

Australian NGOs overseas

Terence Wood

Abstract

This paper uses a previously unstudied dataset of Australian NGO projects in developing countries to describe important aspects of Australian NGOs' international work. Topics covered include NGO crowding in small Pacific states, aid fragmentation, whether NGOs sustain their work in individual countries over time, and whether NGOs focus more on countries where need is greater. By and large the paper's findings are encouraging. Across the areas covered, there is little clear evidence of serious issues, at least for the typical NGO. There is also some encouraging evidence of sectoral strengths. Yet findings vary between NGOs. This variation points to questions for future academic research and to areas which the NGO sector itself should investigate further.

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Terence Wood is a Research Fellow at the Development Policy Centre.

Wood, T (2021). Australian NGOs overseas. *Development Policy Centre Discussion Paper #94*, Crawford School of Public Policy, The Australian National University, Canberra.

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The Development Policy Centre is grateful to the Australian Council for International Development (ACFID) for making the NGO project data available as part of the ongoing Development Policy Centre/ACFID collaboration on NGO aid data.

This research is supported by the Bill & Melinda Gates Foundation.

The author would like to thank two peer reviewers for their input.

The views expressed in this discussion paper represent those of the author only.

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1. Introduction

Australian development NGOs are integral to Australia's international aid efforts. In 2019, more than \$2 billion of Australian aid flowed through NGOs. Yet, although Australia's Government Aid Program has been studied in a quantitative fashion (for example, Chand 2011; Wood, Burkot & Howes 2017; Wood, Dornan Muller 2021), little similar work has been undertaken on the overseas work of Australia's development NGOs. NGOs and academics have evaluated or studied specific projects, and the health of the development NGO community more generally has been carefully studied (in particular, ACFID 2018; for a historical perspective see, Kilby 2015), but systematic quantitative analysis has not been undertaken of Australian NGO practice in the developing world. Australia is not unique in this.

One reason for the limited study of NGO work in many donor countries is data availability. Although government aid programs regularly make data available through the Organization for Economic Co-operation and Development (OECD), equivalent data do not exist for NGOs in most countries. In Australia, however, owing to the efforts of the Australian Council for International Development (ACFID) and the transparency of its members, data on NGOs' spending overseas do exist for a large subset of development NGOs. Australia is one of only a few countries where this is the case.

In this paper I draw on data gathered by ACFID from its members to conduct the first-ever quantitative, academic study of Australian NGOs' projects overseas. The paper's findings are presented in two parts.

In the first part, I examine Australian NGOs' overseas projects in light of issues that have been identified in the study of government aid programs. Specifically, I study the extent to which NGOs fragment their aid across countries and projects. I also examine how much NGOs fragment their spending across sectors. As I study sectoral spending, I pay particular attention to whether Australian NGOs crowd into certain sectors in the small states of the Pacific, a practice that, if present, could be a source of duplication. I then study whether NGOs tend to focus consistently on the same countries over time, or whether their focus often changes. As I examine these features, cognisant of the fact that

not all NGOs are the same, and that larger NGOs may have greater capacity to work in more countries and with more projects, I take care to examine, where appropriate, the relationship between NGO size and NGO spending patterns.

As far as I am aware, much of the work in the first part of this paper has not previously been conducted either on Australian NGOs or globally. For this reason, rather than draw strong conclusions based on comparisons with earlier analysis or with other countries, I offer only qualified assessments. These assessments are largely positive in that they reveal few obvious concerns. Country and project fragmentation exists, but is usually low except among larger organisations, which ought to be well equipped to manage it. Similarly, there is only limited evidence of NGOs crowding into the same sector in small Pacific countries. NGOs also tend to have a fairly consistent country focus over time. There are exceptions though: small NGOs working in multiple countries or sectors; parts of the Pacific where NGO crowding is high enough to be a potential issue; and some NGOs that appear to change their country focus a lot.

In the second part of the paper, I draw on a small international literature that studies where NGOs work, and which uses empirical findings to speak to theoretical questions about whether NGOs' decisions regarding where to work are driven foremost by recipient need, or by NGOs' own need to follow the priorities of donor governments. The findings in the second part of my paper are encouraging. In contrast to some international work, I find clear evidence that Australian NGOs tend to work more in needier countries, at least up to a point. Also, in contrast with much of the international literature, I fail to find evidence that Australian NGOs excessively follow the lead of the Australian Government Aid Program, or that NGOs work more in countries where Australia's economic and strategic interests are higher. Rather, if anything, there would seem to be a useful complementarity between Australian government aid and NGO work. Some questions remain, however, particularly the question of whether Australian NGOs are underserving the world's least developed countries.

The paper is structured as follows. In Section 2, I discuss the broader literature that informs my analysis. I then detail the dataset in Section 3 before presenting my first set of results, followed by my second, in Section 4. In the concluding Section 5, I take up the questions raised by my findings and outline how further analysis — conducted either by

researchers or NGOs themselves — will lead to a better understanding of those issues that do exist. Readers should note that, because of the variety of analytical methods used, methods are described in the relevant results section, rather than alongside the data.

2. Existing research on aid and NGO practice

Some of the questions tackled in this paper do not emerge from work on development NGOs. Rather, they stem from a broader literature on aid effectiveness — a literature that has focused on government aid programs, but which covers issues that are also pertinent to NGOs.

The first of these is aid fragmentation. Aid Fragmentation involves donors dividing their work across numerous countries, sectors or projects, and has been the subject of considerable attention in work on government aid (Gehring et al. 2017; Kimura, Mori & Sawada 2012; OECD 2008). For donors, aid fragmentation adds to aid management costs, may be associated with projects that are less systematic in their approach to development issues, and can impede the ability of donors to build solid contextual knowledge of the countries they work in. Although such concerns have been typically raised with respect to government donors, it is easy to see how they could apply to NGOs. The costs of fragmentation can be felt by aid recipients too. Aid recipient countries and communities may struggle to engage with numerous projects from different donors. Too many donors working on too many similar projects in individual recipients may also lead to unnecessary duplication and poor donor coordination (OECD 2009).

Aid volatility — that is, aid from individual donors to specific recipients that rapidly rises and falls — has also received attention in the literature on government aid programs (Birdsall 2005; Bulíř & Hamann 2008; Hudson & Mosley 2008). Volatility is a potential concern for many reasons. When donor government aid flows are volatile they may be hard for recipient governments to manage as they try to smooth spending fluctuations (see, for example, Iulai 2014). Of particular relevance to NGOs, volatility demonstrates a short-term approach to aid that is likely to undermine effectiveness. NGOs that frequently change where they work are unlikely to build sustained partnerships in countries; they are also likely to run shorter, more superficial projects.

Although there is little by the way of systematic study of fragmentation and volatility among NGOs, the question of where NGOs spend and why they spend in certain countries has been covered in a small international literature. This literature takes its inspiration from an earlier body of research on where government aid programs work (for example, Alesina & Dollar 2000; for an example from Australia, see Chand 2011).

Existing international work on NGOs has tended to focus on European donors (for example, Dreher, Nunnenkamp, Öhler et al. 2012a; Dreher Nunnenkamp, Thiel et al. 2012b; Loman, Pop & Ruben 2011; Nancy & Yontcheva 2006), although two studies have covered the United States (Büthe, Major & Souza 2012; Keck 2015) and recent work has involved Canadian and Korean NGOs (Davis & Swiss 2020; Kim & Jung 2021). Most studies have focused on NGOs from a single donor country, although one focused on regional (European Union) NGOs (Nancy & Yontcheva 2006) and one involved a dataset covering small samples of NGOs from several countries internationally (Koch et al. 2009). Almost all existing studies have used regression models in which the unit of analysis is the NGO-recipient country dyad. Commonly used regression models include OLS, Heckman and Tobit models (for examples of papers using all three, and obtaining similar results from all three, see Keck 2015; Koch et al. 2009).

A common theoretical frame used in much of the existing work is based on the concern — raised in two influential qualitative papers (Banks, Hulme & Edwards 2015; Edwards & Hulme 1996) — that NGOs have become too dependent on donor governments and that this has, among other issues, led them to place insufficient emphasis on recipient needs (for various, well argued, versions of these concerns in the quantitative literature, see Dreher et al. 2012a; Keck 2015; Nancy & Yontcheva 2006).

This concern appears to be borne out by the findings of much of the existing quantitative work, which finds that — even with controls included — NGOs focus more on countries that receive more aid from the official government aid program of the donor country that they are based in (Dreher, Mölders & Nunnenkamp 2010; Dreher et al. 2012a; Dreher et al. 2012b; Keck 2015; Kim & Jung 2021; Koch et al. 2009). Because this finding emerges from multiple regressions with a suite of other control variables included, it is usually taken to be evidence that NGOs are unduly influenced by the governments that often partially fund them. Some, although certainly not all, existing papers also find that NGOs

tend to focus more on countries of greater economic and strategic interest to their own governments (Keck 2015; Koch et al. 2009; Nunnenkamp & Öhler 2011).

A number of existing papers also present results that suggest that need plays no role, or only a partial role, in influencing where NGO aid is focused (Dreher et al. 2010; Keck 2015; Loman et al. 2011). Although this is not a universal finding, the fact that it is present at all is surprising given the stated humanitarian ethos of most NGOs.

Several papers also fail to find evidence that NGOs focus more on countries where governance is worse (Davis & Swiss 2020; Dreher et al. 2010; Kim & Jung 2021; Koch et al. 2009; Nancy & Yontcheva 2006). One interesting, albeit contestable, interpretation of this finding offered in some papers, is that it reflects a weakness on the behalf of NGOs. Rather than complement the role of governments (either recipient governments or government ODA) by doing more in countries where the state is least able to deliver, risk-averse NGOs, it has been argued, tend to work more in better governed countries where work is less likely to fail.

