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Growth and change in Britain's development NGO sector (2009–2015)

Nicola Banks  and Dan Brockington 

ABSTRACT

A paucity of systematic research into development NGO sectors means that we have underestimated their contributions to international development. In 2015 Britain's development NGOs spent nearly £7 billion, equivalent to over half of the UK government's Official Development Assistance (ODA) that year. Mapping the sector reveals its size and significance and gives new insight into its structural composition and how this it is influenced by changes to the funding landscape. Alongside new insights into an influential sector, this work highlights the importance of innovative research methods and techniques for a more systematic understanding of development NGOs globally.

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Introduction

Does research continue to underestimate the contributions of development NGOs in international development? Despite work which covers thousands of organisations working globally across multiple arenas (Brass et al. 2018), the research underpinning writing about NGOs has rarely been systematic. Data have not been compiled in ways that can reveal the size and significance of NGO sectors within donor countries, or how these sectors are structured and operate. This impedes our ability to understand influential actors and their contributions to international development. NGOs are key development partners (Suarez and Gugerty 2016; Davis 2019), yet it is hard for policies dealing with civil society to be evidence-based without better empirical bases.

This article seeks to tackle this methodological and empirical gap by systematically compiling a unique database of 895 British development NGOs. In doing so we show that the financial contribution of NGOs to international development is more significant than has been recognised to date. In 2015, the sector spent the equivalent of just over half of the UK government's Official Development Assistance (ODA) for that year. British development NGOs are spending more money than has been previously acknowledged. Indeed, their contributions exceed the aid budget of several wealthy countries.

Looking systematically at the development NGO sector allows us to explore how that spending is distributed across the sector and how the sector is influenced by external factors. In doing so we highlight the stability of structural unevenness in the sector – with the largest NGOs continuing to dominate the sector's income and expenditure. We also provide evidence of increasing intermediation of funds across Britain's development NGOs, with the biggest NGOs also acting as intermediaries between donors and other NGOs.

Alongside these empirical insights we also seek to demonstrate the power and insights afforded by our methodology. By researching development NGOs as a sector – and not just exploring the diverse organisations within it – we allow for a richer and broader research agenda. This reveals

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an accurate understanding of the scale and structure of domestic NGO sectors and new insight into how these are shaped by external influences such as economic crisis or shifts in donor policy. Such an approach – and the findings that emerge from it – are particularly important in an era of growing nationalism, austerity and apparent declining support for development causes in the global North and in the wake of recent safeguarding scandals.

Methodological thinking on a systematic mapping process of development NGOs

Development NGOs in the UK have been increasingly recognised as a sector – that is a collection of similar organisations that share similar purposes, challenges, personnel and funding sources – since the early 1990s. Their own sectoral representative (Bond) was established in 1993, at the same time as the development studies community began looking to civil society organisations to “make a difference” in development (Edwards and Hulme 1992; Marburg, van Kranenburg, and Korzilius 2016). Yet research has been slow to take a sector-wide perspective to understanding development NGOs in Northern (donor) contexts. A recent review of 35 years of NGO scholarship finds that case study approaches dominate the literature, providing “thick descriptions” of particular organisations, places or development priorities (Brass et al. 2018). Research also focuses predominantly on the countries they operate in, rather than originate from (Brass et al. 2018).

While a substantial literature on Northern NGOs (most commonly known as international NGOs, or INGOs) exists, this tends to focus on relationships and positioning: between INGOs and donors and between INGOs and their Southern partners or beneficiaries (c.f. Banks, Hulme, and Edwards 2015; Salamon and Sokolowski 2017). This literature also displays a strong bias towards the largest INGOs (c.f. Elbers and Schulpen 2015; Crewe 2018), whether case studies of individual organisations or comparisons across them (c.f. Stroup and Wong 2017). The best exception we are aware of begins to shed light on their significance to foreign aid efforts. Davis (2019) created a database of 991 Canadian development NGOs, finding that they contributed, on average, CAD\$3.4 billion annually across 2011–2015. Fourteen ODA-eligible countries receive more aid from Canadian NGOs than they do from Canadian ODA (Davis 2019).

We seek to build upon this work to further our understanding of Northern development NGO sectors, how they are structured and operate, and whether and how they are influenced by external factors like donor funding. To do this we created a database of 895 British development NGOs that we believed to represent Britain’s development NGO sector in 2015. This enables us to “map” the sector in incomes (and income sources), expenditure, and geographic location, among others.

We created this database using a systematic approach, trying to capture information about as many possible relevant NGOs as we can. Our database – and therefore our “map” – is constructed by its definitions and rules of exclusion and inclusion and its quality hinges on whether its rules and simplifications capture meaningful categories. It is therefore important to outline clearly the selection and screening process for creating this database. A detailed understanding of our methods is required to appreciate the challenges we have faced and how we have resolved them.

We defined “NGO” as an entity that was registered with the Charity Commission for England and Wales (CC) or the Office of the Scottish Charity Regulator (OSCR).¹ Defining “development NGO” was more complicated. We first used a self-identification approach – choosing organisations that identified as development NGOs strongly enough to have joined relevant umbrella organisations. There are four in the UK: BOND, Scotland’s International Development Alliance, the Wales and South West International Development Network and South Yorkshire International Development Network. We reviewed members of two umbrella organisations for small NGOs (Foundation for Social Improvement; Small Charities Coalition), grantee lists of DFID and Comic Relief, and organisations declaring their interest in “ODA/famine relief” on the Charity Commission website. We used our own “snowballing” of contacts and networks to find those that we may have missed. Altogether we screened over 1,500 development NGOs against a set of pre-defined criteria. We excluded:

- (i) Organisations not registered as charities.
- (ii) Organisations whose primary purposes are not international development.
- (iii) Organisations that are primarily grant-giving charities (e.g. Comic Relief; Disasters Emergency Committee) whose expenditure is already accounted for via the NGOs they fund.
- (iv) Organisations that spent under £10,000 per annum, on average, between 2011 and 2015.
- (v) Organisations that are “primarily religious NGOs”; that is, organisations spending significant time and money on activities not undertaken by secular organisations (e.g. missionary work, church or mosque building). Organisations with religious underpinning whose activities resemble those of secular organisations are included (e.g. Christian Aid, Tearfund, Islamic Relief).

