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Changes in funding of Austrian development NGOs

An insight into the funding of Austrian
development NGOs

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Changes in funding of Austrian development NGOs

An insight into the funding of Austrian development NGOs

From **Ulrike Jaklin, Lukas Wank & Marion Wolfram**

Due to considerable changes in the development sector in the beginning of the 1990s, the framework conditions for the non-governmental organizations (NGOs) working in development shifted from a very permissive to a more and more controlled working environment. In this paper the main question is how the funding of Austrian development NGOs has changed since then.

The following definition (Teegan et. al. 2004 cited in Gray/ Bebbington/ Collison 2006: 324) of NGOs is considered to be convincing for the purpose of our analysis:

[...] any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organized around specific issues, such as human rights, the environment or health.

Considering this as a very general definition of NGOs, this paper builds upon a more precise and less generalizing one, as described by Bendell (2000 cited in Gray/ Bebbington/ Collison 2006: 324):

NGOs are variously described as autonomous, non-profit-making, self governing and campaigning organisations with a focus on the well-being of others. They have been characterised as organisations »whose stated purpose is the promotion of environmental and / or social goals rather than the achievement or protection of economic power in the market place or political power through the electoral process.

This paper aims at highlighting the framework conditions of development NGOs' working environment by focusing on its shift twenty years ago. This will form a basis for two practical examples of NGO funding in Austria. By introducing two different types of NGOs (ecclesiastical on the one side, and one non-ecclesiastical on the other) this paper proposes to show how policy shifts manifested in different ways within

the development community. Due to the limited extent of our paper the scale of our analysis will be set to Austrian NGOs only. These examples are reflecting the problems and challenges of development NGOs out of a perspective from within a so called donor country (here: Austria).

■ Methodology

The analysis of changes in funding and the resulting shifts in the performance of Austrian NGOs will be based on text analysis. Theoretical material as a basis for further and deeper insights into the topic as well as texts that are based on practical experience from two different Austrian NGOs will be analysed.

The theoretical background of the policy change is extracted from Michael Edwards' and David Hulme's paper on the »New Policy Agenda« TOO CLOSE FOR COMFORT? THE IMPACT OF OFFICIAL AID ON NONGOVERNMENTAL ORGANIZATIONS (1996) that provides a critical view on developments in the aid sector of the early 1990s. For a closer view into the circumstances that were created through the introduction of extensive changes in the aid sector, Catherine Agg's paper WINNERS OR LOSERS? NGOS IN THE CURRENT AID PARADIGM (2006) shows worldwide developments in NGO – state relations.

The two practical examples should illustrate the diverse scopes of engagement of NGOs and their different relations to the state. Therefore one example will be based on an ecclesiastical NGO to show the funding structures and implications that occur in this context while another example is ought to show the funding of a non-ecclesiastical NGO. The example of the non-ecclesiastical Austrian development NGO will be based upon CARE-Austria, for it is acting worldwide and a considerable amount of their funding is provided by the Austrian state. The ecclesiastical development NGO Horizont 3000 was chosen as an example for the same reasons.

Global changes

Before the 1990s, NGOs worldwide had much more space to plan, work and act for themselves. With the shift in international politics after the Cold War, NGOs could also feel a new breeze floating into their working environment. Their projects, scope and range of activities suddenly became subject to questions of new players (or newly empowered players) in the international community. Being an economic and political element, the »New Policy Agenda« was agreed upon in order to establish NGOs as providers of development in the form of contracting institutions of the state or other NGOs. This agenda established a framework that allows extensive funding in alignment to their funding institutions (e.g. nation states). In a neoliberal context, NGOs - especially development NGOs - started to become »service providers« for the state (cp. Edwards/ Hulme 1996: 963). In order to establish competing environment, a considerable amount of funding went into newly founded NGOs that increasingly appeared in the aid sector. This rise of new NGOs has not yet stopped, although it has been slowing down since the mid 2000s.

