


The Challenges of Korean Development NGOs and Their Comparative Advantages



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Korea has increased its scale of official development assistance (ODA) to reach the target of an ODA/GNI ratio of 0.25% by 2015. Currently, it is expected to reach 0.16% (USD 2.3 billion) by 2013. Now, look at the other side of Korean ODA. Member countries of the Development Assistance Committee provide 13% of the bilateral ODA on average through NGOs and the Civil Society in 2011. During the same period, Korea made up only 1.4% (USD 22 million) of the overall bilateral ODA through these groups. Compared to only making up 0.6% of the overall bilateral ODA in 2008, the 1.4% figure in 2011 is surely encouraging. However, this small number indicates that Korea does not consider NGOs and Civil Society as a valuable channel to provide ODA. We may ask why the Korean government

underrates the roles of NGOs but this is something that is not worth contemplating about. The more valuable question is how to develop Korean development NGOs as effective players in international development activities.

Similar to Korean NGOs, Korean international development NGOs also have a short history. Although they did not have sufficient time to equip enough capabilities to work as an international development actor, they have rapidly grown to become an important player in international development after facing great challenges. First, Korean development NGOs need sufficiently sustainable funds to implement innovative poverty alleviation programs. If NGOs do not have enough funds to manage their programs, they may alter their programs to meet the given available funds, a phenomenon known as “donor capture. Lester M. Salamon points out that this alteration is one of many voluntary failures, such as “donor capture,” “sector blurring,” or inefficient management of NGOs. Fortunately, the Korean government has increased its support to NGOs from USD 10 million in 2012 to USD 15 million in 2013. However, NGOs still have to make sure that they do not become fully dependent on government funds so as not to hurt their identity.

Second, Korean development NGOs have spent only 28% of their budget in the area of overseas development projects while most funds have been spent for local activities and projects. This unusual allocation is, we believe, mainly caused by the short history of Korean international development NGOs. As they accumulate more experience in this field, we believe that the allocation will soon be changed.

Third, according to the data from the Korea NGO Council for Overseas Development Cooperation, the polarization of the number of donors and revenue has been intensified. In 2009, 8 organizations of 50 NGOs recorded USD 0.38 billion in revenues, which is 87% of all the total revenues of all 50 NGOs, amounting to USD 0.45 billion. The difference of the revenues indirectly represents the polarization of the number of donors. Given the short history, the polarization is caused by the fact that early starters may enjoy the advantages provided to the first movers. In line with this, it is time to think together about how to support the “alienated” development NGOs. Moreover, NGOs have to search for how to increase the number of donors. They have to identify the logical explanation of their advantages and try to publicize the roles of NGOs and comparative advantages in the fields of poverty alleviation, instead of appealing to emotions. This will be a more effective way to increase the number of donors.

Many studies report that international aids, such as ODA, do not accomplish much in alleviating poverty because of various market failures and government failures in most developing countries. As an alternative to governments and for-profit sectors, we pay attention to the roles of NGOs because of their “organizational comparative advantages” in the fields of poverty reduction. NGOs have a number of organizational comparative advantages; first, NGOs can effectively design and implement innovative poverty reduction programs (such as microfinance) because NGOs that work directly with the poor may understand the actual needs of the poor better as well as design more active programs (“innovation in poverty program”); second, NGOs can adjust their programs much faster compared to the government (“flexibility in program implementation”) and this flexibility allows altering programs to suit particular needs; and third, NGOs can represent and fulfill the needs of the poor because they have a better understanding of the poor (“capacity for representation and advocacy of and with the poor”).

The main reason that the poor stays poor is the existence of poverty traps, particularly, multidimensional and interlocking poverty traps. As an agent who destroys poverty traps, we expect that NGOs can play a key role because of their advantages. Moreover, a well-known fact is that each chronic illiteracy or chronic undernutrition has a heterogeneous effect on the long-run asset dynamics of households. Policy-makers and practitioners should identify local conditions, such as locally underlying poverty traps, to take care of present and future problems. NGOs can play an important role in the activities in this regard because NGOs know more, to a degree, about the local conditions and the needs of the poorest of the poor compared to the government. Of course we cannot ignore the roles of the government and the private sectors in poverty reduction activities. All three sectors should contribute in a complementary manner; for example, for-profit firms could be a partner of NGOs and the government can implement large-scale programs.

In conclusion, Korean development NGOs have to strive harder to promote the comparative advantages to overcome the challenges they face today. Rather than appealing to emotions, logical reasoning is a more effective and sustainable way to secure the number of donors. By doing so, the problem of polarization and lack of funds are solved gradually. Moreover, the competition within NGOs to gather more donors will improve the efficiency and transparency of their activities. **KIEP**