These last two exclusions were made because of our limited capacity to take them on within a reasonable timeframe. The number of organisations in these groups made their inclusion prohibitive, despite the potential significance of their contributions to the sector. There are 11,079 charities registering an interest in “ODA/Famine Relief” with the Charities Commission. Most excluded organisations – over 9,600 – are small organisations spending under £10,000 annually. This makes these exclusions an understandable (in terms of logistics) but regrettable (in terms of their number and contributions to the sector) methodological choice.

This work generated a final list of 895 organisations, for which we compiled information on finances and geographic location. Income and expenditure figures were downloaded from the Charity Commission website from 2004 to 2015 for the 828 English and Welsh NGOs in this sample. We drew upon their websites and annual reports to add information on their geographic location, establishment date and activities. In Scotland, NGOs are governed by the Office of the Scottish Charity Regulator. These data are less accessible, so we collected income and expenditure figures from annual reports (from 2009 to 2015) for the 67 Scottish organisations.

We then made their income and expenditure data comparable across organisations and across financial years; this is important given that NGOs vary in the financial years they report to. We did so by constructing income and expenditure for calendar years, by assuming that both were evenly spread throughout the financial year, and allocating figures to calendar years accordingly. We controlled for inflation using UK government deflation figures. Findings all report figures in UK pounds as valued in 2015.

To understand where development NGO income comes from, we created a second database. The National Council for Voluntary Organisations (NCVO) runs a Civil Society Almanac, collecting detailed annual records of income sources for a large sample of NGOs. The Almanac database is structured by organisation size. Records of all the largest NGOs (income over £100 million) are created annually, but data are sampled for smaller organisations, with a new sample of smaller organisations taken each year.

Cross-referencing the contents of the Almanac sample with our database gave us 400 of our 895 NGOs. The NCVO’s sampling of smaller organisations meant that we did not have complete records for all of these organisations. We filled in missing years for these organisations from annual reports to supplement Almanac data and added smaller organisations that were less well represented, randomly selecting these from our 895 development NGOs. This gave us income source and fundraising records for 569 development NGOs, representing 65% of organisations in our database and over 95% of sectoral expenditure.

Mapping Britain’s development NGO sector: our findings

The development NGO sector in 2015

Britain’s development NGOs spent £6.96 billion in 2015, equivalent to 55% of ODA that year. This figure includes UK government funding, with hundreds of millions channelled to UK-based development NGOs through the Department for International Development (DFID). Some organisations

within this database will also be funding each other, leading to further double-counting. But at the same time, this figure does not capture the tens of millions spent on international development causes by charities that are excluded from this database because they spend the majority of their income within the UK (e.g. Leonard Cheshire and the Royal National Lifeboat Institution).

Charity Commission data allow us to compare this figure against the expenditure of the broader charitable sector. In doing this, we see that charity expenditure on international development causes is small relative to overall charitable expenditure within the UK. Of overall charitable turnover of £68 billion in 2015 reported by the Charity Commission nearly 80% was spent by charities only operating within England and Wales (Banks and Brockington 2019). The old phrase “charity begins at home”, which has increasingly been used to argue for less spending overseas and more in country actually captures the already existing distribution of charitable spending in the UK.

Breaking development NGOs into eight different size classes reveals that expenditure is highly uneven across the sector (Table 1). A mere 8% of organisations (the 77 largest NGOs, spending over £10 million) controlled nearly 90% of the sector’s expenditure in 2015. Meanwhile, more than 800 organisations account for only 13% of sectoral expenditure. Given that they comprise such a small proportion of the sector (in terms of number of organisations), the bias towards the largest NGOs in research and knowledge production is clearly problematic given that they constitute only a minor proportion of the numbers of organisations in the sector overall. It means we know little about the hundreds of NGOs spending less than £10 million that may spend substantially less than these Goliaths, but remain important actors in the sector as a whole.

We also analysed the spread of expenditure geographically, locating NGO headquarters across five regions (Scotland; the North and North Wales; South-West England and South Wales; South East England (excluding London); and London). London dominates the development NGO scene (Figure 1), with nearly half (and most of the largest) organisations based here. Table 2 reveals that London-headquartered development NGOs were responsible for three-quarters of sectoral expenditure in 2015. This increases to 90% if we extend to the broader South-East. This geography is no surprise to many, but its precise quantification may be.

Trends in the sector

The sector grew steadily between 2009 and 2015, in number of organisations and in expenditure (Figure 2). The number of organisations grew by 30% over this period and expenditure by 45%. A 2012 dip in overall expenditure was driven by the largest organisations. This decline was not prominent in smaller organisations.

The growth of new development organisations in the UK has been increasingly vigorous since the 1980s, with “jumps” in the early-1990s and the mid-2000s (Figure 3). The drop-off in organisations following 2008’s economic crisis (marked in black) may suggest an apparent decline in NGO establishment

Table 1. The size and structure of the sector: expenditure in 2015.

Size class	Expenditure (£ millions)	Expenditure (%)	Count	Count (%)
>100 m	3,537	51	9	1
>40 m	1,460	21	19	2
>10 m	1,082	16	48	5
>3 m	453	7	75	8
>1 m	245	4	126	14
>500 k	97	1	125	14
>100 k	75	1	276	31
>10 k	11	0.2	209	24
Total	6,959		887	

Notes: NGOs are allotted to size categories according to their average expenditure across 2009–2015. These follow the groupings in other reports on NGOs (c.f. NCVO 2016) except that we have split the category of >£1million and <£10 million into two following feedback from the sector.

Source: Authors’ analysis of Charity Commission/OSCR data.