Additionally, another trend can be observed, namely the scaling up of NGOs that have been existing before the shift of the funding procedures occurred. On the practical level, this trend results in closer links between NGOs and the state, enabling a more regulated relationship (regulation from above instead from within). First, a consequence of this newly created structural environment was that very large NGOs were able to crowd out small ones, leading to a domination of resources and ideas. Second, a common critique concerning this is that NGOs may broaden activities that are funded extensively and lose out on other important activities that do not fit into the funder's agenda. A specific problem of northern NGOs is their increasing dependence on emergency grants of the respective funding governments. Another common critique is that time and space for reflection and innovation inside NGOs are drastically reduced as NGOs become contractors (cp. Edwards/Hulme 1996: 969). Out of these new adjustments grew - of course - challenges for the NGOs which were suddenly tied to political shifts in a tighter way than before. In this context, »[engagement] in the political process in order to achieve fundamental changes in the distribution of power and resources without becoming embroiled in partisan politics and the distortions which accompany the pursuit of state power« (Edwards/ Hulme 1996: 966) became a top priority for development NGOs.

Challenges can also be identified for the NGO-funding donor states themselves. On the one hand, they »must [...] be encouraged to move toward funding arrangements which provide stability and predictability in the long term, and timeliness and flexibility in the short term« (Edwards/ Hulme 1996: 969). On the other hand, the donor state had to enable a framework for the work of the contracting NGOs in order not to create a »franchise state« (Wood 1996 cited in Edwards/ Hulme 1996: 967) as well as not to rewrite the social contract between governments and its citizen through NGOs substituting the state in an envisaged process of global development.

By summarizing the effects that the »New Policy Agenda«, it can be said that more aid started to be channelled

through NGOs and that individual NGOs become more and more dependent on official funding from the state (cp. Edwards/ Hulme 1996: 967).

Changes in funding of NGOs

In the contemporary fund-raising system, two different ways of funding Southern NGOs (SNGOs) can be quoted: (i) indirect funding, where resources are given to Northern NGOs (NNGOs) which then work together with SNGO as »partners' in the country concerned; (ii) funds are given directly to SNGOs via local donor country offices (cp. Lewis/ Sobhan 1999: 118). According to Catherine Agg there has been a trend towards »direct funding« of local NGOs »which has been causing nervousness among INGOs [= International NGOs]« (Agg 2006: 20) in the context of a wider »deconcentration« strategy. LNGOs (Local NGOs), in fact, have not yet seen a real increase in funding, however, because they »often lack the staff or resources to devote themselves to the lengthy application process« (ibid.). INGOs, on the other side, have set up regional offices especially for this reason. As a result INGOs (still) control money flows, while LNGOs carry out activities. For that reason SNGOs can be seen as »sub-contractors for donor-defined services, with Northern NGOs becoming direct competitors or intermediaries rather than true »partners' « (ibid.). Another problem associated with the direct way of funding is that the agendas of SNGOs may be distorted to fit the donor objectives (cp. Lewis/ Sobhan 1999: 118). However, some of the SNGOs become increasingly effective concerning their workflow. As a result, they are able to take over most of the activities that have previously been carried out by organizations of the North (ibid.).

In general it can be said, that the percentage of Official Development Assistance (ODA) that is going to NGOs is increasing. Compared to 0,18% (47.64 Mio. US\$) in 1980, 6% (4054.83 Mio. US\$) of the total ODA were channelled through NGOs in 2002 (cp. Agg 2006: 15). One way in which this is done and monitored by donor governments is in creating partnerships with specific NGOs. 40-45% of NGO budgets are then devoted to short-term emergency relief (humanitarian work) (cp Agg 2006: 19) while specific governments grant 50% - 90% of total NGO budgets - as it can be seen in Scandinavia (cp. Edwards/ Hulme 1996: 962).

Van der Heijden (1987: 106 cited in Edwards/ Hulme 1996: 967) depicts problems regarding the increased dependence of NGOs on state funding as follows: »if you have your hand in another man's pocket, you have to move when he moves.« Alongside the lack of autonomy of NGOs that increased when funds started to be provided by state agencies, the policy framework that was attached to state funding became confused. The vague policy framework and the lack of coherence in government funding trends resulted in a lack of thorough analysis of the role and/ or the potential of NGOs in development. This issue became even more problematic on an international level. In the European Union (EU) for example, the different strategies that came along with the policy change of member states, resulted in a diversified allocation of funds. While some countries increased funds that were being channelled through NGOs (e.g. Netherlands, Italy, United Kingdom) others decreased this kind of funds (e.g. Switzerland, Sweden). As a result of these developments, the EUs development cooperation initiative (EU-EZA) became an increasingly complex institution (cp. Agg 2006).

