

MULTI-DONOR FUNDS FOR CIVIL SOCIETY: CHOICES AND DILEMMAS

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This paper is based on a study conducted by INTRAC (www.intrac.org) for Danida, Denmark's development agency, in 2014 on multi donor funds, and a subsequent discussion paper produced for Fagligt Fokus, an initiative of the NGO Forum, Denmark.

1. THE RISE (AND FALL?) OF JOINT CIVIL SOCIETY FUNDS

OFFICIAL AID TO CIVIL SOCIETY IS MOVING TO THE GLOBAL SOUTH

Official aid support to civil society in both global north and global south countries has steadily increased in the last decade.¹ Official aid provided to or channelled through civil society organisations (CSOs) increased from US\$14.5bn in 2008 to US\$19.3bn in 2011, increasing from 13.6% to 17.8% of total Official Development Assistance (ODA) during the same period.

Global north CSOs continue to be a preferred channel for ODA support to civil society in global south countries, but there is evidence this is in decline. Remarkably, members of the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) provided around five times more aid to CSOs based in their own countries in 2009 than to CSOs based in global

“We will continue to support small and medium-sized CSOs in developing countries. We will increasingly do so through direct support to CSOs in developing countries.”
 “The Right to a Better Life” - Strategy for Denmark’s Development Cooperation, the Danish Government, 2012, p35

south countries, but this had reduced to only twice as much in 2011. This proportionate decrease in official aid to CSOs in the global north is reflected in significant drops in domestic CSO funding in some donor countries, either as overall aid budgets have been reduced in response to the financial crisis, as in Ireland and Spain, or due to changes in government policy, as in the Netherlands.

This confirms a trend to decentralise ODA to global south countries, whether through multi-donor pooled funds (MDF) or other mechanisms - a trend that is clearly reflected in the development cooperation strategies and civil society policies of some donors.

JOINT DONOR FUNDS FOR CIVIL SOCIETY HAVE INCREASED

Over the last decade there has been growing interest among donors, in line with the Aid Effectiveness Agenda, to channel support to CSOs in countries of the global south through MDFs. This is driven by a desire to harmonise approaches, reach out to more CSOs in the global south and reduce transaction costs.

MDFs supporting CSOs can have a sectoral or a thematic focus, or be ‘open’ funds in support of civil

society more generally. They vary considerably, in terms of their preferred partners, types of funding and funding windows, types of capacity development provided and systems of governance. MDFs can take a variety of forms, depending on how explicit the aim of national ownership is, ranging from donor-controlled funds through to government-aligned funds and independent foundations.

THERE MAY BE CONSTRAINTS ON THE FUTURE GROWTH OF MDFS

There are no reliable figures on the proportion of ODA that is being channelled through MDFs in developing countries. There was clearly an increase in these funds over the last decade, but fewer have been set up recently, and it is difficult to track whether the proportion of funding being channelled to them is continuing to grow.

While donors have both a principled and strong pragmatic interest in supporting MDFs as a conduit for funding civil society, there may be some constraints on their future growth. Setting up and managing joint donor funds involves high initial transaction costs. Donors may thus be inclined to cede the responsibility for the design and active oversight of a joint fund to a lead donor. Given both the public and internal pressure on the budgets of many donors, few continue to have the capacity at a country level to take this role on. The push to collaborate will continue, but it may be that donors seek a number of new and different forms to do this, joining together in smaller or more bilateral agreements that are less complex to manage.

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2. KEY LESSONS FROM MULTI-DONOR FUNDS FOR CIVIL SOCIETY

There remains little primary research on what the long term effect of MDFs have been on civil society development in the countries where they have been operating. The review that INTRAC conducted for DANIDA in 2014 showed that experiences vary. For example, in some countries, funds have clearly democratised funding, extending it out beyond capital cities and to a much wider group of CSOs than had access previously. In other cases, the high entry requirements of funds have benefited more established and elite CSOs and have narrowed funding opportunities.

There are a number of design choices that will affect the way a fund affects civil society. Key to this is a fund's purpose: in particular, to what extent a fund has an intention not only to try to maximise results or impact in a particular thematic area, but also to support the development of an independent, diverse civil society. The table below shows some of the key choices that will affect the impact of a fund. A few implications of these are then explored below. It is important to note that this represents a range of options, rather than two opposing models. Many funds are increasingly trying to adopt a mixture of approaches.

| Purpose | |
|------------------------------------|---|
| Strategic impact at national level | ↔ Diverse impacts at local level |
| Development outcomes | ↔ Civil society strengthening |
| Governance | |
| Donor-driven | ↔ Civil society owned |
| Preferred grant partners | |
| Well-established national CSOs | ↔ Local informal community based organisations (CBOs) |
| Access to funding | |
| Direct award | ↔ Competitive calls for proposals |
| Thematic calls | ↔ Open calls |
| Type of funding | |
| Strategic partner core funding | ↔ Programme or project funding |
| Type of capacity development | |
| Generic capacity development | ↔ Tailored capacity development |
| Technical capacity development | ↔ Organisational development |
| Measuring results | |
| External development impact | ↔ Social, organisational development |