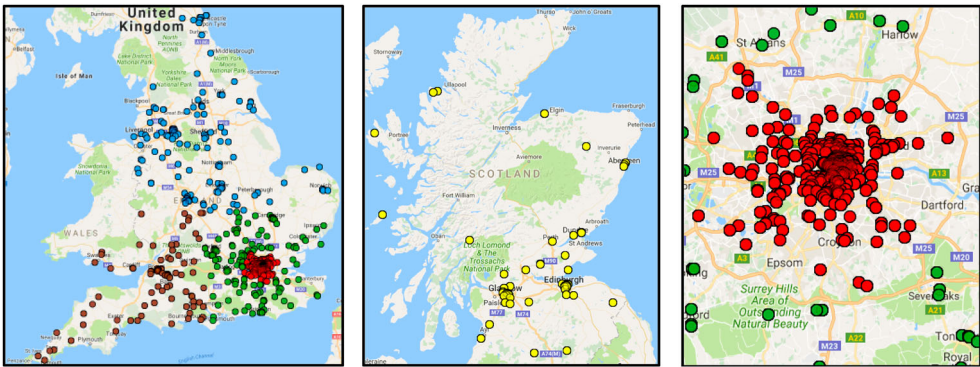


Figure 1. The distribution of development NGOs in mainland UK. Source: Authors' compilation.

since then. But looking at establishment trends for *all* charities in England and Wales (Figure 4) highlights that this is, in fact, an artefact of our methods, since we excluded organisations spending under £10,000. It takes several years for organisations to reach this size. If we exclude organisations spending under £10,000 across all charities, we see a similar decline between 2010 and 2015 (the bottom blue line in Figure 4), but this largely disappears if we look at all organisations (the top red line in Figure 4). Our data show no indications that the sector has peaked or become saturated, suggesting that the sector may not be as rivalrous as we think. Contests for funding are taking place within a context of increasing funding for all sizes of organisation, suggesting that the sector has remained relatively insulated from the economic crisis that has pressured the broader charitable sector (which NCVO 2016 details).

All size classes of development NGO have displayed growth across 2009–2015 (Table 3, column 2), though these averages conceal remarkable variability within classes (columns 4–6). Growth trends are more secure in larger organisations. Standard deviations of expenditure tend to be lower in larger organisations when expressed as a percentage of mean expenditure. In contrast, for the smallest NGOs, expenditure can fluctuate considerably year-on-year. Here, mean increases in growth conceal a remarkable range of experience and are spread across a larger number of organisations. More money for the sector still masks numerous instances of substantial decline.

Sources of income

The public have been by far the most important source of funds for UK development NGOs, contributing a total of nearly £10 billion over five years. This constitutes 40% of the sector's total income and more than the next two largest sources combined (Table 4). The other three major donors – the UK government, other non-profits and overseas governments – together comprised 49% of income.

Table 2. Money spent in 2015 (in £ millions) by development NGOs headquartered in different regions in the UK.

Size class	London	SE not London	South West	The North	Scotland	Total
>100 m	2,928	609	–	–	–	3,537
>40 m	1,141	154	–	113	53	1,460
>10 m	648	145	36	144	108	1,082
>3 m	282	65	36	53	18	453
>1 m	134	53	19	31	9	245
>500 k	55	16	6	14	5	97
>100 k	33	15	8	12	7	75
>10 k	4	2	2	2	1	11
Total	5,224	1,058	107	69	201	6,959

Source: Authors' analysis of Charity Commission/OSCR data.

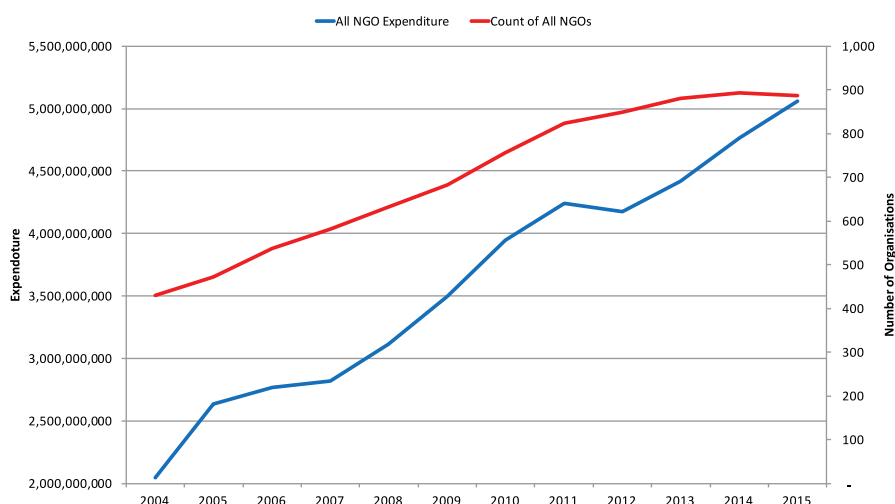


Figure 2. Growth of development NGOs and development NGO expenditure (2004–15).

Notes: We exclude the British Council from these figures as its government funding make it unrepresentative of the sector, and its size distorts trends. We also exclude Save the Children International and a few other smaller organisations where internal reorganisation has made them show dramatic changes in expenditure. Source: Authors' compilation of Charity Commission /OSCR data.

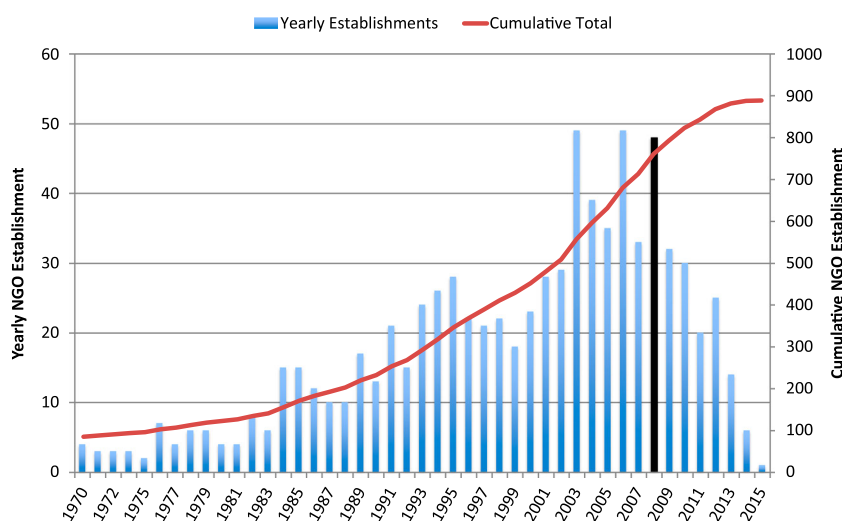


Figure 3. Growth of development NGOs (expenditure >£10 k). Source: Authors' analysis of Charity Commission /OSCR data.

