BECOMING STRATEGIC PARTNERS

Lessons for NGOs and Government Agencies from the American Experience

JAPAN CENTER FOR INTERNATIONAL EXCHANGE

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James Gannon

Japan Center for International Exchange

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Front right: Children in Yemen benefiting from a program funded through Japan Platform. (Photo Credit: Japan Platform)
Front left: An International Medical Corps doctor examines a boy at a mobile health clinic in Sindh, Pakistan, after the 2010 floods (Photo Credit: Vicki Francis/DFID)
Back: Psychosocial workers with International Rescue Committee (IRC) help rape survivors in South Kivu, Democratic Republic of Congo as part of a USAID-funded initiative (Photo Credit: Angela Rucker/USAID)

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OVERVIEW

IN OCTOBER 2015, JCIE brought an eight-member team of Japanese legislators and NGO leaders to Washington DC to speak with American officials and policy experts about how Japan and the United States could collaborate more effectively on humanitarian assistance and development. Knowing that American NGOs play a key role in US foreign assistance—for instance, in 2014, roughly $6.7 billion (¥737 billion) of bilateral US official development assistance (ODA) was distributed through civil society organizations[1]—they realized that to get a better grasp on how Japan and the United States could work together, they first needed to understand how American NGOs and the US government see their respective roles and relate to one another. Accordingly, when they visited the US Agency for International Development (USAID), they asked how the agency views NGOs and were told that the US government considers NGOs to be "strategic partners" in foreign assistance. The following day, they met with senior officials at the US State Department who, without prompting, explained that they too think of NGOs as "strategic partners" and could not do their work to aid refugees without them. Afterwards, they went to the White House to speak with a National Security Council staff member in charge of humanitarian responses. She began her briefing by saying that the first thing one needs to understand is that NGOs are the government's "strategic partners."

The same refrain was repeated in each US government agency they visited not because the term, "strategic partners," had been mentioned in any briefing paper or prompted by how they worded their questions. Rather, it was because it is an accurate description of working-level relations that have emerged between the US government and NGOs in Washington and often in the field as well.

Of course, this was not always the case. Throughout much of American history, the leading NGOs involved in development and humanitarian assistance did not have the stature or strength to be credibly considered strategic partners to government agencies. But that has changed in recent decades as the institutional capacity of American NGOs has grown to the point where they have to be taken seriously as important players in the field. The 190 NGOs that are the members of the main US umbrella organization for development organizations, InterAction, now raise approximately $18 billion (¥2 trillion) per year.[2] More than a dozen have annual revenues of more than $500 million, and three organizations—the Salvation Army, Habitat for Humanity, and World Vision—even have revenues exceeding $1 billion each year. These organizations typically employ hundreds or thousands of staff. For example, Samaritan's Purse has more than 2,500 employees, the International Rescue Committee employs 1,760 people, and Save the Children operates with 1,600 staff in the United States. Moreover, their size allows them to retain specialized staff with professional expertise on a range of issues—public health, gender, microfinance, etc.—that often is more extensive than that of employees in the government agencies with which they work.

The strategic partnership that these groups have forged with the US government is reflected in the degree to which government agencies rely on NGOs to implement a broad range of their foreign assistance programs. Almost one-quarter of all bilateral US foreign assistance is now routed through civil society organizations.[3]

In reality, though, the strategic partnership goes far beyond a funding relationship. NGOs are considered by senior US policymakers to be a valuable source of alternative information about what is happening on the ground in countries around the world; plus, they play an important role in the policy formulation and consultative processes. For instance, it would be unthinkable for the US government to mobilize to confront a major humanitarian emergency or development challenge such as the Ebola response or the 2010 Haiti earthquake without intensive consultations with the NGO community. This has made NGOs into true strategic partners for the US government.

The descriptions of this "strategic partnership" that the team heard during their 2015 visit to

Washington inspired us to look for lessons from the experience of US government agencies and NGOs working together, prompting the study that culminated in this report. The findings included here draw on interviews with a wide range of current and former NGO staff, government officials, and others involved in efforts to strengthen the American NGO sector over the past four decades, as well as discussions undertaken by a second study team of Japanese NGO leaders that visited Washington DC in 2017. It begins by describing the experience that NGOs and government agencies have had while partnering on development and humanitarian assistance, giving an overview of what strategic partnerships look like in concrete terms and analyzing what each side—the US government and NGOs—get from these partnerships. The report then traces how American NGOs evolved to the point that they could serve as genuine partners for government agencies, focusing in particular on the farsighted efforts by US government officials to encourage the NGO sector to expand its institutional capacity. Finally, it draws lessons from the US experience to illustrate how Japanese NGOs and government agencies might develop the capacity to partner more effectively and strategically among themselves—which in turn might help lay the groundwork for Japanese NGOs and government agencies to collaborate more effectively with their US counterparts as well.

THE US EXPERIENCE

Three Components of Genuine Strategic Partnerships

More than 20 US agencies are now involved in development and humanitarian assistance, some providing funding for specific issues, others giving technical assistance, and yet others engaged in the policy aspects of foreign assistance. However, USAID is by far the most important, acting as the lead agency for development assistance, while also overseeing most of the humanitarian assistance that deals with disasters and internally displaced peoples through its Office of Foreign Disaster Assistance (OFDA). Meanwhile the State Department's Bureau of Population, Refugees, and Migration (PRM) takes the lead on humanitarian assistance that involves refugees.

When these agencies work with the private sector, they usually distribute funding through contracts, which spell out precisely what contractors should do at each stage of the project. However, US government officials have come to realize that their interests are sometimes best served by forging more flexible arrangements with likeminded NGOs rather than sticking to the hierarchical relationships that predominate between contractors and the government funders to which they report. Accordingly, when NGOs receive funds to implement projects, it is often done through grants rather than contracts, since grants treat the implementing organizations more as equals. These partnerships tend to extend well beyond funding, though. They also entail extensive information sharing between NGOs and government officials, the inclusion of NGOs in the policy consultation process, and an unspoken reliance on the NGO community to educate the public and advocate for development objectives.

Looking at how US government agencies and NGOs work together, it quickly becomes clear that the partnerships that end up being effective and sustainable involve three components. First, they have to be equal partnerships. USAID and the State Department recognize that, in many instances, they end up seeing better results when they avoid trying to control the detailed operations of individual projects, instead taking a more hands-off approach by making grants to trusted NGOs and relying on their judgment about the best way to achieve the desired outcomes. For example, as a former top USAID official explained, in chaotic environments it is impossible to map out every step of a three-year program in advance, and it often is not even possible for one-year programs. Rather, what is most effective is for the US government to partner with an NGO that has the vision needed to achieve the intended results, which has sufficient flexibility and robust ties at the local level to adjust course as the situation changes, and which can be trusted to be accountable and effective. This requires working with the NGO as an equal partner.

US Foreign Assistance Channeled through Major NGOs[4]

DEVELOPMENT ASSISTANCE

USAID

FY2014 Total	$13.5 billion
FY2014 Funding via NGOs	$ 2.8 billion

HUMANITARIAN ASSISTANCE

USAID Office of Foreign Disaster Assistance

FY2015 Total	$ 1.9 billion
FY2015 Funding via NGOs	$950 million

US State Department Bureau of Population, Refugees, and Migration

FY2017 Budget	$ 3.4 billion
FY2017 Funding via NGOs	$277 million

Second, strategic partnerships are only sustainable when each side gains from the partnership. For government funders, that means that the NGO partner needs to be capable of advancing development objectives in a cost-effective manner. It also means that they have to be sufficiently accountable for their funding and results, and they need to regularly update the government officials

responsible for oversight on their work and their challenges. On the NGO side, this means that the work needs to be in keeping with their overall organizational mission. It also means that all of the NGO's costs need to be covered.

