



ACCESS TO RESOURCES FOR CIVIL SOCIETY IN LATIN AMERICA

BARRIERS AND COSTS INEQUITIES AND INEFFICIENCIES

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CIVICUS: World Alliance for Citizen Participation is a global network of activists and civil society organisations dedicated to strengthening civil society and citizen action around the world for more just, inclusive and sustainable societies. Founded in 1993, it has more than 12,000 members in over 175 countries. For more information visit www.civicus.org



Innpactia is a social impact start-up that facilitates access to funds for organisations, public and private entities, and social entrepreneurs in Latin America. To date, its platform has identified calls for offers worth over US\$31 billion from more than 4,300 bidders, and it has helped to channel over r US\$26 million to organisations throughout the region. For more information, visit www.innpactia.com

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INTRODUCTION

In what remains the most unequal region in the world, civil society has continued to play a pivotal role in development, democracy and human rights since the wave of regime transitions to democracy that began in the early 1980s. The crucial nature of its contribution was thrown into relief most recently in the context of the COVID-19 pandemic: across Latin America, civil society rose to the challenge, working tirelessly to fill the gap left by states and markets in order to meet the immediate and urgent needs of those communities most affected. It also advocated for the effective enjoyment of the rights of excluded groups and worked to develop new forms of citizen action¹.

However, despite the urgent need for their input and action, the support that civil society organisations need to remain active and effective has continued to dwindle for several reasons. To begin with, Latin America has been consolidating itself as a middle-income region that has seen successive

economic crises curtailing the capabilities of some of its major bilateral donors, and others refocusing their priorities elsewhere. It is also worth pointing out that most countries in the region lack an established tradition of private philanthropy and individual generosity². Finally, in several countries, the climate of political polarisation has tensed the relationships between many civil society organisations (CSOs) and their governments, placing legal, operational and financial constraints either on the sector as a whole, or on the segment deemed to be most politically sensitive.³

Despite the vast scope and relevance of civil society, research into the allocation of resources for its activities in Latin America is limited and inconsistent, often based on incomplete data. This research project, jointly undertaken by CIVICUS and Innpactia, is an attempt to go a step further in terms of collecting and analysing data on the civil society-funding ecosystem in the region.

The first phase of the research, concluded in 2019, corroborated several trends which are often referred to in specialised literature, many of which have been the subject of complaints by several aggrieved CSOs. The research was based on an analysis of Innpactia's database, which includes thousands of calls for proposals and funding

opportunities open to civil society organisations and activists, as well as other entities promoting development in Latin America.

The ensuing [report](#) highlighted that there is only a limited supply of resources dedicated to civil society as a whole, and that funding is even scarcer in the specific context of Latin American civil society. These limitations means that CSOs in the region must compete against those from other regions on unequal terms; furthermore, these conditions are even less fair when they find

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themselves up against private and intergovernmental actors, usually better prepared and better staffed to meet the multiple demands made by donors. This level of competition raises the bar for local, small, grassroots and newly-formed CSOs.

Another barrier pinpointed concerns the destination of the resources on offer, which, in general cannot be used to cover operating expenses or capacity building. Most of the funding available to CSOs tends to be earmarked for project implementation and the provision of services. This project-funding orientation, or 'projectisation', may be driving many CSOs to work in areas less aligned with their original mission where more funding is available, away from the political and social roles where their input and action are so vital. Moreover, this approach condemns civil society to work on short-term projects that address the symptoms of social problems without eradicating their causes, where they are obliged to render accounts concerning implementation to the donors rather than to the populations they serve. Even if resorting to this approach provides CSOs with the means to keep going, such a tendency prevents many from developing the capabilities that would enable them to be self-sustaining and enhance their true impact.

Finally, the research also shone a light on how available resources tend to be concentrated, the result of many donors preferring to reduce administrative costs and minimise risks and exposure. By placing a few large funds in the hands of external intermediaries (such as international CSOs or intergovernmental agencies) in charge of running large projects or coordinating secondary providers, they avoid the bureaucracy of distributing numerous smaller grants directly among local actors.

In its second phase, our research shifts from the supply side to examine the demand. The first section of this report analyses the barriers experienced by CSOs in the region when seeking and obtaining funding. The second section is an attempt to examine the costs incurred during the process.

To identify inefficiencies in the system, the report examines the costs incurred, not only by CSOs seeking funding, but also by donors providing it, the idea being to provide a first appreciation of the overall costs involved in the funding ecosystem. The research seeks to identify not only inefficiencies but also inequities in the system and distinguishes between types of organisations: larger or smaller in terms of staff and budget, formal or informal, national or grassroots.

We are guided by the conviction that if funding were allocated more efficiently and equitably, the resources currently being wasted could translate into tangible impacts on the lives of vulnerable and excluded groups and their enjoyment of rights.

We hope that the data provided and the trends identified will help to renew the debate about the profound transformations so desperately needed in the funding ecosystem for civil society in Latin America.

If funding were allocated more efficiently and equitably, the resources currently being wasted within the ecosystem could translate into tangible impacts on the lives of vulnerable and excluded groups and their enjoyment of rights.

METHODOLOGICAL NOTE

The data on which this research is based are drawn from surveys held among CSOs in Latin America, and among national and international public and private donors present in the region.

The CSO survey included questions on the following: the organisation (legal status, seniority, country of headquarters, area of work, target populations, scope of work, number of staff, budget and sources of resources); fundraising activities (frequency and time spent searching for funding opportunities, dedicated staff, fundraising channels); obstacles and difficulties encountered; the average annual number of proposals submitted, and the proportion of successful proposals.

