Nongovernmental organizations are legal entities established within a regulated and legal framework normally hosted by a mix of national and local government structures. Depending on where the NGO is established (the United States, the UK, and so on), different rules and laws govern how the organization can accept donations, how it must report its financial data, and to whom it is accountable.

The international governmental community, and the NGO community specifically, does not respond to every humanitarian emergency. Political considerations, special interest pressures, national security concerns, funding constraints, or general humanitarian interests often guide international humanitarian assistance responses. No two responses are the same; the level, types, duration and strategy implemented differ greatly in every emergency.

NGOs are only part of international responses to humanitarian emergencies. Governments, the UN, militaries, private individuals, corporations, companies, and volunteer groups often contribute in various ways to humanitarian emergencies. NGOs require external funding sources to respond, and though some NGOs can afford to establish emergency operations for short periods without specific external support, many NGOs eventually turn to UN funding, U.S., UK, or other government grants, private contributions from foundations, communities, or individuals, or umbrella organizations that distribute funding on behalf of another agency or organization.

NGOs spend a significant amount of time fundraising and raising awareness about their programs and mission with various communities, populations, target audiences, and potential supporters. Support comes from multiple sources and varies as to its proportion of the total budget from NGO to NGO. Catholic Relief Services (CRS) is governed by the United States Conference of Catholic Bishops and supported by Catholic churches worldwide with funding and relief supplies. Although its budget relies primarily on government grants, more than one-third of its funding comes from private contributions. Direct Relief International (DRI), based in Santa Barbara, CA, relies heavily on contributions from the surrounding community and companies based in the area, making their location extremely important.

**Executive Summary**

- NGO funding comes from a variety of sources: the UN, the U.S. government, EU governments, private citizens, and foundations.
- Because NGOs depend on funding to become and remain operational, NGOs must spend a considerable amount of time preparing funding proposals and solicitations.
- Only a fraction of total international spending by the United States and EU countries is spent on humanitarian relief.
- NGOs spend billions of dollars every year in humanitarian assistance activities, far outspending any other agency or organization globally.
in deciphering what types of programs DRI initiates or supports. To move out of the area would be to stem much of the support for its programs and activities, or potentially shift the vision of DRI to fit that of another community. An NGO often relies heavily on donor intent and support. NGOs while catering specifically to needs must also take into consideration the desires and intent of specific donors or donor communities. Although in many cases they do not necessarily conflict, NGOs must often find a balance between the needs of and the willingness or desire of what a specific donor may want to fund or support. It is important to remember that NGOs answer to those they aid, their board of directors, the donors, and the public.

NGOs without question depend heavily on donors. Because they are nonprofit entities and have neither revenue streams nor fee-for-service systems, NGOs can operate only in emergency settings for a minimal time before needing donor support. Even a large NGO, often depending on the scope or scale of the emergency, must solidify funding after the initial phases of an emergency if it is to continue with its programming. Some NGOs have the capacity to maintain emergency response funds specifically for such use. CARE, World Vision, CRS, MCI, and other large NGOs make this a priority, and are known for their unique ability to muster resources immediately during an emergency without first obtaining donor support for their activities. Most NGOs do not have large emergency funds and external funding availability thus tends to determine the timing, type, place, duration, and scale of NGO response activities.

### International Humanitarian Assistance and NGO Funding

The term *nongovernmental organization* is often used by military personnel to identify any number of communal groups that prioritize issues affecting U.S. foreign policy objectives. By some estimates, there are as many as 20 million of organizations around the world which meet these criteria, ranging from Mom and Pop community groups that collect used clothes to the multimillion dollar corporations able to build municipal sanitation systems. Within the United States and for our purposes, NGO legal status will be primarily defined as an organization’s ability to qualify for 501(c)3 tax exemption status.

Tax-exempt status is provided to organizations that are “charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.”

---

74 Telephone interview, Susan Fowler of Direct Relief International, October 19, 2001; telephone interview, Rachel Granger of Americares, October 16, 2001; e-mail correspondence, Richard Walden of Operation USA, October 8, 2001; e-mail correspondence, Susan of MAP, September 18, 2001.

By 2008, the IRS had recognized more than 1.9 million tax-exempt organizations, the combined assets of which represented $2 trillion dollars. These organizations are divided by the IRS into five broad categories: charitable organizations, churches and religious organizations, political organizations, private foundations, and other nonprofits. Most of the larger organizations with tax-exempt status can be found online at www.irs.gov/app/pub-78.

All U.S.-based organizations must maintain their qualifications and submit an annual report of their funding sources and expenditures to retain tax-exempt status. This is usually accomplished by submitting a Form 990, which mirrors Form 1040 for individual citizens. Form 990 is one of the key determinants used by watchdog organizations like Guidestar and Charity Navigator to monitor and evaluate the efficacy of NGOs.

Organizations that fail to maintain their qualifications or to properly submit their Form 990, lose their tax-exempt status and are updated each tax period on the IRS website. The IRS will also suspend tax-exempt status for those organizations identified by the Department of Treasury as potentially engaged in charitable fundraising for the purpose of supporting terrorist activities per Executive Orders 13224 and 12947. A list of State Department counterterrorism-designated organizations is available online at www.state.gov/s/ct/rls/other/des/122570.htm.

In general, NGOs are considered nonprofits because the resources and services they provide highlight certain values or ideals rather than commercial gains. As values-driven organizations, NGOs rely on other individuals and entities with similar priorities to provide the means to continue their work. In general, common value transfer mechanisms include gifts, grants, contracts, and collective agreements.

Sources of Funding

Gifts are “the voluntary transfer of property (including money) to another person completely free of payment or strings.” In most cases, a donation of cash is generally the most appreciated as money can be transferred around the world and transformed into goods, services, and property almost instantaneously at little to no cost. Gifts may also come as donations-in-kind, which may be goods, services, or property that have value.

Although appreciated by most NGOs, donations-in-kind in the form of goods cannot always be transferred or transformed into the specific resources necessary for a particular operation or location. This is an important consideration for U.S.-based NGOs that are soliciting resources for overseas operations.

See www.charitynavigator.org for financial evaluations of U.S.-based NGOs, expenses, breakdown of expenses, rating among similar NGOs, financial statements, leadership, contact information, and mission statement.

---

operations. For example, even though canned food may be exactly what is needed for a famine, there
are incremental administrative and logistical costs in moving it from here to there. At best, a pipeline
that will pick up the various costs to inventory, ship, track and distribute the donation-in-kind already
exists. At worst, the donated items waste valuable time, energy, and money as the NGO tries to deliver
a well-intentioned but inappropriate gift of food, clothing, or medicine.

