

Tracking the Donor Dollar: A Critical Examination of NGO Impact

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Abstract

Non-governmental organizations (NGOs) comprise the backbone of civilization. Whether intended or not, governments fail to improve social situations, financial standings, and spirituality comprehensively. NGOs attempt to cover these areas. From Angola to Zambia, countless NGOs exist around the world; however, many fail due to a misplaced focus internally on the annual donations received rather than externally on the disenfranchised. Additionally, even if NGOs manage to stay afloat, they will need help procuring funds and then distributing those resources with the most effective impact for the impoverished. The honors thesis proposed will attempt to determine more effective impact measurements for NGOs, examining the context of varying financial obtainment strategies, resource allocation decisions, qualitative and quantitative evaluation mechanisms, and critical accountability metrics.

Tracking the Donor Dollar: A Critical Examination of NGO Impact

NGOs play a crucial role in society as they address issues that governments may not be able to address fully, such as social issues, financial stability, and spiritual well-being. However, there is a contagious illness affecting NGOs around the world. Many NGOs fail to focus more on the needs of the disadvantaged, proper fund obtainment, and effective utilization than they do on public perception and self-survival. For example, researchers in Ghana discovered a very prominent NGO was crowding out pre-existing public programs, leading villagers to be left with subpar services, decreased participation of supplanted local leaders, and weakened government institutions (Gilbert, 2020). Another study of Ugandan villages found that NGO healthcare workers only spend half of their time providing health services to beneficiaries; the other half of their time was solely devoted to donation solicitations (Deserranno, 2019). More harm than good is unfortunately an extremely common theme as will be demonstrated. The research in question will analyze effective methods for measuring the impact of NGOs by analyzing their financial obtainment strategies, resource allocations, impact measurements, and accountability measures.

Financial Obtainment Strategies

Donations Model Rationale

NGOs rely heavily on donations for several reasons. First, many NGOs need more access to traditional forms of funding, such as loans or government grants. NGOs often operate in underserved areas by the government and other institutions, making it difficult to secure funding from these sources. For example, some smaller international NGOs are gaining traction by negotiating in climate activism on behalf of developing countries which do not have the operational or financial capacities to do so themselves (Chan, 2021). Additionally, many NGOs

focus on addressing social issues that are not seen as priorities by governments or other funders, making it even harder for them to secure funding. Second, NGOs often need more capacity to generate income through other means, such as selling products or services. For example, cause-related marketing led one breast cancer awareness and research NGO to sell pink ribbons in the commodification of their cause in order to fund their operations (Sweeney & Killoran-McKibbin, 2016). Many NGOs focus on providing services or programs not designed to generate revenue, such as providing food and shelter to those in need. Additionally, many NGOs operate in areas with limited economic activity and few opportunities for income generation.

Donations can also provide NGOs with a more stable and reliable funding source. Unlike loans or other forms of financing, which must be repaid, donations are given with no expectation of repayment. A lack of repayment necessities should, at least theoretically, allow the NGO to focus on their services rather than worrying about loan repayment. Lastly, some may perceive that many NGOs have a moral and ethical perspective that they should not be in the business of generating profit, which is why they rely on donations and grants. They are in the business of giving back and helping others. Thus, they make it a priority to find funding that aligns with their mission and values.

Donation Intake

For short-term campaigns, NGOs use fundraising events such as charity runs, auctions, and galas to raise money for their cause. These events allow the organization to engage with the community and raise awareness about its work while collecting funds to support its programs and initiatives. Charity runs are popular fundraising events where participants run a designated course to raise money for a cause. Participants can ask friends, family, and coworkers to sponsor

their run, with the funds going directly to the NGO. Project-pursuing NGOs that partner with community NGOs in one-time events successfully improve fundraising efforts (Woronkowicz & Nicholson-Crotty, 2017). Auctions are another joint collaborative event where items are put up for bid, with the proceeds going to the organization. This event allows participants to bid on unique items, experiences, or packages while supporting a good cause.

Galas are formal events typically featuring a meal, entertainment, and a silent or live auction. They are often held in upscale venues and attract a high-end demographic, providing an opportunity for the NGO to raise significant funds through ticket sales, auctions, and sponsorships. NGOs organize events like charity runs, auctions, and galas, forming a potential to be very effective to achieve their goals.

NGOs use a variety of other short-term and ongoing strategies as well to raise funds for their causes, including crowdfunding campaigns, corporate and religious sponsorships and partnerships, mail and email campaigns, and grants. Crowdfunding campaigns allow individuals to make small, medium, and large donations to the organization through an online platform. NGOs can use these campaigns to reach many people and raise awareness about their cause. Corporate and religious sponsorships and partnerships allow NGOs to form alliances with businesses to raise funds and awareness about their cause. For instance, religious schools engage in a higher fundraising level than non-sectarian ones and receive higher test scores, access to more significant resources, and broader access to networks (Ford, 2015). Businesses may also provide funding, supplies, or other resources to support the organization's work. Sponsorships through financial and non-financial assets result from a shared vision and mission between corporations and NGOs (Poret, 2019).

