

Field Experiments on Non-Governmental Organization Reputation and Opportunism: Toward a Science of Institutional Behavior in Global Politics

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Abstract

Given their charitable mandate and political milieu, non-governmental organizations may respond differently to incentives than firms or individuals. To explore these differences, as the Political Economy and Development Lab (PEDL) we emailed NGOs in Uganda for Experiment 1 ($N = 1,303$), international non-governmental organizations (INGOs) worldwide for Experiment 2 ($N = 14,795$), and NGOs in India for Experiment 3 ($N = 1,956$) with tentative but sincere offers to consider a partnership for a research project. We randomly assigned different information conditions in order to learn their effects on NGOs' estimates for reimbursement costs in tasking employees to the project. We find that, in their estimates, Ugandan NGOs inflated bids by 4-8 times actual costs depending on the treatment. Mention of significant resources in past PEDL projects elicited the greatest opportunism (by more than 800 percent); interestingly, noting the possibility of competition with other NGOs, the promise of an audit, or knowledge of costs drawn from prior partnerships had no consistent significant effects in Experiment 1 on Ugandan NGOs. In Experiment 2 on NGOs worldwide, mentioning audits, prior familiarity with NGO costs, and substantial resources significantly increased response rates compared to the placebo but did not robustly alter reimbursement projections. The competition condition produced null results for the global subject pool in Experiment 2. In Experiment 3 on Indian NGOs, mentioning competition from other Indian NGOs significantly decreased the reimbursement projections. Interestingly, noting audits, prior familiarity with NGO costs, and substantial resources from large donors produced null results on Indian NGOs in Experiment 3. Experiment 1 suggests that Ugandan NGOs behave opportunistically. Experiment 2 implies that larger global NGOs appear primarily concerned with credibility and show little evidence of opportunism. However, Experiment 3 in India produced results consistent with rational economic expectations and contrary to the findings of the first two experiments. These different but significant results across complementary field experiments suggest the need for the systematic development of a science of non-governmental organization behavior in political science.

Introduction

In April of 2011 the investigative news program *60 Minutes* aired an exposé on Greg Mortenson, the mountaineer-turned-humanitarian. Mortenson claimed to have nearly perished after a failed attempt to climb K2, but upon stumbling into a remote village in northern Pakistan he was nursed back to health by kind locals for whom he later promised to build a school. Mortenson went on to raise tens of millions of dollars for constructing schools in Pakistan and Afghanistan, founded the charitable Central Asia Institute (CAI), and authored two best-selling non-fiction books: *Three Cups of Tea* and *Stones into Schools*. Yet *60 Minutes* and journalist Jon Krakauer alleged that Mortenson had fabricated some of his most dramatic stories (including the near-death experience after K2), failed to build as many schools as claimed, gave no money from book royalties to CAI, and used substantial amounts of CAI's money for his own personal benefit. Mortenson later settled a Montana lawsuit by agreeing to repay CAI \$1 million (*60 Minutes* 2011, Krakauer 2011, Krakauer 2013, *New York Times* 2011).

The Mortenson scandal raises the question of whether opportunistic behavior on the part of non-governmental organizations (NGOs) proves the exception or the rule. On the other hand, it seems possible that NGOs work according to a political logic dictated by concerns over reputation and creditability and contrary to economic expectations derived from theories of firm behavior fixated on price competition and asymmetric information (Gourevitch, Lake, and Stein 2012). While it seems clear that many NGOs do great good while working on shoestring budgets, others boast larger budgets and overheads but still do good overall, still others may be free-riding on the good reputations of the first two

groups, and some may be nothing more than “briefcase NGOs” whose founders see opportunities for quick profits they can extract from unsuspecting do-gooders. How pervasive is opportunism among NGOs? How responsive are NGOs to signals of credibility and reputation? And do NGOs react to economic incentives as might firms or do they function according to a different logic altogether?

While NGOs continue to grow at an exponential rate, efforts to understand their institutional nature have not kept pace. What is more, “behind many NGOs there is money, to be sure, but it does not seem to operate in the usual profit-enhancing way. So from where does [NGO] power come from? And to whom or what does it respond?” (Spar and Dail 2002). These questions might be best answered via experimental methods that can establish causal effects. Indeed, despite many theories propounded and observational studies published, the science of non-governmental organization behavior rests on observational foundations with little grounding in experimental methods capable of establishing causality. Experimental analyses of NGOs—and institutional behavior in general—are in short supply.

Here we present three experiments designed to uncover some of the causes of NGO behavior by addressing four fundamental questions (1) Does information asymmetry—reduced by audits and prior knowledge—affect NGO reimbursement cost estimates? (2) Does competition for partnerships affect reimbursement estimates similar to the competition effect in for-profit business relations? (3) Does information implying wealth and abundant resources belonging to the prospective partner induce opportunism in NGO

reimbursement estimates? And (4), do signals of credibility by a potential partner increase NGO responsiveness?

We pursue these questions by executing three field experiments: Experiment 1 on 1,303 NGOs in Uganda, Experiment 2 on 14,793 NGOs worldwide, and Experiment 3 on 1,956 Indian NGOs (which were those that responded to 52,365 invitations). To our knowledge these are the first field experiments conducted with non-governmental organizations as subjects. In the experiments we sent tentative but sincere invitations to NGOs to receive additional information about a possible research partnership and asked interested organizations to project reimbursement amounts for costs that might be incurred in the collaboration with our research institution, the Political and Economic Development Labs at Brigham Young University. Treatment conditions added information to the invitation about auditing, prior knowledge, competition, and significant financial resources.

Initially, we expected that NGOs, on average, would behave as economic actors. In performing Experiment 1 in 2011, we expected that the promise of audits, signals of prior knowledge, and information about competition would decrease NGOs' requested reimbursement amounts in line with economic theories related to firms that emphasize competition and asymmetric information (Coase 1937, Fama 1975; Williamson 1979, 1985); concomitantly, disclosure of significant resources would increase bids. Audits and prior knowledge should reduce information asymmetry and therefore limit exploitation, and competition—as in other markets—should likewise lower bids. A signal of significant

resources should prove tempting for many NGOs, and we expected it to increase bid amounts.

The three experiments, all performed using a parallel research design but incrementally improving the protocols to remove possible confounds, all produced significant treatment effects, but the effects are inconsistent. Experiment 1 in Uganda suggested significant opportunism on the part of subject NGOs. Experiment 2 on international NGOs showed no evidence of opportunism: bid prices did not vary significantly across conditions. However, it did appear that global NGOs proved significantly more responsive to signals of a potential partner's credibility as response rates to inquiries varied significantly across conditions.

Finally, Experiment 3, performed on a very large subject pool of NGOs in India, employed a design that removed the potential confound of differential response rates and assigned subject NGOs to treatment only after they clicked on an embedded link in a standardized invitation email. Experiment 3 produced little evidence of NGO opportunism but did show a significant reduction in average bid amounts in response to the competition condition – in line with economic theories of the firm but in contrast to the prior two experiments. The significant but contradictory results in three parallel field experiments with high ecological validity suggest the need for the development of a science of non-governmental organization behavior that can accumulate knowledge based on methods that reveal causal effects.

Literature

Studies of NGO behavior seek to determine how NGOs—often motivated by conflicting, complicated, and unknown incentives—act individually and how they interact with donors, governments, businesses, and constituents. As NGOs become more influential in development, a more scientific understanding of the causes of their behavior becomes critical (Aldashev and Verdier 2010; Doh and Teegen 2002).

As Gourevitch, Lake, and Stein (2012) have persuasively argued, NGOs face significant hurdles in signaling credibility to donors, governments, and beneficiaries. NGOs, by their very nature, act outside the bounds of public law, which makes their actions particularly difficult to observe. NGOs thus typically do not face the same scrutiny that governmental or even market actors face. “They are bound only by their own standards of behavior when engaged in humanitarian work in other countries” (6). While this may seem an advantage—and we argue that in fiduciary matters it may indeed be—it also hampers NGOs in establishing credibility. Accordingly, NGOs can enhance their credibility when they “share common interests with an audience, send costly signals, incur penalties for misrepresentation, and are subject to third-party verification” (4-5).

A logical follow up to this argument would be to randomly assign the credibility conditions that can be manipulated to learn if they have the expected effect on NGOs’ signals of credibility. Interestingly, the Gourevitch, Lake, and Stein argument implies that credibility—and, by extension, reputation—weighs perhaps strongest in the calculations of NGOs. What is more, we would add, NGOs may signal their credibility in different ways than

might be predicted by market behavior alone, perhaps even by counterintuitively raising their prices if that might be taken by donors as a sign of credibility.

Variation in NGO type and function increases the difficulty of generalizing about NGO behavior (hence the need for a randomized controlled experiment). For some time, non-governmental organizations (NGOs) have played an important role in public good provision and development initiatives. Because NGOs generally purport non-profit status, political neutrality, liberal ideology, and a normative agenda, NGOs are considered by many to be the ideal mechanism for success in these important assignments (Spar and Dail 2002). In some cases, NGOs may be the only mechanism.

