

07

Engaging with Government

ACFID was relatively slow in its early years in developing a fruitful engagement with government on aid and development policy, with little substantial engagement until the mid-1970s. This was frustrating for them at the time as NGO engagement with government in public policy is an important reason for their existence as public benefit organisations, a role often taken on by peak bodies such as ACFID. This engagement presents both risks and opportunities for NGOs. This chapter looks at the opportunities that emerged when the Australian government saw an advantage in cooperating with NGOs. Chapter 8 will look at the risks that occurred when later governments not only saw little advantage in engaging with NGOs but were also in some quarters even hostile to the very notion of engagement.

Australian governments of the late 1960s and early 1970s had not formed a policy on aid and development much beyond the Colombo Plan of 1950, which soon morphed into being part of a Cold War strategy of winning ‘hearts and minds’, and later in the 1960s the war in Vietnam filled the foreign policy space (Oakman 2010; Howell 2014). For other developed countries, and the United Nations more broadly, the 1960s was a period of closer engagement with development NGOs as part of the first Development Decade, so that by the late 1960s NGO funding schemes had been established in a number of donor countries and NGOs were actively engaging with their respective governments on aid and development policy (Brodhead et al. 1988). By the 1980s government funding of NGOs had expanded (OECD 1988) to the point that questions were being raised as to whether it was too much. Michael Edwards called it ‘too close for comfort’ (Edwards and Hulme 1997), and in the 1990s the ‘dependency’ of NGOs on government funding was being hotly debated (Van der Heijden 1987; Drabek 1992; AusAID 1995a; Steen 1996).

Of course the timing of these changes differed from country to country, depending to a large extent on the political cycle and the relevant government’s views on NGOs and their role. This chapter will look at the increased engagement by government with NGOs, from the first Development Decade UN commitments,

and track how this engagement led to greater funding of NGOs through official aid programs (Gubser 2012). Chapter 8 will then track how a growing scepticism of NGOs by government, particularly after the end of the Cold War, led to varying levels of disengagement of governments with NGOs in many countries, including Australia.

The international experience

Government funding of NGOs started in the 1950s with the US government funding international NGOs in 1951 and Sweden in 1952 (OECD 1988). The US funding of NGOs was unique in that it rapidly increased in the mid-1950s, more than 10 years ahead of most other donor governments. In 1954 the Agricultural Trade Development Assistance Act, otherwise known as PL480 (Public Law 480), became the Food For Peace program under president John F Kennedy (OECD 1988). The PL480 program mandated that the majority of food aid be used to meet humanitarian food needs, either for direct feeding or to be sold to raise cash for development work, and be delivered through NGOs or the World Food Programme. The PL480 program grew rapidly, and for agencies like CARE and Catholic Relief Services in the US it became their major source of income. This was also a time when the US government used NGOs, and even created them in the case of the Asia Foundation, as part of its Cold War strategy (Department of State 1966; Howell 2014; Marchetti and Marks 1974; Pergandi 2002; Flipse 2002).

In the other OECD countries government funding of NGOs started in the 1960s with Germany, Netherlands and Norway in 1965, and Canada in 1968 (Herbert-Copley 1987; OECD 1988; Brouwer 2010; Smillie 1995). This followed a push by the UN for greater engagement of governments with NGOs and the successful global Freedom from Hunger Campaign as part of the first Development Decade. In 1968 an NGO division was established in the Canadian International Development Agency (CIDA), which started making matching grants on a 1:1 basis to agencies to support their work. In its first year this scheme sent \$5 million to 50 projects undertaken by 20 agencies, which by 1985 had grown to 2,400 projects by 200 agencies (Brodhead et al. 1988; Brouwer 2010).

In the UK there was some ambivalence about government funding from both government and NGOs, with prime minister Heath saying in 1970 that providing aid to NGOs was 'undesirable' (Burnell 1987, p. 14). By 1973, however, 10 per cent of the UK's official aid was provided through NGOs, most probably boosted by the one-off funding to the Bangladesh emergency (Cole-King 1976; Hilton 2012). In 1975 a Joint Funding Scheme based on the Canadian model was set up by the UK Labour government, and in 1977 the four largest agencies

received block funding from government (Hilton 2012). There was some nervousness among UK NGOs of government funding. The major agencies had set an upper limit of 10 per cent of their funding coming from government, as they felt their reputation with their developing country partners might be put at risk. The experience from the US was that USAID funding of NGOs had exacted a price in terms of their reputation for supporting US foreign policy and, in the case of Vietnam, US wars (Lissner 1977; Burnell 1987; Diamond 1992; Ekbladh 2011; Pergandi 2002; Flipse 2002).