In regard to these developments, governments started to provide funding basically on project basis. In doing so, they introduced »[t]he danger [...] that accountability [of NGOs] will be skewed to the most powerful constituency, which [...] may mean the official donor agencies« (Edwards/ Hulme 1996: 968). Although governmental rhetoric often describes a macro level approach of aid allocation (especially from the early 2000s onwards), the practice does not move away from project based funding. As the policy change of the early 1990s prescribed, partnership agreements with trusted NGOs are still on the agenda while several reforms in the 2000s wanted to compensate partner organisations by an increase in macro level approaches. Nevertheless, selected NGOs maintain their budget while others see their funding disappear (cp. Agg 2006: 20).

When summarizing developments in funding from the 1990s onwards and drawing conclusions on a global level »it is [...] clear that the benefits to NGOs of a guaranteed income from governments are offset by increasing donor power, which threatens the autonomy of the NGO sector in the North« (Agg 2006: 18). This also applies to Austrian development NGOs as it can be seen in the following sections.

Framework conditions of the Austrian aid sector – a short insight

In 1992 some fundamental changes in the funding of the Austrian aid sector took place due to Austria's planned accession to the EU in 1995. Then, the state started focussing its relatively small resources on fifteen priority (and some further prioritised) countries. The main objective herein was to achieve a better matching of implemented programmes and projects with the needs of the partner countries and a better coordination with the other EU-member states. By positioning itself as a global player, the EU created special frameworks for the aid sectors for all member countries over the years. This influenced funding procedures as well as funding priorities within the member countries' own policies, this also being the case in Austria. Additionally to the already existing Organisation for Economic Co-operation and Development (OECD) average in ODA that became a benchmarking level for Austrian development aid, the benchmarking levels on development aid for the EU became important for Austria (cp. Hödl 2006: 29-31).

The changed relations between the Austrian government and the NGOs created tensions between NGOs and the state: The NGOs started to see themselves as state contractors and therefore, competitors on a newly established »aid market« which was regulated by a »agreed upon« NGO-policy. Before these changes occurred, NGOs were funded by the state in a quite generous way concerning the autonomy of NGOs concerned. This autonomy basically got lost after the implementation of the newly adapted funding regulations for NGOs. Additionally a considerable amount of inherent knowledge accumulated over the years by NGOs disappeared somewhere between structural change and professionalization of the aid sector. The resulting competition between organizations implementing projects for (financial) resources also led to a broader internationalization and professionalization. For NGOs the professionalization

in fact meant an adaption of economical procedure and structures that were comparable to classical enterprises (cp. Obrovsky 2006: 262f.). To remain in this competitive sector some smaller NGOs merged in order to form bigger, more competitive NGOs (e.g. HORIZONT 3000 which will be analysed further in section 4).

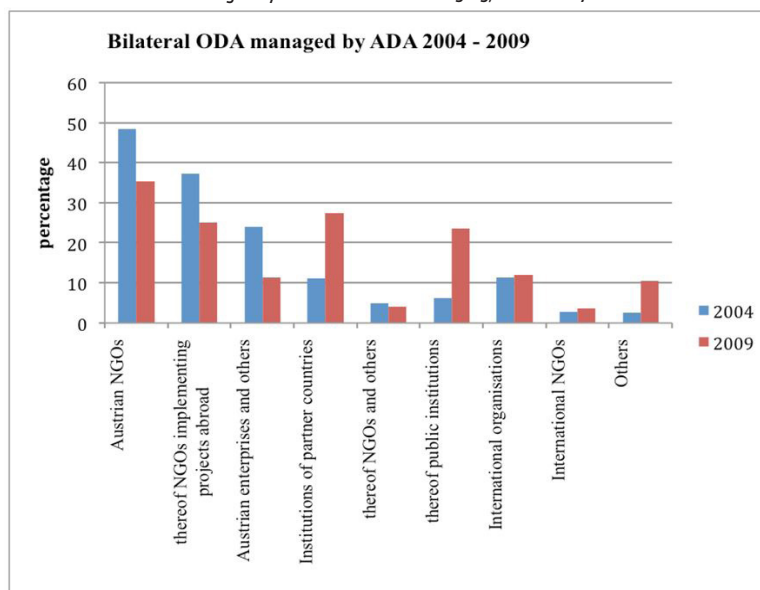
In 1988 the parent organization AGEZ (Arbeitsgemeinschaft für Entwicklungszusammenarbeit) was founded by some development NGOs as a community of shared interests acting in the private aid sector. This development can be seen as a feature of changing structures of NGO funding. As the funding structures changed, however, NGOs became more and more similar to private sector enterprises and therefore started to handle common interests in a union-like way. In this context, AGEZ can be seen as a way to professionalize within the new structures in which development NGOs had to act from the late 1980s onwards.