Many times these frustrated goods end up failing to clear customs and clutter up shipping ports
or disaster airfields. In some cases, donations-in-kind are inappropriate for the beneficiary (pork
and beans for Jews or Muslims, for example) or have a negative impact on the economy of the local
population (donating rice to a rice-growing region). Other times, as in the case of bottled water, the
cost of shipping and handling equals or exceeds the amount of money necessary to create a sustainable
solution, such as digging a well or installing a purification system.

Donations-in-kind in the form of services are generally appreciated by most NGOs because they has
the potential to lower administrative costs otherwise be spent paying people for their time. This
includes everything from the sweat equity of swinging a hammer at Habitat for Humanity or providing
pro bono legal or financial consultations through the Business Executives for National Security. That
said, donations of services can cause more damage than they are worth when the donor does not
understand the NGOs mission or respect their operating procedures.

Donations-in-kind in the form of property or monetary securities are appreciated as a way to
build up the total assets of the NGO. These resources do not necessarily offer additional resources
for operational responses, however. In general terms, NGOs that specialize in disaster response
operations will tend to solicit cash donations because of their liquidity, whereas NGOs focused on
long-term development will be more amenable to accepting donations-in-kind.

Although an individual, foundation, or corporation may make a gift of money, property, or services to
an NGO, the U.S. government will usually use either a contract or a cooperative agreement. The legal
definitions for contract, grant, and cooperative agreement follow:78

- **Contracts.** "An executive agency shall use a procurement contract as the legal instrument
  reflecting a relationship between the United States Government and a State, a local
government, or other recipient when (1) the principal purpose of the instrument is to
acquire (by purchase, lease, or barter) property or services for the direct benefit or use of the
United States Government; or (2) the agency decides in a specific instance that the use of a
procurement contract is appropriate."79

- **Grants.** “An executive agency shall use a grant agreement as the legal instrument reflecting a
relationship between the United States Government and a State, a local government, or other
recipient when (1) the principal purpose of the relationship is to transfer a thing of value to
the State or local government or other recipient to carry out a public purpose of support or
stimulation authorized by a law of the United States instead of acquiring (by purchase, lease,

---

or barter) property or services for the direct benefit or use of the United States Government; and (2) substantial involvement is not expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.”

- **Cooperative agreements.** "An executive agency shall use a cooperative agreement as the legal instrument reflecting a relationship between the United States Government and a State, a local government, or other recipient when - (1) the principal purpose of the relationship is to transfer a thing of value to the State, local government, or other recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government; and (2) substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.”

From an NGO perspective, the primary differences between a contract and a grant are that a grant would provide resources to the recipient for the execution of a public good rather than the specific benefit of the federal government. Because the primary purpose of transfer of resources is not for the direct benefit to the federal government, less oversight and reporting were required.

In a cooperative agreement, like a grant, resources are provided to the recipient to execute a public good rather than for the specific benefit of the U.S. government. However, like the contract, a cooperative agreement requires substantial administrative monitoring and evaluation. Thus a cooperative agreement offers the NGO a level of separation from being a direct service provider to the U.S. government, yet still requires a significant amount of administrative effort. From a government perspective, potential advantages and drawbacks are calculated somewhat differently.

Although a contract is usually awarded through a competitive process and spells out the standards for the delivery of goods and services to USAID, the solicitation process can be consuming and manpower intensive. Once the contract is awarded, additional staff is needed to monitor and evaluate performance against agreed standards. When no direct-hire staff are available, this responsibility must be delegated to short-term contractors, who may not be familiar with the agency rules and protocols. In other cases, this responsibility may fall to local hire staff, who may be uncomfortable with reporting irregularities in execution or might be influenced by the contractor.

Cooperative agreements and grants are also awarded on a competitive basis and could be equally time consuming in the solicitation process. However, once the cooperative agreement or grant were awarded, oversight or monitoring of the project would be minimal. Although this left loopholes for
shortcuts or inflated estimates, it did not require the agency to expend limited administrative capacity or funds on monitoring and evaluation.

Even though cooperative agreements and grants did not allow USAID to levy legal penalties or receive compensation for poor quality or incomplete work, poor execution could result in banning the NGO from funding. Blacklisting by the United States, the largest national donor in the Development Assistance Committee (DAC), could significantly damage an NGO's reputation with other donors, potentially resulting in millions of dollars lost in future revenues.83

Over time, USAID developed other ways to maximize the benefits of the different funding mechanisms while minimizing the drawbacks. Contracting officers started exploring variations of the traditional practices and began using indefinite quantity contracts, umbrella grants, and cooperative agreements.

In an indefinite quantity contract, a solicitation is drafted outlining product or services specifications for a specified amount of time, but without limiting the units of delivery. In this way, USAID could design specifications for a particular product, like wool blankets, and award a vendor a contract to provide a “no less than... but not limited to” clause to avoid re-competing delivery for each new operation. These indefinite quantity contracts would usually be awarded for common use items (plastic sheeting, water purification units, hygiene kits) or services (transportation of personnel, translation of documents, education and training) and last roughly three to five years. The primary benefit over a simple contract being that the program officer does not need to learn new standards or build new relationships each time the same product or service is needed.

Another way of employing a wide variety of skills and capabilities in a single grant or cooperative agreement is to award an umbrella grant. Much like hiring a general contractor to build a house, USAID would award an umbrella grant to a designated lead agency, which would oversee a consortium of subgrantees. Although no one organization would be able fulfill all the requirements of a program alone, by working together and sharing a funding source, they could.

Umbrella grants and cooperative agreements allowed USAID to use all the skills of a great number of smaller NGOs to accomplish complex or large tasks. Although umbrella grants created another layer of administrative costs and limited control over the subgrantee selection, the mechanism provided the consortium members the flexibility to assign and modify responsibilities based on changing needs without having to stay within one particular discipline or function.

## U.S. Government and NGOs

The NGO’s primary benefit in working with the government is that large sums of funding can be accessed immediately and augmented seamlessly over time. In some cases, contracting officers have signature authority to commit hundreds of thousands of dollars without referring back to

83 OECD, Development Co-operation Directorate (DCD-DAC), en_2649_33721_1_1_1_1_1_00.html (accessed November 10, 2009).
headquarters. But though a close relationship with the government is beneficial for receiving funds, it also presents certain challenges and drawbacks that can make using government funds for humanitarian operations difficult.