As these other sources of income have risen, the relative importance of funding from the public has declined. UK government spending, for example, has increased from around 15% of the sector's income in 2010 to just over 20% in 2015 (Figure 5), equating to a rise of just under £480 million in real terms. In 2013 UK Official Development Assistance experienced its largest ever increase (DFID 2014) and this was followed soon after by the 2015 International Development Bill that enshrined in law the commitment to spend 0.7% of Gross National Income on ODA.

There are also important patterns in the changing source of funds by size class (Table 5). Most public donations – 82% – go to the top three size classes of development NGOs. But it is the mid-sized development NGOs (spending between £1 m and £40million) that increased funding from the public has

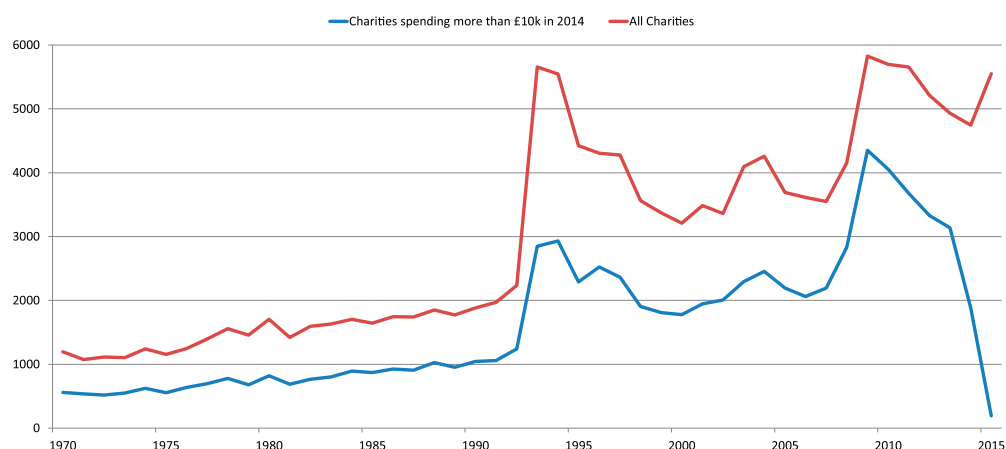


Figure 4. Establishment trends of all English and Welsh charities. Source: Authors' analysis of Charity Commission data.

Table 3. Variability in expenditure trends per size class, 2009–2015.

Size Class	Average increase in expenditure 2009–2015 (£ thousand)	Maximum increase per size class (£ thousand)	Greatest decline per size class (£ thousand)	Range of expenditure change 2009–2015 as a % of average expenditure increase	Std dev of expenditure change 2009–2015 (£ thousand)	Std dev as % of mean expenditure
>100 m	78,623	142,321	–10,843	1.9	27,058	12%
>40 m	21,140	86,804	–5,915	3.6	10,925	18%
>10 m	6,658	40,880	–21,706	9.4	3,794	21%
>3 m	2,020	11,027	–14,461	12.6	1,431	30%
>1 m	502	4,402	–8,373	25.4	465	27%
>500 k	292	2,124	–1,841	13.6	199	31%
>100 k	103	1,370	–1,196	25.0	81	35%
>10 k	23	172	–188	15.4	19	43%

Source: Authors' data with exclusions as per Figure 2.

Table 4. Total income from different sources for development NGOs, 2009–2015.

Source	Income (£ millions)	Proportion
Public	12,518,220,455	39.9%
Government	5,578,727,097	17.8%
Non-profit sector	5,019,967,211	16.0%
Overseas governments	4,736,571,471	15.1%
Business sector	2,159,826,043	6.9%
Independent govt-funded bodies	904,368,194	2.9%
Investments	197,825,740	0.6%
Unclassified	145,337,269	0.5%
National Lottery	105,732,849	0.3%
Total	31,366,576,330	

Source: Authors' analysis of NCVO and own data.

particularly fuelled. These three categories have seen the greatest increases in income from the public, in relative and absolute terms (Table 5). The two largest size classes have not enjoyed the same increased successes in fundraising from the public, but make up for this in the more dramatic income growth they have experienced from the UK government and other non-profits.

There is substantial variation regarding the importance of different funding sources across size classes (Figure 6). Bigger NGOs who receive large volumes of other funds are less dependent on funds from the public. In contrast public donations are critical to the smallest organisations, providing

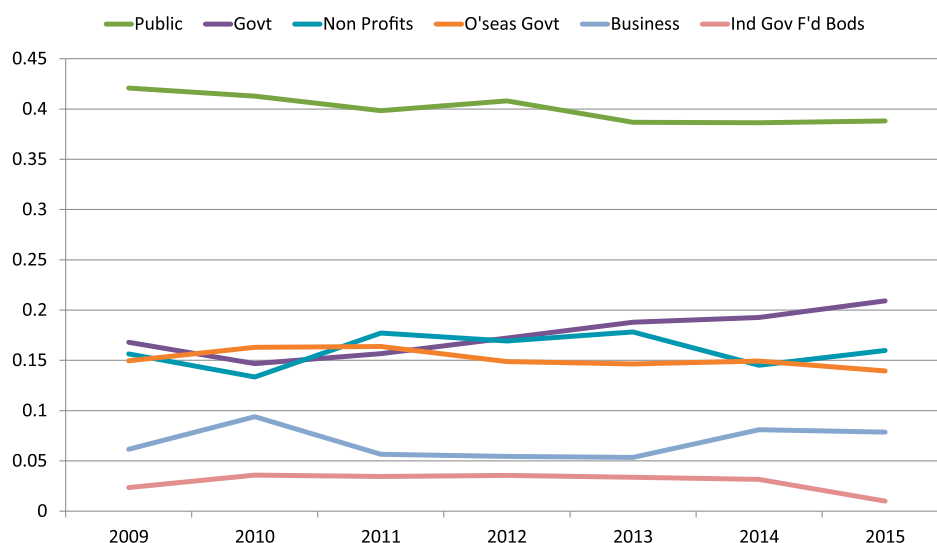


Figure 5. Funding changes by source, as a proportion of income across the sector. Source: Authors' analysis of NCVO data and own data.