This survey collected 416 responses, 405 of which were from Latin American CSOs and the remaining eleven from CSOs headquartered in other regions but with a presence in Latin America. It is worth noting that among the former, there was a significant overrepresentation of Colombian organisations with 135 responses, while Mexico provided 64, Argentina 50, Ecuador 43, and the Dominican Republic 30. This was largely due to the role played by four national civil society networks in disseminating the

survey among their members and partners: the Red Argentina de Cooperación Internacional, the Colombian Confederation of NGOs, the Alianza ONG of the Dominican Republic and Grupo Faro of Ecuador.

In total, responses were received from 19 countries in the region, home to a large number and variety of CSOs. Eighty-five per cent of Latin American CSOs responding to the survey said they were legally constituted, while 15 per cent reported having an informal status. Just over half reported being in existence for over a decade, while 13 per cent reported that they had less than two years of existence and 18 per cent less than five. Regarding their field of action, 46 per cent reported a national presence, while 42 per cent reported a local one; the remainder said they were active at regional (Latin America) or international level. In terms of their annual budget, about half classified as very small (less than US\$25,000), while 25 per cent reported working with budgets of between US\$25,000 and US\$150,000. Only 17 and 11 per cent reported having annual budgets of up to US\$1 million or over, respectively.

Another survey was held among donor agencies to examine the mechanisms used to disseminate funding opportunities and access requirements, as well as explain the principal criteria governing the applica-

tion selection process and existing support mechanisms. The survey also analysed the amounts offered, the average number of applications received yearly, and the number of grants allocated, as well as the time invested in each phase of the process.

The data collected in this survey only allow us to illustrate certain specific processes, as only twenty-six responses were obtained: nineteen from public entities and seven from private entities, at local, national and international level. The distinction between public and private entities is included in the analysis every time we observed major differences between the two types of organisations. International donors originated in the first place from the United States, coming first, followed by Sweden, Norway, The Netherlands and the United Kingdom.

The data collected through this survey were complemented by eight in-depth interviews with grant officials in five public entities (three multilateral agencies, one bilateral agency and one national governmental entity) and three private donor agencies.

The conclusions drawn from the analysis of this information were validated through focus groups with Innpactia platform users and CIVICUS network members.

MAIN FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This research finds that the current funding system for civil society in Latin America does not adequately meet its core objective, which is to support and strengthen non-governmental and non-profit actors playing irreplaceable roles in the field of development, democracy and human rights, specifically those on the front lines defending civic space and promoting the rights of marginalised populations and vulnerable groups.

The analysis of survey responses, supplemented by in-depth interviews, from 416 civil society organisations (CSOs) in nineteen countries in the region, and representatives of twenty-six public and private donor entities, reveals the following findings:

- ◆ The search for funding consumes considerable resources for all CSOs, but their success rates differ substantially according to the type of CSO. Larger organisations, with more resources and a long track record, usually secure a high rate of return on their investment, whereas smaller, newer or more informal entities achieve next to nothing in terms of returns.
- ◆ The CSOs most in need of funding are those in the worst conditions to make the

investment required. The lack of trained staff with fundraising expertise means that small CSOs tend to turn to volunteer work and submit fewer funding proposals; very often they do not obtain any funding at all. However, larger entities tend to apply for a substantial number of opportunities, and their success rate increases in tandem with their size.

- ◆ CSOs face highly varied obstacles depending on their size, seniority and legal status, but the requirements for applying for calls for proposals that smaller, newer, and more informal CSOs have the most difficulty meeting are not necessarily those considered by donors to be the most important. What tends to happen is that the misunderstandings created around donor expectations, often perceived as opaque, frequently prompt these CSOs to exclude themselves.
- ◆ During the resource allocation process, donor entities also face significant costs, whose magnitude seems to vary according to the nature (public or private) of the donor and the type of calls for proposals (open or closed).
- ◆ Some forms of resource distribution cost more than they are worth since they generate costs in the ecosystem that ex-

ceed the value of the resources distributed. For example, many open and broad calls for funding proposals incur high costs for both the donor and civil society, since a high number of applications are received, making CSOs compete against each other and reducing their chances of success.

This has very worrying consequences:

- ◆ Vicious circle: CSOs that lack the minimum resources to manage the search for opportunities and successfully apply for calls by default lack access to the resources that would allow them to sustain themselves over time and enhance their impact. As they cannot build a track record of projects they have implemented, they reduce their future chances of accessing resources.
- ◆ Mistrust and discouragement: The perceived opacity of donor requirements, motivations and processes undermines the confidence of many CSOs and puts them off participating in their calls for proposals. Several small CSOs consulted said they did not submit proposals in response to calls, preferring instead to finance themselves independently by selling goods and services, or through community donations or membership

fees. The international cooperation system seems to have become largely irrelevant as a source of funding for this segment of CSOs.

- ◆ Spending waste and impact: The high transaction costs of the current financing system reveal an unproductive use of resources that, if distributed through more efficient mechanisms, could be used by CSOs to enhance their impact.

The CSO funding system must be thoroughly reconsidered from a perspective of equity and sustainability.

The research suggests not only that the current system is highly inefficient, but also that efficiency is not the only value at stake: the way resources are allocated must also become more equitable and suited to the context.

The funding system to support civil society must be reconsidered from a perspective of equity and sustainability.