The focus of donors on funding NGO programs was due in part to the failure of large-scale bilateral projects and questions as to whether these projects benefitted the poor. NGOs were also seen as good managers of food aid: in 1981 the US Congress mandated that a minimum of 12 per cent of the US food aid commitments go through NGOs (OECD 1988). By 1985, of the \$4.5 billion given as grants by NGOs in the OECD, around one third of the funding was from government (OECD, p. 81). When compared with 1975 the level of aid delivered by NGOs as a proportion of GDP had not changed significantly, but the funding from Overseas Development Assistance (ODA) had risen more than tenfold, 'from some \$100 million in 1975 to over \$1.1 billion in 1985' (Van der Heijden 1987, p. 103). In Canada the amount of ODA through NGOs doubled between 1975 and 1985 to 8 per cent of ODA (Herbert-Copley 1987). By the mid-1980s other official aid agencies started to subcontract NGOs to undertake bilateral projects; however, there were costs. In the US in particular, where program and block grant funding was lowest, the effect of the contracts governing these grants limited NGO ability to speak out:

these NGOs have put at risk their ability to speak out on important issues, their freedom to identify projects based on local input, and their general independence of action. They find themselves responding increasingly to donor demands and guidelines rather than to the relationships and networks they had developed in the field (Hellinger 1987, p. 136).

This issue of government constraining the voice of NGOs by virtue of their funding contracts still continues (see Chapter 10).

The Australian government and ACFID 1965–74

As discussed in Chapter 2, while the Australian government may have had some input into the formation of ACFID in 1965, and with the impetus from the UN for governments to engage more effectively with NGOs, it was the driving force of Sir John Crawford that made it happen. However, the day-to-day relations

of NGOs with government in the 1960s were not close. Apart from covering some of the core costs of ACFID from 1967, and the volunteer program, there was no NGO funding from government outside of small grants for emergencies until 1974 when the ANCP started. As a result the relationship of NGOs with government through the 1960s and early 1970s was at best distant and at worst acrimonious. The major issue which was to dog ACFID for its first 15 years was the granting of tax relief for donations for overseas aid work. This issue was to be the source of bitter dispute between ACFID and government throughout its formative years.

While liaison with government was a reason for ACFID's formation, its influence on official aid policy was relatively weak in the 1960s, and its policy dialogue on aid could be described as a dialogue of the deaf, or at least to the deaf. Any policy influence ACFID had up until the mid-1970s was mainly through a series of conferences (ACFOA 1965b, 1966g, 1969a) but these generally had little effect on the aid program, and ACFID's access to government was limited. This was probably because the government in the 1960s did not have a culture of engagement with the community sector as such (beyond industry groups), and the whole notion of overseas aid in a broader policy sense was very new. Official aid at the time was still rooted in strategic Cold War imperatives and trade promotion rather than development (Viviani and Wilenski 1978; Waters 1999). ACFID's work on the Bangladesh crisis of 1971 and the McMahon government's intransigence in responding to the crisis was a case in point (O'Dwyer 1971a).

International aid has introduced a completely alien element into this world of debate of security and trade interests ... [and so] arguments on aid policy are always framed in the national interests, and they never rest their case on moral or humanitarian arguments (Arndt 1969, p. 46).

From 1973 the relationship improved under the Labor government and, following its fall in November 1975, the Coalition government of Malcolm Fraser maintained the engagement with NGOs and ACFID but not the growth in funding. While general funding to NGOs did not grow much in real terms, the Fraser government did not reverse any of Labor's funding initiatives for NGOs, which were relatively small compared with other DAC counterparts (OECD 1988). The Fraser government was more engaged in policy dialogue and used NGOs for specific programs, mainly around Cambodia in the early 1980s when bilateral relations were not possible. Most importantly, the Fraser government introduced tax deductibility for donations for international development work in 1980 (Howard 1979; Alston 1980a). In 1983 the new Labor government then rapidly expanded funding to NGOs until the mid-1990s, when the growth in funding stopped and questions were raised about NGO dependency on government and whether they were the most effective channels of official aid (AusAID 1995a). This next section will look at the relationship with government over those first 30

years from the days of hostility to the building of government funding schemes and the 'golden age' of NGO funding in the 1980s. The cooling of relations with government came in the 1990s, initially with the Labor government but continued with the Coalition government under John Howard, with a drop in funding to NGOs from the peak of the early 1990s until the 2010s, when NGO funding as a proportion of the aid program again increased for a period. The 1990s and 2000s will be looked at in more detail in Chapter 8.

The fight for tax deductibility

In the 1960s the same arguments on tax deductibility for donations to NGOs were also happening on the international stage. While the notion of tax relief to charities has a long history going back to 1799 in the UK, when charities were given an exemption from paying tax under the new tax laws of that year (Scharf and Smith 2012), the idea of giving a tax deduction to the benefactor for their donations to charities was more recent. The US was the first to offer tax relief for donations in 1917, and other countries much later (Lissner 1977; Wolfe 2013). The introduction of exemptions from other taxes, such as value added taxes and employment taxes, also had a positive effect on the commercial arms of NGOs such as Oxfam Great Britain and its very large network of shops (Lissner 1977).

