs in each country face very different “resource opportunity structures”. Table 6 shows the rationale for case-study selection.

Table 6: Criteria for case-study selection in the first phase of data collection

		Country context	
		Mexico	Portugal
Resource dependence	Higher government funding dependence	UGA (72%)	GEOTA (90%)
	Lower government funding dependence	Naturalia (<1%)	LPN (32%)

In the second phase the case-studies were selected based on an assessment of their level of organisational independence, assessed through interviews with senior management. Given that results from the first phase showed that all cases successfully remained independent I added a “control case” to generate some variation in the dependent variable and increase my confidence on the causal inferences being made. The control case, which will remain anonymous in this study, was resource dependent and partly subject to external control. By comparing successful and unsuccessful cases I hoped to learn more about the conditions in which NGOs manage the protection of their independence successfully. Ideally I should have also found a control case-study in Portugal. Unfortunately however I was not able to find a case that matched the required levels of resource dependence and organisational independence. This is a weakness of this study, which increases the tentativeness of this my conclusions with respect to the second phase of the research and suggests a need for further research on the impact of different independence strategies. Table 7 shows the case-studies selected in the second phase of data collection.

Table 7: Criteria for case-study selection in the second phase of data collection

		NGO independence	
		Low	High
Resource dependence	High	Literature – piper hypothesis <i>MNSD (Mexico)</i> -Control case-	Literature – Unexplored <i>UGA (Mexico)</i> <i>GEOTA (Portugal)</i>
	Low	Literature – Coercive forms of control (e.g., Bratton 1989, Hulme and Edwards 1997) <i>No case-studies selected</i>	Literature – piper hypothesis <i>LPN (Portugal)</i> <i>Naturalia (Mexico)</i>

In case-study comparative research, selection is not based on randomness or typicality “but on the basis of theoretical interest in cases which, because of their extremity, may be decisive for theory” (Ragin and Becker 1992: 222). Therefore I chose case-studies that varied systematically with respect to critical variables:

1. degree of reliance on government funding (high and low),
2. country (three cases in Mexico and two cases in Portugal),
3. degree of success in protecting organisational independence (high and low) based on exploratory interviews with NGO managers.

Table 8 shows the expected relation between independence strategies and the different case-studies chosen. The case-studies cover all main types of independence strategies suggested by RDP and spelled out in the conceptual framework (chapter 2). The literature is much less clear about when we should expect independence strategies which involve ensuring commitment to mission. Arguably they were more likely to be present in case-studies with high organisational independence.

Table 8: Expected strategies to be observed in different case-studies

		NGO independence	
		Low	High
Resource dependence	High	<p><i>MNSD (Mexico):</i> Failure of strategies to avoid resource dependence and external control</p>	<p><i>UGA (Mexico) and GEOTA (Portugal):</i> Strategies to prevent external control Strategies to avoid demands Strategies to ensure commitment to mission</p>
	Low	<p><i>No case-studies selected</i></p>	<p><i>LPN (Portugal) and Naturalia (Mexico):</i> Strategies to avoid resource dependence Strategies to avoid demands Strategies to ensure commitment to mission</p>

The comparative case-study design is based on the careful choice of a few cases for well specified reasons (Bradshaw and Wallace 1991). The use of comparative case-studies allows the collection of large amounts of detailed information, but the number of cases must be restricted. The study used five case-studies, three in Mexico and two in Portugal. This sheds some light into the country-dependent variations of the research problem, as well as on the country-independent, i.e., generalisable, ones. That is to say, using case-studies from two different countries enabled an analysis of what was common to the cases as well as what was unique (Stake 1994: 238). In selecting case-studies I try to use “purposeful diversity” which was relevant to answering the research question. By varying not only the key explanatory variable (government funding) but also contrasting two different contexts I managed to increase the diversity considerably. Diversity in case-studies increases the confidence in the findings about what is common and suggests interesting themes from what is unique.

I also tried to keep other important variables identified in the literature as constant as possible. So all of the case-studies were:

1. formal organisations,
2. dedicated to sustainable development at the national level,
3. nationally based,
4. recipients of at least some government funding.

Also, the cases varied little (close to constant) in

1. their field of activity (task environment – development),
2. mission (sustainable development),
3. ideology (“light green” or moderate as opposed to “dark green”) and
4. main strategic approach (use of both service delivery and advocacy).

This choice tried to minimise explanatory variables which could influence the relationship between the explanatory variables under study (e.g., government funding) and the dependent variable (organisational independence). Unfortunately it was impossible to control for organisational size and age so these variables and their influence on organisational independence deserves special comment in the analysis of the findings (chapter 6).

One of the case-studies (UGA) was an association of both individual and organisational members thus working as an umbrella organisation. There is nothing in the literature suggesting that umbrella organisations may have different resource dependence problems as compared to regular organisations. However umbrella organisations may face different independence and funding challenges. This hypothesis will be discussed when presenting the empirical findings.

Table 9: Variation between case-studies on key dimensions

Variable	Indicator	Variation	Case-study
Resource dependence (first phase)	Government funding as proportion of all resources	Yes	GEOTA – high LPN – low UGA – high Naturalia – low MNSD – low
	Other government resources e.g., tax deductibility, access to debt ‘swaps’	Yes	GEOTA – low LPN – high UGA – low Naturalia – low MNSD – high
Mission and ideology (first phase)	Ideological moderation Sustainable development Advocacy commitment (rhetoric)	No	All cases were moderate NGOs dedicated to sustainable development and had commitment to advocacy
Preferred Strategies (first phase)	Combine advocacy and service delivery	No	All cases had practice of advocacy and service delivery

Independence (second phase)	Management attitudes (initial assessment for case selection)	Yes	All but MNSD felt they were independent All felt resource dependence was a problem
	Advocacy activities	Yes	All but MNSD engaged in open advocacy and occasional criticism of the government
	Goal displacement	Yes	MNSD suffered from extensive goal displacement
	Organisational structure	Yes	MNSD and LPN had very professional structures GEOTA and UGA depended on volunteers Naturalia used volunteers but did not depend on them
	Accountability to grassroots and mission	Yes	MNSD had low accountability to grassroots and mission
	Effectiveness and sustainability	No	All organisations were effective and sustainable
Context – resource and political opportunity structure (first phase)	Country	Yes	GEO – Portugal LPN – Portugal UGA – Mexico MNSD – Mexico Naturalia – Mexico
Independence strategies	Various strategies	Unknown at start of research	Unknown at start of research

Cross-national comparative research

The nature of research question relating contextual variables (such as government funding, availability of other resources) and organisational behaviour variables (lobbying activity, mission pursuit), suggested a research design where the context was allowed to vary. A comparison across countries maximises learning on the impact of context upon organisation. In

this research the countries (Mexico and Portugal) are compared as contexts, i.e., the main comparison is between organisations (Oyen 1990).

However, Portugal and Mexico are only compared to the extent that their national contexts influence NGO independence. Mexican NGOs tend to get a lot more resources from international donors. Portuguese NGOs tend to get a lot more resources from their members and the government. I chose to vary the national contexts and their different resource opportunities and demands to examine its impact on NGOs.

The choice of at least two cases from each country tries to provide some elements for the study of international variation, which would be almost impossible to ascertain from the study of a single case from each country. However this will ultimately depend on the degree of national variation in each country as well as the international variation between the two countries, which before hand was impossible to ascertain. This comparison enabled an analysis of what was common to the cases as well as what was unique (Stake 1994:238). This permitted me to explore the following aspects of my data.

Firstly, to explore national, contextual, level influences on NGO independence. Potentially this could be done by studying cases in one country, but it is commonly believed that comparative research is more adequate for this purpose (Berting 1979). My experience confirms this belief. It is only by continuous comparison between the two countries that some contextual influences became apparent. It has been pointed out that this is a priority area in the academic research in the non-profit and NGO sector (Salamon and Anheier 1997, 1999).

Secondly, and as mentioned above, to increase the potential for generalisability of the study's findings. As stated in chapter 1, "the ultimate goal of non-profit sector research is the development of a theory that is more general than those based on one country" (Anheier 1990:386). While I do not believe the "ultimate goal" of research is generalisability, it is still a desirable characteristic. Generalisability is invariably very limited in case-study based research (Berting 1979, Ragin 1987). The use of comparative case-study approach tries to minimise this limitation (King et al. 1994, Ragin 1987). Clearly, the differences will also become evident and much could be learned by trying to understand those differences, which point toward new research questions.

Thirdly, to explore the management challenges arising from country context. NGO management is country context dependent (Anheier and Seibel 1990, Campbell 1987), and so should the management challenges derived from it. An exploratory research trying to identify management challenges could benefit from the comparison of what is similar and what is different. Important insights could be gained about NGOs' relation with its environment. I would expect important observations need a macro-system perspective.

Fourthly, through the cross-national methodology, to adopt a different cultural perspective, to learn to understand the thought processes of another culture and to see it from the native's viewpoint, while also reconsidering their own country from the perspective of a skilled observer from outside (Hantrais and Mangen 1996:3).

Fifthly and finally, to explore the usefulness of the concept of intermediary development and semi-periphery, imported from sociology, to understand NGO context and consequently NGOs themselves. Are NGOs in the semi-periphery organisations with traits of NGOs in the North and NGOs in the South? Are they different? Have they evolved into an entirely different structure? The overwhelming majority of studies on NGOs have been conducted either in the North or in the South. Little attention has been paid to the grey area between these two extremes – an area of tension and transition, which can potentially yield interesting insights about NGOs in a global perspective.

There has been an impressive rise of across-country comparative research in the social sciences (Hantrais and Mangen 1996), more generally. And it is commonly seen in studies directly relevant to this research. For example, the Johns Hopkins International Non-profit Comparative Project (e.g., Salamon and Anheier 1997), James (1987), Kramer (1994), Anheier (2003) have undertaken research involving more than one country. In NGOs, it was used by Farrington and Lewis (1993), Bebbington and Thiele (1993), Smillie (2000a), among others.

Why Portugal and Mexico? The comparison is based on methodological as well as practical and personal justifications. Personally, I have much interest in the sustainable development of both countries and consequently on the role that NGOs can play in it. This was a key justification and motivation for this study. In practical terms, Portugal and Mexico make sense because of the language and culture similarity and the fact that I grew up in Portugal and Latin America (Brazil). I had visited Mexico before embarking on my PhD and was struck by the cultural similarities between Mexico and Portugal. As a Portuguese I felt perfectly at home in Mexico. I speak both Portuguese and Spanish fluently. These factors greatly facilitated the process of research and the access to my case studies.

Methodologically, the comparison made sense because both countries share some and vary in other important characteristics facilitating their comparison. There is a clear perception in both countries that they stand at the edge of a great power (USA in the case of Mexico and other European countries in the case of Portugal). This feeling is even greater with the recent entries of both countries to regional trading blocks (NAFTA and EU). It was only later that I found the concept of semi-periphery or intermediate development which could largely explain so many similarities together with the vague concept of "Latin" cultures. This view is echoed by Hofstede's (1991) research on national and organisational culture. He found that Portugal and

Mexico shared the same cultural orientations in the various dimensions of national culture. Culture is an important, if elusive, dimension and justification for this comparative study. Resource dependence entails a power relationship (Pfeffer and Salancik 1978) and therefore attention to cultural attitudes toward power distances is useful to an understanding of the impact of resource dependence on organisational independence. According to Hofstede (1991), both Mexico and Portugal display “high power distance” relationships, that is, society tends to be organised in a very hierarchical manner and characterised by relationships of deference toward power holders. This finding has clear importance for an analysis of organisational structure, programmatic discretion, and freedom to criticise publicly power holders such as members of government.

Therefore, the comparison is also based on the concept of *semi-periphery* or *intermediate development*. Semi-peripheric countries share an intermediate development position in the global system (Wallerstein 1984, Santos 1994, So 1990). This intermediate position is translated into similar macro, countrywide, indicators for income or education, for instance. It also carries implications of potential institutional transition from Southern institutions to Northern ones, with both coexisting simultaneously in the transition period. The study of semi-peripheric countries allows us to explore the assumption developed by some sociologists that the semi-periphery does not behave like a mix of North and South but has its own evolution. It also provides an example of a transition situation where elements of both pre- and post-transition can be observed (Gilbert 1993). The use of case-study is particularly interesting when the cases researched are “outliers” of mainstream theory (Bradshaw and Wallace 1991). So the research on intermediary development countries has the potential to generate checks on current theory (Santos 1994).

The comparability between Mexico and Portugal is best demonstrated by laying side-by-side various structural and development indicators. These indicators were chosen from literature review on development, organisational theory and the John Hopkins comparative research programme (as in Salamon and Anheier 1997). They suggest the following dimensions as critical to across-national comparative research on non-profits and civil society:

1. Enrolment in tertiary education
2. Income per capita
3. Public social expenditure as % of GDP
4. Political system
5. Administrative structure
6. Legal system
7. Culture
8. Technology
9. Government attitude

10. Funding sources

These dimensions are combined with general development indicators and presented in Table 10 below.

Table 10: Cross-national comparison of variables between Mexico and Portugal

Indicator	Portugal	Mexico	Source
Development: Human Development Index ranking	High Human Development Country (ranked 23 rd in 2003 and 42 nd in 1994)	High Human Development Country (ranked 55 th in 2003 and 52 nd in 1994)	UNDP (1994, 2003)
Life Expectancy at Birth (2001)	75.9 years	73.1 years	UNDP (2003)
Enrolment in tertiary education (18-24 age group)	50%	21%	UNESCO (web page)
Tertiary education (% of population graduating)	15-20%	10-15%	OECD, 1998
Combined primary, secondary and tertiary gross enrolment ratio, (2000-01)	93%	74%	UNDP (2003)
Adult Literacy (2001)	92.5%	91.4%	UNDP (2003)
Education Index	0.97	0.86	UNDP (2003)
GDP per capita (PPP US\$ 2001)	18,150	8,430	UNDP (2003)
GDP per capita (PPP US\$ 1991)	9,450	7,170	UNDP (1994)
Commitment to education: public spending as % of total public spending (1998- 2000)	13.1%	22.6%	UNDP (2003)
People living in urban areas (2001)	65.6%	74.6%	UNDP (2003)
Gender empowerment: seats in parliament held by women	19.1%	15.9%	
Political regime	Democracy (young) 1974 – socialist revolution 1986 – entry to the EU	Democracy (young) 1930s – socialist revolution 1980s – opening up to democracy 1994 – entry to NAFTA 2000 – opposition candidate wins presidential election	

Supranational and international influence on policy	European Union law Ratification of all international conventions on 'major human rights'	NAFTA parallel agreements (on Environment and Labour) Ratification of all international conventions on 'major human rights'	UNDP (2003)
Membership OECD	Yes	Yes	
Administrative structure of Environment Policy making	Environment Ministry (created 1994)	Environment Ministry (created 1994)	SEMARNAP (1995); Mello and Pimenta (1992)
Legal system	Statutory law	Statutory law	Interviews
Cultural traits in organisations (and society)	high power-distance; high uncertainty-avoidance; low individualism; whole range on masculinity	Same	Hofstede, 1980
Technology: telephone mainlines per 1000 people - 2001	425	137	UNDP (2003)
Government attitude toward NGOs	Co-operative	Tolerant	Interviews
Government attitude to <i>environmental</i> NGOs	Supportive	Distrusting with some exceptions	Interviews
International donor funding to NGOs	Very little (only one NGO has received \$ from the EU)	Very important	Interviews
Government funding to NGOs	Very important	Important for some NGOs, not very important for the sector	Interviews and Kurzinger et al. (1991)
Estimated number of environmental NGOs (1997)	Approx. 200	738 of 3,537 (total surveyed) (20.9%)	IPAMB for Portugal and CEMEFI (1997) for Mexico
Existence of formal networks among NGOs	Yes	Yes	Interviews
NGO attitude toward government	Medium trust	Weak trust	Interviews

There are important similarities around religion (strongly Catholic), legal system (absence of a clear general law on non-profit organisations which has led to the perception that tax benefits are attributed in a haphazard fashion), political and policy-making system (socialist revolution, young democracy, same date for the creation of the Environment Ministry). Portugal and

Mexico are frequently classified under the same group of countries (see Hofstede 1991, Santos 1994, Silva 1962, UNDP 1994), which could be denominated Latin intermediate development countries.

Mexico is the North of the South. Mexico is normally associated with the “South”. It is an aid recipient country (OECD 1997). However, many of its regions have prosperity that could be compared with the “North”. Its human development index indicators place it in a good position on education, life expectancy, income per capita when compared to most “developing countries”. Mexico is even part of OECD, which could be considered to broadly represent the group of “first world countries”. As an intermediate development country, it is going through strong process of social change, transition. One of the reasons was its entry to NAFTA.

Portugal, on the other hand, is the South of the North. Within the EU Portugal has a peripheral and Southern position away from the development core. Being in Europe, and in the European Union, Portugal has been able to enjoy a level of development that would place it as a Northern country. It is an OECD member and it is an aid giving country. It gives 0.21% of GDP, i.e., US\$ 218 millions in ODA (OECD 1997). But at the same time, Portugal receives financial transfers from the EU, a form of “aid”. While Portugal is normally associated with the “North” it has many regions, which can only be described as “South”. Various authors argue that Portugal has a large “South” part (Santos 1994, Hickinson 1993, Black 1992). Portugal is characterised by a strong differentiation between urban and rural areas. Black (1992:4) puts it emphatically “many of these areas [rural Portugal] are desperately poor”. There are regions in Portugal where adult illiteracy rate surpasses 40% (Wolf 1992)! Portugal has, like Mexico, North and South living side-by-side.

Therefore the table shows remarkable similarities, which give credibility to the idea that both countries are in the semi-periphery, or in an intermediate development stage. This is not to deny the important differences resulting from, for example, Portugal’s position in Europe and the European Union and Mexico’s closeness to the USA and its membership of NAFTA. There are obvious differences which I include on my empirical descriptions and my analysis of the findings.

There are other important differences in the NGOs funding environment, which provided an extremely interesting comparative analysis. Mexican NGOs tend to be resourced mainly by international donors’ contributions and some resources from a narrow member base. Some NGOs have managed to get resources from income generating activities, and national donors. Portuguese NGOs, on the other hand, tend to be resourced by the government and their members. International aid contributions (foundations or official donors) are not normally available because of Portugal’s wealth levels. Recently however EU funding became available

under very restrictive conditions. The dependence on national resources combined with a non-rich government leads Portuguese NGOs to rely almost exclusively on voluntary labour. The greater availability of formal volunteers in a richer country (Hirschman 1982) makes this resource more available in Portugal than in Mexico.

This methodological justification is, as mentioned above, complemented by an important element of personal interest in the comparison. Both countries have important environmental endowments and problems, which concern me as someone who loves these countries and as someone concerned about environmental problems globally. The work of NGOs in this area is fundamental and justifies this effort to understand their funding and independence challenges.

Scope of the study

Both Mexican and Portuguese societies are facing important changes internally and in their relations with the rest of the world. The NGO sector in both countries is not only growing strongly but is also having to adapt to a new environment with different resource and institutional opportunities and constraints. On the other hand, due to the size of Mexico and travelling and time constraints, this study could only include NGOs working in the central states of Mexico, where the vast majority of NGOs concentrate (CEMEFI 1996). For all this, it is necessary then to limit the scope of the research to NGOs dedicated to sustainable development in Portugal and central Mexico between 1997 and 2001.

3.3. RESEARCH PROCESS

Data collection

As a Portuguese citizen, a comparison with Mexico could lead to a bias due to my greater knowledge of Portugal. However, I believe my bias toward Portugal is not very strong since I grew up in Latin America (Brazil, 1974-1983) and have lived outside Portugal since 1989. Moreover, I had visited Mexico a number of times before and had always felt very integrated there. My research experience in Mexico prior to this study is also relevant. I researched the management challenges of an indigenous NGO working in rural Mexico - FOVASO, A.C (see Natal and Themudo 1996). In that study, I learned important lessons about the importance of societal issues in influencing the work of NGOs. The national economic crisis affecting Mexico at the time (1995) paralysed much of the NGO's developmental activity, including participatory efforts. I learned about the importance of funding and management strategies used to minimise disruptions to their work.

In order to address the research question a mix of data collection methods was necessary. Some of the data could not be collected by using a single method. Moreover, I triangulated the findings from any one single data collection method with the findings from other methods to establish the internal validity of the findings (Pratt and Loizos 1992, Maxwell 1998). To collect the data I used semi-structured interviewing, participant and non-participant observation, and document analysis. Interviews and most organisational documents were in Portuguese and Spanish so unless otherwise stated all citations are my translation.

Semi-structured interviewing

The reason behind the choice of semi-structured interviewing stems from the need to gather information on individual beliefs, understandings, and perspectives. The “organisational” view will have to be construed from the individual views of its members. The study’s RDP perspective of the NGO means that the organisation’s activities are determined through a process of bargaining between stakeholders (leaders, employees, donors, beneficiaries, government).

Overall I undertook 62 semi-structured interviews most of which lasted well over one hour. For every case-study I interviewed at least a) the leader, b) a member of the board, c) a member of staff, and d) a volunteer (where appropriate). In all case-studies I interviewed at least 4 members, but more generally I interviewed 5-6. The executive or managing director of every case-study was interviewed at various times (at least three times). I also undertook interviews with other stakeholders such as members of the government, beneficiaries, and members of other organisations co-operating in the projects as determined by the relevance to each case. Therefore information obtained was also triangulated between different informants. It was particularly important to triangulate the views from NGO members with the views from outsiders such as government officials.

The choice of semi-structured interviews, rather than unstructured or structured interviews, rested with the need to explore my research question, which calls for a certain degree of structure. On the other hand, there was a need to maintain a largely open-ended, flexible, open minded framework, due to the lack of abundant literature on the subject. Moreover, this formal interviewing process was complemented by informal conversations and chats, while I participated in several organisational activities, as described below.

Consultation of documents

The consultation of NGO documents was central to ascertaining funding information accurately. It was also a starting point to an examination of organisational mission and the relation between

the organisation and its environment. It involved the careful review of NGO's publicity material, constitution documents, end-of-year reports, funding applications, web pages, press releases, and any other relevant documents. The consultation of government and donor evaluations on the work of one of the case-studies provided a very rich source of information. These evaluations were difficult to gain access to for confidentiality reasons and only one NGO gave me full access to their documents, although the other case-studies gave me sufficient access for the analysis.

Aside from organisational documents I also used other documents. I consulted news coverage of NGO campaigns to try and understand the relation between NGOs and the government. I participated in electronic discussion lists to try and get other perspectives on the organisations I was looking into and the general discussions by environmentalists and NGO practitioners.

Observation

Non-participant and participant observation also proved important in finding non-traditional resources and issues which hadn't been mentioned in interviews or institutional documents. Most of my observations were non-participant. I observed membership gatherings, board meetings, management meetings, all of which had important group dynamics which could not be captured by individual or even group interviews. These observations allowed me to raise new questions to address in my interviews. Moreover, these observations allowed me extensive periods of time inside organisational processes which gave me many opportunities to informally and literally in the corridors interviews of organisational members.

I also used participant observation in one case, GEOTA, where I volunteered as a management consultant toward the end of my data collection (July 2001). As a volunteer responsible to analyse and discuss internal management issues with GEOTA's leadership I obtained more information about the organisation. One example was the involvement of volunteers: how many there were and what would they normally do. The limitation of this method is that I was asked to remain silent about an important piece of information which I gathered.

The informal observation opportunities allowed me to gather information which could then be triangulated with information collected through formal interviews and document analysis. In particular it allowed me to check the veracity of what organisational leaders had told me. This is important because often leaders, consciously or not, portray a biased and rosy picture of their organisations. Interestingly, generally speaking, however, I did not find much substantive conflict between leaders' accounts of their organisations and work and other members or even outsiders' (e.g., government officials) accounts. Case study leaders were quite conscious of their shortcomings and honest about them.

Data analysis

Qualitative research produces large amounts of text which need to be “reduced” or “de-contextualised” and “re-contextualised” (Creswell 1994). The basic procedures involved, following Yin (1989), the search for patterns by comparing results with patterns predicted from the literature and explanation building, which involves a search for causal links and/or explores plausible or rival explanations and attempts to build an explanation about the observations. In particular I attempted to explore the causal link between government funding and NGO dependence. When some of the case-studies behaved differently from theoretical predictions, I hypothesised about the causes of such behaviour. The research, thus, has emphasised induction, denoting its qualitative nature (Creswell 1994), but also uses deduction by comparing existing literature and theory to the empirical observations.

In terms of process, for my data analysis I explored various options. I read each interview various times looking for interesting observations that either stood out in a particular case study or formed a more general pattern when compared to other case studies. For a systematic comparison of content across data records, I tried content analysis software packages such as Nudist and Atlas without much success. This was mainly because of the large amount of time involved in coding and re-coding my interviews and other data records. Therefore I used my Microsoft Word’s search function (under “File/ Open/ Tools/ Search/ Advanced”) instead. I then searched the material for keywords such as “autonomy”, “independence”, “dependence”, etc. This method was very suitable for the analysis of the number of data record documents which I generated during my fieldwork, which was around 150, including interviews, observation notes, and organisational documents.

Validity

As mentioned above, the research addressed questions around internal validity by using triangulation of methods and respondents so as to minimise the systematic biases potentially associated with only one source or method (Maxwell 1998, Pratt and Loizos 1992). The use of interviewing, document analysis, and observation permitted the cross-check of information obtained. Information gathered from different subjects, such as NGO members and external actors, also provides a means to verifying the accuracy of the information and the extent to which a view is particular to an individual, to a group or more general. Discussion of the results with local academics also provided important sources of verification.

An important threat to validity is that the topic of independence is value-laden. No one wants to be seen as being dependent or externally controlled. It is thus prone to the conflict between rhetoric and action. To face this problem I used verification, triangulation, and protecting

interviewee and organisation anonymity at the request of interviewees. This issue is discussed below.

In terms of external validity, the sample of NGOs studied was not representative (or its representativeness can not be ascertained) of the wider NGO and non-profit sectors. The research is, instead, more concerned with an in-depth analysis of the research case-studies and problem. The intention is to explore existing knowledge in the area as well as generate greater insight as to the causal relations between variables (“causal inferences”, see King et al. 1994) with the aim of theory building (inductive use of the case-study). Any generalisability, or external validity, therefore, is indicative and analytic, rather than statistically significant, due to this study’s limited and potentially biased sample (Creswell 1994, Yin 1989).

Reliability is also limited in qualitative research given the uniqueness and contextual-bound nature of the research (Creswell 1994). Taking detailed notes about the data collection process, however, greatly increased the possibility of replication of the research in the same or another setting (Yin 1994). I also taped most interviews which were later transcribed for text analysis.

Research ethics

There are a number of important ethical issues involved in this research. There is a need to respect the rights, needs, values, and desires of the informants. Participant observation and interviewing are always obtrusive and revealed sensitive information. Following Creswell (1994) and Pratt and Loizos (1992) I took some steps to minimise these problems: (1) the research objectives were clearly stated to the informants at the start of the study/interview; (2) written interpretations and reports have been made available to the informants asking if they agree with my interpretation or to explain why not; (3) the final decision regarding informant anonymity rested with the informant.

Perhaps not surprisingly, the leaders of the organisationally dependent case-study requested anonymity. Its leader was afraid that such assessment might compromise its reputation and further erode its ability to attract private resources. In the other case-studies, I had very little difficulty with these points. In only two occasions were comments made “off the record” and they did not concern the main topic of my research. My interpretation of such ease rests with the normally very vocal stance of NGOs, who understand the issues around academic research, not being intimidated by it. Although my findings revealed some organisational and management weaknesses the overall assessment of their independence was positive so their leaders were comfortable with publication.

What went wrong

Some NGOs would not give me access to their accounts or would not have detailed enough accounts that discriminated between different sources of funding (e.g., government, fees, international donors). As a result the group of NGOs which met my sampling criteria was small and access was more problematic. At the same time the exclusion of NGOs without adequate accounting systems may have biased the sample toward more formal NGOs with well development financial systems or away from NGOs that hide their resource dependence by not recognising how much money actually comes from the government.

The exploratory study across countries was very time consuming. The final variables used for the study were not defined until later in the field work, so it took a lot of going back and forth between the two countries to define the subject of research in an iterative process. The preliminary phase of the field work involved 2 trips to each country before the subject of study could actually be better defined, which then led to two more visits to each country for data collection on the case-studies.

Despite my offers of anonymity some NGO leaders appeared to be uncomfortable discussing their accounts and above all their independence. This led to an interesting paradox. Generally, NGO leaders were very happy to complain about government funding and its threat to NGO independence as well as its instability, complexity, and political implications. But when asked about their independence almost all respondents replied that they were independent. If they are independent why do they take up funding in such detrimental conditions (see Kramer 1994)?

Finally I wished I had used non-profit literature earlier in my study, i.e., during my initial literature review. Having done so would have saved me a lot of time “re-inventing the wheel” and would have provided critical insights into the relation between funding and management of NGOs (e.g., Froelich 1999, Gronbjerg 1993, Kramer 1994, Saidel 1991).

3.4. LIMITATIONS OF THE STUDY

Some research limitations were already mentioned above or will be discussed in the concluding chapters – for example generalisability or the potential bias from researching a value-laden topic. There are however other limitations which should be borne in mind when interpreting the results from this study. One important potential source of bias in the study was Mexico’s serious macro-economic crisis in 1995. That crisis associated with a long drop in the price of oil in the world markets (Mexico is major oil exporter) have led to a situation of financial crisis for the NGOs. Public spending suffered repeated cuts. Although I expect that this factor does not question the conclusions from this study it is possible that this crisis limited the availability of

domestic resources during the data collection period. Mexican NGOs were thus more dependent on international resources than might be the case under different economic conditions. Indeed Kurzinger et al. (1991) found significant government funding of environmental NGOs in Mexico (12 of his sample of 40) while I could find very little. It is possible that the lack of government financial support that I found was circumstantial. If that is true, my observations may not be typical of the environmental NGO sector in Mexico in general. However, the findings are still valid as examples of existing NGO in particular resource relationships with the government.

Another problem was derived from the lack of consistent standards for NGO accounting. None of the case-studies systematically spelled out the proportion of government funding in their accounts. This data had to be ascertained from a combination of organisational accounting documents, interviews with NGO members and with government officials. At the same time there was some year-to-year variability so I had to choose years which NGO members described as “normal”. Other years had distorted accounts because of major grants which were very rare (see footnotes of actual accounts in chapters 4 and 5). One solution would have been to collect data for many years but the difficulty in obtaining the data made that option impossible. Because of this I was not able to collect data on the proportion of government funding for the same period for all case-studies.

3.5. REFLECTIONS ON STUDYING NGOS/NON-PROFITS

Interestingly, most of the lessons learned from researching NGOs are related to the general problem of “access”, which is one of the key problems in social science research (Hammersley and Atkinson 1983). Here I discuss lessons regarding anonymity, access to interviewees, “cause membership”, ensuring a second interview, and financial accounts.

Anonymity

The potential loss of reputation associated with research findings on sensitive topics such as independence or effectiveness is a strong limitation of the case-study research design. In such cases, the researcher must balance two contradictory pressures. On one hand, I needed access to a dependent organisation, which could teach valuable lessons about “what went wrong”. On the other hand, the leader of the organisation was very reticent to let me use the findings in any way which may compromise their organisational reputation and therefore their ability to improve in the future. Labelling an NGO of “dependent” or co-opted will erode further its ability to mobilise private funding. We found a compromise in keeping the organisation anonymous and ensuring that key identifiable traits were omitted from the description. The downside to this compromise is that honouring their request diminishes the quality of my findings, as others will

not be able to replicate my research design as easily. This weakness had to be balanced against the possibility that the organisation would have denied my access. I decided therefore to include it in my study because of its valuable lessons.

Because of this, quantitative studies which ensure anonymity to NGOs are more likely to generate honest answers from NGO leaders and are a common strategy in non-profit research (e.g., Harris 2001). Researchers on NGOs that are examining sensitive topics must consider these questions very seriously before engaging in their data collection.

Access to interviewees

In my experience access to interviewees was easy, but NGOs are very busy and have cyclical work (funding proposal cycles) so that timing is essential. Access to financial information was quite difficult not only because of the confidentiality and sensitivity of funding relations but also because NGOs would often not keep records in a way that clearly distinguished government from other types of funding.

Issues of access to the research subject were expected to be very important. While the case-studies could have been substituted by others in the case of obstacles to access, the stringent conditions of case-studies selection made this possibility less feasible. There is no registrar of how much government funding each NGO gets. So the only way to find out was by asking. But NGOs would not normally volunteer such information unless they could be sure to trust me, which normally took more than one interview and a reference by another NGO or common acquaintance. It was hard to find case-studies with the right characteristics (e.g., mission, government funding) so I had to protect my access to them (e.g., offering them anonymity, developing trust with interviewees).

Despite the difficulties in finding appropriate financial data, generally there was no difficulty getting acceptance by the required NGOs to participate in the research. On the contrary, they saw this study as an opportunity to review what they were doing. They also normally took it as a reflexive exercise and an opportunity to promote what they were doing.

Surprisingly, the fact that NGO managers are very busy did not lead to a small amount of time being available for interviews. Interviews would often last for over one and a half hours with a few lasting over three hours! There was only one non-response to my interview requests but the interviewee was not fundamental to the study. Having easy access to all the case-studies was important in reducing a possible bias of over concentrating on those NGOs with easier access perhaps because they had managers with more time or who were more interested in my research. This bias is all the more important when the focus of the research is considered. The

focus on resources would potentially exclude those organisations with less resources or less time. That could be very damaging.

Access was also made easier by splitting the interviews into two so as to gain some information in the first and be very concise in following interviews. Also, I deliberately respected interviewee time by collecting as much information as possible from other sources, e.g., web pages, before hand.

“Cause membership” and access

NGO members are very sensitive to the researcher position in relation to their cause. I felt that adequate access to sustainable development NGOs required essential learning about the environmental sector in ways that often exceeded the scope of the social sciences. This knowledge allowed me to gain membership of the cause and be recognised as “one of them”. It also saved important interview time and goodwill by not saving my interviewees the need to provide extensive scientific explanations of their work.

I found the issue of “cause membership” to be an essential component of my data collection. Arguably, it applies to research in any organisation, but it seems particularly relevant for research in the NGO sector, because of the strong value orientation of NGOs (see Etzioni 1961). The problem of membership was as much an issue in Mexico as it was in Portugal. In Mexico I tried to spend an initial period of time familiarising myself with particular aspects of Mexican culture, which could be relevant to the research process. In Portugal, however, I was also initially seen as an outsider because of my studies in the UK. My occasional ignorance about some aspect of Portuguese life (mainly related to current politics) led to some of my interviewees treating me as an outsider. Some interviewees would even make references to the environmental NGOs sector in the UK or the US assuming I was perfectly familiarised with them (coming from the North as I did). That was not however the case (I have learnt much about the UK and the US environmental sectors by interviewing NGOs in Portugal and Mexico respectively) making me embarrassed and my interviewees slightly frustrated. After a few interviews, I then felt that I needed to stop interviewing and dedicate myself exclusively to learning about the environmental sector in Mexico, Portugal, US, and UK. The improvement about the way I was perceived by my interviewees was impressive.

I spent time learning about critical environmental issues such as global warming, recycling, and bio-diversity. By so doing I was more capable of understanding what the NGOs were doing and saved my interviewees complex and time consuming technical explanations which were not the main objective of my interview. Moreover by showing that I was quite familiar with current problems and issues around environmental protection I was perceived as being myself an

“environmentalist” and therefore “one of them”. Because of this I was invited to all sorts of organisational activities because my interviewees could see that I understood and valued them.

This issue of membership implies limitations on research by researchers without knowledge about the specific field of NGO activity and “membership” of the cause. For instance to research NGOs working in women’s, human rights, environment, development, aid, there may be a different access to the interviewees depending on the researcher background knowledge about the different areas, that is, the different degrees of researcher “membership” to different causes. This could perhaps suggest the need for a team of researchers or a period of study for the researcher to familiarise herself with the issues in the area. The same applied in relation to country context. Knowledge of current and past issues of the environment sector in the specific country was extremely appreciated and saved much explanation time. This is even more important when interviewees are busy people and access is difficult.

Ensuring a second interview

The need to examine processes as well as exploring my research question required that in any interview I had to make deliberate efforts to ensure the possibility of a second interview. This issue is closely associated with the issue of membership.

The first interview was more often than not insufficient. Because of the hidden and sensitive nature of the case-study selection criteria (government funding) my first interview would generally be mostly about developing trust and getting a general idea about the government funding received by the organisation (e.g., from which agency, under what conditions, as a proportion of total funding).

Sometimes however it is not appropriate to conduct more than one interview. In Mexico, often interviews involved two or three hours travelling. But I believe I derived important benefits by often undertaking more than one interview with the same subject. The interviewee’s level of trust in me grew with every visit, and some sensitive information was not released until at least after a couple of visits. Two interviews of one hour are not the same as one interview of two hours. I believe that the subject of how to build trust with interviewees is a subject, which is unfortunately neglected in books and classes about research methodology, but is essential when researchers are trying to gather data on sensitive or ethically delicate issues such as NGO funding. It is critical therefore in some research situations to try to safeguard the possibility of a second interview.

To obtain a second interview, I would often talk extensively about issues which were not of direct interest to my research but helped develop trust between the interviewee and myself. I found that in second interviews people were more relaxed and considered me more of a

“member”, so that more insights into internal organisational issues were discussed. Although it is often possible to get insider information from a single interview I found that as a rule the second and third interviews are a lot richer in sensitive or insider information. In deciding whether guaranteeing a second interview is essential for a research process I found helpful to use the following criteria:

- How sensitive is the information needed? The more sensitive the more likely a second interview is necessary. Although some sensitive information can be revealed in a first interview my experience is that it only be easier the second time round.
- How open ended is the research problem? The more open ended the more likely it may change and the more likely new appropriate data may be needed at a later stage. The more defined the research problem is and the less it changes over the research period the more likely the data obtained in initial interviews be relevant.
- How difficult is the access to the interviewee? The more time is necessary for travelling or the less time available for research the more likely a second interview will not be undertaken.

NGO financial data

Even when I obtained access to the NGOs and developed a high level of trust among NGO members, I found many problems in accessing NGO financial data. In part these problems were related to privacy concerns. Some NGO leaders I interviewed were reticent to let me look into their accounts. When asked about the reason, they would normally not be able to actually formulate their concern. They would sometimes invoke the sensitive nature of the data and the fact that a mis-interpretation of financial data could naturally have serious repercussions to the NGO’s future fundraising ability. Sometimes, they rejected providing me any more information than they provided through interviews. Other NGOs provided me with access to their summary financial accounts, which they would provide to their members. The problem with such data, like any other secondary data, is that the purposes, which it was collected for were often not the same as mine. For example, some NGO accounts would not distinguish how much funding came from the government as opposed to private donations. Since the proportion of funding from the government was a key variable in this study, in two cases I had to determine it through interviews. The reliability of this method is of course limited. Only one NGO actually allowed me to examine primary financial data such as bank statements and invoices. The financial information, which I present later in this thesis, is based mainly on secondary data and interviews.

The absence in Portugal and Mexico of adequate specific NGO or non-profit accounting standards renders NGO accounts less useful for research. For example, in Mexico and Portugal NGO accounts do not have to distinguish between funding from the government, from international sources, or from sales. However, most research on NGO funding would need such

a differentiation. Moreover, most NGOs are too small to be obliged to make their accounts public, which may lead to the problems of access discussed above.

These lessons about the process of researching NGOs proved important in generating this study's findings to which I now turn, beginning with chapter 4, which describes my empirical observations in Portugal, and chapter 5, which describes my empirical observations in Mexico.

CHAPTER 4. PORTUGUESE CASE-STUDIES

This chapter presents the findings from the case-studies in Portugal. Generally the relation between the Portuguese government and the NGO sector is a close one. After a dictatorship that lasted over 40 years, the new democratic regime ensured that the right to associate and to freedom of expression were strongly enshrined in Portugal's constitution, which also includes a duty for the government to partly finance non-profit activity for the public benefit by fiscal benefits and direct funding. Partly as a result of this requirement there is much co-operation in service delivery between government and NGOs. At the same time, it has often been mentioned that the Portuguese non-profit sector is very dependent on government funding for its work and survival (Barros and Pestana 1997, Hespanha et al. 2000, Santos 1987, 1994). This financial dependence has also led some commentators to warn that Portuguese NGOs are losing their organisational independence and facing various management challenges (Hespanha et al. 2000, Macedo and Pinho 2004), i.e., the piper hypothesis.

4.1. NGO SECTOR AND FUNDING

Evolution of the sustainable development NGO sector

The legal denomination for Portuguese NGOs is very complex.¹⁴ In terms of social welfare and development, third sector organisations can be called “social solidarity associations” (*instituições particulares de solidariedade social*), social solidarity foundations (*fundações de solidariedade social*), and mutual aid associations (*associações de socorro mútuo*). The “social solidarity associations” is the most commonly used denomination (Ferreira et al. 1993). In the environmental sector, NGOs had a different denomination until recently: “environmental protection associations” (*associações de defesa do ambiente*). That changed in 2001 and these organisations are now legally called “environmental non-governmental organisations” (*organizações não-governamentais do ambiente*). One of the implications of such diversity is the difficulty in obtaining accurate population frames in relation to Portuguese civil society organisations. Before the socialist revolution in 1974, civil society organisations were mostly social welfare organisations associated with the Catholic Church. These organisations were specially oriented to health care provision and social services. The *Misericórdias*, the oldest and most important of these organisations, were founded in the early XVI century, at the time when men joining the discovery effort left women and families in need (Catarino 1991). During

¹⁴ Traditionally, what we refer to as NGOs here are inter-exchangeably labelled non-profits (*organizações sem fins lucrativos*) or NGOs (*organizações não-governamentais*) in Portugal. However for the reasons mentioned in chapter 1, I refer to both denominations as NGOs in this study.

Salazar's dictatorship, civil society organisations were not allowed to participate in politics openly and so they were not allowed to protest or criticise government policy. After the 1974 revolution, however, the Portuguese government opened up to civil society and to partnership with NGOs in a "mixed economy of welfare" model of service delivery (Hespanha et al. 2000).

Today, Portuguese NGOs are seen by the government as having the potential to supplement scarce government resources, to ensure greater popular participation in the response to their needs, and to introduce flexibility and innovation in the welfare and development work (Ferreira et al. 1993). Moreover, civil society organisations greatly contribute to the strengthening of participatory democracy (Laureano Santos 1991).

The Portuguese government co-operates extensively with NGOs, which translates into a large proportion of NGO funding having a public origin (Ribeiro 1995, Ferreira et al. 1993). Aside from the freedom of expression and freedom to associate, the Portuguese Constitution also includes a duty by the government to fund socially beneficial work undertaken by NGOs. This funding can take the form of tax deductibility and other fiscal benefits. Commonly, the government also funds NGO work directly through service delivery contracts or "agreements" (*acordos*). In the social services, the government provides the lion's share of funding for service provision by NGOs (Alfredson and Themudo 2002, Hespanha et al. 2000, Macedo and Pinho 2004).

This close cooperation is not restricted to funding. NGOs have also gained an important place in institutional consultation fora. From 1993, the government gave civil society organisation representatives a voice in the Council for Socially Concerted Action, a negotiation statutory body, where together with representatives of the government, private employers, and labour unions, they discuss social development matters (Ferreira 1993). This is based mainly on the recognition that NGOs can be an important vehicle for citizen participation. By being close to citizens NGOs are better able to express their needs and involve them in development (Ferreira 1993).

Lima and Schmidt (1996) argue that the emergence of a concern for sustainable development and environmental protection developed much later in Portugal than in other countries in Europe. Only in the second half of the 1980s has the environment gained an important political and institutional place. This was about 20 years later than the Treaty of Rome, which had called for widespread change in social and political attitudes toward the environment. In Portugal the emergence of this political conscience about environmental issues is closely related to Portugal's entry into the EU.

Mello and Pimenta (1993:147) provide a basic history of the NGO sector concerned with issues of sustainable development and environmental protection in Portugal. The first important period

was the Socialist revolution in 1974. At that time the NGOs were almost non-existent in Portugal. Two reasons are given for that. The first is that the authoritarian regime effectively eliminated most forms of association, which produced mainly underground confrontational citizen groups. Second, at the time Portuguese society was relatively closed: there was censorship, information flows were limited, educational level was low, so that development and environmental concerns which appeared in other countries in the late 1960s and 1970s had no echo in Portugal. Third, environmental problems at the time were relatively small, given the weak urbanisation and industrialisation of the country.

The second period is 1974-85. After 1974, the democratisation of Portuguese society led to a boom in associativism. However, many associations during this time had no consistent organisation, so that NGOs appeared and disappeared at a high rate. In 1977 there was an attempt by the government to build a nuclear power plant. Opposing this action represented the single point of convergence between Portuguese environmentalists who opposed such development projects. Once the government gave up the project (for economical reasons) the NGO sector again fractured due to internal differences. The first attempt at unifying and coordinating the NGO sector concerned with Portuguese sustainable development took place at the National Meeting of Environmentalists (1984). As a result the NGOs involved got to know each other better and forged new alliances.

The third period was between 1986 and 1988. During these years, the NGO sector emerged as an important presence in Portuguese society. As the political-economic system stabilised, people were more open to environmental concerns. At the same time the entry into the EU and the opening to exterior gave those concerns, common in Europe, a new momentum. In 1987/88 the European Year for the Environment took place. This EU action made possible a large conscientisation campaign about the environment and increased government funding to NGOs. This initiative was fundamental for the consolidation of many local groups.

Since 1989 the environmental sector has consolidated itself. More National Meetings of environmental NGOs led to the creation of the Portuguese Confederation of Environmental NGOs (*Confederação Portuguesa das Associações de Defesa do Ambiente*), which unites more than half of all existing environmental NGOs. The two largest NGOs, however, did not join the confederation.

Today, there are about 200 organisations concerned with various areas of sustainable development and environmental protection in Portugal (IPAMB 2001). According to a document by GEOTA (citing the Portuguese National Institute for Statistics), NGOs concerned with sustainable development in Portugal had expenditures of around Esc \$ 750,000,000 (£2,500,000) in 1994 (GEOTA 1999). There is no data over time about the growth of the sector.

But my interviews with environmentalists indicate that there has been significant growth over the past decade.

According to the same source, environmental NGOs' activities are divided as follows (GEOTA, 1999):

- Bio-diversity and landscape conservation 30.7%
- Water protection 12.9%
- Waste management 12.7%
- Air and climate 9.7%
- Soil and underground water 3.2%
- Research and development 3.2%
- Noise and radiation 1%
- Other areas 26.5%

NGO funding environment

In terms of funding sources, NGOs receive most money from the government, the EU and private sources. The government gives funding to NGOs in the form of contracts for the delivery of environmental projects. Some NGOs can also benefit from fiscal benefits which allow them to receive more funding from individual supporters, members, and companies.