Direct mail and email campaigns involve sending physical letters or digital emails to individuals and organizations asking for support. The campaigns may include information about the organization's mission, goals, specific programs, and a call to action asking for support. Short-term capital campaigns have positive effects on similar NGOs' fundraising efforts (Woronkowicz & Nicholson-Crotty, 2017). NGOs can apply for grants from foundations, corporations, and government agencies to support specific programs or initiatives. These grants provide the organization with a spike in funding, allowing it to focus on its work. NGOs use these different strategies to raise funds for their causes and support their programs and initiatives. By utilizing various funding sources, NGOs can ensure the sustainability of their work and reach a wider audience.

Long-term NGO money acquisition strategies can solidify the sustainability of more immediate funding methods. NGOs build a solid and engaged donor base by regularly communicating and engaging with their supporters. The provision of regular updates about the organization's work, programs, and initiatives helps donors feel connected to the cause and informed about how their contributions are being used. Personalizing communications, such as addressing donors by name and acknowledging their contributions, can help build relationships with donors and increase their engagement with the organization. Opportunities for involvement for donors to get involved with the organization, such as volunteer opportunities or events, can help deepen their engagement and build a sense of community around the cause (Kim et al., 2021). Feedback solicitations from donors about their experience with the organization and how it can improve can help build trust and increase engagement. Public acknowledgment and thanking donors for their support can help develop a sense of appreciation and strengthen the

organization's and its supporters' relationship. By regularly communicating and engaging with their supporters, NGOs can build a solid and engaged donor base that is more likely to provide ongoing support for the organization's work.

Additional long-term strategies galvanize an NGO's financial strength. First, NGOs use the process of developing a diversified funding portfolio that includes a mix of individual donors, foundations, corporations, and government grants. This approach helps reduce a risky organization's reliance on any one source of funding and increases functional stability in daily operations; however, faith-based NGOs may not qualify for government funding, so other avenues will be necessary for fund acquisition (Poret, 2019). For example, a nonprofit organization might receive funds from individual donors through a crowdfunding campaign and grants from foundations and government agencies. In this manner, the NGO can mitigate risk in its funding stream. Second, NGOs also use a solid and compelling brand and storytelling to attract and retain donors. A clear and appealing brand that effectively communicates the organization's mission, values, and impact can help attract new donors and retain existing ones. Additionally, a compelling story highlighting the organization's work and influence can help build a deeper connection with donors and increase their engagement with the cause.

Third, building relationships with key stakeholders and influencers in the community is another critical strategy for securing funding for NGOs (Kim et al., 2021). By connecting with influential people and organizations in the community, NGOs can raise awareness about their cause, secure partnerships, and potentially attract new donors. Building strong relationships can also help the organization access untapped resources and support that can help to sustain its work. Finally, investing in a robust fundraising infrastructure and technology is also essential for

NGOs. By having the necessary tools, such as a database to manage donor information, fundraising software to automate processes, and a secure online platform for donations, NGOs can increase efficiency, reduce administrative costs, and improve the overall donor experience (Kim et al., 2021). In conclusion, NGOs use a combination of strategies to secure funding and build a sustainable financial base. By developing a diversified funding portfolio, creating a solid and compelling brand and storytelling, building relationships with key stakeholders, and investing in a robust fundraising infrastructure, NGOs can increase their chances of securing the resources they need to achieve their mission and impact.

Resource Allocation

Organizational Partnerships

The impact each organization's mission can be significantly amplified by working in partnership with other NGOs that complement their mission and objectives. NGOs use donor funds to increase partnerships with complementary NGOs. If not restricted by donor specifications on fund usage, one way NGOs use donor funds to increase partnerships is through joint projects and initiatives. For example, from 2014 to 2017, maritime humanitarian search and rescue operations in the Mediterranean Sea significantly increased the number of Libyan asylum seekers saved from drowning when partnered with another NGO (Cusumano, 2021). By pooling their resources, two or more NGOs can collaborate on more extensive and impactful projects than they could undertake individually. Donor funds can be used to support these joint efforts and provide the necessary resources to make the project a success. For example, a wildlife conservation organization might partner with a community development organization to carry

out a conservation and sustainable livelihoods project, leveraging their respective expertise and resources to achieve their goals.

Another way NGOs use donor funds to increase partnerships is through capacity-building initiatives for their partner organizations. Strategic human resource management (SHRM) bolsters for-profit businesses and NGOs by aligning staff with organizational objectives and assisting management in decision-making (Brunt & Akingbola, 2019). By providing SHRM training, workshops, and technical assistance, larger NGOs can help build the capacity of their for-profit partners, strengthening their ability to carry out work and achieve goals. Donor funds can be used to support these capacity-building initiatives, providing the necessary resources to make the programs a success (McDonough & Rodriguez, 2020). NGOs can use donor funds to increase partnerships by pooling their resources through joint projects and initiatives and building capacity through training and technical assistance to strengthen their ability to carry out their work, achieve their goals, and maximize their impact.