When the issue at stake is how to finance civil society initiatives that aim to combat exclusion, it is not necessarily a question of simple arithmetic. If their focus were purely on lowering costs, donors could end up inadvertently increasing the barriers that many CSOs already face to access resources. They could instead choose to lower these barriers by assuming the costs that CSOs normally must bear and reducing this burden.

If allocated more efficiently and more equitably, the resources wasted today could translate into a tangible difference in the life prospects and enjoyment of the rights of vulnerable and excluded groups.

To move in this direction, we encourage donor entities to:

1. Fine-tune the amounts of funds offered commensurately with the needs of the target communities and the CSOs working with them, by co-creating the selection and funding distribution processes and investing in inclusive spaces where they can cultivate lasting relationships and foster channels of direct dialogue with their target groups.
2. Periodically analyse the databases used for their calls for proposals and seek feedback from applicant CSOs in order to identify gaps in coverage, access routes, prob-

lems with costs and other difficulties. This knowledge can be applied to support the design of flexible and creative solutions to lower access barriers.

3. Conceive fund allocation processes as investments in equity and impact so that they prioritise the reduction of access barriers and cost burden faced by CSOs, even if this implies an increase in donor costs. Working to reduce these barriers involves not only adapting requirements and processes but also providing feedback and training, also enabling the calls for proposals to become learning opportunities.

4. Collaborate with other donors operating in the same field or area to provide more substantial, consistent, and sustained funding, harmonising requirements according to organisation type, and adopting, where possible, unified formats and standardised application processes, as well as encouraging cross-referrals.

5. Operate with a long-term outlook that encourages CSO sustainability, focusing on the smaller, more informal, recently-formed and grassroots entities, providing funds for flexible use at the program level, covering indirect costs and operating expenses, and allocating resources specifically for organisation capacity-building.

The costs and obstacles to accessing these resources vary according to the type of civil society organisation (CSO) applying for funding calls.



Larger CSOs with more resources and a long track record:

- ◆ have staff specialised in fundraising.
- ◆ take advantage of having closer ties with funding institutions.
- ◆ submit more funding proposals.
- ◆ have a high success rate.



Smaller, newer and more informal CSOs with low operating budgets:

- ◆ lack staff with expertise in fundraising and tools to find funding opportunities.
- ◆ face more difficulty in meeting donor requirements.
- ◆ lack direct contact with donors.
- ◆ submit fewer funding proposals.
- ◆ have a success rate close to zero.

Donor entities also face significant costs to allocate resources, which vary according to:



- ◆ the nature of the donor: public or private
- ◆ the type of calls for funding proposals: open or closed

Calls for funding proposals for civil society in Latin America come with an extensive heterogeneity of procedures and requirements that entail significant barriers and transaction costs for the entire ecosystem.



SOME FORMS OF RESOURCE DISTRIBUTION COST MORE THAN THEY ARE WORTH

The global investment of all the CSOs that apply for a call for funding proposals and the donors that manage the call is sometimes higher than the amount of resources offered.

CONSEQUENCES

- ◆ Vicious circle: CSOs most in need end up excluded from these funding opportunities.
- ◆ The international cooperation system seems to have become largely irrelevant as a source of funding for CSOs that play a key role in promoting development, democracy and human rights.
- ◆ The high transaction costs associated to resource distribution drain many resources from civil society and limit its impact.

KEY RESEARCH FINDINGS

The funding system to support civil society must be thoroughly reconsidered from a perspective of equity and sustainability.



BARRIERS

LACK OF QUALIFIED STAFF

The main problem encountered by a vast majority of CSOs can be summarised in one sentence: seeking and securing resources requires the investment of an amount of resources that many CSOs simply do not have.

More specifically, the chances of finding and successfully applying for funding opportunities that meet the needs of each CSO depend largely on the quantity and quality of the human resources that the CSO can devote to tasks such as searching for opportunities, drafting proposals, negotiating conditions and drawing up applications. This also includes monitoring and reporting tasks that, if carried out properly, will enable it to build a track record capable of improving future applications and their outcome.

Comparatively few CSOs have enough staff with the right knowledge of the donor universe, or a strategic vision in terms of re-

sourcing with enough time to devote to these tasks. In fact, due to the phenomenon known as the 'projectisation of aid', many CSOs do not even have enough staff to cover their day-to-day operations and ensure their longer-term sustainability.

Among CSO respondents, the frequency of their engagement in searches for opportunities seems to be closely related to their size: while only 15 per cent of CSOs with annual budgets of less than US\$25,000 report conducting regular searches on a weekly basis, this proportion rises to 42 per cent among those with annual budgets of over US\$1 million. At the other end of the scale, the proportion of CSOs that report conducting searches irregularly or not at all is much higher among those with the least resources.

This pattern is repeated in subsequent stages of the process: when a funding opportunity has been identified, smaller organisations are also those that spend the least time preparing their proposals, which puts them at a disadvantage when competing with better-prepared ones. Twenty-four per cent of the smallest CSOs reported spending less than five hours on this task, and another 24 per cent estimated dedicating between five and ten hours to it, compared with only seven per cent of the largest CSOs

in both these categories. At the other extreme, 36 per cent of the largest CSOs estimated spending an average of up to 80 hours drawing up each proposal, compared to a meagre ten per cent of the smallest.

The same seems to be true for the phase where the terms and conditions of those proposals selected are negotiated. Almost 60 per cent of the larger CSOs report spending between 20 and 40 hours on this activity, compared with 20 per cent of the smaller ones. However, the data in this regard is very partial, as about half of the smaller CSOs re-

The chances of finding and successfully applying for funding opportunities that meet the needs of each CSO depend largely on the quantity and quality of the human resources that the CSO can devote to this task.

port that they have not yet managed to secure funding for any proposal at all.