68% of funds for those spending between £10,000 and £100,000. They receive only 4% of income from the UK government. Other core funding sources open up for larger organisations, including overseas governments (which make up a particularly high proportion of income for organisations spending between £100,000 and £500,000) and other non-profits. The corporate sector is a relatively minor funding source that only contributed 7% of the sector's income from 2009 to 2015. Development NGOs smaller than £10 million have largely seen a decrease in funds from business.

Increases in UK Government funding have clearly benefited the largest organisations. The biggest NGOs (those spending more than £100 million in 2015) each received, on average, over 200% more government funding in 2015 (£56 million) compared with 2010 (£18 million). Organisations within no other size category increased by more than 50%. In contrast, organisations within the smallest size category each saw an average decrease in government funding by 36%. Increased funding from other non-profits has mitigated these effects, as we discuss shortly.

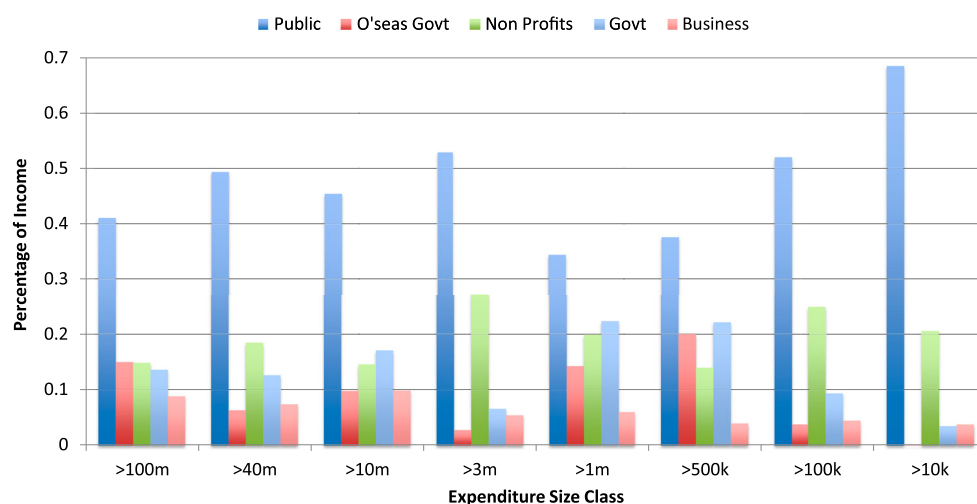


Figure 6. Sources of income, by size class (2009–2015). Source: Authors' analysis of NCVO data and own data.

Table 5. Change in income from different sources for different size classes.

Size class	Mean income per organisation 09 and 10	Mean income per organisation 14 and 15	Change in mean income per organisation	Average total annual income 09 and 10	Average total annual income 14 and 15	Change in average total annual income	Absolute increase from 09–10 to 14–15
Income from the public							
>100 m	96,595,822	105,589,374	9%	676,170,753	739,125,618	9%	62,954,865
>40 m	24,519,612	26,525,563	8%	441,353,009	477,460,136	8%	36,107,127
>10 m	5,817,821	8,352,846	44%	255,984,144	375,878,068	47%	119,893,924
>3 m	2,348,388	2,678,761	14%	159,690,351	192,870,771	21%	33,180,420
>1 m	840,326	997,229	19%	87,073,790	117,201,115	35%	30,127,325
>500 k	366,617	418,699	14%	29,190,293	36,496,064	25%	7,305,771
>100 k	156,375	144,215	–8%	15,952,301	18,389,449	15%	2,437,149
>10 k	42,222	47,621	13%	2,164,297	4,069,125	88%	1,904,828
Income from non-profits							
>100 m	29,494,624	30,931,083	5%	206,462,367	216,517,580	5%	10,055,212
>40 m	6,936,594	11,511,188	66%	124,858,694	207,201,389	66%	82,342,695
>10 m	3,307,051	4,483,173	36%	145,510,264	201,742,796	39%	56,232,531
>3 m	763,218	940,938	23%	51,898,799	67,747,522	31%	15,848,722
>1 m	294,898	402,713	37%	30,505,584	47,339,140	55%	16,833,556
>500 k	139,472	241,333	73%	11,159,539	21,061,492	89%	9,901,953
>100 k	71,641	81,599	14%	7,350,828	10,405,187	42%	3,054,359
>10 k	11,637	14,850	28%	613,424	1,269,340	107%	655,916
Income from the UK Government							
>100 m	20,972,938	47,184,534	125%	146,810,564	330,291,735	125%	183,481,172
>40 m	12,495,251	18,581,451	49%	224,914,512	334,466,117	49%	109,551,605
>10 m	3,931,244	5,305,200	35%	172,974,735	238,734,022	38%	65,759,287
>3 m	735,058	1,038,142	41%	49,983,914	74,746,222	50%	24,762,308
>1 m	253,236	257,827	2%	26,191,431	30,286,829	16%	4,095,398
>500 k	72,878	86,375	19%	5,789,633	7,515,892	30%	1,726,259
>100 k	15,442	20,780	35%	1,609,625	2,650,002	65%	1,040,377
>10 k	3,503	2,231	–36%	180,508	190,757	6%	10,249
Income from businesses							
>100 m	20,749,975	32,831,204	58%	145,249,825	229,818,425	58%	84,568,600
>40 m	1,576,545	3,855,754	145%	28,377,803	69,403,569	145%	41,025,766
>10 m	1,548,969	1,142,996	–26%	68,154,643	51,434,834	–25%	–16,719,809
>3 m	695,637	475,272	–32%	47,303,293	34,219,555	–28%	–13,083,738
>1 m	186,019	120,781	–35%	19,203,296	14,183,782	–26%	–5,019,513
>500 k	36,878	34,732	–6%	2,890,270	3,030,112	5%	139,842
>100 k	18,678	13,477	–28%	1,927,362	1,719,076	–11%	–208,287
>10 k	3,280	2,195	–33%	182,845	187,694	3%	4,848

Discussion

As these findings have revealed, our database provides new insights into the size and structure of the sector and its funding sources. What does this contribute to our knowledge of development NGOs? We draw out four key issues:

- New evidence on the size and significance of the sector.
- How contrasting development NGO expenditure with broader charitable expenditure counteracts common misconceptions.
- The remarkable stability of the structural unevenness we have identified here.
- How changes to the funding landscape have influenced the sector.