NGOs also increase partnerships through networking and collaboration opportunities, joint fundraising efforts, and resource-sharing initiatives, to maximize their impact and reach new audiences. Networking and collaboration opportunities also play a critical role in increasing partnerships between NGOs. Collaboration positively impacts NGOs and is increased alongside cooperation when matching role conceptions of the four humanitarian principles of neutrality, impartiality, independence, and humanity; however, mistrust and harmfully competitive action increase if these principles are not matched across organizations (Cusumano, 2021). By participating in conferences, meetings, and other events, NGOs can share knowledge and best practices and build relationships that can lead to future partnerships.

Resources support these networking opportunities, providing the resources necessary to participate and make the most of these opportunities. Joint fundraising efforts can also be a powerful tool for increasing NGO partnerships. By working together on joint campaigns or events, NGOs can reach new audiences and increase their impact while remaining true to their founding mission (Greer & Horst, 2015). Donor funds can be used to support these joint fundraising efforts, providing the resources necessary to make them a success. Finally, donor funds can be used to support resource-sharing initiatives between NGOs. This can include sharing staff, equipment, or other resources, which can help both organizations work more efficiently and effectively. Lean management among organizations succeeds through staff layoffs to prevent overlap inefficiencies (Shin & Alam, 2022). By pooling their resources, NGOs can leverage their strengths and increase their impact, delivering more excellent benefits to their communities. NGOs enhance their partnerships by engaging in networking activities, collaborative projects, and resource-sharing initiatives that can be boosted by donor funding to maximize their impact and reach new beneficiaries (Greer & Horst, 2018). Donor funds play a critical role in increasing partnerships between NGOs. By using donor funds to support joint projects, capacity-building initiatives, networking and collaboration opportunities, joint fundraising efforts, and resource sharing, NGOs can leverage their resources and increase their impact, delivering more significant benefits to their communities.

There is no single, one-size-fits-all NGO that holistically and comprehensively covers all areas of disenfranchised communities. In addition to where their hearts or passions lie, donors may desire only one organization to minimize time spent researching organizations or to maximize resources allocated to a specific organization. Nevertheless, no single NGO can

address a community's or society's needs. Needs are vast, complex, and constantly changing, and no single organization has the resources, expertise, or capacity to address them all. Hence, NGOs must prioritize their efforts and collaborate with other organizations to maximize their impact and address the most pressing needs comprehensively and sustainably. For instance, the International Institute of Information Technology Bangalore in the University of Bangladesh created an NGO called Vision Empower to fight against a historical neglect of blind and visually impaired students in science and mathematics (Parthasarathy et al., 2021). Many factors contribute to social and economic challenges, and a single solution is unlikely to have the desired impact.

Direct Spending

Whereas organizational partnerships allow for a more indirect method of bringing assistance to disenfranchised populations, direct spending represents an NGO as the sole determiner of resources delegated to beneficiaries, people, and property to carry out all business-critical programs and processes. Organizations directly spend money on staff, local contracted trainers and capacity building, and volunteers. Property directly overseen by a sole NGO includes the purchase and upkeep of land and facilities. Beneficiaries, people, and property directly assisted or procured by a single NGO allow that NGO a myriad of opportunities but also accompany struggles if not adequately addressed.

Beneficiaries.

Solo NGOs may choose to allocate resources directly to beneficiaries for various reasons. One reason is to have greater control and oversight over the resources, ensuring they are being used for the intended purpose. Weak NGO supply chains have historically been exploited by war

economies like in Yemen, providing food and supplies to soldiers rather than refugees (Elayah et al., 2022). By working directly with the beneficiaries, the NGO can understand their needs and tailor their resources accordingly. This can lead to more effective use of resources and better outcomes for the beneficiaries. Additionally, solo NGOs may have specific expertise or experience that makes them particularly well-suited to addressing the needs of the beneficiaries. Sources of capital significantly affect socioeconomic performance, making tracking donor dollars even more critical (Khan et al., 2020). For example, an NGO may have developed a unique program or approach that they believe will be most effective in addressing the needs of the beneficiaries but needs to adhere to donor interests. NGOs can ensure their expertise is best used by working directly with the beneficiaries. Solo NGOs may directly allocate resources to beneficiaries for better control and oversight, tailor resources to specific needs, and utilize their expertise effectively. Still, they must consider all aspects before deciding to partner or run alone.

People

It is essential to recognize that not all donor dollars go directly to providing services to the hands-on beneficiaries. Instead, a sizable portion of these funds is used to support people, processes, and things critical to the organization's overall operation and success; this operational budget is necessary for any organization to thrive. Organizations must communicate this with donors to increase trust and transparency. One of the key areas where donor dollars are used is for management. The day-to-day operations of an NGO require a significant amount of coordination, planning, and oversight. Employee turnover hinders lean management strategy and innovation, increasing the importance of retention (Shin & Alam, 2022). This is the management team's role, which includes the executive director, program managers, and administrative staff.