Yet the term “NGO” can apply to wide range of organizations (Martens 2002). Indeed, the variation can be so great (and multi-dimensional) that two NGOs may have nothing in common besides their non-profit, non-government status. As Simmons writes, “In 1994, the United Nations defined an NGO as a ‘non-profit entity whose members are citizens or associations of one or more countries and whose activities are determined by the collective will of its members in response to the needs of the members of one or more communities with which the NGO cooperates.’ This definition includes nearly every kind of organization except private businesses, revolutionary or terrorist groups, and political parties” (1998, 83). NGOs may be international or community-based, well-funded or not funded, infrastructure-oriented or advocacy-oriented. In short, it is a mistake to treat NGOs as uniform.

Furthermore, the nature of typical NGO projects does not lend itself easily to measurement and accountability. Traditional mechanisms of accountability employed in

the for-profit sector are ineffective in the NGO-sector. For instance, many NGOs may not be concerned with increasing revenue or maximizing profits (Brown and Slivinski 2003).

There are no generally accepted professional codes of conduct to compare across organizations, and the outcome of NGO projects and initiatives are often non-quantifiable (Fowler 1996). This leads many to speculate about NGO behavior in an increasingly crowded and competitive NGO-sector (McGann and Johnstone 2006). Many are hopeful, assuming NGOs will cooperate, coordinate, and maintain mission purity (Mathews 1997; Simmons 1998; Price 1998).

Others are less optimistic, claiming that NGOs will behave opportunistically in order to survive in an uncertain environment (Cooley and Ron 2002; Aldashev and Verdier 2010). Many point to growing principal-agent problems between donors, NGOs, and constituents (Brown and Moore 2001, 671; Doh and Teegen 2002). Still others question the efficacy of accountability mechanisms to constrain NGO behavior in the face of conflicting incentives (Ebrahim 2005; Fry 2006; Kilby 2006). It is important to note that none of this necessarily suggests that NGOs are becoming inherently corrupt and dishonest, or that their altruistic missions have changed. It does suggest that as competition for donor funds increases and as NGOs become more numerous, NGOs must behave selfishly for their own preservation. At times, self-interested NGO priorities may not agree with those of their donors or their constituents (Cooley and Ron 2002).

NGO Competition

A number of scholars maintain NGOs will continue to achieve their mission goals and even become more efficient in doing so. According to Mathews, the rise of civil society

signals a permanent turn from the state-centric international political system. NGOs in particular have demonstrated potency with their ability to influence public policy and aid development (Mathews 1997, 53-54). Further, their non-profit status insulates NGOs from profit-maximizing incentives that would perhaps lead them away from provision of certain public goods (Hansmann 1980, 838-840). Rather than seeking to maximize profit, NGOs generally seek to maximize the impact of their development mission (Aldashev and Verdier 2010, 49).

Despite increasing NGO density and competition for donor funds, Simmons argues that NGOs will continue to effectively achieve mission goals (1998). He claims that because new challenges continue to crowd out government agendas, local and international NGOs perform functions the government is either not willing or not able to perform (87). NGOs have also been advertised as agents to improve democracy (Scholte 2002). As the number of NGOs increase, they will give voice to stakeholders, provide more public education, fuel debate about governance, increase transparency, and facilitate legitimate rule (293-295). Even more, some argue that as the NGO-sector grows, social capital will increase (Fukuyama 2001, 18). Meanwhile, Andreoni and Payne point out that donor demand for NGO services is often latent, implying that donors typically do not donate unless they are asked. Thus these authors expect increased fundraising (as a result of increased NGO density) to increase the aggregate amount of NGO funding (Andreoni and Payne 2003, 793).

Not only do scholars believe NGOs will continue to achieve their organizational missions, but perhaps also become more efficient in doing so. Bilodeau and Slivninski state

that NGO efficiency increases with competition because NGOs tend to diversify their missions and services to attract donor funds (1997, 463). Increased competition and specialization then increases the equilibrium quantity of goods and services compared to markets with no competition (Bilodeau and Slivinski 1997, 463). Castaneda et al. also concludes that increased competition increases NGO efficiency. Using an IRS dataset of nonprofits in the US, these authors regress the percentage of perquisite spending on market concentration. They find as market concentration (proxy for competition) increases, the percentage of funding delegated to perquisite consumption decreases (Castaneda et al. 2002). Nunnenkamp and Ohler similarly analyze a sample of 559 US NGOs and also find that NGOs subject to higher levels of competition spend less on administration (Nunnenkamp and Ohler 2012, 94).

In opposition to the arguments submitted above, Rose-Ackerman predicts that competition will decrease NGO efficiency. In her 1982 analysis, she demonstrates that increased competition leads NGOs to spend higher levels of their revenues on fundraising (200). This, in turn, reduces the percentage of revenue spent on project-related expenses, thus decreasing NGO efficiency. In support of Rose-Ackerman, Aldashev and Verdier describe an NGO model where NGOs to optimize their fundraising based on the number of entrants to the market (competitors for donor funds). They likewise conclude that increased fundraising corresponds to less time for project related endeavors (2010, 60).

Okten and Weisbrod point out another possible negative externality of increased fundraising and (more generally) the importance of NGO reputation in the eyes of donors. They argue that there is a reputational effect on donors' decision to fund NGOs, claiming

that donors express negative sentiment towards fundraising activity. However, the authors conclude that the net effect of fundraising on donations is positive due to additional positive effects of fundraising, yet NGOs rarely fundraise at the optimally efficient point (Okten and Weisbrod 2000, 270-271). Using an IRS non-profit database, Thornton finds that as competition increases, NGOs will reduce their proportion of revenue spent on fundraising; however, he also finds that aggregate NGO fundraising increases even though per-firm fundraising declines. Thornton suggests this signifies NGOs are stealing donors from other nonprofits rather than generating new resources, thus increasing inefficiency (Thornton 2006, 220).

Increasing competition may constrain NGOs to behave opportunistically to preserve their organization and maximize their mission goals. This leads to a type of principal-agent problem in which the NGO (the agent) misleads or misinforms their principle in order to preserve their interests. NGO performance in projects and initiatives may too be affected as this opportunistic behavior may alter their use of resources (Cooley and Ron 2002, 15; Rauchhaus 2009, 872). Competitive bidding for donor contracts may worsen the competition dynamic (Cooley and Ron 2002, 16). Research also suggests that the presence of multiple principles (or stakeholders) makes it difficult for NGOs to focus on project-related activities. Often multiple principles also mean multiple accountability requirements. Differences in the priorities of donors and clients force NGOs to give preference to one stakeholder over others (Brown and Moore 2001, 9-10).

Because interdependence between donors and NGOs is generally asymmetric in favor of donors, donors have greater power than other stakeholders to affect NGO behavior

and to command NGO accountability (Brown and Moore 2001, 11-12; Ebrahim 2005, 60). Thus, accountability mechanisms are likely biased to satisfy the preferences of donors over NGO constituents (Ebrahim 2005, 60, Dixon, Ritchie, and Siwale 2005, 422; Chau and Huysentruyt 2006). This may lead to misallocation of resources and sub-optimal project selection. In their case study, Christensen and Ebrahim find that tensions between stakeholders arise as NGO staff must choose to prioritize their accountabilities; “an organization’s mission can be co-opted by funder demands” (Christensen and Ebrahim 2004, 19-20). They also suggest that stringent reporting requirements may interfere with core activities and organizational autonomy (Christensen and Ebrahim 2004, 19-20). Ubiquitous concerns of insecurity and competition override NGO’s otherwise moral agenda, causing them to behave opportunistically (Cooley and Ron 2002, 36).

NGO Accountability

A significant amount of literature exists on the subject of NGO accountability alone. As NGOs become more involved in development, they are beginning to feel accountability pressure to justify their existence (Christensen and Ebrahim 2006, 1; Gourevitch, Lake, and Stein 2012). Accountability mechanisms can be split into two categories: functional and strategic. Functional mechanisms encourage accountability in the context of short-term objectives, while strategic mechanisms encourage long-term accountability independent of short-term objectives (Ebrahim 2003, 826). Disclosure statements, reports, and project evaluations fall into the functional mechanism category. Processes of self-regulation would be an example of a strategic mechanism, while social auditing could belong in either category (825). Not only are accountability mechanisms difficult to implement, but

pressure from donors often pushes NGOs to account for funds by measuring short-term impact (Spar and Dail 2002, 173; Ebrahim 2003, 826; Gourevitch, Lake, and Stein 2012).

Thus, in the aggregate, NGOs have not yet developed customary accountability mechanisms in either category, and the majority of methods in practice are considered functional mechanisms. This would imply that NGOs are more concerned with short-term objectives than long-term organizational reform (Spar and Dail 2002, 173; Ebrahim 2003, 826). In addition to donor pressure and implementation difficulty, the type of organization espoused by a particular NGO may also affect NGO response to accountability mechanisms (Spar and Dail 2002, 175). For instance, NGOs may exist as international, well-funded organizations such as Oxfam, Save the Children, or CARE International. NGOs may also exist as local, community-based organizations operating with government and other local donors. Given the high degree of variance in NGO type, certain accountability mechanisms may be more effective for some organizations and less so for others (Spar and Dail 2002, 173). Competing accountabilities also affect NGO behavior. NGOs must give an accounting to donors, to clients, and to themselves (Najam 1996, p. 345; Kearns 1996; Lindenberg and Bryant 2001). According to Lisner and others, asymmetric donor power explains the apparent lack of downward accountability, or accountability to NGO constituents (Lissner, 1977; Najam 1996a; Keohane 2002, Christensen and Ebrahim 2004, 21). As NGOs feel increasing pressure from upward accountability, they tend to rely on the mechanisms installed by their donors as indicators of fulfillment of organizational goals, though these are often indirect mechanisms (Fry 1995, 90). It is unclear, however, how well these donor accountability mechanisms function.