By the mid-1960s, the idea of providing tax relief for donations to international NGOs was gaining some traction. The UN work around the first Development Decade and the Freedom from Hunger Campaign put NGOs and their work to the fore, and various forms of tax relief for NGOs were being introduced in a number of countries. By 1967 Canada, the United Kingdom, and New Zealand all had some degree of tax relief for donations for NGO development work (Perkins 1967), and by 1975 only Sweden, Switzerland and Australia were among the OECD countries had not provided tax relief for donors who gave to development NGOs (Lissner 1977). The Freedom from Hunger Campaign had been granted tax deductibility as Australia's commitment in support of the UN resolution on the first Development Decade in 1959. The campaign itself, however, got underway in 1961 as a five-year campaign (Lockwood 1963), but in Australia did not start until 1962. As the campaign was expected to run until 1967, it should have had tax deductibility for all of that time. So it came as quite a surprise when in mid-1964, after only two financial years of operation, the campaign's tax deductibility was arbitrarily withdrawn. The argument of the government at the time was the rather spurious one that the agreement was made in 1959, and that the tax relief was from then and not from the commencement of the campaign in 1962. This led to outrage, and AFFHC was a reluctant party to the early meetings around the formation of ACFID due to the bitterness engendered and the perceived duplicitous nature of the government

(Webb 1964a). The Freedom from Hunger Campaign was probably a victim of its own success when treasury calculated the tax revenues foregone from donations to the campaign.

As a result, one of the major activities of the ACFID executive in those early years was regular lobbying for tax relief, with many meetings and letters (ACFOA 1966a, 1966d, 1969c, 1969d, 1970a; Crawford 1966, 1969; Perkins 1967). In 1966 ACFID met with prime minister Harold Holt to discuss the tax relief issue and presented comprehensive arguments, and there was regular follow up with the government over the following years. The main objection from government was that tax relief was given to enable Australians, through private donations, to either help other Australians through charity work, and thus relieve government of some of the burden, or to provide an incentive to use private services instead of government services (such as health and education), and again relieve government of some burden. This was the so-called 'in Australia test': tax relief was given to Australian organisations for the support of Australians so there was a direct benefit to government in providing tax relief, and there was no cost to government as the opportunity cost of the taxes forgone was more than covered by savings in expenditure. For overseas aid there is no obvious quid pro quo: providing tax relief to the donors to international NGOs to the tax office was a 'haphazard subsidy' with no direct benefit to Australia (*Current Affairs Bulletin* 1967, p. 202).

Another argument that featured in the US was that tax deductibility gives an effective expenditure priority for government spending in which government has no say, as there are no associated appropriations linked to the tax forgone (Whitaker 1974). The paradox was that while these arguments were going on, donations for the work of agencies in PNG were tax deductible as it was regarded at the time as being part of Australia (Hinton 1969). The Labor government of 1972 was no more sympathetic, preferring to provide direct grants to NGOs, which they started to do in 1974, rather than give tax relief to the donors. It was not until 1980 that general tax relief to NGO donations was granted following a one-off tax relief for donations to the Cambodian appeal, which had exceeded all expectations (see Chapter 5).¹

An aspect of the tax relief debate at the time was the eligibility of donations for global education in Australia, so that Australians through the education system and through community activities were made aware of the issues of poverty

1 An interesting aside was that at the time there was a campaign by AFFHC supporters who sent small sums of money to the Treasurer to make up for its contribution for overseas aid the government was so worried about. These donations came back to ACFID and presented a headache as to what to do with them (Solomon 1972c).

and development (see Chapter 3). In the UK there had been a long battle in the 1960s to have global education included as a legitimate activity of NGO use of tax deductible funds under the Charities Act. In 1963 the Charities Commission even suggested development aid itself may not be a 'charitable' act but the UK House of Lords, which supported NGOs, resolved that it was. In 1969 global education came to the attention of the Charities Commission as AWD was seeking to undertake global education as part of a broader consortium under VCOAD. The Charities Commission ruled it ineligible, and so a separate entity was set up to enable this work to occur without a tax exemption (McDonald 1972; Weber 2013).

While overseas aid can be seen as having a public benefit, advocacy was seen in some jurisdictions as having a partisan or sectional benefit, and as such was a direct engagement in political processes. In both the US and the UK in the mid-1970s advocacy for aid policy change was allowable for a tax exemption if it was an adjunct to an NGO's primary purpose (Whitaker 1974; Lissner 1977; Crowson et al. 2012). Canada followed suit in the 2000s (Carter and Man 2011). From 1974 Oxfam gave 5 per cent of its income to global education work (Black 1992). However, NGOs that did not undertake advocacy directly related to development work, such as AWD, had their tax privileges revoked (Hilton 2012). There was a double standard here, as some charities were allowed to advocate for changes to laws, such as those dealing with disability, while those dealing with child poverty or social injustice were not allowable (Lissner 1977, p. 118). Nightingale argued that such legislation invariably has the effect of blackmailing agencies into avoiding policy debate, thus inhibiting their natural development, and so 'imposes alien ways on them [so that] a good charity may *ipso facto* be a worse organisation' (Nightingale 1973, p. 52).

