There are many important benefits to having NGOs and government agencies that operate 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.

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.

The American NGO sector did not always have the institutional capacity to partner with government agencies; rather this capability 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.

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’s Bureau of Population, Refugees, and Migration 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 a Matching Grant Program. 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.

Government funding for NGO institutional capacity building paid off in the long run, which in turn made 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 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.

**Comparing American and Japanese NGOs**

Japan’s NGO sector has grown considerably over the past two decades, but the institutional capacity of Japanese NGOs is still weak in comparison with their Western counterparts. For instance, there is contrast in terms of budgets and staff size of 45 of Japan’s largest NGOs and the 20 largest US NGOs engaged in development and humanitarian responses.

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<th>LARGEST NGOS IN DEVELOPMENT AND HUMANITARIAN ASSISTANCE</th>
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<tr>
<td>US NGOs</td>
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<tr>
<td>Avg. budget (US$)</td>
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<td>Avg. full-time staff</td>
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(*At US$1=110 yen)
Efforts to strengthen the NGO sector were only effective when government funding 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.

Government agencies helped support 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.

NGOs 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

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.
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.

American NGOs are eager to work with Japanese counterparts, 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 on development and humanitarian assistance. 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.