The observational literature generally finds that accountability mechanisms have a positive effect on NGO performance. However, there are dangers and risks associated with these mechanisms as well. More specifically, some find that upward accountability mechanisms have a general positive influence on NGO performance (Christensen and Ebrahim 2004, 18). However, these mechanisms are only useful when they accurately capture the organization mission and focus organization members on goals they wouldn't focus on otherwise (18). Meanwhile, downward accountability mechanisms may also positively affect NGO performance, though these mechanisms are often seen as indistinguishable from NGO mission-based activity (Christensen and Ebrahim 2004, 19; Kilby 2006, 960). Further evidence suggests that informal accountability processes are insufficient and lead NGOs to underperform in their empowerment goals (Kilby 2006, 960). Case study evidence also suggests that NGOs may have difficulty accommodating multiple stakeholder requirements. Unless NGOs can resolve this dilemma, their poorer clients (usually their constituents) will become increasingly overlooked (Dixon, Ritchie, and Siwale 2005, 422).

A few experimental analyses have been performed on the topic of accountability more generally. Olken finds that Indonesian government organizations were highly inefficient in building roads (2007, 200). He also found that the threat of an audit led to higher levels of efficiency, while public meetings had no significant effect on corruption levels (243). Reinikka and Svensson estimated that in the early 1990's only 13% of education spending actually reached Ugandan schools. (2001, 16). This shows that a transparency system could potentially fill the accountability void and stymie existing opportunism. While these studies implement accountability mechanisms in government

programs, it is possible that similar mechanisms may work to better understand the NGO, not-for-profit market and better increase accountability. Thus, experimental analyses ostensibly support the overall positive effect of accountability mechanisms observed in NGO case studies.

Hypotheses

We explore hypotheses that pit economic expectations based on the theory of the firm (Coase 1937, Fama 1975, Williamson 1985) against political expectations formulated around NGOs as reputation-builders (Gourevitch, Lake, and Stein 2012). We assume that NGOs are utility maximizers, but their utility might reflect either interest in reputation, fundraising from donors, purpose fulfillment, or all three. Unlike private, profit-seeking firms or government institutions, NGOs are non-profit and created explicitly to provide programs and services that would otherwise not be provided, especially public goods. We assume that NGOs are therefore motivated to remain alive for the indefinite future, because they prefer to provide the public goods and services in which they specialize to their respective constituents (the people who benefit from the NGOs' goods and services).

The mechanisms NGOs choose to compete for survival may be different from for-profit firms. For-profit firms in perfect competition survive based on whether they provide their goods or services at a lower price (or at a lower cost to themselves) relative to their competitors. If they cannot maintain prices equal to or less than those provided by the market and thus cannot cover their costs, for-profit firms will fail and cease to produce the goods and services they once provided. Likewise, if an NGO fails to cover its costs or

maintain sufficient funding to complete its projects, it will no longer be able to provide its goods and services to its market.

However, NGOs may not compete on prices; instead, NGOs may compete on reputation because donor funding is less a function of NGO price/cost efficiency and more a function of perceptions of NGO effectiveness (Gourevitch, Lake, and Stein 2012). The lack of precise, standardized program evaluations and systematic auditing of NGO practices evidenced in the literature gives rise to information asymmetry. It is difficult, if not impossible, in the current NGO market to evaluate NGOs in Pareto efficiency terms. The lack of transparency with regard to project outcomes and internal use of funding allows NGOs to compete more on prominence and appearance compared to firms in for-profit, competitive environments where evaluation—to a large extent—is performed by the very environment in which these firms exist; if they are not efficient, they will fail. This is not necessarily the case with NGOs.

Reputation-maximizing behavior is reinforced by the absence of efficiency requirements for most organizations and individuals who fund NGOs. Furthermore, individual donors are generally prosocial and wealthy enough to make donations on their own. The constraints (or lack thereof) facing governments and individuals reduces the incentives to evaluate NGOs to determine the organization with the highest efficiency. Instead, governments and individuals are more likely to trust and donate to NGOs with the longest histories or best reputations.

Because NGOs seek to maximize reputation, they may behave differently from firms that maximize profit and exist in traditional, competitive markets. Or they may indeed

behave in line with economic expectations. Several competing hypotheses therefore follow. First, when an audit is promised to evaluate an eventual partnership, the theory of the firm suggests that estimated reimbursement costs will decrease in response to more symmetric information. However, a reputational theory suggests that reimbursement bids may increase in response to an audit threat as NGOs grow more careful to account for even minor potential expenses related to the project. The reputational theory might also expect an audit to increase responsiveness because NGOs have an incentive to demonstrate to future donors that they have been audited in past projects and were found to be in good standing (i.e., did not exceed estimated expenditures).

Second, the economic theory of the firm might predict a decrease in bid amounts in response to a prime about competition. On the other hand, a reputational theory might expect that intimating competition for partnerships will increase reimbursement cost as NGOs do not respond to profit-maximizing incentives, but are motivated to build credibility (Gourevitch, Lake, and Stein 2012). In economic bidding scenarios, firms may bid progressively decreasing prices until their bid price is sufficient only to cover their costs. But because NGOs may view competition in terms of reputation, they might instead be expected to increase their reimbursement cost estimates to increase relative to the control group as NGOs attempt to signal a high level of preeminence and credibility. High-quality NGOs should be expected to cost more. Implied competition may also increase responsiveness to inquiry because reputation-maximizing NGOs seek to improve their reputation with an extensive history of projects and partnerships.

Third, information revealing familiarity with NGO partnerships—effectively decreasing information asymmetry—ought to decrease estimated reimbursement costs according to the economic theory of the firm. As the information gap between partners and donors decreases, NGOs should compete less on reputation and more on traditional price/cost efficiency. It is not clear that the reputational theory would produce a competing hypothesis here, other than perhaps an expectation that target NGOs should be more responsive to a potential partner that signals prior experience even if price may not vary in reaction. The reputational theory would therefore expect reducing information asymmetry to increase NGO responsiveness to inquiry because of the partner's revealed connections and reputation in the NGO market.

Finally, the economic theory of the firm would imply that NGOs' estimated reimbursement costs should increase when given information suggesting wealthy donors and abundant resources. The opportunity for greater funding should prove tempting. They reputational theory might expect a similar reaction and therefore produce observational equivalence. NGOs may attempt to signal their strong reputation via higher bid prices. As NGOs recognize a partner's high level of resources, their incentive to signal a strong reputation through high reimbursement costs may increase. Further, NGOs are more likely to expect to be compared to NGOs with high reputations (and high reimbursement costs) with which wealthy partners and donors have worked in the past. Similar to the effect of reducing information asymmetry, information regarding the partner's level of resources and connections should, according to the reputational theory, increase NGO responsiveness to inquiry.

Methods

We employ a field experiment research design in which we email NGOs around the world and request reimbursement cost estimates for invited future projects. We drew our subject pool of 1,303 NGOs for Experiment 1 in Uganda from the government's official NGO registry. For Experiment 1 we included only Ugandan NGOs that listed email addresses with the national registry. The subject pool for Experiment 2 came from an online NGO directory, which includes 65,207 development organizations, including bilateral government and international agencies, from around the world.¹ For Experiment 2 we excluded NGOs from our pool if they fit any of the following: (1) they resided in a non-English speaking country and the name of their organization is not written in English; (2) they were classified as an international organization (IO) or government organization (GO); (3) they did not have a valid email address; (4) they did not reside in a developing country.² In other words, NGOs were included in the sample if their language was English, they resided in a developing country, and were classified as non-government and international. After restricting our sample to these organizations, we were left with 14,793 organizations for the global subject pool in Experiment 2. *Table 1* below summarizes the regions of these NGOs.

The subject pool for Experiment 3 came from the official registry of NGOs in India. It therefore contains the universe of NGOs that felt the need to register with the national government in order to engage in officially sanctioned actions. There were 52,365 such

¹ Explain the origin of the directory here

² Talk here about the NGO categories and the definition of a valid name and email.

NGOs in India dispersed widely throughout the country. (Given that the data for Experiment 3 were compiled very recently, we have not yet produced descriptive statistics as for Experiments 1 and 2.)