But not only the development NGOs as an important part of the aid sector professionalized their structures and behaviour on the newly established market, also the state itself with its »umbrella-function« came under pressure to professionalize. By establishing the Austrian Development Agency (ADA) (which is now in charge for the operational development cooperation) in 2004, professionalization demands were met. Hitherto, Austria did not have a governmental implementation organization: Development projects were assigned to NGOs or private firms directly and funded by the state government itself without an intermediate level for monitoring and control.

By channelling aid through ADA, these funding procedures have drastically changed. In this regard, ADA was basically put between the state and NGOs. The establishment of ADA was critically perceived by a great part of the Austrian aid sector community but was also welcomed by a considerable part of it. However, »the Austrian aid system«, as the OECD (2009: 9) puts it, »is fragmented among many institutional actors [...]; rather at least eight separate ministries fund aid-related activities from their own budget.«

ADA, however, remains the major partner for the Austrian development NGOs. In 2004 ADA channelled 48,5% of its ODA funds through NGOs (ADA 2004: 13). This money

Table 1: Bilateral ODA managed by ADA. Sources: ADA 2005: 13; ADA 2010: 72.



was basically provided on project basis in which NGOs are used as contractors to implement bilateral programmes. In 2007 55% of ADA's budget went to classic projects, NGOs and the private sector. Since this is seen rather critically by the Development Assistance Committee (DAC) of the OECD, they officially recommended focusing on a more programmatic support, suggesting co-funding for multi-annual programmes. Furthermore, the DAC review is anticipating a further decrease in NGO-funding because Austria's ODA will be dedicated to direct or sector budget support (cp. OECD 2009: 13f.). Table 1 shows that the Austrian development cooperation (OEZA) is already in the process of reorganizing their financial flows. Following Agg's predicament, a shift towards direct funding of Southern NGOs cannot be observed, however, funds are now flowing directly to public institutions of the partner countries. This is a sign of the predicted increase in budget support. This money is taken from the funds that Austrian NGOs and enterprises received before. Accordingly, NGOs will have to look for new financial resources or new activities in order to reduce their dependence from state funding.

Currently, NGOs can apply for state funding at the ADA using different »channels«:

- Microprojects: Projects running for less than a year can be subsidised to a maximum amount of 5 000 €.
- Individual projects: Up to 50% of a single project of NGOs which fits into the regional and thematic focus of the ADA can be funded.
- Framework programmes: With this tool ADA can fund up to 70% or 80% of whole programmes of NGOs with whom they have had good experiences in cooperating.
- Personnel Development Cooperation: NGOs can ask for financial help by dispatching experts into partner countries.
- EU Co-funding: Projects funded by the EU can be additionally funded by the ADA (ADA 2010b: s.p.).

In regard to funding, these regulations force NGOs to have a considerable amount of own financial resources. First, own resources are necessary since every funding tool explicitly asks for it. Second, subsidies are often only granted for a short period; in the long run, planning becomes ridiculous. As a result, only NGOs with enough financial resources are able to pre-fund their envisaged projects (OECD 2009: 13).

From a governmental perspective, NGOs fulfil a very important function when it comes to public relations and education, but they were not efficient enough in implementing development projects. For this reason, funding through official resources was increasingly limited to framework programmes and co-funding (OECD 2009: 53).

