



U.S. Government Funding for International Nongovernmental Organizations

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From their first appearance between the two World Wars to the 1960s, U.S.-based international nongovernmental organizations (INGOs) operated largely separate from the federal government. Funding for INGOs came almost entirely from private contributions, and programmatic approaches of INGOs and the government differed. The failure of direct government-to-government foreign assistance, however, eventually spurred the federal government to work more directly with INGOs, which were seen as more efficient and effective. The result has been a dramatic rise in government funding for INGOs since the 1970s. However, little attention has been paid to the extent

services in an increasingly diverse array of areas, including disaster relief, agriculture, technology, economics, environment, health, education, human rights, refugees, and, more recently, democracy and civil society. Examples of larger INGOs working with government include World Vision, Freedom House, Save the Children Federation, Landmine Survivors Network, Africare, the Carter Center, and Winrock International Institute for Agricultural Development.

The United States Agency for International Development (USAID) is the largest INGO government partner and provides the most information on its INGO involvement. Historically, the portion of USAID's overall budget going to private voluntary organizations (which include all nonprofits, not just U.S.-based INGOs)¹ has ranged between 14 and 19 percent.² However, this figure can vary dramatically by individual office. In 2000, for example, USAID's Office of U.S. Foreign Disaster Assistance reported that over 70 percent of its aid was channeled through private voluntary organizations (PVOs) (Office of U.S. Foreign Disaster Assistance 2000). The percentage of USAID money going to PVOs may be even higher, as some USAID funding is indirectly provided to PVOs through other organizations, such as other U.S. government agencies and the United Nations (GAO 2002). While these numbers tell us how much of the USAID budget goes to nonprofits, little information exists on the fifty or so other government agencies providing international assistance and their work with INGOs.

Indeed, the full scope of federal government financing for INGOs, and how it has changed over time, has generally been difficult to estimate. With different

Despite the government's increasing involvement with INGOs, it still funds a relatively small percentage of these organizations, and federal dollars only contribute about a fifth of their revenue.

of government support for INGOs, the types of INGOs involved, and the regions they work in. Moreover, it has been difficult to track how changes in foreign policy affect government funding for INGOs.

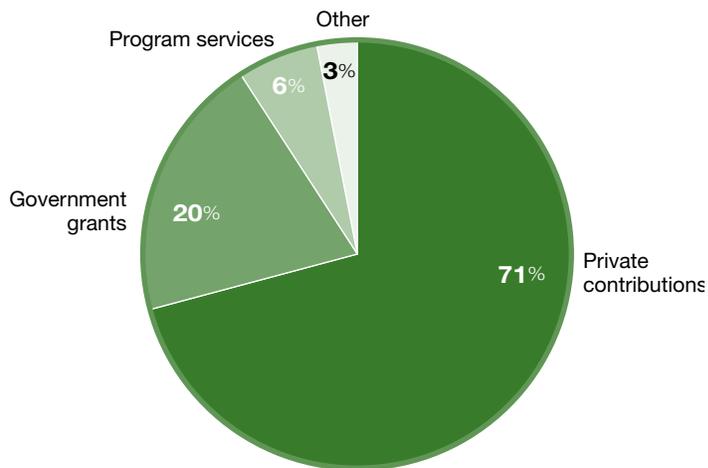
Currently, about fifty federal agencies and offices support some kind of international programming and often work with INGOs to achieve their objectives. INGOs that partner with government run the full spectrum, from large multimillion-dollar organizations that offer many programs in multiple regions of the world to small, single-service entities focusing on one program in a given region. They provide

government agencies providing international assistance in different areas, the numbers and types of organizations involved and their funding have been hard to determine. However, newly analyzed data from the Urban Institute's National Center for Charitable Statistics (NCCS)/GuideStar National Nonprofit Database provide insight on government funding for INGOs, including new trends after 2001 due to shifts in foreign policy.

PRIVATE CONTRIBUTIONS OUTPACE GOVERNMENT FUNDS

The number of INGOs receiving government grants is relatively small, even after September 11, 2001, launched an influx of foreign assistance dollars. Of the 4,124 INGOs in the NCCS international dataset circa 2003,³ only 391 (or 10 percent) received government grants.⁴ Moreover, figure 1 shows that only 20 percent of aggregate INGO revenue comes from government grants (a small amount of government funding may also be found in program service revenue,⁵ though not on a scale to influence this analysis). Though government grants are the second largest source of funding for INGOs, private contributions far outpace government funds. This mix of revenue sources differs from the rest of the nonprofit sector, where program services often account for over half of all revenue, private contributions account for about a quarter, and government grants are 20 percent.⁶

FIGURE 1.
Sources of Revenue for INGOs by Percentage, 2003



Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database (2003).

GOVERNMENT FUNDS GO TO LARGER INGOs

When we take a closer look at the INGOs receiving government funds, the NCCS international dataset reveals a clear bias in government funding for larger INGOs. Among INGOs receiving government funds in 2003, 24 percent had less than \$500,000 in total annual revenue and another 24 percent had between \$500,000 and \$2 million, while 52 percent had over \$2 million in total revenue annually. Comparison with the size distribution for all INGOs (where only 11 percent are in the \$2 million and over category) shows a government bias for large INGOs.