Most small CSOs do not devote enough time to regular and systematic searches to identify potential donors and suitable calls for proposals, nor to preparing sound proposals, nor to negotiating the terms and conditions with donors when contracts are awarded. The reasons for this can be attributed directly to the lack of staff with the right technical capabilities who are exclusively dedicated to these tasks. As can be seen in Figure 1, this factor was identified by 60 per cent of the smallest CSOs as an obstacle they face 'always' or 'almost always', a number that falls as the size of the organisation grows, down to 33 per cent among those with the largest budgets.

It is worth noting that many of the CSOs on a smaller budget rely on volunteers to supplement their human capital; one of the distinctive features of such CSOs, as shown in Figure 2, is that this segment of organisations tends to have a higher proportion of volunteer staff in relation to full-time paid staff. Among the lowest-budget CSOs, the average is three full-time paid staff and ten volunteers, equivalent to 20 per cent and 54 per cent of the human resources involved, respectively. This strategy may represent a great advantage in budgetary terms, but it

Figure 1. How often CSOs face the obstacle of the lack of expert staff, according to their annual budget. Always or almost always Sometimes Never or almost never

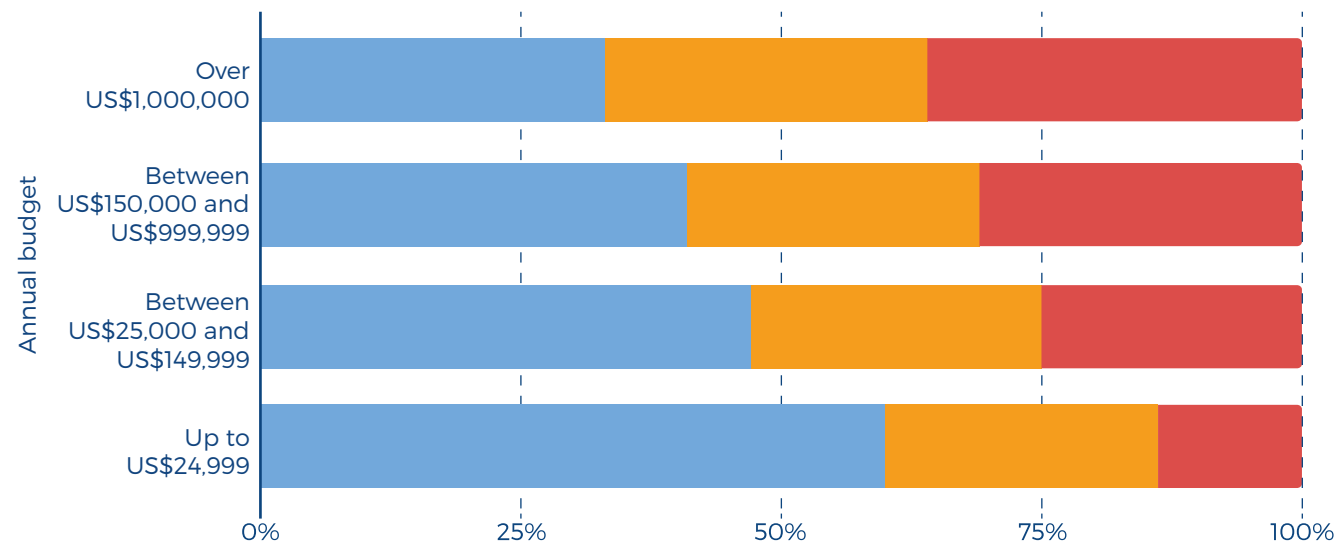
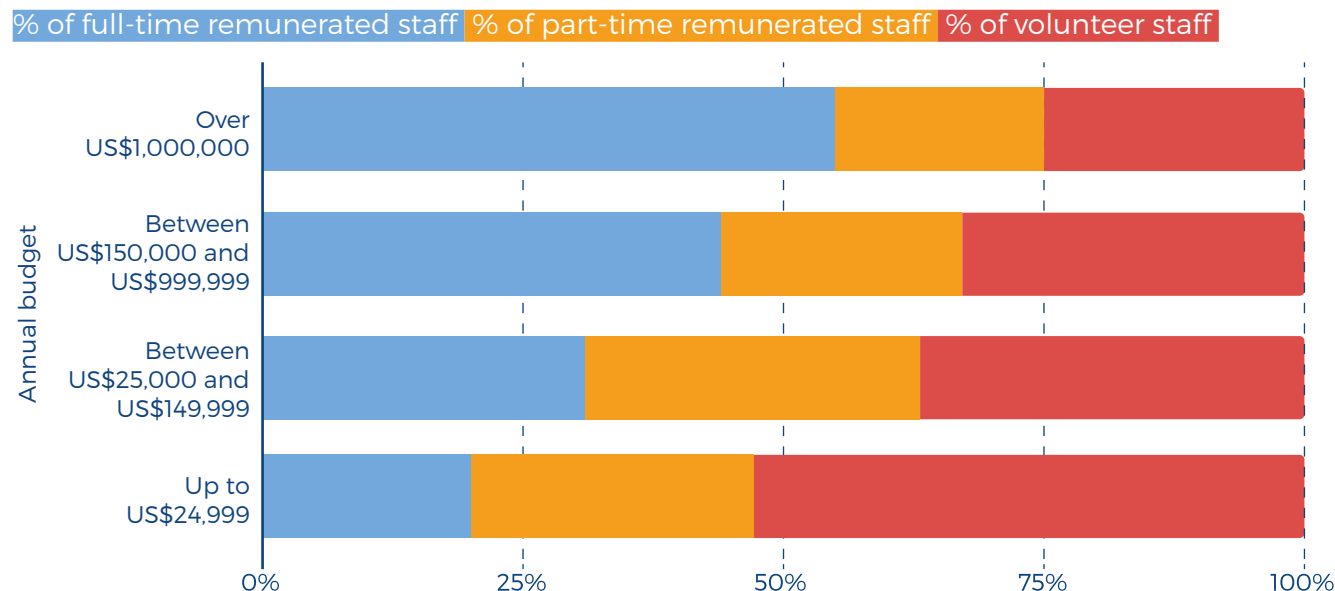