In Australia global education and campaigning had been included as an eligible activity for tax exemption since 1980, when it was introduced for overseas aid activities, until it was questioned by the Howard government in 2007. Under British common law, which has been largely adopted in Australia, the courts have added to the list of purposes which were accepted as charitable over the years.² While the argument for tax deductibility for overseas aid can be and has been argued under the relief of poverty, NGO advocacy and policy work could only come under the notion of an 'other purpose beneficial to the community'. In most countries tax deductibility can be used for advancing a

2 In 1891 Lord McNaughton, in the Pemsel case, classified these charitable purposes under four 'heads':

- i. the relief of poverty;
- ii. the advancement of education;
- iii. the advancement of religion; and
- iv. other purposes beneficial to the community

(Culyer, Wiseman et al. 1976, p. 33; Cordery and Baskerville-Morley 2005).

public benefit rather than a sectional or partisan one. In the UK, the Charities Act more narrowly defined policy advocacy as being part of the political process and so donations for advocacy were ineligible for a tax exemption. The Australian advocacy NGO AidWatch had their tax deductible status revoked in 2007 on the grounds that their policy advocacy was part of the political debate rather than aid as such. This was challenged in the High Court of Australia which ruled that the arguments of the Charities Commissioner in the UK did not apply to Australia due to their differing constitutional arrangements. It then went on to argue that it did meet the charitable purpose of being 'beneficial to the community' (McNaughton's fourth Head) in that 'the generation by lawful means of public debate ... concerning the efficiency of foreign aid directed to the relief of poverty, itself is a purpose beneficial to the community' (High Court of Australia 2010, para. 47). The effect of this decision was that donations used for advocacy and global education could still receive a tax exemption, thus broadening the definition of a charitable purpose (Martin 2011; Turnour 2011; Williams 2012; see also Chapter 3).

Engaging on policy debates

While ACFID had been engaging on broad policy through the regular conferences it ran from 1966 to 1972, the engagement with government did not really gain traction until the work of the Dev Ed Unit outlined in Chapter 3. The newly elected Labor government in 1972 provided new impetus for this engagement as, unlike its predecessor, it was open to dialogue with NGOs. The reasons for engaging with government are complex: at one level influencing aid policy is of itself a good thing and was what Crawford had in mind in 1963 when he first floated the idea of a council of development NGOs. Lissner also argues that engagement with government on aid policy is important to NGOs as it maximises agency 'respectability and leverage' and fulfils the desire 'to be taken seriously' (1977, p. 203). In his drive to establish ACFID in the early 1960s, Crawford was certainly aware of the importance of leverage. The desire, however, for the NGOs to be taken seriously by government on policy matters probably emerged later, and arguably through ACFID's engagement with the Labor government between 1972 and 1974. In the 1970s there had also been some input into the aid policy of the major parties when ACFID had the opportunity, and this bore fruit in that many of the aid initiatives by the Labor government between 1972 and 1975 were driven to some extent by ACFID's agenda. Similarly, ACFID had an input into Liberal Party policy in 1975 (Sullivan 1974b; Sullivan 2013).

Lissner (1977, p. 105) suggests that NGOs, in their relationship with governments, have an 'inferiority complex' due to their perceived relatively weak financial position and organisational power vis-a-vis government. NGOs, however, also had to deal with a perception by government of being 'amateurish, inefficient and

lacking in hard-nosed financial and technical competence', with the churches feeling this particularly hard, being missionary-based, 'starry-eyed and pious' (Lissner 1977, p. 108). Even 40 years later, in the 2010s, NGOs still talk of being professional and needing to professionalise, even when its purpose and what it might mean for them is not that clear (Lang 2012; Wright 2012; Martinez and Cooper 2013). The downside is that the 'professionalisation' of NGOs puts them into an 'industrial-bureaucratic mode', which is useful in gaining access to government and intergovernmental forums, but comes with an opportunity cost to the NGOs' capacity to be truly independent and voluntary in character and true to their Weltanschauung, or world view (Lissner 1977; Lang 2012).