Table 1: Distribution of Experiment 2 NGOs by Region

Region	<i>N</i>
Africa	5450
Asia & Middle East	6519
Europe	1699
Latin America & Carribean	882
Oceana	233

Table 2: Distribution of Experiment 2 NGOs by Category

Category	<i>N</i>
Private sector support organization	856
Finance institutions (including microcredit)	2379
Training and research centers	1975
Civil society organizations	8883
Development consulting firms & information providers	690

Other than physical address, email address, and phone number, we had no additional information about NGOs in the Uganda subject pool, so we did not perform block randomization. However, in Experiment 2 we did block randomize to ensure balanced distribution of key observable characteristics of NGOs across treatment conditions. We used two blocking criteria: NGO region and NGO category. Regions are listed in Table 1. NGO categories and cell sizes are shown in Table 2. The cross table of region and NGO category constituted the randomization blocks, and each NGO was assigned to one of five treatment conditions within each block. For Experiment 2 in order to address the multiple-comparisons problem where the likelihood of chance statistical significance for a single comparison grows along with the number of tests, we randomly assigned half of the NGOs

to the control condition. The remaining half was randomly assigned and evenly distributed among the four treatment conditions. The differences in the email messages constitute the only difference in protocol across all experimental conditions. We block randomized in Experiment 3 on geographic region and according to NGO size (based on the self-reported number of full-time employees and number of active projects).

As explained, the experimental protocol for all three experiments entailed sending email messages to all NGOs in the sample. The purpose of the messages was to solicit possible partnership opportunities with PEDL and the recipient NGOs. It is important to note that PEDL is in fact seeking partnerships with NGOs in developing countries for potential future randomized evaluations. The experiment was therefore embedded in an actual program to gather information from NGOs that could possibly collaborate as partners with PEDL on future projects. As such, deception was minimized in the experiment because PEDL's inquiries were fully sincere. Only the information that NGOs were part of a social science experiment was omitted, but all information provided was entirely truthful. Since these experiments were conducted, PEDL has in fact followed up with all positively-inclined NGOs and is pursuing partnership possibilities with NGOs that appear to be especially good fits with PEDL's mission.

The outcome of interest was obtained by asking NGOs to answer the following question in *Display 1*. The wording of the inquiry was slightly different for Experiment 1 but substantively similar and is listed in its entirety in Appendix A. The language below is drawn from the Experiment 2 designs for the global subject pool of NGOs. The language for Experiments 1 in Uganda and 3 in India was substantively similar.

Display 1: Reimbursement question

If we were to arrange a research partnership with your organization, how much money (in U.S. dollars) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

The variance in reported reimbursement cost estimates is the key outcome of interest. We attempt to manipulate the reimbursement cost estimates by systematically revealing different information about PEDL in each experimental condition. The difference in the average reimbursement cost estimates between the control condition and each treatment condition constitutes the treatment effects.

The reimbursement question above was embedded in a carefully worded email (for Experiments 1 and 2) message or Qualtrics prompt (in Experiment 3) in an attempt to provide context and legitimacy to our inquiry. The full text of the treatment template is included in *Display 2* below.

Display 2: Email message template

<INSERT NGO NAME>,

My name is Dr. Daniel Nielson, and I am director of the Political Economy and Development Lab (PEDL, see pedl.byu.edu) at Brigham Young University in the United States. PEDL performs systematic research to fight poverty and promote global development.

We are collecting information about possible research partnerships. This is not an invitation for immediate collaboration, but the information you provide will help us plan future partnerships. If you are potentially interested, please direct us to your website or other information about your organization.

Our projects generally last 2-6 months, involve 1-4 NGO staff members, and have budgets between \$5,000 and \$100,000. We sometimes reimburse partners for their costs. To help us plan, please also answer the following questions: (1) How many individuals currently work for your organization? Please include regular volunteers and full-time employees. (2) How many projects does your organization usually manage per month? (3) If we were to arrange a research partnership with your organization, how much money (in U.S. dollars) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

For now a detailed budget will not be necessary. <INSERT TREATMENT LANGUAGE> You may reply directly to this message or click on the link below:

<INSERT LINK TO: "PEDL Potential Partner Form">

Thank you for your willingness to respond.

Sincerely,

*Daniel L. Nielson, PhD
Director, Political Economy and Development Lab
Brigham Young University*

The first paragraph of the email provides the recipient NGO with background information regarding PEDL, and the second paragraph states that the purpose of our inquiry is to collect information about possible, future research partnerships. The email message was designed so as to be clear that PEDL was not *offering* to partner but that partnership was a possibility in the future, conditional on receipt of the requested information. Paragraph three describes nature of typical PEDL projects, giving recipient

NGOs a baseline from which to provide their cost estimates and providing a range of cost estimates from which to choose.

The third paragraph is also important because it outlines three specific questions we request NGOs to answer. The first and second questions, asking NGOs to report their current number of employees and number of projects managed per month, are useful for gathering data on covariates. They are also useful in that they communicate to the recipient NGOs that PEDL is sincerely looking to gather information for future partnerships. We also request recipient NGOs to provide any additional data (i.e., mission statement, history, and website) they feel are useful if they are potentially interested in partnering.

There are five conditions in this experiment. The Placebo Condition adds no additional language to the text of the email message shown in *Display 2*. The Placebo Condition is the baseline to which all other treatment conditions are compared. Each treatment condition adds unique and varying levels of information about PEDL and typical PEDL partnerships. The treatment conditions for Experiment 2 were designed so that placement of the treatment language in the email message, and even the grammatical structure, is parallel across treatment conditions. In Experiment 3 the treatment language was shown on the same page as and immediately above the outcome-condition question asking for the reimbursement bid.

The first treatment for all three experiments, the Audit Condition, adds information that PEDL projects are subject to thorough audits, so all related expenses will be scrutinized. The mechanism at work here, we believed when we deployed it in Experiment 1, would suppress opportunistic behavior in NGOs. But after scrutinizing the Experiment 1

results, shown below, we considered the possibility that audits might require greater care on the part of NGOs and that they might build the costs of this care into expense estimates. The exact treatment language is included in *Display 3*.

Display 3: Audit Condition language

Also, please be aware that all PEDL projects are subject to thorough audits, so any expenses in future partnerships will be carefully scrutinized.

The intent of the Audit Condition language is to trigger an accountability mechanism to motivate NGOs to behave more carefully (less opportunistically) relative to the Placebo Condition, where no information about a potential audit is included. As noted, the economic theory of the firm would expect this to decrease reimbursement estimates but the reputational theory might suggest an increase in average bids.

The second treatment, the Competition Condition, included information designed to induce a sense of rivalry vis-à-vis other unnamed NGOs. The treatment language for this condition is found in *Display 4*.

Display 4: Competition Condition language

Also, please be aware that we are sending a similar email to many organizations, so there will likely be competition for future partnerships.

The message we aimed to communicate to NGOs in this treatment condition was that NGOs must provide a competitive cost reimbursement estimate in order to be seriously considered for a partnership. In the Placebo Condition—or any other condition for that matter—NGOs are given no information that would explicitly suggest PEDL is also reaching out to other NGOs, although NGOs may of course infer that message. But in the

Competition treatment the potential rivalry is explicitly primed. The implication of competition for partnership for the economic theory of the firm is unambiguous: reimbursement bids should go down compared to control. However, if Gourevitch, Lake, and Stein (2012) are correct that credibility is the primary concern of NGOs, this fundamental worry for reputation may increase rather than decrease estimated reimbursement costs: high prices might be seen by NGOs as a signal of quality.

The Prior Knowledge Condition is the third treatment. The language in this message states that PEDL has established numerous partnerships in the past and knows what to expect in future partnerships in terms of reimbursement cost estimates. The language for this treatment is found in *Display 5*.

Display 5: Prior Knowledge language

Also, please be aware that we have worked with many NGOs around the world, so we are familiar with average personnel costs.

Similar to our initial expectation for the Audit Condition in Experiment 1, the Prior Knowledge Condition is designed to reduce opportunistic behavior, measured by decreased reimbursement cost estimates relative to the Placebo Condition. The Prior Knowledge Condition explicitly informs the recipient NGOs that PEDL is experienced with NGO work and partnership arrangements. Although the other conditions imply that PEDL has extensive experience in development research, none of these conditions suggest that PEDL has formed partnerships with NGOs in the past.

We affectionately refer to the fourth and final treatment as the Big Money Condition. The language for this treatment is found in *Display 6*.

Display 6: Big Money language

Also, please be aware that past projects have been supported by more than \$3 million in grants and contracts from donors including the Gates Foundation, the Hewlett Foundation, the World Bank, and the African Development Bank, so PEDL typically brings significant resources to partnerships.

The language here intimates that PEDL has the capacity to finance and manage large, expensive partnerships and is connected with high-profile, wealthy donors. Similar to the Competition Condition, this treatment was designed to enable opportunistic behavior, measured in terms of reimbursement cost estimates. In previous conditions, PEDL's financial resources are not mentioned.

All emails for Experiment 1 were sent from Internet email accounts and received and answered individually. Emails for Experiment 2 were sent via Qualtrics; however, respondents had the option to respond directly to our questions by responding to the email or by clicking on an embedded link to a Qualtrics survey, which repeats the questions found in the email message. In order minimize survey bias in our responses, the use of the Qualtrics survey format was framed as a "PEDL Potential Partner Form." The format of the survey was designed to feel more like a form than a survey by including all questions on the same page, rather than having respondents click through several consecutive screens with different questions on each screen (as is traditional in most Qualtrics surveys). Furthermore, all NGOs were addressed by name in the email, NGOs are given no information that identical messages are being sent to numerous other NGOs (with the exception of the NGOs in the Competition Condition, where this information is intentionally

given). “Reply-to” email addresses for each experimental condition were set to official PEDL email accounts.