Figure 2. Composition of CSO staff, by annual budget.



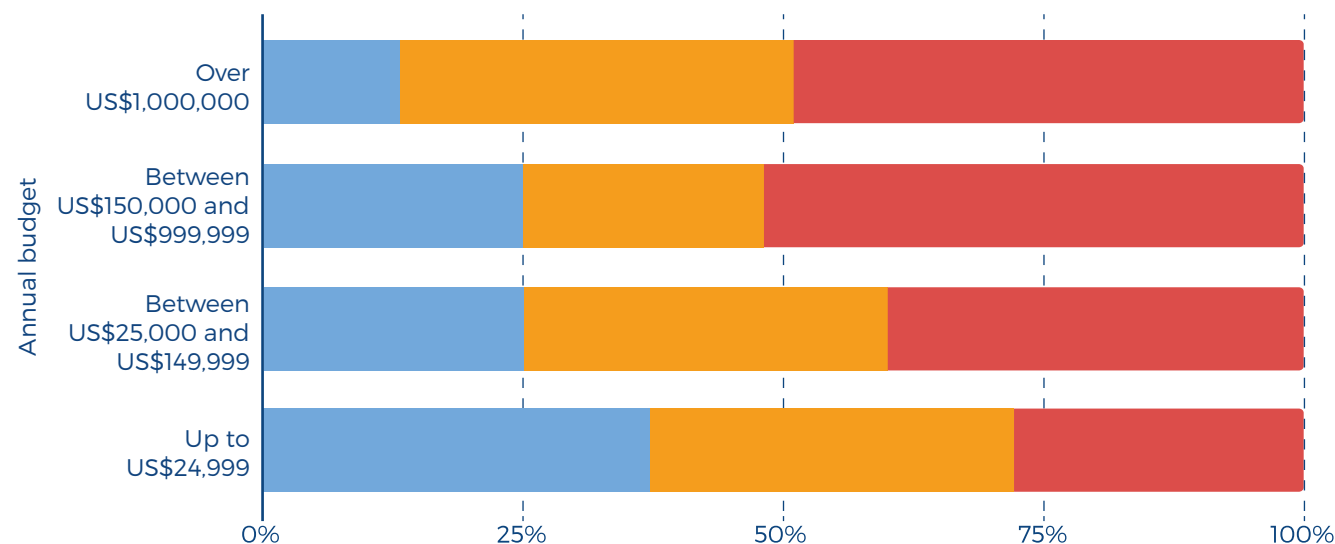
also implies high staff turnover and the assignment of important tasks to people with less technical capacity and experience who are correspondingly less involved in the organisation's strategy.

The proportions are reversed in the case of organisations with larger budgets, which also rely on volunteer work, and in fact have larger numbers of volunteer staff, but do not rely on these to perform vital tasks for the organisation.

One of the skills that CSOs need in order to access better opportunities, but have a tendency to lack, is fluency in foreign languages, particularly English.

The calls for proposals from many international donors working in the region are open to CSOs from across the global south, meaning that they are not exclusive to CSOs from Latin America. For this reason, or perhaps because their staff are unable to evaluate applications submitted in Spanish, the offers are published in English and often only receive applications in English. Accordingly, many opportunities may escape the attention of CSOs with smaller budgets which lack bilingual staff or may result in additional costs for drawing up proposals, particularly if these have to be translated.

Figure 3. Frequency of CSOs facing language difficulties in the search for funding opportunities, by annual budget. Always or almost always Sometimes Never or almost never



As can be seen in Figure 3, some 40 per cent of lower-budget CSOs reported (always, or almost always), encountering language barriers in the search for funding opportunities, a problem that higher-budget CSOs do not face nearly as much. It may be assumed that such difficulties make the entire process more complicated and can sometimes lead to misunderstandings as well as the inability to provide an adequate response to donor requirements