THEMATIC FOCUS OR OPEN CALLS

Some funds target specific themes or sectors, e.g. the Legal Services Facility (LSF) in Tanzania, or the Tanzania and Kenya Media Funds. Others target a broad area, such as human rights and democracy, and subsequently identify ‘sub-themes’. Star Ghana, for example, has five themes, which were chosen as a result of a political economy analysis. This can be contrasted with funds such as the Civil Society Support Fund in Ethiopia (CSSP) or the Zambia Governance Foundation (ZGF), which issue calls for proposals that may have broad criteria, e.g. reaching ‘the hard to reach’, linking action and policy, or promoting innovation, but that do not specify a particular theme or sector.

There are pros and cons to both options. By funding a specific theme, it is possible to stimulate a critical mass of organisations working on the same issue and potentially to choose complementary organisations across a portfolio, for example, by linking community,

sub-national and national organisations, or by joining up delivery and research and advocacy organisations. The risk is that themes become very donor-driven and do not respond sufficiently to what CSOs’ own priorities are.

In contrast, more open calls give CSOs greater freedom to identify their own issues. This allows new or marginalised themes to emerge directly from the grassroots. The challenge with this approach, however, is that it is much harder to find ways to tell a strong story

about the overall impact of the fund. There is some evidence that, precisely because of this challenge, donors are turning away from more general civil society funds.

COMPETITIVE CALLS – WINNERS AND LOSERS

MDFs may accept grant applications by invitation or through an open, competitive process, normally carried out through a call for proposals. The latter is particularly favoured, as it allows the fund to be – and be seen to be – conducting a transparent and fair process.

Calls for proposals encourage a high number of applications, and the success rate of CSOs finally being awarded a grant tends to be very low. This may be unavoidable, but it can be demoralising, and may waste limited CSO resources. In general, larger and better established CSOs tend to benefit most from calls for proposals, since they have a greater capacity to formulate winning proposals.

SUPPORTING A DIVERSE CIVIL SOCIETY REQUIRES AFFIRMATIVE ACTIONS

Unless MDFs use special funding windows or other kinds of affirmative action to extend their reach, their principal beneficiaries tend to be more established CSOs. Many funds are now taking up this challenge, and indeed have been successful at pushing funding out to a wider group of CSOs. This requires, however, a much higher level of investment and potential risk, which donors can find challenging. Some examples of affirmative action include:

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“How do I make a forest of all these trees?”

Fund staff member on the challenge of assessing the overall impact of a general fund.

INTRAC (2014) study on multi-donor funds, p46

- **Geography:** making sure a fund supports CSOs in marginalised districts, for example, by: publishing calls in regional newspapers; providing regional briefings; targeting information sessions in those regions previously under-represented in calls; establishing quotas on the number of proposals from different regions; weighting selection criteria in favour of applications from under-represented regions and ‘hard to reach’ populations; establishing local or regional offices; or providing outreach through a network of coaches or mentors.
- **Size:** specifically targeting smaller, less sophisticated CSOs, for example, through small, short term grants, or by having lower entry requirements, e.g., by not insisting on audited accounts, which may present a challenge in some countries.
- **Type:** reaching out to support informal, traditional or emerging actors with the potential to drive change, especially in response to unanticipated events or topical opportunities.

CAPACITY DEVELOPMENT – ARE WE GETTING THE FOCUS RIGHT?

Most funds offer capacity development support in addition to funding. There are a number of challenges around what this support focuses on and how it is delivered. These are not necessarily unique to MDFs,² but can be exacerbated because of their scale and size.

The support offered to grantees by MDFs is most frequently focused on the ‘compliance needs’

of donors, in terms of applying project cycles and financial management, or on the basics of organisational systems and procedures. Yet there are other aspects of capacity that may be equally, if not more, important in building effective CSOs, such as leadership, passion, integrity and the ability to connect genuinely with and support the voice of communities. There is often little space in civil society funds for thinking more innovatively about the content of capacity development.

Some funds have a small number of grantees and can therefore provide tailored capacity building support through intensive accompaniment. This is, clearly, ideal, but is resource intensive and much harder in many of the funds that are dealing with large portfolios of grantees at a time. Donors have a tendency, once a fund is set up, to use it as a convenient channel for funds, thereby expanding the envisaged size of the fund. This can create a tension between the pressure to get funds spent, and having the space to really work with and design appropriate capacity development support for grantees.

3. REFLECTIONS FOR THE FUTURE

MDFs are likely to continue in some form for the foreseeable future. The following areas of reflection could contribute to a dialogue about how funds should be supported to play a more effective role as enablers both of social action and of CSO development.

There is a tendency within civil society funds to look for and fund the parts of civil society that they recognise: professionalised development and advocacy CSOs.