Commonly, NGOs compete for government funding by applying to a government agency that has issued a request for proposals. Representatives from interviewed NGOs mentioned that they submitted proposals to different agencies such as the Environmental Ministry, the Institute for Environmental Promotion (IPAMB in Portuguese), Ministry of Youth, Ministry of Culture, Secretary of National Heritage, and various local authorities. Government funding is always awarded on the basis of competitive tender and contracts. Very rarely do NGOs ever receive discretionary grants. The Institute for Environmental Promotion awards set up grants to newly formed NGOs to cover some of their start up costs. Those grants can only be received once. After that, new NGOs must compete for regular contracts. These start-up grants greatly reduce the barriers to entry of new NGOs and partly contribute to the recent rise in NGOs numbers. The lower entry barriers to entry also increase competition for government contracts.¹⁵

International donors such as international development agencies or Northern NGOs do not fund much work on sustainable development in Portugal. Indeed Portugal is a donor country (UNDP 2003). So donors prefer to target poor and high biodiversity countries in Latin America, Africa or Asia. When international donors do have an interest in European environmental conservation

¹⁵ Interview with Government Official, IPAMB, Lisbon, July/98.

they tend to set up offices in Spain, with a very similar environment to that of Portugal but much stronger conservation potential.¹⁶ That is the case of for example, World Wildlife Fund and GreenPeace. Under special conditions, environmental NGOs can apply to EU funding. This type of funding has very stringent conditions and requires matching funding from other sources which makes it inaccessible to most environmental NGOs.

Other sources are also scarce. With notable exceptions, such as Fundação Luso-Americana, foundations do not seem to have taken much interest in sponsoring environmental issues (CPF 1996, Monjardino 2001). Companies have given important support to some NGOs (e.g., FAPAS, LPN). But many NGOs do not see companies as a reliable “partner” for two main reasons. First, companies’ interests seem to shift a lot depending on consumer moods and on the macro-economic cycle. When companies are affected by an economic crisis it is very unlikely that they will continue providing funding to NGOs. Second, and the most cited reason, is that NGOs tend to distrust companies’ political motives in providing funding to NGOs. Almost everyone in the sector knows about co-optation attempts such as the case of Quercus (arguably the most famous Portuguese NGO dedicated to sustainable development) that for a while received funding from EDP (*Electricidade de Portugal*, Portuguese electrical company). The two organisations had a very good relation apparently. Tensions arose however when Quercus initiated protests about the creation of a dam in the river Samor, located in the North of Portugal. EDP, who was very interested in building another dam to generate electricity, approached Quercus with threats that the funding relation could not continue if both organisations did not “see eye to eye” in such a critical matter. If however Quercus abandoned its protests than the funding would surely continue. Quercus management saw this as a blunt co-optation attempt and renounced any further EDP funding. And they continued their protests¹⁷. Today Quercus will only accept company donations very sporadically and is very reticent to enter into a long term relation. That has also been the position of the case-studies described below.

Private individual funding too is quite limited. In a study of Portuguese NGOs, Ribeiro (2000) found that self financing capacity of NGOs is very low, generally around 5-10%. He attributes this to the low tradition of fundraising among NGOs in Portugal. Total membership in sustainable development NGOs in Portugal probably does not exceed 25,000 people¹⁸. In most NGOs, however, about half of their members did not pay their dues every year. According to one NGO leader, “private dues do not pay for the stamps we use in sending them our

¹⁶ Interview with João Lourenço, Porto, Portugal, September/98.

¹⁷ Interview with João Lourenço, Porto, Portugal, September/98.

¹⁸ Interview with Eugenio Sequeira, LPN, Lisbon, June/98.

newsletter!”¹⁹ On special occasions however they can sometimes be mobilised for specific campaigns as LPN did when they tried to purchase conservation land. Regularly, however, individual donations and dues do not account for more than 10% of total NGO funding.

A useful comparison can be established with the environmental NGO sector in “more developed” countries such as the UK. According to the Johns Hopkins International Comparative Study, sustainable development NGOs in the UK receive their funding from the following sources: government (27%), fees (28%), and donations (45%) (Kendall and Knapp 1996). On the other hand, Portuguese NGOs have little access to donations and fees from private individuals, generally around 10% of total funding. They have some access to international sources but most NGOs don’t. There is little support from foundations and companies. Commercial efforts are risky and require initial capital for investment. So inevitably, Portuguese NGOs have to get the remainder from the government, leading to a higher dependence on government funding compared to UK NGOs.

This high level of resource dependence has at times led to government attempts to use this source of power to control NGOs. One NGO leader describes such an attempt:

Every year we have been running [an education project]. Last year [the government official] contacted us after we had submitted a project for funding. He wanted to know the exact content of the [education material] to make sure and references to the government were “accurate” and there was no “controversial” material. ... We could not accept the government to vet our [education effort]. They wanted to remove any content which might have had a negative impact on the current government. We declined their funding.²⁰

Similarly a manager in another NGO complained that:

we had a legal action against [a government agency]. At that time we were applying to a [EU funding opportunity]. Sometime into the process [the head of the government agency] called [our leader] stating that he would be happy to give his agency’s full endorsement of our proposal [which is a requirement for the funding]. But unfortunately the relationship between [them and us] was not propitious for such an endorsement at present. We would have to drop the action to show “good faith”! We didn’t drop the action and we won! But we never got the endorsement and didn’t get the EU funding.²¹

Although not very common, in various interviews I heard of various deliberate co-optation and external control attempts by government agencies, which used funding as a threat and a carrot for NGO compliance. Having described the general organisational environment for sustainable development NGOs I will now turn to my two Portuguese case-studies: GEOTA and LPN.

¹⁹ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

²⁰ Interview with NGO leader (anonymous), December/98.

²¹ Interview with NGO manager (anonymous), September/98.

4.2. GEOTA

History and mission

GEOTA stands for Grupo de Estudos do Ordenamento do Território e Ambiente: *Group of Studies for the Planning of the Territory and Environment*. With about 2000 members by 1999, it is the third largest sustainable development NGO in terms of membership numbers. Its membership is young with about 65% of its members being under thirty years old²². GEOTA was set up in 1981 as a small “think tank”, an informal but dedicated group of concerned citizens, with the goals of promoting environmental education and developing sustainable development policies to promote a more sustainable development in Portugal. It was formalized in 1988, when members of the group decided that NGO environmental action through service delivery and advocacy was necessary in Portugal. GEOTA was a key actor in the first drafting of Portuguese Environmental Policy Act, which, passed in 1987, was one of the first in Europe (GEOTA website). From the start GEOTA always worked under the assumption that it is imperative that we integrate environment and development – an idea that is commonplace nowadays, but which in the early 80’s was quite alien both to the general public and even to many environmentalists.

According to its website, GEOTA’s mission is

to protect the environment and promote a sustainable development through education, information and formation, reflection and political intervention as well as actions in order to solve specific sustainable development problems.

Similarly its core values are (GEOTA website, text originally in English):

- Sustainable development
- Voluntary work
- Competence
- Independence and [countervailing] power
- Constructive posture
- Irreverent posture
- Associative movement defence
- Idealism for goals, realism for action.

GEOTA is therefore strongly committed to “political intervention”, i.e., lobbying and campaigning. GEOTA works in both service provision and advocacy dedicating itself to a variety of sustainable development themes divided into several “working parties”: environmental education, nature education, transports, energy, oceans, coast, legal issues, water,

waste, cultural heritage, land planning, agriculture and forests, economic instruments, and eco-tourism.

Government funding and resource dependence

Following the conceptual framework, I present government funding in relation to funding from other origins. To find out how critical funding is as a resource, I also discuss other resources GEOTA relies upon and their sources.

The government is the overwhelming source of most of GEOTA's funding. Table 11 shows GEOTA's funding sources.

Table 11: GEOTA's funding sources

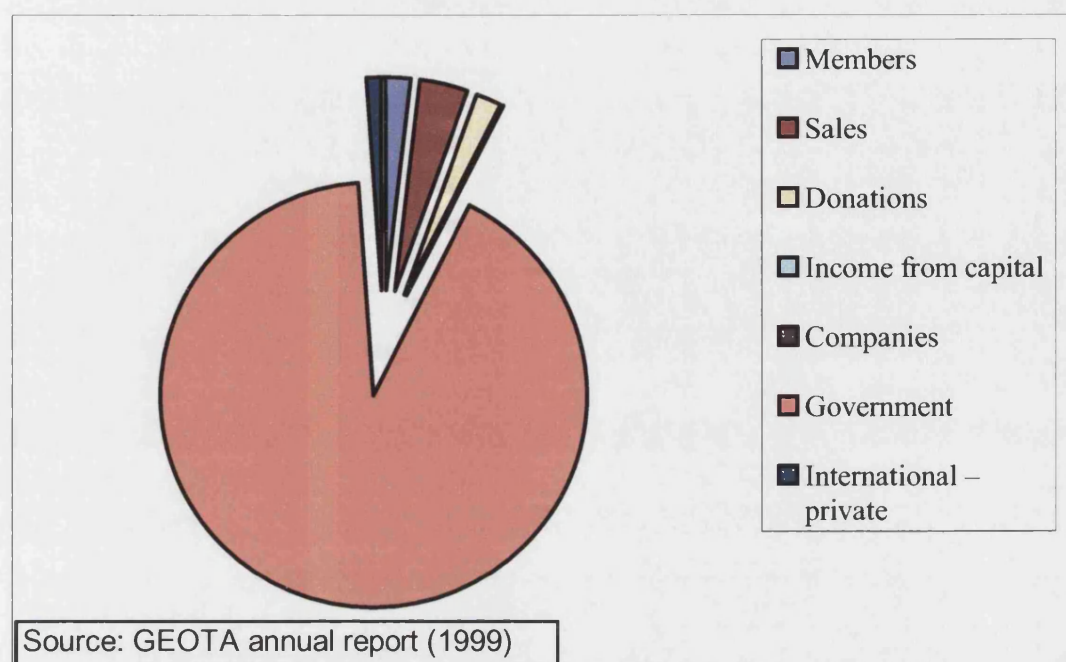
Income sources	Esc\$	%
Members	992,418	1.90
Sales	1,845,280	3.53
Donations	1,010,940	1.93
Income from capital	0	0
Sponsorship (companies)	Negligible	0.00
Government	47,840,438	91.48
International – private	580,560	1.11
International donors	Negligible	0
Total Income	52,297,391	100.00

Source: GEOTA financial reports (1999)

With over 90% of its funding coming from the government, GEOTA is strongly resource dependent on the government. This figure is well above, the typical indicator figure of 50% (e.g., Anheier et al. 1997, Gronbjerg 1993, Pfeffer and Salancik 1978). The dominance of government funding can perhaps be best illustrated by using a pie chart (Figure 4).

²² Interview with Conceição Martins, GEOTA, July/99.

Figure 4: GEOTA's funding sources



GEOTA receives negligible amounts of funding from international sources (just over 1%), mainly Northern NGOs, such as the Brussels based European Environmental Bureau, reimbursing GEOTA for help with participation costs in international meetings. Its funding is 99% of national sources.

Only around 4% of the funding comes from members and supporters, such as annual fees voluntary donations. GEOTA also receives about 3.5% of its funding from sales. These involve mainly eco-tourism trips and excursions. The main customers of its sales are its own members, supporters and people related to them. So income from private individuals adds to about 7.5% of total funding. The rest of the funding comes from institutional sources. GEOTA's funding is therefore highly institutional.

The lion's share of funding comes from the government (over 90%). The majority of this funding results from service provision contracts from different government agencies. The availability of alternative sources of funding and the competition between NGOs are critical dimensions of resource dependence. As mentioned above the sector is characterised by intense competition between NGOs for government funding fostered by the competitive tender system and the low barriers of entry to new NGOs. So while NGOs have little alternative sources of funding the government benefits from a large pool of NGOs to choose from.

As described by its budget (Table 12), GEOTA's funding goes to pay for expenses related mainly to the implementation of projects with a smaller share going to administrative costs relating essentially to paying for a small group of paid staff. Core administrative costs relate

mainly to the management of projects, advocacy work, and membership services such as the production of a newsletter.

Table 12: GEOTA's expenses

	Esc\$	%
Management and core costs		
Rent and basics	1,500,000	3
Wages	5,000,000	10
Other	7,750,000	15.5
Projects	35,750,000	71.5
Total	50,000,000	100

Source: GEOTA's budget plan for financial year 2000

That is 71.5% goes to directly imputable project costs and the remaining (28,5%) goes to project management and core administrative costs.

In 2000 GEOTA had 2 full time and 2 half time paid staff. Government funding is therefore a critical resource for GEOTA as it would not be able to maintain its staff if it did not receive any funding from the government. Funding is also critical to acquire other important assets such as computer equipment, travel compensation for volunteers, and rent.

Interestingly, during the data collection period (1997-2001) GEOTA did not have tax deductibility so it could not write tax deductible receipts to companies or individual donors. Its managers believed this limitation is a very important obstacle toward greater private fundraising. They compared GEOTA to other large NGOs such as LPN and Quercus, which had tax deductibility and were able to attract a lot more private funding. Although this differential could be due to other reasons as well it is probably fair to say that lack of tax deductibility reduces any NGO's ability to fundraise from private sources.

Therefore, an analysis of GEOTA's funding suggests a very high resource dependence on the government because:

- around 90% funding comes from the government,
- the government benefits from intense competition between NGOs for its contracting out of service provision,
- funding is a critical resource needed to cover core costs and for the basic work of the organisation, and
- NGOs have few realistic funding alternatives to the government for funding.

Combined these factors make a strong case for GEOTA's resource dependence on the government and, according to the piper hypothesis, to GEOTA's external control. So how does the resource structure impact GEOTA's independence and organisational behaviour?

Organisational independence

When probed about the impact of government funding and resource dependence, GEOTA's leaders always stated that it represented a problem for them. Government funding did sometimes lead to the organisation having to compromise on project goals or processes to please government funders. The competitive tender process to apply for that type of funding forces GEOTA to try to elaborate proposals which will be approved and to do that they must fit within government defined priorities. Those priorities are not always GEOTA's priorities. At the same time, government funding produces a very large amount of administrative work. The proposals and the reports are complex and require a significant amount of time and managerial expertise. GEOTA found the need to hire paid staff because of among other reasons the need to cope with these complex requirements which were excessively consuming for volunteers' time.

Much of our staff time goes into fundraising and reporting to our funders. We have to provide detailed reports on where the money has gone and fill out endless forms. Different government agencies require different reporting processes, which robs us of precious time [and] makes learning the job [tasks] very time consuming.²³

Perhaps more importantly, being so dependent on government funding also leads to a general perception among the public of lack of organisational independence.

As the saying goes, "the wife of Caesar [Roman Emperor] must look virtuous as well as being virtuous." Receiving most of our funding from the government may give the impression that GEOTA is not "virtuous" [when, for example], we agree with a government position publicly. There is a negative impact on our image. ... Image is very important for advocacy effectiveness.²⁴

So GEOTA managers and leaders were unhappy about dependence on government funding. Indeed as an organisation they have identified diversification of funding sources as a key organisational priority.

Paradoxically, GEOTA's representatives rejected however the suggestion that they were not organisationally independent. Independence lies at the very centre of GEOTA's identity and organisational culture.

Independence is the reason for our existence. ...we wouldn't be able to advocate for the environment. Without independence there would be no point in all these [people] working for GEOTA. We might as well give up.²⁵

²³ Interview with Helder Carreto, GEOTA, Lisbon, August/99.

²⁴ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

²⁵ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

Their independence was “not negotiable” and “unquestionable to any serious observer”. GEOTA has a strong basic principle of organisational independence, which is advertised publicly (GEOTA’s website):

GEOTA is a national wide, non-profit, non governmental organisation, independent from political, economic, religious or any other affiliations....GEOTA is totally independent in face of public institutions, economic interests, corporative, or other. We have always adopted and will continue to adopt a critical stance in face of political powers in office whatever their ideology.

These claims are reflected in GEOTA’s strong advocacy. In terms of advocacy, GEOTA is one of the most active NGOs in Portugal.

Since 1986 GEOTA has been deeply involved, as a pressure group, in every major environmental struggle in Portugal, regarding either policy/law or specific projects - besides a constant background work on the field of environmental education, through professional training courses, publications and grassroots projects (GEOTA’s website).

One independent indicator of this public profile and influence is the fact that one of its leaders, Dr. João Joanaz de Mello, was considered among the 200 most influential Portuguese in ranking undertaken by the prestigious magazine *Visão* (March 21 2001). To put this entry in perspective there were only 8 ministers included in the list! One of GEOTA’s leaders stands alongside ministers, media personalities, artists and intellectuals, and millionaire businesspeople. A main difference however is that while the majority of list members probably average over 50 years of age, João Joanaz de Mello is only 38, one of the youngest “most powerful” in Portugal. Although not based on a systematic and rigorous evaluation of “power” this ranking gives a flavour of the importance of sustainable development NGOs in Portugal and in particular the importance of GEOTA as “capable of directing (policy) decisions” (*Visão*, March 21 2001:51).

GEOTA’s rise to this level of influence was the result of dedicated political action. One example can illustrate GEOTA’s political action. Perhaps their most influential campaign has been the opposition to the construction of the bridge Vasco da Gama in Lisbon. The bridge, the largest yet built in Portugal, was a major publicity stunt for the government at the time. It was financed to a large extent by EU structural funds. Many NGOs, including GEOTA, opposed the bridge because it passed through an important natural reserve and it would not really provide a long-term solution to the problems of traffic across the river. During the construction phase of the bridge NGO activists gathered evidence that waste from the construction of the bridge was being dumped illegally in the natural reserve. NGOs submitted evidence to the EU Commission that the construction of the bridge under the supervision of the Portuguese government was unnecessarily damaging the environment in breach of EU funding regulations. NGOs called for a suspension of the EU funding to the project on the terms of the contract on the grounds that it had failed to meet EU environment legislation. The possibility that the EU would cancel further funding to the project led to a government panic. The withdrawal of EU support worth millions

of Euros to the construction of the most expensive bridge ever built in Portugal would have been an economic and political disaster for Portugal. The issue was resolved after many emergency meetings between the EU commissioner and Portuguese government representatives. The Portuguese government managed to assure the European Commission that the irregularities would be corrected. Although the commissioner decided to maintain the funding, in the end NGOs had made an important point. The government had to indemnify society by making a large financial investment in the protection of the affect natural reserve. And the NGOs had shown they could seriously damage and embarrass the government in a major victory to the cause of sustainable development in Portugal. The government learnt to pay much closer attention to what NGOs say.

GEOTA has been able to use national, EU and international agreements legislation to embarrass or coerce the government into adopting higher environmental standards in its policy making and implementation. Embarrassment tactics are a major way in which advocacy organisations try to influence government policy by drawing on international commitments made by the government itself (Keck and Sikkink, 1998). Much of GEOTA's political work is less visible but equally important. It frequently uses lobbying and institutional means to influence government policy. For example, GEOTA participates in the delimitation of natural protected areas (Z-zones) or the evaluation of potentially environment damaging projects, by the government or private companies.

Alongside direct political action, both institutional and non-institutional, GEOTA has used a number of more subtle political moves that have important implications for its ability to pursue its political vision. GEOTA has been the key organisational player in the creation of the Confederação, the most important umbrella organisation for NGOs concerned with sustainable development. Confederação includes almost half of all Portuguese sustainable development NGOs. It has therefore become an important forum for political discussion and collective action following group decisions.

But GEOTA does not rely solely on formal networks and umbrella organisations. Perhaps more important still is its informal links with two very influential NGOs: Quercus and LPN which have refused to enter the Confederação. These informal networks have been critical in the for example the coordination of a common NGO action in the Bridge case.

In terms of organisational structure, GEOTA has recently become more bureaucratic, but it is far from being a bureaucracy. On the contrary, despite having some paid elements, its structure is much closer to a collectivity. Much of its work is undertaken by its members on a volunteer basis. The paid staff component provides support to the volunteer core. Decision-making is very decentralised with different thematic groups having a very high degree of autonomy in relation

to other groups and to the core leaders and administrative sections. In terms of accountability, GEOTA has in place various formal mechanisms to ensure accountability to its grassroots. Its board of governance is elected democratically every 2 years. Members can request documents from the organisation and ask for special motions to be voted on every year during the Annual General Assembly. Annual reports and plans are submitted to the Assembly for vote every year. As part of its strategy of communication with its members and society, GEOTA has developed an extensive website with much information about the organisation. For all this, GEOTA has a strong reputation as an effective organisations and been very successful in attracting financial and activist support, having grown consistently, year after year since its founding.

GEOTA representatives' worst fear is the possibility of a change of government policy which could leave them without a key funding source. That would severely affect the ability of GEOTA to continue operating the way they have been until now. Their key concern is therefore the potential impact of resource dependence on organisational sustainability. But they felt that depending on funding from the government did not compromise their independence. Although they had to compromise in some of the contracts they undertook for government, they generally applied to projects which were directly relevant to their mission. Moreover, their ability to criticise the government was intact. They would back that belief with evidence of numerous campaigns which criticised the government and tried to change policy. And their accountability systems made its leadership strongly accountable to its grassroots and mission.

In sum, despite its heavy dependence on government funding GEOTA is, in many dimensions, very independent. Indeed it is an NGO characterised by direct action, member participation, and the use of non-institutional campaigning strategies. Although GEOTA may not like the comparison, it is a little like a Portuguese Friends of the Earth. These facts run against the piper hypothesis. GEOTA is able to remain fairly independent while still being over 90% resource dependent on government funding. To understand this paradox we need to examine a missing variable: GEOTA pursues various independence strategies which protect their ability to act freely from external constraint. I will describe these in chapter 6.

4.3. LPN

LPN stands for Liga para a Protecção da Natureza (LPN) (*League for the Protection of Nature*). As described in chapter 3, LPN was selected as a case-study because it has a low dependence on government funding. In this way, it is an "odd case" in Portuguese government-NGO relationships which tend to be characterised by high resource dependence on the government (Macedo and Pinho 2004). Its funding comes from a very wide set of sources. We should expect therefore that LPN's organisational behaviour be highly independent in terms of management attitudes and organisational behaviour. LPN should also provide important insights into

independence strategies pursued by NGOs to reduce resource dependence on the government. In this section I present my findings relating to LPN.

History and mission

Founded 1948, LPN is the oldest Portuguese NGO dedicated to sustainable development. It is also the largest in terms of income. Its work involves service delivery activities, such as the programme to preserve the birds from the Alentejo region. Its work also involves advocacy through environmental education programmes and lobbying.

In their own words, LPN describes its mission as (LPN website, emphasis in original):

[We are] an Environmental Non-Governmental Organisation with national outreach. ...LPN has as main goal to contribute to the conservation of the natural heritage, the diversity in species, and ecosystems. ... LPN's main activities are environmental education (courses, lectures, exhibitions, nature walks, publishing and lending of didactic material to teachers and students), direct intervention (advocacy) in environmental causes with national relevance, and Research and Conservation projects.

Government funding and resource dependence

LPN is funded by its membership dues and donations, by government contracts and subsidies and recently it received some EU funding under the environmental programme LIFE. It has received company donations, but it is always very wary of receiving money from companies that damage the environment and whose main motivation for donations may be to clean their environmentally destructive image. Table 13 shows LPN's funding providers.

Table 13: LPN funding sources

Funding source	Esc\$	%
Government	11,152,612	33.2
Members – quotas	3,807,199	11.3
Donations	12,644,326	37.6
Own income generation – sales	6,022,051	17.9
Companies	negligible	0
Total	33,626,188	100

Source: LPN financial reports (1998)²⁶

²⁶ The financial year 1998 was chosen because in 1999 and 2000 two large EU funded projects distorted LPN's accounts. For example, in 2000, EU funding totalled Esc\$ 59,348,190 (53%) bringing total

A very substantial proportion of LPN's funding is derived from the government (33%) under service provision contracts as described above. LPN has managed to attract much of its funding from international donors, as well as generating about 20% of its funding from sympathetic individual givers and sales.

A little less than 10% of the funding comes from members and supporters. It results from annual fees, and voluntary donations. LPN has a large membership by Portuguese standards. It has around 7,500 members making it the second largest sustainable development NGO in Portugal in terms of membership. LPN has tax deductibility which is still very rare among NGOs dedicated to environmental protection. Indeed as one of the oldest NGOs in Portugal, it got its deductibility as an NGO dedicated to education and research. Education is recognised by Portuguese tax code as a tax deductible and socially beneficial activity while environmental protection isn't! While the law has recently changed recognising the social contribution of environmental protection, the actual process of getting tax deductibility is very complex, requiring the endorsement of two ministers (Finance and Environment) which can take a very long time²⁷.

LPN also receives about 12% of its funding from sales and its income generation on owned assets. LPN owns a fairly large farm - Castro Verde - which provides much of its income. The land is rented out to local farmers who employ environmentally friendly techniques and pay a rent to LPN. Castro Verde is the location of a farm owned by LPN in Alentejo, South of Portugal. The farm has around 2000 hectares. It was purchased to protect a sensitive environment that is in danger of extinction. The farm was purchased from a company – Portucel – that produces paper. Castro Verde was used by Portucel to grow Eucalyptus trees through intensive farming. LPN knew that the soil in the region was inadequate for the Eucalyptus tree and that probably Portucel was obtaining a poor yield in the farm. They approached the company and offered to buy the property. They mentioned that since the area was in an environmentally sensitive region it was likely that regulations limiting the intensive use of the soil would be put in place sooner or later. So that the yield on that land that was already poor would become even lower and Portucel would do better selling the land. Portucel agreed. LPN managed to obtain a reduction in price over what Portucel asked on the grounds that the land was not very useful for the company and LPN was an organisation interested only in the public welfare, with limited means. Once Portucel agreed to a reduction in the price LPN asked for that

funding to Esc\$ 111,832,839, almost four times the typical annual income, while the proportion of funding from other sources remained fairly constant. This one-off income was used for large capital expenditures rather than running costs, greatly distorting LPN's accounts but not changing LPN's resource dependence on the government, and therefore would make comparisons with the other case-study (GEOTA) more difficult.

²⁷ Interview with Helder Carreto, GEOTA, Lisbon, Jul/2000.

reduction to be donated instead of “offered”. Portucel would still charge the initial price as suggested by land surveyors but would “donate” the discount back to LPN. Portucel would then receive a tax deductible receipt for its “donation”. The result was that Portucel managed to receive a good part of its “discount” back in tax benefits. The LPN on the other hand used that “donation” to attract several matching grants from the government and the EU programme “LIFE” to pay for the farm. This ingenious deal with a company allowed LPN to acquire a large property that is now at the core of its environmental conservation work.

As mentioned above, the competitive tender process for most of the government’s funding and the large number of Portuguese NGOs means that the government can choose from different NGOs not depending on any particular one.

In sum, LPN only receives about one-third of its funding from the government and the rest comes from various sources including individuals and sales. Their resource dependence on the government is not very large and it is certainly much lower than the 50% threshold for resource dependent status used by many studies. I would categorise LPN therefore as a low resource dependence case.

It is important to note that in 2000, LPN received important amounts of funding from an international donor, the European Union (excluded from Table 13 as explained in footnote 26). It successfully applied to the LIFE programme of financing. Until very recently it had been the only Portuguese environmental NGO that had been successful in this process although many have tried.²⁸ EU funding programmes for NGOs are extremely demanding in administrative terms. Firstly, they require extensive form filling. Second, they require a guarantor. A bank can be a guarantor but it will require any organisation to own assets against which it endorses the guarantee. Third, the funding often takes longer than planned to be paid, but normally NGOs must start their projects on time. The result is the need to have sufficient financial slack to absorb the lag between cash outflows and inflows.²⁹

The problem with EU funding is that you have to be very strong financially to get it. ...The hurdles are so high you would think that either [the donor doesn’t] want us to get the funding! ...The commitments are very high in terms of staff time, cost sharing requirements, liquidity, and government endorsement. ... The advantage however is that we get a lot of funding in one go.

Because of this study’s focus, funding from multilateral official donors, such as the EU, is not included in government funding, despite its state sector origins, as explained in the introduction (Figure 3 and accompanying text). The main reason behind this decision is that the Portuguese

²⁸ Interview with João Lourenço, Porto, August/2000.

²⁹ Interview with Paula Fonseca, LPN, Lisbon, July/99.

government has little control over EU funding allocation and therefore cannot use it as a source of influence in the same way it may use its direct funding, which is the focus of this study.³⁰

Organisational independence

LPN's leaders and managers were not concerned about organisational dependence. Despite receiving a sizeable portion of their funding from the government, managers felt they could pursue any activity they wanted so as to pursue their mission.

I don't think we are very dependent on government funding. We receive funding from many different sources and our farm provides us some protection in times of greater need. We apply to government funding for projects that match our goals [such as those] dedicated to increasing our conservation work in Castro Verde³¹.

This attitude was reflected in all of my interviews with leaders and managers. This is mostly confirmed by an analysis of LPN's organisational behaviour.

LPN did try to influence government policy often criticising the government when they believed it to be appropriate. In terms of advocacy, LPN is one of the most active sustainable development NGOs in Portugal. It has extensive advocacy work including public campaigning, institutional lobbying, environmental education, and fostering networking among NGOs. With GEOTA, LPN participated in the public campaign against the Vasco da Gama Bridge which seriously embarrassed the Portuguese government and almost stopped one of the most expensive public construction projects in Portuguese history. The following excerpt is the conclusion to a document released by GEOTA to the public and subscribed by LPN (GEOTA website, text originally in English)

The question about the new bridge over the Tagus is no longer if it is good or bad. It is obvious that both the decision process and the decision itself were unlawful and very poorly founded. There are new questions now. First, should a project with major impacts, which can not be made to respect, either the environment or the law, be allowed to carry on, trampling on common natural resources and citizens' rights, just because building has already begun? How long will the policy of the consummated fact be accepted? Second, how can the application of European funds on environmentally deleterious projects be controlled? The process of new bridge over the Tagus shows beyond doubt that high quality technical knowledge is essential, but not nearly enough to guarantee proper decision making in environmental impact assessment. Transparency of procedures and public awareness are equally important. The bridge process was poorly conducted, not for lack of information (although it was

³⁰ It is interesting however to consider what would happen to LPN's resource dependence if EU funding was considered. Based on the data for 2000, presented on footnote 26, adding EU funding to LPN's accounts would reduce the proportion of government funding in LPN's accounts from the typical 32% to 15% (32% of 47%, total non-EU funding). If, on the other hand, we considered EU funding to be part of government funding, then LPN's dependence on the government would rise from 32% to 85% (32% plus 53%, EU funding). Such an evaluation of resource dependence would under-represent or over-represent, respectively, the impact of national government funding on LPN's accounts and therefore was excluded from the analysis of resource dependence.

³¹ Interview with Eugenio Sequeira, LPN, Lisbon, July/98.

less than adequate in some respects), but because of deliberate hiding, of information by Portuguese and European authorities.

Much of LPN's political work is less visible than that of GEOTA, but it is still very important in influencing policy. It frequently uses lobbying and using institutional means to influence government policy. For example, LPN participates in the delimitation of natural protected areas (Z-zones) or the evaluation of potentially environment damaging projects, by the government or private companies.

LPN has a place in the Accompaniment Commission for the building of the Alqueva Dam. The Alqueva Dam is the largest dam ever built in Portugal. As any major public work, it has controversial impacts and LPN has often spearheaded opposition by environmental NGOs on this policy. The dam project has long been dreamed of by successive Portuguese governments (even since Salazar!) and now made possible partly due to EU subsidies. Environmentalists have often expressed their general disagreement with the building of the dam, LPN and GEOTA being among them. The Commission was created to oversee that no "unnecessary" and "unforeseen" environmental damage takes place. This commission is an attempt to avoid the scandal of the Vasco da Gama Bridge and give environmentalists a voice within government structures avoiding the need to go to the mass media to express their views.

While participating in this Commission could be seen as co-optation it is far from it. Environmentalists did not 'shut up' because they were now inside government structures. They continue using campaigns to promote their vision among the general public. But they accepted the position in the Commission as an alternative means through which to act politically, alongside campaigning and service delivery.

Our service delivery work is essential but so is our advocacy. ... Through well informed and well researched evidence we try to influence government policy to become more conscious of environmental conservation. It is our obligation to ensure that the Portuguese government complies with its own promises to the Portuguese people and to the EU. ... Advocacy is complementary of service delivery and education work³².

Its influential work has been widely recognised. LPN has been awarded various prestigious national and international awards. It was awarded the Ordem do Infante Dom Henrique in June 10, 1994, by the then Portuguese President, Mário Soares, and the Ordem do Mérito in July 28, 1998, by the then Portuguese President, Jorge Sampaio. In 1996 it won the Ford European Prize for Conservation for its Castro Verde Project "Conservation of Birdlife in the Cereal Steps of Castro Verde." In 1999 its project "Centre for the Demonstration of Integrated and Sustainable

³² Interview with Helena Freitas, LPN, Lisbon, July/99.

Management of Water Resources”, to be developed in Castro Verde, won in 1999 the award Prémio Milénio Sagres Expresso 1999.

In terms of organisational structure, although LPN relies on some volunteer work, its organisational structure is closer to a bureaucracy than to a collectivity. Most members are paying members rather than volunteers or activists. It therefore relies mostly on paid staff. Employing just over 10 full time employees, it has the largest paid staff of all Portuguese sustainable development NGOs. It has a decentralised decision-making structure with two regional delegations: LPN - Alentejo and LPN - Algarve. Most of its work and funding go through its headquarters in Lisbon. In terms of accountability, LPN has in place various formal mechanisms to ensure accountability to its grassroots. Its board of governance is elected democratically every 2 years. Like in GEOTA, its members can request documents from the organisation and ask for special motions to be voted on every year during the Annual General Assembly. Annual reports and plans are submitted to the Assembly for vote every year. As part of its strategy of communication with its members and society, LPN has developed an extensive website with much information about the organisation. Financially, LPN is the largest NGO dedicated to sustainable development in Portugal. It has been very successful in attracting financial and some activist support, having grown consistently, year after year since its founding.

To conclude, LPN shows a case of successful avoidance of resource dependence and external control. The attitude of its managers and leaders is confident and often defiant of government. They would have no hesitation to criticise the government if they believe that is the appropriate course of action. It has developed many of its own projects, many self-financed. Their slack and diversified funding base also allows them more funding stability and ability to survive. Its structure however corresponds to a large extent to its funding dependence on institutional sources: government and EU.

4.4. EXPLORING THE PIPER HYPOTHESIS IN THE PORTUGUESE CASE-STUDIES

Having described the findings from the two Portuguese case-studies, I will now compare these results with my conceptual framework and hypothesis so as to answer the research question. In relation to the first part of the research question, “Can NGOs be resource dependent on the government and remain independent?,” the answer is a clear “yes” based on the case-studies. Given that NGOs believed their resource dependence was a problem and could potentially limit their organisational independence, other factors must have been at play to protect NGO independence. I will discuss the conditions that allowed some NGOs to remain independent in chapter 7, when I discuss the strategies used by the case-studies to protect their independence.

Generally, the literature review tells us that NGOs in Portugal receive a high proportion of their funding from the government. The selected case-studies received between 30 and 90 per cent of their funding from government agencies. Following the piper hypothesis we should expect that both NGOs to be resource dependent on the government and that GEOTA, which was more resource dependent on the government, should have less organisational independence, manifested in their management attitudes, goal displacement, low accountability to their grassroots, and self-censorship. Both case-studies face some resource dependence on the government but GEOTA's resource dependence is much higher than LPN's. This observation follows from the high reliance on government funding as a percentage of total funding. Moreover in Portugal the government also controls important resources such as tax deductibility which increase government leverage over NGOs further. But although both case-studies were dependent to an extent on government funding the evidence concerning their organisational independence presents a more complex picture. On one hand GEOTA representatives recognised their resource dependence and believed it to be a weakness. On the other hand, they did not think resource dependence was a weakness in the terms presented by the piper hypothesis. They were concerned with possible adaptation costs implied by a sudden change in government policy to stop funding NGOs and by the image costs associated with being resource dependent on the government. They did not believe, and my observations of organisational behaviour confirmed, that they experienced a significant loss of organisational independence. Comparatively, LPN had a much less significant resource dependence on the government and the benefits of tax deductibility, and its organisational independence was predictably high. LPN's experience has some fit with the piper hypothesis as low resource dependence was correlated with high organisational independence.

In terms of management attitudes, in both organisations leaders and managers denied the idea that by receiving government funding they were compromising their independence. They felt they were free to pursue any activities they believed were important to advance the organisation's mission. However, GEOTA's leaders expressed some concerns over the potential negative impacts on organisational mission from receiving the majority of their funding from government, and the higher risk for their long term sustainability of depending on one source of income. That is why GEOTA leaders manifested the strong desire to reduce their dependence on government funding. These concerns were predictably less important to LPN's leaders.

In terms of organisational behaviour, dependence on government funding did not appear to be a determining variable in organisational structure, service delivery or advocacy activities. GEOTA's collectivity structure denies the expectation that more dependence on government funding leads to a more bureaucratic structure. Indeed LPN was more bureaucratic even though it was less dependent on government funding. In terms of service delivery, representatives from both NGOs felt they were free to pursue any activities they wanted to with resources they

controlled and had much discretion in government funded projects. That is not to say that they did not have to compromise sometimes about the use of resources coming from the government. As in any partnership NGOs felt that they needed to compromise to find common ground with their funders. But because they essentially applied only to projects that matched their mission pursuit they did not experience much goal creep or displacement. Similarly the case-studies that I examined were highly critical of government policy. They did so openly in public campaigns against government policy, for example, regarding the Vasco da Gama Bridge and Alqueva Dam. In the most extreme form of criticism, these NGOs even embarrassed the Portuguese government in the European Union Commission. The case of the dam has so far had less impact but is more recent showing that these NGOs are still very much independent and capable of criticising the government when they think appropriate. Additionally, these NGOs appear regularly on the mass media to promote their views in a very independent way.

It is clear that both GEOTA and LPN are quite active in keeping the government accountable and hardly dependent or co-opted by receiving government funding. Criticism of government policy while still dependent on government funding is not unheard of. Scandinavian NGOs are often said to do just that. But they are normally seen to be a rare exception which does not apply to non-Scandinavian countries. So my observations about Portuguese NGOs are thus quite surprising (see Table 14).

The independence picture is therefore complex. NGOs appear to operate largely unconstrained by their resource dependence on the government. But depending on the government for so much of their funding entails some programmatic dependence and to a large extent also economic dependence. They received funding from different government agencies which reduces the risk of sanctions. But there is still a danger that if overall government policy towards NGOs were to change so as to reduce total funding available NGO work, these NGOs would be severely constrained.

Table 14: Summary of findings from Portuguese case-studies

	Attitudes: problematic dependence	Service delivery: government priorities	Organisation al structure: bureaucratisa tion	Advocacy freedom: ability to criticise the government	Accountability to grassroots and to mission	Organisation al effectiveness and sustainability
High resource dependence (GEOTA)	High	Medium	Medium	High	High	High
Low resource dependence (LPN)	Low	Low	High	High	High	High

Source: interviews and observation of case-studies. Shaded columns indicate consistency with the piper hypothesis.

The table shows that the relation between resource dependence on the government and the various dimensions of organisational independence is not as straight forward as implied by the piper hypothesis. The hypothesis seems to partly hold on attitudes and service delivery programmatic discretion but it is a poor predictor of organisational structure, ability to criticise the government, accountability to grassroots and to the mission, and organisational effectiveness and sustainability.

High resource dependence on the government is problematic because it leads to a need to comply with government priorities in service delivery and it reduces the credibility of the NGO to outside constituencies. But it does not necessarily lead to bureaucratisation and inability to criticise the government. Higher resource dependence led to less programmatic discretion but it did not affect advocacy independence. So an important question for an analysis of organisational independence, which the case-studies suggest is “independence for what”? NGOs may have much independence to advocate and criticise the government or to maintain a collectivity structure rather than a bureaucracy. But at the same time they may have to make serious concessions about the type of service delivery project they undertake in partnership, with government funding.

While we can't discard the piper hypothesis entirely, the observations based on the Portuguese sample mostly deny the applicability piper hypothesis to the selected case-studies. Overall, higher government funding dependence did not lead to lower organisational independence. The case-study which depended on government funding the most received almost 90% of its funding

from the government. It was therefore highly resource dependent on the government. However its behaviour did not reflect this. Its structure was highly participatory and although it had some bureaucratic elements GEOTA resembled more a collectivity than a bureaucracy. Similarly, the same NGO regularly criticised government policy in various advocacy campaigns, showing that it was not afraid of “biting the hand that fed it”. Its managers did however complain of resource dependence and some government intrusion as well as high administrative costs of managing government funding. But in terms of overall organisational independence, we cannot argue that resource dependence led to organisational dependence. This shows that at least in these case-studies, financial dependence is not a sufficient condition for external control or loss of organisational independence.

While these findings partly disprove the piper hypothesis, they do not deny RDP because there is an important set of variables missing in my analysis so far. The Portuguese case-studies pursued a number of deliberate strategies to ensure that their independence was protected as much as possible in the face a high dependence on government funding. I will develop these strategies in my analysis of the findings from both countries in chapter 7.

In the following chapter I will present the Mexican case-studies. Mexico presents a contrast to the relationship between the government and NGOs in Portugal. In general Mexican NGOs receive some funding support from the government but considerably less than in Portugal. Moreover it offers a different political and resource opportunity structure. So what is the relation between government funding and organisational independence in the Mexican case-studies?

CHAPTER 5. MEXICAN CASE-STUDIES

This chapter describes the findings from the Mexican case-studies examining the piper hypothesis in the Mexican context.

5.1. NGO SECTOR AND FUNDING

Evolution of the sustainable development NGO sector

There are three main denominations for NGOs in Mexico. NGOs could be either “civil associations” (*asociaciones civiles*), “private institutions for social assistance” (*instituciones privadas de asistencia social*), or numerous types of social organisations (*organizaciones sociales*) that could come under the denomination of grassroots membership NGOs, such as cooperatives or neighbourhood associations. The different legal denominations reflect differences in aims, activities, type of constitution, and tax regime.

In Mexico, NGO activity probably started in the 19th century and it was restricted essentially to church related NGOs. After the socialist revolution (1910-20) the Mexican government took on social responsibilities of looking after the needs of the poor. Since to a large extent the government was successful and most social interests were represented in the government, civil society never became very strong. There was a general attitude and assumption in society that the government should take care of social matters (CEMEFI 1991).

Mexico City’s 1985 earthquake was a turning point in the organisation of civil society (Rovzar 2003). The emergency and the scale of the urgent need in a city with a population of around 20 million people pushed the government’s capacity to the limit and civil society was invaluable in its co-operation. Many groups formed to tackle the social problems provoked (or aggravated) by the earthquake, such as homelessness, extreme poverty, and poor health conditions. These organisations outlived the immediate relief action, often becoming formal NGOs dedicated to welfare provision (Natal and Themudo 1996), in a process similar to that described by Korten (1990) on the evolution of development NGOs in the North.

There has been a historical tension between the centralised, often autocratic, government and the needs of the NGO sector. NGOs classified as “public interest organisations” by the government receive favourable benefits that went beyond tax exemption. While most NGOs could be designated as public interest entities because of their work, only a fraction of the entire sector has been able to win this designation, which in practice has often been handed out as a political favour. As a result the application of the law is politicised and is used by the government to channel resources to allied groups and organisations. Only since the 1990s, with

the process of democratisation, have legal and administrative changes been put in place to make the law both less restrictive and less political (Kurzinger et al. 1991, Verduzco 2003).

Mexico has many NGOs working in its territory, including some NNGOs. However, Mexico's comparatively wealthy position in the "third world" makes it less of a concern for international aid agencies. NGOs in Mexico are in general welcome by the government and seen as fundamental partners in development. The Mexican government has at all administrative levels put much emphasis on civil society participating in the country's development process. At the same time however overt political campaigning has traditionally not been welcome by the Mexican government, with the government often resorting to intimidation tactics³³. Until recently, the traditional mechanism to put forward disagreement and discontent has been from within Mexico's corporative government (Kurzinger et al. 1991). Thus the NGO sector must be seen in the context of a comparatively strong government and a weak civil society.

One of the most comprehensive databases of Mexican NGOs was elaborated by the Mexican Centre for Philanthropy – CEMEFI (Centro Mexicano para la Filantropía) - and it contains records on 4,400 NGOs. This database was compiled by combining scattered government and private databases on NGOs. As elsewhere, NGOs in Mexico are on a clear ascending evolution in terms of number, influence, resources, and size (CEMEFI 1991, Verduzco 2003). This trend appears to be rooted in the relation between NGOs and the government, the support by foreign donors (mainly US), and evolutions in Mexican society, such as the pluralisation of the Mexican media. Unfortunately, not enough data has yet been compiled about the impact of Mexico's entry to NAFTA on the NGO sector.³⁴

The Johns Hopkins International Comparative Research was undertaken in Mexico in 2000 by a team coordinated by Gustavo Verduzco. They found a significant role for the environment as an activity of the NGO sector, representing 1 % of total employment, 4% of volunteer employment, and 1% of expenditures of the sector (see Table 15).

³³ The use of intimidation and repressive tactics by the Mexican government has however been diminishing dramatically over the past two decades, as the country has democratised and opened up to a multi-party system. Moreover, Mexico's entry into NAFTA in 1994 has put the Mexican government in the spotlight of international advocacy groups.

³⁴ Interview with Alejandro Natal, Colegio Mexiquense, Toluca, Mexico, July/1999.

Table 15: Johns Hopkins nonprofit sector at a glance, Mexico

MEXICO**Nonprofit sector at a glance, 1995**

FIELD	Employment	Volunteers	Expenditures	Cash revenues from:			
				Government	Philanthropy	Fees	All sources
CULTURE & RECREATION	8%	4%	9%	12%	1%	88%	100%
EDUCATION & RESEARCH	43%	6%	37%	6%	6%	88%	100%
HEALTH	8%	9%	7%	1%	14%	86%	100%
SOCIAL SERVICES	9%	31%	7%	9%	38%	53%	100%
ENVIRONMENT	1%	4%	1%	-	25%	75%	100%
DEVELOPMENT & HOUSING	0%	3%	1%	-	25%	75%	100%
CIVIC & ADVOCACY	0%	2%	0%	-	25%	75%	100%
PHILANTHROPY	0%	2%	0%	-	25%	75%	100%
INTERN'L ACTIVITIES	-	-	-	-	-	-	0%
RELIGIOUS WORSHIP	-	-	-	-	-	-	0%
PROFESSIONAL & UNIONS	31%	40%	38%	12%	-	88%	100%
OTHER & N.E.C	-	-	-	-	-	-	0%
TOTAL:				9%	6%	85%	100%
%	100%	100%	100%				
Full Time Equivalent / millions pesos	93,809	47,215	1,254				
as % of:							
Non-agricultural employment	0.4%	0.2%					
Gross Domestic Product			0.5%				

updated: 01/20/2000

"-" denotes absence of value (missing or zero).

0% denotes negligibly small value (smaller than 0.5%).

Source: Johns Hopkins International Comparative Research (Verduzco 2003)

Data from CEMEFI's database shows that (in 1997) 78% of Mexican NGOs were located in Mexico City, which contains only 25% of the country's total population. Moreover, it would be fair to say that at least another 10% of the NGOs are also located in large urban areas. This tells much about the urban, educated, character of most Mexican NGOs.³⁵

Excluding professional associations and unions (included in Verduzco 2003), CEMEFI's database shows that in terms of areas of activity the study found that in NGO numbers, welfare (27.8%) is the most common activity, followed by education (21.2%), health (20.3%), development (13.2%), research (8.2%), environment (3.9%), arts (3.9%), and human rights (1.5%).

NGOs dedicated to sustainable development are relatively recent additions to Mexican civil society. Although Mexico has had associations concerned with sustainable development issues for a long time, it was only after the 1972 Stockholm Conference that environmental NGOs began to form in significant numbers. In the early 1970s the first environmental NGOs were

³⁵ Grassroots NGOs have probably not been as represented in CEMEFI's census of NGOs as larger public benefit NGOs. Even bearing this consideration in mind the concentration of NGOs in urban areas appears to be a fact.

formed. These were essentially associated with professionals, educated urban citizens, concerned with the large infrastructure development path at the time being pursued by the Mexican government. They emerged as a social movement reflecting similar evolution in other countries such as the US during the 1960s. In the first half of the 1980s, with more information about environmental movements in the industrialised countries reaching Mexico, the formation of new environmental NGOs intensified (Kurzinger et al. 1991:91).