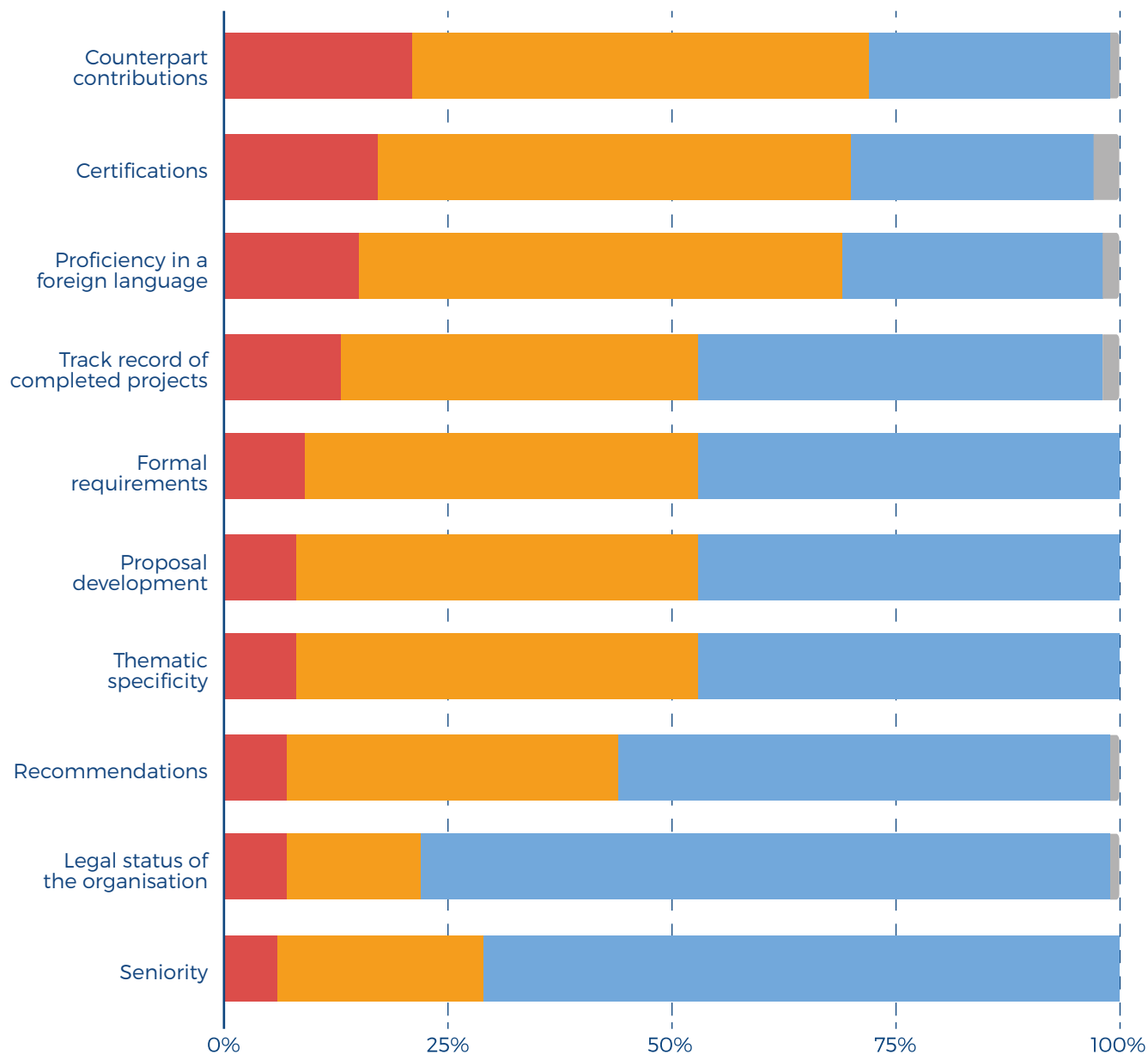
CSOs must be fluent in foreign languages, particularly English, to access better funding opportunities.

DIFFICULTY MEETING REQUIREMENTS

Most of the CSOs consulted, including many large and long-standing ones, said they had difficulties in complying with some of the requirements included in the calls for proposals, particularly those linked to securing counterpart funding, quality certifications and accrediting proficiency in a given foreign language. As seen in Figure 4, more than half also acknowledged difficulties in accrediting a track record of completed projects and in complying with formal requirements (e.g., filling out forms, using the correct formats and incorporating the required annexes), as well as in developing a project in line with the parameters established (e.g., defining objectives, activities, results, budget, logical framework, etc.), and in adhering to the specific themes set by the donors.

However, it should be emphasised that the relative weight of these difficulties varies according to each organisation's budget. In fact, excepting the three requirements at the top of our list, all others were rated as easy to meet by the majority of the better-resourced CSOs. The percentages among these ranged from 52 per cent for formal requirements and project development, to 63-69 per cent for project history,

Figure 4. Requirements of calls for proposals, according to the difficulty faced by the CSOs in meeting them. Impossible or very difficult Very or somewhat difficult Easy N/A