One final point needs to be noted about the literature to date on where NGOs work. Owing to issues of data availability, some of the literature is based entirely on government funding to NGOs or projects which are at least in part government funded (Dreher et al. 2010; Keck 2015; Loman et al. 2011; Nancy & Yontcheva 2006). In papers that study government-funded work, a correlation between government ODA and NGO spending is not necessarily a surprise. It stands to reason that the influence and objectives of a government will be clearest in projects that it funds, and that this will be reflected in empirical findings. Also, governments typically report all government spending given through development NGOs based in their country as ODA in OECD reporting (the source of the ODA data used in all existing studies). Such double counting — in which the same spending appears in NGO aid data and government ODA data — may lead to correlations even when NGOs are not influenced by government decisions at all. Moreover, some aid donors have matching schemes in which the government adds further funding to NGO projects that are part-funded by NGOs from other revenue streams. Once again, this funding is recorded in OECD ODA reporting. The inclusion of government matching schemes in ODA reporting may also lead to correlations between ODA and NGO spending that do not stem from government influence. This is true even when the NGO data being

used pertains to private donations alone. As I discuss in the relevant results section, I go to considerable lengths to untangle NGO spending and ODA so as to avoid spurious correlations of this sort driving my findings.

3. The dataset

The dataset used in this analysis comes from the Australian Council for International Development (ACFID). ACFID is the peak body representing development NGOs in Australia. Every year between 2014 and 2019, as part of a broad program of transparency and analysis, ACFID gathered data from its members, both on basic member traits and on their projects overseas.¹ Although the data were collected in the years 2014 to 2019, they pertain to work conducted in the year prior to collection. Therefore, the dataset covers NGO work undertaken in the years 2013 to 2018.

Not all Australian development NGOs are members of ACFID. However, about 75 per cent of all Australian development NGO revenue flows through ACFID members (ACFID 2018, p. 9). ACFID's membership forms a very large and important subset of Australia's development NGO sector.

The data drawn on in this paper comes from NGOs' project-level reporting. Not all members provided ACFID project information. However, 88 per cent of the total membership reported for at least some years. The NGOs that did not provide data were almost exclusively very small organisations. The organisations that provided data spanned from the very small to the very large. In this sense, the project data in the dataset can be said to be broadly representative. Not all organisations provided project data for all years. Usually, this is not an issue and I have simply worked off those years for which data are available. However, in some analysis (NGO aid volatility and country trait regressions) it is an issue. Where it is, I discuss how it has been addressed in the relevant analytical section.

For those NGOs with data, the dataset contains information for individual projects in each year with data. Each project has information on what country it was conducted in, what

¹ At least some data on NGOs were collected from years prior to 2014; however, project-level data from prior to the 2014 collection exercise were not available. Data were also collected in 2020. However, these data were not ready for analysis when my analysis was conducted.

sector it focused on, and annual spending amounts, including total spending on the project and total spending sourced from private donations. To this information I added further information on the size of the NGO running the project (average revenue over the 2013 to 2018 period, which came from a different ACFID member dataset that focuses on members' overall traits, such as size) as well as information on the country the project was conducted in. Projects not focused on individual countries were excluded from the analysis as were projects that occurred in countries that are not OECD recognised eligible ODA recipients. Although some recent analysis of Australian government ODA has sought to distinguish ODA given in response to humanitarian emergencies from ODA given to promote long-term development (Wood et al. 2021) it was not possible to similarly, reliably distinguish between emergency responses and other aid work in the NGO data. As such, both humanitarian emergency and development aid are included in the analysis that follows.

Table 1 provides basic details on the dataset. Readers should be aware that project spends are not total spends across the lifecycle of a project but rather annual spends. Similarly, the number of projects is the number of project years. (If an individual project was in the data in three consecutive years it would count as three project years.) This is because changes in project names and the spelling of project names mean it is not possible to track individual projects over time.

Table 1: Basic dataset details

Number of NGOs	135
Minimum annual NGO revenue	\$18,035
Maximum annual NGO revenue	\$391,265,833
Mean annual revenue	\$11,655,122
Annual revenue median NGO	\$1,694,066
Number of projects	21,071
Minimum annual project spend	\$0
Maximum annual project spend	\$39,153,685
Mean annual project spend	\$211,432
Median annual project spend	\$88,839
Number of countries	114

Note: all dollar figures are in A\$

Because the dataset is analysed in different ways in different parts of this paper, rather than describing the methods I have used in a single location, I detail the various methods in relevant sections of the analysis.

For convenience's sake, rather than use the cumbersome term "Australian development NGOs in the ACFID dataset", over the rest of this paper I refer simply to 'NGOs' or 'Australian NGOs'.

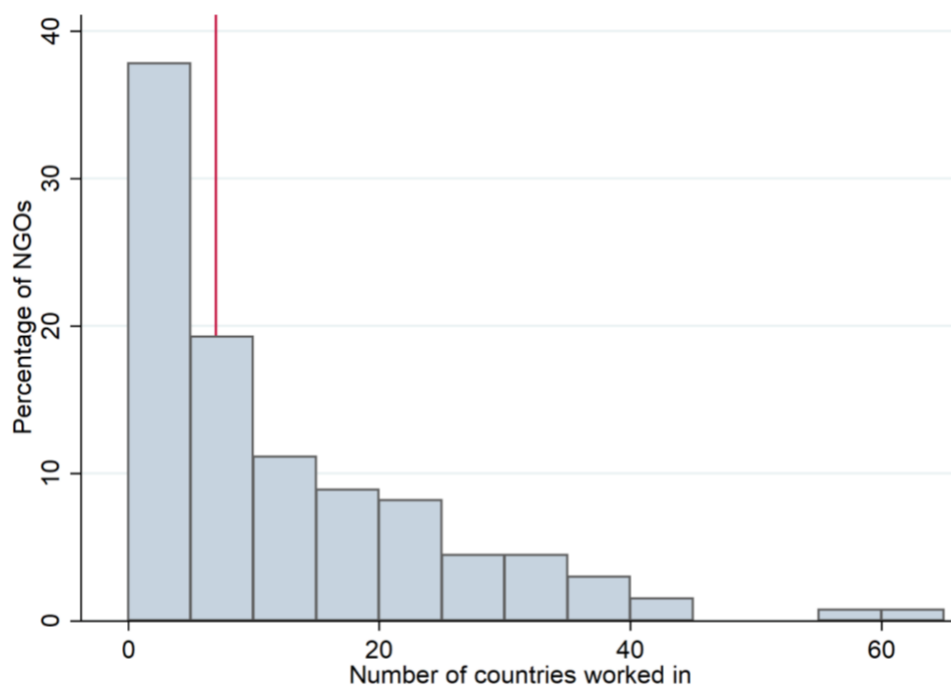
4. Analysis

4.1 Aid fragmentation

4.1.1 How many countries?

Aid fragmentation occurs when donors, in this case NGOs, split their work across too many projects or countries. My analysis here starts with fragmentation across countries. In Figure 1 I show a simple, but intuitive, measure of aid fragmentation: the number of countries NGOs work in. The figure is a histogram of all NGOs in the dataset. It is based on the total number of countries that the NGOs in the data worked in between 2013 and 2018. (Readers seeking information from more a complex measure of fragmentation are directed to the appendices. Findings are similar to those below.)

Figure 1: Histogram of number of countries NGOs have worked in



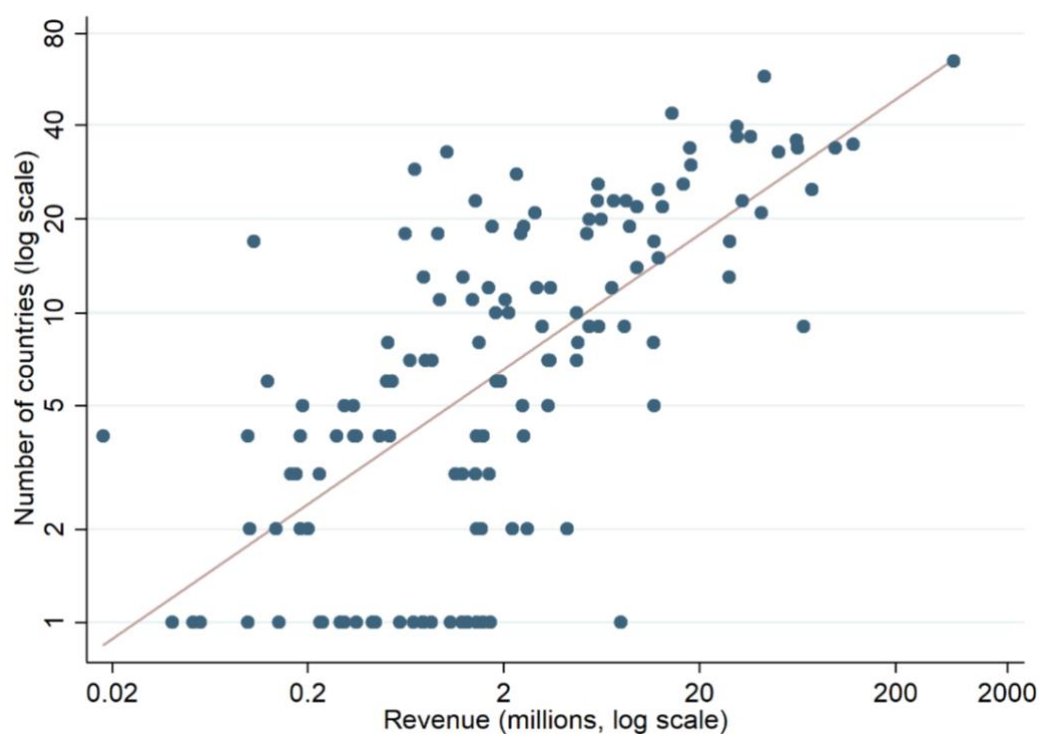
Notes: Data cover 2013 to 2018. Number of countries is the total number of (OECD DAC aid eligible) countries each NGO has worked in over the period. The median NGO is shown with the vertical red line.