Forman and Stoddard (2002) confirm this finding in their analysis of more than 400 organizations registered with USAID in 1999. They attribute USAID's preference for large organizations to prior work relationships, an established track record, and better coordination (when working with a few large organizations, as opposed to many small ones). Also, the high, fixed costs of administration and proposal development associated with government grants likely discourage smaller organizations.

GOVERNMENT FUNDING PARTIAL TO CERTAIN INGO ACTIVITIES

While overall, 20 percent of INGO revenue comes from the government, the government prefers to fund some INGO activities more than others. The NCCS international dataset shows that income from government grants as a percentage of revenue can vary considerably by type of INGO activity (see table 1). However, percentages do not tell the whole story. In the international relief category—one of the categories least reliant on government funding—government grants accounted for only 13 percent of total revenue. But in terms of absolute dollars, government grants for this category were the highest at \$820 million, accounting for 26 percent of all government grants to INGOs. As mentioned previously, USAID's Office of Foreign Disaster Assistance often channels well over half of its funding for relief assistance through INGOs (Development Initiatives 2000). The large number of dollars going into this category, however, does not negate the fact that the international relief category, as a whole, is one of the least reliant on government grants.

TABLE 1.
Sources of Revenue for INGOs by Type of INGO, circa 2003

Type of INGO	Total revenue (in millions of dollars)	Percentage			
		Private contributions	Government grants	Program services	Other revenue
General (n=636)	\$ 2,759	69	25	5	1
Agriculture (n=56)	202	16	39	42	5
Economic (n=173)	382	29	39	19	14
International relief (n=854)	6,395	85	13	1	1
Education (n=351)	784	51	30	12	7
Health (n=528)	2,445	70	20	8	3
Science and technology (n=39)	46	64	10	23	4
Democracy and civil society (n=79)	251	31	54	12	4
Environ., population, sustainability (n=174)	1,482	56	21	21	3
Human rights, migration, refugees (n=171)	940	71	24	1	3
All INGOs (n=3,061)	\$ 15,686	71	20	6	2

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database (2003).

On the other extreme, the democracy and civil society category appears to be highly reliant on government funds, with 54 percent of its revenue coming from government grants. However, only about a third of its organizations actually receive grants. The three getting the lion's share of government funding are the National Democratic Institute for International Affairs (\$48 million), the International Republican Institute (\$19 million),⁷ and the International Foundation for Election Systems (\$27 million). These three organizations account for 82 percent of the government grants in this category. Nonetheless, the government appears to have more of a stake in the funding of this type of INGO activity than does the private sector, which includes contributions from individuals, foundations, and corporations.

FEDERAL POLICY SHIFT CREATES AN INFLEX OF GOVERNMENT DOLLARS FOR INGOs

The most recent event to impact the relationship between U.S.-based INGOs and the U.S. government has been September 11, as the resulting changes in foreign policy have generated an increase in foreign assistance. The National Security Strategy, introduced by President George W. Bush in September 2002, underscores that, while poverty, poor health, and lack of economic opportunity do not lead directly to unrest and terrorism, they can be precursors. New government objectives call for an expansion of inter-

national aid programs to shore up unstable regions and a shift in focus from post-communist countries to the Middle East. Achieving these objectives involved a dramatic rise in foreign assistance. After hovering around \$10 billion or less for a decade, U.S. Official Development Assistance jumped from \$9.9 billion in 2000 to \$16.2 billion in 2003 (USAID 2005).

This increase in foreign assistance funding was reflected in a rise in government grants to INGOs. From 2001 to 2003, government grants to INGOs increased by almost a billion dollars.⁸ Table 2 shows that the large rise in government funding pushed the percentage of INGO revenue from government grants up 3 percentage points, from 17 to 20 percent—while other revenue categories lost ground or stayed the same relative to each other. Changes in absolute dollars reflected a similar finding. This increase was also spread out over a slightly larger number of organizations. The discernable influx of government dollars shows the financial impact a shift in federal policy can have on involved INGOs.

GOVERNMENT FUNDING INCREASES REFLECT NEW POLICY PRIORITIES

Between 2002 and 2003, activities supported by the government also changed. Table 3 shows not only that government funding increased greatly, but also that the largest rate of increase occurred with organizations involved in international relief, rather than

TABLE 2.
INGOs Receiving Government Grants, and Amounts and Percentages of Grants, 2001–2003

	Year		
	2001	2002	2003
INGOs with government grants	350	360	391
Government grants to INGOs (in billions)	\$2.3	\$2.5	\$3.1
Government grants as a percent of total INGO revenue	17	18	20

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database (2001, 2002, 2003).

with long-term, development. Many large multi-service INGOs are clustered in International Relief, a type of organization that USAID tends to fund.

