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## **Spatial Clustering Of NGOs: An Evolutionary Economic Geography Approach**

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# SPATIAL CLUSTERING OF NGOs: AN EVOLUTIONARY ECONOMIC GEOGRAPHY APPROACH

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## **ABSTRACT**

*Strong patterns of concentration characterize the location decisions of development NGOs. Since current theories on non-profit location choice tend to neglect such tendencies, this article develops an evolutionary economic geography approach to non-profit organizations. It focuses on increasing returns to scale, labor mobility and path dependence and contextualizes those factors. A survey involving visual ranking methods of OECD-based development NGOs and structured field-level interviews with local NGOs in the Central African Republic and Tanzania provide original empirical data. Statistical methods are used to contrast the divergent experiences in the two countries. The article concludes that the increased interest of international NGOs in Tanzania and their continued lack of interest in the Central African Republic are self-perpetuating processes that explain the concentration of NGOs. This concentration may lead to increased efficiency, but reduces the equitable distribution of NGO aid and therefore has implications for the attainment of global poverty goals.*

**Keywords:** economic geography; clusters; NGO; aid; Tanzania, Central African Republic.

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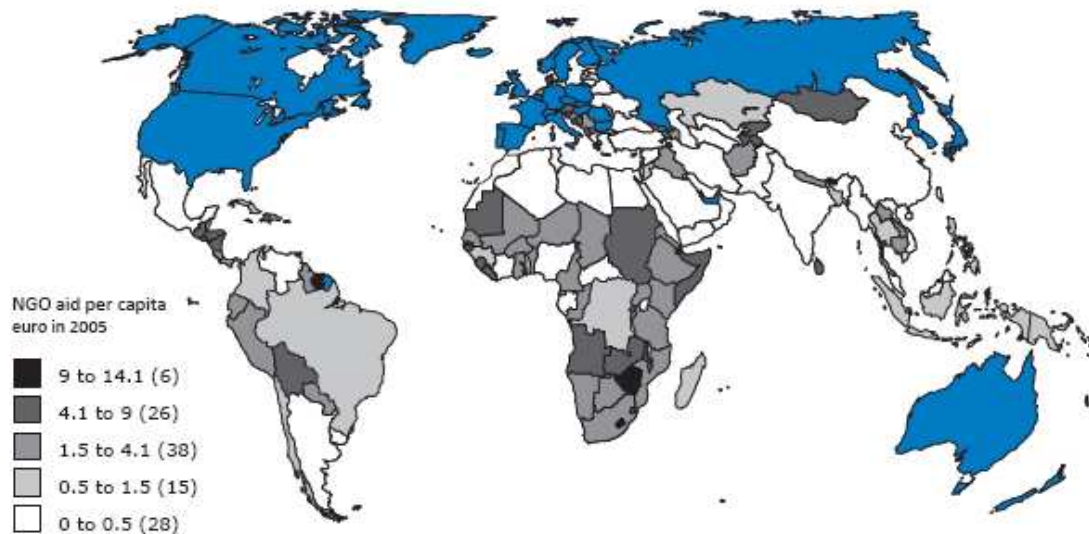
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## SPATIAL CLUSTERING OF NGOs: AN EVOLUTIONARY ECONOMIC GEOGRAPHY APPROACH

Development aid through international NGOs is unequally distributed. Figure 1 shows the concentration of development NGO activities, based on data from 61 of the world's largest development NGOs.<sup>2</sup> The map displays per capita NGO expenditure (in Euros) in developing countries. Countries shown in a darker shade receive greater NGO aid per capita. As the scale indicates, it is readily visible that certain countries receive more than 20 times as much aid per capita, such as Zambia, Zimbabwe and Nicaragua, than others, such as Yemen, Nigeria, Côte d'Ivoire, Pakistan and the Central African Republic.

**Figure 1: Distribution of NGO aid in 2005 (Euro per capita)**



Source: Koch, 2008

<sup>2</sup> Organizations that matched the following criteria were included in this sample: 1) have an annual budget of more than 10 million USD, 2) spend less than 50% on humanitarian aid, 3) be primarily active in developing countries. Organizations that were included were for instance World Vision, Care, Plan and Oxfam.

The budget of these 61 of the largest international development NGOs was 6.9 billion Euro in 2005. Of this budget, 4.3 billion Euro was spent in developing countries. These organizations were active in an average of 44 countries. Developing countries received on average 30.4 million Euro from NGOs in the sample. The level of NGO aid differs substantially between countries. Countries such as Zimbabwe, Sri Lanka, Bangladesh, Kenya, Sudan, and Uganda receive amounts in excess of 100 million Euro annually, while countries such as Guinea, Côte d'Ivoire and Yemen receive less than ten million Euro annually.

This article explores geographic decisions and clustering of 61 international NGOs, with a special focus on two particular countries: Tanzania and The Central African Republic. The Central African Republic (CAR) is an extremely poor, landlocked country, where 75 percent of the population of four million live below the poverty line. Tanzania, meanwhile, is a coastal country with a population of about 38 million, a quarter of which (11 million) live below the poverty line. Accordingly, one would expect Tanzania to receive greater support from international development NGOs - in equivalent terms, about three times as much. The real difference, however, is much greater. 61 of the world's largest non-governmental development organizations spend only around €1 million Euro a year in the CAR , compared with around €70 million Euro a year in Tanzania. The CAR is thus an example of a 'donor orphan'. This is an undesirable situation since the CAR ranked 172<sup>nd</sup> out of 177 countries on the Human Development Index (HDI) (UNDP, 2006a). More alarming still is the fall in social indicators during the decade. Life expectancy has fallen dramatically from 49 years in 1988 to 42.7 in 2003 (UNDP, 2007), and the situation in the education and health-care sector is bleak (World Bank, 2007). The CAR is

unlikely to reach the Millennium Development Goals (UNDP, 2006b). For Tanzania, meanwhile, the figures tell a different story: the Human Development Index rose from 0.45 in 1985 to 0.52 in 2005.

Current non-profit location theories cannot provide an adequate explanation for this disproportionate distribution of aid. These theories either consider non-profit organizations as altruistic organizations that address the needs of the population, or as entities that make geographic choices based on budget-maximization, or as a combination of both. These theories virtually all rely on a neo-classical supply (funding) and demand (need) framework (Zeller et al., 2001; Smith and Wiest, 2005; Fruttero and Gauri, 2005; Nancy and Yontcheva, 2006), and fail to provide an adequate explanation of the real levels of NGO aid concentration observed. They do not take recent developments in economic geography, among which evolutionary economic geography, adequately into consideration.

This article proposes a non-profit agency location theory: an evolutionary economic geography approach to non-profit organizations. The approach is better able to clarify the existing patterns of geographic concentration amongst non-profit organizations, particularly development NGOs. The research uses core concepts from evolutionary economic geography. It focuses on increasing returns, labor mobility and path dependence, while paying due attention to contextual factors (Boschma and Frenken, 2003; Arthur, 1995). This article suggests that many of these economic geography elements, which are normally used to explain concentration of for-profit companies, can also be set to work to understand concentration among non-profit organizations.

The remainder of this article is structured as follows. First, the article commences by outlining the contours of the proposed evolutionary economic

geography approach to non-profit organizations, drawing extensively on the evolutionary economic geography approach. This approach is then applied to two case studies that represent two contrasting outcomes in terms of NGO concentration: Tanzania and the CAR. Tanzania, and in particular the Arusha region – which is the focus of this research - is characterized by a large-scale expansion in the foreign-funded NGO sector. No such expansion has been observed in the CAR. These two contrasting cases enable an in-depth analysis of determinants of NGO concentration. Finally, the article discusses how the approach can be refined in light of the case studies.