The plurality of NGOs worked in fewer than five countries. Indeed, nearly 20 per cent of NGOs worked in only one country. The median NGO worked in seven countries. At the top end of the spectrum two NGOs worked in more than 55 countries.²

4.1.2 The relationship between fragmentation and NGO size

Figure 2 is a visual representation of the relationship between NGO size and the number of countries NGOs work in. Each point on the chart is an NGO. The number of countries each NGO works in is shown on the y-axis. NGO revenue is on the x-axis. The average relationship is shown with a line of best fit. Both axes are plotted using log scales.

Figure 2: Relationship between fragmentation and NGO size



Notes: The diagonal line is an (OLS) line of best fit. NGO size is total revenue (the mean over 2013 to 2018). Number of countries is the total number of (OECD DAC aid eligible) countries each NGO has worked in over the period. Both x and y axes are in log scales.

Given some of the main costs to aid effectiveness associated with fragmenting aid across countries — such as reduced scope for country expertise and increased transaction costs — will be better borne by larger NGOs, it would be concerning if there were not a positive relationship between NGO size and the number of countries NGOs work in. The

² As a whole, the NGOs covered by this study worked in 113 different countries between 2013 and 2018. In 2018, the Australian government aid program worked in 129 countries (Wood et al. 2021, p. 34). In 2018, there were 146 OECD ODA eligible countries (including three that ceased to be eligible in that year).

relationship between size and the number of countries is, however, clear. (The Pearson's correlation coefficient between the natural logs of the two variables is 0.69.)

This finding is reassuring: if any type of NGO was to have the capacity to work in multiple countries it would be a large organisation, and the NGO in the dataset that works in the most countries is indeed the largest. However, a careful inspection of the chart reveals anomalies. One NGO with an average revenue of less than \$200,000 works in nearly 20 countries, for example.³ This seems hard to justify. Several other NGOs with revenues of less than \$2 million also work in more than 20 countries. There may be good explanations for cases of this sort. Some organisations may be members of international federations, for example, and their projects may be part of collaborative multinational efforts.⁴ Also, as a reviewer pointed out, some NGOs may be offsetting the negative consequences of country fragmentation by concentrating on very specific sectors. This seems plausible. Results of my own preliminary investigations suggest it is not the norm, but it may well be the case for some NGOs.

All told, although the findings associated with country fragmentation are not immediately concerning, some questions remain and there is scope for learning more about why some smaller organisations work in so many countries. In a practical sense, the current picture of NGO practice is not concerning *per se*, yet it does suggest some NGOs could potentially benefit from reducing the number of countries they work in. This is a point I return to in the conclusion.

4.1.3 How many projects?

As with countries, fragmenting spending across projects may decrease aid effectiveness. Everything else being equal, numerous projects will mean greater administrative burdens and costs. Unnecessarily small projects may also be less likely to deliver sustained benefits to recipient communities. Clearly, NGOs may quite legitimately want to tackle a number of issues, which may necessitate more projects. Interrelated problems

³ Another NGO with an annual revenue apparently less than \$20,000 worked in four countries. However, its specific circumstances were such that its average revenue in recent years did not reflect its past development engagement.

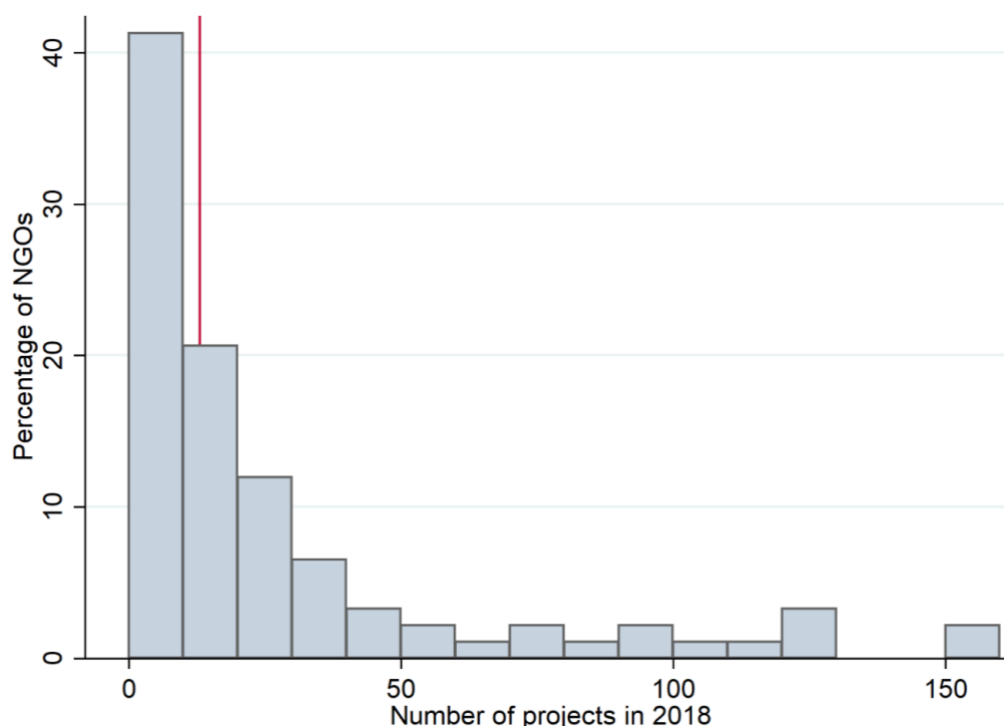
⁴ It would be desirable to investigate the role of federations empirically, but I do not have access to sufficient data to allow for this at present.

may also mean an initial project is well complemented by further work in an additional project. Yet too many projects will likely come at a cost to aid quality.

Counting the number of projects an NGO operates is not as easy as it may seem. Obviously, it would not be accurate to sum the total number of projects each NGO had reported on for all years treating each year's entries as if they were new projects. This would overstate project numbers because many projects are multiyear. It would also not be accurate to sum uniquely named projects in the data — unfortunately reported project names change too frequently for this to accurately represent each NGO's number of projects. At the same time, it cannot be assumed that all projects were present in all years. As a result, averages would not be accurate either. For this reason, I took my project count to be the number of projects each NGO ran in 2018 (2018 was used as it is likely to be the year with the most complete data).

Figure 3 is a histogram of project numbers by NGO in 2018. One particularly large NGO with over 600 projects is excluded from the histogram for legibility's sake.

Figure 3: Histogram of project fragmentation (number of projects in 2018)

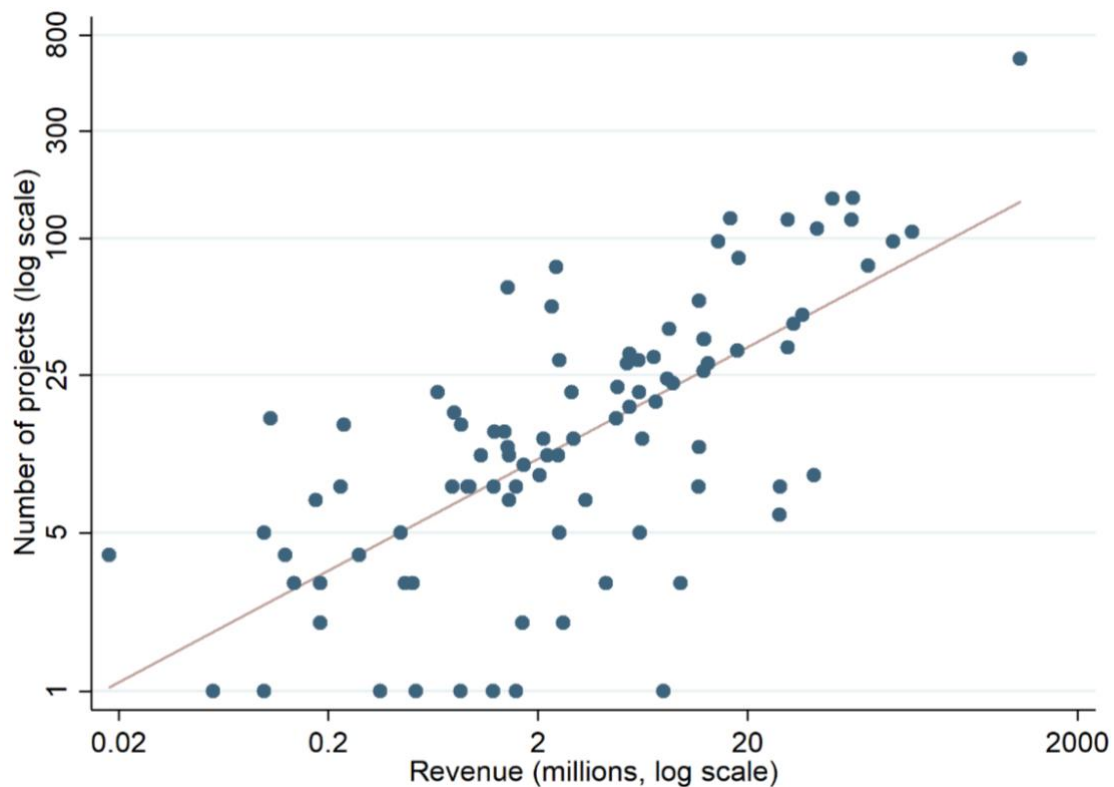


Notes: one organisation has more than 600 projects. It is excluded from the chart for legibility's sake. The vertical red line is the median NGO.