Arguments about the quantity of government aid have been ritual for ACFID throughout most of its history. This is particularly during the preparation and handing down of the national budget, with regular analysis and lobbying being an ongoing strategy for the agency. When there are mooted or real aid budget cuts, this lobbying work can become intense as cuts are seldom restored, and certainly not in the short term. The aid budget cuts of 1976, 1986 and 1996 were major issues for ACFID. It was not until after the September 11 terrorist attacks in New York and Washington that the aid budget was restored to nearly the levels (as a proportion of GDP) of the 1970s. In 2013 and 2014 this increase in aid came to a halt when an incoming Coalition government made some sharp cuts and brought the ODA to GDP ratio of aid to the lowest levels ever.³

In 1976 the ACFID campaign against aid cuts was broad based and had a great deal of community support, due in part to the work of the ACFID Dev Ed Unit and AWD, which was still very active at the time. The campaign started following a 13 February meeting of ACFID with foreign minister Peacock who flagged cuts in aid, the disbanding of the Aid Advisory Board, and moving AusAID to being an aid bureau within the Department of Foreign Affairs (ACFOA 1976g). The government's view at the time was that aid policy was a function of foreign policy (Viviani and Wilenski 1978), thus sparking an ongoing debate with ACFID. The relationship of aid and foreign policy was also a key question in the three independent aid reviews held over the following 35 years (Jackson Committee 1984; Simons et al. 1997; Hollway et al. 2011). In a one-day consultation with AusAID in 1976, ACFID made it clear that it saw the closing down of AusAID and the cutting of aid as retrogressive, but to no avail (ACFOA 1976a, 1976f). In 2013 history was to repeat itself when AusAID was fully merged with DFAT (a more thorough integration than that of 1976), and a real cut in aid levels was made.

3 The ODA/GDP ratio fell from 0.33 to 0.22.

The vigour of the response from the NGOs and the public in 1976 to what was essentially a slowdown in the growth of aid showed the strength of public support for official aid at the time (Barker 1976). The feedback from sympathetic officials was that ACFID had not made enough lobbying noise before the budget. ACFID felt that that might have been counterproductive, but did agree after the cuts were announced that lobbying should have been earlier as a precursor to the campaign (Sullivan 1977b).⁴

In 1985 when there was another sharp round of budget cuts the response from NGOs was somewhat muted despite a campaign launched by ACFID (Rollason 1985). One reason for the poor response by NGOs to the cuts was the quality of aid debate: aid going to regimes with poor human rights records was being criticised, the main example being the aid program in the Philippines being used to support counterinsurgency operations in Mindanao, and propping up the Marcos regime (ACFOA 1982a, 1983e). The other point was the focus of the official aid program, which was on infrastructure with little support for basic human needs and community-based approaches outside of the ANCP. In this environment neither the public nor the NGOs were prepared to run an aid cuts campaign with any enthusiasm (Birch 1985; ACFOA 1985a).

Another reason may have been that the NGOs had received a substantial increase in their funding from AusAID, and perhaps ACFID was reluctant to bite the hand that feeds. From the public interested in aid, there had been a visceral dislike of the Fraser government in 1975 and how it came to power, and perhaps they were reluctant to be too critical of the relatively new Labor government 10 years later. A similarly muted response came from ACFID in 2013, when an incoming Coalition government cut not only against the forward estimates but also within that financial year, followed by another round of deeper cuts a year later. This may also have been to do with a lower level of tolerance by government more generally for vigorous criticism of their policies, both within Australia and globally, which was becoming more evident in the 2010s (Edgar and Lockie 2010; Lang 2012; Gray 2013).

The big policy debates that ACFID engaged in through the early 1980s were about Australia's aid relations with countries that violated their citizens' human rights, namely in South Africa and the Philippines, and also to press for closer relations with countries that were perceived as Cold War enemies, in particular Vietnam and Cambodia. In the case of Vietnam and Cambodia ACFID was particularly scathing of government policy, which tended to support Pol Pot allied groups at the expense of the Vietnamese-backed government in Cambodia

4 An ACFID file note recorded that the department was offering a much bigger aid cut, arguing that they could break some existing bilateral agreements, but in the end the aid level achieved was higher than what the department suggested, and no bilateral agreements were broken.

(ACFOA 1979a, 1982, 1984b). Given the genocide by Pol Pot and the Khmer Rouge, ACFID and the aid-supporting public saw this policy position as Cold War cynicism at its worst. Interestingly, in 1985 a small number of Australian NGOs set up a Joint Office in Pnom Penh funded by AusAID and supported by ACFID, which was to be later staffed by a former DFAT officer who also had a role in laying the diplomatic groundwork for bringing Cambodia in from the diplomatic cold and Australia's recognition of Cambodia (ACFOA 1985d; Ashton 1989).⁵

Government funding of NGOs

Government funding of NGOs was a major area of engagement for ACFID and, like its work on tax, it had a direct financial interest for its members. In the 1960s government funding for NGOs in Australia lagged behind its international counterparts and was for one-off activities such as volunteers and emergency relief (Webb 1971; Burnell 1991, p. 209; OECD 1988). In 1963 total NGO funding from the general public was well over £3 million, and not that far short of the £5 million the Australian government gave to its main overseas aid program, the Colombo Plan (Anderson 1964). Even by 1973 there was no systematic government support for NGO programs in Australia, while globally government grants to NGOs were being recognised as a mainstream aid activity (Lissner 1977; OECD 1988). However, in both the UK and Australia, while private aid flows made up more than 10 per cent of the total aid provided from all sources (Cole-King 1976; Lissner 1977), the official funding of NGOs was still tiny, and in Australia a miniscule 0.17 per cent of the aid budget in 1975. This was at a time when the global average of official aid to NGOs was 3 per cent, and Canada was providing 4 per cent of its official aid program through NGOs (Herbert-Copley 1987).