One approach that the US government and NGOs have developed to ensure that their partnerships are financially sustainable is for NGOs to regularly negotiate indirect cost rates (via a "negotiated indirect cost rate agreement," or NICRA) for government grants. The additional funds provided through NICRAs are intended to reimburse NGOs for the costs of maintaining their headquarters and global support systems, and they typically range from 15 percent up to 30 percent or more of the overall budget. This increases the price tag of individual projects in the short term, but development experts and US officials are convinced that over the long term, the US government saves money and operates more effectively because these "investments" help ensure that there is a strong and capable NGO community that can implement complex projects more cheaply and effectively than the US government or host country governments.

Third, true strategic partnerships require that NGOs retain their autonomy, even though they have certain responsibilities to the government when receiving public funding. This plays out in the field and at home in the United States. For example, US government rules allow local embassies and other government agencies to give NGOs warnings when they feel that the security situation has become perilous for NGO staff and operations, but they are strictly prohibited from requiring that they leave dangerous areas or from pressuring them behind the scenes to do so. American diplomats and development officials consider the use of threats to withhold funding to NGOs operating in areas where it is inconvenient for the US government as a red line they do not cross, and the individuals interviewed during the course of this study felt that a hands-off approach advances US interests in the long run.[5]

The ability of NGOs to retain their autonomy also depends on sustaining an environment in which they have the freedom to take positions that may be at odds with the official government policy of the moment. Some can be vocal in opposing government policies in certain areas but, so long as this is done in a constructive manner, they usually can maintain a cooperative relationship with the government on other issues. For example, during the George W. Bush administration, USAID Administrator Andrew Natsios announced that all NGOs receiving US funding would need to publicly oppose prostitution. However, many NGOs believed that effectively responding to the AIDS epidemic meant that they needed to reach out to sex workers to engage them in their prevention campaigns; publicly denouncing prostitution would therefore undermine their efforts. So, the Open Society Institute, InterAction, and others filed a lawsuit against USAID to stop this requirement on the grounds that it violated NGOs' freedom of expression. Both sides fought vigorously and the case went all the way to the US Supreme Court, where the NGOs ultimately prevailed. Notably, though, throughout the eight years that the case wound its way through the courts, InterAction and the NGOs involved in the lawsuit managed to sustain their close cooperation with USAID on other fronts. Government officials did not attempt to retaliate by withholding funding on other projects, and NGO officials continued to share information and support US government initiatives as best as they could.

What the US Government Values about NGOs

It is relatively easy to understand the value that American NGOs see in their ties to USAID, the State Department, and other US government agencies. The US government provides them with funding, it shares valuable information that is relevant to their work, and their relationship with government agencies gives them the opportunity to influence policy in areas that they feel are important.

The incentives that the government has to seek a strategic partnership with NGOs are less immediately obvious but equally crucial. Most notably, the US government has come to rely on NGOs to implement its projects, taking advantage of their workforce, expertise, and local networks without having to

go through the costly process of developing these capacities on their own. As senior USAID officials note, their agency simply "cannot operate without NGOs' human resources." Implementing projects through NGOs often allows the US government to support initiatives in places where it cannot operate directly. For instance, the United States cannot dispatch its staff to Syria to view programs firsthand, and it is hesitant to directly fund local groups because it cannot ensure their accountability or that they comply with anti-terror regulations, but it can channel funding through US NGOs that have the capacity and the local staff to make certain that programs are being operated properly there.

Partnering with NGOs also allows the US government to bring a specialized focus and expertise to projects. For example, State Department officials who manage funding for refugee responses have noted that, while they often turn to UN agencies to implement large-scale programs for refugees in perilous situations, it is difficult for UN agencies that are struggling just to keep people alive to simultaneously dedicate energy and resources to other priorities that are also important over the long term, such as minimizing gender-based violence in refugee communities. In these cases, the State Department has found that it is helpful to take a "division of labor" approach by making an additional set of smaller grants to NGOs that can place their primary focus specifically on one set of issues where they have specialized expertise, even while the US government depends on UN agencies and other organizations to advance other, broader priorities.

US government officials also report that they find that NGOs tend to be drivers of innovation. Government agencies are under intense pressure to respond to frequent emergencies around the world, so their staff often end up bouncing from crisis to crisis, depriving them of the time and flexibility needed to experiment with more proactive and innovative approaches. The UN agencies that the US government supports often face the same challenge. But US government officials find that when they rely on NGOs to implement projects, they tend to be good at devising new approaches and trying out new technologies, which the government can later integrate into programs elsewhere.[6]

Moving beyond the benefits that NGOs bring as implementing partners, US government officials also depend on them to mobilize additional funds for development and humanitarian assistance. While some American NGOs are heavily dependent on government funding, especially when working on complex issues with limited public appeal, such as refugee programs, most have developed a strong base of private support. More than 600 NGOs are registered with USAID, and USAID distributes roughly $2.8 billion per year through them. However, these NGOs raise nearly ten times that amount—a combined total of approximately $24 billion per year—bringing billions of dollars of additional funding to projects that tend to support US development objectives.[7] As one former USAID administrator explained to the study team, the private fundraising capacity of NGOs benefits the US government in many ways, such as the fact that NGOs that start projects with USAID funding can often find ways to continue them with private money after government support winds down.[8]

US officials from a variety of agencies report that another important aspect of their strategic partnerships involves the ability of NGOs to provide valuable raw information about changing conditions that government officials cannot gather on their own. In some

Why the US Government Values NGOs as Strategic Partners

US officials claim to benefit from strategic partnerships because NGOs can do some things more effectively than the government, including the following:

1. Implement and staff specific projects
2. Bring a specialized focus and expertise to programs
3. Drive innovation
4. Mobilize private funds
5. Provide creative policy advice
6. Build public support for development and humanitarian assistance

cases, this information comes from NGOs working in conflict zones and other areas where government officials cannot easily go. But in many instances, it comes from the interactions that foreign and local NGO staff have with communities and individuals that would be less likely to share information with a foreign government. Noting that "on the ground, information is power," one former US ambassador to a war-torn African country told the study team that, while serving as ambassador, he made it a habit to regularly request briefings from NGOs that worked with USAID since their views tended to be more unfiltered and trustworthy than what he could get from host country governments and others.[9]

Back in Washington, American policymakers and government officials have also come to rely on NGOs for input as they formulate their policy positions on specific issues. Both executive branch officials and legislative aides often draw on the expertise that NGOs have developed through their work on a range of technical issues and in remote areas of the world. In some instances, senior Congressional staff even ask NGO officials to provide initial drafts of legislation since they are among the best informed experts on the complex issues related to development assistance.[10]

A final set of NGO functions that US government officials feel is particularly valuable entails the ability of NGOs to educate the general public and to conduct advocacy with policymakers on behalf of development objectives. Senior US government officials told the study team that NGOs play a critical role in the US system by urging Congress to fund development and humanitarian responses, especially since government agencies are banned from conducting advocacy on their own on Capitol Hill. As a result, NGOs have become some of the most important proponents for USAID and other development agencies. Moreover, NGOs are better equipped than US government agencies to build grassroots support among the American public for development and to make the case why foreign assistance advances US national interests. Their work to deepen public support for international development and humanitarian responses is quietly acknowledged by executive branch officials and Congressional members as a crucial pillar of support for US foreign policy.