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CIVIL SOCIETY ORGANISATION AND CIVIL SOCIETY ORGANISING

There is a tendency within civil society funds to look for and fund the parts of civil society that they recognise: professionalised development and advocacy CSOs. A few have explored possible relationships with other types of organisation, for example professional associations,³ but this is limited in scope. Outreach activities are designed to reach more emerging expressions of civil society, but the type of support offered leads them into a process of formalisation, and then supports them on a trajectory of becoming 'an organisation'. Yet many

however, they need to be more able to accept risk and to recognise failure. They might resemble models of investment for small business or start-ups. Small amounts of funding could be made available to a wide spread of actors. This could then be used to identify a limited number, who had demonstrated the greatest potential to develop and make an impact, for further investment. These could then be mentored to expand their reach gradually and possibly increase their levels of funding. This would imply, however, that donors were willing to accept as high a level of risk and failure as entrepreneurship funders do in small business development.

Given the diversity of organisations in fund portfolios, there it is often a real challenge for funds to demonstrate their overall impact.

so called CSOs are hardly that, except in name. They may have few full time personnel, and often expand, contract or lie dormant according to the availability of resources.⁴ Funds may need to think of new ways to structure their support to take into account that reality, and to find ways to support civil society organising and social action, without expecting that all expressions of that will become formalised and permanent.

USING FUNDS TO SPOT AND DEVELOP POTENTIAL

MDFs could be important channels for spotting and nurturing new actors within civil society. To do this,

LOOKING AT IMPACT FROM A DIFFERENT ANGLE

Given the diversity of organisations in fund portfolios, there it is often a real challenge for funds to demonstrate their overall impact. While focusing funds on particular themes is one option for trying to assess impact in terms of development results, another could be to track better the impact of funds on civil society development and on social action. Few MDFs are currently tracking what happens to the organisations that they fund over time. Key questions here would be: how many go on to develop and to access other forms of funding within the fund, and

from others? And what are the characteristics of those that have been successful? Equally, few explore, in the case that organisations are not able to sustain themselves beyond one grant, what happens to the social action they were supporting, or what the cumulative effect of grants in a geographic area might be. Exploring the traces of what funding leaves behind in terms of civil society organisation and organising could shed more light on the impact of funds, rather than trying to find some way to aggregate project outcomes.

SUSTAINABILITY

Donors often have the expectation of transferring funds to national ownership. This is not accompanied, however, by realistic plans for supporting their long term sustainability. It is noteworthy that some of the foundations set up in Africa that have achieved a degree of independence and sustainability, such as the Kenya Community Development Trust and Trust Africa, were established with endowment funds by international private foundations.

This also raises the question of the long term sustainability of the CSOs that multi donor funds support. Given the likelihood of an eventual decline in aid and donor withdrawal, funds should encourage discussion amongst their grantees about what a sustainable civil society might look like in their context in the future, and what more could be done by an MDF to support them to develop towards it.

4. CONCLUSION – HOW CAN CSOS ENGAGE?

MDFs are part of a positive effort by donors to bring funding closer to CSOs in the global south. They are an increasing and influential part of the civil society landscape. CSOs, both in the global north and global south, need to find ways of engaging with these funds. This could include by:

- **Managing them:** many funds are now managed by private sector companies. While there is no evidence that any particular type of managing agent is better than another, CSOs have a wealth of expertise to bring, and have the advantage of not seeking a profit.
- **Inputting and influencing their design:** CSOs should seek to influence donors more on the structure and approach of these funds, as this affects significantly how they will impact on civil society development.
- **Applying for funding:** this raises a dilemma between global northern CSOs and southern CSOs that needs discussion. Not all funds are open to northern CSOs in the donor country, but some are. In these instances, northern CSOs can support and help partners to apply, or they can consider applying jointly, but should northern CSOs apply themselves?
- **Acting as watchdogs:** CSOs should monitor the performance of funds and should seek to carry out more longitudinal research on their impact.

MDFs are part of a positive effort by donors to bring funding closer to CSOs in the global south. They are an increasing and influential part of the civil society landscape.

- It is only by engaging donors in a discussion about how best to decentralise funding that CSOs can ensure this is done in a way that is appropriate to their needs, and that really does support the development of sustainable civil society action into the future.

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A full bibliography on MDFs can be found in INTRAC's 2014 Study on Support to Civil Society through Multi Donor Funds, Annex D.

1 Statistics are drawn from OECD/DAC sources. See Evaluation Insight (2013).

2 See, for example, the R James blog series at <http://www.intrac.org/blog.php/55/cultivating-character-in-capacity-building>.

3 INTRAC, *Study on Support to Civil Society through Multi Donor Funds*, 2014, published by Danida, p38.

4 Thomas Dichter and Keith Aulickx,

CAP Learning Agenda on Local Capacity Development Country Report #7 – Tanzania, 2013, published by USAID, available at <http://www.developmentiscapacity.org/>