No longer the “next” development alternative: the size and significance of the sector

Domestic NGO sectors in the Global North are much less investigated in discussions of foreign aid than bilateral and multilateral actors. The most authoritative source on development aid, Aid Data, does not record funds spent by NGOs.² Tierney et al.’s (2011) argument that foreign aid debates

(made with reference to bilateral and multilateral agencies) tend to be driven by inadequate information based on limited or poor evidence, can be extended to development NGOs.

Attempts to explore and discuss NGOs as a sector have given tantalising snippets indicative of the scale and power of development NGO spending. Koch et al. (2009), for example, find that 61 NGOs in 13 OECD countries spend close to the sum of ODA for the four Scandinavian countries. This has punch, but if we are to understand the relative contribution of the sector to international development efforts, then a more meaningful comparison would be with ODA expenditure of the 13 OECD countries where these NGOs are based. Davis' (2019) database of Canadian development NGOs enables a better comparison, with Canadian NGOs spending the equivalent of around 60% of Canadian ODA.

Development NGO expenditure in Britain constitutes a similarly significant contribution to domestic foreign aid efforts when measured relative to ODA spending. Increasing funds from multiple sources has elevated the UK's development NGO sector to a position in which it spent more than half the value of British ODA in 2015. Since the size of the sector has been unquantifiable until now, its role and contributions as a major actor in domestic foreign aid efforts has been under-estimated.

"Charity begins at home": contrasting development NGOs and other charities

The findings here also question negative media and public narratives about the sector that have gained momentum amid ten years of austerity measures and an increasing prioritisation of the national interest. At less than 10% of England and Wales' overall charitable spending in 2015, a large and growing expenditure on international development remains a relatively small drop in the charitable ocean.

This matters at a critical juncture in which the national debates surrounding foreign aid is changing. Domestic austerity measures have fuelled perceptions that aid is provided at the expense of "the poor" at home. Voices arguing for a reorientation of foreign aid towards national development have become stronger (Gulrajani 2017). However, our data show that charity already does begin at home.

Furthermore, we show that public funding for development NGOs is strong and rising. The UK public has provided more than double the income to the sector than the UK government, highlighting that for the giving public, development NGOs remain legitimate and important actors. We cannot tell from our data, however, who this "giving public" is. Mohan and Bulloch (2012) have shown that the UK's charitable sector is primarily supported by a "civic core" of about 31% of the nation, responsible for 79% of giving and 87% of volunteering. That development NGOs have been enjoying healthy growth while the rest of the charitable sector has been struggling would suggest that they benefit from bespoke supporter action. A small proportion of the civic core sustain international development giving. This becomes even more evident if we explore the sustained growth in public donations relative to changes to national income: public giving has *increased* even while incomes have become squeezed (Figure 7).³ This suggests that the public sustaining international development charities may be relatively wealthy and unaffected by national trends in disposable income.

This would mean that the "giving public" that is the greatest support to development NGOs is not representative of the "average Briton" in income or mindset. This is plain if we consider data from annual Charities Aid Foundation giving surveys, which provide nationally representative averages (Figure 8). This shows no increase in levels of giving from the public. Rather levels fluctuate, generally between 15 and 20%. Moreover, the median level of donation (around about £20 in most years) could not explain the levels of giving from the public to international organisations.⁴

This paradox of static levels of small levels of giving from the public as a whole, and substantial and rising income from public sources in the sector suggests that this generosity is the outpouring of a deep vein of cosmopolitanism and concern for distant strangers that courses powerfully through a significant and relatively affluent minority. A few rich philanthropists, rather than a populist surge, explains the popularity of global development causes. Perhaps the creativity and resources of that

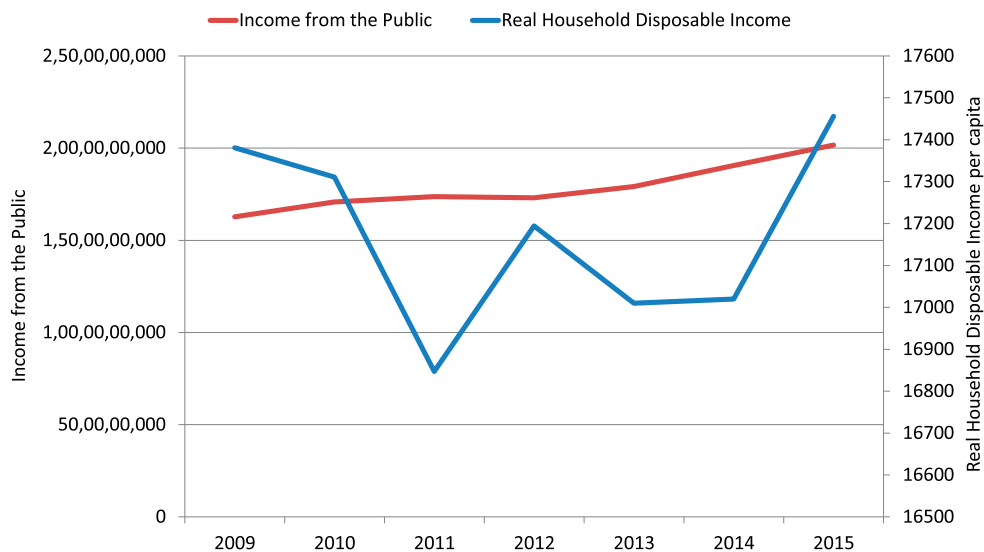


Figure 7. Changes in public donations to development NGOs and real household disposable income (RHD). Source for RHD: <http://visual.ons.gov.uk/uk-perspectives-2016-personal-and-household-finances-in-the-uk>.

minority are yet to be exhausted. Perhaps the sector, by virtue of its growth, vigour and fund-raising activity, creates the very markets and audiences that it seeks funding and support from.