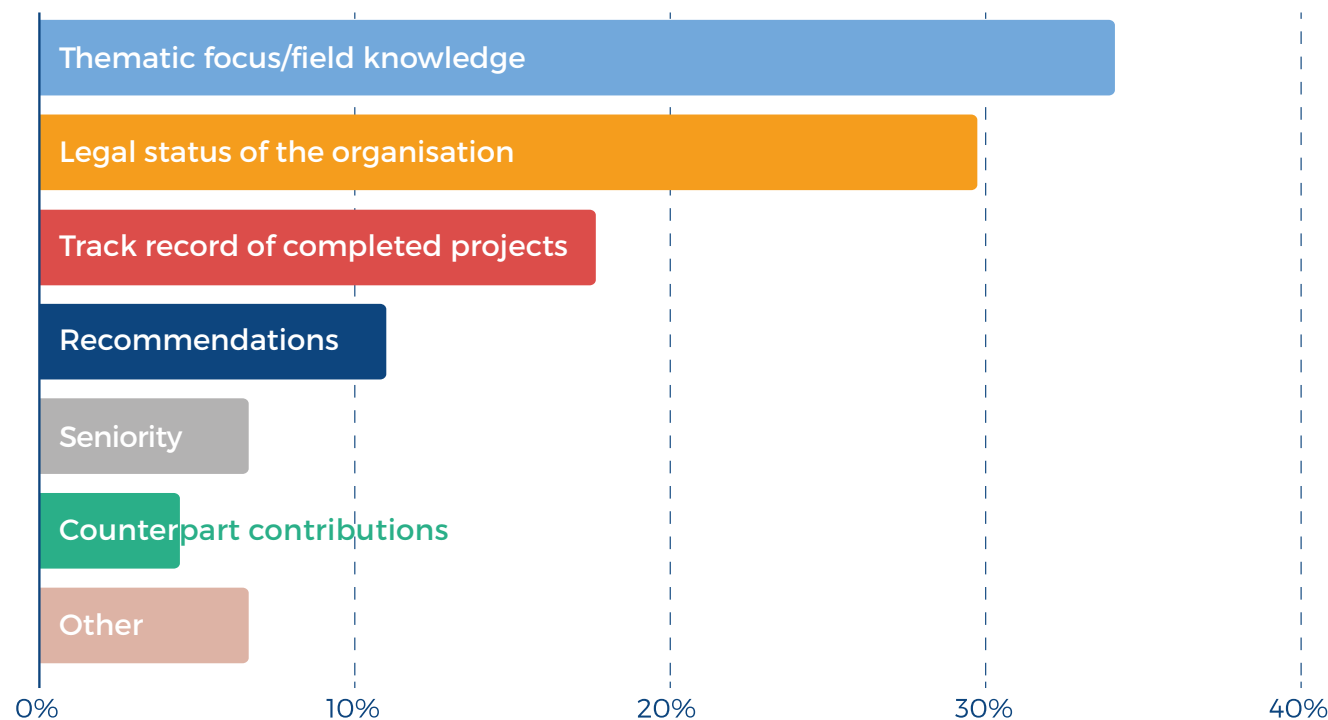


thematic specificity and obtaining recommendations, and virtually all requirements regarding the organisation's legal status and track record.

By contrast, the only requirements that over half of the low-budget CSOs surveyed found easy to meet were the accreditation of the organisation's legal status and its years of existence. This may be due to a bias in the sample, as 85 per cent of this was made up of organisations which are legally constituted. The requirement that small CSOs identified as being the most difficult to meet, after the top three, was the one where they needed to show a track record of projects implemented. Sixty-two per cent considered this requirement to be impossible or very difficult to meet, a proportion that dropped to 54 per cent, 40 per cent and 35 per cent for CSOs in the next budget categories.

Most small-sized CSOs find impossible or very difficult to meet the requirement of demonstrating a track record of projects implemented.

Figure 5. Requirements prioritised by donors.



Clearly, what is a virtuous circle for better-resourced CSOs, which have been allocated resources in the past and are thus able to show a track record of completed projects, enabling them to access more resources, is a vicious circle for less well-resourced CSOs. As these have lacked opportunities to access funding in the past, they cannot show sufficient significant experience in project management or impact, thus undermining their chances of obtaining resources in the future.

It is important to note that the requirements that CSOs find most difficult to meet are not necessarily those that the donors consulted consider most important, or those to which such donors ascribe the greatest weight in their assessments, as listed in Figure 5. However, it should be remembered that over half of the donors consulted are national or local entities in Colombia, so it should not be assumed that these findings are representative of the wider universe.

When asked about the relative importance of the requirements, the donors consulted prioritised the CSOs' particular area of specialisation as well as their knowledge and experience of the field of project implementation. The importance attached to these issues is at odds with the effects of the other requirements imposed by the donors themselves, such as proficiency in the English language and administrative capabilities, which could end up sidelining many of the CSOs with a greater presence in and knowledge of the field.

Secondly, consulted donors emphasised the need for CSOs to have legal status or be legally recognised. This requirement presents problems for informal or newly formed entities, as well as for those operating in contexts where there are strong restrictions on freedom of association. All the CSOs consulted that saw this requirement as a barrier, are grassroots and informal groups that in many cases have not registered themselves with the authorities because of the costs involved (financial, time and efforts needed to navigate the system). The fact that this requirement was not identified as an insurmountable obstacle by most of the CSOs consulted in this research indicates that there was a bias in the sample.

Several donors underscored that this requirement means that they can be sure that they comply with the fiscal and administrative obligations imposed by each country's legislation – in addition to their own internal policies – and makes it easier to disburse resources. Only one explicitly said that they were directly funding entities that were not legally constituted, although several stated that they do try to support such organisations indirectly through partnerships with legally-constituted CSOs in charge of running the project.

It is important to highlight that, from a CSO's perspective, donor motivations are often opaque, which sometimes prompts suspicion and leads to misunderstandings. It is often the case that CSOs are unclear about what really matters to donors and what can be negotiated. For example, many CSOs perceive the need for matching funds as an insurmountable barrier set up to concentrate funding in a few large, well-established organisations, even though this requirement is in fact of little importance to most of the donors consulted. Donors also indicated that the language barrier is not intentional as they are trying to overcome the problem by hiring Spanish-speaking and/or dedicated Latin American staff as well as disseminating calls for proposals in bilingual versions.

“With small organisations we are quite flexible. It's okay if they don't have legal status or registration, they can have a fiscal sponsor. Following the changes made in 2019, it doesn't even matter if they don't have a fiscal sponsor [...] We support the formation of partnerships whereby a legally-constituted organisation handles the financial side of things as well as all the project's legal and accounting business.”