## **AN EVOLUTIONARY ECONOMIC GEOGRAPHY APPROACH TO NON-PROFIT ORGANIZATIONS**

In literature on the geography of voluntary and non-profit organizations, many have noted that one of the salient characteristics is its unequal spatial coverage (e.g. Bryson, et al., 2002; (Fyfe and Milligan, 2003); Sakabe and Eloundou-Enyegue, 2006; Milligan, 2007;). When non-profit location theories are applied in an attempt to explain such inequalities in aid distribution among non-profit organizations, the most commonly used framework relies on supply and demand analysis (Wolch and Geiger, 1983; Weisbrod, 1988; Wolch, 1999; Gronbjerg and Paarlberg, 2001; Barr and Fafchamps, 2005). Supply factors often include financial and human resources that are available to non-profit organizations in certain locations, while demand is reflected in the level of poverty among the local population (e.g. Bielefeld, 2000; Beckfield, 2003; Taylor, 2004; Dreher et al., 2007). With some exceptions (e.g. Bielefeld and Murdoch 2004), these analyses are static and cross-sectional in nature and do not pay attention to dynamic processes at work in non-profit clustering. Most

studies, for instance, correlate indicators of needs with indicators of NGO presence and simply conclude that NGOs succeed (or not) in reaching the poorest segments. These studies refrain from explaining current patterns of inequality.

The economic geography discipline basically deals with the distribution of economic activity across space (Clark et al.,; 2000). Since the uneven distribution of one set of economic actors, non-profit agencies, is the phenomenon that this article seeks to explain it is a logical step to rely on economic geography literature. However, a severe *methodenstreit* has been raging within economic geography over the last decades (Hudson, 2003; Lagendijk, 2003; Markusen, 2003a ; Markusen, 2003b; Peck, 2003; Martin, 1999). Extending insights from ‘economic geography’ to the non-profit domain involves much more than just ‘copy-pasting’ an unequivocal and coherent body of economic geography theory. A theoretically well-founded economic geography approach to non-profit actors requires explicit choices with respect to underlying assumptions, the importance of contextual factors and the conceptualization of time (e.g. whether it is mainly a static or dynamic analysis). Moreover, such an approach needs to provide guidance into which methodologies can be used to demonstrate the validity of the theoretical concepts. Boschma and Frenken (2006) identify three approaches to economic geography: a neo-classical; an institutional and an evolutionary approach. This article develops an evolutionary economic geography approach, while benefiting in some aspects from the strengths of the institutional approach to compensate for certain relative weaknesses of a strict evolutionary line.

The evolutionary economic geography approach which has been developed by Boschma and Frenken (2006) provides the theoretical tools for a dynamic analysis of concentration. The evolutionary economic geography approach is consistent with

evolutionary thinking in other disciplines, as it explains a current state of affairs from its history. The authors state that:

‘The current state of affairs cannot be derived from current conditions only, since the current state of affairs has emerged from and has been constrained by previous states of affairs. Evolutionary theory deals with path dependent processes, in which previous events affect the probability of future events to occur. In this view, small events can have large and long-lasting effects due to self-reinforcing processes.’

There are various reasons why the concentration of NGOs might be a research topic that is amenable to an evolutionary economic geography analysis. Foremost, other statistical work on the geographic choices of international NGOs has shown that past geographic choices of international NGOs were a clear determinant of current choices of international NGOs (Koch and Loman, 2008). However, how this path dependence exactly works does not become clear from those panel analyses. An evolutionary economic geography might thus provide interesting insights in how historical developments have an impact on current concentration tendencies. Secondly, an evolutionary approach can also move beyond descriptive case studies as it proposes more formalised ways of theory testing. Since there are already various ethnographic and qualitative case studies available on the geographic choices of NGOs, which provide convincing examples of the importance of path dependence (e.g. Bebbington 2004), the evolutionary approach can stimulate a more systematic way of analyzing the assumed self-reinforcing patterns. Due to the relative novelty of this evolutionary economic geography approach, an articulated critique on it has not yet surfaced (Martin & Sunley, 2006).



Nevertheless, there are certain still relative underdeveloped aspects of the evolutionary economic geography sub discipline, which can be compensated by integrating some strong elements of an institutional economic geography approach. For instance, one of the preferred methods of many evolutionary economic geography studies is formalized modeling. Since the concentration of non-profit actors has hardly been empirically researched at all, it appears more suitable to first gather more insight in potential drivers of this concentration, before turning to abstract models. That being said, also within evolutionary economic geography an increased use of surveys and questionnaires can be noted (e.g. Boschma & Weterings; Wenting et al, 2008). Also the focus of the evolutionary approach on how *organizational routines* impact the competitiveness of firms (and how spin-offs copy those routines from mothers firms) does not tally very well with the focus of this research. The competitiveness of individual firms is not the prime focus of this research. Instead it centers on the mechanisms that enable emergence of non-profit clusters as a whole, and analyzes therefore complementarities between organizations within a cluster, support organizations and how contextual factors contribute to the emergence of clusters. Therefore, it appears advisable, especially from a methodological point of view, to also draw on some of the strengths of the institutional economic geography approach, notably the Italian industrial district approach.

The institutional economic geography approach, notably the industrial district approach, can contribute to an analysis of the geographic choices of NGOs. Whilst the industrial district approach hardly produces testable hypotheses, studies in this

tradition share some methodological strengths which can enrich the understanding of non-profit clusters.<sup>3</sup>

Firstly, the industrial district approach is rooted in detailed empirical work on specific regions and stresses the social, cultural and political foundations of local sector growth and cluster formation. The approach pays due attention to cluster effects, such as tacit knowledge spill-overs and joint collective efficiencies (e.g. Schmitz, 2000; Visser, 1999). The industrial district ‘method’ is thus particularly useful in analyzing contextual factors that have assisted or hindered the development of certain regions and sectors. Recent literature on the growth of NGO sectors suggests that contextual factors are indeed of clear importance (Mitlin et al., 2006). Large-scale cross-country regression analysis has also been used to analyze geographic choices of international NGOs (e.g. Koch et al., 2008). This approach was helpful in establishing that the international NGO sector can be characterized by strong concentration. It provided, however, less insight into the mechanisms provoking these concentration tendencies. The foci of studies within the industrial district tradition, with its clear contextual analysis, can make these mechanisms more explicit.

Secondly, the industrial district approach looks beyond firms (or in our case NGOs) when analyzing concentration processes. It includes the role of other institutions, such as universities, professional associations, umbrella organizations and relations between them. Such a broad approach appears essential as earlier research

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<sup>3</sup> Another reason to also make use of the industrial district approach is that the composition of the researched NGO sectors bears resemblances to those analyzed by the industrial district approach. Sforzi (2000) highlights that an industrial district is constituted by a set of small independent specialized organisms in different phases of the same production process. As recent inventarisation of NGO sectors in developing countries make clear (Barr and Fafchamps, 2006; Fruttero and Gauri, 2005) that the NGO sector also consists of many different small actors, that are all engaged in different aspects of the aid delivery process. The NGO sector is less characterized by vertically integrated supply chains but relies more on dense networks and consequently a post-Fordist approach appears well suited.

on the clustering of NGOs has demonstrated that there are strong complementarities between NGOs and other economic and political actors (e.g. Laan, 2007). By broadening the focus beyond the prime actors of interest the research, we prevent that other actors become mere contingencies (cf. Markusen, 1999).