The many Davids and the Goliaths: sectoral unevenness and its remarkable stability

Sectoral inequalities in income, expenditure and geography are well known by those familiar with the UK development NGO sector, but the extent of these is surprising. Eight per cent of organisations

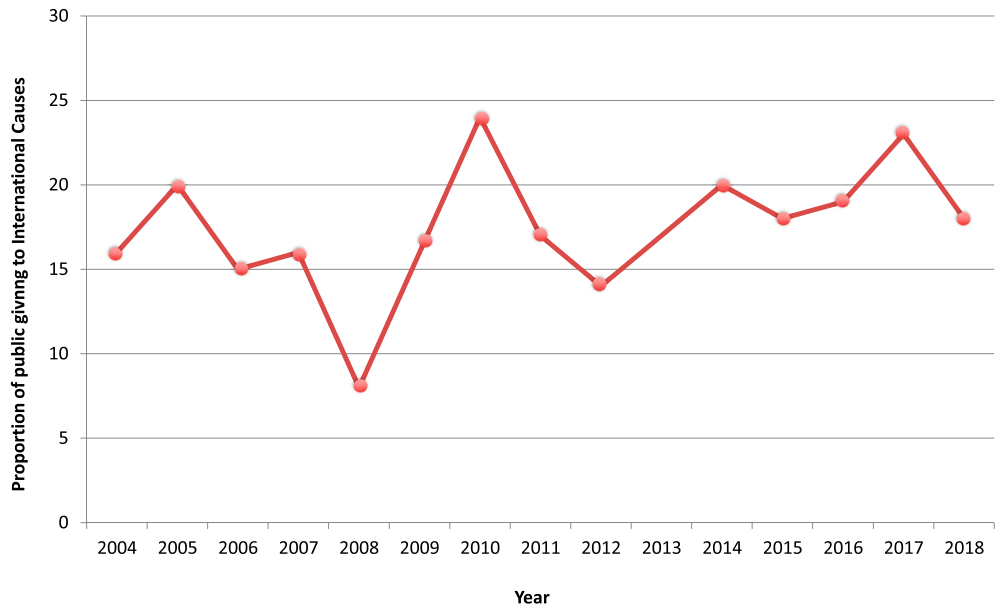


Figure 8. Proportion of the UK public who give to international causes. Source: CAF Giving Surveys.

controlled nearly 90% of the sector's expenditure in 2015, while 54% of organisations accounted for only 1.2%. These Goliaths are the 77 development NGOs spending over £10 million per annum, largely located in London and the South East.

It is only because of our methodology that these distributions can be revealed. Too often the tendency is to discuss or analyse the sector on the basis of its Goliaths, overlooking the work and experience of hundreds (indeed thousands) of small and medium-sized NGOs. Understanding this heterogeneity is critical to understanding the sector at any moment in time, but we also gain new insight by exploring this structure over time. In doing so we reveal the stability of this unevenness. Expenditure growth has taken place across all size classes, but has been strongest in real terms for the largest NGOs. Consequently, there has been little change in how the sector's expenditure is distributed across size classes over the five years under study. Size categories of development NGOs have all increased their expenditure in absolute terms, but the general rule is that they have not increased their category's share of expenditure alongside this.

Unevenness in the sector is therefore remarkable both in its concentration at the top and its stability. Despite the sector's 44% growth in expenditure over 2009–2015 the market share of different size classes of NGO has remained largely the same. While the growth story in expenditure has been positive across all size classes, among the smallest NGOs (>£10,000) this expenditure growth has been driven by an increase in organisations as well as individual increases in expenditure. This natural equilibrium that the sector appears to graduate to is worthy of future exploration. Further reflection and research on the efficiency and equity of this distribution also become important matters for research and policy attention.

Changing funding landscapes and increasing intermediation in the sector

Our approach allows us to monitor the sector's structure over time, but also allows us to analyse the influence of changing funding landscapes on its structure and mechanics. This new empirical insight can shed new light into theoretical work on NGOs. Theoretical debates often relate to the ways in which NGO operations are influenced by their positioning within the broader aid chain (that is between donors and Southern counterparts or beneficiaries), creating tensions when it comes to balancing these competing accountabilities (Banks, Hulme, and Edwards 2015). Funding relationships with donors – and the donor priorities that influence what projects are designed and implemented by NGOs – are seen as problematic because they have the potential to limit NGO autonomy and pull them away from the local realities and beneficiaries that they represent.

Davis's (2019) research in Canada reveals this may not be as big a concern as has been represented to date. He finds that over 80% of Canadian development NGOs (of a sample of 991 organisations) receive no government revenue, with only around 6% dependent on government revenue for 20% or more of their revenue. The vast majority of NGO revenue in Canada is privately sourced, as we have found similarly in Britain. Only mid-sized organisations (those earning over £500,000 and over £1million) received more than 20% of their income from the UK government between 2009 and 2015 (Figure 2). These constitute 251 organisations (28% of the sector) and 5% of the sector's overall expenditure (Table 1).

Large increases in government spending have not influenced the sector's overall structure and composition. Increased government funds may have gone primarily to the biggest NGOs, but given pre-existing unevenness in the distribution of that expenditure, this has had the effect of bolstering the already existing tendency towards the concentration of income at the top. The largest three size classes of NGO may not be dependent on government funds to the same extent as these mid-sized organisations, but the increases in funds from government have been dramatic, entailing increases of hundreds of millions of pounds (Table 5). Such growth, over such a short time frame, raises important questions around how it is managed, questions that have been increasingly asked in the wake of recent scandals in the sector.

While patterns of government funding over the period have not influenced the sector's structure (that is, how income and expenditure is distributed across the sector) it has influenced the *mechanics* of the sector (that is, the way it operates). Here it becomes useful to apply theories not commonly investigated *within* domestic development NGO sectors, namely intermediation.

With international NGOs seen to act as intermediaries between donors and their Southern partners or beneficiaries, intermediation is largely conceptualised at the global scale. Yet these findings reveal increasing intermediation before reaching this international link in the aid chain. That is to say, we see additional actors in the UK aid chain, with money passing through more UK development NGOs before funds reach global partners. Since all size classes experienced income growth between 2009 and 2015, where categories are losing income from one source, they must be increasing it from other sources. In the period up to 2015, the smallest NGOs, on average, lost UK government funding (Banks and Brockington 2019). While new funding initiatives in 2015 have reintroduced UK government funding to the smallest organisations (the smallest NGOs saw, on average, a 6% increase in government funding in the year to 2015), they more than doubled their income from other non-profits. Shifts in funding from business (increasing to the largest NGOs and falling to the smallest) have largely bolstered these shifts.