In Experiment 3, subject NGOs in India were sent a generic invitation to respond to a survey inquiring about their possible interest in a research partnership. All invitation emails were identical and contained a link to the Qualtrics platform. We intended this design choice to remove the possible selection bias induced by differential response rates seen in Experiments 1 and 2. After NGOs clicked on the link and responded to the survey prompts, they were blocked according to responses and then randomly assigned within blocks to experimental conditions. Experiment 3 achieves near-perfect balance across conditions and within the treatment blocks.

Experiment 1 Procedure

The 1,303 NGOs from Uganda were randomly assigned to one of five groups using computerized randomization: either to the control group or one of four treatment groups in equal proportions corresponding to those listed in the Experiment 2 description above. Upon random assignment, the NGOs were sent an e-mail inquiry corresponding to their assigned group (See Appendix A for full e-mails). The control group was sent a basic e-mail from a PEDL alias and signed using the name of the project leader. Also, the same subject line was given for each of the treatment and control emails. The outcome of interest was the estimated cost for using three full-time employees on a per-day basis. We intentionally left the parameters vague, only asking NGOs to include whatever costs they thought necessary and to give us a simple ‘per-day’ estimate. In this way we hoped to elicit their honest expectations for project expenses. The treatment e-mails use the same wording as

the control e-mail, although with additional information included for each to correspond with each treatment. See Appendix A for specific wording. The emails were sent and received in July and August of 2011.

Responses from NGOs varied and they provided their estimates in different ways. Therefore, it was necessary to establish detailed coding procedures beforehand in order to consistently interpret the respondents' e-mails. For instance, responses that only reported the cost of one researcher per day were multiplied by three to estimate the cost of three researchers per day. Occasionally, responses would present partnership costs in U.S. dollars rather than Ugandan shillings. In these cases, we converted the price from U.S. dollars at a 2500:1 exchange rate to Ugandan shillings.³ Out of office and change of e-mail address auto-replies, which included references to new, functional e-mails belonging to the same NGO, were entered into the current list of e-mails on the comprehensive list used for the sample. The new, referenced e-mails were then sent inquiries with the second round of e-mails.

It was also important to make some assumptions in consideration of the estimates. First, we assumed that the hypothetical research would be done within the participant's district. Often the respondent would give a variable price based on the travel, typically whether it was in-district or outside the district. By assuming that all research would be done locally, extraneous travel expenditures were minimized. Although, it should be noted that often the proposed travel expenses were excessive. Additionally, many of the

³ Given the constant fluctuation of the Ugandan currency, it is difficult to maintain an exact exchange rate for all responses; however, a 2500:1 ratio represents the average exchange rate during the months surrounding the dates when the e-mails were sent.

respondents proposed a scale of costs. This was often based on the expertise of the staff; for example, a research assistant would be paid significantly less than a NGO director. In all cases we assumed the highest price, or if specific salaries were given, we assumed one director/senior researcher and two researchers. We made this assumption because it had been our experience that participation of senior staff members in any big project is quite common.

There were a significant number of responses that provided an itemized list of expenses, rather than the requested grand total of the cost of partnership. In these situations, the grand total was calculated manually based on the itemized expenses the NGO provided. Sometimes it was necessary to divide some sums up, for instance if a monthly rate was given for an expense we typically divided that rate by 22 (working days). Also, if only a range of prices were given we would only include the highest price. This did not happen often, but we assumed that they would insist on the highest price possible.⁴

Expecting that many NGOs would not respond to the inquiry after only the initial e-mail, three rounds of follow-up e-mails were designed in order to attract more responses and clarify any confusion. To allow adequate time to provide a valid response to the inquiry, NGOs were given one week from the time they received the original e-mail before they received follow up e-mails. If an NGO had appropriately responded to the e-mail within the first week, they were sent the “thank you” reply. If an NGO had not responded within the first week, they were sent the “reminder” e-mail. See Appendix A. Meanwhile, if

⁴ When responses requested Brigham Young University to pay a price per kilometer driven in an NGO owned vehicle or to cover gas used in such a vehicle, it is assumed that gas would total to 10,000 shillings per day or that the travel in NGO vehicles would cover twenty kilometers per day.

an NGO had responded by asking for more information about the partnership, they were given the “more information” response (Appendix A). The “reminder” and “more information” e-mails were designed to encourage an appropriate response without providing any detailed information besides what was already given in the original e-mail. The original e-mail was referenced and included at the bottom of both the “Reminder” and “More information” follow up e-mails.

Experiment 2 Procedure

Email distribution for Experiment 2 was performed in 4 waves, each lasting for a two-week time period. All waves for Experiment 2 were commenced and completed within a three-month time period between February and May of 2013. Subjects were assigned to one of the five conditions with half of all target NGOs assigned to Control and the other half uniformly distributed among the four treatment conditions. This distribution allowed us to address the multiple-comparisons problem that can result from having multiple treatment groups that are equally sized to control.

Three business days after sending the original message, a follow up email was sent to those NGOs that did not respond to the original message. A second follow up was sent six business days after the original email message. All questions were handled via email, and all answers to respondents’ questions were based off a normalized template and protocol. The conversations between PEDL and each NGO were recorded. All additional email templates are included in Appendix B.

Once answers to the questions posed in the email message were obtained, they were recorded and used as covariates in our analysis. Occasionally, NGOs would answer the

questions indirectly. For instance, rather than provide the average number of projects managed per month, NGOs would provide a range of projects managed per month (i.e., 5-8 projects per month). If average could be reasonably inferred from the indirect answers, we did not press the NGOs for a more specific answer. However, if the average could not be safely inferred, then we requested that the NGO provide a more specific answer.⁵

Experiment 3 Procedure

Experiment 3 was conducted by sending invitations to 52,364 NGOs in India. The sample came from an online directory of Indian NGOs and includes all Indian NGOs registered with the national government. All NGOs in the sample had an email address for their organization.

Of the 52,364 potential subjects that received an invitation, 1,956 completed the survey, received the experimental conditions, and provided a reimbursement bid, allowing for improved statistical power over the prior two experiments. We randomly assigned all responding NGOs into the same five conditions with half of all responding subjects assigned to the Control Condition and the remaining half uniformly distributed among the Audit, Competition, Prior Knowledge, and Big Money Conditions. See Appendix C for the specifics of the Qualtrics instrument. As noted, assignment to experimental conditions in Experiment 3 occurred only after subject NGOs had entered the Qualtrics platform and completed the survey that inquired after key organizational attributes involved in block

⁵ On one occasion, an NGO responded to the question of how many projects they usually manage per month by reporting the total number of projects managed since the NGO's inception. Because it was impossible to safely infer the average number of projects per month, we requested that this NGO respond more specifically.

randomization. This design feature removed the potential selection bias seen in the prior two experiments.

Results

We analyze our results with difference-in-means tests and regression analysis. All of the results reported below are robust to regression analysis with covariates, but we present the difference-in-means results due to ease of interpretation. A summary of our data can be found in Table 3 for Experiment 1, Table 4 for Experiment 2, and Table 5 for Experiment 3. The results for Experiment 1 supported the suspicion that NGOs might behave opportunistically. In the same year and months this experiment was conducted (July and August of 2011), we created partnerships with a score of local NGOs and reimbursed senior NGO staff members for their work in our collaborative projects. The highest daily wage we paid was approximately 70,000 UGX per person per day (including food and travel expenses), while the low was roughly 20,000 UGX. This range equates to roughly 28 U.S. dollars at the high end and \$8 at the bottom of the range. To Western eyes these amounts likely seem low, but they are considerably greater than the median Ugandan wage, which is less than \$2 per day (the best estimate obtained in a representative national survey for median daily Ugandan income is \$1.70; see Milner et al. [2013]).

By comparison, the roughly 250,000 UGX per staff member (Table 3 shows NGOs' average reimbursement estimates for 3 staff members) requested by NGOs in the Placebo Condition is more than 3.5 times greater than the high end of the price range we actually paid in the real partnerships. It is probable that some NGO staff members are better qualified and more skilled than the average Ugandan or even than the average NGO staff

member we employed for our other projects. However, even with these considerations in mind, our results seem to indicate opportunism among Ugandan NGOs.