There are several weaknesses of the institutional approach (to which the industrial district belongs), which explains also why this research takes evolutionary economic geography as the main starting point instead. These criticisms come, among others, from the proponents of the other traditions, notably the new-geographical economics approach (Krugman; 1998b) and the evolutionary geography approach (Boschma and Frenken, 2006), but also by less outspoken adherents of one particular approach (Markusen, 1999; Grabher 2003). Three main concerns are voiced against an institutional approach. Firstly, it is argued that numerous case studies of the institutionalists have become so specific that too little attention has been paid to the potential generality of the findings, as well as to factors outside the specific case that may have impact on its results (Markusen, 2003). Secondly, another weakness that critics point out is that contributions in this realm are often not tested systematically (Krugman, 1998b). A third criticism relates to its still rather static ways of analyzing concentrations. Conversely, in an evolutionary framework, the analysis focuses on the degree to which institutions are flexible and responsive to changes. Institutional differences between regions or nations are then part of that what needs to be explained, as institutions co-develop with processes of industrial dynamics and technological innovation.

There are also various arguments against using the new economic geography approach to explain the concentration of non profit organizations. While this approach provides interesting insights into the clustering of economic actors, three reasons

render it not fully suitable to explain concentration of non-profit actors. Firstly, one of the underlying assumptions of this approach is the profit maximization of economic actors, which appears rather problematic when applying it to non-profit actors. Secondly, one of the main determinants of concentration in those models is transport costs, while these appear relatively unimportant for NGO location choices. Transport costs do play a major role in the decisions of international NGOs that are mainly involved in financial and knowledge transfers. They transfer funds to local organizations, in exchange for which local organizations engage in development activities *sur place*. Lastly, in the end new economic geography applies a classic market-oriented demand and supply framework, albeit with other assumptions regarding competition and returns to investment. However, various studies regarding international aid point out that it can hardly be considered as a market, since supply considerations dominate and feedback mechanisms are largely absent. (Easterly, 2002; Rogerson, 2004)

Therefore, to explain the drivers of concentration of international NGOs, an approach that draws most on evolutionary economic geography appears best suited. As explained, in this research also some of the strengths of the institutional economic geography approach will be taken into consideration, notably its focus on contextual factors and on other actors (than just the actors that are the prime focus of the research).

In the proposed evolutionary economic geography of non-profit organizations three main theoretical constructs can be identified: increasing returns, labor mobility and path dependence. These three elements surface virtually always as drivers of concentration in the relevant literature (e.g. Boschma & Frenken, 2006; Sforzi, 2001; Antonelli 2000 & 1994; Keeble, 1999). Interestingly, different terms are used by

authors for virtually similar concepts. For example, whereas some authors use the term increasing returns to scale (Sforzi; 2002) and others agglomeration economies (Bielefeld and Murdoch, 2004) and pecuniary externalities (Antonelli; 2000), they all imply that average production costs go down in case of geographic concentration. The three concepts that are further used in this article, can be considered as a common analytical core that permits to understand the main drivers at the recipient country level for spatial concentration of NGO activities. Traditionally, an evolutionary economic geography approach might focus exclusively on increasing returns to scale and path dependence (Boschma & Frenken, 2003; Arthur, 1994). Yet, for reasons explained in detail below, in the case of NGOs, ‘labor mobility’ deserves special attention, as especially international staff are highly mobile and contributors to concentration. We will first discuss the relevance of each the concepts and then provide an empirical illustration.

### **Increasing returns to scale**

Increasing returns to scale is one of the key factors which lead to concentration (Bellandi; 2003). Increasing returns to scale emerge from two types of economies of scale: internal (within an organization) and external (between organizations). Internal economies of scale arise when an organization can achieve more of its aims when clustering its activities. In this respect, for NGOs that work with field offices, it becomes efficient to reduce the number of countries where they operate. The investment and overhead costs involved in setting up a new base in a new country can be reduced by hiring another program officer in a country where the organization is already present.

External economies of scale arise when a group of organizations can achieve more of their aims when they combine their activities. Economic geographers show that a decrease in average costs, for instance because of cost sharing and cheaper inputs, stimulates organizations to search location close to each other (Bielefeld and Murdoch, 2004).

### **Labor mobility**

Labor mobility contributes in two ways to concentration of NGOs; (1) qualified labor tends to move towards incipient concentrations since salaries and living conditions are better and (2) labor tends to be more mobile between organizations within incipient concentrations. Both of these labor mobility effects positively impact concentration tendencies in the long term.

The mobility of international NGO staff contributes to concentration of NGOs. Labor mobility depends on the flexibility of workers to move from one region to another. The factors driving people to migrate to another region are related to the expectation of receiving a higher real wage or a better living standard (Brakman & Garretsen, 2003). If real wages (or quality of life) become higher in a region, some part of the labor force is likely to move. The movement of (inter)national NGO staff from one aid ‘hotspot’ to another, be it Kosovo, East-Timor or Sri Lanka, illustrates that they are highly mobile.<sup>4</sup> The movement of international labor is not without consequences. International staff can transfer skills that are considered indispensable for the NGO sector, such as writing log frame-proposals or negotiating funds with head offices. These skills increase the chance that local organizations will be able to

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<sup>4</sup> Local staff are most mobile within the same country, as they may be restrained by visa and education requirements, for example.

attract more funding (Townsend et al., 2002; Wallace, 2000). International NGO staff bring the network to reach the international donors. In summary, the presence of international staff can lead to further concentration of NGO activity. International aid staff prefers to work in more advanced cities where already many other expatriates are present, setting in motion a pattern of cumulative causation (Collier, 2007).

A second reason why labor mobility can lead to further NGO concentration is the movement of personnel between organizations. Personnel bring the skills they have acquired in one organization to another organization. This movement creates knowledge spillover, also called learning effects. The labor mobility among local organizations leads to a broadening and deepening of the skill-base of workers and facilitates the exchange of tacit knowledge (Saxeenian, 1994; Maskell & Malmberg; 1995). This may enhance their organizational capacity, thereby triggering the interest of foreign donors and enhancing concentration.<sup>5</sup>

### **Path dependence**

A path-dependent process or system is one whose outcome evolves as a consequence of the process's or system's own history (Martin & Sunley, 2006). Different forms of path dependence can be distinguished: the dynamic increasing returns effect; the technological lock-in effect; and the institutional hysteresis effect (ibid). Since the

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<sup>5</sup> One could argue that this aspect of labor mobility should fall under the category of increasing returns to scale (cf. Arthur, 1994), after all the presence of better trained personnel reduces personnel search costs and drives marginal costs down in a cluster. Labour mobility was nevertheless retained as a separate category since the labour mobility processes within the international NGO sector are extremely important, and arguably more so than in the international for-profit sector. International NGOs largely depend on expatriates to fill top-level positions in local subsidiaries of their organisations. Whilst for the majority of international firms most jobs are still within the home-country of the firm, this is not the case for international NGOs. Most multinational firms in the for profit sector work with independent subcontracts in developing countries, with mostly local staff. In international NGOs the dominant model is the subsidiary model, in which local divisions of large international NGOs are established in which international staff fill the top-level positions.

increasing returns effect has already been discussed above, and technological lock-in effect is somewhat less applicable for NGO sectors, this discussion focuses on institutional hysteresis.<sup>6</sup> Institutional hysteresis is ‘the tendency for formal and informal institutions, social arrangements and cultural forms to be self-reproducing over time, in part through the very systems of socio-economic action they engender and serve to support and stabilize’ (Martin & Sunley, 2006: 400). There are various angles for analyzing this institutional hysteresis type of path dependence. This article focuses on the effects of self-reinforcing networks of international NGO staff and the importance of professional capacity building organizations, as several other authors have shown the importance of these elements (see below).