The NGO-Government Strategic Partnership in Action

In concrete terms, the strategic partnership manifests itself in several patterns of interactions between US government agencies and NGOs. One pillar of this partnership involves the day-to-day interactions that individual NGOs have with government agencies, a second includes the set of regular consultations between the NGO community and key government agencies, and a third consists of special initiatives that bring together the government and coalitions of NGOs to deal with individual issues or emergencies.

On a day-to-day basis, NGO staff interact one-on-one with US government officials on a range of issues. Those that receive funding from USAID or the State Department have frequent consultations as they report progress on their projects and discuss the challenges they are facing. In addition to normal funder-recipient interactions, savvy NGO staff and government officials make it a habit to regularly share information and observations with one another about what is happening in the field. For instance, one senior NGO staff who works in a particularly remote and sensitive area explained to the study team how he always sends a short, one-page memo on his observations about new developments in the field to senior government officials each time he returns from a trip. Likewise, several former ambassadors who were posted to developing countries related how they regularly requested briefings from NGO representatives visiting the capital city from the countryside. This information exchange often extends well beyond the US government departments responsible for funding NGOs to include staff in the White House and other agencies, as well as Congressional members and staff.

Individual NGOs also are regularly in contact with government officials to urge them to respond in a certain way on specific issues important for their work. In these cases, NGO staff have found that they are effective when they avoid mixing their

Examples of Successful NGO-Government Strategic Partnerships

NGO Staffing for the Ebola Response

When the Ebola outbreak spread throughout West Africa in 2014, the United States was designated as the lead overseas responder for Liberia, one of the three most affected countries. Within the US Government, OFDA was the lead agency, but it was hampered by the fact that the US government had limited experience or capacity relevant for large-scale medical emergencies. However, a number of NGOs had the necessary expertise and were able to mobilize large numbers of medical professionals—whether from their own staff or their volunteer networks—which would be an integral component of any response.

As the outbreak spread, OFDA officials began meeting with US-based NGOs that were brought together by InterAction to start planning a response and to identify which NGOs could provide support. Together, OFDA, InterAction, and the key NGOs determined what was needed to ensure that NGOs would dispatch personnel to Liberia. In addition to providing funding, the government agreed that establishing a special in-country treatment facility just for NGO staff would help the NGOs justify the risk of dispatching their staff into the uniquely perilous situation. That facility was quickly established and staffed by doctors, nurses, and other medical professionals from the US Public Health Service. They also decided it would help for the US government to offer pre-departure training for NGO staff and medical volunteers, so the Centers for Disease Control and Prevention created a facility in Atlanta for this purpose. These steps paved the way for large-scale participation by the NGO community in the response, and hundreds of American healthcare workers traveled to Liberia on programs sponsored by International Medical Corps, Partners in Health, the American Refugee Committee, and other NGOs. In the end, NGOs ended up staffing every new Ebola treatment facility in Liberia, except for the one created for the NGO staff themselves.

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Flexible Approaches to Help Women and Girls Fleeing War in Syria

Since 2012, the US State Department's Bureau of Population, Refugees, and Migration (PRM) has spent more than $3.7 billion to respond to the Syrian refugee crisis.[11] A sizable portion of these funds has been channeled through the UNHCR and other UN agencies, but PRM also relies heavily on NGOs to provide specialized services to refugees—services that UNHCR cannot easily offer when its overriding focus needs to be on providing emergency shelter and food for the entire population. For instance, gender-based violence has been a major threat for women and girls who have been uprooted from their homes, and PRM relies on NGOs such as International Rescue Committee (IRC) to implement initiatives designed to help survivors recover and to empower women so they are less likely to be victimized.

As one example, in late 2014, PRM made a grant to IRC to operate a gender-based violence program in northeast Lebanon, along the border with Syria, where there has been a large influx of refugees. In other crises, refugees have tended to be housed in camps, and the typical approach that organizations have taken is to set up a center in the camp to use as a base for their programs. However, only 10 percent of Syrians fleeing the war have settled in formal camps, with most moving into existing urban areas and towns in the surrounding countries, becoming embedded into local communities and complicating efforts to reach them.[12] Therefore, IRC created a model "mobile" program that goes out into communities to regularly organize educational programs, activities designed to help with post-traumatic stress disorder, and counseling sessions in mosques, clinics, community centers and other locations where refugees tend to congregate. The NGO staff carrying out these programs—typically Lebanese and Syrians working for IRC—are able to access locations that US government officials and foreign travelers cannot safely visit, and they have succeeded in gaining the trust of the refugee community.

The program has had a number of benefits, most importantly doing a great deal to improve the wellbeing of Syrian refugee women and girls by strengthening their social networks and providing them with timely support. Also, while the programs are run with considerable autonomy and flexibility, staff from IRC and other NGOs operating similar programs regularly shared their observations about developments on the ground with the State Department, giving them important and unique insights into how the refugee crisis is unfolding. Furthermore, IRC was also able to utilize funding from the NoVo Foundation and the Swedish International Development Cooperation Agency to operate the initiative, thus ensuring that the US government money they received could stretch further than it normally would otherwise.

issue advocacy with funding discussions. In other words, government officials tend to be receptive when NGO staff make the case that their experience in the field has convinced them that a famine, refugee crisis, or some other development is imminent and that the US government should prepare to react, but they damage their credibility if they argue that their particular organization should get more money to respond to this.

These informal day-to-day interactions are undergirded by a set of regularly scheduled consultations between government agencies and the NGO community. For example, at the request of the PRM, humanitarian NGOs convene four times per year under the umbrella of InterAction to discuss pressing policy issues. A typical meeting includes representatives from PRM, OFDA, and a wide range of NGOs, and it involves updates from government officials on new policy approaches as well as NGO briefings on specific issues in the field. PRM also arranges a quarterly policy and budget review with all of its NGO and UN partners to share updates on its budget cycle so they can coordinate their financial planning, and representatives of government agencies and NGOs meet regularly for a range of more specialized consultations on individual issues related to development and humanitarian affairs.

In addition to regular consultations and their daily business-related interactions, government representatives and NGO officials often convene special coalitions or task forces to devise a coordinated response when new challenges arise. This typically happens when there is a major crisis or a disaster—for instance in the case of the 2010 Haiti Earthquake or the 2014 Ebola Outbreak—and umbrella organizations such as InterAction tend to play an important catalytic and facilitating role. Representatives of the NGO community and the US government also come together in a similar way when pressing new issues arise in development and humanitarian affairs. For example, when it was time for the US government to develop a position on what to prioritize after 2015 to build upon the Millennium Development Goals (MDGs), the Obama administration reached out to trusted NGO partners for advice. National Security Council officials had already found NGOs to be effective in helping to advance the US agenda in the United Nations and build public support for the MDGs, so a consultative process was set up, anchored by a task force based at InterAction, to enable NGO leaders and government officials to share information and to align their positions on the post-2015 agenda. The group engaged in regular consultations and weekly email exchanges with government officials, which were carefully managed for brevity and relevance, and the effort eventually helped the US government and NGOs to develop a unified approach to what became the Sustainable Development Goals (SDGs) and to speak with a single voice in advocating for that.

THE EVOLUTION OF AMERICAN NGOS INTO STRATEGIC PARTNERS

Of course, NGOs were not always considered strategic partners by the US government, nor were they always capable of playing that role. For many years, most American NGOs involved in foreign assistance were relatively simple charitable organizations fueled by a volunteer ethos. Only in recent decades have they developed a strong enough institutional base, as well as the sophistication and professional expertise required to be major players in international development. It is worth reviewing how NGOs have grown into their current roles.