Before the end of World War I, NGOs did not rely heavily on the U.S. government, for two reasons. First was American isolationism and a general lack of interest in overseas affairs. Second was a lack of federal funds.

Charitable giving and volunteerism have long been a sustaining principal throughout American history. As early as 1630, Governor John Winthrop of Massachusetts understood that, to survive, the colonists would need to “be knit together, in this work, as one man. We must entertain each other in brotherly affection. We must be willing to abridge ourselves of our superfluities, for the supply of others’ necessities” and that “every man afford his help to another in every want or distress.”

In the generations that followed, settlers often relied on each other for mutual assistance and protection. Many times these informal compacts became the de facto governing bodies as people were thrown together on a common journey West. In most cases, these associations were built around the Christian church, which became the nexus of charitable works in the community. And though American Christian charities sent thousands of missionaries abroad, they did so primarily in the name of religious rather than national service.

World War I began to change the perception of the role of the federal government in supporting humanitarian work. With the ratification of the 16th Amendment, for the first time in U.S. history, the federal government had a significant budget collected through the income tax on its citizens. “Driven by the war and largely funded by the new income tax, by 1917 the Federal budget was almost equal to the total budget for all the years between 1791 and 1916.” Even so, it was not until World War II that collaboration between NGOs and the U.S. government began in earnest.

At the end of World War II, President Truman created an advisory Committee on Voluntary Foreign Aid “to tie together the governmental and private programs in the field of foreign relief.” Recognizing that the United States would have to provide significant postconflict development assistance for Europe if the global economy were to recover, the U.S. government reversed the Morgenthau Plan, which focused on the elimination of German industrial capability, and implemented the European Recovery Program, what became known as the Marshall Plan.

Although the bulk of the Marshall Plan's funds were channeled through organizations like the United Nations Relief and Rehabilitation Administration and went directly to national governments; there

was a growing recognition of the importance of NGOs like Oxfam, which formed in 1942 to donate food supplies to starving women and children in enemy-occupied Greece.

Perhaps one of the best-known NGOs established in the aftermath of World War II is CARE, then called the Cooperative for American Remittances to Europe.\(^{87}\) Formed through a coalition of 22 American organizations, CARE provided food relief to Europe purchased with donations from private citizens. In this case of government–NGO cooperation, CARE provided as much as 60 percent of the private assistance provided during the Berlin Airlift, and the U.S. government provided the logistics support free of charge. On the other side of the world were organizations like the China’s Children Fund (CCF), formed to help children orphaned during the Japanese invasion of China.

For the most part, these NGOs were sustained by local churches and operated on a shoestring budget. Without the benefit of the Internet or cell phones, these humanitarian missionaries solicited donations by traveling throughout the United States, sharing their stories, photographs, and world vision with local congregations. Thus, throughout this period, it was Christian charities rather than U.S. tax dollars that financed the work of many of these efforts.\(^{88}\)

Between 1948 and 1951, the Marshall Plan delivered an estimated $12 billion ($100 billion in 2008 dollars) worth of food, fuel, raw materials, and equipment to begin the reconstruction of Europe. But NGOs funded with private donations had played an essential role in meeting the individual needs official sources missed. By taking the initiative to help a fellow human in need, NGOs had significantly minimized the federal government’s expenses to help the world recover from World War II.

### USAID

Seeing the power of humanitarian assistance to influence without force, Congress formally recognized that “a principal objective of the foreign policy of the United States is the encouragement and sustained support of the people of developing countries in their efforts to acquire the knowledge and resources essential to development and to build the economic, political, and social institutions which will improve the quality of their lives.”\(^{89}\) To manifest this aim, the Foreign Assistance Act of 1961 established the U.S. Agency for International Development and gave it the primary responsibility for achieving five principal goals:

- alleviating the worst physical manifestations of poverty among the world’s poor majority,
- promoting conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits,
- encouraging development processes in which individual civil and economic rights are respected and enhanced,

---


• integrating developing countries into an open and equitable international economic system, and
• promoting good governance through combating corruption and improving transparency and accountability.

Buoyed by President Kennedy’s promise to “those peoples in the huts and villages across the globe struggling to break the bonds of mass misery... to help them help themselves, for whatever period is required—not because the Communists may be doing it, ... but because it is right,” USAID recruited hundreds of teachers, engineers, doctors, and development specialists to directly implement programs on the ground. By 1962, USAID had roughly 8,600 direct hire employees deployed around the world.

Embedded in the establishment of USAID and the Peace Corps, also established during the Kennedy administration, was a desire to replicate the success of the NGOs in improving the image of the United States as a prosperous alternative to communism. Locked in a political, military, and economic battle with the Soviet Union, the Foreign Assistance Act of 1961 provided a mechanism of influence with the Non-Aligned Movement or so-called Third World that would not lead to thermonuclear war. Developing nations, which had not declared which camp they would support, the communists or the capitalists, often became the dual beneficiaries of a battle by potlatch.

Collaboration between USAID, the Department of Defense, and the Department of State to achieve U.S. foreign policy objectives continued to increase in strength and fraternity over the next ten years, but the loss of the Vietnam War in 1975 brought about disillusionment with the ability of development assistance to “win hearts and minds.” The staff of USAID was gradually whittled down from a high of more than 10,000 during the Vietnam era to 3,162 in 1990. As more and more experienced USAID personnel left the agency with no pension or desire to enter the private sector, they joined existing or created their own NGOs. With USAID’s organic capacity to implement government programs, the number of private voluntary organizations doing the work in the field increased from 18 in 1970 to more than 190 in 2000.

In 1984, understanding the need to improve coordination between the different NGO efforts, the American Council of Voluntary Service formed a merger with Private Agencies in International Development to become the American Council for Voluntary International Action, or InterAction. The idea was to provide a collective voice that could lobby the U.S. government to take action in

humanitarian activities like the Ethiopia famine. As the largest coalition of U.S.-based international NGOs, InterAction sought to leverage “the impact of this private support by advocating for the expansion of U.S. government investments and by insisting that policies and programs are responsive to the realities of the world’s poorest and most vulnerable populations.”

With the fall of the Soviet Union in 1991, the imperative to continue development assistance to “win hearts and minds” diminished even further. The needs of dispossessed populations from the breakup of Yugoslavia, postcolonial civil wars in Africa, and poorly governed or oppressive states around the world were increasingly provided with NGO personnel, equipment, and expertise. Correspondingly, the number of international NGOs surged from roughly 6,000 in 1990 to an estimated 26,000 by 2000. After decades of continuous budget and personnel cuts, USAID was eventually transformed from an agency in which U.S. direct-hire personnel implemented projects in the field to one where an increasing number of short-term contractors oversaw NGO grantees who carried out most of its day-to-day activities.