Donations support these individuals, providing them with the necessary resources to effectively lead and manage the organization.

Another area where donor dollars are used is for trainers and capacity building. NGOs often work in communities where local leaders and organizations lack the skills and knowledge to address the challenges they face (Wong et al., 2021). In these cases, NGOs use donor dollars to provide training and capacity building to help these individuals and organizations increase their effectiveness and impact. Funding helps cover the costs of recruiting, training, supporting volunteers, and providing them with the equipment and transportation needed to perform their work (Wong et al., 2021). This support allows the NGO to expand its reach and impact by leveraging volunteers' skills, experience, and passion for making a difference in the communities it serves. Donor dollars are used to fund the management team, capacity-building initiatives and training, and volunteer care to increase their effectiveness in addressing their challenges.

Property

Donor dollars are also used to support the acquisition and maintenance of land and facilities. Many NGOs require physical spaces to carry out their programs and activities, such as schools, health clinics, and community centers. Donor dollars are used to support the acquisition and maintenance of these facilities, ensuring that they are safe, functional, and able to meet the needs of the community (Greer & Horst, 2018). In addition, donor dollars are used to maintain and repair equipment, vehicles, and other assets. These assets are critical to the organization's operation and must be appropriately maintained to ensure their continued functionality. Donor dollars support these maintenance and repair needs, providing that the organization can carry out its work effectively. Donor dollars play a critical role in supporting the people, processes, and

things necessary for an NGO's successful operation. From management and trainers to land and facilities to maintenance and repair, these investments are essential to ensuring that the organization can achieve its goals and positively impact the communities it serves. By supporting these investments, donors are helping to create a strong and sustainable NGO capable of making a lasting impact for years to come.

NGO Impact Measurement

Historical Beneficiary Feedback Mechanisms

NGOs use various feedback mechanisms to get feedback from beneficiaries to understand the impact of their programs and improve their operations. Donors may analyze this feedback to determine the true efficacy of their dollar as it relates to the end goal of their spending— the beneficiary. Some commonly used beneficiary feedback mechanisms are surveys, focus group discussions, and one-on-one interviews. The type of feedback mechanism an NGO uses depends on the context and the program they are implementing. The key is to ensure that the feedback mechanism is easily accessible and reliable, resulting in actionable feedback that can be used to improve programs.

Surveys

NGOs and for-profit businesses use surveys to gather information from their beneficiaries or customers, but the purpose and approach of these surveys can differ. NGOs use surveys to gather feedback from their beneficiaries to understand the impact of their programs and identify areas for improvement. For example, one survey found that Christian short-term mission trips in Thailand resulted in no significant long-term self-esteem growth among aid recipients (Wong et

al., 2021). NGOs often focus on measuring satisfaction with services, capturing the needs and opinions of the beneficiaries, and evaluating the effectiveness of programs.

On the other hand, for-profit businesses use surveys to understand their customers' opinions and preferences and measure customer satisfaction with their products and services. These surveys often have a commercial focus and aim to improve customer experience, drive sales, and inform business decisions. Regarding the design and implementation of the surveys, NGOs often prioritize using accessible and straightforward language, cultural sensitivity, and inclusiveness, especially if they are working in a culturally diverse setting. For-profit businesses often have more resources to invest in the design and administration of their surveys, focusing on data collection efficiency, accuracy, and actionable insights. While both NGOs and for-profit businesses use surveys to gather feedback, the objectives and design of these surveys are often different, reflecting their other organizational goals and contexts.

Focus Groups

Focus groups are commonly used for gathering feedback from beneficiaries served by NGOs. They are instrumental when the aim is to gain in-depth, qualitative information about the experiences and opinions of a particular group of people. Focus groups have several unique advantages compared to other feedback mechanisms, including group dynamics, contextual understanding, interactivity, and cost-effectiveness. With group dynamics, focus groups allow beneficiaries to discuss and share their experiences and opinions with others in a supportive and safe environment. This can lead to a more open and honest discussion, resulting in more prosperous and more diverse feedback. Focus groups allow for a more in-depth discussion than other feedback mechanisms like surveys. This allows the NGO to explore issues in greater detail

and to gather more nuanced and detailed information. By observing the group dynamics and listening to the discussion, the NGO can also better understand the social and cultural context in which the beneficiaries live and operate. Interactivity is higher in focus groups than in other feedback mechanisms, allowing beneficiaries to ask questions, clarify their thoughts, and engage in a dialogue with the NGO. Focus groups are often a cost-effective way of gathering feedback from many beneficiaries. They allow the NGO to collect information from several beneficiaries in one session, reducing the time and resources required compared to other methods, such as one-on-one interviews.