Prior to World War II, American NGOs tended to maintain a relatively low profile in international affairs. That started to change in the 1950s and 1960s when a large number of "voluntary organizations" sprang up to carry out overseas work, although for many years their focus remained largely on the provision of relief aid. By the 1970s, several of these NGOs had grown to the point where they could boast as much as $100 million in annual revenues, but most remained substantially smaller, with limited staff size and a tendency to focus on simple relief activities rather than tackling the complex, long-term challenges of development.

However, the last four decades have seen explosive growth in the American NGO sector, and US-based groups have taken on a larger and larger role in development and humanitarian assistance. Their growth was driven, in part, by broad changes in the United States and around the world. Humanitarian crises in Biafra (late 1960s), Cambodia (late 1970s), and Ethiopia (mid-1980s) sparked the creation of a new wave of NGOs and raised their public profile, making them more appealing to private donors. Then, starting in the mid-1990s, the expansion of charitable giving and overseas philanthropy in the United States helped a wide range of nonprofit organizations further expand their financial bases.

Still, the gradual expansion of the NGO community's capacity to the point where NGOs could genuinely serve as strategic partners was not solely the result of a growing demand for new approaches or the NGOs' success with private fundraising. US government actions also played an invaluable role, both in shaping an environment in which NGOs could thrive and in providing a catalyst for their growth. In particular, in the 1990s, USAID undertook a conscious effort to invest in NGO capacity building in order to make American foreign assistance more effective and sustainable. This played a crucial role in helping US-based NGOs upgrade their capacities, equipping them to act as strategic partners alongside other major actors in the field of development and humanitarian affairs.

USAID's Strategic Effort to Strengthen the Capacity of American NGOs

The USAID effort to build up the capacity of the NGO community to deliver humanitarian and development assistance was driven by several considerations. Over the second half of the 20th century, the development community and some key figures inside the US government came to feel that NGOs were better equipped than government agencies to engage poor communities and carry out specialized programs. Then, in the post–Cold War world of the early 1990s, as public awareness of the foreign policy role of civil society grew, senior US leaders, including Vice President Al Gore and USAID Administrator Brian Atwood, became strong proponents of the argument that NGOs should be given greater prominence in US development programs because they promoted pluralism and democratic values.

There were financial considerations as well. Government officials concluded that, as budgetary pressures to cut foreign assistance were intensifying, NGOs could often be more effective in carrying out development programs than governments; plus, government efforts to partner with NGOs would make ODA funds stretch farther. They also concluded that working more with NGOs might allow USAID to maintain its activities in many countries at a time

when budget cutting was forcing them to eliminate field offices.[13] Furthermore, they calculated that partnering with NGOs could amplify official funding by leveraging private donations for their programs.

This gradual shift in sentiment was reflected in a growing tendency by the US government to channel foreign assistance through NGOs rather than through host governments and UN agencies. USAID began taking steps to utilize NGOs more from the 1960s, and in the early 1980s the US Congress directed it to provide 12 to 16 percent of its funding through "private voluntary organizations (PVOs)."[14] However, the big push took place in the 1990s, when Vice President Al Gore announced that USAID would aim to channel 40 percent of its development assistance through NGOs.[15] USAID never reached this ambitious target, but this push, coupled with the growth in private giving, fueled a fifty-fold expansion in total annual expenditures by development and humanitarian NGOs registered with USAID, rising from $557 million in 1970 to $27 billion by 2013.[16]

However, just channeling more funding through NGOs was not sufficient to equip them to live up to their full potential. The maturation of the NGO sector also received an important boost from a series of proactive efforts by the NGO community and US government to strengthen American NGOs' institutional capacity to work on development and humanitarian assistance. This included three major components: (1) funding by USAID specifically for NGO capacity building, (2) training programs to help NGOs expand their technical expertise in specialized areas, and (3) support for efforts to build up umbrella organizations to strengthen coordination in the NGO community.

CASE STUDY:

USAID Office of Private and Voluntary Cooperation's Matching Grant Program

One major role that PVC played over the course of its 30-year lifespan was to channel development assistance funds through the NGO sector. It supported NGOs by offering them grants for a range of activities and by funding specialized training and technical assistance that was designed to make them more effective. PVC managed half a dozen different programs to fund NGOs, but the main vehicle they used to finance capacity building was the Matching Grant Program, which provided a total of $15–$18 million per year to 40–50 high-performing NGOs. According to USAID, "The principal objective of the Matching Grant Program (was) to build the capacity of fairly well established PVOs to branch out into new program areas."[18]

Several characteristics of these grants were noteworthy. First, they were only given to NGOs that had a proven track record of success and that could demonstrate the internal political will to strengthen their technical capacity. Emphasis was placed on finding ways to evaluate how the NGOs were building up their capacity—in some cases through straightforward metrics for assessing programs (e.g., numbers of children saved), while in other cases by focusing on more ambiguous criteria, such as evaluating an organization's internal ability to settle on a limited number of organizational priorities.[19]

Second, the grants typically were made for multiple years, often covering up to five years, in order to ensure that organizations could build up their institutional base in a sustainable manner.

Third, they were only given to NGOs that could mobilize additional funds to cover at least 50 percent of the overall project costs. This requirement ensured that NGOs had to be serious about strengthening their capacity, and it gave private donors more incentive to support them thanks to the promise that matching funding from USAID would help their funds go farther. In its evaluations of the program, USAID commonly cited the amounts of private funding that NGOs raised for projects supported by PVC as evidence of how they helped to strengthen the fundraising capacity of those NGOs.

Finally, once they had grown to a certain size, the recipients were also encouraged to partner with weaker NGOs, especially indigenous NGOs in the countries where they operated. The motive for doing this was to encourage them to pass on the lessons they had learned to their weaker "buddies" and, by doing so, to further develop the capacity of the NGO sector as a whole.

1. Funding NGO capacity building

The US government's effort to strengthen NGOs' institutional capacity was spearheaded by the USAID Office of Private and Voluntary Cooperation (PVC). Many different branches of USAID have traditionally worked directly with NGOs, but PVC was the only one that saw its primary mission as helping the NGO sector play a greater role in development. PVC was founded in 1976 and, until its closing in 2006, it was responsible for facilitating the agency's relationship with US-based NGOs that carried out international programs, from managing the registration that made them eligible for USAID funding to disbursing ODA funds to NGOs for a range of initiatives. It always had an emphasis on building up the NGO sector's institutional capacity, but in the 1990s it shifted to a much more explicit effort to strengthen NGO capacity to enable them to provide more sustainable development assistance. During that period, PVC's sole strategic objective became "the increased capacity of PVC's partners to achieve sustainable service delivery."[17]

To achieve that objective, PVC provided a total of $173 million to NGOs over the course of a decade, from 1990 to 1999, through its most important capacity building initiative, its "Matching Grant Program." This distributed large, multiyear grants to NGOs to build up their staff capacity and technical expertise in specialized areas while undertaking international development projects (for details, see the case study below). In order to receive the grants, NGOs also had to be able to secure matching funds from outside sources and be willing to undergo more sophisticated monitoring and evaluation practices

Some of the matching grants were designed to enable NGOs to enter a new field and build up professional expertise in that area. For example, PVC provided a five-year, $2.25 million grant to Plan International starting in 1996 to allow it to launch a microenterprise lending program that targeted women in six pilot countries where it was already active, and then expand that to other countries as well. The grant was utilized to fund a three-person "Microfinance Technical Team" within Plan International, which designed and oversaw programs in 13 countries that made 95,000 loans totaling more than $9 million. The team also helped to educate senior management on key principles of high-performance microfinance and ensure that these were incorporated into the organization's major policy documents.[20] Plan International had started as a program through which donors could sponsor children in need and it had long operated with a traditional model of providing charitable contributions to poor communities, so this more business-oriented model of strictly requiring recipients to pay back loans cut against the grain of the organizational culture, requiring a major shift in mindset and approach. But ultimately, this grant and others were successful in helping Plan gain experience in operating these programs and they have subsequently reached millions of clients through their microfinance initiatives.