Before the end of the cold war, NGOs had been mostly engaged in long-term development work. Tied to their missionary purpose, NGOs would spend years, sometimes generations, learning the local languages, preaching the Gospel and working to improve the communities’ quality of life. Dividing the world into categories and regions such as the West, the Soviet Bloc, and Non-Aligned or Third World regions limited the ability of NGOs to move freely between the different camps and become a truly global organization.

But with the breakdown of the Soviet Union and the U.S. government’s curtailing or abandoning of overseas development assistance programs, NGOs were provided the ability and opportunity to become increasingly engaged in rapid response operations either as proxies or in the absence of government agencies. In many cases, this meant working in postconflict environments or the midst of a civil war. But these new opportunities brought with them a realignment of funding strategies.

Initially NGOs were able to operate in complex humanitarian emergencies with impunity because all parties saw their presence as mutually beneficial. This was primarily because of the NGOs adherence to the humanitarian imperative, the concept that the prime motivation of a response is “to alleviate suffering amongst those least able to withstand the stress caused by disaster.” As long as the U.S. government transferred the resources in the form of a grant with the intent of benefiting all, the aid could be “given regardless of race, creed, nationality of the recipients and without adverse distinction or any kind.” By respecting the local culture and ensuring that assistance was not used to further a political or religious standpoint, NGOs were able to create a humanitarian space that allowed unarmed and unprotected individuals to work unmolested in the midst of ongoing conflicts or atrocities. Although humanitarian space did not protect NGOs from nonspecific violence or criminal

---

activity, NGO personnel were able to work unscathed within conflict zones for months and, in some cases, years on end. To maintain acceptance of the local population and protection of humanitarian space, most NGOs attempted to ensure that only a portion of the funds they received were from governmental sources and that the government funds accepted did not carry the perception of bias.

Once a contract is used as a mechanism to transfer resources, the U.S. government creates a legal obligation of service. This in turn transforms the NGO into an agent of the government and thus a legal target for enemy combatants. Although this distinction was not an issue in the decade that followed the end of the cold war, it rapidly complicated the way NGOs managed funding as the United States embarked on the global war on terror.

By 2002, USAID was responsible for development assistance programs in more than 150 countries, but had only 1,985 direct-hire personnel.\(^98\) USAID deployed more than 600 direct-hire personnel to oversee programs in 71 countries but was unable to staff permanent representation in the other 80 nations receiving U.S. government assistance, relying instead on NGOs. A review of USAID capabilities by the Government Accounting Office showed that in fiscal year 2000 (FY2000), “USAID directed about $4 billion of its $7.2 billion assistance funding to nongovernmental organizations, including at least $1 billion to private voluntary organizations (charities) working overseas”\(^99\) (see figure 6.1).

Realizing that any reconstruction efforts in Iraq would exceed the staffing of the agency, USAID began readying a number of multimillion dollar agreements with NGOs to cover the anticipated requirements. This posed a number of challenges for the NGOs.

Because the development assistance was based on support of U.S. government policy objectives, funds were earmarked funds for specific projects dictating where, when, how, and thus, by extension, who received assistance on the ground. By definition, this act would change the NGO’s assistance from humanitarian, providing assistance based on need, to conditional, where assistance would be given in exchange for political allegiance or military information. But perhaps more dangerous to the NGOs was the loss of perceived neutrality in the eyes of the combatants.

In being seen as agents of a belligerent power in an armed conflict, the humanitarian space, which had previously kept NGOs safe, was gradually eroded. This was especially challenging for those NGOs that had traditionally received a substantial percentage of their budget from government funding and was complicated by the emotional passions stirred up by the invasion of Iraq. If an NGO decided not to accept U.S. government funding, it gave the perception of being seen as being against the war and, by extension, as anti-American. This could damage potential funding streams, not only with the federal government, but also with the traditional NGO donor church base, whose congregations tended to

---


support the invasion. But, given the lack of international support for the invasion, the NGOs could lose strategic access to Muslim populations by being seen as part of a resurgent Christian crusade. With more than 1 billion Muslims in the world and constituting a majority in more than 40 nations, the NGOs recognized another threshold in government–NGO relationships was being crossed.

**Figure 6.1 USAID Budget Distribution**

The principles of humanitarian assistance were further complicated by the broad powers granted to military commanders providing conditional aid in the field. Armed with Commanders Emergency Response Program (CERP) funds, money taken from the former Iraqi president, Saddam Hussein, military commanders engaged in what were called quick impact programs designed to gain the immediate compliance of the occupied territories.

By early 2004, military commanders working directly with local citizens to identify and respond to immediate needs with low-cost, high-impact projects spent more than $126 million on more than 5,000 education, health-care, electricity, water, and security projects.\(^\text{100}\) And though the idea was for CERP projects to be a grassroots effort by local commanders to quickly deal with short-term needs, speed often outweighed sustainability. In cases where the Department of Defense was not closely linked with USAID, military commanders implemented programs that duplicated or conflicted with reconstruction programs assigned by USAID to NGOs.

In the breakdown of overseas development assistance from 2001 to 2007, the United States—in contrast with the United Kingdom, Canada, Japan, France, Belgium, Switzerland, and Germany—did not break out the funds allocated to NGOs to implement assistance programs into a separate category.

---

(see table 6.1). Over time, this omission may strengthen inferences that the U.S. government views NGOs as parastatal entities or that the NGOs are just a cut-out for occupying forces. At its worst, this perception might eventually erode the acceptance of the local population that protected NGOs working in complex humanitarian emergencies or eliminate the concept of humanitarian space altogether.