Table 3: Response and Mean Wage Reported in Ugandan Shillings for Experiment 1 in Uganda

Condition	N	RESPONSE	MEAN WAGE REPORTED (SHILLINGS)		
		Response	1: Full Range of Values	2: 2.5/97.5 Truncated	3: 5/95 Truncated
Placebo	263	49	742,122	742,122	735,800
Proportion		18.6%	(140,928)	(149,928)	(136,385)
Audit	261	44	1,022,324	1,022,324	990,592
Proportion		16.9%	(192,582)	(192,582)	(175,834)
P-value		0.596	0.237	0.237	0.250
Competition	260	60	1,958,690	1,207,023	1,033,008
Proportion		23.1%	(734,824)	(237,694)	(157,671)
P-value		0.212	0.143	0.115	0.167
Prior Knowledge	259	33*	897,158	897,461	848,666
Proportion		12.7%	(229,909)	(229,875)	(197,788)
P-value		0.065	0.545	0.544	0.628
Big Money	260	36	1,891,805*	1,420,269**	1,226,604*
Proportion		13.8%	(679,206)	(346,524)	(250,923)
P-value		0.139	0.060	0.049	0.070

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$
SE in parentheses for wage t-tests

It is worth noting that the requested reimbursement amounts were highly right-skewed, with a few very high outlier values. Skewness and kurtosis tests both indicate that the null hypothesis should be rejected that the reimbursement values are distributed normally ($p < .01$). Of course, these values are likely skewed for good reasons related to the

experiment design, and we are reluctant to discard useful information when estimating differences-in-means. However, in an attempt to reduce the possible bias caused by the outliers, we “Winsorized” or truncated the outlier values at both the low and high ends to either the 2.5 and 97.5 percentiles or to the 5 and 95 percentiles, replacing the outliers with the values at the edge of the corresponding percentile ranges. This choice decreases the influence of the outliers while preserving the basic structure of the data. Tables 3-5 thus show three distinct difference-in-means tests, with Test 1 corresponding to the full range of reimbursement amounts, Test 2 truncated to the 2.5 and 97.5 percentiles, and Test 3 to the 5 and 95 percentile values.

In terms of the experimental results, treatment effects in Experiment 1 appear weak on the whole. The Audit and Competition conditions, against initial expectations for Experiment 1, both appeared to raise the average reimbursement price compared to the Placebo, but in neither case was the difference significant statistically (p values for the Competition Condition approach – but do not reach – conventional significance levels).

The Prior Knowledge Condition, however, caused a significant decrease in the response rate compared to the Placebo, dropping the proportion of responses from 18.6 percent to 12.7 percent ($p = .065$) or by roughly one third from the base rate. This suggests that Ugandan NGOs, on average, were less inclined to respond to inquiries from a research organization signaling significant prior experience working with NGOs. Again, this finding seems to support the general suspicion that NGOs may behave opportunistically and may be sensitive to losing their advantage in information asymmetry.

The Big Money Condition, as expected, appears to cause a significant increase in the requested reimbursement amounts, more than doubling the base rate from roughly 750,000 UGX to nearly 1.9 million UGX on average with the full range of reimbursements included ($p = .060$). This equates to more than 630,000 UGX per NGO staff member per day or roughly 252 U.S. dollars. Multiplying by 250 working days in a year, this would imply an annual salary of more than \$63,000, which is an impressive income in Uganda: more than 100 times greater than the median Ugandan wage. The statistical significance of the Big Money treatment effect is improved in Test 2, in which the reimbursement values were truncated to the 2.5 and 97.5 percentiles ($p = .049$).

It is likewise worth noting that the Big Money condition also decreased the response rate, from 18.6 percent to 13.8 percent. While this difference is not significant at conventional levels ($p = 0.139$), it does approach statistical significance and suggests selection effects. Here we face a methodological problem. A selection model seems to be called for, but we are not aware of a reliable estimation procedure that can estimate selection effects with a continuous dependent variable but without an instrument to identify the equation (which is, of course, missing given the limited field experiment data). While we search for (or create) such an algorithm, we thought it best practice to report the simple differences-in-means and remain open to counsel on alternative estimation procedures that will allow us to check for robustness.

In sum, Experiment 1 seems to suggest significant opportunism on the part of Ugandan NGOs. This is true for the observational data comparing the NGOs' requested reimbursement amounts to the costs we actually paid to our NGO partners in collaborative

projects. Experimental results corroborate this impression. The significant decrease in response rates for the Prior Knowledge Condition and the increase in reimbursement requests in the Big Money condition both reinforce this impression of opportunism among Ugandan NGOs.

Interestingly, these patterns do not hold in Experiment 2 with the subject pool of international NGOs nor in Experiment 3 testing officially registered NGOs in India. Rather, the results instead suggest that larger international NGOs are very sensitive to signals of credibility and that Indian NGOs respond to price competition as expected by economic theories. See Tables 4 and 5. Again, we see few treatment effects on the amounts of requested reimbursements in either Experiments 2 or 3.

The sole exception in Experiment 2 is for the Audit Condition, where it appears that the treatment significantly increases NGOs' asking price from the Placebo rate of \$136 per day to \$234 ($p = .024$). However, the statistical significance disappears when the reimbursement values are truncated to the edge of the different percentile ranges. It appears that the Test 1 results are being driven by a relatively few outliers at the top of the reimbursement price range. There is thus some evidence that the threat of audits induces price increases, but this result is not robust to alternative specifications.

In Experiment 2 the Audit, Competition, and Big Money conditions all produced requested reimbursement amounts that are statistically indistinguishable from the Placebo condition. This suggests that global NGOs do not behave in parallel with Ugandan NGOs and instead appear unfazed by threats of audits or competition or by the lure of significant resources. To us this suggests international NGOs with standard operating procedures that

constrain their practices in ways that produce unresponsiveness to different information conditions.

**Table 4: Response and Mean Wage Reported in US Dollars
Experiment 2 on the Global Sample**

Condition	N	MEAN WAGE REPORTED (DOLLARS)			
		RESPONSE	1: Full Range of Values	2: 2.5/97.5 Truncated	3: 5/95 Truncated
Placebo	7,389	255	135.90	133.26	129.16
Proportion		3.5%	(9.97)	(9.30)	(8.48)
Audit	1,850	87**	233.64**	145.23	137.53
Proportion		4.7%	(68.04)	(18.00)	(15.73)
P-value		0.011	0.024	0.531	0.626
Competition	1,848	74	144.64	137.89	131.79
Proportion		4.0%	(21.3)	(18.34)	(16.18)
P-value		0.251	0.689	0.816	0.884
Prior Knowledge	1,848	87**	141.97	106.24	103.00
Proportion		4.7%	(41.40)	(13.49)	(12.10)
P-value		0.011	0.838	0.129	0.106
Big Money	1,848	79*	139.83	139.91	139.46
Proportion		4.3%	(15.31)	(15.30)	(15.14)
P-value		0.090	0.843	0.723	0.555

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$
SE in parentheses for wage t-tests

A minor exception in Experiment 2 on global NGOs is the Prior Knowledge Condition, where – even in the face of increased response rates – it appears that the signal of significant previous experience with NGO personnel costs decreased the reimbursement estimates. The Prior Knowledge Condition, on average, decreased personnel prices by

roughly one fourth from \$130 per day to just over \$100 in Tests 2 and 3 where outliers were truncated. However, in both cases the differences-in-means fall just short of conventional levels of statistical significance, so at best only modest weight should be given to these findings.

The selection effects especially tell a very different story about the NGOs in the global subject pool in Experiment 2 compared to the Uganda sample in Experiment 1. Rather than the treatment conditions depressing response rates compared to the Placebo condition, three of the four treatments – Audit, Prior Knowledge, and Big Money – actually *increased* the proportion of responses to our inquiries. Both the Audit and Prior Knowledge conditions boosted the response rate from 3.5 percent in the Placebo condition to 4.7 percent – a nearly one-third improvement from the base rate ($p = .011$). The Big Money Condition increased responses to a more modest 4.3 percent ($p = .090$). While we hesitate to speculate too much about what this means, we are tempted to infer that global NGOs are very sensitive to signals of credibility, as predicted by Gourevitch, Lake, and Stein (2012). A defensible interpretation of all three experimental conditions is that they, in different ways, all signal legitimacy on the part of the requester and thus may make NGOs more interested in a possible partnership than in the Placebo Condition where those signals of credibility are missing.

Table 5: Mean Reimbursement Wage Reported in Indian Rupees in Experiment 3 on the Indian NGO Sample

MEAN WAGE REPORTED (RUPEES)				
Condition	N	1: Full Range of Values	2: 2.5/97.5 Truncated	3: 5/95 Truncated
Placebo	973	74280.64	1927.70	1658.28
Standard Error		(22060.45)	(95.57)	(62.79)
Audit	248	24982.31	1743.96	1525.62
Standard Error		(17034.39)	(169.79)	(107.54)
P-value of Difference		0.2686	0.377	0.329
Competition	242	42695.74	1392.69***	1322.11**
Standard Error		(41320.98)	(121.29)	(93.59)
P-value of Difference		0.630	0.009	0.014
Prior Knowledge	247	12170.34	1696.53	1480.56
Standard Error		(9428.93)	(173.80)	(114.98)
P-value of Difference		0.159	0.269	0.196
Big Money	246	7880.39	2015.39	1761.83
Standard Error		(5509.10)	(188.99)	(126.01)
P-value of Difference		0.131	0.680	0.460

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$
SE in parentheses for wage t-tests

Experiment 3 produced qualitatively different results than the prior two experiments. Again, we altered the experimental design to remove the potential selection bias produced by different invitation emails and instead made random assignments to experimental conditions only after the NGOs responded to a standardized invitation email, entered the Qualtrics platform, and completed an organizational survey supplying blocking criteria.