It is essential to note that focus groups are not without limitations. They can be time-consuming to organize, and the results are only sometimes representative of the larger population. In addition, they can be influenced by the dominant personalities within the group, potentially leading to biased or skewed feedback. Focus groups can be useful for NGOs to gather input from beneficiaries, mainly when the aim is to gain in-depth, qualitative information. They should be used in conjunction with other feedback mechanisms to ensure a comprehensive understanding of the experiences and opinions of beneficiaries.

One-on-One Interviews

Donor concerns regarding the impact of their contributions can be affected by the choice of feedback mechanism used by NGOs. One-on-one interviews with beneficiaries can provide in-depth, personalized information about the direct impact of aid on the individual. Still, they can also be time-consuming and potentially biased if not conducted objectively. Other feedback mechanisms, such as surveys or focus groups, can provide a broader and more representative view of the aid's impact but may capture a different level of detail. The benefits of one-on-one

interviews include building trust and rapport with the beneficiary, gathering detailed and nuanced information about the aid's impact, and the possibility of gaining insights into cultural and contextual factors that may impact the effectiveness of the support. Drawbacks of one-on-one interviews include the potential for selection bias if only particular beneficiaries are interviewed, the time and resources required to conduct such discussions, and the possibility of social desirability bias, where beneficiaries may not be truthful in their responses due to fear of repercussions or a desire to please the interviewer (Mitchell & Macció, 2021). Donors need to weigh the benefits and drawbacks of different feedback mechanisms and choose the one that best suits their needs and goals. They may opt for combining methods to understand the aid's impact better.

Current Beneficiary Feedback Mechanisms

Historically, feedback mechanisms were limited, with most NGOs relying on surveys, focus groups, or interviews to solicit feedback from beneficiaries. While they have their benefits, these methods can be limited in reach and prone to response bias, as service provider organizations in humanitarian causes like refugee resettlement are biased more in favor of the organization itself rather than beneficiaries; nevertheless, flawed service provider survey sampling is still often conducted for convenience, forsaking accuracy and the genuine truth (Ngwato, 2013). Furthermore, the data collected through these methods were often not analyzed systematically and consistently from a managerial perspective, leading to difficulties in identifying trends and patterns. In fact, 70% of cross-sectional surveys of executives are deemed unusable because of their overwhelming bias on reports of their organizational processes (Woodside, 2011). This made it challenging for NGOs to make informed decisions about their

programs and demonstrate their work's impact to stakeholders. Therefore, several new technological breakthroughs have been developed to measure NGO beneficiary feedback that overcomes the problems of historical beneficiary feedback mechanisms. Some of the most popular include social media, Artificial Intelligence (AI), Machine Learning (ML), and blockchain.

Social Media

Social media platforms, such as Facebook and Twitter, have revolutionized how NGOs can solicit feedback from beneficiaries. These platforms offer several key benefits that can help organizations collect more accurate and comprehensive information about their programs and their impact on the communities they serve. One of the primary benefits of social media for NGOs is its reach. Social media platforms have a large and diverse user base, making it possible for NGOs to reach many beneficiaries and supporters. For example, seven education-oriented Malaysian NGOs have proven success in social media through cyber-volunteering which has improved fundraising, knowledge-sharing, and problem-solving directly from aid recipients (Raja-Yusof et al., 2016). This enables organizations to collect feedback from a wide range of people, including those who may need help to reach through traditional feedback mechanisms. Moreover, Chinese NGOs which have been considered rife with corruption by younger generations are now leveraging social media to increase their legitimacy in their philanthropic intent (Zhou & Pan, 2016). Another benefit of social media is its speed. Social media platforms allow NGOs to collect real-time feedback, enabling organizations to respond to any issues or concerns that may arise quickly. This can be particularly valuable in emergencies, where quick

and effective feedback can help organizations respond to immediate needs and make a real difference in the lives of beneficiaries.

Social media is also cost-effective. Using social media to collect feedback is often less expensive than other feedback mechanisms, such as in-person interviews or paper-based surveys, because of social media's free-to-use features such as direct messages, posts, stories, and videos. This can be especially important for NGOs that operate with limited resources and need to maximize their impact while minimizing costs. Additionally, social media is convenient. Platforms like Facebook and Twitter are accessible and easy to use, making it possible for beneficiaries to provide feedback from the comfort of their own homes or through their mobile devices. This can increase participation and engagement among beneficiaries, which may be more likely to provide feedback if they can do so quickly and at a time that is convenient for them. Social media offers NGOs an additional channel to collect feedback from beneficiaries, helping organizations make informed decisions about their programs and improve their impact on the communities they serve. With its reach, speed, and cost-effectiveness, social media is an essential tool for NGOs committed to improving the lives of the communities they serve.