The first National Meeting of Environmentalists, in 1985, provides a landmark in the history of the environmental NGO sector in Mexico. The growth in number of NGOs further accelerated. Opposition against nuclear power was a strong incentive for the formation of NGOs around this time (Kurzinger et al. 1991). The threat of the construction of a nuclear power plant in a very important ecological site, Laguna Verde, aroused the opposition of a number of groups, which united against the government project.

Another turn around took place during the discussions about economic integration of Mexico into NAFTA, in the late 1980s. The discussion divided the environmental NGOs between those who opposed it and others who saw it as a new opportunity for Mexico's economy and environmental protection. Those NGOs that were against Mexico joining NAFTA argued against the industrialisation path that would follow. Those in favour of NAFTA believed it was inevitable in the country's development and would bring new opportunities to tap into the US and Canada's often very strict environmental legislation, bringing a new environmental awareness to Mexico.³⁶

Concern for environmental protection and sustainable development remains by and large an elite issue in Mexico. For Simon (1997:244):

The part of Mexico that is highly developed, the first world Mexico, supports a small but highly influential group of environmentalists who are concerned about air pollution and urban transportation, but who also worry about global issues like climate change and loss of biodiversity. ... There is a small academic community that is less public but highly influential in formulating policy. ... But there is no mass membership organisation or political movement associated with environmentalism in Mexico; by and large it remains an elite issue.

Despite being published over 10 years ago, Kurzinger et al. (1991) still provides the most comprehensive description of the sustainable development NGO sector in Mexico. Their study collected interview data on 42 NGOs generating insights about the organisation and the activities of NGOs and the general Mexican context within which they operate. I will therefore describe relevant insights from their study.

³⁶ Interview with Blanca Torres at Colegio de Mexico, Mexico City, September/96; Interview with Sofia Gallardo at Centro de Investigación sobre Desarrollo y Economía, Mexico City, March /97.

In terms of their organisational structure, Kurzinger et al. (1991) found that the majority of NGOs in their sample had constituted themselves as “civil associations” (*asociaciones civiles*) (p.92). They tend to be small both in terms of workers (paid or unpaid) and members. Only 5 NGOs had more than 10 workers. Only 7 NGOs had more than 50 members (pp.91-92). It is notable that, with the exception of three NGOs, all leaders had university degrees. There is a strong tendency for these graduates to have a natural sciences instead of social sciences degree (p.92). The majority of NGOs have physical premises, with a phone and computer. In 14 of 20 cases, where the equipment belonged to the NGO, they had international financing. On the other hand none of the 15 NGOs which had equipment belonging to their members received international funding.

The decision-making structure was also examined. The dominant form of organisation (in 19 cases of 40) was a “horizontal [structure] that combines the democratic participation of members with a collective leadership” (p.92). A horizontal structure also combined with individual leadership (4 cases). So we can see that 24 cases had a horizontal structure. Vertical structure was present in 8 cases. The remaining 8 cases had an undifferentiated structure. Decision making was collective in 24 cases and individual in 16 cases. These findings would lend support to the thesis that the structure of environmental NGOs like women’s non-profits in New York (Bordt 1997) can be divided into bureaucracies and collectivities. According to Kurzinger et al. (1991) collectivities are the dominant structure (more than half the cases), with bureaucracies representing about one quarter of all NGOs and undifferentiated structures being the other quarter.

NGO funding environment

In terms of organisational challenges, funding is clearly the leader (30 of 39 cases). Management and organisation is the next (20). Technical capacity is not a large problem for these NGOs (5 cases mentioned it). Cooptation intents (5), repression of NGO members (4), and repression of beneficiaries (3) are important obstacles to their work. The lack of time (3) (i.e., lack of labour resources) and the lack of tax deductibility (3) were also important problems.³⁷ Thus, most NGOs (26) said they required financial support for their management, 22 mentioned they needed financing for projects, 15 for information exchange, and 10 for lobbying (p.146).³⁸

One of the most interesting findings of Kurzinger et al.’s (1991) study relates to NGOs’ evaluation of their own (organisational) work. The results are reproduced in Table 16.

³⁷ NGOs could mention more than one category (table 31, p.145).

³⁸ NGOs could mention more than one category (table 33, p.146).

Table 16: Mexican Environmental NGOs' self evaluation of organisational challenges and performance

Theme	Positive evaluation (number of NGOs)	Negative evaluation (number of NGOs)
Conscientisation	26	2
Concrete projects	24	8
Self evaluation	21	2
Collection and processing of information	21	3
Public profile	20	1
Cooperation	19	3
Political weight	16	1
Technical capacity	16	7
Access to target group	15	9
Stopping of harmful projects	13	6
Methodological advances	13	1
Organisational capacity	12	8
Survival as a group	11	2
<i>Financial independence</i>	7	15

Source: Kurzinger et al. (1991:146, emphasis added)

Financial independence was *the only* theme in which NGOs gave an overall negative evaluation of themselves. The NGOs were essentially satisfied with other aspects of their work and they gave them an overall positive evaluation. However, in terms of financial independence, the negative evaluations were more than double the positive. This finding suggests two hypotheses. Firstly, NGOs themselves indicated a strong problem of financial dependence. Indeed, judging from their answers it is the single most important unresolved challenge they have to deal with. Secondly, despite their financial dependence, they believe their NGOs are performing fairly well in all other dimensions such as political weight, access to target groups, and ability to undertake conscientisation work. This was not commented on by the researchers. Interestingly, this finding appears to run against the piper hypothesis. Financial dependence does not appear to lead to political self-censorship, diversion from the grassroots or from empowerment work. However it is not clear whether this financial dependence is on government or other types of funding. The lack of information about Kurzinger et al.'s (1991) methodology relating to how

they defined, for example, “political weight”, “public profile”, and “conscientisation work”, suggests caution in the interpretation of their findings.

Their research provides some clues about the relation between government funding and NGOs. Not surprisingly, more than 75% of the NGOs (34 cases) have links with the government, mainly at federal but also regional and local level. But only thirty percent (12) of all NGOs interviewed received financial support from the government. Moreover, the fact that 27.5% (11) work as consultants to the government and 22.5% (9) undertook projects with the government “allows us to conclude that there exists a surprisingly close web of relations between NGOs and the government” (p.98), although not all of them imply the transfer of financial resources. At the same time, many NGOs, 22.5% (9), had no relationship with the government. Despite the closeness in the relationship between NGOs and government, there is much scepticism about the relationship. In 17 cases (around 40%) there were criticisms as to the lack of executive capacity of the government. In 15 cases (around 35%) there were complaints about the excessive bureaucracy of the government.

Funding is a fundamental aspect of the relation between NGOs and their environment. Kurzinger et al. (1991) point out that 75% of the cases they looked at had some form of self financing (p.92-93). Strangely, they say, financing through regular dues from members is uncommon in Mexico (only 11 cases had it). Selling of products is an important source of resources (12 cases) as well as consultancy jobs (8 cases). In relation to donations: “Less than one quarter of all cases receive donations (9 cases). That is due, partially, to the difficulty in being recognised as a public utility organisation” (p.92).

These findings partly contrast with the Johns Hopkins study of the non-profit sector in Mexico with data from 1995. The amount of government funding received by NGOs dedicated to environmental issues is negligible, accounting for less than 0.5% of total funding (Table 15). These NGOs tend to fund themselves mainly through member and service fees (i.e., dues and sales), 75%, and to a lesser extent through donations, 25% (Verduzco 2003). Some of these inconsistencies may be due to different methodological classifications for contract funding. While Kurzinger et al. (1991) classified this funding according to its origin, Verduzco (2003) has classified it as a service fee. Nevertheless, there are significant differences between the amount of government funding received by NGOs in the two studies (see below). In either case both studies present a different picture from the typical funding of NGOs dedicated to environmental issues in the North where they tend to receive most of their funding from donations (Kendall 2003) and from the typical funding in Portugal, where NGOs tend to receive a very large proportion of their funding from the government.

In terms of other funders, according to Kurzinger et al. (1991), just under half of the NGOs (20) received funds from Northern NGOs. Official agencies provide funds to around 20% (8 cases) of the NGOs in their sample. Around three quarters (29 cases) of the NGOs had links with foreign NGOs. The majority of the cases (20) received financial support from a foreign NGO, 7 received consultancy support and 2 got lobbying support (pp.96-97). The geographical origin of the foreign NGOs is split between Europe (20) and the US (19). Contact with Canadian or Latin American NGOs was very small. It is important to note that finance, consultancy and interest support comes exclusively from the relation with NGOs from Northern countries. The relation with other Latin American NGOs was restricted to information exchange.

Foundations provide a very desirable source of funding. They may provide large amounts of funding and they are private. They constitute an important alternative to public funding. But as in Portugal, relationship with national foundations is very limited. The only significant example I could find was FOMECA (Fondo Mexicano para la Conservacion de la Naturaleza – Mexican Fund for the Conservation of Nature), which is an important donor in Mexico's resource environment. It was created by USAID and the Mexican Government and later received funding from Global Environmental Fund. In its creation, USAID contributed US\$20m and the Mexican government US\$10m. The interest on that fund is awarded to NGO projects. "FOMECA was created because USAID wanted to reduce NGOs' dependence on too many different funds"³⁹.

Kurzinger et al. (1991:97) noted some criticisms of Mexican NGOs toward their foreign counterparts. In particular there was a disapproval of the tendency of some foreign NGOs to "impose the policies and development themes of the moment" and the general paternalistic behaviour (4 cases). The short term financing was another complaint (4 cases). There were also specific complaints that some NGOs required too detailed and perfectionist accounts given the small amount involved, which limits the time for actual work. There was also a lack of "institutional" support, that is, only projects were supported, but not the infrastructure and organisation of the Mexican NGO. These complaints are echoed in much of the literature on the relationship between NGOs and donors (see Fowler 1997).

About half of the NGOs (45%) had contacts with international donor agencies. Twenty percent received financial support and 10% give consultancy to such organisations. Most NGOs (35 of 40) had links with universities, mainly for information exchange. Half of the NGOs (21) had links with the private sector. Twenty percent (8) received donations (financial or in kind) from the private sector. Nine NGOs had relations with the church, normally as intermediate between the NGOs and beneficiary groups. The relation with labour unions is almost non-existent.

³⁹ Interview with Managing Director, MNSD, Mexico City, February/98.

Kurzinger et al.'s (1991) study should however be treated with caution for three main reasons. First, the sample base for the study was very small. They collected data on 42 NGOs. Second, the sample was selected trying to cover a wide range of organisations on the basis of the indication of two individuals directly related to NGO work. But, "it was not possible to obtain a representative sample in the quantitative sense" (p.24). So it is impossible to determine the statistical confidence of the results. They justified this methodology on the grounds that no universe frame existed on all sustainable development NGOs (p.24). Third, as Kurzinger et al. (1991) have found, during the 1980s NGOs were being formed at an increasing rate. This trend probably continued and even accelerated during the 1990s, if it followed a similar pattern to that of most NGOs in Mexico (Verduzco 2003). Almost a decade has passed since Kurzinger et al. (1991) collected their data and the sector may now be very different from what it was like then.

In sum, Mexican NGOs do not receive much systematic funding from the government at national level. International funding is very important for NGOs dedicated to environmental issues. Mexico's extreme importance in terms of bio-diversity and the extent of environmental pollution (and proximity to the US) make it a natural candidate for NNGO work.

In terms of the piper hypothesis, I mentioned above that Kurzinger et al.'s (1997) findings appear to deny the importance of financial dependence on restricting NGO independence. Moreover, this analysis of the relationship between NGOs and the government suggests that most sustainable development NGOs survive with little or no government funding. Kurzinger et al.'s (1991) study found that of the 42 NGOs in their sample only 12 received any government funding. Of those 12 NGOs only 5 were perceived to be significantly dependent on the government. So about 30% of NGOs received government funding and only 12.5% were perceived to be dependent on the government. Verduzco's (2003) study suggests that the situation has not changed much since 1991. Indeed he found that government funding accounted for less than 0.5% of the total funding of NGOs dedicated to environmental activities. This is not surprising since the Mexican government has been cash strapped since 1994 as a result of various economic crises affecting the country.

While less common, resource dependence on the Mexican government is likely to be problematic for organisational independence, probably even more so than in Portugal. Although this is changing rapidly, for a long time there has been mistrust between NGOs and the government due to a tradition of governments trying to control and co-opt NGOs (Kurzinger et al. 1991, Avila 1998). As a result the few NGOs which risk having an advocacy mission have normally avoided government funding and sought resources elsewhere. An important NGO complaint detected by Kurzinger et al. (1991) relates the repeated efforts made by the government to co-opt NGO members (10). Indeed the study found that one quarter of all NGOs had to face some form of government repression. In 4 cases the repressive actions were

specifically directed at the NGO and its members. In a number of cases public demonstrations had been violently dissolved by the police and indirect threats probably made by public officers (p.98).

To explore the piper hypothesis in Mexico I chose case-studies with different levels of dependence on government funding. Following a preliminary survey of potential case-studies I chose three cases. UGA received the highest proportion of their funding from the government. MNSD on the other hand received some government funding but received many indirect government resources. Naturalia received the least government funding. In the next sections I will present the findings from each of the Mexican case-studies.

5.2. UGA

UGA stands for *Unión de Grupos Ambientales* (Union of Environmental Groups). It is the Mexican case-study which depends most on government funding.

History and mission

UGA was founded in 1993, taking the legal form of *Institución de Asistencia Privada* (Private Assistance Institution) (IAP). It is both an umbrella organisation for other NGOs and at the same time it also welcomes individual members. It provides a platform for political action for both individuals and NGOs. In 2000 it had 75 registered members. Organisational members need to conform to basic principles of the organisation.

Its mission is to promote environmental conservation and sustainable development in Mexico. According to their website:

Our main goal is to provide the community with social direction with the purpose of promoting conservation, rehabilitation and improvement of the environment; promote initiatives and policy change of both public and private sectors, as well as to foster the development of an environmental consciousness to stop and revert environmental damage in the national territory.

UGA tries to accomplish its mission in three different ways. Firstly, through legislation and policy change. UGA has been strongly involved in the strengthening of environmental legislation in Mexico. It has done so by participating in various institutional consultation bodies, its members are advisors to various policy making institutions, and it has filed various legal actions. Secondly, through environmental research and education. One of its most important activities to date has been the editing of *La Guía Ambiental* (The Environmental Guide), which combines 58 essays on different environmental themes written by various experts. The book also provides various reference sections on what to do to improve the environment and to try to influence public policy. Thirdly, through capacity building of organisational members. UGA is

also involved in the organisational development of its members, fostering the exchange of information and best practices.

Government funding and resource dependence

In 1993, UGA's start up capital was made up of members' initial contributions and a generous donation that totalled N\$ 50,000 (around US\$ 10,000 at the time). Initially, they had member dues of N\$ 100 annually, but it was hard to collect them so they stopped charging dues after a couple of years. By 1998 UGA had no reserves as it had spent all the money it had fundraised.

During my data collection, most of UGA's funding came from the government. This funding was given out by the Nacional Monte de Piedad, which is run by the Junta de Asistencia Privada. The Junta is responsible for the regulation of NGOs with the IAP (Private Institution of Assistance) legal form. Nacional Monte de Piedad is an organisation initially set up by the Church, but now under government control. It has been called "the government's pawn shop" because it has for a long time provided pawn services and is owned by the government. Its main role is to support charitable causes. UGA received N\$ 56,000 (around US\$ 6,000) in 1997 and N\$ 70,000 (around US\$ 8,000) in 1998 from Nacional Monte de Piedad.

During my data collection UGA also received other donations from various sources but they were generally very small. Given the general lack of other funding, government funding assumes a critical role in the funding of UGA's activities representing around 98% of total funding income in some of the years! However it is useful to take a more long term view of UGA's funding by including the private funding it mobilised when it started and which it was used to finance the budget (that is, not protected as capital).

Table 17: UGA funding sources

Source	Nominal (in N\$)	Proportion %
International donors	-	-
Government	126,000	69.7
Members and donations	55,000	30.3
Own income generation – sales	-	-
Companies	-	-
Total	181,000	100

Source: Interviews at UGA.⁴⁰ Data for financial years 1997-1998.

Despite receiving most of its funding from the government, UGA has not managed to get tax deductibility from the government. UGA's representatives believe that as a result its fundraising efforts in Mexico are hampered. Tax deductibility is important not only because it makes donations cheaper for private donors but also because it gives donors greater assurance of the public benefit orientation and reliability of the NGO. In other words this status provides a signal to donors that the NGO is trustworthy.⁴¹ Many donors will not make any donation to organisations, which do not have tax deductibility status.⁴² Therefore, tax deductibility constitutes a powerful resource itself in the search for other resources: it brings tax incentives, credibility, and financial discipline.

UGA and other NGOs' representatives believe the government's tax policy is a deliberate strategy to curtail NGO power.

We tried everything. Most other NGOs with IAP status have tax deductibility. Once we went to a lawyer and copied the mission statement of another NGO that had tax deductibility. [The government knows] about our legitimacy because they scrutinise our accounts every year before they decide to give us more money. Yet, the government still denied us the tax deductible status. ... The main difference between us and the NGO we copied the mission from is that [the other NGO] does not oppose the government while we do.⁴³

⁴⁰ I could not get more detailed financial information for UGA because during the time of this study they did not compile accounts based on source of income. Instead cost budgets for the government funding and very general income summaries were used.

⁴¹ Interview with Alejandro Natal, Colegio Mexiquense, Toluca, Mexico, June/98.

⁴² Interview with Director of Finance, MNSD, Mexico City, July/99.

⁴³ Interview with Regina Barba, UGA, Mexico City, April/98.

Without tax deductibility and in an environment where it is very difficult to mobilise philanthropic resources for sustainable development work, the analysis of UGA's accounts shows that it was very dependent on government funding. So how did its resource dependence influence its organisational independence?

Organisational independence

In terms of management attitudes, UGA's management and board believed that resource dependence on the government led to various organisational problems. Firstly, there was a potential for government pressure. Second, there was a danger that the government would change its funding priorities and UGA would not get as much funding in the future. There was a danger therefore that the organisation would have to scale down its activities and maybe abandon various projects (e.g., the publishing of a regular newsletter to its members and to the public). Third, government funding carried with it very heavy bureaucratic requirements in terms of reporting and accounting for the funding received. Special approval from the government (in the figure of the Junta de Asistencia Privada) was required every time UGA's management decided to change its budget and use of government funding, even if slightly. If conditions changed so that one activity did not make sense anymore and funding needed to be moved to another activity UGA had to write a formal request for amendment of the budget and approval would take some time. This was necessary even the change was as small as N\$ 100 (US\$ 11)! Government funding was therefore excessively rigid for UGA's type of work which involved high uncertainty and regular budget revision. It was not a question of proper financial accountability for the resources spent at the end of the funding cycle. Approval for spending for a purpose other than the one initially approved was necessary *before* the spending was undertaken. To UGA therefore this amounted to detailed information about the organisation's activities and in some ways *de facto* control by the government since it could reject possible alternative uses for the funding. There was therefore some government control over this type of funding and its programmatic discretion was affected.

With over two thirds of its funding coming from the government, it is not surprising that interviews with the leaders and managers of UGA as well as some of its members revealed a general dislike with their dependence on government funding: "One day UGA will be able to have its own income and not depend on anyone."⁴⁴

Being highly resource dependent on government funding, the piper hypothesis would suggest that UGA's organisational structure should be highly bureaucratised. But while reporting and budgeting with government funding requires some bureaucracy, UGA's structure was much

closer to a collectivity than to a bureaucracy. Its governance was very democratic with members voting on any major strategic decision. The managing director was also elected by the members. UGA only employed one administrative secretary. Most of the activities were undertaken using volunteer work by the members and the managing director, who was also a volunteer.

In terms of its advocacy work, UGA is a very vocal campaigner and regularly criticises government policy. It has participated and often led various high profile campaigns. These include a public campaign in 1996 to prevent changes to the General Environmental Law (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*, published on January 28, 1988), which would have strongly debilitated the law and made the exploitation of Mexico's natural resources much easier; opposition to the setting up of a hazardous waste treatment plant in Sierra Blanca; negotiations on environmental legislation as part of NAFTA, which led to the signing of the Parallel Agreements; and, perhaps its campaign with highest profile, opposition to the salt extraction plant in the Laguna de San Ignacio, where UGA and other civil society organisations faced strong economic interests of the Mexican government and Mitsubishi corporation. Surprisingly, therefore, UGA is one of the most politically active sustainable development NGOs in Mexico.

From the outset UGA made advocacy one of its priorities. For example, from its initial capital of N\$50,000 it used N\$ 34,000 (68% of its capital) to buy a page in various newspapers to pressure the government not to change the General Environmental Law in the mid-1990s. Protecting existing environmental legislation was considered an absolute priority for UGA.

The campaign to save the San Ignacio Lagoon is one of the highest profile campaigns in which UGA has participated. Seen as one of the key victories for NGO lobbying in Mexico, the campaign (described in greater detail below under another case-study - Naturalia) resulted in the cancellation of a multi-million dollar development project designed by the Mitsubishi Corporation and the Mexican government. UGA's role was pivotal to the campaign as it was responsible for mobilising over 40 of the 55 Mexican environmental NGOs, which participated in the campaign, therefore adding important organisational capacity and legitimacy to the effort.

Alongside public campaigns, UGA has filed various legal actions against the Mexican government. For example, it has filed two complaint actions at the Environmental Cooperation Commission, which was created under the Parallel Agreements signed when Mexico joined NAFTA. Although the decisions of the Commission are not binding, they force the Mexican government to clarify and justify its position on a particular policy. By exposing Mexican policy at the transnational level, UGA hopes to embarrass the government (see Keck and

⁴⁴ Interview with Regina Barba, UGA, Mexico City, March/98.

Sikkink 1998). This approach has sometimes been enough to dissuade the government from pursuing certain hard to justify policies.

UGA has had strong participation and leadership in various public campaigns which criticised the government and tried to promote environmental protection. Its advocacy behaviour is therefore highly independent from government interests, which disproves the piper hypothesis.

In terms of organisational structure, UGA has remained very close to a collectivity. Much of its work is undertaken by its members on a volunteer basis. The paid staff component provides essential administrative support to the volunteer core. Decision-making is very decentralised with different thematic groups having a very high degree of autonomy in relation to other groups and to the core leaders and administrative sections. In terms of accountability, UGA has put in place various formal mechanisms to ensure accountability to its grassroots. As an association of both other NGOs and individual members, its board of governance is elected democratically. Members meet regularly, normally about 6 times per year. As part of its strategy of communication with its members and society, UGA has developed an extensive website with much information about the organisation and its activities, especially its campaigns. For all its work as in advocacy, education and capacity building, UGA has a strong reputation as an effective organisation. It co-operates regularly with international NGOs such as in the campaign to save the San Ignacio Lagoon. UGA has been very successful in attracting activist support and somewhat successful in attracting financial support, but it has grown consistently both in membership numbers and capacity.

To conclude, in the period of this study, UGA faced high resource dependence on the government averaging almost 70% of total funding. Despite that, it has been very active criticising the government and its structure appears to have coped with the bureaucratic requirements of government funding without sacrificing its volunteer participation and democratic decision making. UGA would appear therefore to disprove the piper hypothesis. To understand some of the reasons behind it, we need to explore their independence strategies, as analysed in chapter 7.

5.3. NATURALIA

In direct contrast with UGA, Naturalia is an NGO that receives a very small share of its funding from government. With such a low dependence on government funding Naturalia maintains a low level of resource dependence. How did that affect its organisational independence?

History and mission

Naturalia, *Comité para la Conservación de Especies Silvestres*, A.C. is legally registered as an Asociación Civil (civil association). It was founded in 1990 by biologists and veterinarians, who shared a concern with environmental degradation in Mexico. They shared the view that environmental problems are very serious and are getting worse, the government is insufficient to protect the environment, and there is insufficient participation of Mexican civil society in addressing these problems.

Its mission is to

protect Mexican biodiversity, planning and developing projects to preserve ecosystems and their species, focusing on those in danger of extinction, and working in activities of conscientisation and environmental education (Naturalia website).

Its work is divided into two main areas: (1) environmental education and conscientisation, (2) field projects. Their major projects are an environmental education campaign in various schools, editing of a magazine about environmental conservation, a conservation project with local communities in the Chigmalapan Forest, a national campaign to rescue the Mexican wolf, and a public conscientisation programme to reduce the trade on endangered species.

Government funding and resource dependence

Naturalia receives very little government funding. Over its life, it has occasionally received some financial support from the government, but associated with very specific projects. Table 18 shows Naturalia's funding sources for financial years 1999 and 2000.

Table 18: Naturalia funding sources

Source	Nominal (in pesos, N\$)	Proportion %
International – mostly NNGOs and foundations	1,339,505	47.7
Government	Negligible	0
Members and donations	470,519	16.7
Own income generation – sales	423,315	15.1
Companies	575,298	20.5
Total	2,808,637	100

Source: Naturalia's annual accounts for 1999 and 2000 and interviews

Almost half of Naturalia's funding has international origin while donations and sales account for just over 30% of total funding for the period. The remainder was fundraised from a very diverse set of actors such as companies, individuals, foundations, NNGOs, and international donors.

One important way we have found to get some extra income is the sale of t-shirts, mugs, stationary. This way we generate our own income ... there are no contracts or restrictions on what to do with the money.⁴⁵

Naturalia faced therefore very little resource dependence on the government. Interestingly however Naturalia does partner with the government on occasion. For example, Naturalia's campaign to fight the illegal trade on endangered species required that a poster showing endangered species be posted all over Mexico. Naturalia did not have the capacity to do that so they relied on the government's (through its environmental ministry, SEMARNAP) network of local offices to distribute the campaign material.

But, like UGA, Naturalia had for a very long time tried to get tax deductible status without success. Naturalia's representatives believe that a large part of the problem is that Mexican government officials do not like NGOs which are critical of government policy.

There are many [in the Mexican government] that wish that [NGOs] were an endangered species. ... They don't recognise our positive work and see us as trouble makers. ... The few [environmental] NGOs that have received tax deductibility status have very close links with government.

Organisational independence

Not surprisingly, in terms of management attitudes, Naturalia's leader is unconcerned with its dependence on government funding, which is very low. It is however more concerned about its lack of tax deductibility and the various demands made by many of its non-governmental donors. Naturalia's management attitudes and organisational behaviour show a largely independent organisation. It was able to advocate and to undertake service delivery work on issues that its leadership deemed important. However Naturalia also shows that it had to pay a high price to avoid resource dependence, such as its managing director having to work 80-90% of its time on fundraising related issues. Moreover, Naturalia's organisational structure had become increasingly bureaucratic to manage not only its projects but also its fundraising and reporting. Interestingly, despite being resource independent from the government, its leader complained of external control. Most donors, national or international, did not like 'trouble makers', that is, NGOs that entered into conflict with the government. International donors and national companies did not want to be seen as fostering contestation of government policy, thus

⁴⁵ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

indirectly entering into confrontation with the Mexican government, and potentially being seen as “interventionists”. Moreover, Naturalia’s lack of tax deductibility, which its leaders partly attributed to their criticisms of the government, made fundraising from international and national donors much more difficult. Naturalia’s leaders therefore complained of external control not directly related to the government, but indirectly from its donors. As a result Naturalia limited its overt campaigning of government policy very carefully and generally only as part of a large network such as in the case of San Ignacio Lagoon. In such cases it would less likely be singled out as a “trouble maker”.

Naturalia’s organisational structure is essentially professional. It has only a few volunteers helping in supportive tasks, in addition to its board, which also involves volunteers. To maintain this professional structure the managing director spends 80-90% of his time fundraising! Naturalia’s professional structure seems to be the result of two forces. The first is that Naturalia’s donors, including NNGOs, foundations and companies, demand high levels of professionalism. They demand a visible structure, clear mission, evidence of prior performance results, and proper fundraising procedures. Second, there is a scarcity of jobs that allow someone to earn enough to survive and still have enough free time for a substantial commitment to the NGO. People tend to work long hours in Mexico not leaving much time for volunteer activities. The professional, full-time, dedication to the organisation seems to be the preferred way.

Naturalia’s work is divided among advocacy and service delivery. Naturalia lobbies mainly through institutional channels. It sits on some consulting boards created by the government. It also focuses on adding more environmental education to secondary schools’ curriculum. Most of the time, it adopts a non-confrontational approach to lobbying. Naturalia has also joined a few campaigns, which opposed the government. Naturalia’s representatives however felt they had to be cautious when criticising the government. For example, in a campaign that involved opposing the government on a change of the environmental law, the managing director and a programme coordinator signed a petition against the change but they did so using their individual rather than the organisation’s name. They did so partly because “being a trouble maker” can scare away current and potential donors, as many international donors are wary of funding organisations that oppose the government for they risk being accused of interventionism and lose legitimacy. Also they did so partly because the organisation’s name had been used in the past without their authorisation in advocacy campaigns so they created a policy of not participating in campaigns under the Naturalia name unless it was an essential campaign such as the campaign to save the San Ignacio Lagoon.

The campaign to save the San Ignacio Lagoon is one of the highest profile campaigns in which Mexican NGOs have participated. San Ignacio Lagoon is located in the state of Baja California,

just south of the State of California in the US. It is part of the El Vizcaino Biosphere Reserve, which was created by the Mexican government in 1988 as the largest protected natural area in Latin America. It harbours various important species some of which are endemic to the reserve. Also it is the only undisturbed grey whale nursery in the world. Because of its enormous natural value, in 1994, the reserve was declared a United Nations World Heritage Site.

In 1994, ESSA (*Exportadora de Sal, Sociedad Anonima*) a joint-venture company owned by the Mexican government (51%) and Mitsubishi (49%) submitted its first application to the Mexican Environment Ministry to build the Laguna San Ignacio salt plant. The US\$ 100-million facility would have been the largest salt plant in the world, covering 62,000 acres of the reserve. There were well-founded rumours that the plant was going to be approved. So at the time various Mexican NGOs including UGA and Naturalia created the Coalition to Save the Laguna de San Ignacio.

Initially the application to build the plant was rejected by the Environment Ministry as “incompatible with the conservation objectives” of the El Vizcaino Biosphere Reserve. That did not deter ESSA from preparing a counter-attack. Environmentalists were well aware of the power of the economic interests behind the project so they intensified their campaigning. Later, Mexican NGOs were joined by US environmental NGOs in the coalition. Public support was mobilised both in Mexico and US. Various personalities joined the campaign such as Pierce Brosnan, Glenn Close, as well as Richard Dawkins and various others. Local villagers too sided with the environmentalists in opposing the plant.

In March 2000, President Zedillo bowed to public pressure and, together with senior management of Mitsubishi, announced the cancellation of any plans to install the plant in the Laguna. The Mexican government’s announcement came as a surprise. ESSA had just completed a US\$ 1 million, 3,000 pages, environmental impact study, which concluded that a 116-square mile industrial salt facility at Laguna San Ignacio would not harm the environment. Even so, the Mexican government and Mitsubishi, citing the concerns of “responsible environmental organizations, UNESCO and the public,” agreed that the project was not compatible with the reserve’s conservation objectives. Mitsubishi too admitted global pressure led them to decide to cancel plans for the project (NRDC 2000, CSI 2000, IFAW 2000, INE website).

Oscar Moctezuma, Naturalia’s managing director, believes advocacy coalitions are the only way for weaker NGOs to influence the government:

Union makes us strong (*union hace la fuerza*). It is important that we face [the government] united with a common position. That is the only way we can ever be heard.⁴⁶

Naturalia was one of the participants in the important San Ignacio Campaign against a government policy. However its leaders often revealed to us that despite their financial independence from the government there were other significant barriers to the pursuit of their advocacy mission. So despite their resource independence from government funding, the government still had other ways of influencing Naturalia both directly (through non-financial resources) and indirectly (through potential funders of Naturalia). These influence means however were not strong enough to compromise Naturalia's independence in terms of their freedom to pursue their mission.

In terms of accountability, Naturalia has few formal mechanisms to ensure accountability to its grassroots. Its board of governance is self-selected so there are no democratic opportunities for supporters. Its board integrates however prominent figures of the environmental and development fields, who are able to provide important information about the future direction of the field and of the organisation. These members are financially independent from the organisation in that they do not receive money from the organisation. Naturalia's website is not very developed so it is difficult for any member of the public to get a detail impression of what it does. Its reputation for strong performance derives mainly from the large number of funders, both national and international, who are willing to support its critical work. For all this, Naturalia has a strong reputation as an effective organisation and has been growing since its founding.

5.4. CONTROL CASE: MEXICAN NGO FOR SUSTAINABLE DEVELOPMENT

History and mission

MNSD⁴⁷ has a mission of environmental conservation and sustainable development, and undertakes both service delivery and advocacy activities.⁴⁸ Its commitment to advocacy is manifested by, for example, a dedicated division concerned with advocacy and environmental education work. It was founded in the 1980s, which makes it one of the oldest NGOs in Mexico dedicated to environmental protection. It is also one of the largest Mexican NGOs dedicated to sustainable development, in terms of annual income and number of staff employed.

⁴⁶ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

⁴⁷ This is a fictitious name to protect the NGO's anonymity.

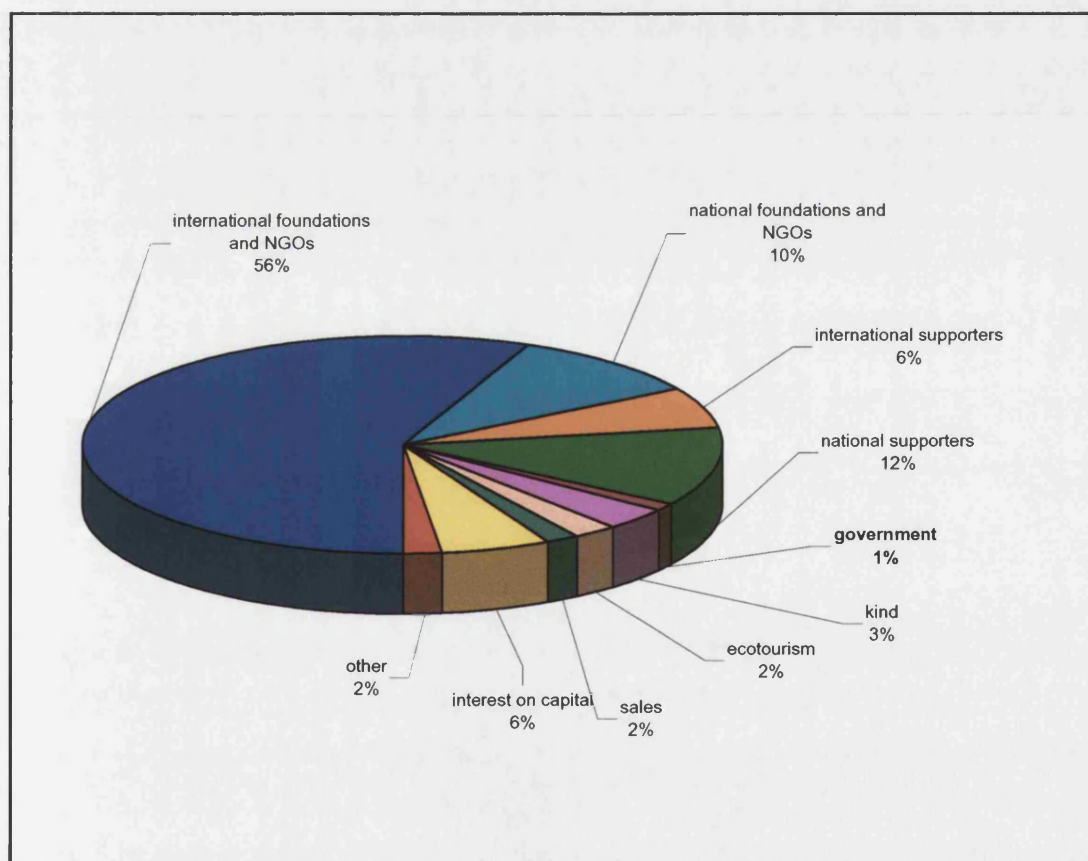
⁴⁸ Unfortunately I must keep this description at a general level to protect the anonymity of the NGO.

Its work is very diverse including managing government's natural protected areas, environmental education, promoting ecological tourism, undertaking environmental impact studies, and facilitating community action for environmental conservation. Its activities involve mainly service delivery but it also undertakes conscientisation and lobbying work, which is reflected by one of its main departments being dedicated to Communications and Education. Occasionally, MNSD also uses more confrontational advocacy strategies such as legal action, but rarely against the government. According to its leader, advocacy is fundamental to accomplishing MNSD's mission.⁴⁹

Government funding and resource dependence

Initially, MNSD appears to have a low resource dependence on the government, receiving only 1% of its income from government (Figure 5).

Figure 5: MNSD's funding sources, 1995-2000



Source: MNSD annual reports 1995-2000

⁴⁹ Interview with Managing Director, MNSD, Mexico City, May/98.

Aside from receiving very little government funding, MNSD has a very diversified funding base. It draws from international and national donors, NNGOs, individual supporters, sales, and interest on capital. International foundations and NGOs, mainly from the US, gave more than half of MNSD's funding during 1995-2000. MNSD derives this funding from a very wide set of organisations, limiting its dependence on any one of its funders.

MNSD also receives large donations from a small number of very rich and influential individuals, many of whom sit on its board. During my field work, MNSD had around 50 members who were associated with its governance. The actual board however was made up of less than 10 members. It also has another type of supporters, who provide small regular financial contributions through, for example, the "sponsor an endangered animal" programme. There are about 300 of them.

Generally, my interviews with various Mexican NGOs showed that they had great difficulty attracting private donations. MNSD was an exception as it managed to integrate a board with very wealthy individuals. The contributions of the members of the board, who were mostly wealthy businessmen, and a few small private supporters provided an important share of organisational income (around 12%), many times its share of government funding.

However its resource dependence does not come solely from reliance on government funding. To understand MNSD's resource dependence on the government we need to look beyond funding. It receives many critical resources from the government such as its premises, tax deductible status (rare among environmental NGOs), and access to nature reserves. More importantly, its reserve fund worth around US\$ 1 million, which is critical to its work and survival, was the result of a debt conversion (or swap) operation sponsored by the government.

In terms of non-financial resources, MNSD's headquarters in Mexico City are located in a government owned building. MNSD is thus able to save much money which it would have to pay if it rented its premises. Moreover it is very difficult to fundraise to pay for core costs such as renting of premises so this government resource is very valuable to MNSD. Similarly, much of MNSD's work takes place in governmental nature reserves, which require government approval. International donors are often willing to fund MNSD's work because of its critical access to key conservation areas.

Another critical government resource which does not show in MNSD's accounts is its tax deductible status, which is so elusive in Mexico for organisations working in environmental protection. Even reputable organisations such as UGA do not have tax deductibility. As discussed above, tax deductibility status is an important resource because it not only reduces the cost of giving to national private givers, it also sends a strong signal to givers that the organisation is legitimate and works for the public good. Indeed, since Mexico entered NAFTA,

Mexican NGOs with tax deductible status can write receipts, which are acceptable by US and Canadian tax authorities making donations from these countries much more likely.

But perhaps MNSD's most critical resource is its reserve fund (worth around US\$ 1 million). The reserve fund was the result of the profit on a debt swap transaction. Debt swaps involve the purchase of debt at discounted prices in the debt market followed by its sale at a higher nominal price. In this case the Mexican government informed MNSD that it intended to buy back some of its foreign debt. The Mexican government needs to buy its debt at nominal value, but private enterprises may absorb some of the risk in a debt title never being paid back and buy debt at a discounted price. So MNSD bought debt from foreigners at a discount and sold it to the Mexican government at its nominal price. The profit allowed it to build its reserve fund. For this operation to work an NGO needs to be sure that the government will buy back the debt (at nominal prices) in the near future. Foreigners also normally accept this transaction because the profits go to a public benefit organisation. The operation requires much financial liquidity to initially purchase large amounts of debt. MNSD managed to do this thanks to the generous support of some of its very wealthy members of the board who lent the money to the organisation from the moment it bought the debt until it sold it to the Mexican government a short while later. The Mexican government benefits in the sense that the profit from the transaction on debt titles stays with a Mexican NGO rather than in a financial institution, probably located abroad. There are many NGOs in Mexico however who could have undertaken such a transaction so the government did not need MNSD. The inter-dependence was therefore asymmetrical. To undertake this transaction MNSD was dependent on the government and on the wealthy members of the board who lent the money temporarily.⁵⁰

Accounting for the value of reserve fund as an element of MNSD's resource dependence on the government is a complex process. If we assumed that the profit MNSD made on the transaction was a grant from government to the NGO, that grant would have accounted for around 35% of MNSD's income in the years 1995-2000. On the other hand if the financial profits made on the investment of the reserve funding are considered as indirect grants from the government, this government funding transaction would account for around 32% of MNSD's yearly income for the same period. These calculations are faulty however as MNSD has been able to leverage its fund in new swap transactions and in attracting funding from other sources both national and international. So the value of the reserve funding for the NGO may be much higher than the simple direct financial contribution. In any case if we account for the contribution of the reserve funding as a grant from the government, to the actual income transfers of around 1% of total funding, to the savings made by occupying governmental premises, MNSD's de facto historical

⁵⁰ Interview with Director of Finance, MNSD, Mexico City, August/99.

resource dependence on the government is much closer to 40% than to the 1% shown in its accounts. Moreover this analysis overlooks the critical impact of tax deductibility which is fundamental for the donations from the wealthy members of its board as well as serving as a signal for US and other international donors of its credibility. A fair assessment of all these resources would suggest a resource dependence which is close to 50% of MNSD's funding being directly or indirectly related to resources given by government.

The analysis of MNSD's resource dependence shows therefore a medium to high level of resource dependence on the government. How did this influence its managers' attitudes and its behaviour?

Organisational independence

My interviews with MNSD's leaders and managers showed a low level of complaints about resource dependence and about government influence in organisational affairs. This observation is partly in agreement with the piper hypothesis as its direct resource dependence is low. MNSD's indirect resource dependence is not very problematic in terms of goal displacement in service delivery. Most of its indirect resource dependence derives from a past transaction (debt swap) so the government cannot sanction MNSD on the basis of that transaction. Also the debt swap allowed MNSD to build a reserve fund or slack which further buffers it from uncertainty in the environment. On the other hand the government was unlikely to withdraw MNSD's tax deductibility or access to nature reserves now that MNSD had an international reputation and many foreign donors. So even though MNSD's resource dependence is asymmetrical in that the government depended much less on MNSD than the other way round, this dependence was seen as not being problematic.

MNSD was less content with its dependence on international NGOs. MNSD has established a very strong reputation nationally and internationally so that donors saw it as a desirable partner to contract with and were more willing to give MNSD discretion over many aspects of the projects. Also, its good access to various funders allowed MNSD to find matching funds for different projects, a hurdle which so many times prevents smaller NGOs from being successful in attracting larger donations and contracts. But they complained of regular shifting of priorities which were more like fashions and fads than any real environmental protection rationale (see Ebrahim 2003 for a similar observation on Indian NGOs). This external influence was only moderate partly because MNSD received its international funding from a wide range of organisations so that it did not depend on any one organisation in particular. It could therefore find a good donor match to its various project specifications rather than match its projects to donor preferences. The main problem, however, was that many of those funders made similar demands on the organisation. For example, they normally demanded the use of complex

planning tools such as the logframe, the inclusion of complex indicators on various dimensions such as gender and community participation. Also, as mentioned above, many funders do not like overt confrontation with the government.

In terms of its advocacy work, MNSD adopts a non-confrontational approach. It prefers to use low profile advocacy efforts such as individual lobbying, based on personal relationships between members of the government and MNSD members. MNSD has very good contacts in government to whom they can explain informally their reasons for rejecting any particular public policy. It also has a seat in many major institutional consultation boards set up by government.⁵¹

MNSD does not engage in media campaigns to oppose the government. According to one of its managers:

Other NGOs like confrontation with the government. ... We have nothing against GreenPeace but we prefer to use other approaches. We prefer to work with the government rather than against it. Ultimately it is good for the Mexican environment that different NGOs use different forms of pressure.⁵²

So MNSD argues that while confrontation may work for some NGOs, it prefers to use other methods and ultimately the Mexican environment benefits from NGOs using a variety of advocacy methods. While this is a valid argument it could also be argued that if MNSD were to add its political weight and strong reputation, it would help win those campaigns. So while it is probably positive that different environmental NGOs use different advocacy strategies (see Taylor 2001), it may equally be necessary sometimes to mobilise every possible NGO to confront a very powerful opposition.

After further probing it did come through that although MNSD is not interested in participating in high profile campaigns as a matter of internal policy, if its management decided to participate in a specific campaign, it would probably face very strong obstacles. These obstacles include pressure by both internal supporters and external donors to not engage in overt opposition of the government. There is a general perception among many MNSD supporters both in Mexico and abroad that NGOs should not engage openly in political activities. This is similar to the view of Charity status in the UK and 501(c) status in the US, which relates tax benefits with “apolitical” public interest work.

Moreover, many of MNSD’s supporters are companies that have dealings with the government and are therefore not interested in confrontation with the government. So although MNSD has the freedom to pursue the methods of advocacy it wants, it does not have as much freedom

⁵¹ Interview with Managing Director, MNSD, Mexico City, May/98.

⁵² Interview with Director of Finance, MNSD, Mexico City, August/99.

(without risking serious losses) to engage in campaigning if it wanted to or if it was the best strategy to accomplish its mission of environmental protection. Whether MNSD avoids openly criticising the government voluntarily or involuntarily, it undeniably faces strong pressure not to do it. That is, MNSD is subject to external control because it is not allowed to freely pursue its mission when that mission calls for more overt government opposition.

Consequently, MNSD has not participated in any high profile environmental campaign, such as for example the campaign to protect the San Ignacio Lagoon (described above) in which most other high profile Mexican environmental NGOs took part. Nor did it get involved in the campaign opposing the proposed changes to the General Environmental Law spearheaded by UGA, which if had gone ahead would have had severe consequences for MNSD's conservation work in natural reserves. MNSD's direct and indirect resource dependence on the government is reflected in its self-imposed censorship and barriers to openly criticise the government. Some of its workers revealed that they do experience strong obstacles to taking certain types of political positions even if they were the best way to pursue their mission. MNSD experiences therefore "constraints from other actors" (in this case the government), which limits its independence according to the definition of organisational independence adopted in this study. This view matches general perceptions by many NGOs as being "too close to government" to openly criticise it. Moreover, its dependence on a diversified base of donors (including NNGOs and businesses) with similar demands restrict its ability to avoid those demands.

Interestingly, despite the loss of organisational dependence through self-censorship, MNSD is one of the most effective NGOs in Mexico. Unfortunately to protect its identity I cannot go into much detail about its work. But in terms of its service delivery work, MNSD implements critical conservation and development projects in many under-developed regions of Mexico, such as Chiapas, Yucatan, and Sonora. Its remarkable international financial support partly attests to the quality of its projects. And while it does not engage in overt campaigning or criticising the government, it has privileged access to government members and can influence them through lobbying rather than public pressure. Although its advocacy performance is less prominent than its work in service delivery, MNSD has undertaken important advocacy initiatives around nature reserves' management.