The range of reimbursement values was extreme in the un-Winsorized data, creating perhaps excessive noise in the untransformed data and thus producing no significant treatment effects in column 1 on Table 5. The results for the two Winsorized models in columns 2 and 3, however, show findings consistent with the economic theory of the firm applied to NGOs: the Audit, Competition, and Prior Knowledge conditions all decreased average reimbursement bids, but only the Competition condition did so to a statistically significant degree. The Big Money condition increased average bid amounts, but again not significantly so. The fact that the India results differ dramatically from the Uganda findings suggest that NGO populations and their responsiveness to incentives may vary significantly from country to country. This prompts the search for the causes of these differences and more generally calls for a systematic science of non-governmental organization behavior.

Conclusion

The results for Experiment 1, obtained with a subject pool of relatively small NGOs in Uganda, support the claim that NGOs may behave opportunistically. The results for Experiment 2, however, drawn from an experiment on larger international NGOs, suggests the opposite: international NGOs appear indifferent to opportunities for price gouging and instead seem very sensitive to signals of partner credibility. The results for Experiment 3, employing a design that removes possible selection bias, suggests little evidence of opportunism but rather that NGOs are responsive to signals of competition in line with economic theories of the firm.

When discussing the Experiment 1 results it is important that we here distinguish between opportunistic behavior and malicious or deceptive behavior. Our results are not intended to indict NGOs; rather, we suggest NGOs may behave opportunistically in order to survive and be successful in an increasingly competitive NGO market. Our results suggest that when primed with information regarding the possibility of partnering with a well-funded, well-connected research lab, NGOs are more likely to ask for higher reimbursement amounts. However, when informed that their potential partner has experience working with NGOs and is familiar with typical costs of partnership, when an audit is promised, or when competition is suggested, reimbursement cost estimates are more comparable to estimates from NGOs who were not informed of the experience of their potential partner. To us, this suggests that NGOs are fair, but seek higher returns to their labor when possible similar to the behavior of a private, for-profit firm.

Though our results are intriguing, there are significant limitations. First, we drew our subject pools from the Ugandan government registry, from an online NGO directory, and from the official Indian NGO registry. There may be significant differences between NGOs that select to be a part of these directories and NGOs who do not. Thus, our results from the three experiments may not generalize to all NGOs. That said, NGOs who belong to these directories are more likely to be contacted relative to those who belong to no directory, so our results from Experiment 2 should generalize to the types of global NGOs typically referenced in the IR and development literatures. The differences in results in Experiments 1 and 3 suggest that NGOs may face very different environments from country to country and may thus respond quite differently to variations in incentives.

It remains an open question, however, as to whether Ugandan NGOs are similar to local, smaller NGOs in other developing countries beyond India or whether the Indian NGOs represent the norm. When working with NGOs in Uganda, it is striking that they are very sensitive to a negative national impression of themselves as possible opportunists and charlatans. Experiment 1 uncovered some evidence that these general impressions have some grounding. But would this pattern hold elsewhere? It is clear that it did not in India.

Low response rates raise another concern. Similar to the selection bias that may exist from being a part of the online directory, NGOs in Experiments 1 and 2 also selected to respond to the invitation email. Hence, we do not observe the cost estimates for all NGOs who belong to our subject pools, but only for those who respond to the email. Of course, covariates should be balanced among experimental conditions, but the variable response rates in both experiments suggest selection effects that should be considered when estimating treatment effects for reimbursement amounts. Experiment 3 was designed to remove this selection bias and also produced a very different set of experimental results. It is not clear whether these differences resulted from the design choice or from the underlying average differences in Indian NGOs compared to Ugandan and global organizations.

If our results are valid, they suggest inefficiencies in local NGO operations working inside Uganda but more optimism for NGOs working internationally and in India. More work will need to be done to learn if these findings can export to other subject pools. Are NGOs opportunistic? Ugandan organizations certainly seem to be. But global and Indian NGOs appear remarkably immune to opportunities for price gouging and instead show

signs that they are very sensitive to signals of credibility. Indian NGOs were significantly responsive to a prime of likely competition, in line with economic theories of firms.

Experiments often raise more questions than they answer, and it appears that the maxim is especially true for this study. We look forward to being part of the conversation on NGO behavior going forward.

APPENDICES

Appendix A: Email wording for Experiment 1 in Uganda

Control E-mail: Preliminary Experiment

Dear Development Group:

By way of introduction, we are researchers with Brigham Young University working in Uganda. Our research focuses specifically on how to make future development efforts more effective through careful assessment of current projects.

We write to you to collect information about possible research partnerships. Please do not take this as an invitation to establish an immediate collaboration. But the information you provide will be very helpful to us as we plan future research efforts.

When we partner with NGOs to perform research, we sometimes provide funds to pay for partners' costs. Hypothetically, if we were to arrange a research partnership with your organization involving three of your staff members full time, how much money (in Ugandan shillings) would you expect a research partner to provide each day? (Please feel free to consider such costs as transportation, living expenses, facilitation, and all other expenditures necessary to complete the research project).

A detailed budget will not be necessary; a simple estimate will be enough. Thank you for your willingness to respond to this e-mail. We hope that through our combined efforts we can contribute to effective development in Uganda.

Sincerely,

Ryan Clark
Senior Research Assistant

Brigham Young University

Treatment 1: Audit

Dear Development Group:

By way of introduction, we are researchers with Brigham Young University working in Uganda. Our research focuses specifically on how to make future development efforts more effective through careful assessment of current projects.

We write to you to collect information about possible research partnerships. Please do not take this as an invitation to establish an immediate collaboration. But the information you provide will be very helpful to us as we plan future research efforts.

When we partner with NGOs to perform research, we sometimes provide funds to pay for partners' costs. Hypothetically, if we were to arrange a research partnership with your organization involving three of your staff members full time, how much money (in Ugandan shillings) would you expect a research partner to provide each day? (Please feel free to consider such costs as transportation, living expenses, facilitation, and all other expenditures necessary to complete the research project).

A detailed budget will not be necessary; a simple estimate will be enough. Also, please be aware that all projects with our partners are subject to an audit from an outside firm. Thank you for your willingness to respond to this e-mail. We hope that through our combined efforts we can contribute to effective development in Uganda.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

Treatment 2: Market Incentives

Dear Development Group:

By way of introduction, we are researchers with Brigham Young University working in Uganda. Our research focuses specifically on how to make future development efforts more effective through careful assessment of current projects.

We write to you to collect information about possible research partnerships. Please do not take this as an invitation to establish an immediate collaboration. But the information you provide will be very helpful to us as we plan future research efforts.

When we partner with NGOs to perform research, we sometimes provide funds to pay for partners' costs. Hypothetically, if we were to arrange a research partnership with your organization involving three of your staff members full time, how much money (in Ugandan shillings) would you expect a research partner to provide each day? (Please feel free to consider such costs as transportation, living expenses, facilitation, and all other expenditures necessary to complete the research project).

A detailed budget will not be necessary; a simple estimate will be enough. Also, please be aware that we will be considering several organizations for future partnership. Thank you for your willingness to respond to this e-mail. We hope that through our combined efforts we can contribute to effective development in Uganda.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

Treatment 3: Local NGO Partners

Dear Development Group:

By way of introduction, we are researchers with Brigham Young University working in Uganda with national NGO networks such as Deniva and NGO Forum. Our research focuses specifically on how to make future development efforts more effective through careful assessment of current projects.

We write to you to collect information about possible research partnerships. Please do not take this as an invitation to establish an immediate collaboration. But the information you provide will be very helpful to us as we plan future research efforts.

When we partner with NGOs to perform research, we sometimes provide funds to pay for partners' costs. Hypothetically, if we were to arrange a research partnership with your organization involving three of your staff members full time, how much money (in Ugandan shillings) would you expect a research partner to provide each day? (Please feel free to consider such costs as transportation, living expenses, facilitation, and all other expenditures necessary to complete the research project).

A detailed budget will not be necessary; a simple estimate will be enough. Thank you for your willingness to respond to this e-mail. We hope that through our combined efforts we can contribute to effective development in Uganda.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

Treatment 4: Big Money Partners

Dear Development Group,

By way of introduction, we are researchers with Brigham Young University working in Uganda. Our past research has been supported by more than \$3 million in grants and contracts from the Bill and Melinda Gates Foundation, the William and Flora Hewlett Foundation, the World Bank, and the African Development Bank, among others. Our research focuses specifically on how to make future development efforts more effective through careful assessment of current projects.

We write to you to collect information about possible research partnerships. Please do not take this as an invitation to establish an immediate collaboration. But the information you provide will be very helpful to us as we plan future research efforts.

When we partner with NGOs to perform research, we sometimes provide funds to pay for partners' costs. Hypothetically, if we were to arrange a research partnership with your organization involving three of your staff members full time, how much money (in Ugandan shillings) would you expect a research partner to provide each day? (Please feel free to consider such costs as transportation, living expenses, facilitation, and all other expenditures necessary to complete the research project).