The plurality of the NGOs that provided data for 2018 had fewer than 10 projects in that year. The median NGO had 13 projects. This does not seem to be indicative of a situation in which most Australian NGOs are fragmenting their work across too many projects.

Project numbers are not, of course, an ideal measure of project fragmentation. A small NGO with 10 projects will be fragmenting its work more than a larger NGO with the same number of projects. Figure 4 accounts for NGO size. It is a scatter plot of NGO size and project numbers. The line of best fit on the chart shows the average relationship between size and project numbers. Both x and y axes are in a log scale.

Figure 4: Project numbers versus NGO size (2018)



Notes: The diagonal line is an (OLS) line of best fit. NGO size data is total revenue (the mean over 2013 to 2018). Number of projects comes from 2018. Both x and y axes are in log scales.

The figure shows a clear relationship: larger NGOs tend to have more projects (the correlation coefficient is 0.69). Broadly put, from a fragmentation perspective, a relationship of this nature is the type of relationship we would hope to see. Larger NGOs can more easily accommodate more projects than smaller ones. However, as with countries, there is also variation around the line of best fit. One NGO with an average revenue of less than \$200,000 has 16 projects. There are also some comparatively large

NGOs with only one project. Some of this variation may stem from how NGOs demarcate their work across projects, or possibly the nature of the work conducted.

One other means of looking at project fragmentation is by looking at average project size. In 2018, the median NGO's median project had a spend of \$61,032. This seems reasonable, although 10 per cent of NGOs had median projects that had an annual spend of less than \$10,000. Without knowing the nature of the work in detail it is hard to make definitive judgements about the value of such small projects. However, NGOs running projects this small would do well to carefully investigate the potential for project consolidation.

4.2 Sectoral focus

4.2.1 Sectoral fragmentation

The project data that I worked with had information about the primary sector each individual project focused on. While numerous sectors existed in the dataset, as I tidied the data, I mapped individual project's sectors to one of seven high-level sectors. Figure 5 shows the average funding spent on each sector. Two measures are shown: the mean across NGOs and the share of funding devoted by the median NGO to each sector. The mean is higher than the median as many NGOs do not work in all sectors, and some NGOs work only in a single sector. The three largest sectors: health, education and economic development remain the three highest sectors regardless of the measure used.⁵

As with countries and projects, it is possible that NGOs may split their work across too many sectors, losing the chance to build sectoral expertise. Figure 6 is a histogram showing the number of sectors that NGOs in the dataset work in.

The figure shows that the plurality of NGOs focus on a single sector, although many NGOs work across most sectors and the median NGO works in four sectors.

⁵ The numbers in Figure 5 differ from ACFID (2018, p. 79) because that analysis focuses on percentages of total spend from all NGOs in aggregate. As such it is influenced more by larger NGOs.

Figure 5: Bar chart of sectors with the most NGO focus (2013 to 2018)

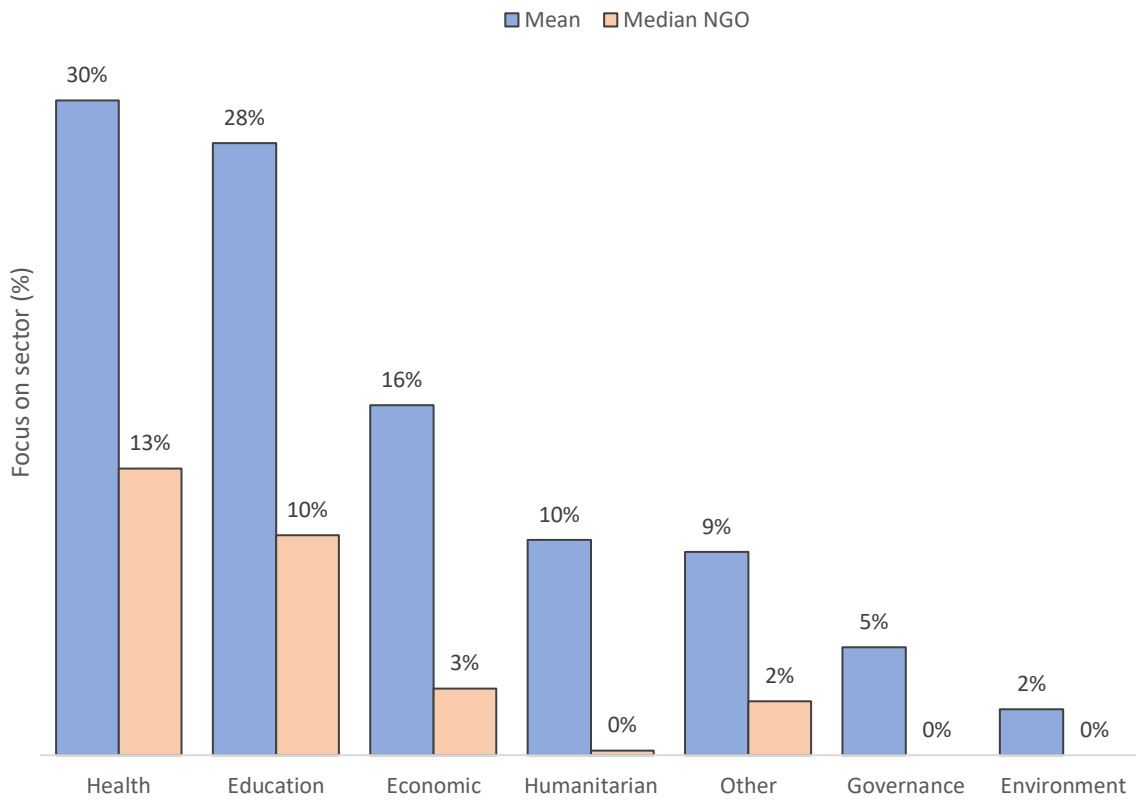
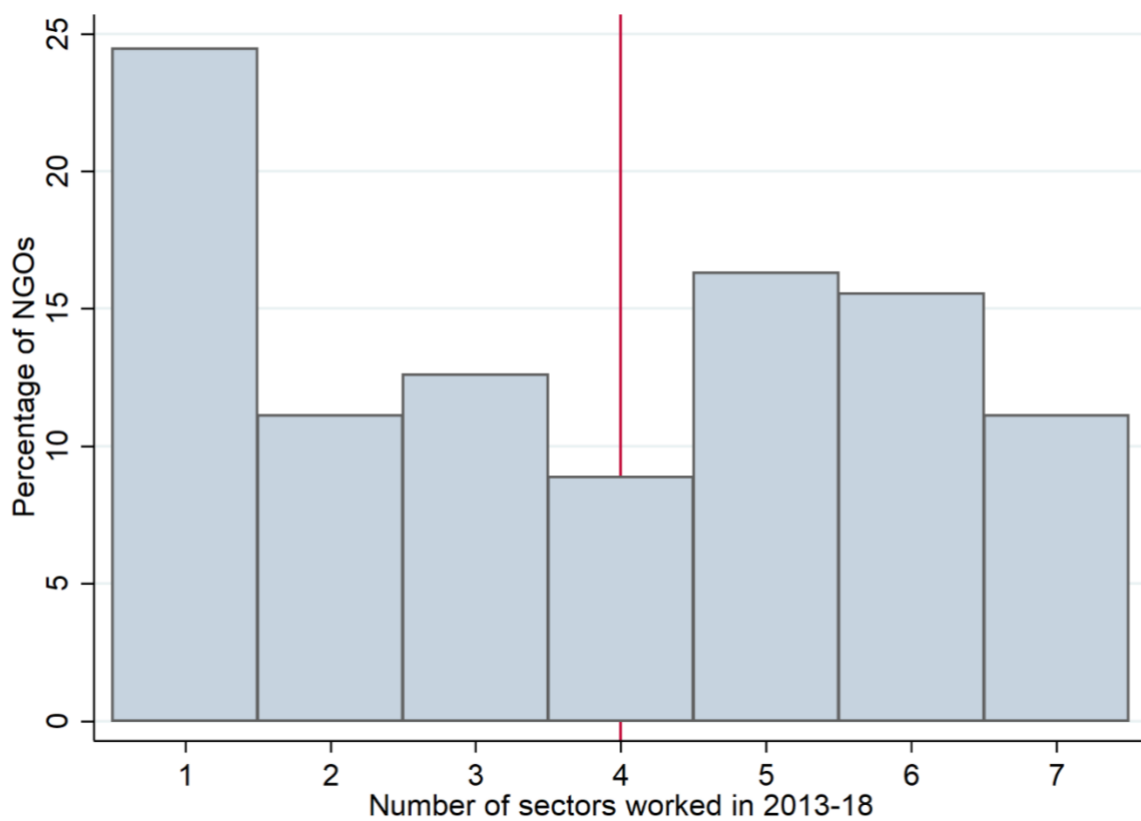


Figure 6: Histogram of sectoral fragmentation (number of sectors, 2013 to 2018)