Table 6.1 Overseas Development Assistance, 2001–2007 (millions of US$)

<table>
<thead>
<tr>
<th>Sector</th>
<th>United States</th>
<th>Development Assistance Countries</th>
<th>USG% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$841.41</td>
<td>$8,430.38</td>
<td>10</td>
</tr>
<tr>
<td>Health</td>
<td>$1,135.03</td>
<td>$4,338.61</td>
<td>26</td>
</tr>
<tr>
<td>Population policy and reproductive health</td>
<td>$4,477.92</td>
<td>$5,651.10</td>
<td>79</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>$432.14</td>
<td>$4,360.28</td>
<td>10</td>
</tr>
<tr>
<td>Government and civil society</td>
<td>$4,604.87</td>
<td>$11,565.24</td>
<td>40</td>
</tr>
<tr>
<td>Social infrastructure and services</td>
<td>$1,216.31</td>
<td>$3,252.96</td>
<td>37</td>
</tr>
<tr>
<td>Economic infrastructure</td>
<td>$3,121.84</td>
<td>$11,793.81</td>
<td>26</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing</td>
<td>$1,222.97</td>
<td>$4,245.36</td>
<td>29</td>
</tr>
<tr>
<td>Industry, mining, construction</td>
<td>$220.21</td>
<td>$812.28</td>
<td>27</td>
</tr>
<tr>
<td>Trade policy and regulations</td>
<td>$187.49</td>
<td>$520.40</td>
<td>36</td>
</tr>
<tr>
<td>Multisector and cross-cutting</td>
<td>$1,159.53</td>
<td>$6,545.53</td>
<td>18</td>
</tr>
<tr>
<td>General budget support</td>
<td>$391</td>
<td>$3,126.40</td>
<td>13</td>
</tr>
<tr>
<td>Food aid and other commodity assistance</td>
<td>$539.70</td>
<td>$1,081.47</td>
<td>50</td>
</tr>
<tr>
<td>Action related to debt</td>
<td>$103.55</td>
<td>$9,761.15</td>
<td>1</td>
</tr>
<tr>
<td>Emergency response</td>
<td>$3,045.96</td>
<td>$6,166.57</td>
<td>49</td>
</tr>
<tr>
<td>Reconstruction and rehabilitation</td>
<td>$65.69</td>
<td>$698.06</td>
<td>9</td>
</tr>
<tr>
<td>Disaster prevention and preparedness</td>
<td>$44.21</td>
<td>$131.36</td>
<td>34</td>
</tr>
<tr>
<td>Administrative costs to donors</td>
<td>$1,394.26</td>
<td>$4,884.30</td>
<td>29</td>
</tr>
<tr>
<td>Support to NGOs</td>
<td>...</td>
<td>$2,139.69</td>
<td>...</td>
</tr>
<tr>
<td>Refugees in donor countries</td>
<td>$512.75</td>
<td>$1,969.68</td>
<td>26</td>
</tr>
<tr>
<td>Other costs</td>
<td>$7.66</td>
<td>$1,316.29</td>
<td>...</td>
</tr>
<tr>
<td>Total</td>
<td>$24,724.50</td>
<td>$92,790.92</td>
<td>27</td>
</tr>
</tbody>
</table>


**Corporations, Foundations, and Individuals**

To be able to operate independently, most NGOs, like mutual fund managers, develop a diversified portfolio across individual, corporate, and government donors. These portfolios are designed to go beyond searching for government grants in the areas noted in table 5 to actively solicit support for a specific issue, beneficiary group, or topical news item. The percentage of each funding source is usually based on the NGO’s balance between long-term development assistance and crisis response...
capability. In general, the more long range and development focused an NGO is, the less pressure to seek funds from sources, like the U.S. government, that might compromise their impartiality.

To do this, most NGOs rely on a variety of private sources for financial support. These include unsolicited contributions from citizen or corporate donations, gifts-in-kind contributions, foundation or corporate grants, and religious or civil society-based funding. Some NGOs receive one or the other, limiting either government or private contributions for organizational or capacity reasons, and some NGOs combine sources of funding to maximize all potential contributions. And though it may seem a daunting task, American private individuals and corporations collectively donate a greater percentage and sum of their resources to charitable organizations than the federal government does.

In raw numbers, private contributions from American foundations and companies in 2006 collectively amounted to more than $49 billion,101 whereas official development assistance donated by the U.S. government came to only $24 billion.102 Since the early 1970s, companies have undergone a transformation from being interested solely in making money to becoming responsible corporate citizens. This change has largely been driven by the NGOs and had its greatest impact on how companies are defining profits and the bottom line.

When the United States was originally established, there were no legal mechanisms to appropriate taxes for federal government operations. Instead, operating expenses were paid for by donations from the various states. By 1787 and the Constitutional Convention, it became apparent that taxation would be necessary to pay for expenses. Article 1, Section 8 of the Constitution gave Congress the “Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States.”

By 1792, tax receipts “totaled $208,943 this fiscal year—less than one tenth of the amount collected through customs duties. The cost of collecting this money was about twenty percent of the total revenue collection.”103 The challenges of collecting any taxes continued as people continued to move farther and farther west across America. Thus taxes initially focused on goods that required a permanent address and were not essential to all, such as liquor and tobacco.

Thus from roughly 1800 to 1900, individuals and businesses were allowed to keep almost all of their profits. During this time, businesses would donate to charitable organizations, but there was very little incentive, aside from one’s conscience, for any sort of voluntary contribution that reduced profits. In the economic Darwinism of this period, the workers’ hardships in the factories and damage to the environment were considered an externality the company did its best to avoid paying.

---

102 OECD, DCD-DAC, “Development aid from OECD countries fell 5.1% in 2006” (March 4, 2007), http://www.oecd.org/document/17/0,2340,en_2649_33721_38341265_1_1_1_1,00.html (accessed November 10, 2009).
As reflected in Charles Dickens’s *Oliver Twist*, published in 1838, or the *Communist Manifesto*, published 1848, the role of business was to make a profit, regardless of the human cost. Even though the 13th Amendment to the Constitution abolishing slavery in the United States was ratified in 1865, it did little to improve working conditions. The flush labor market filled with newly freed slaves and soldiers returning from the Civil War gave business owners little incentive to focus on “relief of the poor, the distressed, or the underprivileged.”

However, by the Progressive era, roughly 1890 to 1920, people began looking at the conditions in the workplace and forcing businesses to institute more human conditions. Although not formally recognized by the term NGO at the time, charitable organizations—like the Salvation Army, brought to the United States from Great Britain in 1879; United Way, established by a Denver priest, two ministers and a rabbi to address the city’s welfare challenges in 1887; and Rotary, established “for the purpose of doing good in the world” in 1917—helped address the needs by those disabled by predatory business practices. With new immigrants continuing to stream into the United States every day willing and able to put up with longer hours for cheaper pay, businesses did everything they could to avoid making changes that might reduce their profits. Slowly, through trade unions and the NGOs, worker protections and business practices continued to improve resulting in the Fair Labor Standards Act of 1938, which included the first federal standards for child labor.