The Labor government in Australia (1972–75) started to change this and put in place a broad funding scheme for NGOs that recognised their contribution to development by providing a matching subsidy for their work. This was to become the Australian NGO Cooperation Program (ANCP), which has continued in its basic form ever since, so that by 2013 the funding of the program had grown to over \$100 million. Despite these initiatives it was not until the mid 1980s that official aid to Australian NGOs began to come near the level of other OECD donors.

⁵ Whether it was wise for NGOs to be involved in this sort of diplomatic work, even if it was about ending a conflict, is another matter. It harks back to accusations in the US of the Peace Corps and other NGOs' involvement in foreign policy (McCarthy 2000; DemMars 2001).

The Australian NGO Cooperation Program

The Australian NGO Cooperation Program's genesis was in 1973 when ACFID put a submission to the newly elected Labor government seeking matching grants to NGO-funded work in developing countries. ACFID suggested a set of criteria for demonstrating local participation; and also for ease of administration, that the ANCP fund groups of NGO projects as a country/region or sector program (ACFOA 1973c). In 1974 the submission was updated and called for a committee to assess projects, which came about in 1977 (ACFOA 1974). There were concerns at the time that the proposed subsidy scheme may lead to NGOs' loss of independence in their own work, as they became more dependent on these proposed government subsidies, the implications of which would come back to haunt them in the 1990s (AusAID 1995a; Hunt 1995d). These concerns of too much government funding for NGOs were already in the minds of international counterparts (Lissner 1977), who were to become more vocal in the 1980s and 1990s as government funding of NGOs continued to grow (see Chapter 8). In the mid-1970s ACFID was very clear in its preference for program support rather than government picking and choosing those projects that suited its interests (Harris 1975).

Two of the criteria for entry into the ANCP program were to be an ongoing issue for some NGOs. The first was a quality of aid argument that the funding should be for development work only and that the welfare activities of many agencies such as direct child sponsorship, orphanages and the like should fall outside the scheme. The second was that the evangelical work of missionary agencies should also not be supported. The basis of the argument linked to the tax deductibility debates that the aid program should not be funding welfare in other countries, nor should the government be supporting the religious activities of NGOs. Despite these criteria being made clear from the earliest days of the ANCP (ADAA 1977a, 1977b), in the 2010s these two issues still dog those agencies that want to do their traditional missionary and welfare work and garner either a government subsidy or a tax break for their donors in order to do it (Purcell 2013).⁶

With the advent of the Fraser government in 1975, the ANCP was streamlined and more open processes put in place (ACFOA 1976a). The real problem, however, was that the program was chronically underfunded. For example, in 1976 the ANCP subsidy on offer was \$250,000 for \$26 million of NGO aid being sent abroad, giving an overall subsidy level of a miserly 1 per cent (ACFOA 1976e). In 1977 there were consultations of 25–30 NGO representatives and government, which the foreign minister opened, to try to sort out the ANCP as well as the volunteer

6 This is a regular issue of the CDC and accreditation reviewer workshops the author is involved in.

scheme (Peacock 1977). The main issues raised were how the annual allocations to the ANCP were made so there was equal opportunity among NGOs to access the funds, and developing an option for program funding (Sullivan 1977a). Not surprisingly, some 40 years later these same issues are still being discussed.

The key features of the scheme in the mid-1970s were that half of the NGO funding of a project would be a government subsidy; NGOs that were part of statutory bodies were initially allowed (but later disallowed); the NGO must be identifiably Australian; and there was evidence of the NGO's capacity to undertake the programs. These criteria would be looked at via an agency profile covering the governance of the NGO, evidence of community support, a priority to overseas aid, a track record, and clear links to partners. If the agency was accepted into the program, projects were then appraised against criteria including a focus on self-reliance, the involvement and targeting of women, and social justice (ADAA 1977). In the 2010s, while the process was more rigorous, these remain the key criteria for assessing agencies to participate in the ANCP program.

By 1977 the scheme had a governance body with the rather grand title of the Committee for Development Cooperation (CDC), but with a focus confined to NGO aid only. The committee met four times a year with three representatives each from government and the NGOs. Fifteen NGOs were part of the scheme in 1977, and they put up 45 projects for a limited pool of funds, plus a special allocation of \$500,000 for the South Pacific. The funds available remained a problem so that only two thirds of the projects submitted could be funded. This meant that if agencies did not apply at the start of the year, they were not funded (Batt 1977). The 1979 Harries Committee report argued against any further funding of NGOs, contending that the case made by ACFID for NGO funding was very weak (Harries Committee 1979; ACFOA 1978d). Harries' poor view of NGOs may have contributed to the muted response to the appeals to government to increase its funding levels to NGOs.