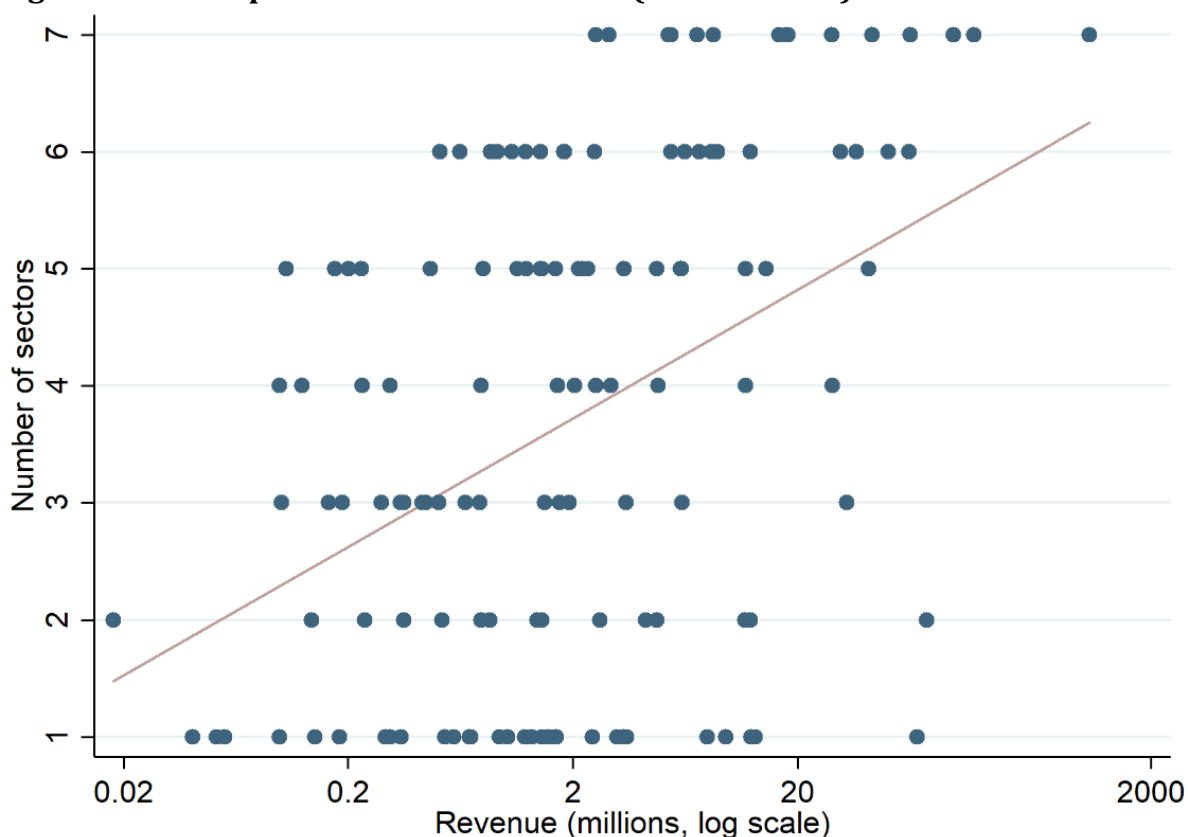


Notes: The vertical red line is the median NGO.

Figure 7 compares the number of sectors worked in with NGO size. As always, NGO revenue, the x-axis, is on a log scale. The number of sectors is bounded (it cannot be lower than one or higher than seven). A line of best fit is also plotted.

The combination of bounded y-axis and an x-axis in a log scale makes the line of best fit (from an OLS regression) an imperfect means of capturing the relationship between size and sectoral fragmentation. Similarly, the Pearson’s correlation coefficient for the two variables, which is 0.43, is an imperfect gauge of the relationship. However, the figure illustrates clearly enough that larger NGOs are more likely to work in more sectors and smaller NGOs more likely to work in fewer, although there is a remarkable degree of variation around the underlying trend. It is possible to find NGOs with revenues less than \$1 million working in as many as six sectors, and NGOs with revenues in the tens of millions working in just one. Once again, if there is a message that emerges from the chart it is not that Australian NGOs have a problem, *per se*, but rather that NGOs — particularly small NGOs — would be well advised to examine their projects and see whether there is a case for reducing the number of sectors that they work in.

Figure 7: Scatter plot of sectors versus size (2013 to 2018)



Notes: The line of best fit is a simple OLS line and, given the nature of the data, can only be taken as a very approximate gauge of trends.

4.2.2 Crowding and duplication

Another possible concern about NGO practice that can be investigated to an extent with sectoral data is crowding and duplication. In particular, the extent to which Australian NGOs duplicate each other's work, crowding the aid space by working in the same sectors in the same countries. This concern would seem to be most pertinent in the Pacific. Developing countries such as Vietnam or Indonesia are large enough that it would be possible for many NGOs to work in the same sector but never be duplicating each other's work because they work in different parts of the country. In Pacific countries, particularly smaller Pacific countries, this may not be the case. The Pacific is important for investigation for another reason. Australia is by far the largest government donor to the region. It seems reasonable to assume that, along with New Zealand, it dominates NGO work in the region too.⁶ Because of this, if NGO work is crowding into sectors in specific countries, Australian NGOs have the potential to tackle the problem in a meaningful way, something that will not be the case in countries where Australian NGOs work alongside NGOs from many other countries.

As a preliminary investigation into whether Australian NGOs are crowding the Pacific with their work, I examined the number of Australian NGOs working in the health sector in each Pacific Island country. I focused on health as it is the largest sector (as demonstrated above; it is also the largest sector in the Pacific) and if Australian NGOs are likely to be cluttering any sector in small Pacific countries it would most likely be health. To investigate potential crowding issues, I worked with project data from 2018. One year was more appropriate than the full period for the purpose of this exercise because crowding will not occur if different NGOs are working in the same country but in different years. Table 2 shows the number of NGOs working in health in particular Pacific countries in 2018. It also shows the number of projects being run in the sector in each country in the same year. Because the size of Pacific countries varies considerably, I also provide population figures, and NGO and project numbers

⁶ Cooperation between Australian and New Zealand NGOs that are members of the same federation is quite common in the Pacific. This likely reduces the extent to which NGOs from different donor countries add to crowding.

normalised by population. The table is sorted, from largest to smallest, based on number of people per Australian NGO health project.

Readers should note that there were seven OECD ODA eligible states or territories in which no Australian NGO (in the dataset) worked in 2018: Palau, Marshall Islands, Wallis and Futuna, Tokelau, Nauru, Niue, Tuvalu.

Table 2: Pacific countries with the most projects and NGOs in health (2018)

Country	NGOs	Projects	Population	People per NGO	People per project
FSM	1	1	104,945	104,945	104,945
PNG	28	89	8,606,316	307,368	96,700
Fiji	7	22	883,483	126,212	40,158
Samoa	3	5	196,130	65,377	39,226
Solomon Islands	16	23	652,858	40,804	28,385
Kiribati	4	5	115,847	28,962	23,169
Cook Islands	1	1	15,153	15,153	15,153
Tonga	2	7	103,197	51,599	14,742
Vanuatu	11	31	292,680	26,607	9,441

Notes: NGO and project data are from 2018 and pertain to the health sector only. Population data come from the World Development Indicators and the Secretariat for the Pacific Community.

Vanuatu had the greatest crowding in a project sense (the lowest number of people per project). It was second behind Cook Islands in terms of NGO crowding (the lowest number of people per NGO). However, the Cook Islands finding is shaped to a considerable degree by just how small the population of Cook Islands is. (Only one Australian NGO was working in Cook Islands.)

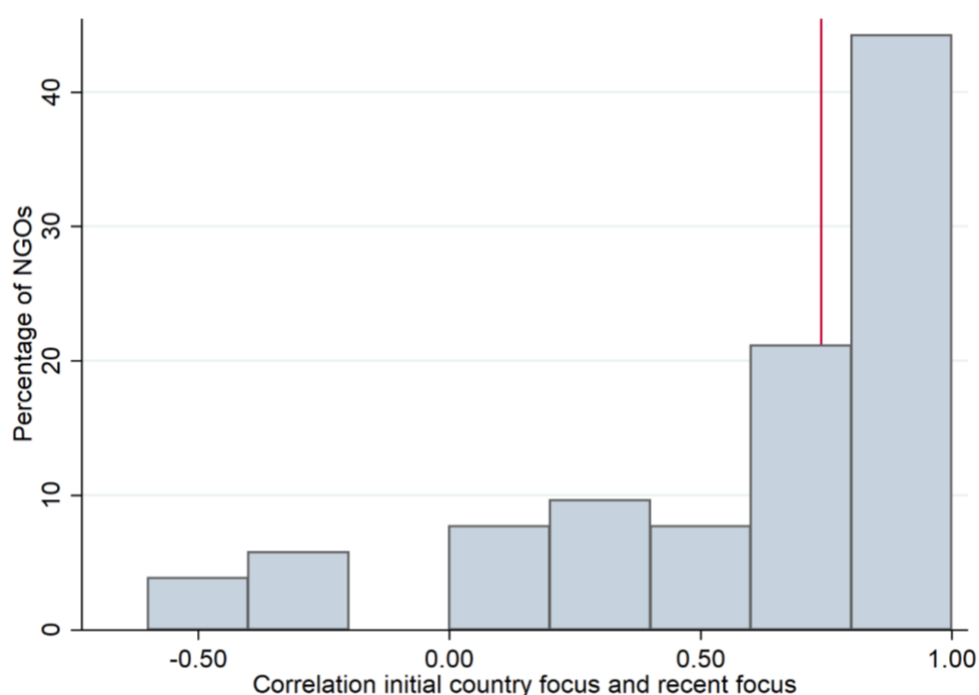
Given that health is a broad sector, encompassing a wide range of issues and illnesses, on the surface, one project for every 9,441 people in Vanuatu does not appear to be the sort of crowding that ought to seriously impede aid effectiveness. Yet, at the same time, the dataset used here is not comprehensive: some Australian NGOs are not members of ACFID, and the work of NGOs from other countries is not covered. Given these facts, crowding remains a possible problem, at least in some countries. As I discuss in the conclusion, this should be investigated further.