Accordingly, the work of NGOs was reduced to »creating public awareness« in the »North« and to »capacity building« in the »South«, as the OECD (2009: 14) points out: »For there is less budget support for NGOs, the government should help NGOs to strengthen their capacity building roles with civil society in developing countries.«

To sum up, it can be said that the current trends in funding of development NGOs in Austria are

- that ADA asks for a considerable amount of own resources from the NGOs,
- NGOs get less money because the OEZA is focusing on budget and sector support,
- and that the OECD as well as ADA themselves see the

strength of NGOs in public relations and education in Austria itself.

In addition with the possibility of setting money donations to development NGOs off against tax liability, these facts are in line with the privatization policy of public administration (cp. Obrovsky 2006: 267).

Locating the Austrian NGOs

For being registered as a NGO, an organization has to fulfil at least two criteria: (i) as the term itself says, they have to be non-governmental, which means that they have to be totally independent/ private during their establishment (in order to fulfil these criteria, they must not have any state members and must not be controlled by any government); (ii) the other criterion is non-profitability, meaning that the achieved profits have to be reinvested into projects and must not be transmitted to the staff (cp. Körbel 2009: 13, 17).

Traditionally, the third sector in Austria is strongly influenced by political parties, although the political support for aid is not deep-rooted. »Austrian non-governmental organisations [...] comment that the political context has resulted in mainstream political parties being cautious of politicising aid« (OECD 2009: 21). In this regard, some ecclesiastical organizations are closely related to the Austrian Peoples Party (ÖVP), whereas non-ecclesiastical organizations are more often related to the Social Democratic Party (SPÖ). These relationships can be seen as very important in cases of receiving funds, as Neumayr et. al. (2007: 3) notes: »For young NPOs [Non-Profit Organization], that do not work closely with a political party or cannot be linked to a specific party, it is often very difficult to become established. On the contrary, NPOs with close relations to political parties have a big influence on politics [...]. Their close contacts to politicians and high-ranking public officials facilitate access to public funding.«

Due to these linkages and the receiving of governmental funds, the self-proclaimed autonomy of the NGOs, is subject to be questioned. For this reason, some of the NGOs (the so called »genuine« NGOs) do not fall back upon governmental funds, but fund themselves only through donations of civil society and/ or membership fees (cp. Körbel 2009:14). Since funding through development agencies has increased, however, »NGOs not dependent on official aid for the majority of their budgets may be the exception rather than the rule« (Edwards/ Hulme 1996 cited in Fisher 1997: 453).

The private aid sector in Austria still puts itself into a critical distance to the public/ governmental development cooperation, although NGOs are – or have to be – partners in many cases. For that reason the claim of many Austrian development NGOs concerning their political independence is in fact an independence from governments in partner countries and not from the Austrian government itself. This constellation allows them to work in countries where the political situation is critical because of corruption or human-rights violations for example (cp. AGEZ 2003).

■ Practical Examples

Ecclesiastical organizations – HORIZONT 3000

The private aid sector in Austria is characterized by its structural heterogeneity, wherein the ecclesiastical organizations – especially the catholic ones – play a central role. In Austria

churches take in a very important part in the private aid sector, because they are the most established organizations within the civil society: »Austria has a long tradition of solidarity with the poor through church-related charitable giving« (OECD 2009: 10). This puts them in a situation with better possibilities for collecting donations.

The ecclesiastical organization we want to analyse, HORIZONT 3000 is one of the biggest Austrian NGOs, which rose out of the amalgamation of some smaller organizations during the process of reforming the Austrian development policy and aid sector. Today HORIZONT 3000 acts as a connection of some basic organizations of the catholic development co-operation. Following its self-description, HORIZONT 3000 is specialized on the survey and implementation of projects as well as the dispatching of experts to developing countries. The basic organizations are:

1. The *Dreikönigsaktion* (DKA) which launches more than 500 projects – focussed on participation, sustainability and capacity development (DKA 2010: s.p.);
2. *Referat für Mission und Entwicklung* (Department for Mission and Development): the Department for Mission and Development's central objective is missionary work. (Referat für Mission und Entwicklung 2010: s.p.);
3. *The Katholische Frauenbewegung Österreichs* (kfb – catholic women's movement of Austria) concentrates on the establishment of contacts and partnerships to women from foreign countries and on building up »public awareness« in Austria. It provides concrete projects, too (cp. kfb 2010);
4. *Bruder und Schwester in Not* (BSIN, Brother and Sister in Distress): this rather small organization focuses its work on 6 countries in East Africa (Kenia, Tanzania, Uganda) and Latin America (Bolivia, Ecuador, El Salvador). (BSIN 2010: s.p.);
5. *Welthaus* (Worldhouse): this small organization gets its funds primarily from the diocese Graz-Seckau, but educational work is co-funded by Styria, by the European Commission and by ADA, however. A great part of the co-funded development projects are implemented in co-operation with HORIZONT 3000, but there is also a great amount of co-operation with (economic) enterprises (cp. Welthaus 2010: s.p.);
6. *Caritas*: as one of the best known Austrian NGOs, Caritas has a long tradition within the society, for it is the organization mentioned in regard to emergency relief, and with the necessity of helping people in the »Third World«. In 2008, Caritas Austria had a budget of about € 21,2 Mio. on its disposal, but only € 880.000 came from the ADA, exclusively for projects in Austria's main- or partnercountries Ethiopia, Burkina Faso, DR Congo, Ukraine. Another € 1,43 Mio. were contributed by the EU, especially for projects in Senegal, Lebanon, DR Congo and the Ukraine. As we can see, Caritas got relatively little support from official sources in 2008 (cp. Caritas Austria 2010: s.p.).

HORIZONT 3000 focuses on improving the livelihoods on the local level and capacity building; on respect, partnership (which means that the dialogue and exchange with organizations of the civil society and decision-making representatives within partner countries take place through the regional offices and the project staff), and on sustainability. Regional and country offices are located in areas where programmes

and long term projects are implemented in a concentrated way. These offices are responsible for planning, implementation, monitoring and evaluation of the different regional project portfolios. On the one hand, this can consist of funding-projects of the member-organizations of HORIZONT 3000, co-funded projects of the official aid sector, directly funded projects of the Austrian government, as well as projects co-funded by the EU (especially in Central America). On the other hand, their area of responsibility covers personnel development co-operation, whose focus lies on the improvement of human and institutional resources as well as capacity building in the partner countries. HORIZONT 3000's main areas of intervention are rural development, health, education, civil society, human rights and democratisation (cp. Horizont 3000 2010: s.p.).

In 2009, HORIZONT 3000 launched 231 projects with a general volume of € 15,6 Mio., from which € 10,5 Mio. came from official aid (Austrian Development Co-operation, European Commission, other official flows) and € 5 Mio. came from private sources (own resources, resulting from donations, membership fees, budget support of the member-organizations as well as returns from capital means and interests). By taking a look at the annual reports it can be observed that the budget has decreased remarkable during the last years. In 2007, nearly € 20 Mio. (56,7% of the total budget) came from the OEZA. In 2009, their budget decreased to € 15,6 Mio. with only 47,8% coming from the OEZA. The biggest amount of financial flows from the member-organizations is channelled through DKA (more than 50%) (cp. HORIZONT 3000 2009, HORIZONT 3000 2007).

In regard to its great dependence on official funds (about 70% of its budget is provided by official sources), HORIZONT 3000 does not have real freedom in decision-making. Their main sectors of intervention figure amidst the ones of ADA. Differences can be observed when comparing the regional focus, however. It can be assumed that the NGO's decrease in budget is linked to the reorientation of Austria's development funds. Partly, HORIZONT 3000 is already adjusting to the new role, which the OECD and ADA promote for NGOs. Capacity building in partner countries is one of its main focuses.

Non-ecclesiastical Organizations – CARE Austria

CARE Austria was founded in 1986 and positions itself as a politically and religiously independent organization. CARE Austria works about 30 projects in Africa, Asia and Southeast Europe, following the principle of »capacity development«. Together with the other 11 partner organizations of CARE International CARE Austria runs offices in nearly 70 countries all over the world. in the context of its mission, CARE formulates its central ideas as: »strengthening capacity for self help, providing economic opportunity, delivering relief in emergencies, influencing policy decisions at all levels, and addressing discrimination in all its forms« (CARE International 2003: 2). CARE-projects have to fulfil a variety of criteria: (ecological) sustainability, efficiency, gender awareness, financial security, etc. for example.