In terms of organisational structure, MNSD is a bureaucracy. Decision-making is quite centralised although its federal structure allows some local discretion. Its decision-making is made according to rules and procedures. Each job has a clear job description. MNSD does not make any sustained effort to attract volunteers. Its leaders see it as an organisation of paid professionals. MNSD has no volunteers except in its board. Its dependence on paid staff increases the criticality of funding for the survival and work of the organisation and makes it more resource dependent on its funding sources.

In terms of accountability, MNSD has few formal mechanisms to ensure accountability to its grassroots. Its board of governance is self-selected so there are no democratic opportunities for supporters. Its board integrates essentially businessmen who are able to provide important funding and connections to the organisation. These board members are independent from the organisation in that they do not receive money from the organisation. MNSD's website is sophisticated but not very informative so it is difficult for any member of the public to get detailed information of what it does.

Therefore MNSD lends some support to the piper hypothesis. If we include indirect resource dependence (something piper hypothesis' proponents do not usually discuss) the assessment of its real resource dependence on the government is more realistic and help partly explain the constraints it faces in pursuing its mission.

5.5. EXPLORING THE PIPER HYPOTHESIS IN THE MEXICAN CASE-STUDIES

In this section I compare the findings from the three Mexican case-studies with my conceptual framework and hypothesis so as to answer the research question. In relation to the first part of the research question, "can NGOs be resource dependent on the government and remain independent?," the answer is a conditional "yes". The control case, MNSD, shows that resource dependence is not a sufficient condition for external control. The case-studies show that the conditions and strategies used by the case-studies to protect their independence.

Naturalia has a low resource dependence on the government, while UGA faced very high dependence on government funding. The government was its main provider of funding during that period. Following the piper hypothesis, we should expect that Naturalia should face little external influence while UGA should be strongly constrained. This was not however what I observed. Financial dependence did not translate into organisational dependence, manifested by organisational attitudes and behaviour. For example, UGA was highly critical of government policy and regularly waged public campaigns to influence policy. That took place despite the fact that it received government funding in a regular fashion. This case suggests that some Mexican NGOs seem to be able to "bite the hand that feeds them" and get away with it. At the same time UGA was very accountable to its members who democratically elected its leadership. UGA shows that high dependence on government funding is not a sufficient condition for external control.

Table 19 summarises the relation between resource dependence on the government and various dimensions of organisational independence in the three cases.

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Table 19 summarises the relation between resource dependence on the government and various dimensions of organisational independence in the three cases.

Table 19: Resource dependence and organisational independence in the Mexican case-studies

	Attitudes: problematic dependence	Service delivery: government priorities	Organisational structure: bureaucratisa tion	Advocacy freedom: ability to criticise the government	Accountabi lity downwards and to mission	Organisational effectiveness and sustainability
High resource dependence (UGA)	Medium	Medium	Low	High	High	High
High resource dependence (MNSD)	Medium	Low	High	Low	Medium	High
Low resource dependence (Naturalia)	Low	Low	High	Medium	Medium	High

Source: interviews and observation of case-studies (note: service delivery assessment is derived from management attitudes not observation. Shaded columns indicate consistency with the piper hypothesis)

On the other hand the control case did largely conform to the piper hypothesis. MNSD had moderate resource dependence on the government and my observation of its behaviour coupled by interviews with its representatives showed that resource dependence did lead to some external influence. In particular, MNSD found it difficult to criticise the government for fear of loss of support both from the government and other individual and international donors. MNSD has never been involved in open criticism of the government. My interviews revealed that it feels constrained their ability to criticise the government, due to both internal and external barriers. So instead it uses a much less confrontational strategy of using personal contacts to influence government policy. Of course, much of MNSD's silence may have been due to shared worldviews between its representatives and the government. There is clearly a difference between organisational independence and open criticism of the government. But interviews with some of its members revealed that external influence was exerted on a few instances when some members decided to publicly criticise government policy. Similarly while MNSD has a specialised advocacy division dedicated to promoting environmental education and lobbying, unlike UGA and Naturalia, it remained silent during key attempts at environmental legislation and policy changes.

Table 19 shows that the relation is far from straight forward. As predicted by the piper hypothesis, higher dependence on government funding led to a higher number of complaints

about that dependence and its implications for management, that is, management attitudes reflected resource dependence. However some elements of organisational behaviour did not match the predictions based on level of resource dependence. The NGO with highest dependence on government funding did not adopt a bureaucratic structure. On the contrary it worked very much as a collectivity with a lot of democratic participation and decentralisation. Its funding had a high discretion in terms of what projects could be pursued. So government funding ended up being used, for example, to print a newsletter for member capacity building where the government was constantly being criticised! Its advocacy freedom too was highly free from external control, so UGA regularly engaged in important and high profile campaigns that criticised the government and tried to change policy. Naturalia, which had lower resource dependence on the government than UGA, had the most bureaucratic structure. At the same time, MNSD with high resource dependence (including on indirect government resources) was most organisationally dependent, lending some support to the piper hypothesis.

The Mexican case-studies present a complex story of the impact of resource dependence on the government with UGA being independent despite its high level of resource dependence. At the same time, Naturalia and MNSD showed some consistency with the piper hypothesis. But when each indicator of independence is analysed separately, only management attitudes had a good fit with the piper hypothesis. Therefore resource dependence was not a good predictor of organisational behaviour. Partly this was because, as argued by RDP and my conceptual framework, NGOs can pursue strategies to protect their organisational independence. I will develop these in chapter 7 as part of the analysis, which tries to explain the findings presented thus far.

One interesting observation made in Mexico was that various leaders of NGOs suggested that there were important limits to diversification as a strategy to protect organisational independence. Those limits could be described as the possibility of “false diversification” and high barriers to diversification.

The idea of “false diversification” proceeds from the fact that many funders make very similar demands on NGOs. According to the leader of one NGO, most of its funders want professional funding applications and reports, the ability to fundraise from different sources to match cost sharing requirements, and results based planning (of which the famous logical framework is an example). Its main funders were composed of international NGOs, foundations and one official donor. More importantly, a large proportion of these funders often revealed in private conversations with the NGO leader that they did not want to fund ‘trouble makers’, that is, NGOs that regularly opposed the government very loudly. Funders confessed that they could not afford to be associated with such NGOs. As a result this NGO leader, and a few others whom I interviewed, confessed that they felt very constrained in their advocacy work for fear of

being labelled “trouble maker”. They considered very carefully every campaign they joined, entering only those which they could not possibly avoid because of their significance for their mission. They tended to prefer therefore to campaign as part of large alliances of NGOs, preferably also including NNGOs, so that they were not singled out.

You have got to be careful about which campaigns you join and where your name shows up... Most donors do not like to fund NGOs that are very active in terms of campaigning. They are afraid it may come back to haunt them in one way or another. ... But we still campaign in groups on critical issues.⁵³

The homogeneity of funder demands suggest the possibility of a “false diversification” – a diversification between various different funders making similar demands does not allow NGOs much room to manoeuvre. If they chose not to comply with those demands they would find most of their funding opportunities disappear, very much as if they had only one large funder.

The particular demands made on these NGOs also suggest high barriers to the entry of new NGOs to some fundraising circles and a difficulty in increasing funder diversification. Smaller NGOs, particularly those with more volunteer input, find it very difficult to produce the “professional” proposals and reports that donors often demand. These two observations and their implications will be discussed in chapters 7 and 8.

In this chapter I have presented the Mexican case-studies. My findings show that resource dependence is not a sufficient condition for external control and organisational dependence. Instead the impact of government funding is complex, leading to some government influence as predicted by my hypothesis but not in many dimensions of organisational independence. The following chapter will analyse and compare these findings with the findings from the Portuguese case-studies and discuss the contextual conditions of NGO independence.

⁵³ Interview with NGO leader, Mexico City, July/2000.

CHAPTER 6. STRUCTURAL INFLUENCES ON INDEPENDENCE

The present and following chapters compare my observations of the case-studies and contexts between Mexico and Portugal, analysing both differences and similarities between them. This chapter examines structural influences on the organisational independence of NGOs by analysing the impacts of different forms of resource dependence on the government. In both countries higher resource dependence on the government did not necessarily lead to organizational dependence and external control. The case-studies in both countries therefore contradict the predictions made by the piper hypothesis that high dependence on government funding is a sufficient condition for loss of organisational independence and for external control. For example, even though they received much of their funding from the government, both GEOTA and UGA were free to publicly criticise government policy. In its original form, the hypothesis that dependence on government funding compromises NGO organisational independence must be rejected. As shown in the empirical chapters, the relation between degree of resource dependence on the government and organisational independence, manifested in management attitudes and organisational behaviour, is far from straight forward. In all case-studies, government funding appears to influence some dimensions of organisational independence but not others. This suggests that while it may be important for NGOs to be aware of potential risks of accepting government funding, it is important that they also be aware of potential benefits, as evidenced by the extraordinary success of some NGOs with even very high resource dependence on the government. At the same time, resource dependence on the government (rather than government funding alone) led to some external control of the control case-study, MNSD.

Why were the predictions made by the piper hypothesis largely wrong? Why do some NGOs succeed in protecting their independence while others don't? This chapter begins the exploration of the contextual influences or conditions of NGO independence. I will put forward three explanations for why most case-studies were able remain independent: (a) government funding is not the same as resource dependence, that is, to understand the potential for influence of government funding it must be contextualised in relation to funding from other sources and to non-financial resources; (b) the government may not be always interested in controlling NGOs; and (c) NGOs can pursue strategies to protect their independence. In this chapter I will explore explanations (a) and (b), which point toward a broader conclusion relating to the potential for contextual influence: that "resource dependence" is not the same as "organisational dependence", that is, one *can* exist without the other. This possibility has been ignored by literature which focuses on the piper hypothesis. I will explore (c), the strategies pursued by NGOs to protect their independence, in chapter 7.

6.1. COMPARATIVE ANALYSIS OF THE PIPER HYPOTHESIS

In this section I examine the case-studies' resource dependence on the government and organisational independence manifested in their management attitudes and various dimensions of organisational behaviour. In the following section I explore the complexity of the NGO resource environment based on my findings, in search for an explanation for the differences between the piper hypothesis and my empirical findings. In the final section I explore the premise that government may not be interested in or capable of controlling NGOs.

Resource dependence on the government

Following my conceptual framework, dependence on a particular resource relationship is a function of the criticality of the resource, amount of resources exchanged as a proportion of all resource exchanges, and the availability of alternative sources of the resource. All case-studies had paid staff and needed funding for various critical activities. Funding was therefore a critical resource to all case-studies. Similarly, the contracting system between government and NGOs implied that government had many NGOs to choose from. NGOs' alternatives to government funding are reflected in their funding profile. In these conditions, the share of a particular source of funding as a proportion of all funding indicates the extent of the dependence on that particular relationship (Pfeffer and Salancik 1978, Hudock 1995). Proportion of government funding is therefore used as the initial indicator of resource dependence on the government.

Table 20 compares the different levels of resource dependence between the case-studies in both Mexico and Portugal. As explained in the methodology chapter, in the first phase of data collection I chose two case-studies in each country, one with high and one with low government funding dependence. In the second phase I added a third case-study in Mexico, which had low independence, so as to explore the conditions which help NGOs to successfully protect their independence.

Table 20: Case-study resource dependence on the government by country

	Mexico	Portugal
Higher resource dependence on the government (% funding)	UGA (72%) MNSD (1% direct, high indirect resource dependence)	GEOTA (90%)
Lower resource dependence on the government (% funding)	Naturalia (<1%)	LPN (32%)

For the case-studies selected, this type of dependence is higher in Portugal than in Mexico (Table 20). While this finding alone does not allow for descriptive generalisations about the whole NGO sector in each country (see King et al. 1994), there is further evidence in the literature to suggest that resource dependence of NGOs on government is indeed higher in Portugal than in Mexico. That is, the case-study selection is in line with other studies on the NGO sector in both countries which point out that non-profits and NGOs tend to be highly dependent on government funding (e.g., Hespanha et al. 2000, Macedo and Pinho 2004) while NGOs in Mexico tend to receive a smaller share of their funding from the government (Kurzinger et al. 1991, Verduzco 2003).

Following the piper hypothesis I would expect the case-studies with higher dependence on government funding to be subject to government influence in the selected areas of organisational independence: management attitudes, service delivery programmatic discretion, organisational structure, advocacy work, accountability, and effectiveness and sustainability. I will explore each in turn.

Management attitudes

Table 21 contrasts government funding dependence and management attitudes; shaded cells correspond to piper hypothesis predictions regarding expected relations between variables (* denotes assessment closer to medium on the horizontal dimension).

Table 21: Piper hypothesis and case-studies' assessment of their own independence

		Management Attitudes: Organisational Independence	
		Low	High
Resource dependence on the government	High	(MNSD)*	GEOTA UGA
	Low		LPN Naturalia

Following the indicators suggested by Anheier et al. (1997) for organisational independence, interviewees in all five case-studies claimed that their organisations were highly independent from government. This observation runs counter to the piper hypothesis prediction that high resource dependence leads to high organisational dependence and external control. GEOTA and UGA claimed they were not subject to external control by the government. However, in assessing management attitudes I also interviewed leaders and managers of the case-studies in search for complaints about their dependence on government funding. In Table 22, shaded cells again correspond to piper hypothesis predictions regarding expected relations between variables (* denotes assessment closer to medium on the horizontal dimension).

Table 22: Piper hypothesis and case-studies' complaints of resource dependence

		Problematic dependence: Complaints about dependence	
		Low	High
Resource dependence on the government	High		GEOTA UGA* (MNSD)*
	Low	LPN Naturalia	

Table 22 shows that generally there is a very good fit between the hypothesis and my findings in relation to complaints expressed by NGO members. In Portugal, GEOTA leaders and managers complained more of resource dependence than in LPN. In Mexico, UGA leaders and managers complained of some resource dependence toward the government while at Naturalia they didn't.

How do we explain the gap between NGOs' mostly positive assessment of their organisational independence and their complaints about resource dependence? Complaints centred on bureaucratic requirements, fears of lower sustainability and legitimacy. In both Portugal and Mexico, higher dependence on government funding led to more complaints of excessive bureaucratic requirements. Government funding tended to imply complex application and reporting procedures which taxed NGO management. Other complaints included untimely payment which delayed project implementation, unrealistic and shifting priorities and programmes, and a feeling of arbitrariness in funding allocation. These complaints however do not necessarily affect organisational independence.

Government funding does not affect our independence or freedom to criticise the government. ... But it is not good to depend on government funding. It would be much better if we had our own resources or at least that we received our funding from many different sources. ... [Government funding produces] a negative impact on our image.⁵⁴

Moreover, in both countries, interviewees complained of uncertainty about the future. There were doubts that government funding to environmental NGOs would continue in the future. There was a clear perception that even despite clear legislation that encourages the government to fund NGOs (in Portugal at the constitutional level), different governments may find a way to renege on their commitments to NGOs and stop any further funding. For one thing there was no legally set level of funding, even if the government could not stop funding NGOs altogether it could make that funding tokenistic. Although in the past government funding had been more certain and easier to access than other types of funding (particularly in Portugal), there was a sense of high uncertainty about the future.

These findings agree with other studies which associate high resource dependence with fears of bureaucratisation (e.g., Anheier et al. 1997) and low sustainability (e.g., Hudock 1995, 1997a). And based on interviews in Portugal, there was a sense that government funding had been over the years more stable and certain than private funding, agreeing with Gronbjerg's (1993) findings about non-profits in the US. In Mexico however, in the case of UGA and other NGOs receiving government funding, my interviews revealed that government funding had been less stable and certain than many forms of private or international funding.

⁵⁴ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

Interviewees also complained that government funding negatively affects NGO reputation in the eyes of various groups such as individual supporters and the media. Even in NGOs that retained a large level of organisational independence, the fact that outsiders questioned their independence because of their financial links with government caused dissatisfaction among NGO leaders. Some interviewees complained of a vicious cycle. Resource dependence on the government questions the credibility and legitimacy of its recipients, therefore probably reducing their ability to attract funding elsewhere, further increasing their dependence on government funding. Dependence on government funding was of course compounded by the lack of tax deductibility of some NGOs. In both countries, NGOs with the highest resource dependence on the government (GEOTA and UGA) did not have tax deductibility.

The flip-side to the reputation problem is that when probed some interviewees recognised that in some cases receiving government funding makes it easier for NGOs to attract some types of funding because it sends a signal to other donors of NGO organisational capacity to implement projects and because it helps NGOs fulfil matching funding requirements. So in the eyes of institutional donors and some companies, some government funding may actually increase NGO legitimacy and this constitutes a source of government power in the relationship.

Generally speaking therefore my examination of management attitudes in the case-studies revealed a sense of organisational dependence and vulnerability when the NGO was resource dependent on the government. Government funding was perceived by NGO managers to be highly discretionary and uncertain in the long run. However government funding was welcome in conditions of general resource scarcity and all organisations applied to more government funding than they received, indicating that despite all of the pitfalls, they would have been happy to have received more funding from the government. An examination of NGO management attitudes therefore offers partial support for the piper hypothesis. The next question will examine whether the piper hypothesis held true in actual organisational behaviour.

Programmatic discretion in service delivery

Table 23 shows the relation between government priorities in NGO service delivery work and financial dependence on the government, with shaded cells corresponding to piper hypothesis predictions (* denotes assessment closer to medium on the horizontal dimension).

Table 23: Piper hypothesis and case-studies' service delivery programmatic discretion and ability to reject funding

		Programmatic discretion and ability to say "no"	
		High	Low
Resource dependence on the government	High	UGA* GEOTA* (MNSD)	
	Low	LPN Naturalia	

My evidence shows that lack of programmatic discretion was partly correlated with government funding dependence. As predicted by the piper hypothesis, LPN and Naturalia had a lot of freedom to determine priorities and goals for their service delivery programmes. GEOTA on the other hand had much less freedom because it was constrained by government programme priorities. For example, it had to "translate" its projects to fit the priorities of different government agencies such as the Environmental Ministry, Ministry of Youth or Ministry of Culture. It is important not to overstate GEOTA's lack of discretion over service delivery priorities. GEOTA had some discretion because its leaders decided which programmes were more in line with GEOTA's mission and goals and then they applied for government funding on those programmes. When a programme was believed to require an excessive diversion from GEOTA's mission it simply did not apply to it. As shown in chapter 4, there was much discretion for the NGO in defining the actual project in funding applications. Most government agencies in Portugal and a few in Mexico, defined only the key broad policy and funding priorities, most of which were in line with NGO missions, leaving the implementation plans to NGOs themselves. Of course, at times government conditions and NGO priorities did conflict. In such cases, GEOTA would normally seek funding elsewhere or would try to negotiate those conditions. At the same time the government could and often did reject project proposals. So the government had some discretion in creating priorities for funding and in approving project proposals. With around 90% of its funding coming from the government to implement projects, it is no surprise that much of GEOTA's service delivery work was partly sanctioned by the government.

Similarly, UGA and MNSD had much discretion in their service delivery projects, despite being resource dependent on the government. UGA's experience is particularly interesting since it

was more resource dependent on government funding than MNSD. One good example of its programmatic discretion is the use of government funding to pay for its newsletter: “Barbechando”. The newsletter had capacity building objectives and it was distributed to all members many of which are other NGOs. In it, members could find information about environmental legislation, management tips, etc. But it also included much criticism of government policy. At the same time once a project budget was approved, UGA had very little discretion about alternative uses of those funds. Every budget change required special approval. But UGA was very much in control of its service delivery projects. One reason why UGA had so much discretion was the process and nature of government funding. As mentioned in chapter 5, UGA’s government funding was awarded by the Junta de Asistencia Privada, which is a QUANGO governed by both government and private organisations. It awards funding to most NGOs with the IAP legal form. The process is not therefore a competitive tender for government defined projects but instead starts with NGO initiative for funding, a process more like grant-making than contracting out. Under government control, the presence of private members in the Junta’s management ensures that UGA is not as easily sanctioned for political reasons.

So in terms of service delivery, financial dependence on the government is only partly related to low programmatic discretion. Low financial dependence ensures programmatic discretion but high dependence does not necessarily compromise independence to set NGO service delivery programme. Even in the case of GEOTA which faced the greatest government control, there was still much independence in the choice of programs to apply to and how to shape those programs. GEOTA’s and UGA’s discretion resulted from the funding application process and in the case of GEOTA from its organisational capacity to design and implement projects which won competitive tenders. According to one government official:

GEOTA is one of the most successful NGOs [in getting proposals approved]. They submit well thought-out, realistic, and ambitious proposals and their implementation is normally very good as well. ... [GEOTA] has a very strong management capacity and we like working with NGOs like them. ... They make our jobs much easier and the projects are generally of higher quality [than those of other NGOs].⁵⁵

In sum, high programmatic discretion (or low goal displacement) in service delivery projects appears to be conditioned by resource dependence, the nature of the funding process, which may give more or less discretion to implementers, and NGO management capacity, which strengthens NGOs’ ability to write good projects including both their own and government organisational priorities and increases government inter-dependence with NGOs.

⁵⁵ Interview with anonymous government official, Instituto de Promoção Ambiental, Lisbon, April/98.

Surprisingly, all case-studies regularly rejected funding opportunities, which according to Hudock (1999) is the key indicator of organisational independence. Naturalia regularly rotated donors so that they did not become dependent on any one of them. UGA chose not to charge its members for its services. MNSD had a highly diversified funding base and spent considerable resource scanning the funding environment so as to find funding opportunities that had a good match with its mission and programme priorities. In Portugal, GEOTA rejected company funding on the grounds that unacceptable demands are often made by companies which offer sponsorship deals with NGOs. LPN had a highly diversified funding base, so that no funder had too much power, and it spent much time scanning the funding environment both nationally and internationally in search of opportunities that matched its mission and priorities.

Organisational structure

Table 24 shows the relation between organisational structure and government funding dependence. As before, shaded cells indicate the expected relation between the two variables based on the piper hypothesis (* denotes assessment closer to medium on the horizontal dimension).

Table 24: Piper hypothesis and case-studies' bureaucratisation

		Organisational Structure: bureaucratisation	
		Low	High
Resource dependence on the government	High	GEOTA* UGA	(MNSD)
	Low		LPN Naturalia

As mentioned in chapter 2, there are many references to the bureaucratisation of NGOs that receive government funding (e.g., Kendall 2003). This is often referred to as the “institutional isomorphism” threat (Frumkin 2002), that is, government agencies are more likely to give funding to organisations that are structured bureaucratically like themselves. At the same time, government funding has various bureaucratic requirements and in order to comply with those requirements NGOs are forced to bureaucratise their structure and estrange volunteers (e.g., Russell et al. 1995, Scott and Russell 2001).

My findings however strongly disagree with the piper hypothesis and the “isomorphism threat”. In both Mexico and Portugal, most case-studies that were more dependent on government funding were the ones less bureaucratised. Indeed both GEOTA and UGA were much closer to being collectivities than bureaucracies. GEOTA and UGA were very participatory and decentralised in their decision-making. They did not have very rigid or specialised job descriptions. Much, at times even most, of the work was done by volunteers. Volunteers were not limited to auxiliary tasks. They participated in leadership, governance, and implementation tasks. Organisational rules and procedures were kept to a bare minimum.

Apart from some administrative support, we are all volunteers. We do everything on our spare time when we are done with the jobs which keep us alive [by paying a salary].⁵⁶

At the same time LPN and Naturalia, which had less dependence on government funding, were much closer to being bureaucracies with taller organisational structures, greater use of paid staff, and more formalised procedures. LPN was mostly a bureaucracy but its leaders were voluntary. Naturalia used volunteers in its governance and some specific tasks (e.g., web site design). On the other hand, MNSD corresponded to the piper hypothesis with high resource dependence and high bureaucratisation.

The comparative analysis of the case-studies suggests therefore a negative relation between government funding dependence and bureaucratisation, i.e., more government funding leads to less bureaucratisation. How can we explain such a surprising observation, which holds true in comparing the case-studies both within and between countries?

Further inspection and interviews revealed that more government funding may lead to a certain increase in bureaucratisation because of increased demands for paper work in fundraising and reporting. An informal longitudinal analysis of the case-studies during the study period indicated an increase in bureaucratisation corresponding to increases in government funding. However it is difficult to desegregate it from matching increases in private funding, which may also lead to bureaucratisation, as the size of the organisation increases.

Moreover one important reason why LPN, Naturalia and MNSD were more bureaucratised was because they received funding from other sources that valued a bureaucratic structure and did not value volunteer input as much. LPN received funding from the EU and from some companies as well as from the government, all of which value complex funding proposals and reporting. MNSD and Naturalia received funding from international donors, NNGOs, companies, and individual supporters who valued a professional bureaucratic structure. So the reason why they were more bureaucratised was not so much because they received less funding

from the government as because they received more funding from sources that valued a bureaucratic structure. These funders, other than the national government, often required NGOs to find matching funding from different funders. This requirement forced NGOs to undertake strong fundraising efforts which led to diversifying their funding sources but also having to develop a professional fundraising structure within the organisation.

On the other hand, both in Portugal and Mexico the government is also looking for cost effectiveness in NGO funding proposals. Much of this may be derived from the volunteer input that NGOs can attract to the projects. In both UGA and GEOTA members were happy to volunteer some of their labour but they demanded some influence over the organisational affairs in exchange. So while these organisations had to develop their administrative procedures to cope with government funding requirements they also had to develop or maintain volunteer involvement and democratic values. Indeed the development of an administrative core helped to better coordinate and sustain volunteer recruitment and work. Paradoxically, government funding helped to sustain their collectivity principles and structure.

Alone, government funding dependence is therefore a poor predictor of organisational structure. I found that NGOs that have a high dependence on government funding had to balance a more bureaucratised core with greater volunteer input. This balance may lead to more bureaucratisation in some cases and less in others. At the same time low dependence on government funding may co-exist with low bureaucratisation as in the case of an informal NGO which depends on member donations only, or it may co-exist with high bureaucratisation when other funders value a bureaucratic structure as in the case of LPN and MNSD.

To conclude, my observations suggest that very little can be learned about organisational structure from comparing different resource dependence levels between different NGOs. However there may be some currency to the idea that as resource dependence changes in *one organisation* so does its organisational structure. That is, a longitudinal analysis of the impact of resource dependence changes on the organisational structure may show a greater correlation between resource dependence and organisational structure. This idea is consistent with research undertaken in the UK by Scott and colleagues (Russell et al. 1995, Scott and Russell 2001). GEOTA and UGA did increase their administrative core to deal with government funding requirements although they remained collectivities over all.

⁵⁶ Interview with Regina Barba, UGA, Mexico City, April/98.

Advocacy

Table 25 shows the relation between government funding dependence and advocacy work. As before, shaded cells indicate the expected relation between the two variables based on the piper hypothesis (* denotes assessment closer to medium on the horizontal dimension).

Table 25: Piper hypothesis and case-studies' advocacy freedom

		Obstacles to criticising the government	
		Low	High
Resource dependence on the government	High	GEOTA UGA	(MNSD)
	Low	LPN Naturalia*	

Surprisingly, high resource dependence on the government did not necessarily lead to self-censorship and to high obstacles to criticising the government. Low resource dependent NGOs, LPN and Naturalia, have a good fit with the hypothesis. However both UGA in Mexico and GEOTA in Portugal ran important advocacy campaigns and they would often criticise the government openly. They frequently engage in public campaigning to try to accomplish their environmental protection goals as chapters 4 and 5 have shown. A Portuguese government official remarked:

They [NGOs, including GEOTA and LPN,] campaign very frequently and often criticise the government. They have even put the government in the European Court.⁵⁷

These observations strongly disprove the piper hypothesis commonly found in the non-profit and NGO literatures, which says that government funding compromises NGO independence and freedom to keep the government accountable. Strong criticism of the government can co-exist with strong financial dependence on the government. Indeed all of the case-studies received some government funding and all of them engaged in criticisms of the government. That is, GEOTA, UGA, LPN and Naturalia did “bite the hand that fed them”.

⁵⁷ Interview with Government Official, IPAMB, Lisbon, July/2000.

On the other hand, MNSD is resource dependent on the government and as my interviews revealed, it faces large obstacles to criticising the government. MNSD's advocacy work is much less visible publicly and it adopts a "constructive" rather than critical stance. Its dependence on government funding made its advocacy work very difficult. It would not dare oppose the government vigorously even though some of their representatives confessed their desire to do so at critical times. By comparing MNSD and the other case-studies we can try to examine the circumstances under which NGOs can or can't "bite the hand that feeds them". I will do this in the next chapter.

Accountability to the mission and to the grassroots

Table 26 shows the relationship between resource dependence on the government and accountability to mission and to the grassroots; the shaded cell indicates piper hypothesis predictions (* denotes assessment closer to medium on the horizontal dimension).

Table 26: Piper hypothesis and case-studies' accountability to mission and grassroots

		Accountability to mission and grassroots	
		Low	High
Resource dependence on the government	High	(MNSD)*	GEOTA UGA
	Low		LPN Naturalia*

The piper hypothesis suggests that higher resource dependence on the government should divert accountability away from the grassroots (Edwards and Hulme 1995) and from the mission (Najam 1996a) toward donors, i.e., the government. While intuitive this prediction only applied to one of the case-studies with high resource dependence. Only one of the case-studies conformed to the piper hypothesis. Both GEOTA and UGA were able to remain highly accountable to their grassroots (members) and to their missions despite a high level of resource dependence on the government. Members had not only access to extensive information about how the organisations were run, they also voted for their leadership. UGA members had regular meetings (normally once a month) when its leader explained current activities and tried to get support for its initiatives. Members also have at least twice a year general membership meetings to discuss governance issues. GEOTA publishes extensive annual reports which it divulges for

membership approval in an annual general membership assembly (the body where governance ultimately rests). GEOTA's members elect the board of governors and its leadership so they remain accountable to their grassroots and to their mission. Leaders can be ousted through extraordinary general membership meetings as long as a majority of members present votes to that effect.

MNSD's low accountability to the grassroots and to a lesser extent to its mission is partly explained by its resource dependence. Being dependent mainly upwards (to donors and government), MNSD had few direct processes to ensure their accountability downwards to their grassroots (i.e., beneficiaries of sustainable development projects). It often involved communities in project decision making through participatory processes but the initiative of the projects and the control over the participatory process rested mainly with the NGO. So the participation of beneficiaries was more "instrumental" than "empowering" (see White 1996 for a categorisation of different types of beneficiary participation). Communities had no power to impose sanctions on MNSD so downward accountability was mainly "responsive accountability" (see Leat 1988). Accountability to its mission rested mainly with its board of governors. But while board members were happy to provide organisational direction and leadership, as mentioned above, when protecting the environment required opposition to the government board members preferred to protect their own relationships with the government rather than offer independent leadership to the organisation. So accountability to its mission was fairly low as its advocacy role was curtailed because of governmental pressure.

These findings are not entirely surprising. Natal (2001) found in his examination of the relationship between government funding and beneficiary participation that small Mexican NGOs that received more government funding were also able to mobilize greater grassroots participation. He explained that rather than being at odds with each other as predicted by the piper hypothesis, beneficiary participation made NGOs more attractive actors with whom the government wanted to contract. Government funding and beneficiary participation went hand in hand in such conditions. The need to ensure beneficiary participation entailed some efforts of being accountable to the grassroots so as to secure beneficiary involvement.

Organisational effectiveness and sustainability

Organisational effectiveness was defined following RDP as the "ability to create acceptable outcomes and actions. ...organisational effectiveness is a multifaceted concept, where the effectiveness of the organisation depends on which group, with which criteria and preferences, is doing the assessment" (Pfeffer and Salancik 1978:11,33). According to RDP organisational growth is an indicator of effectiveness. "While growth is not the only, or a perfect, indicator of effectiveness, it does indicate the extent to which the organisation can generate support and

resource from the environment” (Pfeffer and Salancik 1978:173-174). Similarly growth can be an indicator of organisational sustainability (Hudock 1997a). Table 27 shows the relationship between resource dependence on the government and organisational effectiveness (shaded cells indicate piper hypothesis predictions).

Table 27: Piper hypothesis and case-studies’ effectiveness and sustainability

		Organisational effectiveness and sustainability	
		Low	High
Resource dependence on the government	High		GEOTA UGA (MNSD)
	Low		LPN Naturalia

Interestingly, all NGOs were effective and sustainable according to RDP’s definition (see chapter 2). All NGOs have existed for at least 10 years and their existence does not appear to be at risk. They show therefore that their ability to attract sufficient social support is strong. Interestingly, even the control case had high effectiveness questioning any relationship between resource dependence and effectiveness, as defined by RDP. Indeed, MNSD had been obtaining very large growth rates, with corresponding increases in impact and influence.

These observations suggest that resource dependence does not compromise organisational performance. NGOs can be quite effective despite relying strongly on government resources. This is consistent with observations made by Blackmore (2004) who also found that NGOs can be effective and receive government funding. Arguably, however, NGOs can be effective in activities which are not sufficiently related to their mission.

While consistent with RDP, an assessment of both organisational effectiveness and sustainability, as the ability to attract support from the environment, is problematic since non-profits have been accused by various authors of being “permanently failing organisations” because their ability to attract resource is not necessarily related to their actual performance. It is likely that the ability to attract resources is one dimension of organisational effectiveness but this is only part of the story.

There was insufficient data to provide different evaluations of the impact of resource dependence on organisational effectiveness and sustainability. A more complete evaluation of organisational sustainability would require a comparison of cases that actually ceased to exist or a larger set of organisations over a longer period. And a more well-rounded evaluation of organisational effectiveness would require actual evaluation of the NGOs' work against its stated mission. This was not possible within this study's time constraints.

Impact of membership type, size and age

Albeit not controlled for as systematically as for the previous variables (see chapter 3), the case studies suggest other impacts on organisational independence. My observations with respect to these variables must therefore be tentative.

Firstly, the fact that UGA was an umbrella organisation as well as an association of individual members did not seem to have much impact on its independence challenges.

Secondly, size was an important variable. With the exception of MNSD, larger organisations measured in terms of income and labour input (volunteer and paid) tended to have less resource dependence and pursued a stronger strategy of diversification of funding sources. MNSD also pursued a strong diversification strategy but it remained indirectly resource dependent on the government (see chapter 5). Government funding tended to be more important as a proportion of total funding for smaller NGOs, such as GEOTA and UGA, which had not yet been able to find many alternative funding sources.

Thirdly, age was an important variable. Older NGOs tended to be less resource dependent and have more diversified funding sources. At the same time their dependence on funding as a critical resource to pay its labour costs made them more vulnerable to funding providers. Younger NGOs tended to rely more extensively on volunteers and therefore depended less on funding as a critical resource. This is consistent with the environmental NGOs' literature on institutionalisation and "cycles of protest", which suggest that younger NGOs are more activist and protest oriented, while older NGOs are more professionalized and rely more on institutional advocacy means such as lobbying.

Summary

The comparative description of the findings presented above tells a complex story about the relationship between resource dependence and organisational independence. Overall, resource dependence was not a very good predictor of the various dimension of organisational independence. Even the control case, MNSD, which had a good fit with the piper hypothesis, did not fit the predictions in all dimensions of organisational independence. This analysis

suggests a need to avoid easy generalisations about the conditions for NGO independence based simply on observations about government funding and resource dependence.

Management attitudes in terms of complaints about resource dependence had the best fit with the piper hypothesis. Leaders of NGOs that depended on government funding the most were also the most likely to complain of resource dependence and want to change their current situation. Other dimensions however had a much poorer fit. NGO independence manifested in various dimensions of organisational behaviour, such as terms of advocacy, accountability, organisational structure and programmatic discretion, did not appear to be much affected by resource dependence on the government. This gap between management complaints and actual independence in organisational behaviour will be explored in chapter 8.

Overall, one conclusion stands out from the examination of the findings. The piper hypothesis applies better to predict the impact of low rather than high resource dependence on the government. That is, low government funding (as in Naturalia and LPN) does lead to high organisational independence in relation to the government, but high government funding (as in GEOTA, UGA and MNSD) may or may not lead to low organisational independence. While the predictions in relation to MNSD, were mostly correct, the predictions in relation to GEOTA and UGA were mostly incorrect. These conclusions suggest that resource dependence (direct and indirect) may be a necessary condition for organisational dependence, but it is not sufficient. The impact on organisational structure is more ambiguous because government as well as other funders may both want more bureaucratisation and more cost effectiveness and volunteer input. The resulting influence is therefore ambiguous. Similarly, effectiveness did not appear to be compromised by resource dependence on the government, but this may be partly a result of the indicator of effectiveness used in this study.

Table 28: Match between the piper hypothesis and the empirical observations

		Organisational independence (overall)	
		Low	High
Resource dependence on the government (direct and indirect)	High	(MNSD) Suggests that resource dependence is a sufficient condition	GEOTA UGA Suggest that resource dependence is not a sufficient condition
	Low	Resource dependence is not a necessary condition	LPN Naturalia Suggest that resource dependence is a necessary condition

How can we explain this differential impact of government funding and the piper hypothesis? When does high resource dependence on the government compromise NGO independence, and when doesn't it? What other conditions are necessary for resource dependence to lead to organisational dependence and external control? To answer these questions and explore further the piper hypothesis we need to examine NGO independence strategies and probe deeper into the concept of resource dependence by separating government funding as a proportion of total funding from actual resource dependence.

6.2. GOVERNMENT FUNDING IS NOT RESOURCE DEPENDENCE

The analysis presented above suggests that we need to look beyond funding to properly understand and assess resource dependence. We need to put government funding in context. I do so below by looking at the broader context of NGO resources, government resources, and what I call "adjusted resource dependence" at the organisational level.

NGO resources

NGOs often mobilise non-financial resources which are neglected in an examination of resource dependence limited to funding relationships. Such an approach will generally over-estimate resource dependence of NGOs on the government.

Funding is undoubtedly one of the most important resources for non-profits (e.g., Gronbjerg 1993) and NGOs (Hudock 1997a, Natal 2001). In my experience it is the first resource any organisation will mention when asked about its resources needs. Indeed funding was often used

inter-exchangeably as a synonym for “resources” by many of my interviewees. Similarly, most of the literature on resource relationships of NGOs concentrates on funding as the main resource used by NGOs.

There is too much attention to funding in NGOs partly promoted by demands from the government and donors to produce financial reports (see Ebrahim 2003). This is to a large extent a reflection of donor and regulatory demands for financial accountability rather than estimations of the true amount of resources mobilised by the NGO. When probed a little, most NGOs would recognise volunteer labour, reputation, information or relationships as critical resources for their work. When asked about the value of the contribution made by volunteer labour, no NGO was able to assess it with any degree of certainty. There was no effort at trying to give a financial value to volunteer labour so that it could be accounted for in the evaluation of organisational resources. Some NGOs however are awakening to the need to include volunteer labour in their evaluation of resources used.⁵⁸

Another reason for the focus on funding income as a proxy for NGO resources is that it is easily measured and compared across time and across organisations. It is very difficult to compare different organisations without a common unit of analysis. Comparing different levels of different resource types such as funding, volunteer use, access to information, relationships and reputation is almost impossible unless they are given a financial value. But arbitrary valuations prevent “objective”, widely acceptable, valuations.

Nevertheless, we must acknowledge that evaluating the affluence of an NGO by its monetary contributions alone will probably induce bias in the analysis. Funding will not normally buy commitment or ideological conviction, both of which are critical resources in many NGOs (Freeman 1979). NGOs are rich in unconventional resources, normally intangible resources that accounting theorists have been struggling for years to include in their analyses of organisations. These resources have been the object of increasing attention over the past 20 years. Such is the case of for instance of goodwill or reputation.⁵⁹ NGOs also draw upon even harder to grasp resources such as access to the media or social entrepreneurship that are fundamental to their work. These resources may mark the difference between success and failure in achieving organisational objectives. My observations revealed a wealth of non-monetary resources that NGOs draw upon to achieve their goals. For example, NGOs regularly rely on volunteers, extra commitment from paid staff, relationships with important actors such as the media or other NGOs, and even assets such as premises, all of which clearly influence NGOs need for funding income. These resources would not be included in an analysis that was restricted to funding

⁵⁸ Interview with Martha Delgado, Presencia Ciudadana, Mexico City, September/98.

⁵⁹ International Accounting Standards Committee, at http://www.iasc.org.uk/cen2_138.htm

income alone. Although rarely undertaken a simple analysis of the value of volunteer resources will show that these organisations are less resource dependent on the government than an analysis of funding income would suggest.

The use of volunteers varied between case-studies from just a couple (Naturalia) to over 50 (GEOTA). Volunteers constituted a fundamental resource (volunteer labour time and expertise) for UGA and GEOTA. With difficult access to funding, they relied extensively on volunteer labour. Generally, Portuguese NGOs rely to a large extent on volunteer input. Even at LPN, which also uses paid staff, the leaders integrate an executive committee elected by the General Assembly of Members. This committee contains many of the organisation's critical skills so that it has to do a lot of the advocacy and research work of the organisation. The executive committee also has decision-making responsibilities and most decisions of any significance have to be approved by it.

Similarly paid staff can donate some of their labour even though they are paid for part of their work. The case-studies paid lower wages than what their workers would have been able to get in government or business organisations. Moreover they often worked overtime and received very few benefits in terms of pensions, expense allowances, etc. Paid staff commitment therefore is another important resource, which is similar to volunteering, but its relevance may be even greater since paid staff normally have the right skill mix and knowledge for the organisation.

Another key set of resources which the case-studies relied upon was "donations in kind". UGA for example was headquartered in the offices of a printer business owned by its leader. Similarly, its computers, its main vehicle, and its stationary were all "borrowed" from the leader's business or personal assets. Similarly much of GEOTA's volunteer work took place in volunteer's own homes. In many ways therefore these NGOs were benefiting from resources which helped them accomplish their mission and reduced their resource dependence on the government.

Even resources that have a clear financial value such as ownership of premises are not normally included in traditional analyses of resource dependence, which focuses on funding income. GEOTA and LPN owned their premises. As a result they did not have to pay rent like Naturalia. Income from assets such as bank interest is included in the simple analysis of income based on receipts only, but savings made by *not spending* income, e.g., by not paying rent, are not.⁶⁰

⁶⁰ Technically they should even be added as a cost (depreciation). NGOs normally did not include this in their accounts.

Focusing on income and excluding assets and costs from the analysis again introduces bias in the analysis of resource dependence.

Funding was critical for all case-studies because all had paid staff and needed funding to pay for wages, rent, equipment, etc. But an analysis which overlooks NGO resources other than funding income will overestimate the size of the resource dependence. Restricting an analysis of resource dependence to the proportion of funding from different origins will overlook important non-financial resources, in which NGOs are often rich. Non-financial resources such as volunteer labour partly help to explain why the hypothesis did not hold in relation to advocacy work and organisational structure. Volunteers can have a large impact in these areas of organisational behaviour. Similarly, NGOs that use volunteers to implement service delivery projects will be less vulnerable to government influence through financial dependence on government funding.

The evidence suggests a need to look beyond funding and beyond the government in an effort to understand the relation between NGO independence and resource relations.

Government resources

At the same time overlooking resources other than funding from government may hide important sources of influence for the government over NGOs. Non-funding resources such as tax deductibility or a license to work in a natural reserve may provide critical sources of leverage for the government to influence NGOs. Overlooking them will underestimate NGOs' true resource dependence on the government.

The government is a critical actor in NGOs' resource environment whether or not they receive funding from it. The resources that the government provides could be divided into public goods and private-consumption goods. Private-consumption goods include funding, expertise, tax breaks, reduction in court costs, and consultative status in government policy making. The most relevant public goods included information, regulatory framework and social rights. The case-studies interviewed were very aware of their need for institutional resources in order to achieve their mission of environmental protection.

At its most basic the government gives NGOs basic public goods, such as its capacity to enforce the law and the supply of information (such as economic, geographic and demographic statistics). All NGOs in my study relied extensively on public goods provided by the government – institutional resources. In particular NGOs benefited from environmental legislation and social rights to further their mission. The need to regulate social action to protect the environment requires the enforcement capacity of the government. Regulation and policing are crucial for environmental protection to be accomplished, i.e., for most environmental

NGOs' mission to be furthered.⁶¹ All cases were involved in environmental education and many relied on the existing public education system to deliver environmental education.

In the two countries the government also provided other types of resources to NGOs. In Portugal, the government also provided tax deductibility, a volunteer scheme, and extensive information about the environment in Portugal. In Mexico the relation was tenuous. Although the right to associate is well established, government support to civil society organisations is still very limited. Tax deductibility for example is the privilege of only a few organisations in the environment sector.⁶² Two of the three Mexican case-studies, UGA and Naturalia, for example, did not benefit from tax deductibility. Government policy in relation to tax deductibility is perceived to be fragmented and inconsistent or even autocratic and clientelistic. Even in the UK and US, non-profits with access to tax deductibility benefits still face many obstacles to advocacy work (Kendall 2003), although these restrictions are increasingly being relaxed in the UK.

So tax deductibility is another good example of government resource and source of influence because it affects NGOs' ability to attract resources. The current legal framework to award tax deductibility status on NGOs underplays the public benefit of environmental work. LPN has tax deductibility that was awarded as a one-off exception because of its long history and association with research institutions. GEOTA does not have tax deductibility. All of the organisations said that the lack of tax deductibility severely limited their ability to fundraise from other sources. NGOs with tax deductibility such as LPN in Portugal and MNSD in Mexico had much more ability to fundraise from individuals and companies and had much more diversified income profiles, but were more dependent on government discretionary award of tax benefits.

The direct impact of non-income resources on resource dependence is best illustrated by MNSD. As described in chapter 5, to understand MNSD's resource dependence on the government we need to look beyond funding. It receives many critical resources from the government such as its premises, tax deductible status, which is so elusive for NGOs dedicated to environmental protection in Mexico, and access to nature reserves. And more importantly its reserve fund worth around US\$ 1 million, which is critical to its work and survival, was the result of a debt swap operation sponsored by the government. A similar example in Portugal is government's ability and to influence NGO access to EU funding. At the moment Portuguese NGOs cannot access EU funding without a favourable recommendation by the Portuguese environment ministry. This gives the Portuguese government a lot of power and well beyond that of government funding alone. Both in Portugal and in Mexico, the *government* was the

⁶¹ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

⁶² Interview with Director of Finance, MNSD, Mexico City, August/99.

gatekeeper to many international and even *non-governmental* resources. An analysis focusing on financial flows would overlook this influence.

“Adjusted” resource dependence

When the above discussed resources are included in the analysis, the picture of resource dependence may change dramatically. Nominally, MNSD only receives 1% of its funding from the government.⁶³ However, as mentioned above, MNSD has benefited from other government resources. Accounting for the value of a reserve fund as an element of MNSD’s resource dependence on the government is a complex and somewhat tentative process. Nevertheless it can illustrate the complex impact of resource dependence very well. As described in chapter 5, MNSD’s actual resource dependence is closer to 50% when all government resources, such as premises, access to the debt swap operation, and tax deductibility, are included in the analysis (Table 29).

Table 29: Adjusting resource dependence with non-funding resources

Organisation	Nominal resource dependence	Reliance on volunteers	In kind donations	Tax deductibility	Other government resources	“Adjusted resource dependence”
GEOTA	90%	High	Organisational premises	No	None	Lower than nominal
LPN	30%	Medium	Organisational premises Farm	Yes	Access to EU funding	Equal
UGA	70%	High	Premises belong to leader	No	None	Lower than nominal
MNSD	1%	Low	Reserve fund	Yes	Premises Access to nature reserves Access to policy makers	Much higher than nominal
Naturalia	1%	Low	None	No	None	Unaffected

Looking into non-funding private and government resources in most cases decreased or left unaffected the estimation of the case-studies’ resource dependence on the government.