Table 3 also shows that 2002 saw a decrease in funding for democracy and civil society organizations that was then dramatically reversed in 2003, when aid for this category was increased by a factor of 12. This turnaround may be attributed to a 2002 withdrawal of democracy and civil society development funding for Central Europe (see table 4), followed by new funding for this activity elsewhere (perhaps particularly in Afghanistan) in 2003. Other analysis using the NCCS international dataset indicates this may be the case, showing a decrease in government grants to INGOs supporting democracy and civil society in Central and East Europe from 2001 to 2003 (Reid and Kerlin 2006).

TABLE 3.
Types of INGOs with the Greatest Rates of Increase in Government Grants, 2002–2003

Selected types of INGOs	Increase over previous year (millions of dollars)		Percent rise in total amount 2002–2003
	2002	2003	
International relief	\$ 5	310	60
Health development	76	114	30
Education development	17	40	21
Democracy and civil society development	-2	23	20
Environment, population, sustainability development	22	49	19
All INGOs	\$ 160	648	26

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database (2002, 2003).

SHIFTS IN THE REGIONAL FOCUS OF GOVERNMENT-FUNDED INGOs

Small shifts were also detected in the regional focus of government-funded INGOs from 2001 to 2003. Table 4 shows that the only decrease among single-region organizations receiving government grants occurred for those operating in Central Europe. Meanwhile the largest increases for single-region organizations were for those with programming in South and East Asia (which includes Afghanistan) and the Middle East. These numbers likely reflect the foreign policy shift away from post-communist countries to countries associated with the “war on terror.” Interestingly, table 4 also shows a decline in government funding for multiregional organizations, which tend to be the larger actors.

TABLE 4.
Government-Funded INGOs by Operating Region, 2001–2003

Regional focus	Percentage by year		
	2001	2002	2003
Multiregional	51	49	47
Central Europe	15	16	13
Latin America	12	13	13
Middle East	3	3	5
South and East Asia ^a	9	11	12
Sub-Saharan Africa	8	8	9
Western Europe	1	1	1

Source: National Center for Charitable Statistics/GuideStar National Nonprofit Database (2001, 2002, 2003).

a. Afghanistan is included in South and East Asia.

CONCLUSION

Since the 1970s, government involvement with the INGO sector has risen substantially. Despite the steady increase, however, government funding is still limited to a relatively small percentage of INGOs, and federal dollars only contribute about a fifth of the overall revenue for this sector. Most federal dollars go disproportionately to larger organizations. Also, government funding varies substantially across different types of INGO activities. While government grants made up over half of all revenue in the area of democracy and civil society, they provided

only 13 percent of revenue for international relief due to the large amount of private donations in this category. INGOs are also susceptible to shifts in federal policy. Most recently, new foreign assistance funding has been awarded increasingly to international relief and organizations working in the Middle East, reflecting new foreign policy priorities.

FOR MORE INFORMATION

See the report *The International Charitable Nonprofit Subsector in the United States* on the Urban Institute web site at <http://www.urban.org/url.cfm?ID=411276>.

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NOTES

1. *Private voluntary organizations* (PVOs) is a USAID term for "tax-exempt, nonprofit organizations that receive voluntary contributions of money, staff time, or in-kind support from the general public and are engaged in voluntary, charitable, or development assistance activities. They can be U.S. based, international, or locally based in the host country" (GAO 2002: 4).
2. This is the percentage range found between 1995 and 2000 and includes aid to both domestic and foreign PVOs. About two-thirds of the percentage for 2000 was for domestic PVOs alone.
3. The NCCS international dataset contains data from IRS Form 990 that 501(c)3 INGOs filed with the IRS for 1999–2003.

4. Not all organizations registered with USAID are in the NCCS international dataset. For example, about half of the PVOs registered with USAID in 2000 have year 2000 records in the international dataset. This discrepancy occurred because a number of organizations registered with USAID are not "international" as defined for inclusion in the international dataset (for example, the Nature Conservancy). Also, the dataset itself does not include organizations with revenue below \$25,000 and many religious INGOs (regardless of revenue size) because they are exempt from filing IRS Form 990. Additionally, in this policy brief, only organizations that filed Form 990 (as opposed to Form 990-EZ) are considered; the 990 EZ does not provide a separate line for government grant revenue (990-EZ forms can be filed by organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000).
5. The program services category consists largely of funds from government contracts and fee-for-service activities (such as fees paid to participate in student exchange programs).
6. Data from the NCCS/GuideStar National Nonprofit Database (2003), excluding hospitals and higher education.
7. This is likely due to the Institute's close ties with the National Endowment for Democracy, which receives congressional funding.
8. As a cautionary note, analysis of the NCCS dataset of international organizations does not reflect the entire proportion of official U.S. government aid administered through INGOs (see previous footnote).

ACKNOWLEDGMENTS

The author would like to thank Elizabeth Reid for her many contributions in the development of this policy brief. Kendall Golladay and Kanisha Bond also provided invaluable assistance with data analysis and classification of organizations.

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