Research regarding the location decisions of NGOs at the sub-national level by Bebbington (2004) suggests that networks and institutions both underlie and precede the existence of agency choice. It is claimed that personal contacts of relevant officers are of key importance and these personal contacts are not accidental, but have a great deal to do with the institutions, social networks and histories within which they are embedded. Informal and social networks shape the decisions of NGOs, and they tend to reinforce themselves easily, leading to exclusion and marginalization.<sup>7</sup> An empirical analysis of Fafchamps and Owens (2006) corroborates these theories as they find that successes of local NGOs in attracting grants from international donors depend mostly on network effects.

It is not only networks, but also the effects of past investments on current levels of professionalism within organizations that enhance path dependence, and thus stimulate the process of concentration. International capacity-building organizations

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<sup>6</sup> The technological lock-in effect is less applicable since NGO aid is not a highly specialized sector, in which past technological decisions create points of no return.

<sup>7</sup> This is in line with Granovetter’s (1985) view on the effects of interpersonal networks on economic activity.



will target regions where a local NGO sector is already emerging prefer to set up local offices there. Such capacity-building organizations contribute to the ‘institutional thickness’ of Amin and Thrift (1995). They argue that supporting institutions, such as training institutes and professional associations, can make a substantial contribution to the economic development of a region. If capacity-building organizations are successful, local civil society can present itself as a stronger entity to international donors. International donors may consequently increase their funding to local organizations in this region, thereby contributing to further concentration.

## **METHODOLOGY**

### **Selection of the case studies**

Data on spending by 61 of the world’s leading international NGOs has been collected. It appears that 37 of these organizations are present in Tanzania and that they spent 68 million Euro there in 2005. Tanzania is not an extreme case; international NGOs spend in total about 5,05 Euro per poor in this country. Tanzania falls in the middle category in terms of concentration (see Figure 1). It is comparable to countries such as Nepal, Senegal and Ecuador. Yet, also within Tanzania there is actually a fairly high degree of concentration. Particular regions are overrepresented and commentators have criticized organizations for their neglect of the poorest and most remote parts of the country (The Express, in Mercer 2003). The Arusha region was selected for this research, since a large concentration of NGO activity has taken place there. Research on the allocation of foreign aid to civil society organizations in Tanzania shows that almost 20% of foreign-funded NGOs are active in this region, although only 4% of

the country's population lives there (Mercer 2003; May and Magongo 2005; Devdir 2007).

The Central African Republic, conversely, is unpopular. Of the 61 NGOs in the sample, only four are active in the CAR, and they spent about 1.2 million Euro in 2005, which equals 0.40 Euro on a per poor basis. Even though the CAR is not an extreme case in terms of neglect by NGOs either, it belongs to the countries that receive least on a per capita basis.

Various practical reasons have led to the decision to compare specific elements of a country (Central African Republic) with a region (the Arusha region of Tanzania). The sheer number of NGOs in Tanzania, and the desire to map a region where a real take-off of the local NGO sector has taken place were paramount to this decision.<sup>8</sup>

**Table 1** demonstrates the remarkable different growth paths from 1997 to 2007.

**Table 1: International NGO involvement in CAR and the Arusha Region of Tanzania**

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<sup>8</sup> The most important caveat is thus that Northern NGOs gave their opinion about the whole of Tanzania, while the local field research only covered the Arusha region. Hence, there is a high likelihood that the opinions of Northern NGOs on Tanzania are based on their experiences in the Arusha region - after all this is the region in which they are most involved - biases are likely to be small. Yet, the situation of NGOs in Arusha is not fully representative of the rest of Tanzania; the NGO sector in the Arusha region is likely to be more developed. Thus, if there is a bias in the opinion of respondents regarding, for instance, the organizational capacity in Tanzania, it is likely to be a negative one

|   | Central African Republic<br>Inhabitants: 3.7 million |       |       | Arusha region, Tanzania<br>Inhabitants: 1.3 million |       |       |
|---|--|-------|-------|---|-------|-------|
|   | 1997   | 2002  | 2007  | 1996  | 2001  | 2006  |
| International NGOs with > 1 local grantee*  | 5  | 5     | 6     | 1   | 6     | 9     |
| International NGOs present  | 7  | 7     | 6     | 4   | 10    | 14    |
| Number of international NGO donors per local organization                           | 0.7  | 0.8   | 1.3   | 1,3   | 1,7   | 2,7   |
| Average percentage of budget that is foreign funded**                               | 74%  | 66%   | 76%   | 64%   | 65%   | 72%   |
| Average budget of foreign funded organization (in 2005 thousand Euros, real values) | 151  | 99    | 119   | 58  | 106   | 149   |
| Total NGO inflows (in millions Euro, real values)                                   | 2.412  | 1.961 | 3.075 | 887   | 2.546 | 4.935 |

\*The definition of international NGOs applied here is: (1) organization must have an annual budget larger than ten million Euro (2) organization must spend more than 50% of its resources on structural development aid (3) organization must be independent from the government (4) organization must support projects in the concerned region \*\* N for Tanzania = 47, N for Central African Republic = 45  
Source: Koch, own data.

The information shown in

**Table 1** illustrates the sharp rise of the foreign-funded NGO sector in Arusha region of Tanzania and its virtual standstill in the CAR. Whereas the number of international donors with more than one grantee and the number of international organizations that are physically present in the CAR has remained stable over the last ten years, there has been a steep rise of those in the Arusha region. There is more international NGO activity in this single region of Tanzania than in the entire CAR, although the latter is three times as populous and substantially poorer (UNDP 2006a). For each local organization, the number of foreign donors reached 2.7 in Arusha, whilst this was only 1.3 in the CAR. Note that this figure already excludes all organizations without international funding. The three-fold real-terms increase in the average budget of organizations working in Arusha region, in conjunction with increasing levels of dependence on foreign donors, exemplifies the sharp increase in the interests of

international NGOs in the Arusha region. This is in marked contrast to the involvement of international actors in the CAR: though the share of international donors in the budget has fluctuated, NGOs in the CAR receive on average less currently than a decade ago. The total foreign budget available to NGOs in Arusha tripled 6 times over the last ten years.

## **Methods**

For a better understanding of concentration among NGOs, two research methods were employed (1) a Q-questionnaire of 45 OECD-based international development NGOs at the level of their headquarters; (2) structured interviews with 92 development NGOs with offices in the Arusha region of Tanzania or in the CAR. The Q-questionnaire provided insight into the determinants of the funding decisions of international donors with respect to Tanzania and the CAR, and to what extent they rely on determinants that fall within the scope of the evolutionary economic geography approach developed in this article. The structured interviews in the Arusha region and the CAR with development NGOs provided insight into the level of concentration among NGOs in each region, as well as the extent to which geographical economic factors are actually relevant. This two-track approach was chosen to highlight the interaction between concentration effects in the field and the decisions of donors in the headquarters, which may be mutually reinforcing.

### **The Q-questionnaire of international development NGOs**

The Q-questionnaire is a research method in which respondents are invited to address questions by means of relative visual ranking. In this case, they ranked reasons why they are (not) active in Tanzania and/or the CAR. The Q-methodology is a means of

identifying subjective opinions. The aim of the Q-methodology is to collect and explore the variety of reasons that people construct. The instrumental basis of Q-methodology is the Q-sort technique that conventionally involves the rank ordering of a set of statements (from agree to disagree). It requires participants to sort a number of items along a continuum (Cross 2005). In this case, twelve cards displayed arguments that could affect decisions on involvement in Tanzania and the CAR. These arguments were derived from the evolutionary economic geography approach proposed here and from the literature on the geographic choices of NGOs. If participants had the impression that cards did not offer all relevant argumentation, they could fill in additional cards and rank those as well. The Q-methodology is an appropriate means of discovering the various thought processes involved in making geographic choices, as these are often based on complex decision processes without clear formal guidelines. The Q-methodology thus allows the diversity of actors and factors that influence the decision-making process to be taken into account. 45% of the 100 largest international NGOs that were invited to participate did so.