This attitude began to change radically in the 1960s as the Baby Boomers began to come of age. Sheltered from the worst abuses suffered by their parents and grandparents and raised with the notion that America was a force for good in the world, they demanded more, not only from the U.S. government but U.S. companies as well.

One turning point in the idea of corporate social responsibility was the publication of *Silent Spring* in 1961. The book detailed the impact of the uncontrolled use of DDT, an insecticide, in reducing the animal (particularly bird) populations and the potential effects on human health. The book echoed concerns of NGOs, such as the World Wildlife Foundation, formed in 1961, also concerned with the endangerment of animal species and environmental degradation. When the Environmental Protection Agency (EPA), formed in 1970, finally banned the use of DDT in the United States two years later, it was a recognition of the changing focus of the American population and the power of NGOs to effect change. More directly, it sent a clear signal to businesses and corporations that the external costs must be considered when developing a product or providing a service.

NGOs like Greenpeace, formed in 1971 to protest underground nuclear testing in highly seismically unstable area, began to raise awareness of the environmental costs of relying on industry and technology to solve all the world’s problems. Highly visible accidents like the partial core meltdown at the Three Mile Island nuclear power plant in 1979 and the 1984 chemical accident in Bhopal, India, validated NGO concerns about industry safety standards. The complete nuclear reactor meltdown in Chernobyl in 1986 and the Exxon Valdez oil spill in 1989 helped consolidate the view that NGOs were more than just muckraking cranks, and that, left unchecked, business practices could cause serious and often long-lasting damage to the environment. By the time the character Gordon Gekko made...
his famous speech, “Greed is good,” in the 1987 movie Wall Street the tide toward corporate social responsibility had already begun to turn.

“About one in every ten dollars of assets under management in the U.S.—an estimated $2.3 trillion out of $24 trillion—is being invested in companies that rate highly on some measure of social responsibility.”104 Of the top ten companies in the Global 500, the world’s largest companies, all have corporate social responsibility programs with a link prominently displayed on their website.105 “Companies are beginning to discover that the questions, ‘How can I accomplish more good in the world?’ and ‘Where is the market opportunity?’ are essentially the same thing.”106 Increasingly businesses are talking about working for the “triple bottom line” or “people, planet, profit” in a way that achieves social, environmental, and economic advances in a sustainable fashion. As more and more consumers demand that companies become active global citizens, the more businesses are seeking NGOs as partners to solve community relations problems.

In the past, private companies contributions to NGOs came in the form of cash donations or donations-in-kind. But as more companies develop their own corporate social responsibility programs, the focus of engagement is finding a strategic partner who shares core values. Corporate philanthropy today focuses on a triad of the company, which assists with funding, management, and resources; the consumers, who select the branding message of the company or NGO; and the NGO, which works to improve the local population’s quality of life while increasing the company’s bottom line. Table 6.2 (see next page) presents a ranking of some of the top foundations, corporations, and community donors.107

And even as companies move their production facilities overseas or search out new consumers to purchase their products, they are beginning to discover the value of the NGOs acceptance model. Rather than relying on gunboat diplomacy or the imposition of unequal trade practices to open up new markets, multinational companies are learning to tailor their messages and products match the needs and sensibilities of the local population. Much of this transformation has been driven by NGOs.

In an interconnected world with a 24-hour news cycle, anyone with a “laptop computer, a website, and an email address … can wreak havoc on a giant multinational.”108 Businesses must ensure that working conditions meet the minimum standards within the host nation.109 But more than just avoiding bad press for poor work conditions, corporations are learning the potential of transforming today’s beneficiaries into tomorrow’s consumers.

Called by some the “fortune at the bottom of the pyramid,” businesses are finding it beneficial to work with NGOs. “The basic economics of the bottom of the pyramid market are based on small unit packages, low margins per unit, high volume, and high return on capital employed.” Instead of packaging products like shampoo, soap, and skin cream in large quantities for people who make less than $1 a day, companies are learning to repackage it into one time trial-size servings, and make a miniscule profit many times. Taking a new twist from Henry Ford’s “sell to the masses, eat with the classes,” businesses are rediscovering that making 1 cent of profit 1 billion times still equals $10 million dollars.

Table 6.2 Total Giving by Donor Type

<table>
<thead>
<tr>
<th>Top foundations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bill &amp; Melinda Gates Foundation (WA) $2,011,675,000</td>
</tr>
<tr>
<td>2.</td>
<td>The Ford Foundation (NY) $526,464,000</td>
</tr>
<tr>
<td>3.</td>
<td>AstraZeneca Foundation (DE) $517,675,952</td>
</tr>
<tr>
<td>4.</td>
<td>The William and Flora Hewlett Foundation (CA) $421,400,000</td>
</tr>
<tr>
<td>5.</td>
<td>The Robert Wood Johnson Foundation (NJ) $407,698,000</td>
</tr>
<tr>
<td>6.</td>
<td>GlaxoSmithKline Patient Access Programs Foundation (NC) $344,193,427</td>
</tr>
<tr>
<td>7.</td>
<td>Lilly Endowment Inc. (IN) $341,863,979</td>
</tr>
<tr>
<td>8.</td>
<td>The David and Lucile Packard Foundation (CA) $307,935,012</td>
</tr>
<tr>
<td>9.</td>
<td>The Andrew W. Mellon Foundation (NY) $300,199,000</td>
</tr>
<tr>
<td>10.</td>
<td>Silicon Valley Community Foundation (CA) $291,096,834</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top corporations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Bank of America Charitable Foundation, Inc. (NC) $188,236,685</td>
</tr>
<tr>
<td>2.</td>
<td>Sanofi-Aventis Patient Assistance Foundation (NJ) $77,414,396</td>
</tr>
<tr>
<td>3.</td>
<td>Wal-Mart Foundation (AR) $110,895,707</td>
</tr>
<tr>
<td>4.</td>
<td>The Wachovia Foundation, Inc. (NC) $96,909,222</td>
</tr>
<tr>
<td>5.</td>
<td>Citi Foundation (NY) $96,422,843</td>
</tr>
<tr>
<td>6.</td>
<td>GE Foundation (CT) $91,486,393</td>
</tr>
<tr>
<td>7.</td>
<td>The JPMorgan Chase Foundation (NY) $79,895,591</td>
</tr>
<tr>
<td>8.</td>
<td>ExxonMobil Foundation (TX) $75,214,761</td>
</tr>
<tr>
<td>9.</td>
<td>Wells Fargo Foundation (CA) $64,359,430</td>
</tr>
<tr>
<td>10.</td>
<td>Johnson &amp; Johnson Companies Contribution Fund (NJ) $58,734,462</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Largest community foundations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Silicon Valley Community Foundation (CA) $291,096,834</td>
</tr>
<tr>
<td>2.</td>
<td>California Community Foundation (CA) $216,019,934</td>
</tr>
<tr>
<td>3.</td>
<td>Greater Kansas City Community Foundation (MO) $192,905,943</td>
</tr>
<tr>
<td>4.</td>
<td>The New York Community Trust (NY) $166,053,450</td>
</tr>
<tr>
<td>5.</td>
<td>The Chicago Community Trust (IL) $115,544,031</td>
</tr>
<tr>
<td>6.</td>
<td>The Columbus Foundation and Affiliated Organizations (OH) $110,778,929</td>
</tr>
<tr>
<td>7.</td>
<td>Foundation for the Carolinas (NC) $106,345,459</td>
</tr>
<tr>
<td>8.</td>
<td>The San Francisco Foundation (CA) $96,511,000</td>
</tr>
<tr>
<td>9.</td>
<td>The Community Foundation National Capital Region (DC) $91,206,281</td>
</tr>
<tr>
<td>10.</td>
<td>Tulsa Community Foundation (OK) $87,148,870</td>
</tr>
</tbody>
</table>