AI and ML

NGOs can use artificial intelligence (AI) and machine learning (ML) to measure beneficiary feedback in several ways. ML algorithms can also be used to process and categorize feedback, reducing the time and effort required to analyze large volumes of data and identifying gaps in current NGO impact evaluation literature that can then be researched (Grueso, 2022). This can help NGOs quickly identify key issues and concerns and prioritize their efforts accordingly. AI can be used in tandem to analyze large amounts of unstructured data, such as

text, audio, and video, to gain insights into the experiences and opinions of beneficiaries. This can help NGOs identify patterns and trends in feedback and to understand the drivers of satisfaction and dissatisfaction among their target populations. Moreover, AI-powered tools can provide NGOs with real-time feedback, helping them monitor their programs' impact as they unfold. This can help organizations to make informed decisions about their programs and activities and to respond more quickly to the needs and concerns of the communities they serve (Singhal, 2019). Quick feedback times can be particularly valuable in situations where it is crucial to respond quickly to changing circumstances, such as emergencies and natural disasters. While AI and ML are currently reserved for financially more prominent NGOs, new technology is making the costs of AI and ML usage significantly more affordable and accessible to all. For example, the Microsoft-backed company, OpenAI, is utilizing their offerings like ChatGPT to integrate with Salesforce to draft sales or donor solicitation emails and assist in highly advanced yet affordable customer service products for organizations (Novet, 2023). Using AI and ML to measure beneficiary feedback can provide NGOs with valuable insights, streamline feedback collection and analysis, and enable organizations to respond more effectively and efficiently to the needs of their beneficiaries.

Blockchain

Blockchain technology has the potential to revolutionize the way that NGOs collect and manage beneficiary feedback. This technology provides a secure and decentralized platform for storing data, which can help mitigate some of the challenges faced by NGOs when collecting feedback from beneficiaries. One of the key benefits of using blockchain for beneficiary feedback is that it provides a tamper-proof and secure platform for storing and managing data.

Using blockchain, NGOs can be assured that the data they collect from beneficiaries are protected from tampering, loss, or manipulation. This helps increase the trust and confidence of beneficiaries in the feedback process, which can lead to more accurate and meaningful feedback. Another benefit of using blockchain for beneficiary feedback is that it can help to increase transparency and accountability. Using blockchain, NGOs can create an immutable record of the feedback they receive from beneficiaries, which can be used to demonstrate their impact and accountability to stakeholders. This can be particularly important in the development and aid sector, where various groups often scrutinize organizations for their effectiveness (Singhal, 2019). In addition, blockchain can provide a more efficient and streamlined way for NGOs to collect and manage feedback. By using blockchain, NGOs can reduce the time and resources required to process feedback and eliminate the need for manual data entry and management. This can help to free up time and resources that can be used to support other areas of the organization's work. Overall, blockchain technology provides a range of benefits for NGOs looking to measure beneficiary feedback. By providing a secure, transparent, and efficient platform for collecting and managing feedback, blockchain has the potential to revolutionize the way that NGOs operate and deliver impact.

Learning, Monitoring, and Evaluation

Whereas historical beneficiary feedback assesses perceived program effectiveness, learning, monitoring, and evaluation (LM&E) provides a more objective outlook on donor dollar impact. LM&E has become an increasingly popular and widely used method among NGOs in the United States and around the world today. For example, the number of NGOs utilizing LM&E has increased over the years to over half of all Water, Sanitation, and Hygiene (WASH)

programs in schools in low-income countries (Deroo et al., 2015). This approach is designed to help organizations assess the impact of their programs and make informed decisions about future actions. The measurement and evaluation of impact improve efficiency, provides legitimacy, and at times serve as the basis for comparing outcomes across competing NGOs (Bouchard & Rousselière, 2022). At its core, LM&E is a systematic and ongoing process that enables NGOs to collect and analyze data, reflect on their experiences, and adjust their strategies and interventions as needed. By using this method, NGOs can better understand the impact of their programs and make informed decisions about how to improve and optimize their work in the future. One of the critical reasons for the increasing popularity of LM&E among NGOs in the United States is the emphasis on evidence-based decision-making. By collecting and analyzing data, NGOs are better equipped to make informed decisions about their programs and activities. For example, Bayesian networks make a directed acyclic graph to identify instrumental variables to test multidimensional poverty in cases such as domestic violence (Grueso, 2022). Another critical factor is the increased focus on accountability. Using LM&E, NGOs can demonstrate accountability to their stakeholders, including donors, beneficiaries, and the general public. This can be particularly important in the United States, where various groups often scrutinize organizations. By demonstrating their impact through LM&E, NGOs can help to build trust and credibility with their stakeholders. 62% of WASH organizations now report they always or sometimes improve services provided (Deroo et al., 2015). NGOs increasingly use LM&E for evidence-based decision-making and accountability, improving data analysis, informed decision-making, stakeholder accountability, and trust.

NGO effectiveness breaks down into four categories, the financial system, human resource management practices, and the governance system, which account for 27%, 26%, 24%, and 23% of organizational effectiveness, respectively (Singhal, 2019). These categories for efficient waste eradication and value-adding should guide LM&E. Finally, LM&E has become a requirement for many funding opportunities, particularly in the United States, where there is a growing emphasis on data-driven and evidence-based approaches to development and aid. This has made LM&E a vital consideration for NGOs seeking to secure funding and resources for their programs.