### **Structured interviews with NGOs based in Tanzania and the Central African Republic**

The researchers conducted interviews with managers of NGOs based in both countries. The criteria for being interviewed were: (1) independence from the government (2) non-profit base; (2) foreign-funded (3) executing development projects in the region/country (4) having an office in the region/country. The organizations could be either local, national or international in scope. This resulted in a list of 72 potential organizations in the Arusha region, of which 47 were interviewed. Composing a list of organizations that matched the criterion ‘foreign-

funded' proved to be harder in the CAR, since more organizations did not have any foreign funding. Eventually, a list of 45 organizations was composed, which comprised all organizations that had at least a structural relationship with foreign donors.

This research relies on two methods applied in two cases, which does not suffice to confirm the circular causation hypothesis of the economic geography. To establish whether an increase in interest among foreign donors in one country has changed the local setting to such an extent that consequently more foreign donors are coming to that country, requires at least four measuring points: (a) the opinions of donors prior to increased involvement of donors (b) the local situation with respect to NGOs prior to increased international involvement (c) the local situation after this involvement and (d) the opinions of donors with increased international involvement. This can illustrate whether a mutually reinforcing nexus of expanded interest of foreign donors, an improved aid 'investment' climate, and again increased interest of foreign donors exist. No systematic data on past attitudes of foreign donors exist and a full reconstruction would not be reliable. We therefore opted to retrieve elements (a) and (b) from one pre-involvement case study and (c) and (d) from a post-involvement case study. This method is thus based on time-for-space substitution, which can be considered a classical research method in geography and appropriate for this kind of research (Paine, 1985). Yet, it is important to note that not all differences with respect to NGOs in the Central African Republic and Tanzania can be automatically ascribed to the fact that one is a post-involvement case and the other a pre-involvement one. Other factors, which did not necessarily present themselves at the beginning of the research period (1996), could have contributed to these divergent experiences as well. In the following, we address differences that presented themselves before 1996, and in

the discussion it will be indicated whether after 1996 other factors can contribute to the diverging paths.

### **SETTING AND RECENT DEVELOPMENTS REGARDING NGOs**

The data analysis is based on the evolutionary economic geography of non profit organizations developed in this article. As explained, this approach takes the social, political and historical factors that contribute to concentration into consideration. There are important similarities between the two regions, such as the roughly similar level of economic development, their degree of ethnic homogeneity, and simultaneous backgrounds of colonization and decolonization. In the early 1990s, the number of NGOs was higher in the CAR than Tanzania (Fisher, 1998), as twenty years ago, virtually no NGO existed in Tanzania at all (Igoe, 2003; Shivji, 2004). This was mainly related to the Tanzanian single-party political system that attempted to bring all organizations (such as youth and women's organizations) under the party umbrella (Klinken, 2003). Even though there was thus a substantial aid flow to Tanzania, relatively little was channelled through NGOs (Hoebink, 1988). The aid that Northern NGOs provided went mostly to local (para)-statal agencies (Black, 1992). In the CAR, development NGOs existed earlier, many of them linked to Catholic dioceses (Cordaid, 2006). These NGOs filled the vacuum of an almost non-existent state outside the capital city areas (Oosten and Badjeck, 2006).

A preliminary analysis of the geographic expenditure of international NGOs suggests that there are two major historical determinants that can contribute to an explosion of foreign-funded NGOs in one country and the stagnation of this sector in another: (a) the colonial heritage and (b) presidential legacy. These are not the only

differences between the two countries, but come to the fore as two of the most relevant ones when it comes to the choices of international NGOs.

Tanzania (during the colonial period known as ‘Tanganyika’) first was a German colony, and after the First World War a British trusteeship, under the League of Nations and later the United Nations, whilst the Central African Republic was for a long time a French overseas territory. The differences between the French and British methods of colonization were manifold, yet one important difference relates to the role that was assigned to the state during and after colonialism. Whereas France exported a state-led development model that dominated its colonies in the post-war period, the British Empire had long since been applying a more laissez-faire approach. Consequently, the British colonies maintained a far more vibrant (nationalist) civil society as they became independent when compared to their French counterparts (Ferguson, 2004; Veen, 2002). The aid modalities of the French and the English further reinforced the respective roles of the state. Whereas the United Kingdom has always - and especially during the last 20 years - supported (local) non-governmental organizations, the French government used to deal almost exclusively with the governments of their former colonies. It is clear that the ‘associational revolution’ (Salomon et al., 2003) manifests itself stronger in the Anglo-Saxon world and this clearly had its influence on the geographic location of international NGOs. It is illustrative that the ten largest international development NGOs all have their head-offices in the Anglo-Saxon world, and eight of the ten largest recipients of aid from NGOs are former English colonies.

A second historical difference that still influences the current unequal size of the foreign-funded NGO sector relates to the international appeal of the two of the most important presidents in the two countries. Bokassa, the president of the CAR



from 1966 until 1979, was widely known for crowning himself Emperor in the exact same way as Napoleon did. Opponents ousted him in a coup in 1977, but for many people Bokassa is still the first thing that comes to their mind when the CAR is mentioned. In the Q-questionnaire, 21 per cent of the respondents still spontaneously associated the CAR with 'Bokassa' before anything else. Whereas Bokassa is seen as personifying all the vices of Africa, such as nepotism and authoritarianism, Nyerere represents all its virtues (Meredith 2005). He was president of Tanzania from 1964 to 1985 and was one of the first African leaders to step down voluntarily. Many international NGOs were attracted by his 'African socialism', considered a truly African alternative to the communist and capitalist model. For 21 per cent of the respondents, Nyerere was still the first idea that came to mind when thinking about Tanzania. Various NGOs claim that they started their first activities in Tanzania because of Nyerere's personality and development policies.

## **RESULTS: UNRAVELLING NGO CONCENTRATION**

It is now possible to analyze whether the three concepts that were elaborated in the evolutionary economic geography approach of this article can contribute towards explaining the tendency of NGOs to concentrate. The results of the Q-methodology represent the first step in this analysis (see Table 2). NGO managers were invited to select and rank key arguments underlying decisions concerning location. They could select five cards that were related to the evolutionary economic geography approach to non-profit organizations developed for this article; (a) the capacity of local partners, (b) the potential to achieve results, (c) the availability or absence of informal networks, (d) the local climate for NGO operations and (e) overhead concerns and

spending pressure. These arguments form part of the economic geography theory as they involve a clear endogenous element: the economic geography approach predicts that these become increasingly relevant arguments when more international NGOs are involved in a country. The other arguments are more exogenous and relate to general demand or supply-side issues. Decision makers within NGO headquarters located in OECD countries were invited to rank the motivation cards on a continuum between ‘major argument against involvement’ to ‘major argument in favour of involvement’. If economic geography elements are of importance, a significant difference should exist between the ranking regarding the CAR and Tanzania. For instance, arguments such as ‘local organizational capacity’ are expected to be rated more positively in Tanzania compared to the CAR. Following research into the differences between clustered and non-clustered regions (Visser 1999), the Mann-Whitney U test was used to assess statistical differences between the two countries.<sup>9</sup>