Other grants were designed to allow NGOs to expand a proven program. From 1993 to 1996, for instance, PVC made a $2.4 million grant to Helen Keller International (HKI) for a basket of activities in four countries. One of its core activities was a major initiative with the Moroccan Ministry of Health to duplicate a national blindness prevention program that HKI had pioneered in the southeastern part of the country by rolling it out in Morocco's northern provinces as well.

Meanwhile, other grants (or components of them) were intended to allow a recipient "to further professionalize its management systems and technical backstopping of its field programs."[21] As one example, Save the Children USA was awarded $5 million to operate its "Women/Child Impact" program from 1991 to 1995. One programmatic objective was to expand holistic programs to empower women in Bangladesh, Bolivia, Haiti, and Mali. Another objective, however, was to help Save the Children develop its staff capacity to deal with gender issues, to evaluate program impact, and to better manage its grants. Therefore, grant funds were used to develop guidelines, policies, and a handbook for incorporating gender considerations into program planning and to train staff on gender issues. The funding also allowed Save the Children to launch studies on improved methods for measuring program impact and to create new graphics and brochures that better demonstrated the impact of the Woman/Child Impact program and other initiatives.[22]

than they were accustomed to utilizing. These efforts are credited by NGO leaders and development experts with playing an important catalytic role in strengthening the American NGO sector.

2. Supporting specialized training for NGO staff

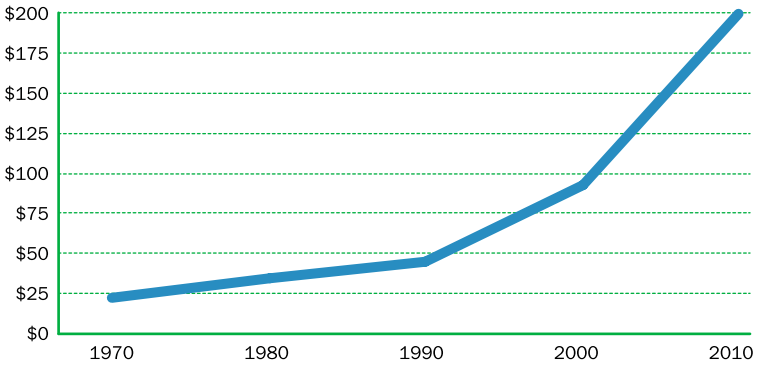
Another way that USAID and other agencies have encouraged the development of the NGO community is by funding professional training for NGO staff. In the mid-1990s, for example, OFDA began financing InterAction to develop training courses for its member organizations in two areas: a nursing course on healthcare in complex emergencies and security training so that NGOs could develop their own capacity to assess security risks in the field and implement their own security measures. Both efforts proved to be highly successful. The two-week nursing course was eventually spun off to Columbia University and is now taught around the world. Meanwhile, the funding for the security training helped develop the field of NGO security. At the time, only two American NGOs—CARE and World Vision—had professional security officers, but InterAction's security training has helped the NGO community advance to the point that most major NGOs involved in humanitarian and development assistance now have security officers on staff who help assess risks, devise security protocols, and advise their organization's staff. Similarly, USAID has funded a range of other organizations such as PACT and Catholic Relief Services to train NGOs on entrepreneurship, project monitoring and evaluation, and other issues.

3. Strengthening NGO support organizations

USAID has also nurtured the development of the NGO community by helping to strengthen professional associations and other support organizations in the field. Initially, it supported InterAction when there were major humanitarian crises overseas by sharing lists of NGOs responding to disasters—who were typically InterAction members—with the press so that the public would know how to direct donations. USAID officials also began relying on InterAction to serve as a hub for regular consultations with the NGO community, in the process reinforcing InterAction's role in the community and demonstrating its benefits to its members. Later, USAID started serving as a convener to bring together InterAction staff and representatives of other key stakeholders in the NGO community with various government agencies that occasionally become involved with humanitarian and development assistance—such as the US Department of Transportation and the US Department of Health and Human Services—encouraging the NGO community to build up its own ties with those agencies.

In particular, direct USAID funding for NGO support organizations has played an important role in helping them to expand their institutional capacity. Some of this funding was designed to directly support their core operations. Even today, roughly 70 percent of the

Figure 1. Average budget of the top 20 recipients of PVC Matching Grant Program funds (US$ millions)



Source: Author's calculations based on Matching Grant Program data from USAID Office of Private and Voluntary Cooperation's PVC Portfolio reports (1991–2000) and data on NGO budgets from respective versions of USAID's "VolAg" reports (*Report of Voluntary Agencies Engaged in Overseas Relief and Development*).

Note: This tracks the average budget size of a set of 20 NGOs that received the most funding from the PVC Matching Grant Program between 1990 and 1999.

budget for InterAction's team that helps NGOs work on humanitarian responses comes from the US government, as does much of the organization's funding to serve as a "security hub" to advise NGOs on security issues. The US government also regularly provided programmatic funding through PVC and other agencies to InterAction and other umbrella organizations, which had the side effect of strengthening their institutional capacity and allowing them to better serve their member organizations. For decades, USAID has provided grants to InterAction to train NGO professionals in specialized issues, and it has also often made substantial grants to it for special initiatives. In 1993, for instance, PVC made a three-year $2.9 million grant to InterAction to spearhead an alliance of groups educating the American public on the importance of development and humanitarian assistance.

Assessing the Impact of USAID's NGO Capacity Building

By the end of the 1990s, NGO representatives and USAID officials alike were already crediting the government's support of capacity building with having a major impact on the NGO sector. In 1997, when the Advisory Committee on Voluntary Foreign Aid surveyed 130 NGOs working with USAID and representatives from 60 percent of the USAID missions worldwide, they found that there was broad consensus that NGOs engaged in development had grown stronger in the recent past, in part thanks to USAID support. Ninety-two percent of NGOs replied that their own organization had become stronger and, when pressed for specifics, 51 percent said they had gained greater financial independence (e.g., more diverse funding sources and less reliance on USAID support), 78 percent noted that their operational capabilities had expanded, and 80 percent reported that their organization's technical capacity had improved.[23]

In retrospect, it is clear that these initial assessments have stood the test of time. In other words, USAID efforts played a significant role in helping US-based NGOs build up their capacity to carry out development and humanitarian assistance. One of the most easily quantifiable indicators of institutional capacity is financial resources. The NGO sector grew by leaps and bounds in the years when PVC was active, and groups receiving its capacity-building support grew considerably faster than the average NGO that was registered with USAID.