4.3 NGO country focus over time

Effective development work typically involves sustained relationships with communities and a sound knowledge of country context. For this reason, one useful gauge of good practice is the extent to which NGOs maintain a consistent country focus over time.

Using the dataset, I investigated this by examining the share of annual spending that NGOs devoted to individual countries from 2013 to 2014 and seeing if it was correlated with the share of spending to the same countries in 2017 and 2018. I chose to work with two-year averages to reduce the impact of any unexpected events such as natural emergencies. Figure 8 is a histogram of the correlation coefficients for each of the NGOs in the dataset. A correlation of 1 means an NGO's country focus did not change. A negative correlation means the NGO has exchanged low focus countries for high focus countries. A correlation of zero reflects a very inconsistent country focus over time.

Figure 8: Correlation in country focus: first two years and most recent two years



Notes: The x-axis shows the Pearson's correlation coefficient from comparisons of NGOs' spending focus in the first two years of data and the most recent two years of data. The exercise was only undertaken on NGOs with a full time series of data. NGOs that only work in one country are excluded from analysis.

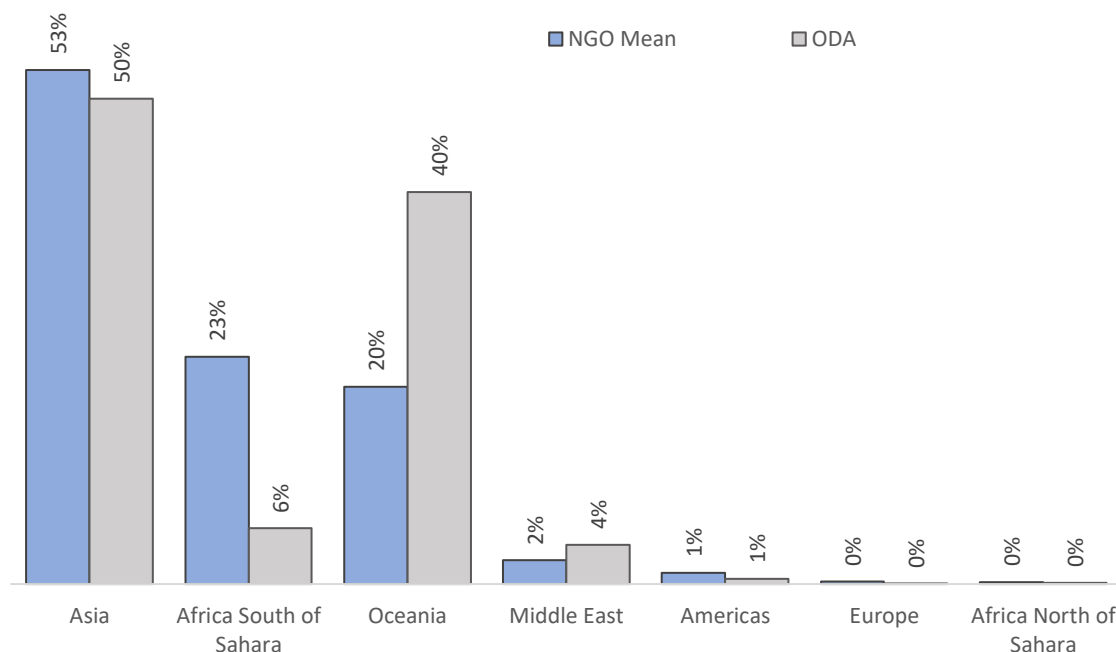
Not all NGOs demonstrate country consistency (a strong correlation between early and recent years) but most do. The modal category in the histogram is 0.8 to 1 and the median NGO has a correlation of 0.74. However, as with all the previous analysis, there are some NGOs that do not conform with the general pattern. There may be good grounds for this.

Yet those NGOs that have changed their country focus a lot in a comparatively small period of time would do well to investigate why these changes are occurring, and whether they are hampering good practice.

4.4 Where do Australian NGOs work?

Figure 9 shows the average share of Australian NGO spending devoted to each region globally. The figure is based on all spending from 2013 to 2018. It shows the unweighted average (mean) spending across NGOs, rather than the percentage of total spending for all NGOs, to avoid being heavily influenced by the spending choices of larger Australian NGOs. Australian government ODA spending across the same years is included for comparison's sake. Importantly, because some NGO funding comes from the government, to avoid tracking the same funds twice, government ODA is shown excluding the share that the government distributes via NGOs. Because of the way the dataset was constructed, regional programs from NGOs and the government are excluded from regional figures.

Figure 9: Share of NGO's spending going to regions, alongside Australian ODA



Notes: Data are totals for all years from 2013 to 2018. Data are unweighted averages across NGOs to avoid larger NGOs driving the figures. NGO funding includes funding from the government. Government ODA does not include the share given via NGOs.

Both the Australian government and the average NGO spend in Asia over the period was about 50 per cent. However, the focus diverged considerably in other regions. NGOs had a substantial focus on Sub-Saharan Africa, while the government did not. The government had a major focus on Oceania (the Pacific). NGOs also had a significant focus on the Pacific, but it was clearly not as great.

4.5 The correlates of where NGOs work

The difference in regional focus between Australian NGOs and the government aid program shows that — to an extent — the two types of donors have somewhat different priorities. A fact which itself may suggest Australian NGOs are not slaves to government priorities in a manner feared by some critical commentators in the academic literature. That said, while the regional focus on Sub-Saharan Africa and the Pacific differs, there are also commonalities, particularly in Asia.

It is possible to examine the relationship between Australian government aid spending and NGO spending in a more systematic manner. The following section is devoted to that task.

Before moving into the analysis, two important points need to be clarified. First, the standard approach in the aid allocation literature is to separate two choices in regression models: first, whether a donor gives any aid to a recipient or not; and, second — if a donor gives aid to a recipient — how much it gives (Chand 2011; Koch et al. 2009). While, as I discuss further below and at length in the appendices, there are various approaches to examining the two questions, for now I follow Chand (2011) and use the simplest, running two separate regressions: a logistic regression focused on the choice of whether a donor gives any aid to a country, and an OLS regression focused on the share of total aid that each recipient that gets any aid receives.

The second issue is that some government aid is given via NGOs. This fact alone may cause correlations in spending patterns to emerge even when government and NGO priorities are different. To overcome this issue, I use a measure of Australian government ODA that excludes ODA given via NGOs (as in the previous section) and I focus solely on NGOs' spending of their own donations, excluding NGOs' spending of government funding.

Because it is possible that NGOs change focus over time, the analysis that follows is limited only to those NGOs that provided data for all years. For both NGOs and the government, it is based on the percentage of total spending across the years 2013 to 2018. Percentages are used to avoid larger NGOs having a disproportionate influence on findings.

Table 3 shows the results of a bivariate regression looking at the correlation between Australian government spending and NGOs' spending. Despite the existence of a degree of regional difference in focus as outlined above, at a country level there are clear correlations between Australian ODA and the focus of Australian NGOs. This is true both in the decisions about whether to work in countries or not, and how much the entities focus on the countries that they are working in.

Table 3: Bivariate correlation between NGO spending and ODA

	Any aid?	What share?
ODA excl. NGO (2013 to 2018, %)	23.96*** (3.11)	0.30*** (0.09)
Constant	-2.21*** (0.04)	0.05*** (0.00)
R^2		0.02
Observations	7992	966

Standard errors in parentheses
 * p < 0.1, ** p < 0.05, *** p < 0.01

It would be premature, however, to conclude from these correlations that Australian NGOs follow the government's lead when deciding where to work and when deciding how much to focus on the particular countries that they work in. Such conclusions can only be drawn after other factors, which might quite legitimately affect both government and NGO work, are controlled for. It is this task that I now turn to.

Table 4 provides descriptive statistics for a group of variables that, based on international work on NGOs, may be likely influences on where NGOs spend their funding (for examples see, Büthe et al. 2012; Dreher et al. 2012a; Dreher et al. 2012b; Keck 2015; Kim & Jung 2021; Koch et al. 2009).

Table 4: Descriptive statistics for correlates of NGO spending

Variable	Obs	Mean	Std. Dev.	Min	Max
% of NGOs donations to country	7992	.01	.04	0	1
ODA excl. NGO (2013 to 2018, %)	7992	.01	.02	0	.22
Human Development Index (2012)	7290	.62	.12	.34	.82
Government Effectiveness (2012)	7776	-.52	.67	-2.2	1.53
Freedom House (2012)	7560	8.27	3.6	2	14
Trade (2013 to 2018, ln)	7560	-10.04	2.82	-17.76	-1.06
UN voting (2013 to 2018)	7506	.61	.08	.44	.87
Distance (000 km)	7830	12.19	3.98	2.48	18.01
Population (2013 to 2018, ln)	7560	15.63	2.25	9.32	21.04
Affected by natural disaster	7182	10.84	3.23	0	18.08
Common official language	7830	.36	.48	0	1

Recipient countries' Human Development Index scores are used as a gauge of recipient need. (Human development was chosen rather than GDP, because it would seem to better reflect the stated ethos of most NGOs.) In their 2018 study of Australian NGO work ACFID (2018) found some evidence that NGOs did not simply focus more on countries with lower human development. Rather, the study found there was a non-monotonic relationship between human development and Australian NGO work. This finding was suggestive, but came from a study focused on Australian NGOs in aggregate, meaning findings may have been driven by larger NGOs. In order to test it more fully here using disaggregated data, a squared term is included for human development in both models.