By 1979 AusAID was working on how to iron out the persistent problems of inadequate funding for the ANCP, and Neville Ross from AusAID, who would later be a Chair of ACFID, was instrumental in building the funding base of NGOs over the following 10 years. Ross had come from the NGO scene and was also associated with churches as a minister of religion in his former life. He saw reform from within AusAID as a way forward and set out to strengthen NGO–government cooperation. One of his first acts was to hold a two-day consultation to have 1 per cent of ODA go through NGOs (Ross 1979). In 1980 this work came to fruition with a one-third increase in the ANCP pool and the granting of tax deductibility for donations to NGOs (Alston 1980c). The result was that the percentage of the official aid program going to NGOs doubled from 0.17 per cent in 1975 to 0.36 per cent, but it was still the lowest among the OECD donors

(ACFOA 1981b). This increase, however, was the first of what was to be a steady series of increases of NGO funding from AusAID over the following decade, and represented a honeymoon period of the relationship of ACFID and its members with AusAID. By 1982 NGO funding had jumped to 1 per cent of ODA, in part boosted by the large grants to NGOs for their work in Cambodia at the time (Guilfoyle 1982); by 1995 grants and subsidies through NGOs reached a peak of 7 per cent of the official aid program (ANAO 1996). The NGOs favoured block grants for their work and, while some progress had been made, the funding model was still administratively clumsy. By 1982, 50 per cent of Canada's NGO programs were block grants, the Netherlands 82 per cent, and UK 71 per cent (OECD 1988, p. 87). In Australia the process was slow and even by the 2010s the focus was to fund only the 10 larger, more capable, agencies through multi-year block grants.

The incoming Labor government of 1983, like its predecessor in 1973, favoured increases in funding for NGOs. It also took advantage of the fact that NGOs were well placed to fund those countries and regions which governments could not fund directly due to the political restrictions of the Cold War. One example of this was in Cambodia where, to some Cold War warriors, the Vietnamese invasion was somehow seen to be worse than the depredations of Pol Pot and the Khmer Rouge (Brown et al. 1996). The way through this impasse was for AusAID to fund the reconstruction of Cambodia through Australian NGOs, which in turn worked with the Vietnamese-backed Cambodian government and provided access to the Cambodian government for informal government contacts. Another example was the case of the Eritrean independence movement, the EPLF, who controlled a large section of Eritrean territory. Likewise, in Ethiopia, a rebel movement was the effective governing body for much of the province of Tigray (De Waal 1997). As the famine of 1984–85 worsened, AusAID was putting larger and larger amounts of famine relief through NGOs which were working in these areas in what were known as 'cross-border' operations (see Chapter 5).

These types of programs were possible because in a Cold War environment the sovereignty of countries that might be considered to be on the 'other side' did not feature as an issue. These efforts were seen as not only humanitarian but also as a step towards the end of these communist regimes. By the 2000s, with end of the Cold War, the West was much more reluctant to publically support similar cross-border operations in places such as Burma (South 2012; Decobert 2013). The growth in official funding of NGOs, however, still remained low in the early 1980s, and the issue ACFID and AusAID faced was how to increase it to match the demand from agencies so it was at a similar level to other donor countries.

In 1984 the Jackson Committee report into aid funding called for an immediate doubling of aid to NGOs 'with further rises to depend on increased public support and better administrative capacity' (1984, p. 12). This resulted in an

increase of funding not only through the existing ANCP but also through new mechanisms such as the bilateral NGO (BiNGO) scheme and the Women and Development fund, which was mainly directed through NGOs (Jackson Committee 1984; ACFOA 1984a). The push to have NGOs more closely involved in bilateral aid work was also strong given the criticisms made of infrastructure projects and integrated rural development projects at the time (Porter et al. 1991). The approach was to have much bigger projects directly funded from country programs within AusAID (Bartsch 1982). The basic rationale was that as government could not do the community development side of large bilateral projects they would support NGOs to do it instead. What emerged was that AusAID was engaging NGOs in an ad hoc manner to ameliorate the worst effects of its bilateral projects and thus providing a further expansion of funding to NGOs, which prompted debates on NGO aid effectiveness and quality.

Quality of aid

The aid quality debates about government aid prompted ACFID to make sure its own house was in order, so in 1985 it set up a Development Project Appraisal and Evaluation Unit to look at the quality of NGO programs and prepared resources and training for NGOs to use for better aid programming. This was a way for ACFID to engage with AusAID on the quality of aid debates in the 1980s, which have continued ever since (ACFOA 1985a). The ANCP was also adapted to promote quality NGO projects and encourage NGO funding to the least developed countries in the Pacific.⁷ It seemed that NGOs were being supported by governments for a plethora of responses ranging from emergency relief to bailing out failed bilateral projects. Despite the NGO rhetoric, however, for some sceptics there seemed to be little hard evidence that NGO projects were any better than bilateral or multilateral ones (Najam 1998).