A detailed budget will not be necessary; a simple estimate will be enough. Thank you for your willingness to respond to this e-mail. We hope that through our combined efforts we can contribute to effective development in Uganda.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

"Thank You"

Dear Development Group:

Thank you for taking the time to respond to our inquiry. Your estimate will be very valuable for our partner organizations as well as for our university. As interest in your organization grows we may contact you in the future; however, please know that this e-mail will not be in service in the future as it was created for research purposes. Feel free to

reach us at pedl@byu.net. We recognize that your organization is playing an important role in the development of Uganda and hope that together we can work toward a bright future for the country.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

“Reminder”

Dear Development Group:

Last week your organization received an e-mail from us requesting a price estimate on a hypothetical research partnership. But we have not yet heard back from you. Your answer to our query is vital to our future research plans, so we urge you to please respond as soon as possible.

Thank you for taking the time to answer our inquiry. For your convenience we have included the original e-mail below.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

“More Info”

Dear Development Group:

Thank you for taking the time to respond to our request. Typically, when we partner with NGOs in research, we employ NGO staff to accompany us to visit and interview the organization’s beneficiaries. Staff members help us locate the constituents and translate our questions into the local language if necessary. So, to clarify, we are asking for a cost estimate of employing three members of your staff full time for a day to accompany us in interviewing beneficiaries. Your answer to our inquiry is very important to our future research plans, so we urge you to respond as soon as possible so that we may gather the necessary information.

Thank you again for your important work on behalf of Ugandans. The information you provide will greatly assist us as we work toward development for the country. For your convenience the original e-mail message is copied below.

Sincerely,

Ryan Clark
Senior Research Assistant
Brigham Young University

Appendix B: Follow-up Language for Experiment 2

Display 1A: “More info” template (sent to NGOs who asked clarifying questions about the original message)

<INSERT NGO OR RESPONDENT NAME>,

Thank you for your interest in partnering with PEDL. Because the details of our future projects are still unclear, we are unable to provide further information about the nature of the partnership. For now, please respond to the questions we asked in our original message. If you have other questions, let me know.

Thank you for your cooperation. For reference, please see the original message below.

Regards,

Daniel L. Nielson, PhD

Director, Political Economy and Development Lab

Brigham Young University

Display 2A: “Thank you” template (sent to all NGOs who answered our questions)

<NGO OR RESPONDENT NAME>,

Thank you for your response. We will review your information as we plan our future research partnerships. We will contact you when we are ready to move forward.

Sincerely,

Daniel L. Nielson, PhD

Director, Political Economy and Development Lab

Brigham Young University

Display 3A: Follow up 1

<INSERT NGO NAME>,

A few days ago I contacted you about a possible research partnership. I have not yet heard from you but hope that you might still answer our questions. If convenient, please review our requests (see the original email below) and respond directly through the email or through the survey link.

<INSERT LINK TO: "PEDL Potential Partner Form">

Thank you,

Daniel L. Nielson, PhD

Director, Political Economy and Development Lab

Brigham Young University

Display 4A: Follow up 2

<INSERT NGO NAME>,

A week ago, I contacted you about a possible research partnership. I still have not yet heard from you. If convenient, please review our request (see the original email below) and respond directly through the email or through the survey link.

<INSERT LINK TO: "PEDL Potential Partner Form">

Thank you,

Daniel L. Nielson, PhD

Director, Political Economy and Development Lab

Brigham Young University

Appendix C: Language for Experiment 3 Conditions

The generic invitation email for the study is copied here:

Dear <INSERT NGO NAME>:

I am writing in behalf of the Political and Economic Development Labs (PEDL, see <https://pedl.byu.edu/Pages/Home.aspx>) at Brigham Young University in the United States. PEDL performs systematic research to fight poverty and promote global development.

We are collecting information about possible research partnerships. Our projects generally last 2-6 months and involve 1-4 NGO staff members (entry level personnel or enumerators), and have budgets between \$5,000 and \$100,000. This is not an invitation for immediate collaboration: both of us will need to make sure there is a good institutional fit. But the information you provide will help us plan future partnerships.

If you are potentially interested, please fill out a brief (5-minute) questionnaire using your organization's unique ID <#####>. There are three ways to access the questionnaire:

(1) Click on this link to go directly to the questionnaire: <FORM LINK>

(2) Or go to our website <pedl.byu.edu> or browse there from the byu.edu website through the BYU Department of Political Science's page, and click on the "India NGO Opportunity" link at the top of the PEDL home page.

(3) Or search “**PEDL BYU**” in <Google> or <Yahoo>, direct yourself to our website, and click on the “India NGO Opportunity” link at the top of the page.

Please remember, your organization’s unique questionnaire ID is <#####>.

Thank you for your willingness to respond.

Sincerely,

Daniel L. Nielson, PhD
Director, Political Economy and Development Lab
Brigham Young University

The Qualtrics Survey instrument is copied here:

Q5 Thank you for your willingness to respond to this brief (5 minute) questionnaire. The Political and Economic Development Labs at Brigham Young University perform research to fight poverty and promote global development.

We are collecting information about how NGOs in India participate in development and exploring potential research partnerships. We learned about your organization from India's NGO Partnership System.

We would appreciate information about how you work with government and international partners. In addition, if a research partnership with PEDL appeals to you, please let us know in the survey below. This is not yet an invitation for partnership, but if our organizational missions align well, we hope this might lead to fruitful conversations going forward.

This questionnaire contains two sections. In the first section please confirm your organization’s contact information and answer a few short questions about your organization’s projects. In the second section, please answer 2 short follow-up questions.

Q41 Organization Name: {piped FirstName} Is this information correct?

Yes (3)

No (4)

Answer If Organization Name: {piped FirstName} No Is Selected

Q42 What is your organization's name?

Q43 Mailing Address: {piped Field/Address}. Is this information correct?

Yes (1)

No (2)

Answer If State(s) in which your organization operates {piped //Field/States} No Is Selected

Q15 What is your organization's mailing address?

Q16 State(s) in which your organization operates: {piped Field/OperationalAreaStates} Is this information correct?

Yes (1)

No (2)

Answer If State(s) in which your organization operates: {piped Field/OperationalAreaStates} Is this information correct? No Is Selected

Q18 In which state does your organization primarily operate?

Q37 Which region of the country pertains to the state in which your organization is registered?

	East India (1)	North India (2)	Northeast India (3)	South India (4)	West India (5)	Islands of India (6)
Choose a region here: (1)						

Q17 Principal issue area(s) in which your organization works: {piped Field/KeyIssues} Is this information correct?

Yes (1)

No (2)

Answer If Principal issue area(s) in which your organization works: {piped Field/KeyIssues} Is this information correct? No Is Selected

Q19 In what principal issue area does your organization work?

Q8 How many individuals currently work full-time for your organization? (Please enter as a number not as written text. Example: 5)

Q9 How many regular volunteers currently work with your organization?

Q10 How many projects does your organization usually manage per month?

Q36 How many active projects is your organization involved with? (Please enter as a number not as written text. Example: 5)

Q38 Has your organization received a contract or grant from a government agency in the last three years?

Yes (1)

No (2)

Q39 Has your organization received a contract or grant from an international organization (e.g. World Bank, United Nations) in the last three years?

Yes (1)

No (2)

Q40 Is political advocacy a primary activity or goal of your organization?

Yes (1)

No (2)

Q41 Are you interested in research partnerships?

Yes (1)

No (2)

Q20 As noted, we are also collecting information about possible research partnerships from organizations that might be interested. Our projects generally last 2-6 months, involve 1-4 NGO staff members (entry-level personnel or enumerators), and have budgets between \$5,000 and \$100,000. This is not an invitation for immediate collaboration, but the information you provide will help us plan future partnerships.

Subject NGOs are block randomized to 1 of 5 experimental conditions (with 1/2 of total to Control):

Control Condition

Q21 If we were to arrange a research partnership with your organization, how much money (in Indian rupees) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

Q11 Any additional comments? (optional)

Audit Condition

Q23 Please be aware that all PEDL projects are subject to thorough audits, so any expenses in future partnerships will be carefully scrutinized.

Q52 If we were to arrange a research partnership with your organization, how much money (in Indian rupees) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

Q53 Any additional comments? (optional)

Competition Condition

Q56 Please be aware that we have sent the same inquiry to many organizations, so there will likely be competition for future partnerships.

Q57 If we were to arrange a research partnership with your organization, how much money (in Indian rupees) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

Q58 Any additional comments? (optional)

Prior Knowledge Condition

Q60 Please be aware that we have worked with many NGOs around the world, so we are familiar with typical personnel costs.

Q61 If we were to arrange a research partnership with your organization, how much money (in Indian rupees) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

Q62 Any additional comments? (optional)

Big Money Condition

Q64 Please be aware that past projects have been supported by more than \$3 million in grants and contracts from donors including the Gates Foundation, the Hewlett Foundation, the World Bank, and the African Development Bank, so PEDL typically brings significant resources to partnerships.

Q65 If we were to arrange a research partnership with your organization, how much money (in Indian rupees) would you require to fund each staff member per day? In other words, what is the average personnel cost for one person's work for one day?

Q66 Any additional comments? (optional)

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