Government effectiveness comes from the World Bank's governance indicators. The claim in at least some of the literature is that NGOs should focus more on countries where the government is less effective, because the need for NGO work will be higher in countries where governments are less able to deliver core services. The Freedom House variable is based on Freedom House's measure of civil and political liberties.⁷ Two national interest variables are included. These are the standard variables from the literature. The first, trade, captures how important a trading partner the country in question is to Australia. The second, UN voting, captures the extent to which countries vote in the same way as Australia in UN General Assembly votes (thought to be a proxy for allied views or interests). At least as contended in the existing literature, if NGOs are

⁷ Freedom House and the Worldwide Governance Indicators were clearly preferable to other governance and democracy indicators, such as Polity V, because they include most small island states in the Pacific, an obvious necessity when studying Australian NGOs.

found to be giving more aid to important Australian trading partners, or more aid to countries that Australia is allied with in the UN, this might be evidence of NGOs being influenced by the Australia national interest. Distance, population and natural disasters are common-sense controls, used in much of the literature. It is reasonable to anticipate NGOs will focus more on larger recipients, closer recipients, and recipients that have experienced natural disasters. The variable common official language reflects whether the recipient shares English as an official language with Australia. This may reflect shared colonial history (part of the commonwealth for example).

Table 5 shows the results of two multiple regression models. The unit of analysis in both is the recipient country-NGO dyad. The first model is a logistic regression in which the dependent variable is a binary, coded 1 if the recipient received any aid from the NGO in question, and 0 if it did not. In the second model only countries that received aid from each NGO are included in the model and the dependent variable is the share of each NGO's aid each country received over the period under study.

Because a large proportion of potential recipient countries (all ODA eligible countries) received no aid from most NGOs in the period under study, there is a potential issue of selection bias influencing results (Koch et al. 2009). The fact the possible aid share has a fixed lower bound of zero may also be problematic. To tackle both potential issues, Heckman and Tobit regression models are included in Appendix 2. The Heckman model shows only weak evidence of selection bias. Most importantly, neither the Heckman model nor the Tobit model produce qualitatively different results from the logistic and OLS models shown here.

One further regression model is included in Appendix 2, namely an OLS model with regional fixed effects. Once again it returns similar results to the models shown in the body of the paper. This finding is of some substantive interest as it suggests that the key findings detailed below are not being driven by a particularly strong focus on a certain region — the Pacific, for example.

The models provide some evidence that population, distance and natural disasters have the expected effect on aid focus. A shared official language is positively associated with whether NGOs work in a recipient country or not, but not with how much they focus on recipient countries. NGOs are more likely to work in countries where government

effectiveness is lower, although there is no clear evidence as to whether they give more to these countries once they have decided to work in them. The first of these two governance findings offers some evidence that Australian NGOs focus more on states where government ODA is less likely to be effective, and where states' own governments are less likely to deliver effective services. There is no relationship between the Freedom House measure and NGO work.

Table 5: Multiple regressions on NGO spending

	Any aid?	What share?
ODA excl. NGO (2013 to 2018, %)	-0.65 (1.31)	0.06 (0.12)
Human Development Index (2012)	6.55 (4.34)	1.08*** (0.29)
HDI (2012) # HDI (2012)	-7.45** (3.62)	-1.00*** (0.26)
Government Effectiveness (2012)	-0.45*** (0.12)	0.01 (0.01)
Freedom House (2012)	0.02 (0.02)	-0.00 (0.00)
Trade (2013 to 2018, ln)	-0.01 (0.03)	-0.01*** (0.00)
UN voting (2013 to 2018)	-2.40** (1.01)	0.06 (0.05)
Distance (000 km)	-0.30*** (0.02)	-0.01*** (0.00)
Population (2013 to 2018, ln)	0.35*** (0.05)	0.01*** (0.00)
Affected by natural disaster (2013 to 2018, ln)	0.05** (0.02)	0.00* (0.00)
Common official language	0.30*** (0.10)	-0.01 (0.01)
Constant	-4.88*** (1.72)	-0.43*** (0.10)
R^2		0.08
Observations	6696	922

Robust standard errors in parentheses

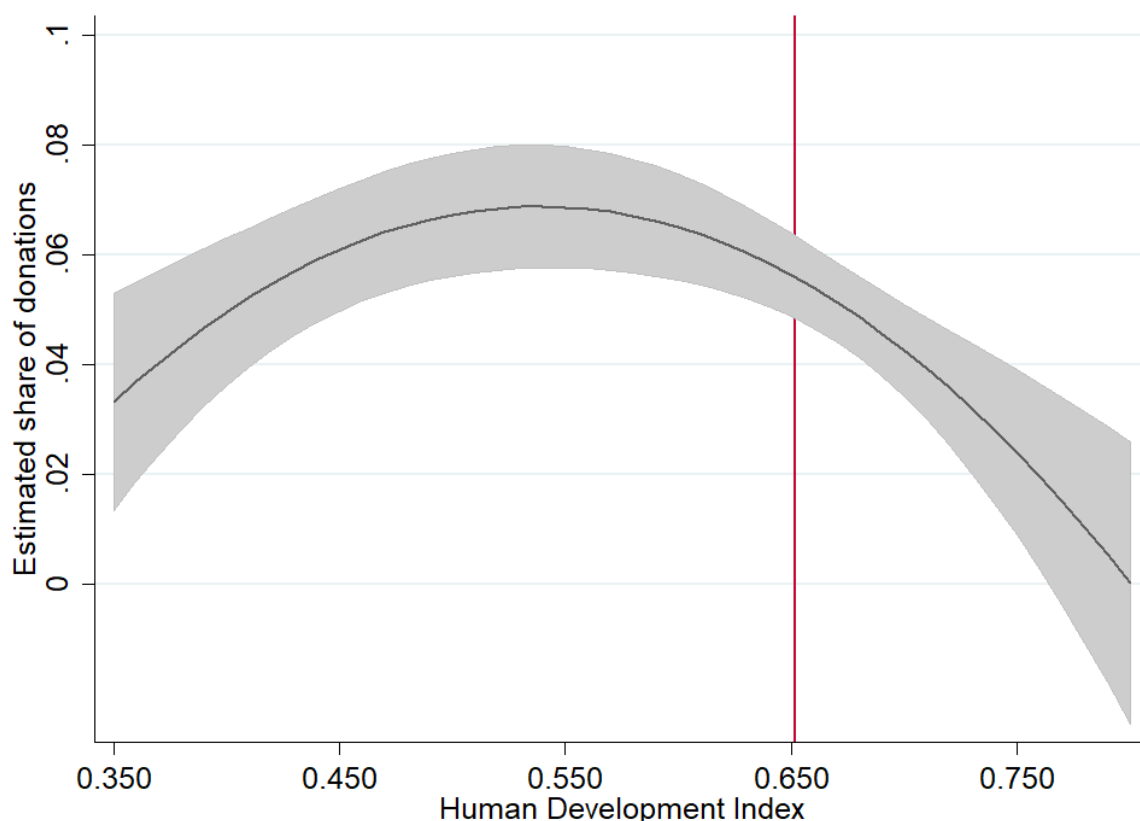
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Of most interest, however, is the fact that, once controls are included, there is no relationship between Australian ODA and the probability NGOs will work in a country or how much they will focus on a country if they do work in it. What is more, NGO work is, if anything, negatively associated with trade: NGOs tend to focus less on countries that Australia trades more with. NGOs also appear to be less likely to work in countries that are allied with Australia (as proxied by UN voting records). In other words, there is little evidence that NGOs follow the lead of Australian ODA, or that they are influenced by Australian commercial or strategic interests.

Human development was included in both models as the central variable quantifying need. The findings from both models (particularly the model looking at how much NGOs focus on countries they give aid to), fit with ACFID’s 2018 finding. NGOs clearly give less to countries with higher human development. At the same time though, they also focus somewhat less on the countries in the sample with the lowest levels of human development. This can be seen in Figure 10.

Figure 10 raises interesting questions about why Australian NGOs are not — on average — focusing on the world’s most needy nations. It would be a mistake, however, to conclude that Australian NGOs are neglecting need. The vertical red line in the figure shows the human development level of the median ODA receiving developing country. The ‘bulge’ in the grey line reflects the level of human development where the focus of Australian NGOs peaks. It is well to the left of the red line: on average Australian NGOs focus the most of their aid on countries with lower levels of human development than can be found in the median ODA eligible country.

Figure 10: Average relationship, Human Development and NGO focus



Notes: The figure is a margins plot of the predicted relationship based on an OLS regression focused only on those countries NGOs give aid to. The red line is HDI (from 2012) of median ODA recipient country as ranked on human development.

5. Discussion

The findings of the first part of this paper are broadly encouraging. For the sector as a whole there is no striking evidence of excessive country or project fragmentation, nor is there obvious evidence of NGOs crowding specific sectors in small Pacific states. Similarly, most NGOs appear to be stable over time in the countries they work in. However, two important caveats need to be added to these claims. First, there is considerable variation within the sector. Often this is variation of the sort that would be expected: larger NGOs tend to work in more countries, for example. Yet there are also examples of small NGOs that work in a surprising number of countries (continuing the country example). The second caveat is that, I had no clear guide beyond intuition in my work in the first part of the paper as to what might count as too much fragmentation, too many NGOs working in one sector in one country, and too much movement by NGOs between countries.

The obvious solution to the issue raised by the first caveat — variety within the sector — will be for those NGOs that deviate from sectoral patterns (give more fragmented aid for example) to carefully examine whether there is any good reason for their deviation from community averages, and to change practice if there is not.

One partial solution to the problem raised by the second caveat — the absence of a clear yardstick of good practice in the issues covered in this paper — will be to study change over time: it may be hard to gauge what appropriate levels of issues such as fragmentation are, but there is no reason why they should be increasing. If they are found to be on the rise in future years this would be a sign of concern. Another potentially fruitful solution would be qualitative — either as a research project, or as a collaborative exercise among NGOs. Interviews, focus group discussions, or community conversations could be had about issues such as fragmentation. Practitioners themselves will be the best placed to know how much is too much, and to discuss whether current levels are too high. Qualitative insights on these matters could add much to future quantitative work in addition to strengthening aid effectiveness.