And, as NGOs discover that goods given away free are not valued as much by the recipient, by working with businesses and the local population, they can develop sustainable development assistance models that continue to grow and expand after an investment of seed capital. Businesses, being profit-making ventures, are more likely to scrutinize the way an NGO manages its budget than a government organization or individual donor. Thus the development of these NGO–business partnerships has had complementary benefits of making the corporation more socially responsible and aware at the same time that it encourages the NGO to be more financially responsible in its efforts to do good.

**Individuals**

Despite the increased focus on corporate social responsibility over the past 20 years, perhaps most surprising statistic is that individual private citizens accounted for $229 billion, or roughly 75 percent, of the total amount donated in 2008. This dwarfs the the $78.3 billion from foundations ($41 billion), charitable bequests ($23 billion), and corporations $14.3 billion, as noted in figure 6.2.

Not only do individuals donate more in terms of total amount, they also donate more as a percentage of their total income. In contrast to the federal government, which allocated only 0.16 percent of the gross national income in 2007 to development assistance; since 1964, roughly the same time as the establishment of USAID, individual private citizens have consistently donated more than 1.4 percent of their gross income to charitable causes. Thud private individual donations continue to be the primary source of most NGOs’ income (see figure 6.3).

As might be expected, the bulk of those donations go to religious charities.

Of course, this does little for the NGOs concerned with international affairs, given that fewer than 2

---

percent of all donations are earmarked for overseas response. When religious groups were asked if America should help overseas, 55 percent responded, “We should pay less attention to problems overseas and concentrate on problems here at home.” But, like the humanitarian pioneers of the past, NGOs are increasingly courting a new class of individuals to raise resources and awareness to address the problems of the future.

The first class of super-empowered individual is the magnate. Whether the Nobel Peace Prize, established after Alfred Nobel decided he wanted to be recognized posthumously as something other than the merchant of death or the Carnegie Endowment for International Peace, established from the largess of Andrew Carnegie, who wrote in *The Gospel of Wealth* that “all personal wealth beyond that required to supply the needs of one’s family should be regarded as a trust fund to be administered for the benefit of the community,” these individuals reshape the way the world thinks because of where they place their resources. Among contemporary examples, Bill Gates is probably the best known.

Gates, whose wealth has been as much as $100 billion, depending on stock value, has been ranked the richest man in the world on several occasions. In 1984, he established a foundation that would transfer some of the wealth accumulated through Microsoft into charitable works. Over time, the foundation grew to an organization with more than 750 employees and endowment of over $27 billion making grant payments equaling $2.8 billion (2008) to organizations in all 50 states and roughly 100 nations. With a budget of $27 billion, about the combined gross national incomes of Eritrea, Belize, Bhutan, Maldives, Guyana, Antigua and Barbuda, Gibraltar, San Marino, Saint Lucia, Djibouti, Liberia, Burundi, British Virgin Islands, The Gambia, Seychelles, Grenada, Northern Mariana Islands, Saint Vincent and the Grenadines, Vanuatu, Saint Kitts and Nevis, Comoros, Samoa, East Timor, Solomon Islands, Guinea-Bissau, Dominica, American Samoa, Tonga, Micronesia, Cook Islands, Palau, São Tomé and Príncipe, Marshall Islands, Anguilla, Kiribati, Tuvalu, and Niue combined, the Gates Foundation is less an nongovernmental organization and more an extragovernmental force.

With consolidated financial practices, the Gates Foundation can account for grants as large as $200,665,210 or as small as $500 with equal accuracy. And being a business with a sense for how to manage funds, it has been able to attract other super-empowered individuals, such as Warren Buffet, ranked as the richest man in the world in 2008, to donate millions, even billions, of dollars to the foundation to expand their charitable works. That said, big foundations act very much like the government and don’t necessarily make it easier for all NGOs to increase their funding. The second type of super-empowered individuals does.

One of the keys to donations is visibility of needs. As long as ignorance confers innocence, there is no responsibility to act on behalf of something that one is unaware of. Although not as egregious as launching wars based on erroneous information, the effects of ignoring or suppressing information that might otherwise cause people to act can be just as devastating. The Ethiopian famine of 1984 is one example of the second super-empowered individual.

During the twelve short months of 1984, a number of world events consumed U.S. leaders’ attention. Iran turned the tide against Iraq and both sides escalated hostilities by attacking oil tankers in the Persian Gulf. With Israel’s war in Lebanon heating up, the CIA station chief in Beirut was kidnapped and eventually tortured to death; the Marines had been withdrawn after a fatal attack on their barracks the previous year. Premier Indira Ghandi ordered an attack on Sikh separatists in the Golden Temple, resulting in her assassination four months later. To assist the insurgency against the Soviet occupation, the CIA’s budget for operations in Afghanistan was tripled. That year, United Kingdom and China agreed to the terms of restoration of Hong Kong to Chinese sovereignty. U.S. support for El Salvador’s military government against the Farabuno Marti National Liberation Front (FMLN) continued, as well as assistance to other Latin American nations struggling against popular insurgencies. Desmond Tutu was awarded the Nobel Peace Prize for his opposition to apartheid.