These findings suggest that the biggest NGOs are increasingly becoming mediators of funds before they trickle-down to smaller organisations. Despite having more ODA money to spend with a growing economy and 0.7% commitment written into law, austerity measures simultaneously require DFID to prune operating budgets and maintain staffing levels (Evans 2018). Within this context and these constraints, the benefits of larger grants being awarded to the biggest development NGOs are clear. Smaller NGOs are unable to process the volume of funds that DFID need to shift without increasing their overhead costs (Gulrajani 2017).

We cannot, with these data, speak to the efficiency of these new sectoral mechanics, but this becomes an important question for research and policy. While literature typically poses close proximity to donors as problematic to development NGOs, it could well be that distance is equally so. As Evans (2018) explores with regards to the increasing use of private contractors to manage UK ODA funds, having no direct link to DFID means no relationship-building and no positive feedback loop through which smaller NGOs can demonstrate the strengths of their approaches and potentially secure more funds in the process. It also eliminates the channels through which DFID can learn from new innovations. There are potentially damaging losses on both sides.

Conclusions

While research on development NGOs alludes to development NGOs as a collective – as a group which needs to be thought of for their cumulative consequences and influences – it has tended to focus on individual or small collectives of NGOs and to concentrate on the largest. Where these represent only a tiny proportion of the overall sector this has been to the detriment of our understanding of the size, composition and contributions of the sector. The absence of this knowledge makes it difficult for policies based on development NGOs or their work to be evidence-based. In a context in which donors are heavily reliant upon and heavily investing in NGOs as key development partners, this is surprising.

We illustrate here the importance of new approaches and methods to deepen our understanding of the sector and to fill in these knowledge gaps. Only through this systematic analysis can we begin to understand the ways in which new funding channels or regulations are influencing the structure and mechanics of the UK's development NGO sector – and potentially the type of development supported through it. This is critical to evidence-based policy-making, providing new insights into the sector that DFID and other funders can use to more effectively engage with a sector whose structure can now be seen more clearly.

Our efforts to map the UK's development NGO sector in this way reveal a thriving sector that is growing in income, expenditure and number of organisations. In doing so, we bring to light the

full extent of its contributions to the UK's foreign aid efforts. In 2015, the sector spent nearly £7billion, the equivalent of just over half of the UK's ODA for that year. Because these data have until now not been compiled and analysed in this manner, we have underestimated these contributions, with NGOs continuing to be discussed peripherally in narratives of foreign aid. Yet they are core actors.

Looking below these headline figures also reveals important characteristics and the processes underpinning them, including the remarkable stability of structural unevenness in the sector and the ways in which changing funding patterns across different size classes of NGOs point towards new trends (such as the increasing intermediation of development NGO funds domestically within the sector itself). Providing unique insight into the sector, these findings have only been enabled by the new sector-wide approach we have taken here, highlighting the importance of incorporating a more systematic analysis to advance our knowledge on what constitutes such an important sector.

Its findings raise important topics for future research, including the ways that different NGOs are responding (individually or collectively) to meet the changes and challenges we identify here. Given the unevenness of the sector, exploring partnerships and collaborations through which NGOs may seek to improve funding or positioning within the sector is particularly important. Findings also reveal the need to know more about NGO income, to understand the ways in which changes to donor funding shape and influence the sector, and potentially the forms of development it can support. Within the UK in particular, learning more about who “the public” is that has driven such phenomenal growth in the sector, across a period of declining real income, will also reveal new important insight into the sector. Pursuing the leads raised by these systematic studies and following these changes longitudinally – through maintaining databases like ours and constructing others similar to it – are now important research challenges. This challenge is dependent on the availability of data to support and carry out such analyses, with charity regulators playing an important role here.⁵

Notes

1. Our database does not include Northern Ireland because we could not easily obtain historical records from the Coalition of Development Agencies (CADA). Therefore, ours is a study of development NGOs in Britain, not the United Kingdom.
2. Aid Data (www.aiddata.org) is a research project collecting, compiling, and analysing data on foreign aid.
3. We have explored whether increased giving in times of crisis is a response to major humanitarian crises. Peaks in giving coincide with years in which Disasters Emergency Committee (DEC) appeals took place, and there was no DEC appeal in 2012, the year when the largest NGOs saw a decline in their income. But there are two important points here. First, DEC is a grant-making organisation and excluded from our database; money donated through it is reported as income sourced through “other charities” rather than directly from the public as a result – and is often spent in the year or two after the crisis. Second, the sums of money collected directly from the DEC are small compared with the overall public sources of income across the period 2009–2015, totalling £540.6 million across 12 crises. This is a relative drop in the ocean compared to the nearly £10 billion donated to the sector by the public across the same period. Any significant “DEC-effect” on public donations, therefore, is a result of money collected over and above that donated directly to the DEC itself.
4. Van Heerde-Hudson et al.'s paper (2020, this issue) corresponds with these findings around the level of contributions from the “general” public.
5. While the Charity Commission for England and Wales makes income and expenditure data publicly available for every registered charity, in Scotland searching through annual reports for the same data makes this a viable, but much more time-consuming task. Complementing Charity Commission data with NCVO data on sources of income gives us a broader understanding of the sector and influences upon it, but there are still limitations to our analysis as a result of these data. We cannot, for example, break our analysis down beyond these broad sources, such as “public” to see “who”, exactly, is giving – and how much. Such data would reveal important insight into some of the questions we raise above. Looking more systematically at the types of activities carried out by development NGOs and how these are implemented would likewise be beneficial to expanding analyses like these, and could prove particularly insightful across different size classifications of NGOs to see whether development NGOs of different sizes have different characteristics or attributes to their programmes, or different processes through which they are implemented. Such data do not exist in Charity Commission data, and while some broad indication of activities can be found in the annual reports of organisations, this is

rarely comprehensive in a way that is directly comparable across organisations. Other, more traditional forms of NGO research may be best-placed to answer such research questions.

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