The findings in my paper also suggest a clear and important future mixed methods research project. If there is any sector and country in the Pacific where too many Australian NGOs may be working, and where too many projects may be being run, it is

health in Vanuatu. Very useful research could be conducted in Vanuatu looking at the health sector, based on NGOs from all donor countries, and collecting the voices of key stakeholders including ministry of health staff, community members, and aid workers to see if the current number of organisations working on health in the country is problematic or not.

The findings in the second half of the paper are easier to interpret. In addition to several results that would have been concerning had they emerged, some comparators exist in the findings of papers from other countries. Generally, the results that arise in this section of the paper are encouraging, and — if anything — Australian NGOs tend to come out favourably when Australian findings are contrasted with those from some countries, although in the instance of correlations with ODA, this may simply be because of my improved efforts at untangling NGO spending and government ODA measures. Setting aside improved empirical approaches in this paper, a key positive practical finding is that Australian NGOs do not seem to be influenced by the national interest in choosing where to work. Similarly, there is no evidence that a need for government funding is shaping where NGOs spend their own donation-based funding. NGOs do not seem to be captured by the government in this sense. Rather, they appear to be complementing government efforts by working more in countries that receive less government aid, and where conditions may be less amenable to effective government aid.

The one finding in the second half of the paper that warrants further investigation is why countries with the lowest levels of human development appear to receive less focus from Australian NGOs than their slightly more developed counterparts. There could be good explanations. Potentially, for example, Australian NGOs are simply working less in countries that are heavily populated by other countries' NGOs. More needs to be learnt. A first step for analysis of this sort may involve identifying some of the countries in question and their most important traits.

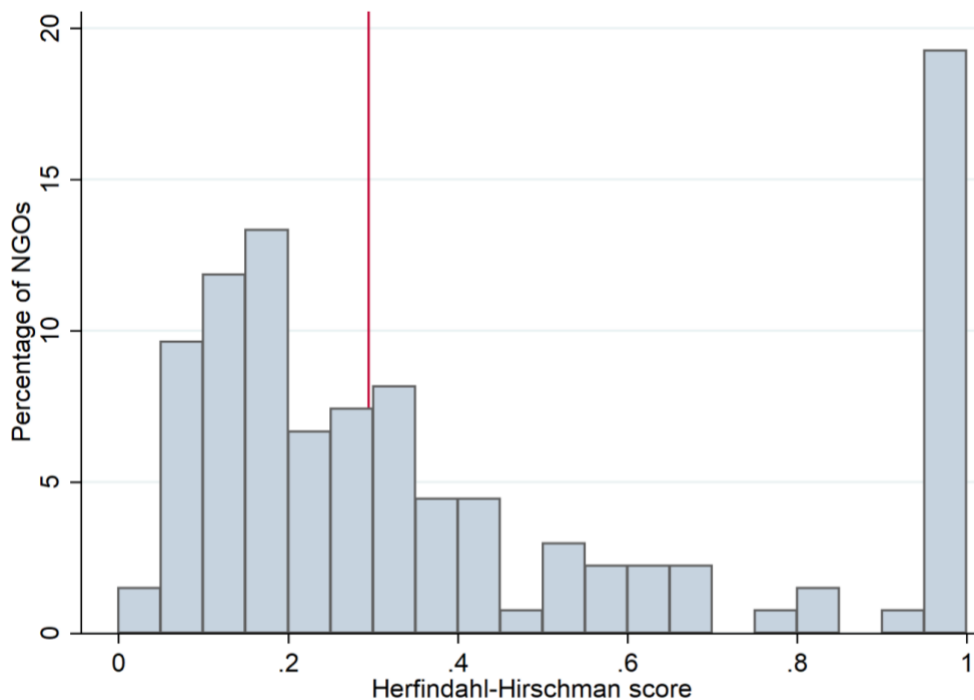
Separate from this specific issue, productive future qualitative work could also involve interviewing NGO staff themselves to learn more about the process of how NGOs decide where to work.

For now, for those readers seeking a single, simple takeaway from this paper, I offer the following. My analysis is limited in scope: it cannot tell us everything we would like to know about Australian NGOs' work overseas. But the findings that do emerge are generally positive and do not point to obvious issues. However, questions remain and there is considerable scope for future work.

Appendix 1 – A country fragmentation index

While simple counts of the number of countries NGOs work in have an intuitive appeal, such an approach to quantifying country fragmentation runs the risk of overstating fragmentation in circumstances where organisations work in multiple countries but focus most of their work in only one. For this reason, it is common practice in studies of government aid to assess aid fragmentation using more complex measures such as fragmentation indices. The histogram in Figure A1 shows NGO country fragmentation based on a typical index: the Herfindahl-Hirschman Index. With this measure, a lower score indicates more fragmentation. The large cluster of NGOs with scores of 1 (or close to it) are NGOs that focus all (or almost all) of their work in one country. The median NGO has a score of just under 0.3 — about what it would score if it divided its work equally across three countries.

Figure A1: Histogram of the Herfindahl-Hirschman Index for NGO fragmentation



Notes: The vertical red line reflects the median NGO.

Appendix 2 – Detailed correlates of NGO focus

Because OLS estimates can be biased in circumstances where many countries receive no aid from individual NGOs (as is the case in the data under study), ideally alternative models in addition to OLS should be used to check estimates (Koch et al. 2009). This is done here. The first two columns emulate the regression models shown in the body of the paper. The second two columns come from a Heckman regression, which is appropriate if at least one variable influences the choice of whether to work in a country or not, but does not influence how much NGOs focus on those countries that they do work in. In this case, the variable chosen is ‘common official language’ a variable which reflects whether the recipient country has English as an official language. In theory, it is plausible that this trait may affect NGOs’ decisions about where to work, either because countries with English as an official language are easier to work in, or because of shared traits such as a common history in the Commonwealth.

Table A2: Results from various models of correlates of NGO aid

	Logit	OLS>0	Heckman Select	Heckman Share	Tobit	Region FE
ODA excl. NGO (2013 to 2018, %)	-0.65 (1.31)	0.06 (0.12)	0.58 (0.76)	0.02 (0.12)	0.03 (0.10)	0.06 (0.11)
Human Development Index (2012)	6.55 (4.34)	1.08*** (0.29)	3.79* (2.26)	1.54*** (0.54)	0.71*** (0.27)	0.75** (0.32)
HDI (2012) # HDI (2012)	-7.45** (3.62)	-1.00*** (0.26)	-4.20** (1.93)	-1.53*** (0.51)	-0.75*** (0.23)	-0.76*** (0.27)
Government Effectiveness (2012)	-0.45*** (0.12)	0.01 (0.01)	-0.23*** (0.07)	-0.01 (0.01)	-0.02*** (0.01)	0.01 (0.01)
Freedom House (2012)	0.02 (0.02)	-0.00 (0.00)	0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Trade (2013 to 2018, ln)	-0.01 (0.03)	-0.01*** (0.00)	0.01 (0.02)	-0.01* (0.00)	-0.00 (0.00)	-0.01** (0.00)
UN voting (2013 to 2018)	-2.40** (1.01)	0.06 (0.05)	-0.82* (0.45)	-0.06 (0.11)	-0.09 (0.06)	0.05 (0.08)
Distance (000 km)	-0.30*** (0.02)	-0.01*** (0.00)	-0.15*** (0.01)	-0.02*** (0.01)	-0.02*** (0.00)	-0.01*** (0.00)
Population (2013 to 2018, ln)	0.35*** (0.05)	0.01*** (0.00)	0.19*** (0.02)	0.03*** (0.01)	0.02*** (0.00)	0.01* (0.00)
Affected by natural disaster (2013 to 2018, ln)	0.05** (0.02)	0.00* (0.00)	0.02** (0.01)	0.01** (0.00)	0.00** (0.00)	0.00* (0.00)
Common official language	0.30*** (0.10)	-0.01 (0.01)	0.16*** (0.06)		0.01* (0.01)	0.00 (0.01)
Constant	-4.88*** (1.72)	-0.43*** (0.10)	-3.04*** (0.88)	-0.83*** (0.28)	-0.49*** (0.11)	-0.26 (0.18)
Mills’ Lambda			0.14* (0.08)			
Region fixed effects	No	No	No	No	No	Yes
R^2		0.08				0.08
Observations	6696	922	6696	6696	6696	922

Robust standard errors in parentheses (except Heckman)

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

By the same token, common official language would potentially be a variable that is less likely to influence how much NGOs focus on countries once they decide to work in them. In practice, this is confirmed by the OLS and Logit results as well as the two different steps of the Heckman model. Another alternative approach to the modelling challenges the data present is to assume that there are not clear reasons for anticipating that different variables will affect the selection and focus stages of NGOs' choices. On this assumption, a Tobit model is more appropriate. Results of the Tobit regression are shown in column 5. Finally, in column 6 I return to an OLS model, but this time with regional fixed effects added to account for the fact that findings may be being driven by Australian NGOs' preferences for working in particular regions of the world.

Several aspects of the results are worth noting. First, the Mill's Lambda is only just statistically significant at $p < 0.1$. Evidence that selection bias exists is weak, in other words. Furthermore, in terms of sign and statistical significance, the coefficients for most of the variables are very similar across almost all of the models. Where there are differences, they tend to occur in different stages of the selection process (between the logit and OLS regressions or the selection part of the Heckman model and the share part of the Heckman model). Such differences are to be expected. The findings, particularly those of central interest, are broadly consistent.

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