



## **Accounting and Economic Biases in Donations to NGO's:**

### **Is Scaling The New Overhead Myth In Charity Giving?**

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#### **A B S T R A C T**

We examine how two trends in choosing which NGOs or not-for-profit organizations to support create biases in the types of organizations that are supported and how that bias in giving may affect the impact of international development organizations, especially those whose mission is sustainable development. The two trends that we examine are: 1) basing funding decisions on an organization's overhead-to-program expenses; and 2) basing funding on the ability of the organization to quickly scale up their activities. Efficiency is appealing because donors want their contributions to be invested well. Scaling is attractive because the need in the developing world is huge and scaling allows more of that need to be met. While scale is a very appropriate metric for certain types of activities, as a sole funding decision criterion it has serious flaws. We argue that these biases result in suboptimal development activities and that donors need to develop a much more complex and nuanced approach to giving, based on outcomes determined by the clients being served.

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