⁶³ MNSD annual accounts 1995-2000.

Sometimes however an examination of non-funding resources may reveal higher level of resource dependence, such as in the case of MNSD.

The above analysis improves the fit between the empirical evidence and the piper hypothesis, but only to an extent. GEOTA and UGA face a lower resource dependence than that which is indicated by an analysis limited to funding. Given this study's methodology, however, it is impossible to measure the "adjusted resource dependence". By suggesting that the resource dependence of GEOTA and UGA is lower, the gap between their resource dependence and their high level of organisational independence is partly explained. Similarly, MNSD faces a much higher level of resource dependence on the government both due to non-financial resources and due to indirect dependence because of their dependence on donors and donor's dependence on the government. Much of the external control they experience is partly accounted for by taking a broader perspective on resource dependence, including non-financial resources in our analysis of the impact of government funding and NGOs and dependence provides a much more realistic picture of NGOs' choices and behaviour.

6.3. GOVERNMENT CONTROL

Of course the government and NGOs can have similar organisational interests, such that government influence does not create any problems for NGOs. Problems only emerge when interests conflict (Pfeffer and Salancik 1978). But even when interests conflict the government may not always be interested in trying to influence NGOs (see chapter 2 above). This is another reason why NGOs were less subject to government influence than the piper hypothesis would predict.

Why wouldn't the government try to influence NGOs even if it had the resource dependence power to do so? Both in Mexico and Portugal, the government faced many obstacles to controlling NGOs.

Costs of influence

One obstacle is that government officials are limited by the legitimacy of their influence attempts. Some influence attempts are legitimate while others aren't. The government can for example demand that NGOs present detailed reports explaining the use of government funding or that NGOs use the funding for the purposes agreed to in funding contracts. But the government cannot as easily bully NGOs into not criticising government policy. Indeed my interviews with government officials revealed a general assumption that NGOs should be respected as they perform a socially beneficial work. Limits to the legitimacy of government demands presented an important obstacle to the government control of NGOs.

Mexico's democratisation process is likely to generate a better relationship between government and NGOs in the future.⁶⁴ Repressive instruments are less used today. The establishment of a *de facto* multi-party system combined with a competitive media sector has improved government officials accountability. Also Mexico's entry into NAFTA has put its government in the spot light of international media attention. As a result concerns about social issues such as human rights have grown in importance. These trends have improved Mexican environmental NGOs' position vis-à-vis the government and reduced the latter's scope for influence.

An analysis of resource relations needs to consider not only the quantity and criticality of the resources exchanged but also the terms of the relationship (Hudock 1999). The vast majority of government funding received by the case-studies was in the form of service delivery contracts. Contracts are normally perceived as affording less discretion to NGOs than grants, but contracts also increase the certainty about the terms of the exchange (Mowjee 2001). Normally the government creates a tender system and defines programme objectives and rules for funding. NGOs then apply for the funding. After some possible negotiation a service delivery contract is signed between the two parties, which includes preferences from both parties. Contracts may restrict the legitimacy of influence attempts outside the contracted terms and reduce opportunities for government influence after the contract is signed.

While NGOs may be financially dependent on the government, the government may be dependent on NGOs for other critical resources. The macro tendencies of democratisation and globalisation have significantly changed government's discourse. The Mexican environment ministry adopted an ideology of social participation and "co-responsibility" between government and civil society. It is based on the principle that the government alone cannot be responsible for the provision of conservation services.⁶⁵ Civil society, mainly NGOs but also businesses, must also be involved in the effort. These private actors are expected to bring in resources which could not be harnessed otherwise. In the opinion of a government official:

There is a close relationship between the government (INE) and environmental NGOs through [international] contracts. For the government the entry of environmental NGOs into a project facilitates the entry of money from external [mainly international] sources. There is now often a requirement that NGOs be included in environmental projects. ... For the NGOs the government gives them financial support.⁶⁶

Another obstacle is that relationships with other organisations provided another set of critical resources that could reduce government interest in trying to influence NGOs. For example, relationship to the media also varied considerably among the case-studies. NGOs dedicate considerable time and resources to this relationship. The rationale for this investment is two

⁶⁴ Interview with financial officer, MNSD, Mexico, August/99.

⁶⁵ Interview with Alejandro Robles, Conservation International, Mexico City, May/98.

⁶⁶ Interview with INE official, Mexico City, February/98.

fold. First, the media is invaluable in undertaking policy advocacy work. Second, the relationship with media provides a critical balancing resource in the relationship with the government. NGO influence over the media translates into influence on public opinion and the government. In Portugal some NGOs, including GEOTA, have managed to create a very good relationship with media actors that has contributed much to its high public profile. NGOs in Portugal receive a good amount of attention from the media. The situation in Mexico is radically different. NGOs cannot get access to the media unless they pay for a publicity space. This is probably due to a general apathy by the public about environmental issues matched by media lack of coverage of the issue. NGOs too however are to blame for their lack of strategy in their relationship with the media.⁶⁷ Nevertheless UGA still relied on the media to a large extent since many of its public advocacy campaigns used the media to publicise the message. Including non-state actors in the analysis may suggest clues as to why the government is less interested in or capable of controlling NGOs.

A third obstacle to government influence is that control requires attention and monitoring of the NGOs. Although it was not possible to attain exact figures, interviews with government officials revealed that in Mexico and Portugal, funding for NGOs is a very small proportion of funding agencies' budget (normally less than 5%). At the same time that small budget is distributed to a very large number of NGOs. So, the government was more likely to ignore NGOs than to try to control them individually. The low budgetary relevance of NGOs is a measure of NGO visibility and lower visibility normally means less influence attempts (Pfeffer and Salancik 1978).⁶⁸

Monitoring and influence of NGOs requires resources which often resource strapped government agencies do not possess. For Green and Welsh (1988: 293):

Resources, however, must be applied to maintain a [control] process. The organisation must judge whether the cost of control is acceptable... That is, do the benefits outweigh the cost of control, and does the cost of control compare favourably with other strategies for managing dependence?

My observations revealed that indeed funders and government tended to limit their evaluation efforts of NGOs because of their high cost. Many NGO projects represented so little funding that NGOs were only required to provide a report, without any government evaluation visit. The cost of monitoring and control presents opportunities for NGOs to avoid demands made by resource providers (Ebrahim 2003).

⁶⁷ Interview with Martha Delgado, Presencia Ciudadana, Mexico City, March/99.

⁶⁸ Of course, advocacy activities, mainly criticism of government officials may increase NGO visibility in the eyes of government officials.

Divisions within the government and the state

Clearly, the government is not a monolith. Composed of various agencies, ministries, secretaries, and individual officers, the government may have a multiplicity of relationships with the same NGO (see Blackmore 2004). GEOTA for example had funding relationships with the Ministry of the Environment, ICN, IPAMB, Secretary of Youth, Secretary of Culture and National Heritage. Moreover it had advocacy relationships with Ministry of the Interior, Ministry of Planning and Public Works, the Ministry of the Environment, Lisbon Local Authority, various Local Authorities south of the River Tagus, etc. Within each government agency, various people had different attitudes and relationships with GEOTA. Therefore, while some parts may be against GEOTA, other parts of the government were funding it. Other than in extreme cases, the government would not “act as one” in its relationship with GEOTA, which severely hampered its ability to influence the NGO.

Commins (1997:152-3) has found a similar attitude from international donors.

What is very apparent through working with the staff of both bilateral and multilateral agencies is that these are not monolithic structures and that, while NGO criticisms will vex some within a particular agency, the same criticisms will be welcomed by others within the same agency.

Different government officials have different attitudes toward the value of NGOs’ opinions and work. Many government officials in both Mexico and Portugal were themselves ex-NGO leaders. Their relationship with the NGO sector was therefore more likely to be positive and co-operative rather than antagonistic or controlling.

Indeed government funding from one section of government may increase NGO organisational independence in relation to another. Although not valid to all dimensions of organisational independence, from which agency or level of government NGOs derive their funding was critical in determining NGO independence. For example, one Mexican NGO (Biocenosis) benefited from federal and state level funding to independently lobby the local government. Similarly Portuguese NGOs often fundraised extensively from local government which gave them more freedom when lobbying the national government. It is also important to consider internal power struggles within the government such as those between different parties occupying different government positions. Some elements within the government may be very glad to finance NGOs that campaign against the officials of a different party. This is particularly common between different levels of government such as national vs. local.⁶⁹ NGOs can and do position themselves in such power struggles so as to maximise their funding and independence.

⁶⁹ My thanks to Alejandro Natal for bringing my attention to this point.

QUANGOs and independent funding processes

Government's dependence on NGOs for the delivery of some services and the importance of independence for NGOs' value added to the policy process provides incentives for the protection of NGO independence at the institutional and normative levels. In both Mexico and Portugal, NGO and other private members were invited to belong to the board of governance of QUANGOs (JAP in Mexico and IPAMB in Portugal), which distributed funding to NGOs. This institutional incentive for the protection of NGOs' independence is also manifested in normative and legal frameworks which allow NGOs to complain and at times obtain redress from government officials' abuse of power. Portuguese NGOs did use these mechanisms on occasion. In the same line, one QUANGO (IPAMB) in Portugal used a panel of independent proposal evaluators to make many of its funding allocation decisions. Since some panel members were unconnected to the government agency (e.g., from universities), they reduced the agency's power to use funding to deliberately influence recipient NGOs. This incentive to protect NGO independence is also manifested in the emergence, in the UK and an increasing number of countries, of a Compact regulating the relationship between government and the third sector.

Even if the government has the resource dependence power to influence NGOs it may not be able to do so because of social legitimacy limitations on government power or co-dependence on NGOs. Or the government may not be interested in controlling NGOs because it represents a greater bother than they are worth. And we should never forget that the government is not a monolith; different parts of the government may support NGOs while other parts are aggrieved by them and would like to control them.

Government may not therefore be interested or capable of acting as one in an effort to control NGOs. So even when some of the case-studies depended quite heavily on government funding, they managed to carve out or to find some space for independent action, which even involved criticising the government when NGOs thought it was appropriate.

6.4. UNPACKING ORGANISATIONAL INDEPENDENCE: RESOURCE DEPENDENCE AND ORGANISATIONAL INDEPENDENCE

How does the piper hypothesis stand in an across-country comparative analysis of my data on the structural influences on NGO independence? The validity of the piper hypothesis varied with respect to different dimensions of resource dependence and organisational independence. My findings suggest therefore a need to unpack both resource dependence and organisational independence to understand better the important relation between the two variables.

As described in chapter 1, much of the NGO and non-profit literatures suggest the piper hypothesis despite the fact that various studies have questioned it. Even though its proponents recognise that it is simply a “hypothesis” (Edwards and Hulme 1996), its intuitive appeal is very large. It is both convenient and commonsensical that funding and power should go together. But it is important not to stretch this. As my evidence has shown, there are limits to the piper hypothesis, which need to be understood for better policy making and organisational management.

This research’s findings suggest the need to unpack “organisational independence”. One possible way is by dividing the concept into some of its key dimensions: attitudes vs. behaviour and various impacts on organisational behaviour (programmatic discretion, organisational structure, advocacy freedom, accountability, effectiveness and sustainability). Moreover we need to unpack “government funding” and “resource dependence” to understand its complex impact on organisational independence. This study suggests some critical dimensions to resource dependence: funding vs. non-funding resources, and direct vs. indirect resource dependence through other actors. I will explore these in turn.

The case-studies revealed a gap between attitudes and actual organisational behaviour. Government funding did have a significant impact on NGO management attitudes such as complaints about resource dependence. Both in Mexico and Portugal, NGOs that received more money from the government also complained more about resource dependence. They complained more about the bureaucratic nature of government funding, that is, the high administrative costs incurred in applying and reporting to the government. They also complained of shifting priorities which do not match needs on the ground, fears of loss of legitimacy in the eyes of other partners which comes from depending on government funding, untimely payment, and arbitrariness and unpredictability of allocation criteria. These risks fostered feelings of dependence. NGOs appear however to be capable of buffering the impact of these negative aspects of government funding so that it has only a small impact on actual behaviour. Of course, NGOs would prefer not having to deal with these problems in the first place, thus the complaints.

The varying impact of resource dependence on different dimensions of independence such as program priorities, organisational structure and use of volunteers, advocacy freedom, and accountability, suggests the need for a more nuanced definition of independence and a careful description of the methodology (including indicators) used to assess it. This point is obvious but the overwhelming majority of references to NGO and non-profit independence do not provide a definition of independence. Resource dependence may have a different influence over different areas of independence. For example, as mentioned above financial dependence on the government is a poor predictor of organisational structure, partly because the government wants

NGOs as a cheap source of labour to undertake public work, which forces NGOs to cater to volunteers and activists, and partly because organisational structure is influenced by all resource relations not only government funding. On the other hand, because both the Mexican and Portuguese governments do not fund advocacy work, it is possible that government influence on this area of NGO behaviour is less strong. NGOs need to resource their advocacy work in other ways thus partly avoiding government influence.

The assessment of resource dependence based on funding income alone over-estimated the resource dependence of some of the case-studies. We need to look beyond government funding as a proportion of total funding to understand NGO resource dependence. As explained above in section 6.2, resource dependence requires an assessment of both funding and non-funding resources. By taking into account resources such as volunteer input, expertise, tax deductibility, loaned premises the full resource dependence (or independence) is more accurately portrayed than by simply considering the percentage of government funding an NGO receives.

The difference between direct vs. indirect resource dependence helps to explain the wide variation in different dimensions of organisational independence. For example MNSD faced very little government influence on its programmatic priorities since only a small proportion of its direct funding came from the government. However MNSD faced strong external influence on its advocacy work because of its much larger indirect dependence on the government (through its donors' and individual supporters' dependence on the government). Similarly even though GEOTA faced high direct dependence on government funding which imposed external constraints on its programmatic discretion, the government's indirect dependence on GEOTA (via GEOTA's leverage with the media) reduced government's ability to impose constraints and sanctions on GEOTA.

Finally, to understand the applicability of the piper hypothesis we need to include in the analysis that government may not be interested in controlling NGOs. While this may be obvious it is rarely discussed in the non-profit and NGO literatures on resource dependence. Government's unwillingness or inability to control may be because of normative constraints on what government officials can and can't do, government officials have close relationships with NGOs (sometimes having been NGO practitioners), or the cost of control would be prohibitive and the expected benefits from greater control would not compensate for the potential costs involved. Indeed it is hard to imagine how government agencies with limited resources and capacities could control an ever growing number of NGOs, which have grown in capacity and visibility, developed extensive linkages between them and with international organisations (such as donors and NGOs), and as a result are increasingly confident about making public their viewpoints. The recent emergence of alternative mass communication media, such as the internet, has also lowered the costs of public campaigning and information dissemination (see

Clark and Themudo 2003). As discussed above in section 6.3, NGOs may learn that they have much discretion and organisational independence because of a lack of governmental interest in controlling them. As will be discussed in the next chapter, NGOs often avoid demands being made but face no serious sanction as a result (see Ebrahim 2003).

A more nuanced understanding of different dimensions of resource dependence and different dimensions of organisational independence strengthens theoretical predictions on the important relationship between government funding and NGO independence. Much of the discrepancy between the predictions based on the piper hypothesis and my actual findings can be attributed to poor indicators which lead to the mis-measurement of resource dependence and organisational independence. But while adjusting resource dependence helps to explain some of the paradoxical findings, it is probably not enough to explain how an NGO such as GEOTA, which depends on the government for 90% of its funding and which uses funding to pay staff wages, remains able to act independently. RDP and my conceptual framework suggest another set of explanations. What is missing from the piper hypothesis and from the analysis so far is the possibility that NGOs can pursue independence strategies. The next chapter will explore those strategies.

CHAPTER 7. INDEPENDENCE STRATEGIES

This chapter continues the presentation and analysis of the empirical findings. Some case-studies regularly receive most of their funding from governmental sources and their resource dependence on the government is high. The literature and often NGOs themselves argue that low percentages of government funding imply independence and high percentages of government funding imply resource dependence and loss of organisational independence. Yet as I have shown NGOs with high resource dependence on the government can still act independently, for example, by openly criticising the government, making it more accountable to society and to its own mandate. These case-studies run against the traditional wisdom that “who pays the piper calls the tune” or that “you can’t bite the hand that feeds you”, showing that government funding is not a sufficient condition for external control as much of the literature implies.

In answer to the research question, my evidence suggests therefore that NGOs can remain independent even when they depend on government funding. The previous chapter examined some of the reasons for these surprising observations. This chapter continues to answer the second part of my research question: “*How* can NGOs be resource dependent on the government and remain independent?” In so doing I will examine whether the findings presented in the previous chapters can be reconciled with the RDP, which suggests that NGOs can pursue strategies to protect their independence. As described in chapter 2, RDP describes a number of strategies for organisations to try and (partially) maintain autonomy and independence in resource dependence situations, which the NGO/non-profit literatures have tended to neglect, following the more simplistic “piper hypothesis”. Following the framework set out in chapter 2, I will divide these independence strategies into four groups: strategies aimed at reducing resource dependence, avoiding demands, preventing external control, and ensuring commitment to mission. The analysis of NGO independence strategies in this chapter contributes to a more nuanced understanding of the applicability of the piper hypothesis and of RDP to an analysis of NGO independence.

7.1. REDUCING RESOURCE DEPENDENCE

One set of strategies organisations can pursue to protect their independence is to reduce the very source of potential external influence by reducing resource dependence. These strategies include revenue diversification, reducing the need for funding, and developing slack.

Revenue diversification

According to Pfeffer and Salancik (1978) the most powerful strategy to avoid resource dependence is revenue diversification. By reducing dependence on any one provider of funding, organisations become less vulnerable to external influence attempts by any provider of funding. That is arguably also true in NGOs in the South (Hudock 1997a, Fisher 1998) and non-profits in the North (Gronbjerg 1993, Froelich 1999). According to Froelich (1999) there are three main sources of funding: private donations, government, and sales.

All case-studies' leaders stated that diversification of funding sources is an important strategy to protect their independence. But they had very different diversification experiences. Naturalia diversified its revenue by seeking funding from foundations, business sponsorships, private donations, and sales of its magazine "Especies". LPN diversified its revenue by seeking funding from the EU, business sponsorships, private individuals, and renting parts of its farm to local farmers. UGA was not as successful in diversifying its income. It managed to receive a large initial donation from an individual but found it very difficult to diversify revenue by charging fees from its members or other sources. GEOTA was also not very successful in diversifying its revenue. It received some individual membership fees and sold services such as ecotourism trips to the public. But it did not attract foundation, business, or international funding. So aside from the government, the case-studies sought funding from various sources: interest from capital, rent from property, member dues, supporter donations, company sponsorships, and international donor contracts and grants.

The case-studies' funding profiles described in chapters 4 and 5 show that they had different degrees of success in pursuing diversification from government funding. While Naturalia kept its government funding at a very low 1%, GEOTA derived close to 90% of its funding from government. What accounts for such variation? RDP offers no insights into why organisations are unsuccessful in promoting diversification or indeed any other independence strategy (Barnie and Ouchi 1986). Gronbjerg (1993) argues that dealing with donors generates administrative costs and the larger the number of donors the larger the administrative costs. Similarly, Hudock (1997a) argues that diversification is very costly in terms of administrative costs. While diversification can be useful in reducing resource dependence it may also increase administrative costs. She argues that there is an optimum number of providers of funding. Too few donors and the NGO is resource dependent. Too many donors and the NGO will spend too many resources maintaining those relationships. She does not provide however any parameters to determine what that optimum number is for different NGOs.

There are limitations to this argument however. For example, it is probable that each funding transaction offers an opportunity for a profit. Although total administrative costs increase as the

number of donors increases, each donor generally pays for its corresponding administrative costs and still leaves the NGO with a surplus. Otherwise the NGO would probably reject such funding (i.e., if it implied a financial loss). To understand why NGOs stop their diversification efforts we need to introduce an assumption of diminishing returns to diversification, that is, the first donor may provide a large surplus, the second a little less, the third even less, until one donor provides no surplus at all. NGOs should stop diversifying when they reach the donor when there is no surplus. This assumption would seem indeed to correspond to NGOs' own assessment of their funding environment.

We get most of our support [financial and volunteering] from a small number of determined members. ... A few other members volunteer and donate occasionally. The majority of members only pay their dues and often only after we remind them a few times! ... we sometimes try to canvass new members and support but generally the results are disappointing.⁷⁰

Under conditions of diminishing returns to diversification, NGOs will stop diversifying when they have exhausted "profitable" donors. NGOs can find more profitable donors if they invest in fundraising or if they reduce their costs of fundraising.

Another limitation to NGOs' diversification efforts is posed by their limited resources to invest in fundraising. Fundraising normally requires that an initial investment be made in contacting a potential donor and trying to persuade them of contributing to the organisation (Tempel 2003). Even if there are many profitable donors in an NGO's environment it may lack the needed investment resources to reach them. This is indeed a common problem in NGOs that lack sufficient resources to finance core costs such as fundraising. As a GEOTA representative comments:

We would love to undertake more fundraising ... but we don't have the money to attract more money. We mobilise our volunteers and our members but they are not very effective. Even they do not pay their dues. ... We spend most of our staff time dealing with projects, campaigns and fundraising from the government.⁷¹

So the ability to diversify funding sources is related to fundraising capacity which in turn appeared to be strongly correlated with bureaucratisation in the cases that I observed. The most bureaucratised NGO that I examined, MNSD, attracted the most funding, while the least bureaucratised, UGA, attracted the least. Bureaucratic organisations appeared to be also more able to fundraise from a diversified funding base. In all case-studies a large proportion of the paid staff were engaged with either fundraising or reporting to givers. Fundraising is a very complex management activity (Fowler 1997). Fundraising from institutional or international donors can generate large amounts of funding but it requires large volumes of paper work,

⁷⁰ Interview with Helder Carreto, GEOTA, Lisbon, July/2000.

⁷¹ Interview with Helder Carreto, GEOTA, Lisbon, July/2000.

which require professional paid staff to handle. Fundraising from private members and supporters normally require very little paper work but tends to generate very small donations. Not surprisingly therefore a large part of organisational capacity went into securing funding. Although the fundraising workload varied with donor cycles, the managers of the case-studies estimated that between 30% and 50% of their paid staff efforts were in some way related to fundraising. This organisational cost could be even higher in times of crisis. After the 1995 economic crisis in Mexico, Naturalia's leader estimated that around 85-90% of his time went into securing funding!⁷²

Another important variable influencing NGO ability to diversify funding, which emerges from my observations, is tax deductibility. LPN had it while Naturalia, UGA and GEOTA didn't. While tax deductibility has attracted much attention in the non-profit literature, the relevance of tax deductibility status has not been very developed in the NGO literature.⁷³ Tax deductibility status facilitates access to other resources. Tax deductibility allows anyone giving to NGOs a deduction in taxable income or profit equal to the amount donated. It makes donations cheaper. But it also gives donors greater assurance of the social interest and reliability of the NGO. In other words this status provides a signal to donors that the NGO is trustworthy.⁷⁴ Many donors will not make any donation to organisations which do not have tax deductibility status. Tax deductibility constitutes a powerful resource in the search for resources: it brings tax incentives, credibility, and financial discipline.

In Portugal access to tax deductibility status provides a powerful tool for fundraising from private sources. One LPN leader said:

In Portugal we have fiscal incentives for donations to environmental NGOs (for those NGOs that have deductibility), called *mecenato ambiental*: 140% deductibility for every donation. However there is a limitation in that it is only valid for companies and not individual givers.⁷⁵

In Portugal, for a long time LPN was the only environmental NGO with tax deductibility in the environmental field. And although the rules became more relaxed so that other NGOs can now acquire tax benefits, only a few have been awarded it so far. In 2002 GEOTA was still in the process of acquiring it.

In Mexico I found a similar picture with only a handful of environmental NGOs having tax deductibility. UGA tried repeatedly to get tax deductibility. Every time they tried they spent around N\$3,000-4,000 (US\$ 330-440) in fees. Plus they needed to convene all their members

⁷² Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

⁷³ Although it has been extensively examined in the non-profit literature.

⁷⁴ Interview with Director of Finance, MNSD, Mexico City, August/99.

⁷⁵ Interview with Eng. Eugenio Sequeira, LPN, Lisbon, July/98.

for a vote on the change of statutes. Despite help from lawyers and even copying the statutes of an environmental NGO which had tax deductibility, the Mexican government continued to refuse giving out the tax benefits to UGA. The government retains therefore control over an important factor affecting NGO ability to obtain funding even from non-governmental sources.

A final factor affecting NGO ability to diversify is NGO reputation to the public and to donors. It is interesting to note that the oldest NGOs (LPN in Portugal and MNSD in Mexico) attracted the most funding from the greatest diversity of sources. The oldest NGOs in Mexico and Portugal also have a strong international reputation for effectiveness. MNSD has for 20 years worked with NNGOs and international donors. LPN has received a number of national and international awards such as the Ford Prize for conservation in Europe. On the other hand, the need to protect a reputation for organisational independence may be an obstacle in achieving greater diversification. GEOTA and UGA, as many other NGOs, were very concerned with the effect that funding partnerships may have on their reputation. They would always be very careful about not being associated with companies that had a poor environmental record. Their reputation is pivotal in maintaining enough credibility and legitimacy for their advocacy work.

We don't try to get company funding because we are often campaigning against the actions of companies. How do we know if our funder and partner ... is not the next big polluter? That would place us in a difficult position. ...Other NGOs do accept money from companies but I think that their independence may be questioned.⁷⁶

This statement was echoed by GEOTA:

There have been instances when companies providing funding to NGOs [in Portugal] tried to use that funding to black mail [NGO leaders] into silence. Although we don't believe all companies are alike we tend to look at company funding as generally not being worth the risk [of damaging our reputation].⁷⁷

In sum, financially, the case-studies suggest that NGOs which are younger and with less solid reputation among the public and donors have more difficulty building organisational capacity which enables them to fundraise from a wide set of actors. Smaller and younger NGOs appear to be more dependent on fewer funding sources. Moreover, government discretion over tax deductibility further erodes the ability of some NGOs to diversify their funding sources.

There is also a more hidden form of diversification that occurs. Diversification is normally conceptualised in terms of acquiring funding from other organisations (Hudock 1997a) or avoiding governmental sources such as through private donations and sales income (see Gronbjerg 1993, Froelich 1999). Because we analyse resource dependence on the government, analyses tend to conflate the funding of different government agencies. I could find no

⁷⁶ Interview with Regina Barba, UGA, Mexico City, April/98.

⁷⁷ Interview with Helder Barreto, GEOTA, Lisbon, July/2000.

discussion however of diversification *within* government sources. Looking into the proportion of funding from the government as a whole hides this form of diversification. Yet, the case-studies believed this diversification was an important strategy in reducing resource dependence on any one government agency. GEOTA pursued such diversification effectively being able to fundraise from the Environmental Ministry, IPAMB, Secretary of Culture and Heritage, and the Secretary of Youth. Fundraising enabled GEOTA to remain more independent in relation to any one of those agencies and made governmental retaliation more difficult. Sometimes GEOTA was able to fundraise from one governmental agency even when it was opposing a different one. UGA managed to receive government funding from one agency while criticising others. Similarly NGOs such as Biocenosis in Mexico managed to acquire funding from some government agencies run by one party to criticise other government agencies run by a different party. Different political parties in power and different levels of government provide excellent opportunities for diversification.

Therefore, it is important to understand the nature of that diversification and the corresponding set of external demands made upon the organisation. Generally, diversifying between different government agencies is the least effective form of diversification from the point of view of protecting organisational independence from government influence. Much of the literature suggests that NGOs should try to get some part of their funding from the grassroots. This allows NGOs to be more rooted in civil society and more accountable to their grassroots (Covey 1995, Fisher 1998, Hudock 1997a). Diversification into other types of actors such as foundations, companies, NNGOs will probably have a moderate impact in terms of protecting from government influence.

Fundamental to the effectiveness of diversification as an independence strategy, is that the new source be as different as possible from the initial source of resource dependence. Otherwise, diversification may not decrease the potential for external influence. Other actors may “coordinate” with the government in reducing NGO independence. For example, I found in the case-studies that international donors generally dislike overt political activity. If NGOs diversify their funding base by fundraising from international donors, they may find that their freedom to campaign is not enhanced. That was partly the case of Naturalia which diversified into businesses and international donors who were generally not willing to fund “trouble makers”. Similarly, as I showed in the empirical chapters, LPN and Naturalia had adopted a bureaucratic structure not because of their dependence on the government but because of the bureaucratic requirements of fundraising from their diversified funding base. Such examples indicate the possibility of “false diversification” and show that the nature of the resource providers is as important as is their number. If NGOs want to increase their freedom to advocate they must diversify into sources that at least accept if not encourage political work. If NGOs want to avoid bureaucratisation they must diversify into sources that do not make heavy bureaucratic

demands. While this may appear obvious, using an indicator such as proportion of funding from the government would not provide insights into the actual independence of NGOs' organisational behaviour.

Resource substitution

Diversification can also be non-financial. When NGOs cannot diversify their funding, they may reduce their resource dependence on a funding source by reducing their need for funding. That is, NGOs may diversify their resources as well as their funders. By acquiring different resources from different resource providers, NGOs can reduce their resource dependence (see Pfeffer and Salancik 1978).

As mentioned in chapter 6, an analysis of resource dependence must look beyond funding and beyond the main resource relation being researched (Hudock 1997a), that is, it must take account of the context in which any resource relation is embedded. As mentioned in chapter 6, an examination of resources limited to funding would overlook that NGOs are very rich in unconventional resources, normally intangible resources, such as volunteers, expertise, member commitment and a strong capacity to utilise non-funding institutional resources.

Given that NGOs tend to provide mainly services, labour is a fundamental resource for NGOs. Most environmental NGO activities are labour rather than capital intensive such as environmental education, lobbying or reforestation. Indeed it is commonly argued that labour is one of the sources of comparative advantage NGOs have. For example, Afful (1992) found that access to relatively inexpensive but high quality human capital enables NGOs to make a major contribution to development.

Labour time can normally be acquired in exchange for money as NGOs hire paid staff. Volunteers too can contribute labour time. Another form is paid staff, who accept lower than market wages. "There is too much philanthropy from staff at present. We should guarantee them better wages."⁷⁸ Volunteers offer a large pool of skills. It would be very difficult for NGOs to acquire an equivalent complex mix of expertise required from a couple of paid individuals. So by using small amounts of time from a large pool of dedicated volunteers, GEOTA is able to access a broader range of skills and to diversify its dependence on any single volunteer and on paid staff.

The leaders of 3 case-studies were themselves volunteers! GEOTA, LPN and UGA had volunteer managing directors and volunteer boards. Naturalia and MNSD were the only case-

⁷⁸ Interview with Managing Director, MNSD, Mexico City, May/98.

studies with a paid managing director, although its board was also made up of volunteers. Volunteer leaders received their salary from sources other than the NGO. In Portugal most leaders of GEOTA and LPN were academics over the life of the organisations. They worked full-time for a university and volunteered much of their free time to the running of the NGOs. This was common to most NGOs I interviewed.

In Portuguese environmental NGOs leaders tend to be volunteers. So they constitute a special type of asset. ... GEOTA has about forty people working in projects, including many University graduates and researchers, who perform most of the technical policy work on a voluntary basis.⁷⁹

GEOTA utilises both paid staff and volunteers to fulfil its labour needs. It has about three paid employees (it varies depending on project activity) and about 50 to 70 volunteers who regularly contribute time to the organisation.

[Volunteer] leaders are very important to the life of NGOs. Without them there would be no NGO. [They are so committed to our work that] they give time “that they have and time that they don’t” (*tempo que têm e tempo que não têm*)⁸⁰

During my field work, UGA’s leader was also a volunteer. This was uncommon in Mexico where leaders of established NGOs tended to be paid professionals. UGA’s leader owned a printing business where she worked full time and where she drew her salary from. She would volunteer most of her leisure time (and often even time when she should have been working for her own business) to managing UGA.

Other critical volunteers were the members of the board of governance. At UGA, “a president or treasurer must give 4-6h per month. A lot more if there is a campaign going on. ... Volunteer input is critical for UGA’s survival.”⁸¹ The availability of strongly motivated individuals who are willing and able to take on a leadership role in a very busy campaigning NGO is also a critical resource for GEOTA. Also it is not clear whether it could be exchanged for money, that is, whether money could buy such commitment typical of campaigning or social movement organisations (Freeman 1979).

So all case-studies needed some form of volunteer work to survive.⁸² In particular NGOs with a strong activist and democratic principles need a wide base of volunteers who can contribute labour and expertise to the running of the organisation. This volunteer labour input reduces the case-studies’ need for and dependence on funding. Because GEOTA and UGA find it hard to

⁷⁹ Interview with Helder Carreto, GEOTA, Lisbon, July/2000.

⁸⁰ Interview with Conceição Martins, GEOTA, Lisbon, July/99.

⁸¹ Interview with Regina Barba, UGA, Mexico City, April/98.

⁸² MNSD needed volunteers only for its board of governance but this is still a vital function as it is required by Mexican law.

diversify their funding base, access to committed volunteers is critical to reducing their overall resource dependence on the government.

What are some of the limitations on this strategy? While using volunteers reduced the dependence on external funding, NGOs using volunteers have less control over volunteers' time than they do over paid staff (Edwards and Fowler 2002). The contract with volunteers has to be constantly negotiated as volunteers have an easy "exit" from the organisation. There are therefore limits to the substitutability of volunteer work for funding. Volunteer labour is less suitable for some complex tasks which require many hours of consistent work such as financial reporting in complex organisations. So all case-studies had some paid staff, who provided support for their volunteer or paid leaders.

Moreover, the factors which lead to some individuals offering their time as volunteers to social causes and the emergence of social entrepreneurs are not very clear. It appears however that social wealth is an important factor (see Hirshman 1982) limiting therefore the availability of volunteers in poorer countries where NGOs operate. Nevertheless, using volunteers was a common strategy employed by the case-studies in resource substitution and reducing dependence on funding.

Building slack and survival tactics

Slack means excess capacity or resources over what would be needed under conditions of perfect information. It is essential for effective management, particularly in conditions of uncertainty where predicting actual resource and capacity needs are very difficult (Cohen and Cyert 1958). Having excess capacity or spare resources is essential to enable a smooth running of the organisation in face of variable resource flows (Pfeffer and Salancik 1978). Despite its significance there has been very little research on slack in studies of organisations. In the case of NGOs, a Ford Foundation manager stated:

It seems to me that the problem of building sufficient slack is one of the key challenges in NGO management. ... Many projects do not do as well as they could because insufficient slack is built into them.⁸³

The case-studies also recognised the value of having slack.

Sometimes it is amazing we manage to operate at all! ... The government often pays late but expects the project to be finished on time! Often we need to start the project and keep it running with our own resources until the promised [government funding] finally arrives. The problem is that normally we do not have sufficient resources even

⁸³ Comment by a participant at Annual Conference of the Association of Nonprofit and Voluntary Action Research, Washington DC, November 2001.

to pay our staff let alone to invest in projects because of government's delays. ... If we had a reserve fund that would make our job much smoother.⁸⁴

Slack is important both for effectiveness and independence in conditions of uncertain resource flows. Without slack NGOs are forced to either accept funding which may compromise their independence or be forced to reduce capacity through for example cutting staff. Slack allows NGOs extra time to seek appropriate funding which matches the organisational mission and capacity.

However, the case-studies faced many difficulties in their efforts to build up slack. NGOs normally face urgent needs and legislation which prevents resource accumulation. NGOs find it very difficult to build any reserves because of expectations by resource providers that funding should be spent immediately in solving a social problem (see Tempel 2003). Governments and donors look with suspicion at NGOs that build reserves as evidenced by the recent attempt by the Japanese government to tax any reserves even in organisations with tax deductibility and the fact that reserves will in the future be spent in the pursuit of the NGO's mission (Degushi 2003). Moreover, donors dislike paying for core costs, forcing NGOs to use every available resource to break even. Unrestricted funding which could be used to build slack is quickly tied to cost sharing requirements in partnership projects with the government and donors.

Nevertheless, the case-studies build slack in three ways: financial reserves, ownership of fixed assets, and informally through building social goodwill. By building financial reserves NGOs could meet any fundraising shortfalls without having to curtail its activities or fire any paid staff. This allows NGOs to reject funding which could affect its independence and seek other funding. MNSD had a US\$ 1 million fund which gave the organisation much needed slack. The interest on this funding allowed it to pay most wages and to cover any temporary financial short fall. Yet, MNSD was the most dependent organisationally. This finding agrees with Pfeffer and Salancik's (1978: 108) assertion that "While buffering [by developing slack resources] may provide the organisation with the capability to survive periods of uncertainty or instability, buffering does not remove the basic source of vulnerability." Slack resources therefore help to reduce the impact of short term changes in income but it does not necessarily reduce resource dependence per se. It may however be an essential element in helping NGOs "buy time" in dealing with external influence attempts. It allows NGOs to maintain their organisational structure and paid staff for longer helping the organisation find alternative sources of income.

Fixed assets which can be sold or used as collateral provide another form of reserve or slack. By owning real estate NGOs have an asset to use in an emergency or as collateral to attract loans or

⁸⁴ Interview with Helder Carreto, GEOTA, Lisbon, July/2000.

other funding. LPN owns a house that had been donated to the organisation and it managed to use it as collateral in a loan to pay for its restoration. One important dimension of slack is its liquidity, that is, how easily can it be converted into or used to generate cash. Financial reserves are much more liquid than fixed assets such as a house.

Goodwill is the least obvious form of slack but it was still very important and the case-studies spent time and resources building it. Goodwill allows NGOs to attract support in times of great need and therefore works as a form of slack helping to smooth resource shortfalls. For example, members and supporters can constitute a potential reserve in times of need. GEOTA and LPN have occasional fundraising campaigns in times of great need and members generally responded by increasing their donations. Goodwill also helps NGOs attract volunteers who can be mobilized at times of need. Similarly paid staff may be flexible as to when they get paid so that the NGO has some room for manoeuvre in meeting its wage obligations. NGOs also incurred costs retaining members who do not pay their dues hoping they might do so sometime in the future. In real terms therefore even paid staff constitutes a potential reserve of goodwill. NGOs spend scarce resources maintaining reciprocity relationships with other NGOs partly so that they can count on those NGOs in times of need, e.g., during a major campaign. The problem with goodwill of course is that it's not a guaranteed reserve like a financial fund and cannot be as easily controlled and mobilized at will. But I found many examples in which NGOs used goodwill successfully. For example one NGO whose representatives asked to be kept anonymous in this instance stated that

we have a lot of goodwill with our local bank... They allow us to take large overdrafts without charging us any interest. These overdrafts allow us to meet unexpected costs... [The bank does] this partly because they want to keep our custom but even more so because they appreciate our work.

Therefore, despite the difficulties, some of the case-studies managed to build some slack. GEOTA and LPN received enough funding to buy their premises. LPN owned not only its premises but also some farmland which was used for conservation work. Because of their large membership base Portuguese NGOs could generally count on their goodwill with their members. In Mexico building slack was much more difficult because of the general lack of donations and the dependence on companies, international donors and government. The exception was MNSD with its US\$ 1 million endowment or funding reserve. It had the largest slack among Mexican NGOs. UGA did not have financial organisational slack. In compensation UGA benefited from the assets of its leader who donated office space, time, and various other resources, i.e., "donations in kind".

One of the key contributions of slack is enabling the organization to stay alive in bad times. The ability of slack to ensure survival is dependent on how large the slack is and how much the NGO needs in order to stay alive.

As mentioned before, building slack in NGOs is difficult so NGOs must also reduce the minimum amount of resources they need to survive. They do so by converting as much as possible their fixed costs into variable costs, and by reducing their fixed costs to a minimum. Fixed costs are expenses which do not vary according to the organisational level of activity. Variable costs on the other hand vary with the level of activity. Because NGOs finance much of their activity through contracts with national government and international donors, when NGOs have no projects they also have very little funding. This could happen if an NGO is going through a bad fundraising period or if a donor tried to punish the NGO by withdrawing further project funding. In this case to survive NGOs have to reduce their outlays to a minimum.

In [bad financial periods] we cocoon ourselves. We cut every possible cost and remain mostly inactive until we can attract new funding. [When we attract new funding] we grow again, hire new people and go back to implementing projects.⁸⁵

In NGOs, fixed costs generally include rent and wages of permanent personnel. Most of the case-studies found a way not to pay rent. LPN and GEOTA managed to buy their offices. UGA used its leader's business premises. Naturalia was the only NGO paying rent. The case-studies also made strong efforts to reduce their fixed wage costs. Aside from keeping paid staff to a minimum, the case-studies also reduced their fixed costs by converting them into variable costs. This involved for example keeping temporary staff who can be dismissed in times of financial scarcity. This strategy was widely employed by GEOTA, LPN, and Naturalia. Similarly, LPN hired fundraisers and project managers who received their wages from project funding. If there was no funding they did not get paid. This had other consequences for organisational capacity as it increased staff turnover but it significantly increased NGO ability to survive in tough financial times and to expand in times of financial surplus.

The case-studies pursued other strategies to reduce their costs and needs for funding outlays. Main uses of funding included typical office costs: wages, insurance, rent, electricity, computers and office equipment, producing a newsletter, postage, phone, internet connection, project costs (materials and labour). NGOs would reduce their need for funding by being as thrifty as possible. During my interviews I was able to examine their premises and equipment. With the exception of MNSD and LPN, which had just moved into new premises, the case-studies operated in very modest premises. And LPN's new premises were being shared with their centre for environmental education, which had been the main reason why they refurbished their premises. Unlike the government agencies I visited, their computers would not be running the latest software and would be a few years old. Their websites are very basic and efficient not having spent much money on web designing and hosting. And the list could go on. My visits showed that generally NGOs operated a lot more modestly than similar organisations in the

⁸⁵ Interview with Mauricio Casaubon, Biocenosis, Valle de Bravo, Estado de Mexico, March/98.

business or government sectors. The exception to this was MNSD which worked in very good conditions. It was also the least independent NGO. By keeping costs, particularly fixed, to a minimum, some of the case-studies improved their ability to survive in times of resource scarcity.

Apart from reducing costs, NGOs can also pursue greater self-reliance by increasing their income. While diversification aims at obtaining the same amount of resources from a larger number of donors, income generating strategies aim at increasing – mostly market based – income. As concerns for NGO sustainability and for the future of aid increased, many NGOs have turned to income generating activities such as micro-credit, charging fees from users, and selling consulting services (Fowler 2000, Holloway 2001).

All of the case-studies either already had or were thinking of starting income generating activities. These included magazine sales, eco-tourism trips, sale of consultancy and training services to donors and to the government. LPN rented its farm to local farmers. However as shown in their accounts income generating activities were not very significant as a proportion of total income. Because they were related to the organisational mission they did not produce much goal displacement (see Froelich 1999). But they entailed important administrative costs for the amount generated. Moreover, they would often require investments of donated income and a high risk of failure so NGO leaders tended to be very cautious about such enterprises. Funders do not normally like knowing that their funding is being used to promote a business enterprise rather than pursuing a social mission. Nevertheless, the benefits in terms of low strings-attached income for organisational independence and survival were seen as being worth the administrative costs and the risks involved. They are therefore important strategies in protecting organisational independence and survival.

Sometimes NGOs cannot reduce their resource dependence on the government. In that case they can still pursue other independence enhancing strategies.

7.2. AVOIDING DEMANDS

Pfeffer and Salancik (1978) argue that often organisations can be resource dependent and simply avoid complying with external demands. They use principal-agency theory to argue that contracted agents hold “asymmetrical” or private information about project implementation which gives them some autonomy in project implementation. That is, NGOs, as agents of the government in implementing public projects, hold more information about what they do than government agencies do. Despite the ability to inspect NGO projects and the need for NGOs to report on what they are doing, government and donors have a “restricted access” to projects. Although special and exhaustive audits are possible they are also very costly and often sour a

good partnership. Therefore government and donors may be limited in their ability to control NGOs (see chapter 6).

In my observations, government agencies had very limited access to NGO performance. In Mexico and Portugal government funders never employed anything more than a field visit sometime during the project to check NGO compliance. In fact, the case-studies did not have any evaluation visits by the government during my period of observation. Essentially, NGO accountability to government funders consisted of a final report with photos to illustrate some of the claims made in the report and receipts to prove financial accountability.

However one NGO (kept anonymous here) was audited because of alleged misuse of funding. The NGO was forced to give back the funding it received for a project when it became clear that some of its volunteer members who were in charge of funding from a government agency for a project could not be trusted and started using the funding for purposes other than the ones agreed. The NGO returned all of the funding to the government. The NGO was then subject to an audit and it became clear that any misuse of funds was unrelated to its management and individual members were fully responsible. They were subsequently expelled from the NGO. The audit showed that the NGO handled the episode well and as a result it could apply for further funding from the government agency.

This was an isolated event and the same NGO has received many government contracts since it this mishap took place. This event shows that government reserved the right to inspect NGOs but it rarely did and the inspection was limited to financial aspects only. This light approach by government is essentially due to the lack of organisational capacity on the part of government to monitor so many projects often in remote areas involving complex measurement issues and very little funding as a share of overall budget.⁸⁶ In contrast EU funding under the LIFE programme requires a field visit and reporting is much more extensive as it involves much larger sums of money.

In any case, my NGO interviewees argued strongly that although they were rarely audited or inspected, their desire or power to ignore government demands was very limited. All NGOs would normally submit and get funded for funding proposals which they had elaborated to pursue their organisational mission. The case-studies were therefore not interested in renegeing on projects that they chose themselves. But clearly sometimes NGOs had to face demands which they would prefer not to comply with. And those demands would tend to be more easily imposed on NGOs that depended more on government funding than on those that did not.

⁸⁶ Interviews with government officials (kept anonymous) in the Environment Ministry in Portugal and SEMARNAP in Mexico, Spring and Summer 1999.

Based on interview data, one factor was strong at work to keep NGOs from ignoring demands: their reputation. Alongside legal action and the requirement to return any funding which could have been misused, NGOs were generally afraid that if their reputation was tainted they may not have access to future funding, governmental or other. The NGOs which depended the most on government funding were the ones who would lose the most if their reputation with government agencies were spoiled. The risk of reputation loss is very real as NGOs do not have as much “private information” as the RDP literature would argue. NGOs often work through partnerships with other NGOs or through volunteers. There was always therefore a strong risk that volunteers and other NGOs could make public information about non-compliance with contracts with the government. Moreover, because the case-studies would sometimes confront the government, they also felt that they were under special scrutiny by governmental agencies. One case-study leader complains:

We can't even buy pencils instead of pens! Any change to the budget that we submitted needs detailed justification *before* we actually spend it. If we spend the money before the changed budget is approved we may need to pay for the changes ourselves [as sometimes] our requests for changes have been denied.⁸⁷

Ebrahim (2003) suggested some strategies to avoid demands. He examined buffering strategies that enable NGOs to avoid external demands and protect “core technologies” as he labelled them. He identified three main strategies: symbolism, selectivity and professionalization. When I came across Ebrahim’s strategies (in Smillie and Hailey 2001) I had already collected my data so I do not have a systematic evaluation of their applicability to the case-studies. However looking back on my interview material I found some interesting parallels between his buffering strategies and some of my observations.

There was a clear use of symbolism in NGO reporting. By symbolism, Ebrahim (2003) means the collection of data needed to build donor confidence in NGOs. To my knowledge, errors were never included in evaluation reports. Instead, some of my interviewees felt that there was an expectation among government officials that NGOs should generally report better than expected results. They believed this was essential to future funding decisions.