Table 1. Distribution of top 20 NGOs receiving PVC Matching Grant Program funds, by annual budget

	1990	2000	2010
$100 million	2	4	8
$50–$99 million	2	3	5
$10–$49 million	6	9	4
$0–$10 million	10	4	3

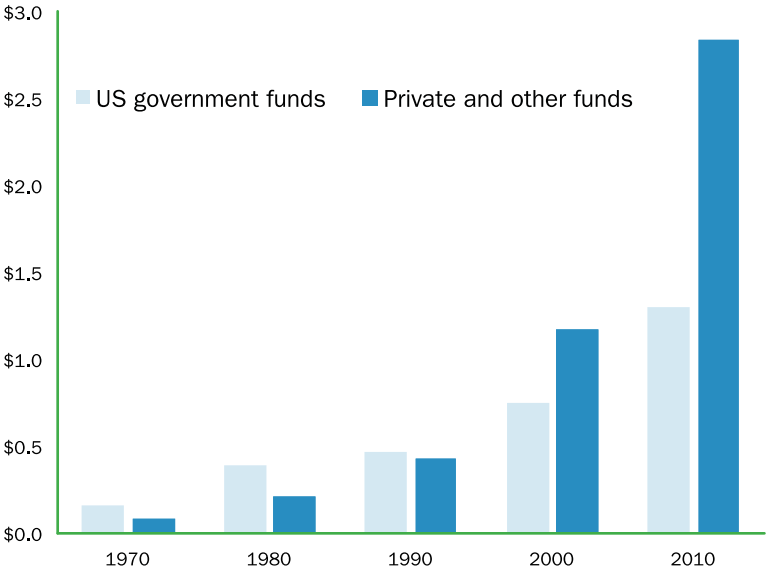
Note: This table follows the 20 NGOs that received the most Matching Grant Program funding in the period 1990–1999. The figures represent the number of those NGOs whose annual budget fell within the indicated ranges at different points in time.

As figure 1 indicates, the annual budgets of the 20 NGOs that received the most Matching Grant Program funding from PVC during the 1990s doubled by the end of the decade, growing from an average of $45 million per organization in 1990 to $92 million in 2000.[24] This rate was roughly 50 percent faster than the growth that the average NGO registered with USAID saw during the same time period. And their growth continued to accelerate in the next decade, as the average budgets of those 20 organizations swelled to $198 million by 2010, expanding twice as quickly as all NGOs in the field.[25]

The long-term impact can also be seen in table 1, which categorizes the budgets of the leading recipients of PVC support by size. In 1990, 10 of the 20 NGOs that received the most capacity-building support had budgets under $10 million, while just 2 had budgets over $100 million, but by 2010, just 3 of those same 20 organizations had budgets under $10 million and 8 had annual incomes in excess of $100 million.

Another encouraging trend was that, even as the amount of government funding channeled through NGOs climbed, these NGOs' dependence on government resources actually declined. In general, US-based NGOs involved in development and

Figure 2. Income source of top 20 NGOs receiving PVC Matching Grant Program funding (US$ billions)



Source: USAID Office of Private and Voluntary Cooperation's *PVC Portfolio* reports (1991–2000) and data on NGO budgets from respective versions of USAID's "VolAg reports" *(Report of the Voluntary Agencies Engaged in Overseas Relief and Development).*

Note: This table refers to the 20 NGOs that received the most Matching Grant Program funding in the period 1990–1999.

humanitarian work have seen significant growth in private funding in recent decades but, for most of them, US government support increased at roughly the same pace as private funding. However, the top 20 recipients of PVC's capacity-building funding saw a dramatic growth in support from private sources, UN agencies, and elsewhere relative to their US government funding. For these NGOs, the ratio of US government funding to total revenues dropped sharply from 53 percent in 1990, to 39 percent by 2000, and then to 31 percent by 2010.[26] In other words, USAID support helped many of them scale up to a point where they could be less dependent on government funding and better at fundraising from the private sector.

Another indicator of institutional strength is staff capacity, and it appears that USAID support was instrumental not only in enabling NGOs to increase their overall staff size, but also in encouraging greater professionalization in the sector. A 2000 evaluation of PVC's Matching Grant Program shows that many NGOs used the funds to hire additional staff and noted, "Frequently these staff focus on areas such as training, monitoring and evaluation, or other functions that are inherent in building the PVO's own capacity and performance."[27] USAID funding played a particular role in helping NGOs build up expertise in emerging fields such as microfinance, child survival, and gender in development, as well as on functional issues such as human resource management, field operation security, and advocacy. As NGO staff became better known for their expertise, they were selected to serve on advisory committees for UN agencies and other national and international commissions, further enhancing their prestige. Interestingly, the increased visibility and enhanced policy influence this gave to NGOs ended up working to the benefit of USAID over the long run, and not just in terms of program implementation. From the mid-1990s onward, the NGO community also became increasingly effective in defending foreign assistance when it came under attack from budget cutters in the US Congress.[28]

Numerous evaluations of USAID efforts to strengthen NGO capacity also find that the NGOs targeted by PVC succeeded in upgrading their technical and operational capabilities. Many of the recipients of matching grants in the 1990s reported that they used the funding to improve their ability to monitor and evaluate programs, for instance by dedicating a portion of the budget to creating project planning and assessment tools, and this helped improve their organization's overall capacity for strategic planning. At a time when internet usage was rapidly expanding, groups also used project funds to upgrade their information management systems. And, crucially, many reported that PVC support helped them to build up their fundraising capacity. Allowing them to leverage funding from the Matching Grant Program helped them to mobilize

private resources, refine their fundraising materials and outreach, and develop corporate partnerships, which made their operations more sustainable.

Finally, numerous internal and independent assessments of USAID's capacity-building efforts have found that it helped NGOs improve their program performance and allowed them to test new program models. For example, as noted above, the Matching Grant Program was used to help develop the emerging microfinance sector. In 1987, Matching Grant Program recipients that were carrying out microfinance initiatives reached fewer than 50,000 clients, but with PVC support to scale up and refine their programs, they were engaging with approximately 2 million clients worldwide by 2000.[29] Similar results were seen in the field of child survival, where USAID support enabled NGOs to test models of service delivery. The 2000 assessment of the Matching Grant Program notes how PVC funding "enabled Save the Children to develop and test new approaches, such as 'positive deviance,' that identified how poor families manage to raise healthy children under conditions of high child mortality. The approach has now been standardized in child survival practice."[30]

LESSONS FOR JAPAN

Starting around the early 1990s, leaders from the US government and NGOs undertook a sustained effort to build up the American nonprofit sector so that NGOs could be better equipped to work in partnership with government agencies on development and humanitarian assistance. Their experiences in cultivating a strategic partnership yields a bounty of lessons for countries such as Japan. Of course, there are major differences between the Japanese and American contexts, especially in terms of the Japanese NGO sector's limited institutional capacity. Nonetheless, the path that the American NGO sector took in overcoming similar limitations and growing to the point where it could become a genuine strategic partner with the government has direct parallels in Japan that make these lessons particularly valuable. Some of the most relevant lessons include the following:

1 There are many important benefits to having NGOs and government agencies be capable of operating as true strategic partners.

The American case demonstrates that as NGOs grow stronger, they can do some things more efficiently and effectively than the government. For instance, NGOs often provide the manpower needed to implement development programs and undertake emergency responses, allowing them to be scaled up or down more nimbly. They also provide specialized expertise, a degree of flexibility of action that government agencies often lack, and the ability to engage with communities that might shy away from foreign government officials. Plus, NGOs are in a position to build public support at home for foreign assistance and engage in advocacy on key issues—including funding for ODA programs—in a way that government agencies themselves cannot. Finally, they often amplify the impact of government funding by mobilizing private resources. Therefore, as the United States and other countries expand their reach through their partnerships with NGOs, countries like Japan that have weaker NGO sectors are likely to find it increasingly difficult to play a leading role in development and humanitarian responses.