ACFID had been working on demonstrating the effectiveness of NGO programs since the mid-1980s (ACFOA 1984d, 1986a, 1987b). Despite these moves by ACFID and others to improve NGO aid quality, by the 1990s there was a questioning of the effectiveness of NGOs, and the idea that perhaps government had put too many eggs into the NGO basket, in part based on exaggerated claims by the NGOs themselves as to their effectiveness (Edwards and Hulme 1995). As Herbert-Copley (1987) put it at the time: 'The point is not that NGOs are ineffective, but rather that exaggerated and unsubstantiated claims to effectiveness may in the long run do more harm than good' (p. 26). Doug Hellinger may have

⁷ For these 'quality' projects 20 per cent of the ANCP pool would go to these quality and geographic criteria on the basis of a 75 per cent subsidy compared to the prevailing 50 per cent matching grant for the general ANCP (ACFOA 1983f).

been prescient in 1987 when he wrote: 'Within a few years it is probable that the decade of NGOs will be declared over, and perhaps a failure, and a new development fad will take its place' (p. 142).

Picking up from Lissner's work of the mid-1970s, there was an emerging group of NGO critics who felt that NGOs were being co-opted to a government agenda. This was also bringing their developing country partners into the loop: 'Southern NGDOS tended to emulate their northern "partners" and often be more intimately linked to the aid system than to the wider society' (Fowler 2000, p. 640). Bebbington (2005) talks about how this process occurred with a Dutch co-financing scheme leading

to a certain depoliticization of poverty, in which poverty discussions are increasingly separated from questions of distribution and social transformation, and in which poverty reduction becomes something sought through projects rather than political change (p. 940).

The phrase 'engaging with civil society' was to dominate the government NGO discourse, when of course what was really intended was a closer engagement of NGOs and community groups with the broader government agenda. Some of this was about democratisation and some was about the privatisation of services within the emerging neoliberal agenda of the 1980s (Clark 1992; Fowler 1992; Edwards and Hulme 1997; Fowler 2000). Through the work of the Dev Ed Unit, ACFID was in the 1970s at the forefront of the criticism of official aid programs and the neocolonial agenda it seemed to represent. By 1990 there was not much ACFID felt it could say or do about the prevailing aid philosophy beyond noting that global education was 'less doctrinaire' than in the past (Mavor 1993a, p. 2). This seemed to suggest that either the fight had gone out of ACFID or more likely that fighting was counterproductive.

The argument NGOs put to the aid quality debate, and what they offered that was different, was the 'value added' argument of being better able to reach the poor and provide a safety net for the prevailing neoliberal economic models. These tensions were felt more sharply in developing countries where local NGOs and social movements had fundamental objections to the direction aid and development was going, which also spilled over to their NGO donors in developed countries, which were increasingly becoming involved in government projects. This prompted critics to question the added value:

Having set NGOs up to be sources of development alternatives, researchers soon adopted a more critical view as it became clearer that NGOs were actually not that good at promoting participation, addressing poverty, understanding the needs of the poor or – therefore – doing much that was especially alternative (Bebbington 2005, p. 937).

The real issue, however, was one of scale, driven by an assumption that if you did something on a small scale you could do it on a larger scale. Of course, when this was found to be not possible the questions of NGO effectiveness, or rather their usefulness in larger bilateral programs, began to emerge (Atack 1999). This led to governments in the 1990s reducing their engagement with NGOs, a theme that will be picked up in Chapter 8.

Conclusion

The history of the engagement of government with NGOs had its origins in the first Development Decade of the 1960s, when aid as development assistance was more formally institutionalised in the donor community following the decolonisation period of the 1950s. NGOs were seen as an important part of this process by the UN as early as 1963, and this was slowly picked up by donor governments over the next 10 years, with Australia being somewhat slower than most (UNGA 1963a). These initiatives prompted the formation of ACFID, with a positive relationship with government being part of the 'DNA' of ACFID. After a slow start through the 1970s the Australian government's relations with ACFID and NGOs blossomed through the 1980s with rapid increases of funding and an expanded architecture for funding Australian NGOs. While this mirrored global trends at the time, by the late 1980s there was a questioning of the closeness that NGOs had with government, with suggestions from government that NGOs were not delivering what they promised

What these debates did was to provide ammunition to sometimes sceptical governments that NGOs were too dependent on government funding and that the ODA largesse should be reined in. There was also a practical reason: NGO programs from a donor perspective are expensive to administer as the activities are generally much smaller than the multimillion dollar bilateral projects or the tens of millions dollar tranches to multilateral agencies that are the bread and butter of aid programs. These issues will be explored further in Chapter 8.

This text is taken from *NGOS and Political Change: A History of the Australian Council for International Development*, by Patrick Kilby, published 2015 by ANU Press, The Australian National University, Canberra, Australia.