In the same vein there was a ubiquitous use of output data instead of process data in what Ebrahim (2003) called selectivity. He used the widespread adoption of logical framework analysis (LFA) as a demonstration of this trend. LFA was not part of the funding process between the case-studies and the Mexican and Portuguese governments. But there was an emphasis on financial inputs and previously agreed measurable outputs as opposed to “process data”.

⁸⁷ Interview with Regina Barba, UGA, Mexico City, April/98.

Finally professionalization was extensively used. Perhaps because of the field, NGO leaders and managers tended to be graduates of an environmental discipline, such as biologists, agronomists, environmental engineers, and veterinarians. That was the case of all case-studies but UGA. UGA's leader was also a graduate but of social sciences. In Portugal many leaders were academics and had PhDs in environmental disciplines. These professionals spoke the same language as government officials who tended to also be environment professionals.

There is therefore some evidence in my data of what Ebrahim (2003) called buffering strategies. But as he acknowledged it is unclear how effective these strategies are in the long run (chapter 2). Avoiding the mention of errors in evaluation reports eventually limits the organisation's ability to learn from its mistakes (Smillie and Hailey 2001). An organisation that does not learn is more likely to be displaced by more competitive organisations and will probably face greater resource scarcity and resource dependence. The collection of data on inputs and outputs, even if not used in the present for organisational decision making, may eventually be used. Finally, it is unclear if professionalization is a buffering strategy or the effect of external control. The government tends to give funding to organisations which resemble it so this "isomorphism" may be the result of resource dependence rather than a strategy to promote independence. To conclude, to the extent that buffering strategies allow NGOs to avoid external control they will enhance NGO independence. In the long run however NGOs may become the victims of their own buffering strategies as they start to believe in the façade that they have put up to their donors (see chapter 2 for Ebrahim's (2003) take on these limitations).

Moreover, while demand avoidance may offer strong strategies to prevent programmatic control, it is less clear how it would be possible in the case of advocacy activities. By their very nature, many advocacy activities tend to be public and overt such as campaigning. In these cases NGOs cannot simply hide their activities from the government. They cannot use symbolism, selectivity or professionalization. The very purpose of much advocacy work is to get the attention of and often antagonise government officials, not be ignored. Therefore the situation of information asymmetry, which NGOs can use to avoid service delivery intrusion, cannot be relied upon as easily in advocacy work. A donor government has much more knowledge and incentive to try to influence a very public campaign than a remote service delivery project. This fact may help explain why many campaigning-driven NGOs, such as Amnesty International or GreenPeace avoid any government funding.

Although facing some limitations, strategies to avoid demands may be used by NGOs to protect themselves from external influence. But sometimes other strategies are necessary.

7.3. PREVENTING EXTERNAL CONTROL

When resource dependence cannot be avoided and demands cannot be ignored, RDP suggests that NGOs can still pursue other strategies to protect their independence. NGOs can improve the match between demands and organisational priorities, pursue strategies to reduce the asymmetry in the resource dependence relationship, and harness countervailing power to keep the government from trying to influence or control them.

Improving the match between demands and organisational priorities

The case-studies received most of their government funding as contracts for projects. The financing of projects plays therefore a central role in an understanding of organisational independence. Given that projects are undertaken in “partnership” between NGOs and the government it would be unrealistic and in many ways undesirable that NGOs had perfect independence in defining project goals and process. In partnerships we should expect some compromise between the partners. Even when NGOs are independent, they still need to sometimes compromise some of their goals within the partnership. The problem emerges if the funder, the government, is capable of dictating the project terms so that the NGO becomes a mere service “contractor” with little independence.

To minimise their loss of discretion, or compromise, the case-studies spent considerable resources scanning their environment for appropriate funding opportunities. As mentioned above, all case-studies rejected the opportunities to apply for certain types of funding, suggesting an ability to act independently (Hudock 1999). At the same time, they searched for alternative sources in which they found a good match between organisational mission and funder requirements. As recognised by Pfeffer and Salancik (1978), external funding is only problematic if it entails demands which differ from the organisation’s own priorities. By seeking and finding funding opportunities which matched their organisational mission, NGOs can reduce the potential for external control due to resource dependence.

Indeed in many ways, intense competition for project funding limits the opportunities for NGOs to receive funding for projects, which do match their mission. Generally, funders seek organisations, whose mission and work record closely matches the priorities of the project to be funded (Tempel 2003). In highly competitive funding environments, such as in Mexico and Portugal, in which many NGOs compete for scarce funding opportunities, funders can normally obtain a high level of fit between the needs of the project and the capacity and mission of the NGOs. Arguably, in such environments NGOs are more likely to be barred from accessing project funding, and potentially disappear, than to receive funding that compromises its mission because of a poor fit between project objectives and NGO mission. So while competition may

increase resource dependence on the few existing resource providers, scarce funding will tend to be awarded to organisations whose mission closely fits funder demands, thus generating largely unproblematic resource dependence. This analysis explains why case-studies such as GEOTA and LPN faced little loss of programmatic discretion even though they received substantial shares or their funding from the government.

Of course at times, government funding may be given to NGOs not because their mission and capacity fits closely with project objectives, but to “bribe” or co-opt NGOs into submission. In such cases both programmatic discretion and advocacy freedom are likely to be targets of government influence. In such cases, to protect their independence, NGOs need to ensure a good match between organisational mission and funding requirements as well as pursue other strategies that minimise the potential for external control.

Building co-dependence

Many NGOs have successfully built a relationship of co-dependence with donors and, as a result, have been able establish mechanisms to reduce external influence, such as moving from project to programme funding and creating donor consortia (Smillie and Hailey 2001). Hudock (1997a) found that SNGOs’ main strategies to foster co-dependence with NNGOs involved developing resources that NNGOs need such as local delivery capacity or legitimacy. Similarly, Saidel (1991), Sanyal (1991), Natal (2001) and Ebrahim (2003) argue that NGOs are rich in resources which the government and donors need such as information, volunteer labour, organisational capacity, and legitimacy. Indeed, all of the case-studies had strong organisational capacity, legitimacy and informational advantages.

All of the case-studies had strong organisational capacity for service delivery. They all had paid administrative support that ensured accounts were always in order and projects ran according to schedule. They also benefited from very skilled and committed directors who would bring in their expertise and leadership to the organisation. In terms of organisational capacity, all of the NGOs received funding from the government which requires some basic bureaucratic structure in place and three case-studies – LPN, Naturalia and MNSD – were even able to administer complex projects financed by large international donors such as the EU and US foundations.

One of my interviewees believed however that this was not true of the majority of Mexican NGOs. An NGO leader stated that:

Environmental NGOs in Mexico are often weak because (1) they are not formally constituted, (2) projects fall outside their mission (constitution), (3) they have difficulties administering financial resources, and (4) have marketing incapability.⁸⁸

One of the principal reasons why NGOs lack organisational capacity is their very lack of resources. In particular is the scarcity of institutional or organisational funding. An NGO manager stated that through their past experience “we have learnt that we need 15% for administration costs.”⁸⁹ Yet “most project funding does not cover administration costs or sets resources for administration at an unreasonably low level. ... Funders offer much resistance to paying wages and administrative costs.”⁹⁰ The desire of government to partner with NGOs with strong organisational capacity and the difficulty in finding core funding strongly increased the barriers to entry into the government contracting system. In scarce resource environments, most NGOs are trapped in a hard to resolve challenge. NGOs need capacity to attract funding but they need funding to develop their capacity. This fact reduced competition for funding and the number of NGOs government can contract with, thus increasing the dependence of government on fewer NGOs. A Mexican foundation donor identified the lack of management capacity as one of the key obstacles to their funding of NGOs in Mexico. One representative said:

NGOs always complain about lack of money. [Yet] we have more money than we receive good projects to fund. ... You should see the low quality of some of the [funding] proposals we get.⁹¹

Another important resource NGOs bring to the contracting table is other funding. Particularly in Mexico, NGOs were also important in attracting foreign funding, which strengthens their attractiveness as partners. A government official in Mexico stated:

NGOs attract a lot of international funding for their projects. [In Mexico] we don't have sufficient resources to protect the precious natural resources that we have. And many donors want NGOs involved in our projects. ...So we need to work with them and we are happy to.⁹²

The case-studies were also able to mobilise much expertise which often gave them an informational advantage over the government. In Portugal both case-studies had academic leaders and members who would be at the cutting edge of research on Portuguese environmental systems. Through them and through their members they would also spend time with local communities in environmentally sensitive areas such as Castro Verde, Tejo Internacional, or Litoral Alentejano. So they were often able to mobilise this expertise to propose sound policy alternatives as well as being good partners in implementation. Similarly, in Mexico, the case-

⁸⁸ Interview with Managing Director, MNSD, Mexico City, May/98.

⁸⁹ Interview with Mauricio Casaubon, Biocenosis, Valle de Bravo, Estado de Mexico, March/98.

⁹⁰ Interview with Martha Delgado, Presencia Ciudadana, Mexico City, May/99.

⁹¹ Anonymous, Fondo Mexicano para la Conservación de la Naturaleza, Mexico City, May/99.

⁹² Interview with anonymous government official, Instituto Nacional de Ecología, Mexico City, February/98.

studies also benefited from informational advantages. As an alliance of over 40 environmental and development NGOs in Mexico, UGA had access to much information both scientific and local knowledge. UGA's members ranged from environmental technology NGOs to networks of indigenous groups in the jungles of some of the most sensitive environmental spots in Mexico. The organisation was therefore perceived as informed partners by other organisations. Naturalia on the other hand had much expertise in niche conservation areas such as Mexican Wolf conservation and trade in illegal species. So the government and other donors found it helpful to partner with Naturalia on those areas in which they were experts. Naturalia's leader was aware of the need to maintain this strong expertise. "We cannot cover all areas of environmental protection such as air, water, etc... we have to stick to what we know – conservation."⁹³ Moreover they had important environmentalists in their board of governance who added much expertise as well as legitimacy to the organisation.

Reputation, like social legitimacy, is a complex resource to define or to assess. Organisations need to have some legitimacy to attract resources from society (Pfeffer and Salancik 1978). So in one sense the very fact that the case-studies managed to attract resources shows that they had social legitimacy. But social legitimacy to whom? Only to donors? According to my interviews, the legitimacy of the case-studies rested on a number of qualities. The most common ones were the pursuit of the public benefit, non-governmental status, independence, proximity to certain groups, scientific expertise, and ability to represent the views of citizens. The pursuit of the public good often through the generous donation of their time and skills is a source of legitimacy for NGOs.

Who do environmental NGOs represent? They represent the defence of a public good. They represent all that can benefit from a better environment, they represent society. Therein they derive their legitimacy. They work for the national interest as civil society.⁹⁴

Good reputation is a key symbolic resource (Ebrahim 2003, Hudock 1999). Kendall (2003) argues that particularly in the environmental field, NGOs benefit from the low reputation and legitimacy of government's ability to handle environmental issues. Government is often not trusted by the public and perceived as siding with business and special interests rather than protecting the common good. By benefiting from better reputation and more public trust, NGOs are able to offer something very valuable to a partnership with government.

By developing desirable organisational resources, thus fostering inter-dependence with the government, NGOs are able to get a better bargaining position. One NGO leader put it bluntly:

⁹³ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

⁹⁴ Interview with Gil Nave, Instituto Superior de Ciencias do Trabalho e das Empresas, Lisbon, July/98.

[By giving us money for projects] the government is not subsidising us. We, NGOs, subsidise the government. With our private donations, volunteer labour, and public support we help the government fulfil its constitutional obligations of nature conservation and sustainable development. Without us it would be much more costly for the government to do any environmental conservation. The government needs NGOs to implement its environmental policy.⁹⁵

Another important strategy to increase NGO and non-profit confidence in negotiations with the government is to pursue a niche strategy (Scott and Russell 2001). Organisations can pursue geographic, activity or process niches. By being the only provider within a service provision niche, non-profits and NGOs strengthen their bargaining power avoiding competition between NGOs and acquiring some monopoly power in their relationship with the government. I could not find evidence of this in my case-studies, but this is arguably another way in which NGOs can build co-dependence and protect themselves from external control.

Building countervailing power: using institutional power

NGOs can also prevent external control by building countervailing power. Following the framework laid out by Pfeffer and Salancik (1978) and my own findings, sometimes NGOs may try to deliberately pursue strategies to weaken government ability to exert control on resource dependent NGOs. NGOs did so by forging alliances and using their access to institutions, which have power over the government, by invoking social norms about what is legitimate government influence on NGOs, and by exploiting divisions within the government.

NGOs drew heavily on institutional resources to bring greater balance to their relationship with the government as well as to leverage their advocacy work. The example of the Vasco da Gama bridge project shows that NGOs can use EU environmental legislation about how the bridge construction should respect the environment to force the government to comply with environmental standards. NGOs had influence over resources (EU funding) on which the Portuguese government was dependent for the construction of the bridge. By having an influence on the European Commission, NGOs influence critical resources for the Portuguese government and thus weaken the government's ability to control them.

Similarly in Mexico, NGOs have influence over a critical resource for the Mexican government: its international reputation. In the San Ignacio campaign Mexican NGOs used UNDP's negative environmental report of the project as well as alliances with various US NGOs to threaten the government that if they went ahead with the project they would be shamed in the UN and Washington DC for not caring about the environment. The establishment of the Commission for Environmental Co-operation under NAFTA's Parallel Agreements provides Mexican NGOs

⁹⁵ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

with more opportunities to denounce governmental environmental offences and potentially shame the government internationally. Another coalition of Mexican NGOs inaugurated the use of this institutional resource in 1996 when they made a complaint to the Council for Environmental Co-operation for the government approval of a development project in the island of Cozumel near Cancun. Although the Commission rejected the NGOs' case, NGOs showed that they will use this legal instrument to leverage their position in their relationship with the government. A number of similar cases have been made since 1996.⁹⁶

As in other countries, NGOs in Mexico and Portugal have also been able on occasion to use national and international courts to pursue their mission and try to revoke government decisions. In Mexico the Centro Mexicano de Derecho Ambiental (Mexican Environmental Law Centre) was created with the mission of using the courts and the law to keep government accountable to its own environmental commitments. In Portugal, NGOs such as GEOTA use environmental lawyer volunteers to pursue similar goals. These institutional resources and opportunities give NGOs greater leverage in their relationship with the government.

As mentioned in chapter 6, there are also legitimacy limits to government power. While government is expected to regulate NGOs, it is commonly not acceptable for government to actually control NGOs, except from when they are engaging in illegal activities. Both Mexico and Portugal have freedom of expression and freedom of association clauses in their constitutions, which limit the powers of government in trying to control NGOs. Officially therefore government officials always denied any interest in or attempt to control NGOs. Even though, funding and resource dependence provide a subtle vehicle for government influence of NGOs, there are limits to what the government can do to influence NGOs without appearing to be trying to control them. Government officials would have much difficulty in explaining why an NGO that has always received government funding and delivered appropriate results should one year be excluded from it. The presence of ex-NGO members in government agencies further limits the opportunity for government to use funding threats to control NGOs. The possibility of an internal "leak" is very real and potentially quite damaging to the government. The government may not be willing to risk a blow to its reputation in democratic and supposedly plural societies, by explicitly trying to control NGOs. That is partly why the attempts of influence were done through informal means such as a phone conversation or a personal visit.

Government's ability to punish trouble makers and to try to control resource dependent NGOs is further eroded by internal divisions within the government itself. NGOs would normally "play the ministries game" dealing with different parts of the government to avoid dependence on any

⁹⁶ Interview with Gustavo Alanis Ortega, Centro Mexicano de Derecho Ambiental, Mexico City, May/98.

one part. This was true in Portugal. NGOs received government funding not from one agency controlled by one government official but from 3-4 different agencies such as the ministries of youth, environment, culture, sports, and education. Most of these agencies did not mind that NGOs criticised the ministries of public works, environment, or social development. So NGOs diversified their funding sources within the government. For the government to cut NGO funding in a united manner, a high level of common interest have to be present among the different government agencies or the order must come from very high up in the hierarchy. I was not able to witness any such instance. The power of any one government agency alone was reduced. Moreover the case-studies in Portugal often fundraised from local government, which often would not even be of the same party affiliation as the national government. This strategy was also employed by Mexican NGOs.

Even though research on resource dependence in NGOs and non-profits appears to treat the government as one, the government is strongly divided. With a budget of between 30 and 40% of GDP, the government is a giant organisation made up of a multiplicity of parts and people. The case-studies recognise this and adapt their interaction with the government accordingly. Power lies at different levels – local, regional, national, and increasingly international – and that NGOs have to play with those different levels. NGO leaders were too aware that the government has many factions that range from supportive to outright antagonistic in relation to environmental protection. There are internal conflicts for power and resources inside the government and NGO campaigning may affect their distribution by influencing public opinion. The Ministry of the Environment in Portugal has been a clear beneficiary of NGO campaigning on environmental issues and the rise in popularity of the Ministry's work. This sense of interdependence fostered a more amicable relation between parts of government and NGOs as they focused on common interests and not only on disputes. Although NGOs often criticise the government and sometimes the environment minister for not fulfilling its environmental commitments, the Environment Ministry has tended to increase its power vis-à-vis traditionally more powerful ministries such as Finance, Public Works, or Trade and Industry. And although I could find not evidence of this, it could be argued that government can derive some legitimacy among the public and other governments by giving their reputable critics some funding.

An important influence concerning government official's influence over NGOs is his or her expected future. NGO leaders are much less likely to comply with demands made by an official if they expect him or her to leave office in the near future either because of a party change or a government reshuffle.⁹⁷

⁹⁷ Electronic communication with Alejandro Natal, May 2004.

The case-studies used allies who are internal to the government or to other institutional structures to leverage their relationship with the government. By controlling resources which are critical to the government or by playing internal divisions within the government, NGOs weaken the government's ability to exert external control on them.

Building countervailing power: forging alliances

NGOs can also build countervailing power by uniting with other actors and forming lateral relationships such as alliances, joint ventures and mergers with other NGOs or other actors (Pfeffer and Salancik 1978). These alliances provide greater leverage in lobbying the government than if an NGO was acting alone.

The ability to establish different linkages is one of NGOs' strengths (e.g., Biggs and Neame 1995). NGOs may build alliances for many reasons. By combining different capacities, alliances may improve the overall capacity to undertake any particular work. Alliances can also be used to strengthen the political or economic bargaining power of its members. In examining alliances as strategies to avoid external control in the face of resource dependence it is useful to distinguish between different types of alliances with different resource implications. We can distinguish between horizontal and vertical alliances. Horizontal alliances are established between peers and no funding is exchanged. Vertical alliances, often called "partnerships", on the other hand are established between different types of NGOs in the "aid system" and generally involve funding flows from one actor to another. Building many vertical alliances is a strategy which is very similar to revenue diversification described above. Here I will discuss horizontal or lateral alliances, that is, alliances that do not involve funding.

The case-studies engaged extensively in alliance formation, especially those which had the largest resource dependence on the government! For example, GEOTA was one of the leading forces in the creation of the largest formal network of NGOs dedicated to sustainable development in Portugal – the Confederation of Environmental NGOs (CPADA, *Confederação Portuguesa de Associações de Defesa do Ambiente*). GEOTA saw a critical role for networks as important resources for the exchange of information, strengthening of bargaining power (vis-à-vis the government) and cooperative projects.

There is no money involved at the Confederation. ... The main objectives of the Confederation are [firstly] to defend the corporative interests. For instance, proposing a law regulating environment NGOs which include rights to access information, exemption of court costs, tax incentives. [And secondly] to work as an umbrella organisation [which] serves as a meeting and discussion point [of common interests].⁹⁸

⁹⁸ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

The Confederation has over 100 environmental NGOs registered, which corresponds to over half of all environmental NGOs in Portugal. The two largest NGOs (LPN and Quercus) however did not join the Confederation. GEOTA is therefore the largest environmental NGO at the Confederation, which gives it some influence in the umbrella organisation and in the national movement. Aside from its membership and leadership in the Confederation, GEOTA has a very good working relationship with the other two large NGOs: LPN and Quercus. Various campaigns have been waged together between the 3 largest NGOs such as the important Vasco da Gama Bridge campaign, described above.

LPN was not part of the Confederation. Its relationship with other NGOs was less strong than in the case of GEOTA. But while GEOTA had a strong vertical relation with one main funder (the government) LPN maintained various vertical relations with funders (diversification). LPN did however maintain a horizontal relationship with GEOTA and Quercus as well as with some INGOs such as WWF, Traffic, and EEB.

In Mexico, UGA was itself an effort to create a horizontal alliance between environmental organisations. As an umbrella organisation, it included 45 environmental NGOs in 2000. Its relations with vertical donors was however mainly limited to the government. Naturalia on the other hand has less extensive but still important alliances. It was closely linked to UGA⁹⁹. It also joined the international coalition to stop the development of a salt plan in the San Ignacio Lagoon which is one of the most successful advocacy efforts of recent times in Mexico. Naturalia also has horizontal relationships with NNGOs and in one case it has an inter-locking directorate as described below.

There appears to be a strong relation therefore between the extent of resource dependence on the government and the use of alliances and partnerships as a strategy to avoid external control. NGOs which depended most on government funding were also more likely to unite with peers in larger alliances. NGOs which are not resource dependent on the government for funding seemed to be less likely to engage in extensive horizontal relations. This suggests that resource dependence may have the positive impact of encouraging alliance building and general sectoral capacity building. NGOs which are not resource dependence seem to be more selective in the alliances they enter. Resource dependence appears therefore to provide incentives for NGOs to solve the “prisoner’s dilemma” involved in co-operation between NGOs (see Smillie and Hailey 2001). Co-operation between NGOs is difficult because of the need to compete for resources and the large transaction costs involved. Resource dependence and threat of external control appears to provide an incentive to overcome those obstacles. It is impossible however to argue that resource dependence was the main reason for such alliances. My interviews revealed other

important factors such as ideological beliefs about role in society, social movement formation, collegiality, and grassroots democracy.

Both GEOTA and UGA have been very free to criticise the government publicly and still receive government funding. These observations also suggest that forming horizontal alliances may be quite effective in protecting resource dependent NGOs from external control. The old adage “together we stand” seems very applicable here. Indeed in very high profile campaigns such as the Vasco da Gama Bridge in Portugal and the Laguna de San Ignacio, NGOs campaigned as coalitions rather than individual NGOs. It is arguably much more difficult for the government to “punish” the whole alliance than it is to punish one NGO. In the case of San Ignacio the alliance even included US NGOs which the Mexican government would find even more difficult to punish or to silence. Co-optation attempts were much more difficult when various NGOs were involved. In such high profile campaigns where the opponent was very powerful (Mexican government and Mitsubishi corporation), forming a transnational advocacy network (see Keck and Sikkink 1998) was a fundamental strategy to harness sufficient countervailing power.

Regional integration has also led to an intensification of the networking effort between the NGOs of the integrating countries. During the NAFTA negotiations US, Canadian and Mexican NGOs united to lobby their governments so as to include environmental provisions to the free-trade agreement. These resulted in the signing of the Parallel Agreement. This was a major victory to environmental NGOs in North America.¹⁰⁰ This initial networking also set the basis and the contacts for future networks such as the San Ignacio Lagoon campaign. NGOs from both countries focused on the inter-dependence between the environment and the social relations between the two countries.¹⁰¹ Portuguese environmental NGOs have an opportunity to network at the European NGO Bureau, located in Brussels. Networking between Portuguese and NGOs for other EU countries has not been very frequent. Perhaps the volunteer leadership of environmental NGOs in Portugal makes it hard for NGOs to capitalise on this new opportunity. Networking requires leadership time, which NGOs often lack. There are important obstacles to alliance forming such as high transaction costs (especially internationally), lack of organisational capacity, ideological conflicts, and competition for resources.

⁹⁹ Through its membership as a founding member.

¹⁰⁰ Interview with Regina Barba, UGA, Mexico City, April/98

¹⁰¹ Interview with Sofia Gallardo, CIDE, Mexico City, October/97.

Table 30: Resource dependence and type of relationships with other actors

Horizontal relationships with other actors

		Low	High
Resource dependence on the government	High	MNSD	UGA GEOTA
	Low	LPN Naturalia	

The development of relations with other non-state actors (aside from NGOs) may provide an additional source of leverage in the relationship with the government in the face of resource dependence. If an NGO finds itself in a position of resource dependence in relation to the government, non-financial relations with non-state actors can be very helpful in reducing the threat of external influence.

Alliances with the media for example were critical to help NGOs maintain their independence. All of them had membership newsletters and a website but generally these media only reached their members and sympathisers. Of the NGOs I interviewed only one (Naturalia) had a magazine widely sold to the public. None of the other case-studies had a mass distribution communication medium. Under these circumstances finding a way to communicate their message to a wider audience is essential for an advocacy mission but may also be important to help NGOs protect their independence.

The media provides very desirable resources for NGOs involved in advocacy and lobbying. All the case-studies were involved in advocacy work and the media provide a privileged way to reach the public and influence public opinion. Public profile and access to the media was seen as a critical resource by all case-studies and most NGOs interviewed. But access the media was very different between Mexico and Portugal.

In Portugal the case-studies had good access to the media. They could more or less easily draw on their contacts with the mass media to communicate their views to the general public.

Not one week goes by without some environmentalist appearing on TV. In terms of media attention to civil society organisations we are second only to football clubs. ...

That has promoted the environment and environmental organisations to the centre stage of public debates.¹⁰²

For another NGO leader,

Quercus acquired greater protagonism than other environmental NGOs. We are always appearing on television. We can get our view across to the public through the media. ... The government is wary of our statements on the media.¹⁰³

Their environmental expertise and eagerness to promote their cause also made GEOTA volunteers typical targets for media clips and interviews giving them privileged access to Portuguese public opinion.

Before, environmental NGOs had much power as the only non-governmental experts on environmental issues. Often they would write the texts in news reports themselves. Now the media already have some specialists so they are less dependent on news sent by NGOs.¹⁰⁴

Although there were signs that the media might have been reducing their dependence on NGOs, GEOTA assured me it was still approached by the media far more frequently than it could manage. NGOs' non-governmental status gives them legitimacy to monitor the government and offer an alternative to opposition political parties (see Kendall 2003). This legitimacy is greatest where government reputation (and legitimacy) is most damaged.

We [GEOTA] are not associated with political parties or economic lobbies. This independence attracts more attention from the media. ... We are the watchdogs of power. This position leads to [occasional] conflict with [governmental] powers, which attracts the attention of the media. ... Even economic lobbies that spend money on the media do not get as much coverage.¹⁰⁵

The ability to influence public opinion by Portuguese NGOs provided a fundamental source of power to balance government resources and influence. Indeed government officials feared NGO power to influence public opinion.

NGOs' key [bargaining chip] is their access to the media. That is their bargaining power. ... There is a cycle of dependence between [government agency], NGOs, media, [government agency]. Because of their financial difficulties the government is [the de facto] financier of NGOs. Yet it is still very criticised by them...!¹⁰⁶

The situation in Mexico is radically different. The media have been traditionally much more under government control (Simon 1997),¹⁰⁷ NGOs and most civil society organisations have

¹⁰² Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

¹⁰³ Interview with João Lourenço, Quercus, Porto, December/99.

¹⁰⁴ Interview with Gil Nave, ISCTE, Lisbon, July/98.

¹⁰⁵ Interview with João Joanaz de Mello, GEOTA, Lisbon, June/98.

¹⁰⁶ Interview with Henrique Pereira dos Santos, Instituto de Conservação da Natureza, Lisbon, July/98.

¹⁰⁷ This began to change in 1991 when President Salinas sold the state controlled television network. During the period of this study 1997-2001 the media were becoming increasingly independent, yet still with little interest in sustainable development issues (electronic communication with Alejandro Natal, May/2004).

very limited coverage.¹⁰⁸ Generally, NGOs cannot get access to the media unless they pay for a publicity space. This is also probably due to a general apathy by the public about environmental issues matched by media lack of coverage of the issue.

UGA spent most of its initial capital paying for a communications campaign in the press to try to prevent critical changes to Mexican environmental legislation. So access to the media is considered very important even though it requires funding. For Naturalia's leader,

I believe [the media campaign] has helped enormously. For instance in the case of the wolf we used a lot of communication in the media. As a result a committee [at government level] has already been created to defend the Mexican wolf.¹⁰⁹

NGOs however are also to blame for their lack of strategy in their relationship with the media¹¹⁰ since GreenPeace Mexico does have a much better access to the media than do other Mexican NGOs. The relationship with the media is central to GreenPeace and they spend much of their time trying to manage this relationship.¹¹¹ Mexican NGOs' lack of access to the media is one of their self-acknowledged greatest weaknesses.

Because the government is so dependent on voters and public opinion, the media have a lot of power in their relationship with the government. At the same time the media often need NGOs to provide them with information and news. In Portugal a "virtuous cycle" emerged between environmental NGOs (including GEOTA) and the media which has helped to keep government influence attempts at bay. To my knowledge every study of resource relations between government and NGOs or non-profit organisations overlooks this critical relationship.

By uniting into alliances and joint-venture umbrella organisations NGOs can have an influence on the government. Because NGOs may influence public opinion of national citizens, it is easier to lobby the government than to lobby various different international donors in various countries. In some ways, therefore, resource dependence on and organisational attention to one donor rather than diversification facilitate NGO influence. However, that is only so if NGOs manage to secure their independence within the relationship.

Other important non-financial relationships include universities from whom NGOs often receive important information and volunteers. Much of the knowledge about the environment produced in Mexico and Portugal is produced in universities. Being able to attract government and other types of funding to undertake research on environmental matters, universities provide cheap information which can be readily used by NGOs in their advocacy efforts through lobbying or

¹⁰⁸ Interview with Martha Delgado, Presencia Ciudadana, Mexico City, May/98.

¹⁰⁹ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

¹¹⁰ Interview with Martha Delgado, Presencia Ciudadana, Mexico City, May/98.

¹¹¹ Interview with Sergio Mendez Moreno, GreenPeace Mexico, Mexico City, April/98.

campaigning. By having strong links with researchers, and many of NGO leaders being researchers themselves, NGOs can influence universities' research agenda to produce very useful information. At the same time NGOs help to protect the environment which is the raw material for environmental research. By helping to create and protect natural reserves for example, NGOs are safeguarding important species and ecosystems which can be researched by biologists. By researching species and ecosystems, biologists help to point out the value of certain areas and therefore make environmental NGOs case for conservation much stronger. By forging strong relationships with universities, albeit normally at the individual rather than organisational level, NGOs influence one of the key knowledge production sites in society.

In Portugal, universities also provide a very fertile ground for volunteers. Courses such as environmental engineering or biology provide a pool of concerned citizens many of whom may have some free time to volunteer. They provide thus a dense environment where NGOs can canvas support for regular volunteering or sporadic campaigns in a very cost-effective manner. GEOTA was very effective in attracting its volunteers from universities in Lisbon.

RDP suggests that mergers are an important strategy to deal with resource dependence. However I could find no merger in the case-studies or in any of the NGOs that I interviewed. NGOs always chose to create formal or informal alliances or to expand by growing internally rather than by merging with other existing NGOs. Very different ideological motivations and mission objectives are probably largely responsible for the preference to remain separate and independent even from other NGOs. This is consistent with non-profit literature which argues that mergers are rare among non-profit organisations. Nevertheless this is changing rapidly as competitive pressures and resource dependence due to the growth of contracting with the government is a major motivation for the increase in mergers in the non-profit sector (Golensky and DeRuiter1999). For the study period however merger was not a common independence strategy.

RDP also attributes a very important role for inter-locking directorates. Pfeffer and Salancik (1978) argue that organisations often invite members of funders, on which they are resource dependent, to co-opt them and reduce external influence. However like mergers this may be a strategy which is more commonly used in business than in NGOs. I could not find much evidence of NGOs using this strategy to manage their resource dependence. There were no instances in the case-studies of them inviting members of the government to sit at their boards so as to reduce the impact of resource dependence. This is partly because of the reputation impact that such a presence would entail. A different but related situation in Portugal can illustrate this point. A high profile member of the Social Democrat Party – Carlos Pimenta – was one of the founders and leaders of GEOTA. When the party was elected into power and he became Secretary of the Environment, there was a period when he was a member of both

government and the NGO.¹¹² Even though he abdicated from his leadership role at GEOTA during this time, many other NGOs perceived GEOTA to be too close to the government.¹¹³ They believed this even though during that time GEOTA would strongly still criticise government policy publicly. It has taken a long time for GEOTA to get rid of this image of association with a political party. Naturally, NGOs are therefore very reluctant to include any member of government in their governance structure. There was one instance of inter-locking directorship between Naturalia and a US NGO. Naturalia's leader, Oscar Moctezuma, sat at the board of a US NGO while a member of that NGO sat at Naturalia's board. But according to Oscar Moctezuma, this strategy aimed at developing learning between the two organisations rather than reducing resource dependence.¹¹⁴

Interestingly I found that the presence in government of members or ex-members of environmental NGOs was much more common than the other way around. The most famous case is Julia Carabias, a renowned environmental activist, who became environmental minister under President Zedillo. In Portugal, during my field work, the minister was not an environmentalist, but the vice-president of the Institute for the Conservation of Nature (the Environmental Ministry's conservation arm), the director of the CITES section of the ICN, and the president of the Institute for Promotion of the Environment (IPAMB), among others, were all well known environmentalists, many of whom had in the past had a leading role in environmental NGOs. The impact of such overlapping memberships rather than directorates was both positive and negative for NGO management of resource dependence. On one hand, it made it more difficult for NGOs to criticise the government in Mexico. "When I didn't know them it was much easier to criticise them than now that my friend [Julia Carabias] is there."¹¹⁵ On the other hand, in Portugal, NGOs had strong allies in government, which influenced the government's attitude toward NGOs. It is likely that the presence of ex-NGO members in government limited the ability of the government to act outside the rules in trying to punish NGOs for excessive criticism of the government, although I could find no such evidence. While not the result of a deliberate strategy, the "infiltration" of government structure by individual activists builds countervailing power that lessens the ability of the government to exert control on NGOs.¹¹⁶

In sum, the case-studies suggest that NGOs can prevent external control when resource dependent on the government by engaging in a variety of bilateral and multilateral relationships.

¹¹² This preceded my fieldwork during which the Socialist Party was in power.

¹¹³ Interview with anonymous Portuguese NGO leader, July/98.

¹¹⁴ Interview with Oscar Moctezuma, Naturalia, Mexico City, February/98.

¹¹⁵ Interview with Regina Barba, UGA, Mexico City, April/98.

NGOs can pursue independence strategies on a one-to-one relationship between a resource dependent NGO and the government (or more precisely with a government agency). In this case the NGO can attempt to build co-dependence by trying to develop its organisational capacity so that it becomes an attractive partner with whom the government wants to be co-dependent. If an NGO cannot develop its organisational capacity to a point where the government is co-dependent on it, the NGO can seek allies to try to increase bargaining power and prevent external control. NGOs can do this by forging alliances with other NGOs or with other actors such as the media or universities. The government will normally find it harder to punish a whole alliance than it would a single NGO.

At the same time NGOs may try to play internal government divisions to weaken government power. NGOs can diversify their funding from different government sources such as different ministries or different levels of government (local, national). They may also use internal individuals or organisational allies to weaken the possibility of a co-ordinated governmental attempt of control. They may also play different agencies against one another and therefore build some room to manoeuvre. A divided government is not very effective in influencing NGOs. NGOs can also seek institutional and social resources to build counter-veiling power and prevent government control. Of course, all these strategies can be and were combined by the case-studies.

Arguably, NGOs are weakest in a one-to-one relationship with the government because while a resource dependent NGO needs the government to survive the government does not need the NGO to survive. So no matter how attractive an NGO becomes as a partner for co-dependence, there is a presumption of greater dependence of NGOs on the government than the other way round (see Smith and Lipsky 1993). A resource dependent NGO is strongest when part of an alliance of NGOs and other actors which face a divided government. United as a group and bargaining with a divided government NGOs can obtain significant space for negotiation and avoid external influence. NGOs have medium power when one NGO meets a divided government or when an alliance meets a united government. However it is dangerous to generalise and more research on the relative success of different strategies is an important area for future research.

¹¹⁶ Infiltration is different from inter-locking directorates because the latter are mutual (Pfeffer and Salancik 1978) while the former takes place by only one actor entering the other's structure without reciprocal influence.

7.4. COMMITMENT TO MISSION

As mentioned in chapter 2, a strong commitment to mission is advocated as a strategy to protect organisational independence by a few authors in the NGO and non-profit literatures (Blackmore 2004, Fisher 1998, Froelich 1999). The strategies discussed so far have emphasised developing greater self-reliance, reducing asymmetrical dependence, and building counter-veiling power. But protecting organisational independence and NGOs' ability to pursue their mission is also related to the strength of their self-governance systems, which were largely ignored by RDP, and may have important implications for NGO ability to protect independence. This section explores the key strategies pursued by the case-studies to ensure a strong commitment to their organisational mission and, as a result, to help protect their independence.

Independence as “non-negotiable”

One of the most striking observations during the field work was that many NGO members claimed their organisations had a high level of independence even when they were highly resource dependent on government funding. My NGO interviewees' expressed even some surprise at my insinuation that resource dependence on the government could be compromising NGO independence. NGO independence, they affirmed, was “not negotiable”.

Of course we are still independent. What would be the point of working here if we were not pursuing our interests? ... Government funding does not affect our mission.¹¹⁷

This quote is representative of many similar statements made by interviewees. Later, their claim of organisational independence was “independently verified” by my own observations about their organisational behaviour and even interviews with government officials (chapters 4 and 5).

My observations and interviews revealed a deep commitment to organisational mission and values in all of the highly independent case-studies. This commitment was supported by actual mechanisms, both formal and informal, to ensure adhesion to the organisational priorities and mission. Combined, NGO commitment to mission and supporting mechanisms sent a powerful signal of independence to other parties in the organisational environment and reduce their ability to influence NGOs.

As long as commitments are believable, they may have important impacts on negotiations, changing the very nature of the costs and benefits associated with different alternatives. According to Mansfield (1990: 393-4, emphasis added) who studied for-profit organisations:

First, it is frequently important that you convince your firm's rivals that your firm is committed to a strategic move... If this can be done, it *increases the probability that*

¹¹⁷ Interview with João Joanaz de Mello, GEOTA, Lisbon, Nov/99.

your rivals will become resigned to the new situation and not waste their time and resource trying to prevent its occurrence. If they feel that your firm is determined at all costs to make this move, they may conclude that if they retaliate, your firm will fight back, and a mutually disadvantageous war may ensue. Second, it frequently is important that you convince your firm's rivals that if they make particular moves, your firm is committed to retaliate swiftly and effectively. The more binding and irreversible this commitment is, the more seriously it will have to be taken by your rivals. Moreover, the greater the ability of your firm to retaliate, the more seriously this commitment will be taken. ... Your firm's commitments must be credible. It is useless for your firm to commit itself to retaliate against a particular move by its rivals if it lacks the resource and know-how to do so. ... To make a commitment credible, firms sometimes put themselves in a position where it would be difficult and costly, perhaps impossible, for them to violate their commitments.

Credible commitments may therefore change the terms of negotiation between government and NGOs. If NGOs can make credible commitments to independence then government officials know that trying to limit NGO independence will waste precious resources in a conflict with the NGO. It may even lead to a "mutually disadvantageous war". This possibility may reduce government officials' appetite for control, and may lead to them resigning themselves to respecting much of the independence of NGOs. How can NGOs make credible (and binding) commitments to independence?

One way is to develop a reputation for independence by repeatedly acting independently. Such a reputation will be self-reinforcing because other actors will begin to expect it and because independent work and values will in turn attract supporters that expect independence. While acting independently of the government may have serious financial implications for resource dependent NGOs, yielding to governmental influence can carry other equally grave costs. It may lead to a reduction in an organisation's ability to attract other resources. In the case of GEOTA, for example, yielding to government influence may lead to the organisation being less attractive to activists and potential leaders. Activists expect GEOTA to be independent from government influence and to take public stances on important environmental issues. Often these stances imply criticism of government policy. Because Portugal has a variety of environmental NGOs, activists can easily move between organisations and if one NGO starts acting less independently it risks losing its activists to other NGOs. Less visible NGOs often complained of their inability to attract activists in comparison to more radical and visible NGOs. The image of an NGO as vocal advocate attracts members who demand vocal advocacy in the future. Similarly in Mexico UGA would lose the support of its members if it lost its independence and yielded to government influence. UGA was formed as a platform of independent NGOs and individual action. In both UGA and GEOTA activists and members were a source of important resources such as labour (essential for service organisations) in the form of volunteers, information and expertise, and also financial resources both regularly and in the case of emergencies. By using their "exit" options, if not their "voice" (see Hirschman 1970), activists and supporters can strongly influence NGOs. Therefore, reputation for independent action, and

for treating organisational independence as “non-negotiable”, reinforces the conditions for independence.

Strengthening leadership, accountability, and independence

To protect their commitment to mission and make it credible to external observers, some of the case-studies pursued various strategies to ensure an independent and strong organisational leadership as well as accountability to the mission and the grassroots. Unfortunately because of the lack of literature on the relationship between independence and the strengthening of leadership and accountability, this study could only undertake a very cursory and exploratory examination of possible strategies in this area.

There is a critical role for NGO leadership in protecting NGO independence. Leadership can be simply defined as “the art of mobilizing others to want to struggle for shared aspirations” (Kouzes and Posner 2002: 30). Leaders are those members in the organisation responsible for the attainment of the organisational goals (Smillie and Hailey 2001). Therefore, leaders are, or should be, directly involved in decisions which may affect organisational independence and the ability of the organisation to attain its mission. The board of governance, executive management, and even organisational members in general may perform leadership functions and help protect organisational independence.

Clearly, the board of governance is supposed to play a fundamental leadership role. A strong commitment to organisational mission is closely related to a strong and independent board of governance. For Kumar and Nunan (2002) governance involves having a clear set of goals and a strong sense of independence. Similarly, according to Harris (2001:172) the functions of a board of governance are

being the employer; formulating and monitoring adherence to agency goals; securing and safe guarding resources; being the point of final accountability; and providing a link or buffer between the agency on one hand and its external stakeholders and environment on the other hand.

An effective board is characterised by members who have the right mix of skills required for organisational governance and the right amount of involvement in governance without meddling in executive management (Harris 2001, Tandon 1995).

According to my interviews, most NGO representatives, especially in the NGOs with highest independence, believed strongly in an independent board, characterised by a majority of non-executive members, who do not depend on the organisation for their own livelihoods. That is, members who are ideologically committed, but financially independent and do not depend on the NGO for income. Within the highly independent case-studies, most board members were strongly committed to the mission, to the point of volunteering several hours per week to the

organisation. Three case-studies (GEOTA, UGA, and LPN) were associations and their board members were democratically elected by members. MNSD and Naturalia had self-appointed boards. In conditions of high resource dependence on the government, higher organisational independence coincided therefore with the association type of governance where members can democratically elect their board and leaders (GEOTA and UGA). MNSD did not have a membership governance structure and had the lowest independence.

Volunteer and independent board members can ensure that the organisation stays on course and, they are less likely than paid staff to make concessions to the government in exchange for funding opportunities. The fact that board members do not depend on the organisation for their livelihoods may ensure greater objectivity in mission pursuit. However board leadership is sometimes limited because of weak member capacity or because of insufficient information to offer adequate guidance to the organisation (Kumar 1997, Tandon 1995). Moreover, volunteers are not always able to dedicate sufficient time to properly understand organisational issues, thus often relying essentially on executive managers' analysis and suggestions and limiting themselves to approving or rejecting them. In his research on Indian NGOs, Tandon (1995) found that many boards do little more than "rubber stamping" management proposals. Therefore there are important limitations to the board's ability to protect independence, even when they are volunteers.

It is noteworthy that three of the case-studies also had financially independent executive leaders. That is, the managing directors were volunteers who did not depend on the NGO for their income. This was an important strategy for independent NGOs that were resource dependent on government funding (GEOTA and UGA). Those leaders obtained their own income in different ways. Leaders of GEOTA and LPN were academics who got their wages from teaching at universities. UGA's leader received a MacArthur Foundation scholarship under a programme to sponsor "Women and development" activists.

That funding made it possible for me to dedicate myself to UGA. ... I never paid myself wages out of the MacArthur funding. That is uncommon as most beneficiaries from this programme pay themselves some kind of wage. You can't be volunteer all your life!! I can get my money out of [my] print business. So I used the money to cover expenses such as messenger, pens, petrol, etc. I had some people helping me and I could pay them with that money.¹¹⁸

Financially independent executive leaders present another layer of protection for organisational independence. This strategy is particularly important when the board of governance is weak. Because of various limitations of the board of governance, executive leadership may be essential to ensure that the mission is pursued. Financially independent executive managers sent

¹¹⁸ Interview with Regina Barba, UGA, Mexico City, April/98.

powerful signals to government officials, constituting a “credible commitment” to organisational independence. Government officials knew they were negotiating with volunteer leaders who would not easily compromise their positions with financial inducements. An independent leader can be therefore an important step toward protecting organisational independence as shown by GEOTA, UGA, and LPN. Combined with independent board members, independent leaders can help keep a check on NGO staff’s desire to secure organisational funding at the expense of the organisational independence, i.e., their pursuing “livelihood strategies’ within the NGO (see Biggs 1997).

Leadership’s role in protecting independence was not restricted to top positions. Particularly in decentralised NGOs such as GEOTA, UGA, and LPN, leadership is critical at all levels of the organisation (see Anheier and Themudo 2002). At operational level, they relied on many volunteers whose high commitment to the organisational mission helped protect organisational independence. Volunteer commitment, while it did not extend to all members of the organisations, helped to ensure greater objectivity in fundraising and commitment to the organisational mission. As Smillie (2000a:30) argues “one reason that NGOs work as well as they do is the level of commitment, energy and perseverance that their employees, volunteers and supporters apply to an issue.” Volunteers and many dedicated paid workers would have no incentive to work for a co-opted NGO that puts government values above their own. This volunteer input is not included in RDP’s analysis of organisations but I believe the case-studies show that this is an important strategy to protect independence.

As partial owners of the NGOs they work in (Edwards and Fowler 2002), volunteers at all levels of the organisation appear to be part of an antidote to the external control caused by a high level of resource dependence on the government. Not surprisingly therefore, some of the most resource dependent organisations had greater protection of their independence by having volunteer leaders and workers.

In relation to these strategies, Naturalia and MNSD were exceptions among the case-studies, as their boards were self-selected and their managing directors were paid and depended on the salary from the organisation. There were very few opportunities for the involvement of organisational supporters outside of the board of governance and a few operational volunteering opportunities offered by Naturalia. Naturalia was also the organisation with the lowest resource dependence on the government and the largest diversification. So it protected its independence by avoiding resource dependence. MNSD on the other hand faced high resource dependence and the strongest external control.

Alongside formal leadership mechanisms to strengthen commitment to mission, some of the case-studies had developed a strong organisational culture emphasising activism and

independence. Organisational culture can be defined as “how things get done around here” or a ‘shared sense of meaning, shared understanding, and shared sense making” within an organisation (Smillie and Hailey 2001:50). It may manifest itself in anything done by the organisation, both formal, such as in mission statements, and informal, such as in myths about founders and ways in which teams collaborate (Smillie and Hailey 2001).

NGOs can develop organisational values and assumptions which foster independence. These values helped leaders and all members of the organisation make decisions which enhanced rather than compromised organisational independence. My interviews with different members of some of the most independent case-studies revealed a strong conviction about organisational independence and the important role for non-governmental actors in society.