Accountability Metrics

Fraud, Bribery, and Corruption

NGOs, or non-governmental organizations, play a crucial role in addressing social, economic, and political challenges globally. They are often established to help people in need and to promote human rights and development. However, the work of NGOs can also be vulnerable to fraud, bribery, and corruption. These issues can undermine the credibility and effectiveness of NGOs and damage their reputation (Goel, 2020). One high-profile example of NGO fraud is the Oxfam scandal in 2018. The UK-based charity was accused of covering up claims of sexual exploitation by staff members in Haiti following the 2010 earthquake. Oxfam was found to have failed to investigate allegations of abuse properly and to have allowed staff members who were implicated in the scandal to resign without facing the consequences. The incident led to widespread criticism of Oxfam and raised questions about the transparency and accountability of the organization. Another example is the FBI-filed fraud case against child food programs in 2022. American nutrition NGOs were accused of siphoning off funds intended to

develop child food programs in the Minneapolis area (Fahrenthold, 2022). Multiple FBI raids revealed that NGO facilities did not contain promised meals paid for by government funds. The case highlights the importance of solid external controls and the need for NGOs to have rigorous internal systems in place to prevent fraud and corruption.

There are several lessons that NGOs can learn from these cases. Firstly, NGOs must have strong internal controls in place to prevent fraud and corruption. This includes implementing regular audits, developing anti-corruption policies, and training staff members on ethical behavior, compliance, and board oversight. Secondly, NGOs must be transparent and accountable in their operations and financial management. Corruption often goes beyond the government to NGOs and supply chain stakeholders (Monteiro et al., 2018). This includes providing regular updates to donors and stakeholders and being transparent about their use of funds and the impact of their work. Thirdly, NGOs should have a zero-tolerance policy for fraud, bribery, and corruption and take swift action to investigate and address any allegations. The United Nations SDG 16 explicitly states that justice and accountability must be used to promote peace and inclusive societies (Monteiro et al., 2018). The cases of NGO fraud, bribery, and corruption serve as a reminder of the importance of transparency and accountability in the sector. By implementing strong internal controls, being transparent and accountable, and having a zero-tolerance policy for these issues, NGOs can safeguard their credibility and effectiveness and ensure that their resources are used for the benefit of those in need.

Auditing

NGOs conduct both internal and external audits to demonstrate transparency and accountability to their donors. Internal audits involve reviewing the organization's financial and

operational processes and procedures to comply with relevant regulations and standards.

Institutional funders pressure NGOs into financial accountability, usually met with compliance audits conducted by the NGOs' finance team; internal audits are the most common form of accountability response deployed by NGOs (Cazenave & Morales, 2021). Internal audits help to identify any areas of risk or inefficiency and allow the organization to make changes to improve its operations and strengthen its financial management. On the other hand, external audits involve having an independent third-party review of the organization's finances, procedures, and programs. This helps to provide an unbiased assessment of the organization's activities and provides donors with additional assurance that their funds are being used effectively and efficiently. External audits can also help identify any issues or areas for improvement that the organization may have missed in its internal audits (International Monetary Fund, 2022). By conducting internal and external audits, NGOs can build trust with their donors and demonstrate their commitment to transparency and accountability. This can help secure funding and support and ensure that the organization's activities align with the donor community's expectations and standards.

Regulatory Oversight

In the United States, local, state, and federal governments play a crucial role in ensuring transparency and accountability among NGOs that receive public funding. This regulatory oversight helps to ensure that donor funds are being used for their intended purpose and that the impact of the organization's programs is maximized. At the federal level, NGOs must comply with various laws and regulations, including the Federal Tax Code, the Foreign Agents Registration Act, and the Lobbying Disclosure Act (U.S. Department of State, 2021). These laws

aim to ensure that NGOs are operating in a transparent and accountable manner and disclosing information about their funding sources, activities, and lobbying efforts. Additionally, the Internal Revenue Service (IRS) regulates the 501(c)(3) tax-exempt status of NGOs, which can be critical for their ability to raise funds from donors. At the state level, NGOs must comply with a range of reporting and registration requirements, which vary from state to state. These requirements may include registering with the state attorney general's office, filing annual reports, and providing information about their finances and activities (U.S. State Department, 2021). At the local level, NGOs may need to comply with additional regulations and requirements, such as obtaining a business license or approval from a city or county board (Wolters Kluwer, 2022). This oversight helps ensure that NGOs operate under local laws and regulations and contribute to economic and social development in their communities. In conclusion, the regulatory oversight provided by U.S. local, state, and federal governments is critical for ensuring the transparency and accountability of NGOs that receive public funding. By requiring NGOs to comply with a range of laws and regulations, these governments play a crucial role in safeguarding the public's investment in these organizations and helping to ensure they achieve their intended impact.