2 These strategic partnerships only work when each partner trusts the other and the government respects the autonomy of the NGOs they fund.

For decades, USAID and the State Department have employed NGOs and for-profit firms on a contract basis, dictating to them the precise workplan that they wish to see implemented. However, they have found it is useful in many cases to take a more hands-off "partnership approach" that provides grants to NGOs and leaves most project decisions to those organizations' discretion. This approach has proven to have at least two important advantages. First, it allows NGOs to innovate by experimenting with new processes and technologies in a way that would be difficult for overstretched government officials. Often, these innovations can then be replicated in the government's work elsewhere, making its funding more efficient. Second, utilizing grants tends to make projects more sustainable since NGOs that receive government funding to initiate a project often seek private funding to continue this work. US officials note that these partnerships only work well when the donor agencies take care not to impinge on the autonomy and independence of their NGO partners and when the NGOs are sufficiently accountable in their use of taxpayer monies but not overburdened by onerous reporting requirements.

3 The American NGO sector did not always have the institutional capacity to partner with government agencies; rather this is a capability that had to be carefully cultivated.

Prior to the 1980s, American NGOs were, with very few exceptions, considered to be well-intentioned, volunteer-minded groups that played a role on the margins in the field of development, but which lacked the capacity to operate on a large scale. At that time, it would have been laughable for NGOs to consider themselves equal partners with large government agencies. However, as the sector's institutional capacity grew, NGOs evolved into effective and appealing partners that could help advance US foreign policy priorities.

4 The development of American NGOs to the point where they could serve as genuine partners to the US government required a strategic effort by proponents within the government, as well as from the NGO sector itself.

The NGO sector naturally took the lead, but supporters in the US government played an important role in nurturing the expansion of the sector's capacity. USAID and the State Department channeled ODA funds through NGOs, helping them grow. On top of this, they funded initiatives designed to expand the institutional capacity of select NGOs with a proven track record—USAID invested more than $170 million in NGO capacity building during the 1990s alone through its Matching Grant Program.[31] US government agencies also encouraged NGOs to develop specialized expertise on new issues in development and humanitarian affairs, in part by creating training opportunities for NGO staff. Moreover, they helped strengthen the infrastructure of the NGO sector by providing seed money for initiatives by NGO umbrella organizations.

5 Direct government funding for NGO institutional capacity building paid off in the long run, which in turn helped make NGOs less dependent on government support.

The NGOs that received funds from USAID's Matching Grant Program, the US government's most ambitious institutional capacity-building initiative, grew significantly faster than other NGOs in the field. Over the two decades from 1990 to 2010, the 20 NGOs receiving the largest amounts of USAID capacity-building funding saw their revenues grow at more than double the pace of the average NGO in the field. At the same time, the portion of their income that came from USAID dropped from 53 percent to 31 percent as they expanded

Institutional Capacity of Japanese NGOs

Although Japan's NGO sector has grown considerably over the past two decades, Japanese NGOs still tend to have a relatively weak institutional capacity in comparison with their Western counterparts. This is illustrated by the stark contrast that can be seen below in terms of budgets and staff size of 45 of Japan's largest NGOs (which responded to a 2014 Japan Platform survey) and the 20 largest US NGOs engaged in development and humanitarian responses.

LARGEST NGOS IN DEVELOPMENT AND HUMANITARIAN ASSISTANCE[32]

	US NGOs	Japanese NGOS
Average budget (US$)	$447 million	$5.7 million
Average full-time staff	655 staff	23 staff

their fundraising from private donors and international organizations. Notably, by the early 2000s, after the institutional base of the NGO sector had grown stronger, individual NGOs could be weaned from government funding for institutional capacity building and still retain the gains they had made.

6 Efforts to strengthen the NGO sector were only effective when government funding channeled through NGOs provided sufficient reimbursement for NGOs' indirect costs.

As USAID and the State Department began working more with NGOs, government officials came to realize that it was in their best interest to ensure that NGOs' full costs for undertaking projects were reimbursed, including salary support and the indirect costs of maintaining their headquarters and conducting back-office operations to support activities in the field. Now, NGOs negotiate their own reimbursement rate for indirect costs with the US government, with rates typically ranging from 15 percent to 30 percent. Every so often, questions are raised about whether the indirect cost reimbursement provided to NGOs diverts funding from beneficiaries on the ground, but time and time again more in-depth analysis by government agencies and independent experts has demonstrated that fully reimbursing NGO partners for all of their costs ends up saving money and increasing the efficiency of ODA programs over the long run.

7 Government agencies helped to encourage the professionalization of the NGO sector.

In addition to providing targeted funding for individual NGOs to strengthen their capacity, the US government has been highly successful in working through umbrella organizations to help the NGO sector develop professional expertise in a number of areas, making the sector more useful and appealing as a partner. USAID funded umbrella organizations to cultivate NGO expertise in a number of specific issue areas—from microfinance to maternal and child health. The government also invested considerable time and money in helping NGOs strengthen their functional capacity. For example, USAID's Office of Disaster Assistance has supported efforts by the sector to train security officers for NGOs, enabling NGOs to professionally assess the dangers of operating in risky environments and implement proper security protocols. Finally, the US government has been supportive of efforts to strengthen NGOs' ability to engage in public advocacy, recognizing that while sometimes NGOs may challenge the government, ultimately their advocacy tends to support national priorities by cultivating champions for development and humanitarian assistance.

8 NGO leaders had to change their mindsets to successfully champion the development of the sector.

As NGOs began taking on a greater role in development and humanitarian assistance, leaders in the field realized that they needed to change how they operate. A core group of NGO leaders became convinced that it was important to work together pragmatically through umbrella organizations and advance measures that would strengthen the sector as a whole, even when this meant that all NGOs would not benefit equally or that their own organization might be disadvantaged. They also realized that it would be best to ensure that the major NGO umbrella organizations maintain political neutrality, welcoming members from across the ideological spectrum—from politically conservative, faith-based organizations to highly progressive groups—and making sure to work with champions in both political parties. In addition, they agreed that it was important to nudge leading NGO umbrella groups to shift from consensus-based approaches to majority-based decision making because otherwise they could not move quickly enough to contribute to the government policymaking process. Also, they overcame a deep-seated hesitation to engage in public advocacy, working through umbrella organizations such as InterAction to build public support for development and humanitarian assistance and educating legislators on the importance of US foreign assistance.

9 NGO representatives can take various steps to ensure that government agencies benefit from their strategic partnerships.

The US experience has shown that both sides constantly need to ensure that their counterparts see the benefits of strategic partnerships. One valuable function that NGOs play is in providing US government officials with objective and often unique information about developments happening in the field, and savvy NGO staff find ways to relay this information to US government officials in an easily digestible manner. For example, some NGO representatives report that they make it a practice to prepare brief memos for US government officials on their observations after visiting sensitive regions, while others regularly provide in-person briefings to government officials to update them on what is happening in the field.

American NGOs have also found that cultivating multiple channels of communication with their government partners is important. In addition to the regular one-on-one interactions that NGO staff have with the government officials managing their grants and the formal consultation forums hosted by government agencies and NGO umbrella groups, intimate, off-the-record dinners and policy roundtables hosted by think tanks and other organizations have played an invaluable role in sharing information and nurturing a sense of cooperation and spirit of shared mission among high-level government officials and NGO leaders.