Of course we want to be separate and different from government. ... We are not a political party and we do not seek to be in office. Our role is to influence policy makers and educate Portuguese society on environmental and development issues. ... All of us [in the organisation] work for no or very little money to undertake this important function.¹¹⁹

GEOTA’s website (no page number) also promotes an image and commitment to independence:

GEOTA is a national wide, non-profit, non-governmental organisation, independent from political, economic, religious or any other affiliations....GEOTA is totally independent in face of public institutions, economic interests, corporative, or other. We have always adopted and will continue to adopt a critical stance in face of political powers in office whatever their ideology.

Organisational symbols also reinforced an organisational culture which fosters independence. The voluntary involvement of many members in the organisation, including some leaders, sent a signal across the organisation of commitment to independence and to being non-governmental. Similarly, stories about government influence attempts (such as the one described below), which were successfully fended off, further established the high value of independence in the organisation.

An organisational culture of independence can also be strengthened by creating appropriate human resource management policies (see Smillie and Hailey 2001), which ensure that personnel hiring and performance incentives are aligned with organisational objectives and organisational independence. These various systems aimed at protecting independence are designed so that organisations can choose their leaders and incentives in a way that ensures that organisational leaders will choose to act independently even when tempted to yield to government control. For example, leaders with a reputation for activist and independent action may be chosen. Such leaders have more to lose if the organisation loses its independence than if it loses funding opportunities.

Of course we are independent. Why would I give my time [to the leadership of GEOTA] if we could not make our own decisions? The government rules over its agencies and we rule over GEOTA.¹²⁰

And job evaluation can be tied to independence so that if leaders yield to the government they lose their jobs. Elected leaders of GEOTA, UGA, and LPN knew they had to promote organisational independence and mission pursuit if they wanted to be re-elected. In these cases, personal cost-benefit calculations may push leaders into acting independently even if at times that endangers further government support. These incentives are easier to apply when performance is easier to monitor, i.e., in visible activities such as advocacy and major grants. Such a strategy of leadership selection and incentives sends a powerful signal to government about NGO independence, increasing the credibility of NGOs' commitment to its mission and to independence.

A final set of strategies used by the case-studies relates to the strengthening of organisational accountability, which is closely related to the pursuit of organisational goals. Accountability was defined in chapter 2, both as reporting to a recognised authority (Edwards and Hulme 1995) and as a "moral principle... whose purpose is to govern the relationship between those who delegate authority and those who receive it" (Simey 1985 in Kumar 1996:237). Many stakeholders delegate authority to NGOs such as donors, beneficiaries, and supporters. Accountability can thus be strengthened by developing both formal and informal mechanisms of communication, trust, and negotiation with the various stakeholders of the NGO (Kumar 1997) and by developing transparency and opportunities for member participation (Kovach et al. 2003).

Leat (1988) classifies different types of accountability. Firstly, accountability with sanctions, which entails the power to impose sanctions by stakeholders to whom an organisation is accountable. This type is often considered "real" accountability (Kumar 1997). Secondly, explanatory accountability requires the organisation explaining its actions but without threat of sanctions. Thirdly responsive accountability requires organisations to pay attention to stakeholders' preferences but there are no sanctions for organisational non-compliance. Three of the case-studies had strong formal mechanisms which ensured "accountability with sanctions" toward their members and mission and two case-studies had weaker, mainly responsive, accountability toward their members.

As already mentioned, the boards of GEOTA, LPN and UGA were democratically elected by their members. Moreover any member could propose a issue to be addressed by the

¹¹⁹ Interview with Paula Fonseca, LPN, Lisbon, August/99

¹²⁰ Interview with Conceição Martins, GEOTA, Lisbon, July/99.

organisation. Member proposed issues were voted in the general assembly (normally once a year). For example, in one of the case-studies, a member suggested that the NGO opposed the creation of a new airport in an environmentally sensitive zone. The motion was passed by membership voting and the mandate was given to the managers to create an intervention strategy in this area. Perhaps not coincidentally, these case-studies also had extensive websites where much information about mission, leaders, and activities were posted. The websites gave important information about the NGOs to the general public as well as to members and potential supporters. These lines of communication, trust, and negotiation promoted a high level of accountability to their grassroots and mission. Leaders (both executive and board members) could face sanctions and even be dismissed if their performance did not match expectations.

On the other hand Naturalia's and MNSD's leaders faced only responsive accountability toward their grassroots. Because their boards were self-selected and their websites and other communication mechanisms contained little information about organisational performance, supporters had little access to influence the organisations. These NGOs only needed to pay attention to their supporters' needs if they wanted their donations, which generally amounted to a small proportion of their overall income. This is not to say that Naturalia and MNSD did not have accountability to their grassroots as well as to government or to donors. But because their accountability mechanisms emphasised responsive accountability, these organisations tended to be less accountable to the grassroots than those that emphasised relationships of accountability with sanctions (see Leat 1988).

In sum, my observations revealed a powerful reason why NGOs often did not yield to government influence and continued to act independently despite the risk of financial losses involved in opposing the government. Yielding to the government often implied an ideological cost in the form of deviations from mission pursuit, i.e., goal displacement or deflection. For the reasons given above, this ideological cost was for the case-studies often even more important than the risk of financial costs of losing government funding. It constituted a threat to the very reason why the organisations were set up in the first place and could lead to various sanctions imposed on leaders. Therefore, many aspects of NGO work and independence was not negotiable. This certainty facilitated many of their negotiations with external stakeholders. For Taylor (2001: 104),

voluntary organisations need to be strategic in their choice of partnerships. This means being clear about their "bottom line", what their rules of engagement are and what the price is for their involvement.

Various mechanisms discussed above, including volunteer commitment to the mission at various levels of the organisation, led to the emergence of a self-reinforcing reputation for independence as a non-negotiable aspect in their contracting with the government.

Being clear about mission priorities and a commitment to independence helps NGOs in getting better terms from their negotiations with government. For Fisher (1998: 76):

the key factor associated with the political clout of NGOs appears to be organisational autonomy. Despite the varying political contexts faced by [NGOs] and their networks, organisations that strengthen their own identities and autonomy *before* seeking to influence policy makers are likely to have greater latitude in initiating their own political strategies or in responding to government policies within a wide range of political contexts.

By making independence “non-negotiable” and sending clear signs of it to the government, NGOs felt that any funding they received was given with a mutual understanding that their independence would not be compromised in important dimensions. Similarly the government had various principles which were set out clearly and were “not-negotiable”. We are used to recognising that donors and the government set non-negotiable criteria for funding and partnerships but we have mostly failed to recognise that NGOs also have some power to do the same. But because of the various strategies pursued by NGOs to protect their independence vis-à-vis the government, I observed that NGOs too had power to set independence as non-negotiable. And doing so, is itself another strategy to protect its independence. Indeed, reputation for independent action also reduces the likelihood of future external control attempts as the government re-evaluates the costs of control. Not only will influence attempts probably fail, but an NGO with a strong reputation for activism and independent action may impose important political costs upon the government. Both in Mexico and in Portugal, NGOs have shamed their governments internationally by suing and undertaking public campaigns against them.

By developing a credible commitment to organisational independence, NGOs change the very nature of the negotiations between government and NGOs. Government official will be less inclined to try to co-opt an NGO leader, if they know that he is not co-optable and they may suffer in the process. For example, one government official in Portugal tried to co-opt one NGO (here kept anonymous) by offering to endorse their application for international funding. In exchange the NGO would withdraw a court action filed against this official. Without such endorsement the NGO would not be able apply for the funding and would lose the opportunity to get one of its largest ever contracts and waste a proposal that had taken many weeks to prepare. In response the NGO maintained the court action. The government official withheld the endorsement, but never again tried to influence NGO actions and endorsed every funding application from then on. Similar stories were told by other NGOs about government officials trying to vet potential criticisms of the government undertaken in environmental education campaign, for example. The reputation as independent organisations that some of the case-studies had developed probably accounted to a large extent for why control attempts were very rare, despite their high resource dependence on government.

7.5. THE EFFECTIVENESS OF INDEPENDENCE STRATEGIES

Organisational independence is the result of the balance between external pressures and the internal capacity to pursue strategies which protect independence. The objective of this chapter is to explore the independence strategies pursued by the case-studies by both identifying key strategies, and through a comparative lens to offer some suggestions as to their relative effectiveness.

Table 31 summarises the various strategies pursued by the different case-studies to protect their independence.

Table 31: Comparing case-studies' use of selected independence strategies

Strategy	GEOTA	LPN	UGA	Naturalia	MNSD (control case)
Diversification (income)	Low	High	Low	High	High
Diversification (resources) and reducing need for funding	High	High	High	Medium	Low
Slack	Low	High	Low	Low	High
Interlocking directorates	Low	Low	Low	Low	Low
Merger	Low	Low	Low	Low	Low
Joint-ventures and alliances	High	Medium	High	Medium	Low
Demand avoidance	Medium	Medium	Medium	Medium	Medium
Countervailing power	High	High	Medium	Medium	Medium
Dividing the government	High	High	High	Low	Low
Independent leadership	High	High	High	Medium	Low
Democratic governance	High	High	High	Medium	Low
Reputation for independence	High	High	High	High	Low

Two case-studies were largely successful in avoiding resource dependence on the government: Naturalia and LPN. To avoid resource dependence they fundraised from a diversified donor

base. LPN also developed slack in the form of funding reserves and property which could be mobilised in times of need. However they still depended on the government for some funding, albeit a small proportion of overall funding, and for critical non-financial resources such as tax deductibility status, endorsement of their capacity needed for international funding, and access to government controlled resources such as natural reserves and environmental information.

The other case-studies were less successful in avoiding resource dependence. They faced therefore a harder task of protecting their independence and avoiding external control. The ones that did so successfully (GEOTA and UGA) pursued strategies to, as much as possible, reduce their resource dependence and avoid external control. Being less able to fundraise from a diversified base, to reduce their resource dependence, they tried to mobilise critical resources from activists by drawing on their volunteer labour and expertise. Simultaneously, they reduced costs to a minimum so as to reduce their dependence on funding. Their low slack made them more vulnerable to swings in fundraising fortunes but they were able to mobilise activist goodwill in the form of personal contributions of various resources in times of need. Despite their high level of resource dependence on the government they retained high levels of independence, largely avoiding government influence. They avoided external influence by taking leadership roles in large networks of NGOs. They also cultivated their relationships with other actors such as the media and universities. By establishing supportive relationships they increased their negotiation power vis-à-vis the government. They were able to develop some countervailing power by strengthening their organisational capacity, making them desirable partners with whom to be inter-dependent. They also put in place various formal and informal mechanisms to strengthen their commitment to the grassroots and to their mission.

Finally the control case, MNSD, was less successful in avoiding external control. Comparing its independence strategies with those of similarly resource dependent case-studies that successfully protected their independence offers useful insights about the relative effectiveness of different strategies. MNSD pursued a strong funding diversification strategy. Moreover it developed much slack by creating a reserve fund. But unlike, UGA and GEOTA, which pursued strategies of substitution of funding with volunteer labour, MNSD's strategies of donor diversification and slack building were partly offset by its large dependence on funding due to its highly professionalized structure. Moreover, unlike GEOTA and UGA, which pursued strong networking strategies with both other NGOs and the media, MNSD remained largely isolated from other NGOs and social groups (except business with which it had extensive sponsorship ties). It had therefore very few horizontal linkages. Finally, unlike GEOTA and UGA, which pursued strong strategies to establish a strong commitment to their mission, MNSD had a fairly weak, self-selected board with few mechanisms for the participation of the grassroots. As a result its leadership and accountability mechanisms offered a less effective direction and oversight of organisational independence. Its lack of reputation for independent action further

limited its ability to fend off external influence attempts. Since MNSD actually faced *less* resource dependence on the government than the most resource dependent case-studies (UGA and GEOTA), and it dealt with the same government that UGA did, it is probably fair to conclude that MNSD was less successful because its independence strategies were less effective than those of the more successful case-studies.

It would appear, therefore, based on the analysis presented in the previous chapters, that the strategies that offer greatest potential for protecting independence, are a) diversification of funders, particularly if coupled with a reduction of dependence on funding by diversifying into volunteer resources, b) developing organisational capacity and building co-dependence, c) networking horizontally with other NGOs and social actors, and d) developing and demonstrating a strong commitment to mission. It is important however not to make too sweeping generalisations at this stage about the different effectiveness potential of the various strategies. There are probably important inter-dependencies between different strategies, which will have an impact over their overall effectiveness. Some strategies may be complementary so that their total impact is greater than the sum of its parts. Moreover, this effectiveness is also likely to vary over time. Perhaps more important at this stage is to observe that my data suggest that there are limits to the effectiveness of different independence strategies. Also noteworthy was the fact that funder diversification on its own was insufficient to protect organisational independence. This finding runs against many authors' view that donor diversification is the most powerful strategy to protect independence (e.g., Edwards and Hulme 1997, Hudock 1999, Pfeffer and Salancik 1978). This finding is discussed in more detail in the concluding chapter.

CHAPTER 8. MANAGING THE PARADOX

The previous chapters have shown that some NGOs may receive government funding, and indeed may even be resource dependent on government more generally, but still remain largely independent, able to pursue their mission with little external constraint. This finding runs against the assumption typically present in analyses of NGO independence that as NGOs receive a greater share of their income from government and donors they lose their independence, perhaps even becoming “public service contractors”, i.e., the piper hypothesis. The previous chapters also examined *how* the NGOs studied maintained their independence, revealing many of the structural conditions and strategies that enabled this. This chapter brings these arguments together and provides an answer to the research question.

This chapter begins by examining the piper hypothesis in light of this study’s main findings, and conceptualising some of the surprising findings as a “government funding paradox”. It then discusses ways in which NGOs can manage this paradox, and with what implications for management, policy and theory.

8.1. MANAGING THE PARADOX: RESOURCE DEPENDENCE AND ORGANISATIONAL INDEPENDENCE

NGO funding and independence challenges

From an NGO management perspective, the piper hypothesis suggests a trade-off between independence and government funding, posing an apparently irreconcilable set of demands to the majority of NGOs (that cannot survive from donations alone): to seek resources but avoid resource providers.

At the limit, the piper hypothesis suggests that NGOs face a choice between either losing their independence while gaining funding from their environment, or maintaining their independence but having no funding with which to pursue their mission. That is, they can be independent but without resources or dependent with resources. Either way their ability to pursue their organisational mission is very limited, constrained by their ability to find resources that promote independence, such as individual supporter giving. Understanding this situation as a dilemma provides a useful lens for understanding the funding and independence challenges faced by most NGOs. While this dilemma presents challenges to all organisations, it is particularly problematic for most NGOs since they suffer from the “fundamental revenue problem”.

This dilemma lies at the heart of the resource dependence literature and much of the NGO and non-profit literatures, suggesting that NGOs may not be managing this dilemma well enough.

The fear is, to paraphrase Hulme and Edward's (1997) book title, that NGOs and governments are becoming "too close for comfort". By entering into partnerships with NGOs on the grounds of their flexibility, volunteer engagement, and closeness to the grassroots, the government may be undermining the very reasons why NGOs are attractive partners. Therefore the argument is that by financially supporting organisations that are independent, distinct, cost-effective, flexible, innovative and close to the grassroots, among other traits, the government is actually making these organisations more dependent, bureaucratic without their original voluntary ethos, and mostly indistinguishable from government. By losing commitment to their core values NGOs risk losing much of their potential for social impact and thus the very reason for their existence (see Hailey 2000). That is, government may be "killing the goose that laid the golden eggs."

However, evidence both in support of and against the piper hypothesis has previously been scarce and often unsystematic, in consequence making it even more difficult to see just *how* NGOs might actually manage this dilemma. This study set out to systematically examine this neglected but important question, seeking not only to discover if NGOs *can* be resource dependent on government funding and remain independent, but also how. Alternatively, the study sought to understand how, if NGOs cannot remain independent, they actually manage the tensions brought about by this dilemma.

The case-studies showed that the funding and independence challenges faced by NGOs, and their responses to them, are far from obvious. Chapter 6 provides a summary of the empirical findings and a comparative analysis of how government funding and resource dependence influenced various dimensions of NGO independence, such as management attitudes, organisational structure and advocacy behaviour. It shows that receiving government funding does not necessarily lead to a loss of organisational independence. This finding suggests that the piper hypothesis is wrong or that there are limits to its applicability. But how can we then explain this apparently paradoxical situation whereby some NGOs actually receive government funding but remain independent?

The literature offers two main solutions to the dilemma presented by government funding to NGOs. One solution involves simply rejecting any form of government and donor funding. Indeed, some NGOs manage to avoid this dilemma by getting support only from a large base of individual supporters (e.g., Amnesty International, GreenPeace) who provide resources and protect NGO independence, but most philanthropic environments can support only a handful of such organisations. While important, this solution excludes the overwhelming majority of NGOs that have to fundraise from resource environments characterised by resource scarcity (Hudock 1997a). Even if private resources are available they can typically only support a small minority of NGOs. Therefore the majority of development NGOs seek some domestic

government or official donor funding to finance their activities (Edwards and Hulme 1996). That is the case, for example, for most national offices of international NGOs such as Oxfam, Care, Save the Children, Red Cross and Red Crescent Societies, International Union for the Conservation of Nature, as well as national NGOs such as Proshika or the Bangladeshi Rural Advancement Committee. That is also the case of the vast majority of NGOs dedicated to sustainable development working in Mexico and Portugal. Importantly, even when NGOs manage to avoid government funding they are still dependent on governments for many critical resources such as information, tax benefits, consultation opportunities, military protection in conflict areas and access to international donor funding (e.g., World Bank). Therefore even organisations that avoid government funding need to manage their relationship with the government and protect their independence over and beyond simply avoiding government funding.

Another, less obvious, solution suggested in the literature is that some governments may refrain from trying to control NGOs. This is commonly the situation of governments such as Sweden, Norway, and Holland (Smillie 2000a, Lindenberg and Bryant 2001). Indeed the availability of non-intrusive government funding is a key reason why international NGOs open branches in countries such as Denmark (Muller 2004). But again, according to the literature this solution is not available to the majority of NGOs that must face less benevolent governments interested in increasing rather than decreasing their influence over NGOs (see Bratton 1989, Bebbington and Farrington 1993, Farrington and Lewis 1993). Moreover, it is not a solution that most NGOs can choose or control.

Neither of the solutions suggested in the literature was very likely in the contexts of Portugal and Mexico. Both governments had a reputation for interfering in NGO affairs. Even during the period of observation in this study, government tried to influence NGOs in a way which constrained their independence. Moreover, the resource environment cannot sustain many NGOs on individual and foundation donations so many simply need to engage with government funding. In this context, NGOs in Mexico and Portugal presented an opportunity to examine a potential third solution. There are some indications in the literature that NGOs and non-profits may pursue various “buffering strategies” to minimise the external control pressures resulting from government and donor funding (e.g., Ebrahim 2003, Gronbjerg 1993, Smillie and Hailey 2001). The literature is however largely silent as to how effective these strategies are in the long run in protecting NGO independence (Ebrahim 2003). This possible solution is also suggested by RDP but it has remained largely unexplored in studies of non-profits and NGOs.

The suggestion that in some conditions NGOs might be able to manage their funding and independence challenges in ways that allow them to receive government funding and still remain independent, provided fertile grounds for observation relating to the research question.

The government funding paradox

I found that the level of resource dependence on the government was a poor predictor of the level of NGO independence, particularly at high levels of resource dependence. This suggests that resource dependence on the government is not a sufficient condition for organisational dependence and external control. These observations are at odds with the piper hypothesis and the most of the literature on the relation between NGOs and the government, in which low dependence on government funding is equated with NGO independence and high dependence on government funding equated with government influence and external control (e.g., Anheier et al. 1997, Gronbjerg 1993).

Some of the observed case-studies were consistent with the piper hypothesis (Table 32). They indicate that low resource dependence on the government leads to high organisational independence. But high resource dependence on the government does not necessarily lead to low organisational independence.

Some case-studies revealed a paradoxical possibility, which is hard to reconcile with the piper hypothesis, by remaining independent despite receiving the majority of their funding from the government and despite working with governments that were interested in controlling them. They were able to remain independent and non-governmental despite depending essentially on government funding. I call this the “government funding paradox”. As will be developed below, understanding the conditions which made this paradox possible has important policy, management, and theoretical implications.

Table 32 illustrates the government funding paradox in the relationships between resource dependence and organisational independence. Shaded cells represent relationships which are consistent with the piper hypothesis.

Table 32: The government funding paradox

		Organisational Independence	
		Low	High
Resource dependence	High	Piper hypothesis (RDP literature, Anheier et al. 1997)	“Government funding paradox”
	Low	Government use of repressive non-financial instruments	Piper hypothesis (RDP literature, Anheier et al. 1997, GreenPeace)

Some of the case-studies observed in this study managed the government funding paradox successfully so as to get the benefits of government funding while minimising negative impacts on their independence. By focusing on case-studies that successfully protected their independence, and one control case that did not, I explored some of the limits of the piper hypothesis (Table 33). Moreover some of the literature suggests other possible limits, not explored in this study, that government may use repressive non-financial instruments, such as registration requirements, censorship, and even dissolution, to control non-profits and NGOs (e.g., Bratton 1989, Hulme and Edwards 1997).

Table 33: Case-studies and the government funding paradox

		Organisational Independence	
		Low	High
Resource dependence on the government	High	Piper hypothesis MNSD	Government Funding Paradox GEOTA UGA
	Low	Government use of repressive non-financial instruments	Piper hypothesis LPN Naturalia

LPN and Naturalia appear to conform to the hypothesis; they enjoyed high organisational independence by keeping low resource dependence on the government. Similarly, MNSD conforms to the hypothesis: it suffered from low organisational independence partly because it developed high resource dependence on the government.

On the other hand, GEOTA and UGA present a paradox. They enjoyed high organisational independence at the same time that they received a large share of their resources from the government. Resource dependence on the government did not compromise their independence, as shown in the empirical chapters. When examined closely, these case-studies suggest a way out of the dilemma implied by the piper hypothesis. Chapter 7 described in detail the various strategies NGOs can pursue to protect their independence while receiving government funding.

This is not to say that there were no dangers in government funding, but that under certain conditions NGOs can minimise these dangers. Representatives from the higher resource dependence case-studies stated in their interviews that they wished their organisations were less dependent on government funding. They acknowledged some of the dangers to their independence and to their sustainability. But at the same time they showed that by managing their resource relations and pursuing independence strategies they can minimise the negative impacts of government funding and maximise the positive consequences, such as having more resources with which to pursue their mission or strengthen organisational capacity.

They establish therefore the possibility of managing the paradox of being resource dependent on the government and remaining independent. This is consistent with RDP, which argues that while there is a danger of loss of organisational independence when organisations are resource dependent, organisations can always pursue various strategies to protect their independence.

The application of the RDP framework in this study shows that the NGO literature needs to take this into greater account, and focus on *how* to manage the paradox, rather than stopping at the risk that “he who pays the piper calls the tune.”

As chapters 6 and 7 describe, both structural and agency conditions help to explain my observations on the paradox. Structurally, government power and the possibility of external control of NGOs depends on a much wider set of resources than simply government funding. Because NGOs are rich in non-financial resources, resource dependence on the government is often exaggerated and the potential for government control over-estimated. Moreover, there are strong obstacles to government monitoring and influence such as its cost, the widespread social norm that government should not try to co-opt NGOs, and internal divisions within the government which can make it difficult for government to form a united front in dealing with NGOs. These obstacles reduce the incentives for government control so that often government is neither capable nor interested in reducing NGO independence.

In terms of agency, NGOs can pursue various strategies to minimise the dependence threats of government funding. The NGO and non-profit literatures have emphasised an analysis of resource dependence and organisational independence, which is based on tangible resources such as funding, at the expense of intangible resources such as reputation. Consequently, with notable exceptions these literatures have largely discussed independence strategies in terms of financial strategies to change resource dependence, such as avoiding government funding or diversifying funding sources. In contrast, RDP, which developed in the wider organisational theory literature, suggests a more complex set of strategies organisations can pursue to protect their independence by reducing resource dependence, avoiding demands and preventing external control. Chapter 7 lends support to RDP’s more complex picture of both financial and non-financial strategies to protect organisational independence. Moreover, my findings extend RDP’s strategies by suggesting that NGOs can also protect their independence by ensuring a strong commitment to their mission by for example, developing accountability systems or by drawing on independent leadership.

Limits to independence strategies

The suggestion that NGOs can pursue strategies to protect their independence entails another question: why do some but not all NGOs pursue independence strategies? In other words, if NGOs become independent by pursuing certain strategies, why would any NGO stop short of becoming independent? This is a fundamental question that remains mostly unanswered even in the resource dependence literature (Pfeffer 2003). A comprehensive answer to the question “Why aren’t all NGOs independent?” is clearly beyond the scope of my research, but the study

raises interesting possibilities and insights and provides a starting point for future research on this important question.

My observations provide some clues for a tentative answer to this question. There are four general reasons why NGOs may not become independent: a) NGO leaders don't know about possible independence strategies, b) they do not want to pursue independence strategies, c) NGOs face large obstacles to pursuing independence strategies, and d) independence strategies are sometimes not effective.

NGO managers and leaders may not be aware that they can pursue independence strategies (although they knew it in my case-studies). Or they may not know enough possible strategies to find an adequate one for their situation. This study hopes to make a contribution by suggesting possible independence strategies to NGO leaders that may not know some of the strategies discussed or how to pursue them.

Another reason NGOs may not become independent is that they may not want to pursue independence strategies. NGOs may for example choose to secure their resource flows and survival instead of emphasising the pursuit of their mission. In this case the key problem is lack of commitment to basic values and mission. Many of the problems commonly attributed to resource dependence are actually the consequence of poor governance. Both GEOTA and UGA, which were heavily resource dependent on the government, had very strong governance systems that enabled them to focus on their mission and be clearer that independence, for them, was "non-negotiable". The fact that both NGOs also had internal democratic structures was important to keep activism interest high and keep leaders close to the organisational mission. Moreover there was an important separation between board members and the financial situation of the organisations, that is, by having their own survival ensured with an income source outside the organisation, board members could make more independent decisions about the direction of the organisation. Board members were almost invariably employed in other organisations. Their commitment to the NGO was based on ideological rather than financial rewards. NGOs whose leaders have their livelihoods intrinsically dependent on the financial destiny of the NGO will arguably be more likely to yield to external influence (see Biggs 1997). Pearce (1997:258) also emphasises the need to remain accountable to the grassroots to avoid co-option.

Where NGOs derive their legitimacy from and who they are accountable to, ultimately involves political decisions which NGOs will differ about. But clarity on both may be the one way that NGOs still committed to social change can avoid the risks of either irrelevancy or co-option.

Even if NGO leaders want to promote independence, clearly there are limits to NGOs' ability to pursue independence strategies. Chapter 7 described several of these limits while presenting different strategies. These will be summarised here and more general limits will be also

presented. An important limit is set by the overall attractiveness of an NGO's mission and its ability to attract social support. In this case, diversification is very difficult as there are few potential supporters. Or an NGO may not be able to afford the investment needed to undertake a fundraising campaign necessary to diversify funders. Diversification normally entails high administrative costs (Gronbjerg 1993, Hudock 1997a) which render diversification prohibitively costly. In similar lines, Cannon (2002:365) argues that:

The best strategic mix of number and types of funders will vary for each organisation. While it is generally good to have more than just one or two funders, this is not always so. For example, one CBO had many funders who all gave small amounts but still required high inputs of time to maintain. In this case, having many funders made them less sustainable than if the organisation had fewer funders who gave more money.

An important limitation on NGOs' ability to diversify their donor base is tax deductibility, which affects their ability to attract private resources. Both in Portugal and Mexico the legislation and its applicability to NGOs with a sustainable development mission were unclear and, some activists would argue, discretionary. Government can therefore limit tax deductibility to reduce NGOs' ability to diversify their funding. While both governments stated that they would like NGOs to attract more private funding to leverage their public funding, existing tax deductibility policies would suggest that governments prefer to maintain more control by limiting NGO private fundraising potential. Aside from determining government funding, governments had also therefore an important influence over the ability of NGOs to attract non-governmental funding.

As explained in section 6.1, the case studies suggest that organisational age and size may be important variables influencing NGO ability to pursue independence strategies. Both organisational size and age were associated with lower financial, and sometimes resource, dependence. This was due to the difficulty for younger and, less visible, smaller organisations to develop a strong reputation among potential supporters. Weaker public reputation makes diversification more difficult. Not surprisingly, therefore, younger and smaller NGOs were more financially dependent on the government. At the same time, younger and smaller NGOs relied more heavily on volunteers and were more decentralized in their structure, a fact that is consistent with life cycle and institutionalisation theories of non-profits and NGOs. Greater reliance on volunteers reduces resource dependence on external actors such as the government. Therefore, both size and age have an indeterminate impact on NGOs' ability to pursue independence strategies, facilitating some and hindering others.

There can also be great obstacles to NGOs' ability to build slack or reserves. A large proportion of non-profits operate without any financial reserve (Scott and Russell 2001). My interviews indicated that there are strong normative constraints against capital accumulation in NGOs. Both funders and supporters expect funding to be spent as quickly as possible in the pursuit of

an urgent mission. Any unspent funding resulting from economising must be returned to the government at the end of a project. Likewise, individual supporters look at unspent resources negatively. The only successful reserves built by the case-studies were the result of deliberate campaigns to build them, and benefited from dedicated funder support. This type of support is however very rare as funders resist funding overheads and capital campaigns.

The ability to create networks and alliances, as well as wider co-operation between NGOs, suffered from the lack of existing networks and the high cost of initiating them, lack of management time for meetings, power conflicts between NGOs, and very strong organisational values, which obstructed the process of seeking the compromises necessary when building networks and partnerships.

NGOs' ability to avoid demands depended on largely exogenous processes such as the contracting process, which includes when and how NGOs can apply for government funding, available scope for negotiation, and monitoring and evaluation systems. These processes were determined by government and most NGOs had little input into them. Only larger NGOs and networks had any say about them. At the same time larger NGOs were more visible to government officials and are therefore less likely to be able to avoid government demands than smaller ones (see Pfeffer and Salancik 1978).

The ability to develop a strong commitment to mission suffered from a general lack of people interested or capable of being leaders of NGOs. This problem is related to a general scarcity of social entrepreneurs in society (e.g., Hirschman 1982). It was difficult to find good leaders and managers. Similarly, boards of governance suffered from a lack of good people with sufficient skills, time, and knowledge to be effective overseers of the organisation (see Harris 2001 for parallels in the UK).

Other obstacles identified in my field work include lack of media interest in sustainable development issues, and lack of institutional resources such as access to courts and supranational funding and legislation.

A final reason NGOs may not become independent is that independence strategies may not always be effective. The impact of different strategies on actual organisational independence should arguably vary depending on many contextual factors. By comparing the strategies pursued by the control case MNSD with those pursued by the more independent case-studies we can gain some insights into the effectiveness of the different strategies (see Table 31 in chapter 7).

MNSD pursued aggressive strategies of funding diversification and slack building, which led to a large number of donors including both national and international donors and a large reserve

fund. However, MNSD also had a high indirect resource dependence on the government (see chapter 5). Moreover, when compared with the more successful case-studies we see that its dependence on funding was much higher than that of the other case-studies, its networking with other NGOs was much lower, and its commitment to mission was also lower with a board of governance often more interested in protecting their own business dealings with the government than with pursuing an independent mission. As a result, diversification and slack strategies were insufficient to counter its resource dependence on the government.

However the methodology followed in this study does not permit strong conclusions in this area (see section 7.5). This is because the only control case-study had low independence partly because it was resource dependent on the government and partly because its own board did not want it to be more independent. It was perhaps as much a case of not wanting independence as of a failure of independence strategies. The other case-studies were very successful in remaining independent, suggesting that the independence strategies they pursued were essentially successful. Designing a study that compared dependent and independent case-studies in case-studies that were strongly committed to independence should generate important insights in this area.

The limits to independence strategies however do reinforce the continuing relevance of the piper hypothesis. When NGOs can't or won't pursue effective independence strategies, the possibility of low organisational independence is very much present. The control case as well as the large literature vouching for its relevance testifies to this conclusion. At the same time, the possibility of NGOs and non-profits pursuing independence strategies should encourage more nuanced analyses of the impact of government funding on organisational independence.

The importance of context: the political and resource opportunity structures

The paradox and its management will play out differently in different national contexts. The government's efforts of external control will depend on the political openness of the regime as well as on the resource opportunity structure manifested in, for example, the wealth of the country, the presence of a strong middle class, and other development indicators.

In terms of resource opportunities, Salamon and Anheier (1998) suggested that a key element in the emergence and development of the non-profit sector in different countries is national regime type characterised by the amount of social welfare spending and the importance of the sector in policy implementation. As mentioned above, both Mexico and Portugal are non-philanthropic spaces in terms of funding for NGOs concerned with sustainable development. This poses the greatest difficulties for the emergence of NGOs and non-profits. As intermediary development countries, Mexico and Portugal (Santos 1994) benefit from a level of national wealth and

development that is higher than that of developing countries and lower than that of more developed countries. Intermediary development countries with newly forming institutions offer many opportunities (and threats) to NGOs, which arguably are not present in countries where institutions are more established (see Olson 1982). Weaker governments have a greater need for NGOs and the legitimacy and popularity they may carry. The Portuguese government suffered heavy political losses when it ignored campaigns waged by NGO coalitions. These include the Tagus bridge stand off, described in chapter 4, and the campaign against the incineration of waste in the city of Coimbra in 2002. In both cases the government suffered heavy popularity drops which contributed to their removal from power. While a government change was not caused only by these campaigns they have clearly helped to reduce the legitimacy of the government.

The political opportunities structure is the window of opportunity for policy influence within a political system (McAdam et al. 1996, Taylor 2001). In terms of political opportunities, Mexico's increasing democratisation process is likely to generate a better relationship between government and NGOs.¹²¹ While Kurzinger et al. (1991) found various NGO complaints of governmental use of repressive instruments such as personal intimidation, during my fieldwork I did not find any evidence of such tactics by the government. The establishment of a de facto multi-party system combined with a competitive media sector has improved government officials' accountability. Also Mexico's entry to NAFTA has put its government in the spotlight of international media attention. As a result concerns about social issues such as human rights and environment have grown in importance. These trends have improved Mexican NGOs' position vis-à-vis the government. Portuguese NGOs benefit from a more consolidated democracy, although still young (since 1974). Portugal's entry into the EU has clearly increased Portuguese NGOs' political space even more as they can now lobby the EU Commission or use EU courts when the government refuses to listen to them.

An understanding of how resource relations impact NGO independence also requires an understanding of the fact that governments may limit their own attempts to control NGOs. One example is the creation in the UK of a Compact between the government and the voluntary sector. In Portugal and Mexico less ambitious initiatives also took place to ensure the government respected NGO independence. These are discussed in greater detail below under implications for policy.

NGO independence is therefore the result of both internal strategies and external conditions. Internally, NGOs can pursue a number of strategies to decrease resource dependence on the government or to increase the government's dependence on it. Externally, NGOs' ability to

attract government funding and remain independent is partly conditioned by the existence of internal divisions within the government and institutional and societal resources, which can be mobilized to match the power of the government.

Relation to existing research and generalisability

Methodologically, comparing Mexico and Portugal was important because of the need to vary the NGO resource context (e.g., differential access to international donor funding, government funding, membership funding) while maintaining some variables constant or close to constant (e.g., development indicators, political regime indicators). It was then possible to observe the impact of the resource context (mainly government funding) on the NGOs researched.

Much of the research into NGO and non-profit resource relations has stressed the piper hypothesis, suggesting an inverse relation between resource dependence on the government and organisational independence (e.g., Anheier et al. 1997, Kramer 1994, Smith and Lipsky 1993, Edwards and Hulme 1996, Hulme and Edwards 1997). But other research has found little correlation between government funding and various dimensions of organisational independence in NGOs and non-profits (e.g., Taylor 1999, Briggs 2002, Ebrahim 2003, Natal 2001).

The empirical findings presented above suggest that under certain conditions the paradox of government funding and non-governmental independence is possible, therefore questioning the necessity of an inverse relation between resource dependence and organisational independence. Indeed it builds on Hudock (1997a) and Ebrahim (2003) in exploring some of the strategies NGOs pursue to avoid external control in face of resource dependence on their funders. But, it does so in a different type of relationship: NGOs with their national government rather than with international NGOs and international donors.

This study's findings lend support to the body of research, discussed in chapters 1 and 2, that questions the piper hypothesis, but they are not generalisable to the wider population of NGOs and non-profits. As discussed in the introduction and methodology chapters, the sample chosen is limited and potentially biased (small environmental NGOs). Environmental NGOs are, to an extent, different from development NGOs and other non-profits. Generally speaking, key differences include a stronger role for volunteers, less financial dependence on the government, and greater emphasis on advocacy as opposed to service delivery. Moreover most of my case-studies were small organisations employing 2-5 people. Arguably, therefore, these are important biases in my study questioning the generalisability of my finding to larger service delivery

¹²¹ Interview with Director of Finance, MNSD, Mexico City, August/99.

oriented NGOs and non-profits (chapter 1). For example, the important role played by volunteers in leading 3 of my 5 case-studies is impossible to replicate in large international NGOs such as Care or Oxfam. Its conclusions are therefore probably more applicable in similar small activist based NGOs/non-profits.

At the same time, the case studies chosen were concerned with sustainable development rather than purely with environmental protection. They were involved in various service delivery activities such as education, training, agricultural extension, and land management. Moreover, some of the findings are echoed by similar findings in the wider NGO and non-profit literatures. Potentially, therefore, some of this study's findings may be applicable to a wider set of organisations. Their applicability needs to be determined by future research that may confirm or disprove these findings in different contexts (see Yin 1989).

The main contributions of this study are the analytical findings about the relationship between NGO resource dependence on the government and organisational independence. Firstly, they question the claim that government funding is a sufficient condition for the loss of organisational independence as suggested by many proponents of the piper hypothesis. Secondly they offer several variables which affect government's potential to influence NGOs: non-financial resources such as volunteers and tax deductibility, and government willingness and capacity to control NGOs. Thirdly, they suggest that NGOs can pursue various independence strategies to resist government influence. This study, therefore, suggests several generalisable analytical conclusions about different variables influencing NGO independence. In other words, this study suggests a need for a more nuanced understanding of how government funding impacts NGOs and non-profits, and questions the simplistic view that government funding is sufficient for the loss of organisational independence. By examining environmental NGOs, organisations which are normally overlooked in the NGO and non-profit literatures, this study enriches our knowledge of the NGO and non-profit sectors and suggests new hypotheses about the influence of resource dependence on the government and organisational strategies to resist it.

One limitation to the analytical generalisability of this study's findings, however, concerns the inclusion of primarily cases that successfully managed to protect their independence. While I can raise many interesting hypotheses from an analysis of successful cases, as indicated earlier much could be learned by comparing them with a larger group of similar but less successful cases.

In sum, the cases in this study show that some NGOs can be successful in managing a high level of resource dependence on the government. They suggest various hypotheses about the impact of government funding and independence strategies, which need testing in different contexts

and types of non-profits and NGOs as well as through quantitative methodologies, so that we can better understand the full impact of government funding on NGO and non-profit independence. This is an area in desperate need of more research in a time of increasing contracting between government and NGOs or non-profits.

By comparing case-studies in Mexico and Portugal, this study sought to explore the usefulness of undertaking research in intermediary development countries, which have been arguably less researched in the NGO and non-profit literatures. Portugal and Mexico offered fertile environments to examine the piper hypothesis because they provided opportunities for government funding (much less common in the South) without government benevolence (for instance trying to institutionalise the protection of NGO independence, which is much more common in the North). By studying NGOs in intermediary contexts therefore I hoped to generate new insights as well as to bridge the non-profit and NGO literatures, with the potential to generate hypotheses for future research in both the North and South.

Arguably, the government funding paradox should also apply in the North both to non-profits and international NGOs concerned with development. Indeed the paradox may be even more likely as countries like the UK, Holland and Scandinavian countries develop institutions to protect non-profits and NGOs from “undue interference” (e.g., England’s Compact). Moreover, organisations in the North face a richer environment and more opportunities for diversification. It is more likely therefore that organisations may choose government funding because it is the best type of funding rather than because they have no other choice. If this is so, we should probably find more occurrences of non-profits and NGOs receiving large amounts of government funding and remaining independent.

By the same token, the paradox should be less common in the South. If NGOs are resource dependent on a Southern government it is likely that this dependence is very problematic as the national government concentrates too much power and has little inclination to protect NGO independence. In such a context the government would add resource dependence power to its usual regulatory power, with few checks on its power (e.g., by courts or parliament). The case of NGOs being resource dependent on international donors (Northern governments) is less likely since donors avoid funding SNGOs for too long with the fear of causing dependence. When donors do provide long term funding, there is a strong difference between large and small NGOs. Large NGOs have strong fundraising and diversification capacity (e.g., Bangladeshi Rural Advancement Committee). Small NGOs have very little diversification capacity in a constrained resource environment and therefore are likely to be much more resource dependent on international donors (see Hudock 1997a). So in the South the paradox is most likely in the relationship between large NGOs and international donors (Ebrahim 2003 provides some

support for this) and least likely in the relationship between small NGOs and national government.

Although this study focused on the relationship between national NGOs and national governments it is interesting consider whether the paradox is more or less likely in the relationship with international donors. Arguably, international donors do not have regulatory power so resource dependence on international donors is likely to be less problematic than on national governments. Monitoring capacity is also relevant albeit its impact is ambiguous. Because of the geographical distances international donors are less likely to be able to closely monitor NGOs, although a well organised donor may be more able to control an NGO than a disorganised national government. NGOs are therefore more likely to avoid donor in comparison with national government demands if the national government is well organised.

It would also be very interesting to undertake research on international NGOs that can position themselves in different countries and fundraise from different governments depending on their demands and conditions. This is expected to be a major strategy to manage resource dependence, which I was unable to explore because of the national scope of my case-studies. How common is the paradox in this type of NGO? Particularly interesting would be to compare the level of organisational independence of international NGOs with different levels of resource dependence on the government. Is Oxfam America more independent than Oxfam Great Britain? Is it more independent than World Vision America? These are important question that have so far received little academic attention.

Being essentially exploratory, this study aimed as much at generating hypothesis about the limits of the piper hypothesis as at testing it. Future testing of these hypotheses is an important task for future research taking a more nuanced view of resource dependence and organisational independence, as suggested by this study.

8.2. THEORETICAL IMPLICATIONS

The following section examines some of this study's lessons by combining insights from the literature on NGOs, non-profits, and organisational theory.

Bridging the “parallel worlds” of NGO and non-profit research

I believe this study clearly shows the usefulness of combining non-profit and NGO literatures in search for areas of mutual learning. Both literatures have given rise to publications on the piper hypothesis, contracting, New Policy Agenda and various dimensions of the relation between third sector organisations and the government. My decision to draw on and combine the two

literatures was partly motivated by the difficulty of slotting the object of study into a non-profit or NGO category. But it was also motivated by the promise of learning between the fields and gaining insights into the research question.

Despite the historical gap between non-profit and NGO literatures, recent efforts to span both have proven fertile. The edited volume by David Lewis (1999) presents various examples of parallel research agendas that can benefit from greater dialogue. While still rare, more recent efforts have also lent support to the need to bridge the “parallel worlds” of NGO and non-profit research (e.g., Anheier and Themudo 2004, Najam 2000, Young 2000). The potential emergence of a “global social policy” (Deacon et al. 1997, Lewis 2001b) suggests a need to increasingly combine and compare experiences from the North and the South.

There was much overlap in the lessons from both literatures about some of the impacts of resource dependence on organisational independence, reinforcing the generalisability of those lessons. The NGO literature provided the main backbone to this thesis in terms of how I defined the problem (piper hypothesis), the type of organisations chosen for observation, and fundamental assumptions and clues for this study. For example, Edwards and Hulme’s (1995, 1996, 1997) work on the relationships between NGOs, government and donors as well as their impact on NGO management. And Hudock’s (1997a) pioneering work within the NGO literature showed that RDP can be useful in non-Western contexts. Indeed, she argued it may be even more so in environments characterised by resource scarcity and un dependable donors. Ebrahim’s (2003) work emphasised the possibility of independence or “resistance” strategies that NGOs employ in their relationships with international donors. His work suggested important insights about possible limits to the piper hypothesis, which were mostly absent from the non-profit literature.

But there were also important gaps in the NGO literature, which therefore benefited from insights from the literature on non-profits. For example, Gronbjerg’s (1993) work on non-profit funding in the US provided important lessons about the value of government funding to non-profit organisations, such as greater predictability. Her work also was one of the first systematic evaluations of third sector resource relations and provided a successful test for the applicability of RDP to third sector organisations. Other important research from the non-profit literature included empirical studies questioning the impact of resource dependence on organisational independence (Briggs 2002, Taylor 1999, Bordt 1997). These studies suggested a need for greater scepticism in applying RDP to non-profits and NGOs.

By combining both literatures, therefore, this study managed to “thicken” the research literature on third sector resource relations thus strengthening my conceptual framework and ultimately the examination of the piper hypothesis.

One of the limitations of this approach, also discussed in chapter 1, is that the non-profit and NGO literatures are based on findings from research on very different contexts. Resource dependence and resource relations vary in many important ways between a non-profit organisation in New York and an NGO operating in The Gambia. As Smillie and Hailey (2001: 3) have put it:

Surprisingly, little has yet been written about the dynamics of ... NGO management and the strategic and organizational issues involved, let alone the skills and competencies needed by hands-on ... NGO managers. It is as though the approaches to leadership, strategic planning, personnel and resource mobilization that might make sense in London or New York are fully transferable to Karachi, New Delhi and Dhaka; or, more pointedly, to Kohat, Surendranagar and Noakhali.

Therefore lessons derived from research in such different resource environments need to be adopted as hypotheses to be tested by empirical observation. As mentioned above I tried to do this and therefore some of my findings run against other studies in the NGO and non-profit literatures. This may be partly related to different methodologies, but it may also be due to systematic differences between the organisational environments of NGOs and non-profits.

Relationships between government and NGOs or non-profits

Chapter 2 suggested that the relationship between NGOs and the government could be framed according to Najam's (2000) typology (Table 34).

Table 34: Project portfolio and Najam's (2000) typology of NGO-government relationships

		Goals (ends)	
		Similar	Dissimilar
Preferred strategies (means)	Similar	"Co-operation"	"Co-optation"
	Dissimilar	"Complementarity"	"Confrontation"

When NGOs and government share both goals and preferred strategies, NGOs can cooperate with the government and receive government funding with little concern for goal displacement. When NGOs and government have dissimilar preferred strategies, they will not cooperate and NGOs may either complement or confront the government. Finally, when NGOs have different goals from the government but still have to work in partnership following governmental

preferred strategies, they are pursuing activities that do not maximise their mission but provide important funding.

My evidence however extends Najam's (2000) framework in an important way. Najam (2000) typology suggests that NGOs have one main type of relationship with the government and that co-optation relationships were so unstable they would probably not last long. My case-studies show however that any NGO can span the four types of relationships, at any point in time. The case-studies pursued some projects in cooperation and co-optation with the government, and simultaneously they also pursued some confrontational and complementary projects. This observation is consistent with an understanding of organisations as having complex sets of goals (see Perrow 1976) so that government and an NGO can have at the same time similar and dissimilar goals.