**Table 2: Arguments for (non)-involvement in the CAR and Tanzania<sup>1</sup>**

|  | Central African Republic (N=30 <sup>1</sup> ) |              | Tanzania (N=37 <sup>1</sup> ) |              | Asymp. Sig. (2-tailed) |
|--|---|--------------|-------------------------------|--------------|------------------------|
|  | N   | Mean         | N                             | Mean         |                        |
| Economic Geography Arguments                 |   |              |                               |              |                        |
| <b>Local organizational capacity*</b>        | 17  | <b>-0,18</b> | 30                            | <b>0,90</b>  | <b>0,008**</b>         |
| <b>(Absence of) Local (in)formal network</b> | 16  | <b>-1,44</b> | 9                             | <b>-0,44</b> | <b>0,042*</b>          |
| <b>General NGO climate</b>                   | 15  | <b>0,07</b>  | 22                            | <b>1,32</b>  | <b>0,001**</b>         |
| Overhead concerns and spending pressures     | 15  | -1,67        | 15                            | -1,53        | 0,35                   |
| Possibility to achieve results               | 17  | 0,94         | 32                            | 1,09         | 0,663                  |
| Other arguments                              |   |              |                               |              |                        |
| <b>Interest of general public</b>            | 15  | <b>-0,93</b> | 13                            | <b>0,38</b>  | <b>0,007**</b>         |
| <b>The interest of donors</b>                | 19  | <b>-0,95</b> | 26                            | <b>0,15</b>  | <b>0,009**</b>         |
| <b>Security situation</b>                    | 15  | <b>-0,6</b>  | 18                            | <b>0,50</b>  | <b>0,002**</b>         |
| Image of country                             | 14  | 0,36         | 20                            | 1,10         | 0,053                  |

<sup>9</sup> This table includes both respondents that were active and that were not active in the respective countries. A breakdown of the table by those that are and those that are not active point in the same direction. Please note that categories, such as ‘(absence) of (in)formal network’ was thus interpreted differently by those that were and those that were not active in the country concerned.

|                                     |    |       |    |       |       |
|-------------------------------------|----|-------|----|-------|-------|
| Local corruption                    | 16 | -1,00 | 20 | -0,90 | 0,539 |
| Needs in the country                | 25 | 1,72  | 28 | 1,75  | 0,868 |
| Possibilities for local fundraising | 7  | 0,14  | 13 | 0,62  | 0,461 |

Source: Koch, own data.

Significant differences in bold. \*\* is significant at 1% level, \* is significant at the 5% level.

<sup>1</sup> 45 NGOs responded, however not all of them filled in all elements of the Q-questionnaires, which explains that N is below 45. There is no reason that the non-respondents could lead to a bias.

The N column in this table represents the number of times that respondents selected the card. If organizations did not ‘rank’ the card, this means that this argument is not considered when deciding on their (non)-involvement in the country. For instance, 17 out of 30 respondents (57%) rate ‘local organizational capacity’ in the CAR as a relevant argument, and 30 out of 37 rate this for Tanzania (81%). Interestingly, the average score that the respondents gave to this argument was -0,18. Scores close to a zero imply that the argument worked ‘both against and in favor of involvement’. Thirty of the 37 respondents rated the same element for Tanzania, producing an average score of 0.9, which is closest to ‘1’ and thus classified as ‘a minor argument in favour of involvement’. Moreover, these scores proved to be significantly different for the two countries. Another example is the ‘absence of a local (in)-formal network’; 16 of the 30 respondents used this reason to explain their (non)-involvement in the CAR. On average, they scored this argument with -1,44, which indicates either a major or a minor argument against involvement. For respondents in the Tanzanian case, the absence of a local formal or informal network was not an important argument against involvement, as only nine respondents (of 37) ranked it, and on average did so closest to a ‘an argument both against and in favor’. This table shows that the five economic geography arguments were consistently ranked more positively in Tanzania than in the CAR, indicating that economic geography approach developed for this paper might contribute to a better understanding of the concentration of international NGO aid.

This table also clearly shows that there are also other relevant arguments which lead international NGOs to opt for Tanzania and neglect the CAR. These include the lack of interest of back donors in the CAR and the favourable security situation in Tanzania. The large amounts of Official Development Assistance flows to Tanzania (approximately 1 billion US dollar annually) in comparison to meager flows towards the Central African Republic (about 60 million US dollar) support this. The differential rating with respect to security appears is comprehensible. In the Central African Republic also an NGO aid worker was shot by rebels in 2007, whilst such incidents were not reported for Tanzania (Doctors Without Border, 2008). These arguments do appear to reflect different enabling environments for NGOs in Tanzania and the Central African Republic. Strikingly, NGOs do not rate the demand side argument, needs in the two countries, differently, but do so for supply side arguments, such as donor preferences.

The above results provide a first impression that the location choices of international NGOs - just as those made by for-profit firms - could be considered as being partly driven by self-reinforcing endogenous motives such as past involvement that increases the organizational capacity of local organizations, thereby attracting more foreign donors. To enhance the robustness of the finding that Northern NGOs include economic geography considerations in country choices, the article now turns to findings derived from the structured interviews in the Arusha region and the CAR. These will enable to analyze in more depth the drivers towards concentration elaborated upon earlier, namely (a) increasing returns to scale; (b) labor mobility and (c) path dependence.

### **Increasing returns to scale**

One central factor contributing to concentration is related to the phenomenon known as increasing returns to scale. 37% of the respondents had concerns about overhead costs which they saw as a major argument against involvement in the CAR, whereas this percentage was only 22% in relation to Tanzania. During the field research, substantive evidence was found that increasing returns to scale occur to a significantly larger degree in Arusha than in the CAR, due to cost-sharing opportunities and reduced prices of input purchase. This makes NGOs operating in a concentration, such as the Arusha region, more competitive than NGOs operating in a non-concentrated environment (Porter, 2000; Morosino, 2004; Eifert, et al., 2005). To analyze the presence of increasing returns to scale, local organizations were asked whether they shared costs with other organizations with respect to (a) cars and transport equipment, (b) staff hiring and (c) other (variable) inputs (see Table 3). These elements were selected because they often comprise a large share of the operational budgets of NGOs. The research analyzed their statistical difference with the 2-tailed Mann-Whitney U test (i.e. the non-parametric equivalent of the t-test). In all cases, NGOs in Tanzania realize significantly more benefits from cost sharing: Tanzanian NGOs more often share cars, staff and other inputs than their counterparts in the CAR.

**Table 3: Differences in increasing returns to scale– cost sharing**

| Are you engaged in sharing the following elements with other NGOs? % refers to + answers | Central African Republic (N=45) | Arusha region (N=47) | Significance (a-asymptotic, 2-tail) |
|--|---------------------------------|----------------------|-------------------------------------|
| <b>Transport equipment</b>   | <b>4%</b>                       | <b>36%</b>           | <b>0,000**</b>                      |
| <b>Staff</b>   | <b>13%</b>                      | <b>42%</b>           | <b>0,002**</b>                      |
| <b>Other inputs</b>  | <b>2%</b>                       | <b>45%</b>           | <b>0,013*</b>                       |

Source: Koch, own data.

In another procedure for testing whether increasing returns to scale are indeed relevant for NGOs, this research explored the differences in prices of inputs. Specialized agencies can provide cheaper and better inputs. The extent to which NGOs use specialized agencies to provide inputs is therefore likely to influence the buying price and delivery quality of inputs. Keeble et al. (1999) have shown that this contributes to clustering among for-profit firms in, for instance, the Cambridge region in the United Kingdom. For instance, if local NGOs can make use of research institutions rather than generating research themselves, they can save money in that category. Table 4 provides an overview of the extent to which organizations in Tanzania and the CAR make use of external agencies for input provision.