Finally, American NGO and government efforts to convince UN OCHA [UN Office for the Coordination of Humanitarian Affairs] to include NGO contributions in addition to official government ODA in the UN data when estimating the US response to humanitarian emergencies has benefited the government by ensuring that the United States gets full credit for both public- and private-sector contributions.

10 American NGOs are eager to work with Japanese counterparts on development and humanitarian assistance, but sustainable US-Japan NGO partnerships are hampered by the lack of institutional capacity in Japan's NGO sector.

American NGOs have repeatedly sought to collaborate with Japanese NGOs. However, mismatches in terms of staffing and financial resources frequently prevent these potential collaborations from succeeding, even on programs in areas where Japanese organizations have a comparative advantage thanks to strong on-the-ground networks or specialized expertise. Therefore, American NGO leaders and government officials with experience working with Japanese counterparts contend that the most important step needed to create an environment in which US-Japan collaboration involving NGOs can be successful would be to strengthen the institutional capacity of Japan's NGO sector. One former White House official also argued that another important step to kickstart US-Japan development cooperation would be to create a dedicated funding facility to support joint work by Japanese and American NGOs.

NOTES

1. Organization for Economic Cooperation and Development (OECD), *OECD Development Co-operation Peer Reviews: United States 2016*, 74. Throughout this report, the foreign exchange rate is calculated at $US1=¥110
2. InterAction, *InterAction 2015 Annual Report*, https://www.interaction.org/2015-annual-report/about
3. In 2014, 23.6 percent of US bilateral aid went through civil society organizations, more than 80 percent of which were US-based groups. OECD, *Peer Reviews,* 74.
4. Figures refer only to development and humanitarian assistance channeled through the predominantly US-based, large-scale NGOs that are typically registered with USAID as "private voluntary organizations" (PVOs). They do not include funding provided to local civil society organizations on the ground, to US-based NGOs for capacity-building or public education efforts, or other support for civil society initiatives.
5. Author's interviews with multiple former senior State Department and USAID officials, including former US ambassadors to Somalia and the Democratic Republic of the Congo.
6. Interview with officials from US State Department Bureau of Population, Refugees, and Migration, March 3, 2017.
7. USAID, *2016 VolAg: Report of Voluntary Agencies Engaged in Overseas Relief and Development Registered with the US Agency for International Development*, (Washington DC: USAID, 2017), 4.
8. Interview with former USAID Administrator J. Brian Atwood, March 2, 2017.
9. Study team interview, March 1, 2017.
10. Study team interview with senior Congressional staff, March 1, 2017.
11. USAID, "Syria Complex Emergency–Fact Sheet #6 FY18" (April 6, 2018).
12. International Center for Research on Women, "Reaching Refugee Survivors of Gender-Based Violence: Evaluation of a Mobile Approach to Service Delivery in Lebanon" (2016).
13. USAID, "A.I.D. Partnership in International Development with Private and Voluntary Organizations," A.I.D. Policy Paper, September 1982, 2. Also see Joint PVO/USAID Task Force (USAID & InterAction), "The US Agency for International Development and the Private Voluntary Community: Policies for a More Effective Partnership" (1993), 12–13.
14. USAID, "A.I.D. Partnership,"1.
15. The 40 percent target was announced on March 12, 1995, as part of the New Partnerships Initiative, which was an effort to harness the power of civil society to advance development.
16. USAID/Advisory Committee on Voluntary Foreign Aid, "Voluntary Foreign Aid Programs: Reports of American Voluntary Agencies Registered with the Advisory Committee on Voluntary Foreign Aid" (December 1970), 9; and USAID, 2015 *VolAg Report* (Washington DC: USAID, 2015), 5.
17. Bureau for Humanitarian Response (BHR), Office of Foreign Disaster Assistance, USAID, "Results Review FY1998 and Resource Request FY2001," USAID Office of Private and Voluntary Cooperation, (April 1999), 5.
18. USAID, "Strengthening the Public-Private Partnership: An Assessment of USAID's Management of PVO and NGO Activities," USAID Program and Operations Assessment Report, no. 13 (April 1996): E3.
19. Interview with Sam Worthington, President, InterAction, November 2016.
20. USAID, "USAID/PVC Matching Grant Evaluation Series: Institutional Strengthening of Credit and Microenterprise Programming Matching Grant FAO-0158-A-00-6047-00 between PLAN International USA (Childreach) and USAID/PVC" (Program evaluation, March 2002).
21. USAID, "1996 BHR/PVC Portfolio" (1996), 5.
22. Save the Children, "The Woman/Child Impact Program—Annual Report 1995" (October 1995).
23. Advisory Committee on Voluntary Foreign Aid, *An Assessment of the State of the USAID/PVO Partnership*, USAID, (Washington DC: USAID, 1997), 28.
24. The top 20 organizations that received the most funding from PVC in the period from 1990 to 1999 are, in order of the amount received, (1) CARE USA, (2) Opportunities Industrialization Centers International, (3) Save the Children Federation, (4) TechnoServe, (5) FINCA [Foundation for International Community], (6) Pact [Private Agencies Collaborating Together], (7) Opportunity International, (8) Helen Keller

International, (9) Freedom from Hunger, (10) Food for the Hungry, (11) International Institute of Rural Reconstruction, (12) Catholic Relief Services, (13) YMCA, (14) Aga Khan Foundation, (15) Salesian Missions, (16) World Relief, (17) Salvation Army World Services Office, (18) Accion International, (19) Plan International USA, and (20) World Vision.

25. Author's calculations from data in the USAID/Advisory Committee on Voluntary Foreign Aid's VolAg reports. Between 1990 and 2000, the average budget of an NGO registered with USAID increased by 70 percent while the average budget of the 20 NGOs receiving the most capacity-building support from PVC grew by 105 percent. Between 2000 and 2010, the average NGO increased its budget by 55 percent, while the top 20 grew another 116 percent.
26. Author's calculations, drawing on data from the VolAg reports for the relevant years. The ratio of US government support/total revenues for the top 20 recipients of PVC Matching Grant Program funds during the 1990s declined from 52.5 percent in 1990 to 38.8 percent in 2000 and 31.3 percent in 2010. Meanwhile the ratio for all other PVOs registered with USAID only inched down from 16.3 percent in 1990 to 15.6 percent in 2000 and 15.0 percent in 2010.
27. USAID Office of Private Voluntary Cooperation, "Assessment: PVC's Support of PVO Capacity Building" (April 2000), 30.
28. Institute for Development Research, "Partners for Development: USAID & PVO/NGO Relationships" (1996), 10.
29. USAID, "Office of Private Voluntary Cooperation (PVC): New Directions" (2000), 2.
30. Ibid., 2.
31. Senior US government officials also point to the longtime strategic efforts of the UK Department for International Development (DfID) to strengthen the capacity of NGOs through its Program Partnership Agreements (PPAs) as another model of NGO capacity building that is worth emulating.
32. Data for Japanese NGOs comes from a Japan Platform/Mercy Corps survey of the leading NGOs engaged in development and humanitarian assistance and it is calculated at a foreign exchange rate of US$1=¥110. Japan Platform & Mercy Corps, "Tomodachi NGO Leadership Program NGO Baseline Survey Report" (January 2014). Data for US NGOs was compiled by the authors based on the respective organizations' FY2016 Form 990 tax filings and it represents staff employed only in the United States and US revenues. It does not include staff and income for affiliate organizations outside of the United States

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