International governments, agencies, and companies play a critical role in ensuring the transparency and accountability of NGOs. This is accomplished through various regulations, standards, and guidelines that NGOs must comply with to receive funding and operate in certain countries. One of the central regulatory bodies for international NGOs is the United Nations (UN), which has established a set of principles and Sustainable Development Goals (SDGs) for NGOs to follow to ensure their accountability and transparency; nevertheless, little research has

been done on empirically evaluating the UN's SDGs (Grueso, 2022). For example, the UN has established the UN Global Compact, a voluntary initiative that sets out ten principles in human rights, labor, the environment, and anti-corruption. NGOs registering for the UN Global Compact are expected to adhere to these principles and report on their progress. One governing body is not enough to hold accountable the NGOs of the world.

International aid agencies, such as the United States Agency for International Development (USAID), also ensure NGO transparency. USAID requires NGOs that receive funding from the agency to adhere to strict regulations and standards, including financial reporting requirements and audits. This helps to ensure that aid funds are being used effectively and efficiently and that NGOs are accountable to their stakeholders. International companies can also play a role in regulating NGOs through their supply chain and procurement policies. For example, many companies have established standards and guidelines for their suppliers and contractors to follow, including requirements for ethical and transparent business practices (Lupton, 2021). This helps ensure that the products and services companies purchase from NGOs are provided responsibly and sustainably. International governments, agencies, and companies play a crucial role in regulating and overseeing NGOs, providing an essential layer of oversight and ensuring donor transparency. Through these efforts, NGOs are held accountable to their stakeholders and are able to demonstrate their impact and effectiveness in a transparent and credible manner.

Transparency Databases

In an effort to promote transparency and accountability in the non-profit sector, various organizations have been established to evaluate the performance and impact of NGOs. One of

the most well-known is Charity Navigator, which uses a rating system to evaluate the financial health, accountability, and transparency of non-profits in the United States. Another organization, Charity Watch, uses a similar approach but focuses on the effectiveness of a non-profit's programs and services. Both organizations rely on Form 990 for 501 (c)(3), an annual tax return that nonprofits must file with the Internal Revenue Service (IRS). Research has shown that NGOs located where third-party reporting is mandatory are penalized by donors if their fundraising costs are rated too high, forcing most successful American NGOs to lower their costs to fundraise in order to appeal to a broader audience (Barber et al., 2022). Form 990 provides valuable information about an organization's finances, including its revenue, expenses, and assets. This information can be used by organizations like Charity Navigator and Charity Watch to assess the financial health of NGOs. Despite the valuable information these organizations provide, their methods still have some limitations. For example, their ratings may only sometimes accurately reflect the impact of an NGO's programs and services. For instance, the information provided by Form 990 is only occasionally complete or up-to-date, and organizations may not fully disclose all the relevant information. Furthermore, these organizations may also have biases and limitations, which can affect their evaluations (Lupton, 2021). For example, some organizations may emphasize financial performance more, while others may focus more on the impact of an NGO's programs. While organizations like Charity Navigator, Charity Watch, and Form 990 provide valuable information about NGOs, they are not a complete solution to the challenge of ensuring donor transparency and accountability. Nevertheless, they are still crucial for evaluating NGOs and ensuring that donors' dollars are used effectively and efficiently.

Conclusion

To effectively assess the impact of NGOs, it's crucial to examine their financial acquisition methods, how resources are distributed, how their impact is gauged, and their accountability processes. NGOs rely heavily on donations for several reasons, such as limited access to traditional funding sources, a focus on addressing social issues that are not seen as priorities, and a moral and ethical perspective to not generate profit but instead focus on giving back. They use a variety of short-term funding strategies, such as charity runs, auctions, galas, crowdfunding campaigns, corporate sponsorships and partnerships, mail and email campaigns, and grants, as well as long-term strategies, such as building a solid and engaged donor base, diversifying funding sources, and developing a strong and compelling brand and storytelling to attract and retain donors. Resource allocation in NGOs involves prioritizing their efforts and collaborating with other organizations to maximize impact and address the most pressing needs in a comprehensive and sustainable manner. At the same time, direct spending represents the NGO as the sole determiner of resources delegated to beneficiaries, people, and property, with considerations such as control and oversight, expertise, and effective use of resources.

NGOs use various feedback mechanisms, such as traditional surveys, focus groups, one-on-one interviews, and more modern social media, AI and ML, and blockchain, to gather information from beneficiaries to understand the impact of their programs, improve operations, and demonstrate the impact of their work to stakeholders; LM&E is utilized to assess objective standards of program efficacy and efficiency. NGOs must demonstrate transparency and accountability to their donors through internal and external audits, compliance with regulatory oversight by local, state, federal, and international governments, agencies, and companies, and

utilizing transparency databases to enhance organizational visibility. Understanding where donor dollars go is critical to assessing NGOs' impact and accountability, ensuring resources are being used effectively, and promoting transparency and trust between the organization and its donors. While an organization may desire one direct answer on how to improve donor transparency and program quality, the reality is that there are a multitude of nuanced methods which should be employed to procure, spend, and report their finances. Utilizing a mix of approaches, an NGO will be best equipped to survive the present and thrive in the future.

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