Moreover, rather than antagonising, the different types of relationships may reinforce each other. For example I found evidence that much of the management capacity which was partly sponsored by government funding from co-operative projects was used not only to implement partnership contracts but also to orchestrate advocacy campaigns, sometimes involving criticising the government. Particularly in the case of GEOTA and UGA, government funding was essential to sustaining a larger administrative core, which was essential to organise every NGO activity including maintaining a close relationship with members and volunteers, fundraising from other sources, networking with other NGOs and organisations, etc. Government funding was therefore important for strengthening organisational and advocacy capacity, which in turn strengthened NGOs ability to confront the government.

Also, MNSD's relationship of co-optation with the government was much more enduring than Najam (2000) suggested. And this relationship of co-optation co-existed with relationships of co-operation and complementarity.

Najam's (2000) framework appears therefore more suitable to analysing different projects than the relationships of entire organisations with complex goals. Most projects could be positioned in one of the relationship types, but no organisation could. A more nuanced analysis of NGO-government relationships at the organisational level would therefore need to evaluate the relative frequencies of each type of relationship to generate a picture of the "portfolio" of relationships between NGOs and government.

Researching NGO and non-profit independence

Defining independence and resource dependence

Pratt (2002:1) argued that the relationship between financial dependence and organisational independence may be either “a false dilemma or the greatest crisis facing NGOs today.” Such an important discussion on the impact of contracting and financial dependence on NGO independence must start by establishing a definition of independence. Surprisingly there were very few definitions of independence or autonomy in the literature. Chapter 2 offered a definition and discussed different traditional views on the concept: independence as separation, as inter-dependence costs, and as inherent to organisations.

This study’s findings lend much support to an often neglected understanding of organisational independence as an inherent characteristic of organisations. The government funding paradox is impossible to reconcile with an understanding of independence as separation. It is also hard to reconcile with an understanding of independence as inter-dependence costs since NGOs that receive the majority of funding from the government have much more to lose within the relationship than a government that gives a minimal fraction of its budget to NGOs. Even when considering important symbolic resources which NGOs possess it is hard to deny that some of the case-studies were heavily resource dependent on the government. In this case, an understanding of independence as an inherent trait appears more robust than the alternatives. At the same time, conceptualising independence as an inherent trait of organisations has its limitations. The control case and much of the literature describe organisational dependence on the government, which is hard to reconcile with independence as an inherent trait. I have argued that weak governance was a key factor explaining the lack of independence or the control case-study. Organisational independence may not therefore be a trait inherent to all organisations but may be very common to organisations with strong governance mechanisms. More research is needed on the applicability of different understandings of independence to describe actual empirical phenomena.

This study suggests that we should be wary of an understanding of organisational independence as being equal to resource dependence. NGOs can be resource dependent and organisationally independent or resource dependent and organisationally dependent. We need therefore to spell out what we mean by organisational independence and how we expect to observe it. This has been one of the most challenging aspects of this study. In some ways every element of organisational life and management is related to organisational independence. The general absence in the literature of indicators of independence limited my ability to test the usefulness of different indicators in terms of how well they describe more complex organisational behaviour (i.e., actual independence).

Once an understanding of independence as resource dependence is questioned, we need a separate measurement of independence. This study has only begun unpacking organisational independence. Organisational independence is multidimensional, multivariate, and normative as

well as descriptive. As a “primitive concept”, like power, it is in many ways “in the mind” (Pratt 2002). So its observation requires a focus on its manifestations. This study demonstrates that to comprehensively evaluate independence we need to observe both management attitudes and actual organisational behaviour. We also need to examine various dimensions of organisational behaviour such as mission pursuit, organisational values, organisational structure, advocacy behaviour, and accountability systems, as well as other dimensions that may be relevant for a particular study. Organisational independence is also multivariate, not bivariate. That is, independence is a continuous variable rather than a yes/no variable. And the same could be said about its various dimensions.

The importance of this topic for NGO management and government policy suggests the need to further texture our understanding of NGO independence. We need to define and unpack independence to spell out what we mean by it. Critical questions that need an answer before tackling organisational independence include: Independence from whom? Independence for what? How do we observe independence? Such questions would enrich current debates around NGO independence.

Moreover, as a normative variable, researchers need to be aware that assessments of independence have implications for organisational legitimacy. Interviews are likely therefore to generate distortions of NGOs’ own organisational independence and effects of resource dependence. Extra care and time is therefore required for interviews that are comprehensive and complemented as much as possible by observation of organisational behaviour and triangulation of sources.

Empirically, assessing resource dependence was also problematic. Because many NGOs are rich in non-financial resources such as volunteers, expertise and legitimacy (Ebrahim 2003, Hudock 1999, Natal 2001), an assessment of resource dependence which only looks at government funding as a proportion of total funding will over-estimate NGO resource dependence on the government. At the same time, overlooking critical government resources that government officials can use as a tool for external control, such as tax deductibility or access to nature reserves, will lead to an under-estimation of resource dependence. The inclusion therefore of non-financial resources into the assessment of resource dependence improves the reliability of the findings (chapter 6).

Researching independence

Independence is the result of the balance between external pressures and the internal capacity to pursue strategies which protect independence. Proponents of the piper hypothesis generally ignore the possibility that independence strategies can be pursued. There is an excessive

attention to funding and resource dependence as determinants of organisational independence in what could be denominated “financial determinism”. This perspective emphasises structural effects and overlooks the possibility of agency and the pursuit of independence strategies such as those suggested by RDP. It is unclear however whether strong proponents of the piper hypothesis ignored RDP and the possibility of independence strategies or they found that they were of little influence.

Alongside a need to avoid financial determinism and for greater conceptual clarity of resource dependence and independence, this study also revealed some interesting potential methodological issues in researching NGO independence. Quantitative studies of resource dependence have tended to yield results that reinforce the piper hypothesis, while systematic qualitative studies such as the present study have tended to disprove it (e.g., Ebrahim 2003, Natal 2001, Briggs 2002). My observations suggest possible biases that partly account for this difference.

Qualitative research may suffer some hard to avoid bias in the case-study selection as NGOs that are less independent are less willing to participate in a study that examines their independence and potentially undermines their social reputation. While promising anonymity may help, a couple of NGOs refused to give me complete information about their organisational independence. While I cannot assume that they did so because they had low independence, it is plausible that in general, research on NGO and non-profit independence will face more obstacles in accessing dependent NGOs than independent ones. Another obstacle derives from the difficulty in obtaining financial data from NGOs. Many NGOs were very cautious about showing their accounts to me. Building the trust needed for them to show me their accounts took many visits (see chapter 3) and therefore cannot be undertaken in a short research project when trust has not been built beforehand.

Quantitative research on the other hand suffers from relying on simplistic indicators of independence and on anonymous mail questionnaires. Indicators of independence and external control have included “compliance with equal opportunities legislation” (Pfeffer and Salancik 1978) or agreement with questions such as “receipt of government funds has distorted our organization’s purposes” (Anheier et al. 1997). At the same time it is possible that non-profits would over-emphasise the extent of government control in anonymous surveys in an effort to complain and possibly influence the government through the findings of academic research. Indeed there is some support for this hypothesis in my findings. When asked about their resource dependence and organisational independence, the attitudes of managers and leaders revealed a dislike for their resource dependence on the government and a concern about possible external influence. However my observations of actual organisational behaviour mostly

denied that influence. Given the importance of the piper hypothesis and the topic of government influence on non-profits and NGOs we need more research into this contradiction.

Importantly, my findings lend some support to an understanding of organisational independence and of power within relationships as not necessarily being a zero-sum game (Taylor 2001). RDP and much of the literature on contracting relationships assume that if government has more power, than NGOs must have less. The experience of some of the case-studies indicates the possibility that government may gain power in the relationship with NGOs by funding them and NGOs may gain power within their relationship with government by receiving government resources. Although the suggestion of a positive-sum power relationship within contracting is under-theorised in the literature, this possibility is intriguing and deserves further research. For Deakin and Taylor (2002: 22)

Is it possible to frame the way power is distributed in partnership in a positive rather than zero sum analysis? There is a particularly strong need for cross-national research to compare the way in which power [between state and third sector] is shared or not across different political contexts.

Finally, this study also suggests a need to pay attention to the individual level of analysis in an effort to understand organisational independence. Previous research on NGO and non-profit independence has focused on the organisational or sector levels of analysis. There has been therefore a surprising lack of attention to individuals in research on organisational independence. Yet as argued in chapter 7, the financial and institutional independence of NGO board members as well as of some of leaders was a powerful element in protecting organisational independence. Moreover, individual commitment through volunteering increases organisational legitimacy, which influences its ability to raise further support in society.

Organisations are obviously made up of individuals. It is hard to imagine an independent organisation made up of dependent individuals. Equally it is difficult to imagine a dependent organisation made up of independent individuals. Individual, organisation, and sector all have implications for organisational independence.

Expanding RDP and our knowledge of NGO resource relations

One important objective of this study was to provide an opportunity for an exploration of the applicability of RDP to understand NGO phenomena. As mentioned in chapter 2, various studies have demonstrated the usefulness of RDP to analyse non-profit and NGO resource relationships (e.g., Gronbjerg 1993, Hudock 1995). RDP is very useful for understanding non-profit and NGO relationships with other actors, as resource dependence is particularly strong in environments characterised by resource scarcity (Pfeffer and Salancik 1978). Faced with the “fundamental revenue problem” identified in chapter 1, non-profits and NGOs operate in

environments of high resource scarcity and resource dependence. According to RDP such environments are therefore characterised by high power differentials between those holding resources and those needing them. Indeed this seems like a fair description of much of the “aid industry” and development relations in general. Similarly it appears to be an accurate description of contracting relations between government and non-profit or voluntary organisations in the North.

Studies within the non-profit and NGO literatures have however mostly limited themselves to applying RDP to understand non-profits and NGOs rather than using new empirical data to explore the applicability of RDP. This study tried to do both, giving particular emphasis to addressing two weaknesses of RDP, as identified by Pfeffer (2003): moving away from RDP as a metaphor rather than a testable theory, and exploring the actual independence strategies pursued by organisations and their effectiveness.

My findings lend some support to RDP but also question its usefulness, in its traditional form as developed by Pfeffer and Salancik (1978), for explaining NGO organisational behaviour. RDP’s intuitive appeal is undeniable and demonstrated by the frequency with which it is accompanied by popular sayings like “he who pays the piper calls the tune” and “you can’t bite the hand that feeds you”. Resources matter and money talks! Much of RDP’s value lies in the less intuitive conceptualisation of independence strategies, which provide an important balance to the theory of external control. My case-studies showed both that resource dependence was an important source of influence and that NGOs resisted this influence by pursuing various strategies, most of which were identified by Pfeffer and Salancik (1978). As such they agree with RDP’s most basic tenets.

But the application of RDP to NGOs was not seamless. Some of the strategies advocated by Pfeffer and Salancik (1978) as key to securing survival and independence do not travel well from a business to an NGO context. For example, mergers were unheard of in my sample of interviewees and are typically rare in non-profits (Golensky and DeRuiter 1999). Similarly, inter-locking directorates are almost impossible between NGOs and government partly because of their detrimental impact on NGO reputation as truly “non-governmental”. At the same time NGOs pursue some strategies to protect their independence, which Pfeffer and Salancik (1978) never acknowledged. For example, Pfeffer and Salancik (1978) did not discuss the strong commitment to mission manifested in an independent board of governance and independent leadership as a strategy.

As a testable theory, RDP had some important limitations. As defined by Pfeffer and Salancik (1978), RDP would not seem to explain very well the observed paradox of independent non-governmental organisations financed mainly by governmental resources. While it is not

inconsistent with RDP, it is not very probable that organisations with a very high level of resource dependence (and consequently a high cost of exiting the relationship) could act as independently as to criticise their funders (e.g., the government) publicly. And herein lies one of the key problems of RDP. The theory is defined so ambiguously that any empirical test of it is very difficult. If an NGO is independent it is because its independence strategies are working. If it is not it is because its independence strategies are not. Any outcome is consistent with RDP. Without a clear operationalisation of its key variables (resource dependence, independence, and independence strategies) it is impossible to actually test it.

In terms of my operationalisation of RDP, I sought to explore resource dependence and organisational independence in various dimensions. I also sought to explore independence strategies, both those suggested by RDP and others. RDP ignores one of the most important sets of independence strategies pursued by the case-studies, which ensured a strong commitment to mission. By ignoring key independence strategies, an analysis of the impact of resource dependence would over-estimate the impact of resource dependence and under-estimate the impact of independence strategies. It would have probably failed to predict the paradox at least in its full extent. By exploring different independence strategies this study hopes to expand RDP and its power as a testable theory.

RDP could therefore benefit from an inclusion of variables on organisational commitment to mission, such as independence of governance mechanisms and accountability mechanisms. My findings suggest the need to examine strategies to reinforce commitment to mission and an understanding of independence as non-negotiable. RDP's general overlooking of governance issues in their analysis of organisational independence and resource relations is a key weakness. My findings have suggested that developing a strong and independent board is an important strategy to promote organisational independence and adherence to mission. This finding has important implications for NGO management, which have thus far been ignored by RDP.

RDP largely ignores the impact of governance on independence, perhaps because business governance is closely tied with financial contributions made by its members (shareholders) it is arguably less complex and more intimately related to financial self-reliance than is the case in NGOs. Thus, in RDP, autonomy is subordinate to the ultimate organisational motivation: survival and growth. I argue that given that NGOs and non-profits are organisations that centre their work on organisational identity and values (see Drucker 1990, Hailey 2000), RDP's assumption of survival and growth as the ultimate organisational drivers actually limits its applicability to value-oriented organisations. Accountability, leadership, and governance are likely to play key roles in such organisations.

Moreover the applicability of RDP to NGOs and non-profits is further limited by its silence concerning the impact of individual independence on organisational independence. RDP's analysis does not take into individual independence, which was very important in explaining the independence of some case-studies. For Pfeffer and Salancik (1978: 15), external constraints are more important than individual agency:

The concept of constraint explains why individuals account for relatively little variance in the performance and activities of organisational systems

Arguably individual characteristics and relationships are more important in smaller organisations than in large bureaucratic ones. The case-studies were generally small organisations where the independence of both executive and governance leaders was an important element of their organisational independence. RDP's general dismissal of individual variables in assessing organisational independence is an important weakness in its applicability to understand NGOs, especially smaller ones.

In sum, RDP ignores the impact of independent governance and executive leadership on organisational independence, but I argue that this is an essential strategy and dimension of organisational independence in NGOs. To become more relevant to the study of NGOs, RDP frameworks need to include in their analyses these dimensions of organisational independence.

Alongside suggesting an expansion of RDP's range of independence strategies to include strategies involving leadership and commitment to mission, this study has also suggested limits to independence strategies (see section 8.1). It helps therefore to address one of the key weaknesses of RDP: explaining why all organisations are not independent if all they need to do is to pursue independence strategies (Barney and Ouchi 1986, Pfeffer 2003). The case-studies suggested important limitations to organisations pursuing independence strategies, namely, lack of knowledge about strategies, lack of willingness to pursue them, lack of capacity to implement independence strategies, and potential ineffectiveness of independence strategies. Lack of willingness is closely related to commitment to mission. If some organisations are more committed to acquiring resources than to pursuing their mission, they will not try as hard to remain independent. Organisations may also not be capable of pursuing independence strategies. I suggested the limitations to diversification, building slack and networking are important obstacles to the pursuit of those strategies and to organisational independence. Finally it would appear that some strategies may be more effective than others. MNSD pursued various independence strategies but ultimately had little independence. This suggests independence strategies may have different effectiveness. Unfortunately, this study's evidence was not well suited to exploring this issue in greater detail but I suggest this as a critical area for future research on RDP and NGO resource relations.

This research on NGOs expands therefore our knowledge about RDP and organisational theory in general. At the same time this research has helped to move RDP away from a “metaphor”, which has permeated much of the literature on RDP (see Pfeffer 2003), toward a testable theory. This study offered a more rigorous definition of “organisational independence” than the one used by RDP, and examined resource dependence in terms of both tangible and intangible resource as well as its manifestations in both management attitudes and organisational behaviour. It has suggested limits to the applicability of RDP and has suggested hypotheses about the relationship between government funding, resource dependence and organisational independence. Future research could refine basic concepts further and provide further tests of RDP and the hypotheses generated in this study. For example,

- How effective are different strategies identified in this study in other contexts?
- Is individual leader and board independence more important than resource dependence in determining organisational independence?

Given the importance of funding and independence, discussed in chapter 1, I believe these are pressing questions for future research in NGO and non-profit research, as well as for wider organisational theory research.

8.3. POLICY AND MANAGEMENT IMPLICATIONS

Turning to the implications of my findings for management and policy making, we now come full circle. This study started with a management and policy problem suggested by much of the NGO and non-profit literatures: that as government funding to NGOs grows, NGOs lose their independence and become “public service contractors” rather than independent mission-driven organisations. In a time of partnerships between government and non-profits, NNGOs and SNGOs, government and NGOs, donors and NGOs, we need to understand how funding affects organisational independence. Many NGOs enter partnerships to access resources. Need this mean that they are losing their independence? (Lewis 2001a). What is the relation between government funding and NGO independence? Can NGOs be resource dependent on the government and remain independent? If so, how?

To answer the research question we needed to unpack NGO independence. I have argued that NGO independence has been understood by both policy makers and academics in a very one-dimensional way, generally financially. We need to look beyond government funding as a percentage of total funding as the sole indicator of NGO independence. We need to look at relations other than just government-NGOs or donor-NGOs. We need to look at government’s attitude toward NGOs, and we need to look at NGOs’ independence strategies. Independence is manifested in both management attitudes and organisational behaviour.

This study found a “government funding paradox” which implied that government funding is not the determining factor of NGO independence, contrary to much of the non-profit and NGO literatures. Strictly speaking a large share of government funding is not a sufficient condition either for resource dependence, as an NGO can rely on other intangible resources as well as funding, or for organisational dependence, as NGOs can pursue independence strategies. In other words, NGO reliance on even high proportions of government funding is not sufficient to make an NGO dependent, and even less a “public service contractor”. In conditions of high dependence on government funding some NGOs are still able to openly criticise the government, disproving claims that government funding is a sufficient condition for external control and organisational dependence. In other words NGOs are able to “bite the hand that feeds them”. This was common in Portugal but also occurred in Mexico as the case of UGA shows. The next sections will discuss the implications for NGO management and wider policy.

Implications for NGO management

The key finding for NGO management was the possibility of the government funding paradox, suggesting that even high levels of resource dependence on the government can be managed so as to protect independence. This finding has implications for NGOs’ evaluation of the costs and benefits of entering into partnerships with and receiving funding from government.

Benefits of government funding and partnership

For organisations characterised by the “fundamental revenue problem” (see chapter 1), government funding is attractive in many ways. Government funding is more stable and more predictable than other sources of funding (e.g., Gronbjerg 1993). It thus has the potential to reduce resource uncertainty. Government funding tends to be seen as involving high complexity because of its high administrative demands. Those demands however can be simpler than trying to manage a multiplicity of private sources to obtain equivalent funding (Cannon 2002). So government funding also has the potential to reduce the resource environment’s complexity particularly as NGOs learn to deal with administrative demands and become more efficient in dealing with them. That is, government funding offers potential transaction costs economising. Moreover, government funding and partnership arrangements may offer enhanced status and legitimacy as well as the opportunity to influence public policy by providing access to decision-makers. There are also some suggestions that contracting and government funding may promote organisational learning by encouraging and providing funding for systematic project evaluation (Randel and German 2000d).

At the same time, dependence is only a problem if government makes demands upon a dependent organisation (see Aldrich 1999). Government funding need not be as intrusive as

some of the literature implies. There are many countries whose governments have taken deliberate steps to protect NGO independence (e.g., Randel and German 2000a). And NGOs may be far from helpless in their negotiations with the government, as suggested by the increasing involvement of NGOs in political activities and “rights based development” approaches (Lindenberg and Bryant 2001) and the emergence of a “reverse agenda”, whereby NGOs have influenced donor policies and practices (Robinson and Ridell 1995, Lewis 2001b).

It is possible therefore, at least theoretically, that NGOs use mostly government funding because it is the most attractive form of funding: best conditions, lowest transaction costs, and most independence. Government may compete with other possible entrants in the market to finance NGOs by giving them very good terms, thus discouraging competition (see Mansfield 1990). Rather than being “co-opted” or sold out, NGOs using government funding may be optimising their resource mobilization. This possibility has not received much attention in the literature.

In practice, the case-studies also showed many benefits of receiving government funding beyond the obvious increased access to resources. Firstly, government funding forced NGOs to think carefully about their independence and encouraged them to pursue independence strategies. Some of these strategies, such as strengthening governance and developing desirable competencies and resources, arguably enhance not only independence but overall effectiveness. Secondly, it would appear that it is easier to protect organisational independence against one main donor (such as the government) than against a multitude of smaller donors. The case-studies indicate that when many donors think that NGOs should not be involved in direct criticism of the government and should not be “trouble makers”, it is more difficult to influence them into accepting an advocacy mission than it is to overcome obstacles posed by the government itself (see “false diversification” below). Thirdly, the transaction costs of dealing with many donors can easily exceed the bureaucratic costs of dealing with government. That is partly why the case-studies with a more diversified donor base had more bureaucratic structures, while those dealing mainly with government funding only needed a small administrative core. Fourthly, NGOs that received government funding were encouraged to draw on their interdependence as an opportunity to increase their knowledge about government, which proved to be an asset in advocacy efforts. Fifthly and finally, the case-studies suggest that contracting with the government generally gave NGOs much discretion over project goals and processes, so that it not only respected NGO mission but also gave NGOs critical resources with which to actually pursue their mission. These opportunities offered considerable benefits to NGOs.

Importantly, government funding did not appear to reduce NGO effectiveness. All case studies were highly effective in their work. In the case of MNSD, resource dependence on the government and even loss of organisational independence did not prevent it from being highly

effective in its service delivery performance, as attested by the positive evaluations of multiple funders (chapter 5). Organisational effectiveness may therefore be unrelated to organisational independence, or the relationship between the two variables may be very complex and independence may not always be necessary for effectiveness. Citing an editorial from *Charity Finance* (Feb 2003) Blackmore (2004: 41) argue that

[to many voluntary organisations] independence is both desirable and important. But does it have to be the top priority for all voluntary organisations? A charity's obligation is to its beneficiaries, not to itself. If those needs are better served by going along with the government agenda, we should be thankful that there are organisations willing to do that too.

This quote suggests that effectiveness to do some types of work may not be affected by resource dependence, and indeed, that different NGOs may have varying need for independence. The apparent lack of correlation between independence and effectiveness does seem to suggest that NGOs can be effective even if they are not independent. As such, the need for organisational independence may be more the result of external expectations than internal needs. The question of how much independence each NGO needs for effective performance is clearly beyond the scope of this paper, which instead tried to identify the conditions for independence. An assessment of the optimum independence level for maximum organisational effectiveness would require a different research design and much more rigorous indicators for effectiveness.

Unfortunately this study could not evaluate effectiveness from the perspectives of multiple stakeholders and had instead to rely on organisational growth and the ability to attract resources as an indicator of effectiveness (as suggested by Pfeffer and Salancik 1978). My observations about the relationship between independence and effectiveness may be due to the crude measurement of effectiveness used in this study. An evaluation of what is actually produced as opposed to the ability to attract funding, might have revealed extensive goal displacement and less attention to the needs of beneficiaries as opposed to those of funders. Nevertheless, claims about the relationship between effectiveness and resource dependence or organisational independence remain under-researched and may be based more on value-laden expectations that NGOs should be independent, an "article of faith" (see Lewis 2001, Vivian and Maseko 1994), rather than what they actually are.

Benefits of avoiding government funding?

My findings suggest that some NGOs, which reject all forms of government funding, may want to re-consider their position. A "zero government funding pledge" maximises NGO independence from government. However there are important limitations to such a strategy depending on what other sources provide NGOs with funding. Firstly, NGOs can receive funding from market activities such as sales and charging fees, which tends to be relatively free

from external constraints. However, commercialisation may also lead to goal displacement and to a shift in attention to users who can afford to pay for services (see chapter 1). Also, commercialisation often requires investment of donated income into ventures with a high risk of failure. Such use of donated income is ethically controversial. Secondly, NGOs can receive funding from other civil society organisations such as Northern NGOs and foundations. The problem with this type of funding is that there are normally strong constraints and demands associated with them. While small individual contributions tend to have very little strings attached, that is not the case with foundation funding (Froelich 1999). A diversified donor base also entails large administrative costs, as NGOs struggle with meeting the different demands and requirements of different donors. Moreover, “false diversification” (discussed below) may severely limit NGO independence by keeping NGOs tied by homogeneous demands made by different donors. Thirdly and finally, NGOs may receive funding from individual supporters. The literature regularly suggests that this type of funding is the most appropriate for independent NGOs (e.g., Edwards 1999a) and the true funding source of third sector organisations (e.g., Gronbjerg 1993). The limitation of this type of funding is its very high cost. Fundraising campaigns can be very expensive and often fail to recoup the costs (see volume edited by Tempel 2003). Arguably, chances of failure to recoup costs are larger in poorer countries. Even when they are successful NGOs spend a very large proportion of their income in fundraising from the public. While accurate figures are hard to come by, Knudson (2001) estimates that environmental NGOs such as GreenPeace and the Sierra Club spend between 20% and 50% of their income in fundraising! These very large transaction costs reduce the income available with which to actually pursue the NGO mission.

At the same time, my evidence and various other studies suggest that government funding may not be as detrimental to NGO independence as often assumed. NGOs can and do pursue strategies which help them protect their independence. It would appear, based on my findings, that government funding may have more influence over some dimensions of independence, such as programmatic discretion, than others, such as advocacy freedom. Although my study did not include organisations without government funding, my findings suggest a need for NGOs to re-consider their policies with regard to government funding.

On the other hand, legitimacy and public image should be a key influence over the decision of whether to take government funding. One of the key complaints about government funding voiced by the leaders of my case-studies was its detrimental impact over their legitimacy in the eyes of the general public. NGOs receiving government funding are often accused of being co-opted and even puppets of foreign donors. Because NGOs and non-profits operate in environments characterised by high information asymmetries (Hansmann 1996) and their performance is difficult to evaluate (Lewis 2001a), legitimacy is fundamental (Galaskiewicz and Bielefeld 1998). In such environments a zero government funding pledge may send a signal

of independence which increases supporter trust. Such a signal may be efficient because it ensures that some people donate money when they might have not done so if they did not trust any NGO. At the same time, if NGOs are equally independent whether they accept government funding or not, then the costs of rejecting government funding and building social legitimacy are very high. The organisation still is equally independent but has to spend more in fundraising from non-governmental sources. From a social point of view, is this situation efficient? Does it enable more trust from potential supporters? Or does it waste precious resources? More research in this area may help guide NGO funding policies as well as help to dissipate potential myths on the relationship between government funding and NGO independence.

Government funding, in its national government and international donor forms, may be essential to many NGOs, probably more so in the South, which offers few alternatives in civil society sources (see Edwards and Hulme 1996). Many successful SNGOs receive important shares of their funding from government. For Smillie and Hailey (2001: 32):

With the possible exception of BAIF, which receives substantial government financial support, none of the NGOs in this study (and few anywhere else) would exist in anything like their present form without the support they have received, and continue to receive, from international donors.

Zero government funding pledges and financial self sufficiency may be optimal from the perspective of organisations that want to signal their commitment to independence and can afford to do so. But it does not eliminate the need to strategically manage organizational independence. Even organisations with a zero government funding pledge normally depend on various government resources. For example, foundations dependent on nothing but their own assets have come to realise their need to co-operate with other organisations and government (Leat 2001). All organisations therefore need to manage their independence, even financially independent organisations, which generate internally most of their funding.

Managing independence

A key finding of this study is that NGOs can manage their independence under conditions of resource dependence on the government. They can do so by pursuing independence strategies that reduce resource dependence, avoid external demands, and prevent external control. To reduce resource dependence NGOs should diversify their sources of funding (Hudock 1997a, Fisher 1998), substitute funding with other resources, develop organisational slack and minimise their cost structure, particularly their fixed costs. To avoid external demands NGOs can make use of their informational advantage to buffer their core activities from external influence. They can do so by pursuing buffering strategies such as selectivity, symbolism and professionalization (Ebrahim 2003). To prevent external control when resource dependent, NGOs can foster co-dependence (Hudock 1997a), build countervailing power through alliances

and joint-ventures with other NGOs and other actors such as the media or universities, and develop commitment to their mission (Fisher 1998) by developing their leadership and accountability systems, and creating a reputation for independent action.

These strategies are not mutually exclusive. In fact they complement and at times mutually reinforce each other. For example an independent and capable board of governance is likely to foster a reputation for independent action. It is also likely to press for diversification of funding sources and fostering of alliances with other NGOs with similar interests. As shown above the case-studies pursued various strategies even when they had low resource dependence on the government.

Importantly, all NGOs should manage their independence in relation to the government even if they do not receive any government funding. As Clark (1991) put it, NGOs cannot ignore the government. Some NGOs received almost no government funding and yet were somewhat constrained in their ability to criticise the government. This was clearly the case of MNSD and to a certain extent other NGOs such as Naturalia. This was due to other forms of social and elite control and the pressures for NGOs and charities to “lie low”, as well as the critical importance of non-funding resources provided by the government. Those resources, if withheld, would cause serious disruption to NGO work and ability to attract other resources. As described in chapter 6, one of the main examples of such resources is tax deductibility. It was widely perceived by environmental NGOs in Mexico and partly also in Portugal, that tax deductibility status was applied with a lot of government discretion. The granting of tax deductibility status provided an essential reputation differentiation element in the competition for national and international resources. Mexico’s entry into NAFTA has only intensified this effect. NGOs with tax deductibility thus had an important resource to protect in their relation with the government. NGOs without tax deductibility had an important resource to look up to in their relation with the government. Moreover the government also controls critical resources such as permission to work in natural protected areas, which again can be fundamental in trying to obtain international funding. The government also provides information, legislation, seats in consultative councils for policy making (chance to influence the government policy and resources) and in one NGO case the government even provided the NGO premises. There is thus much more to government-NGO relationships than simply government funding, and the government tends to control various critical resources for NGOs. Any of these non-financial resources could be potentially used to externally control NGOs.

The Portuguese and Mexican governments are far from being as “benevolent” as the governments of Scandinavian countries, but they also offered some spaces for NGO independent action. The case-studies were ingenious in finding those spaces, as discussed below. Importantly, NGO knowledge of the different facets of a complex and ever changing

government is very important. This knowledge permitted not only greater protection of independence but also more effective partnerships, as NGOs allied with more sympathetic elements within the government, and more effective advocacy as NGOs gained knowledge of key “pressure points” within the government and even within wider state and international institutions. This observation suggests that combining service delivery with advocacy work in the same organisation may be more effective, as implied by an increasingly popular “rights based approach” to development (see Lindenberg and Bryant 2001) than having separate specialised agencies focusing either on advocacy or service delivery.

The fact that NGOs can pursue independence strategies is clearly not sufficient, however, to make all NGOs independent. There are important limitations to NGOs’ pursuit of such strategies and to their effectiveness. NGOs need to identify possible independence strategies and test their effectiveness gradually as they build a reputation for independent action. Two lessons were particularly significant: false diversification may not reduce external demands, in fact it may increase them, and the role of governance and volunteers in ensuring commitment to mission was one of the most effective independence strategies and it is typically ignored in the resource dependence literature.

False diversification

One of the most interesting findings suggests the rejection of a simplistic understanding of diversification. I used the term “false diversification” to refer to fundraising from different actors, but who make similar demands upon the NGO, so that diversification of donors does not enable the NGO to avoid or reduce demands. One example was the common demand by national and international donors and supporters for NGOs to avoid controversial political activity. Diversification of different donors with a similar demand is ineffective in reducing the potential for external control relating to that demand, i.e., in protecting organisational independence.

Moreover, while I did not assess these claims systematically, it appeared that at times false diversification was not only ineffective in reducing external demands, it actually increased the potential for external control.

Sometimes false diversification was less effective in reducing external demands than financial concentration since NGOs can arguably influence one actor (e.g., a government agency) more easily than it can influence many different donors. All else being equal, it is easier to influence one rather than many donors; organisations can learn more quickly about one donor than they can about many, and it is easier to focus influencing strategies on one rather than on many donors. Of course a counter effect is that, as the resource dependence literature suggests, one

donor may be in a better position to influence an NGO, due to the concentration of power, than many donors with limited influence can. Ultimately the ability of an NGO to influence its environment and avoid external demands will depend on many other factors such as how dependent that one donor is on the NGO, how influentiable the donor is, the nature of the demands being made, etc.

Another way in which false diversification can increase the potential for external control was demonstrated when a case study changed its behaviour to comply with the most stringent or controlling rather than the most lenient set of demands that it faced. For example, while many donors did not mind that this organisation got involved in controversial protests (lenient), its leaders cautiously reduced their protest activities to cater for those donors that did not look favourably upon such work (stringent). This “over-constraining” behaviour may even respond to expectations of controlling demands made by potential future donors. The case study’s leaders were convinced that protest action would reduce their ability to find new donors in the future so they limited their protest work even before donors made such demands upon them. Typically they would only engage in protests if they believed participation would not damage their chances with the most demanding donors. Another example of compliance with the most stringent donors is that the same NGO kept a specialized “donor relations” paid staff simply because some of its donors required immediate attention, which could not be satisfied by a volunteer or by a paid staff with many other functions.

The possibility of “false diversification”, therefore, urges caution in interpreting the potential of diversification as a strategy to reduce resource dependence and external control. It may also help explain why many NGOs with a highly diversified donor base can still be co-opted. This finding runs against the widespread argument that diversification, understood as increasing the number of donors on which an organisation depends, is sufficient in and of itself, and indeed is the best strategy, to increase organisational independence (e.g., Pfeffer and Salancik 1978, Hudock 1995, 1999, Froelich 1999, Fowler 1997).

Commitment to mission and the role of volunteers

One of the most effective sets of independence strategies (see 7.5) focused on ensuring a strong commitment to mission. In the case studies, volunteers played a key role in ensuring commitment to mission. Because their reward is based on the pursuit of the mission rather than financial compensation, they bring into the organisation an “injection” of commitment to the mission and independence from external funding sources. Moreover, using volunteer resources is a resource diversification strategy, which reduces organisational dependence on funding and helps avoid false diversification, since typically the demands made by volunteers on the organisation are quite different from those of institutional donors, such as government agencies.

But not all volunteers are equally effective in protecting organisational independence. Simply put volunteers can play core and peripheral roles in the organisation (Russell et al, 1995). Volunteer commitment in core roles such as in governance and executive leadership constitute powerful independence strategies in that they guard the organisation's mission and send a signal to external actors that independence is non-negotiable. Of course, the ability of an organisation to use a volunteer executive leader will depend both on their availability and the organisation's needs for leadership input. Smaller decentralised organisations need less executive leader time and can more easily rely on a volunteer leader than can larger centralised organisations. Since many NGOs and non-profits are small and decentralised, this strategy can be very important for these sectors. On the other hand, volunteers performing peripheral roles have a smaller, though still important, impact in protecting independence as by definition their influence is "peripheral".

Governance structures, such as boards, are responsible for setting direction and ensuring commitment to mission. The financial and institutional independence of board members contributed greatly to the organisational independence of NGOs. By hiring appropriate executive leaders and fostering a culture of independence, the board may create the right incentives for the organisation to behave in an independent manner. This study suggests that in fact it could be argued that if an organisation puts in place a well informed and involved board of governance constituted by independent members, it will have in place the basis for an independent organisation. Such a board will choose a leadership that will pursue its mission and manage organisational fundraising in a way that ensures organisational independence. Without an appropriate governance structure it is unlikely that a resource dependent NGO can ever protect a high level of independence.

Implications for policy

The analysis of the findings and the government funding paradox suggest that government plays an important role in influencing NGO independence. From a policy perspective there are important motivations for a closer relationship between government and NGOs or non-profits. As described in chapter 1, arguably, NGOs may be more cost effective, flexible, innovative and responsive to local needs. Moreover, NGOs may contribute to democratisation by giving voice to traditionally excluded groups and by monitoring the government. NGO independence plays a role in each of these potential contributions to policy making and implementation. Aside from these possibilities, recent ideological shifts such as New Policy Agenda and New Public Management place NGOs at the forefront of policy implementation if not also design. NGOs therefore offer important opportunities and legitimacy to the policy process.

At the same time, NGOs and non-profits have important limitations. Salamon (1987) argued that aside from their strengths, non-profits are characterised by limitations such as particularism, serving only their constituencies; amateurism, with low levels of organisational capacity and permanence; paternalism, providing services as an act of charity and donation rather than as a right of those receiving them; and without taxation powers they face an undependable resource base. Partnerships with a government characterised by universalism, professionalism, democracy and a stable resource base offer the possibility of reducing non-profit limitations and strengthening service provision.

Under these conditions, it is not surprising that both government and NGOs often want to establish partnerships for the provision of social goods and services. The danger is that government funding may lead to NGO dependence and the corruption of NGO strengths. As such NGOs may become so much like government they actually are more like franchises of government rather than independent social actors. However, unlike government they do not offer democratic accountability processes to beneficiaries (Wood 1997). There is therefore a threat that partnerships between government and non-profits or NGOs may “kill the goose that laid the golden eggs”, rather than strengthen public service provision, wasting precious resources in the process. It is essential therefore that government combines respect for NGO independence with accountability mechanisms, which ensure appropriate use of resources. Governments must balance these two approaches so that NGOs do not waste public resources but at the same time remain sufficiently independent to retain their core values and competitive advantage (see Hailey 2000).

Consequently, government has an interest in NGO and non-profit independence, to ensure that service provision is strengthened rather than weakened. Government must find ways to engage in partnership and funding relations with NGOs without undermining NGOs’ independence and their potential comparative advantages.

The literature and my findings suggest some initiatives that government may undertake to help protect NGO independence. Firstly, governments may limit their own attempts to control NGOs. The literature has long recognised the self-restraint of Scandinavian governments in dealing with NGO independence. Another very interesting attempt is the UK government’s “Compact” with the voluntary sector at both national and local levels (Roberts 2002, Taylor 2001), under which the government recognises the value of an independent voluntary sector and vows to protect it. While implementation may be still be deficient (Deakin 2001), this is an important influence on the protection of voluntary organisations’ independence. The Compact may increase the level of independence of all voluntary organisations regardless of any independence strategies they may pursue. For example, the English Compact “recognises and supports the right of the [voluntary] sector to campaign, to comment on government policy and

to challenge that policy” (Taylor 2001:96). Indeed it would be interesting to evaluate whether voluntary organisations in the UK have reduced or changed their independence strategies as a result of the introduction of the Compact.

While not as extensive as the Compact in the UK, NGOs in both Mexico and Portugal benefited from some institutional efforts by the government to respect NGO independence. In both countries some government funding was distributed to NGOs through QUANGOs rather than government agencies. In Mexico, UGA and many other NGOs receive government funding from the Junta de Asistencia Privada, which even though it is ultimately controlled by the government, its governance structure is composed of both government officials and members from civil society organisations. Another interesting example is the Fondo Mexicano para la Conservación de la Naturaleza (Mexican Fund for Nature Conservation), which was created from a partnership between the Mexican government and USAID. Both governments provided initial funding which was later increased by a major grant from the Global Environment Fund. Even though its funding was originally governmental, the creation of this foundation passed control of funding decisions to a non-governmental board of governance. Similarly, in Portugal one of the sources of government funding was the Instituto de Promoção Ambiental, which also had a mixed governance structure involving both government members and NGO representatives. The sharing of governance with members of civil society or between governments of different countries arguably reduces the ability of government to unduly control NGOs while ensuring fair accountability demands for the use of public funding.

Another possible mechanism for the protection of NGO independence is the use of independent evaluators of proposals for government funding. IPAMB used such a mechanism to disburse much of its funding. Independent evaluators from different government agencies, business and academia were invited to evaluate different NGO funding proposals according to criteria laid out by the staff of IPAMB. By using independent evaluators and ensuring that more than one person evaluated each proposal, IPAMB maximised the independence of the funding process and as a result the independence of NGOs themselves.

Thus, as demonstrated by the governments of Portugal and Mexico, government can create mixed governance and decision making structures to decide on allocations of some government funding to NGOs. Such structures can integrate both government officials and private citizens, and aim to prevent abuse of government power or unlawful discrimination in the funding of NGOs. Even though government may maintain the majority of members in such structures, the presence of private citizens helps to increase their transparency and fairness.

Another possibility is the use of parliamentary rather than government oversight bodies. This idea was being developed for the regulation of Portuguese foundations. Parliamentary

regulation is meant to be more independent than government regulation because it is undertaken by more than one political party in power. By creating such multi-partisan structures, government and the state can help to protect NGO and non-profit independence. Government could also create legislation preventing excessive control by government agencies, for example by limiting certain terms in partnership contracts, or by establishing an ombudsman to receive potential NGO complaints about government officials' intrusions. Such legislation could help NGOs get court protection if government officials abused their power.

Government can also protect NGO independence by limiting how much government money an NGO can receive as a proportion of its total funding. USAID for example demands that all NGOs receiving funding have a minimum "privateness requirement", currently standing at 20% (USAID website, Smillie 2000b). The problem of such a policy is that as shown above it is nearly impossible to determine an appropriate level of "privateness" to ensure independence. MNSD received very little government funding but was dependence on other government resources. At the same time, GEOTA received around 90% of their funding from the government and yet it acted largely independently. Also, by excluding the value of volunteer input, NGOs that rely heavily on volunteers and other intangible resources might be discriminated against, and in many ways those NGOs are precisely the ones government wants to involve the most due to comparative advantages over a bureaucratic government.

Finally, government can weigh very carefully the impacts on NGO independence of different conditions for funding (see Fowler 2000). For example, Scott and Russell (2001) describe an insistence by a funder that non-profits had full-time rather than part-time staff. Such a demand may exclude many organisations with a high volunteer input which as described above may be an important element in reducing organisational dependence on funding. Similarly, there is some evidence that complex contracting requirements are overwhelming volunteer boards of governance of non-profits in the UK. The result is that non-profits are finding it harder to attract committed board members. Since the board provides key leadership and guards organisational mission and independence, government should carefully analyse the impact of its policies on the capacity of voluntary non-profit boards (Harris 2001). This partly reinforces Kumar and Nunan's (2002) recommendation for a "light touch" when it comes to governance requirements, which should recognise that the size and formality of the board should be proportional to the size and complexity of the organisation. The governance requirements in both Portugal and Mexico varied according to organisational size and appeared to be generally proportional to their organisational complexity.

Aside from refraining from undue interference, government may help NGOs strengthen their own bargaining position. For example, government may provide grants to strengthen NGO governance and organisational capacity (see Kumar and Nunan 2002). The Portuguese

government provided one-off organisational capacity grants, which NGOs used to set up adequate governance and management systems. Similarly, government may encourage volunteering through a variety of ways. One way would be to allow NGOs to count volunteer labour input as a match for government funding. By giving volunteer input a financial value, NGOs will be encouraged to seek more of it, thus increasing their appeal and bargaining power.

Finally, government may establish clear and not very restrictive rules for the award of tax deductibility benefits. As mentioned above, tax deductibility was strongly related to case-studies' ability to fundraise from other sources, even non-governmental. By withdrawing tax benefits from NGOs that recognizably undertook important social tasks, government is limiting their resource base and potential financial independence.

This study also suggests important areas for future research on policy issues. For example,

- Do resource dependence relations change in NGO-foreign government (official donor) relationships as compared to those with a national government? How?
- How do resource dependence relations change in NGOs/non-profits working in different fields (e.g., health, education, community development)?
- How do different government initiatives to protect NGO/non-profit independence (e.g., Compact, QUANGO funders, legislation) affect NGO independence?

While NGOs are the main actors responsible for their independence, as the other party in the partnership equation governments can do much to protect NGO independence. Recent developments in this area, such as the Compact, provide interesting areas for research.

Summation

The questions and the theoretical, management and policy possibilities raised through this study are particularly important at a time of widespread partnerships between non-profits/NGOs and governments. The current interest in "partnership", has revived an interest in ideas of independence, but a great deal remains to be explored about them (Lewis 2001a). Edwards and Hulme (1997:281) argue that

[D]ifferent actors can work together successfully when certain conditions are satisfied. Chief among these conditions are a favourable national context (for NGO/GRO activity); good-quality and long established relationships between governments, NGOs and donors (flexible rather than instrumental); and NGOs/GROs which are strong and independent (that is which ... can say "no" to assistance if they judge it to be inappropriate). Nevertheless, it must be recognised that in the real world of international aid and national development, such conditions are rare.

This study has identified some of those "rare" conditions and indeed suggests that they may not be as uncommon as some argue. Understanding how NGOs can develop their independence is thus a precondition for successful and equitable partnerships. This study has shed some light on how NGOs can manage their resource relations and independence, and how their environment

influences them. It is hoped that by pursuing independence strategies described here, independent NGOs will become less rare and more equitable partnerships may emerge in “the real world of international aid and national development.”

In answer to the research question, my evidence suggests that NGOs can remain independent even when they depend on government funding for their work and survival. To do so they can benefit from government initiatives to control government influence, and can themselves pursue various strategies that enhance their independence while benefiting from government funding with which to pursue their mission. That is, they can have their cake and eat it too.

APPENDIX: INTERVIEWS WITH NGO MEMBERS AND EXPERTS

In Mexico-

NGOs:

1. Asociación Ecológica del Valle de Bravo
2. Biocenosis, Valle de Bravo
3. Centro Mexicano de Derecho Ambiental
4. Centro Mexicano para la Filantropía (CEMEFI)
5. Comité para la Defensa de los Chimalapas
6. Conservation International, Mexico
7. CreSer
8. Ecosolar
9. Fundación de Ecodesarrollo Xochicalli
10. Greenpeace Mexico
11. Grupedsac
12. Grupo de Estudios Ambientales (GEA)
13. Grupo para la Protección del Xinantecatl
14. Los Intocables, Valle de Bravo
15. Naturalia
16. Participación Ciudadana
17. Patronato Provalle
18. MNSD
19. Sierra Madre
20. Unión de Grupos Ambientalistas Mexicanos (UGA)

Experts and stakeholders

- Alejandro Natal (Colegio Mexiquense, academic research centre)
- Blanca Torres (El Colegio de Mexico, academic research centre)
- Fondo Mexicano para la Conservación de la Naturaleza (fund set to finance environmental projects in Mexico)
- Hector Jimenez (Government of Mexico, Officer responsible for the Popular Participation Department)
- Anonymous, Program Officer, INE (Environment Institute of the Environment Ministry)
- Anonymous, Officer for relations with NGOs SEMARNAP (Environment Ministry)
- Sofia Gallardo (CIDE, academic research and teaching centre)

In Portugal-*NGOs:*

21. Confederação de Associações de Defesa do Ambiente
22. Fundação Luso-Americana para o Desenvolvimento
23. Fundo Ambiental para a Protecção de Animais e vida Selvagem, FAPAS
24. Grupo de Estudos do Ordenamento e Defesa do Ambiente (GEOTA)
25. Grupo Lobo
26. Liga para a profilaxia social
27. Liga para a Protecção da Natureza (LPN)
28. Planeta Verde
29. Quercus

Experts and stakeholders

- Gilnave Neves (ISCTE, University of Lisbon)
- Henrique Pereira dos Santos, Vice-president, ICN (Environment Ministry Institute)
- Anonymous, NGO coordination officer, IPAMB (Environment Ministry Agency)
- Anonymous, program officer, IPAMB (Environment Ministry Agency)
- Jose Alho, President, IPAMB (Environment Ministry Agency)

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