**Table 4: Differences in increasing returns to scale– external inputs**

| ‘Do you make use of external suppliers for ..?’ % refers to positive answers | Central African Republic (N=45) | Arusha region (N=47) | Significance (a-asymptotic, 2-tail) |
|--|---------------------------------|----------------------|-------------------------------------|
| Accountancy  | 44%                             | 51%                  | 0,529                               |
| Management consultant  | 40%                             | 46%                  | 0,588                               |
| <b>Personnel and recruitment</b>   | <b>16%</b>                      | <b>36%</b>           | <b>0,025*</b>                       |
| <b>Advertisement</b>   | <b>27%</b>                      | <b>49%</b>           | <b>0,029*</b>                       |
| <b>Research</b>  | <b>32%</b>                      | <b>57%</b>           | <b>0,012*</b>                       |
| <b>Fundraising</b>   | <b>9%</b>                       | <b>33%</b>           | <b>0,007**</b>                      |
| Computer services  | 60%                             | 72%                  | 0,213                               |
| Printing services  | 51%                             | 64%                  | 0,220                               |

Source: Koch, own data.

It can be observed that Tanzanian organizations when compared to their Central African counterparts make statistically significant more use of every sort of external service providers. In four of the eight cases, these differences are significant. Tanzanian NGOs make significantly more use of service providers for fundraising, research, personnel affairs and recruitment, and for advertisements.<sup>10</sup> Probably, such

<sup>10</sup> Looking at the annual reports of the organizations confirms such a picture. Whereas in the CAR most annual reports consist of a couple of handwritten pages, in Tanzania full-colour and extensive annual reports are available.

increasing returns to scale do not only exist between NGOs, but can also become an externality for attracting foreign direct investments. Internationally funded tourism companies in the Arusha region often make use of the same internet providers, taxi companies and security firms as NGOs. By sharing providers, NGOs stimulate the market for these services, eventually leading to a general decrease in prices for internet services and auditing costs (cf. Keeble, Lawson et al. 1999). Because international NGOs can consequently mobilize many inputs locally, operating costs are driven down. This is in stark contrast to the situation in the CAR, where the notable absence of such a market for inputs leads higher prices for inputs to NGOs.<sup>11</sup>

### **Labor mobility**

In the economic geography approach put forward by this article, labor mobility is an important determinant of concentration processes. Labor mobility leads to an influx of qualified (international) labor towards concentrated areas, which bring with them access to more international funds. Similarly, labor mobility among firms and organizations in a concentrated area can strengthen the skills-base of the labor force. The structured interviews addressed the question of whether NGOs benefited from personnel that previously worked at another non-profit organization. In addition, to analyze the influx of foreign personnel, the chance that an international staff member represented the organization during the reporting events of this research was used as a proxy (see Table 5).

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<sup>11</sup> An inter-agency report by major aid agencies on the CAR warns that ‘renting a vehicle for one week can cost as much as 3,500 US dollar in the CAR’ (Care International, Norwegian Refugee Council et al. 2007). Internet research reveals that this service costs no more than 500 dollar in Arusha.

**Table 5: Labor mobility between and to NGOs in CAR and Tanzania**

|  | CAR                      | Tanzania                  | Significance (a-asymptotic, 2-tail) |
|--|--------------------------|---------------------------|-------------------------------------|
| Staff previously worked at other NGO                           | 64% (N=45)               | 79% (N=47)                | 0,13                                |
| International staff  | 5,6% (N=71) <sup>1</sup> | 21,1% (N=38) <sup>1</sup> | 0,015*                              |
| Question to Northern NGO personnel<br>Would you like to visit? | 56% (N=40)               | 92% (N=39)                | 0,002**                             |

Source: Koch, own data

<sup>1</sup> The refers here to the number of attendees to the reporting events after the two case studies in the two countries. Whereas 71 people visited these events in the Central African Republic, this was 38 in Tanzania.

These results show that there is indeed more movement of trained personnel amongst organizations working in Arusha region compared to those operating in the CAR. With respect to international staff, this difference is also significant. The influx of foreign personnel appears to be both a cause and an effect of concentration. Arusha has always been an attractive place for foreigners to reside. The already high number of foreigners provided a network for donors during the early years of development assistance. The 1952 census of Tanzania showed that of the 8,000 inhabitants of Arusha, fewer than 50% were actually Africans (Finke 2006). This high number of foreigners was probably due to geographic factors. Tanzania had traditionally one of the lowest mortality rates of settlers in Africa (Acemoglu and Robinson, 2001). Arusha, at an altitude of 1,500 meters, has a temperate climate and no malaria. It is, therefore, perhaps unsurprising that more than 90% of respondents from Northern NGOs expressed a desire to visit Tanzania, whereas this was less than 60% for the CAR. The high number of expatriates have created a physical and social infrastructure, which attract further foreigners and NGO activity.

Concentration can also lead to greater learning effects. It is illustrative to note how geographical proximity influences the training opportunities for local personnel in Arusha. Almost all interviewees (>90%) know of workshops in which NGOs exchange ‘best practices’. More than 70% of the interviewees in Arusha state that



their organization has become ‘more innovative’ because of the presence of other NGOs. These learning effects can enhance the attractiveness of Tanzania for international NGOs.

### **Path dependence**

Path dependence can contribute to a further explanation of concentration tendencies. The responses to the questionnaire among Northern NGOs enabled the respondents to fill in blank cards. Five NGOs stated that ‘they had historically no relationship’ with the CAR and were therefore not interested in it. Furthermore, various NGOs justified their continued presence in Tanzania by ‘having a decades-long partnership with Tanzania’. The past choices of NGOs still have repercussions today (i.e. path dependence). Two elements that are highlighted as relevant path dependence enhancing mechanisms will be further explored: (a) the role of ‘networks’ and (b) the importance of capacity building.

For many Northern organizations, the absence of a formal or informal network was considered an impediment to becoming active in the CAR. To test whether there was indeed a significant difference between the informal networks that exist between the staff of Northern NGOs in the two countries, respondents were asked whether they had ever visited (not in their current capacity) the two countries, or whether they knew anybody from there (see Table 6).

**Table 6: Networks of Northern NGO personnel**

|  | Central African Republic (N=40) | Tanzania (N=39) | Significance (a-asymptotic, 2-tail) |
|--|---------------------------------|-----------------|-------------------------------------|
| ‘Have you ever been to... (not in your present capacity?)’ | 3%                              | 67%             | 0.000***                            |
| ‘Do you know somebody from..?’                             | 16%                             | 88%             | 0.000***                            |
| Do you hear at least regularly something about ...?’       | 31%                             | 68%             | 0,001***                            |

Source: Koch, own data.

Actually, only 3% of the professional staff of Northern NGOs in this sample had ever been to the CAR, compared to Tanzania which two-thirds of the respondents had visited. The same holds true for personal informal networks. Whereas 88% of the respondents knew a Tanzanian, this was only 16% for the CAR. The exclusion of the CAR and its citizens from the informal global network of development professionals appears to be contributing to the perpetuation of its marginal position. The difference between the answers on how often they hear something about the two countries is also significant.