In March 1984, faced with the prospects of a poor harvest, the Ethiopian government announced that as many as 5 million people could be at risk of starvation by the end of the year. By August, the effects of the poor harvest were beginning to show and thousands of people began starving to death each day. Oxfam made the largest contribution in its 40-year history, £500,000, in an effort to spur the western governments to respond, but to no avail. Despite a bumper harvest of grain in September, the western nations declined to offer Ethiopia famine relief.

Frustrated with the lack of official interest, Bob Geldoff gathered with a number of fellow singers to record a single, “Do They Know It’s Christmas,” in late November, hoping to raise perhaps as much as £70,000 for the famine response.116 Within a week of the song’s release, it went to #1 in the British charts and raised £8 million by the end of that year.

This event became a watershed for NGO funding. For the first time, entertainers could play a significant role in providing resources for overseas assistance by lending their name recognition and entertainment skills to raise awareness and resources for humanitarian needs. Social edutainment, or the focus of providing educational material in a popular format, slowly became a legitimate way to reach a more secular generation that was unlikely to donate money through traditional church donations.

Major institutions like the United Nations took note and in 1988 began recruiting entertainers like Audrey Hepburn, herself a former refugee, to be what became known as goodwill ambassadors, who could raise awareness of the unmet needs of millions around the world. Some entertainers, like

Bono, who participated in the original Band Aid, went on to become major voices for development assistance and disaster response. More than ever, individuals with star power, such as Angelina Jolie, Lucy Liu, Brad Pitt, Nicole Kidman, Mia Farrow, George Clooney, Don Cheadle, Matt Damon, and Drew Barrymore, are offering an advertising donations-in-kind to raise awareness of existing humanitarian needs. But more than individual contributions to specific needs, celebrities bring a modern and secular cachet to the idea of helping others.

The last category of super-empowered individual is perhaps the most significant as well as the least recognized, the humanitarian genius. Muhammad Yunus, the founder of Grameen Bank, is probably the best known.

Grameen Bank—the word *grameen* means rural or village in Bangladeshi—was first started in 1976 as an action research project to look at ways to create opportunities for self-employment for the unemployed in Bangladesh and increase savings, investments, and income through a injection of credit. The program, which provided micro-loans to groups, turned out to be so successful that the government of Bangladesh took formally recognized the idea in 1983. A people’s movement, borrowers of Grameen Bank own 90 percent of the shares and the government owns the rest.

Other individuals, such as Dean Kamen, who turned his intellect to developing a universal water purification system after building the Segway, or Eric Rasmussen, who is developing common information sharing systems with Google for disaster responses, are changing the way the world perceives, measures, and values human life. NGOs are increasingly focused on concentrating these individuals’ talents, intellect and efforts and intellect through consortiums like Architecture for Humanity, where innovative building ideas are freely shared for common benefit. Technology, Education, Design (TED) forums are another example of this and replicate on a more individual level, the efforts of other NGOs like National Public Radio (NPR) and Public Broadcasting Station (PBS), attempt to raise awareness and influence value judgments.

---

**Future Trends**

Perhaps one of the greatest impacts on the way NGO are funded was the introduction of the Internet: instant news, cutting across demographic lines, and instantaneous transfers of funds.

Because the Internet serves as an information commons where all can compete equally, the idea of an official voice is lost within the crowd. Rather than relying on a single source for definitive definitions, increasingly reality is defined by mass perception. This is best exemplified by the shift from Encyclopedia Britannica to Wikipedia. This is important in that the Internet allows NGOs to

---


raise awareness of injustices and humanitarian needs around the world and strip away the innocence of ignorance.

Because the Internet is accessed equally by people of all description, anyone can hear the message an NGO is sending. By appealing to fundamental human values, the NGO can reach the widest audience, as long as its website is in the appropriate language and an appealing format. And as the newspapers are discovering, because it takes little to no time to go from reporting to print, it is a far quicker way to get work out about a disaster or humanitarian crisis and can offer far more detailed information with more regular updates.

But perhaps the most empowering aspect of the Internet is the ability to transfer funds instantaneously around the world. Because banking has transformed from a centralized institution to institution process to a decentralized individually managed system, the ability to gain donations or transfer funds directly to projects around the world has increased exponentially. In addition, and significantly, because traditional transfer fees are rapidly being discarded, the economy of sending small sums of money increases. Thus, collectively, the Internet has changed the opportunities for NGO funding by providing instantaneous information on human needs around the world stripping away the innocence of ignorance, providing the information to all equally so that everyone can be aware of the needs, and creating a mechanism for sending even modest sums of money instantaneously to areas in need.

In many ways, the ubiquity of the Internet and vast number of NGOs supporting different agendas and interests have allowed a closer approximation of the democratic ideal of a government of the people, by the people, for the people. Because everyone competes equally, the traditional definition of a state being the entity with ultimate authority to use violence is slowly evolving to the entity able to serve as the framework of common values and provide human security or the means to live. Increasingly, largely through changes brought about by the Internet and abdication of government responsibility for humanitarian needs, NGOs are becoming a force of their own.

Since 1991, the importance of NGOs in international politics has increased substantially because of their willingness to take on the traditional role of providing for the needs of the population. And though the local government may have retained control over the use of violence, in many cases those entities have been unable to provide the goods or services necessary to live. Over time, support and respect for government by force is reduced to merely fear, leaving the NGOs as a moral authority amidst the chaos of humanitarian needs. Although the impacts of these changes are still being played out, the idea of NGOs as dependent organizations obliged to beg for funds to continue operations is gradually changing.

As noted earlier, not only corporations, through their social responsibility programs, but governments, in their need to show a beneficent face, rely increasingly on NGOs, in some cases to validate their work, in other cases to implement it. For those associations, funding has become less an owner-client relationship, and more a partnership of equals where each individual and group brings their specific talents and resources to accomplish a mutually agreed on goal.
In many ways, this manifests the 10th Amendment of the Constitution, which states that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” Instead of taxing individual incomes and redistributing wealth according to a centralized top down system, governments are seeing the benefits of a whole-of-society approach.

By allowing individuals to educate themselves and make personal decisions where they want their resources to go, foreign policies and overseas responses more closely reflect the will of the people. This whole-of-society approach goes beyond the joint or interagency discussions being debated today or the public-private partnerships being tested as ways to implement programs tomorrow. With more than 1.9 million tax-exempt organizations, with combined assets represented $2 trillion in the United States alone, NGOs are the wave of the future.