For about 10 years, CARE Austria signs framework treaties with ADA, who co-funds most of the projects supported by the European Commission/ EuropeAid. The Austrian National Bank also provides financial assistance. Furthermore, support is provided by private enterprises, funds, donations

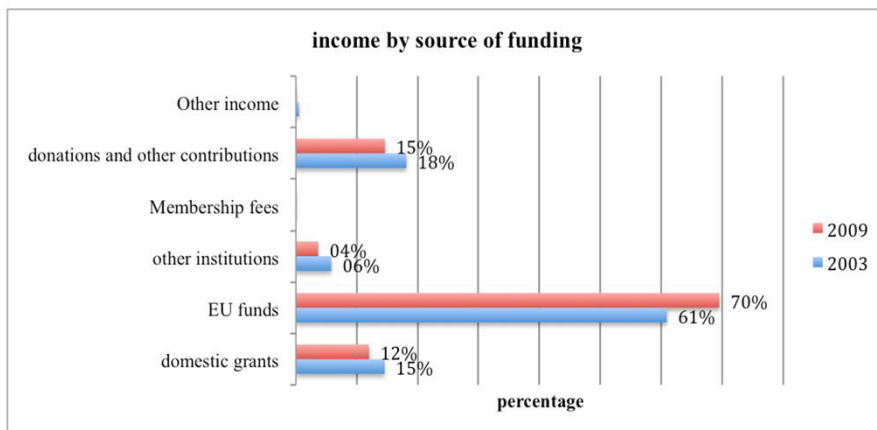


Table 2: Income of CARE Austria by source of funding. Sources: CARE Österreich 2005: 31; CARE Österreich 2010: 13.

and international organizations (e.g. Liechtensteinischer Entwicklungsdienst).

The organization takes great advantage out of its position of being part of a big International NGO, which brings it into the situation of being less dependent on governmental support: CARE Austria's budget consists of 66% official assistance from the EU, 11% official domestic flows and 18% private donations. For the remaining 5% there is no data available. 90% of the budget is directly invested into projects (cp. CARE Austria 2010: s.p.). This independence gives them more freedom in decision-making, especially in choosing its project-countries, although it has to follow the requirements of CARE International. Contrary to HORIZONT 3000, CARE Austria was able to increase its budget between 2003 (€ 10.1 Mio., consisting of € 1,4 Mio. domestic public funds, € 6.1 Mio. EU funds and € 1.8 Mio. donations and other contributions) and 2009 (€ 15.6 Mio., consisting of € 2.2 Mio. domestic public funds, € 13.1 Mio. EU funds and € 2.7 Mio. donations and other contributions). The relative importance of the different sources of funding are compared in table 2 (CARE Österreich 2005: 31; CARE Österreich 2010: 13).

■ Conclusions

Before the 1990s, NGOs had much more freedom in implementing their activities. Projects and programmes could be launched more independently while the state only guaranteed the political and financial framework. The beginning of the 1990s brought a remarkable reduction in official resources and an increasing economization of the development projects. In consequence of the »New Policy Agenda«, the role of NGOs changed from independent actors to contractors and »service providers«, which created a situation of competition with (for-profit) enterprises.

Austrian NGOs were not spared of these developments. In Austria the trend of the economization and privatization continues and takes on new forms. NGOs are now increasingly forced to generate their own financial resources (running donation campaigns for example).

Two examples (HORIZONT 3000 and CARE Austria) illustrated some aspects of these developments:

- HORIZONT 3000 accepted a high dependence from official funding sources. They adapted to the new conditions by becoming more professional in order to improve their competitiveness in the aid sector but see their funding being steadily reduced. Nevertheless, HORIZONT 3000 has big potential to re-adapt to these conditions.

The NGO is ecclesiastical and linked to some of the major catholic NGOs in Austria. This can facilitate their access to new sources of funding.

- CARE Austria on the other hand, is more dependent on funding from the European Union, where it has the big advantage of being part of a long existing, well-established international NGO. Their financial basis could be increased from 2003 until 2009. This indicates the better situation of big NGOs because they are able to crowd out smaller ones in a competitive environment.

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