Foreign NGOs might entrench path dependence. In the Central African Republic, no international organizations (for-profit and non-for-profit) that have local capacity building as their prime task are present. In the Arusha region of Tanzania, two international organizations (one of them is for-profit, and one non-for-profit) focus exclusively on the capacity building of local NGOs. Paradoxically, capacity-building organizations are present in those regions in Tanzania where already most local capacity is present. By focusing on the Arusha region, they are actually further strengthening the organizational capacity of organizations in a region that is already quite well organized. This was strongly related to access to international funding of local NGOs; capacity building is mostly financed by international donors, and as they are more present in Arusha, this attracts capacity builders to the area (Laan 2007b). This contributes to a further capacity gap between NGOs in the Arusha region and in the CAR.

## **DISCUSSION**

This article has sought to develop and empirically test an evolutionary economic geography approach to explain the concentration of non-profit agencies. This discussion will highlight the limits of this approach, by focusing on three aspects that surfaced during the case studies (1) the importance of other contextual factors; (2) the restraint needed in applying this approach to concentration at different geographic scales; (3) the prudence required if extending this approach automatically to different geographic units of the same scale. It is important to be aware that NGO concentrations remain the result of multiple factors. Inferences based on just two case studies, especially case studies that differ with respect to initial situation and contextual trends, can only be modest.

Not all differences for NGO clustering between the two countries can automatically be attributed to the involvement of international NGOs and derived concentration effects. There are also other contextual factors that might have influenced this process, which either were already present before the time-frame of this research or evolved later on. With respect to historical differences, the 'setting section' showed that both the different colonial heritages and presidential legacies mattered. Also during the research time-frame changes emerged between the two countries, which could also illuminate on the divergent paths of the two case studies, namely: (1) increasing Official Development Assistance to Tanzania and its stagnation with respect to the Central African Republic; (2) stronger patterns of urbanization in Tanzania; (3) more economic growth in Tanzania, and (4) improving governance situation in Tanzania. Koch *et al* (2008) demonstrated the importance of

the choices of backdonors on the NGO location decisions. Firstly, during the period of research, official aid allocations rose with approximately 80% for Tanzania (from 600 million to 1 billion US dollar) and remained stable in the Central African Republic (60 million US dollar) (OECD 2007). Thus the increased interest of NGOs with Tanzania coincided, probably not incidentally, with increased interest from official donors. Secondly, urbanization, linked by Glasius et al. (2004) to the rise of a civil society, was much more pronounced in Tanzania than in the Central African Republic during the research. This arguably attracted international NGOs looking for strong local partners. Thirdly, economic development, which is associated with a rise in local non-profit activity (Howard 2003), was negative in the Central African Republic during the research period and positive in Tanzania, which probably has had a likely reinforcing effect on the reliance of external agencies and for the costs of inputs. Fourthly, during the research period Tanzania became slightly more democratic and the Central African Republic slightly less (Freedom House, 2006). Since international NGOs tend to be more active in more democratic countries this can also have contributed to their increased focus on Tanzania (Koch *et al*, 2008). These four above-mentioned factors provided favourable conditions in Tanzania in which the local NGO sector could further develop. It is thus important to remind that economic geography factors identified in this paper contributed to processes of concentration, but are by no means the sole driving forces. Since currently only two case studies were analyzed using this approach, more of them are needed to determine the relative weight of contextual factors and the economic geography elements elaborated in this article.

A second limitation of the evolutionary economic geography approach developed in this paper is that it cannot automatically be applied to concentration at

all geographical scales (Martin 1999). The clear patterns of NGO concentration observed at the sub-national level leads to the question whether the factors that contribute to explanation of concentration at the international level also hold for concentration at sub-national level? This research cannot answer this question fully, as it did not make such a comparison. Nevertheless, from the field data, three broad categories of concentration-enhancing processes can be derived: (a) processes that contribute to intra- and inter-country inequality, (b) processes that solely explain inter-country inequality and (c) processes that solely clarify intra-country inequality. A key factor that affects both intra and inter-country concentrations is labor mobility. The fact that qualified staff prefer to work in regions with higher real wages or better standards of living holds just as much as at the sub-national as at the international level. An example of an argument that holds at the inter-country level but not the intra-country level is the colonial tradition. Colonial traditions differ between countries and can thus elucidate differences between countries. Lastly, there are also factors that contribute to a specific explanation of differences at the sub-national level (but that do not hold at the cross-country level). For instance, in regions of a country where political opposition is powerful, there is often a vibrant civil society (Clarke 1998), which could clarify why foreign donors flock to that region. Despite these differences, the core elements of the evolutionary economic geography of this article (i.e. increasing returns to scale, labor mobility and path dependence) are relevant concentration-enhancing effects at different geographical levels. Yet, to arrive at a complete picture a multi-level and preferably interactive, approach is required (e.g. Beugelsdijk, 2007).

A third and last reservation relates to the restraint that is needed when extending this approach to different geographic units at the same level (countries),

also known as horizontal generalizations. The economic geography approach developed here appears to play a role in illuminating the differences in NGO activity in the CAR as compared to Tanzania, but this does not necessarily mean that it can also be used to explain differences between Nicaragua and Yemen, or Zambia and Guinea. A clear case in point that merits attention is ‘the place dependence of path dependence (Markusen, 1996; Martin & Sunley, 2006). Different contexts shape the importance and characteristics of path dependence. The effects of religion can be used to illustrate this relationship. Many Northern NGOs and their Southern counterparts maintain a relationship based on shared religious denominations. There are clear indications that religious Northern NGOs have more profound relationships with Southern NGOs with a similar religious denomination than with lay partners. This makes path dependence stronger in those places where religiously-inspired organizations with close links to like-minded organizations in the North are at the origin of the concentration. Another example of context-specificity within path-dependency refers to the kind of aid that NGOs provide. NGO aid with a short time horizon and which is distributed by outside actors, such as emergency aid (the so-called ‘Come ‘N’ GO’s’), usually has fewer long-term effects than NGO aid with a longer-term horizon and which is distributed by local immobile actors.<sup>12</sup> Therefore, it is important to bear in mind that there are clear limits to the horizontal generalization of the suggested economic geography to non-profit organizations.

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<sup>12</sup> It is likely that emergency aid, which international NGOs distributed in Indonesia directly after the Tsunami, for example, creates less path dependence than structural aid through local partners in Peru, for instance.

## CONCLUSION

This article has highlighted the unequal spatial distribution of NGO aid and sought to provide a theoretical approach to explain this. Traditional theories on the location choice of NGOs have focused solely on supply and demand and have therefore been unable to explain the current high degree of concentration. This article proposed an evolutionary economic geography approach for non-profit organizations. This evolutionary economic geography of non-profit organizations assigns a prominent role to increasing returns to aid, labor mobility and path dependence, whilst paying due attention to contextual factors.

The article compared two case studies: Tanzania and the Central African Republic. It was shown that factors that the abovementioned economic geography factors contributed to the agglomeration of NGOs in Tanzania. Factors that explain the rise of Silicon Valley, can also be used to understand the rise of “Serengeti Valley”. These findings suggest an endogenous growth process among NGOs in Tanzania, in particular the Arusha region, in which self-reinforcing processes lead to the further concentration of NGOs. The case studies also highlighted various contextual factors that played an important role in the concentration and stagnation of the involvement of NGOs, indicating clear boundaries to what the economic geography factors developed in this article can explain.

There is clearly a flipside to this concentration. International development NGOs spend 60 times more in Tanzania than in the CAR. This is problematic if one considers that Tanzania is largely on track towards reaching the Millennium Development Goals, while a country such as the CAR is still at the bottom of the bottom billion (Collier, 2007). The NGO effectiveness in poverty reduction is thus at

stake, and geographical concentration may be counterproductive for reaching the MDGs.



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