US private foundation representative

CSOs are often unclear about what requirements really matter to donors and what can be negotiated.

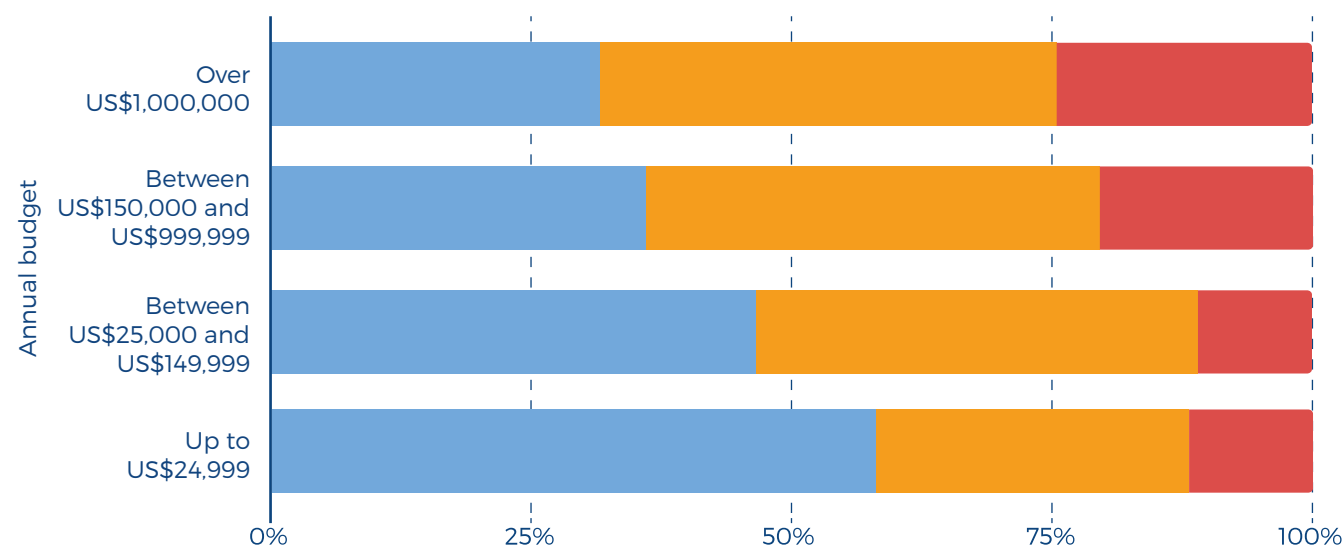
INFORMATION AND CONTACTS

Understanding how donors work and their strategies allows CSOs to better align themselves with the opportunities available and simplifies the preparation of funding proposals. However, many CSOs lack both the information and the contacts needed to communicate directly with donors.

As might be expected, the quantity and quality of the contacts handled by CSOs tends to vary according to their budget. Larger CSOs are more able to contact donors directly, due to factors such as the likelihood of their directors sharing academic, political or working spaces with key actors in the donor universe or being located in the same urban areas where donors tend to have their bases. Among smaller CSOs, the exact opposite is true: as Figure 6 shows, the likelihood of CSOs lacking the requisite information and donor contacts in their field of expertise becomes greater as the size of the organisation decreases.

As reported in their responses, about half of the CSOs with the largest budgets always, or almost always, rely on their contacts to identify funding opportunities, a proportion that drops to 18 per cent among the smallest budget CSOs. More than half of the latter say they never, or almost never, use contacts, compared with only 15 per cent of

Figure 6. Frequency of CSOs experiencing lack of knowledge or lack of contact with donors, according to their budget. Always or almost always Sometimes Never or almost never



the largest CSOs giving this answer. It may be assumed that those not using contacts largely include grassroots CSOs embedded in local communities, which lack the social capital that comes from proximity to centres of power and decision-making.

In addition to enjoying valuable and direct contacts among donors through shared networks, larger CSOs also tend to have greater access to more comprehensive databases and better search engines. However, here the differences between large and small CSOs are less marked: 44 per cent of smaller CSOs use these platforms frequent-

ly, compared with percentages ranging between 50 and 56 per cent in the next budget categories up.

The main difference between large and small CSOs continues to be the quality of their direct donor contacts, which many of the former have and many of the latter do not. Hence, while the evident under-utilisation of search platforms is not a problem for larger CSOs, as they have good alternative access channels, it is a problem for smaller CSOs as such platforms are their main channel of access to funding opportunities.

COSTS

The process of resource allocation involves several transaction costs, or unproductive costs, incurred by both the organisations seeking funding and those providing it. From a CSO perspective, these costs may be divided into three broad categories: search costs (information), negotiation costs (contracting), and compliance and reporting costs (monitoring)⁴. From the donor perspective, they include the costs of preparing and advertising offers, the costs of selection and contracting, and the costs of monitoring and evaluation.

According to some estimates based on the monetisation of the number of working hours involved in such tasks for all those involved, the overall costs may escalate to the point where several funding grants end up costing more than they are worth. This means that they incur costs in excess of the amounts disbursed.

However, it is also possible to take the view that estimating costs, when the issue is about funding civil society initiatives aimed at combating exclusion, may not necessarily be a matter of simple arithmetic. Indeed, the existence of high transaction costs may indicate that resources that CSOs could be using to benefit the vulnerable groups they work with are being spent unproductively. Furthermore, given that the CSOs are the weakest link in the chain, it is certainly desirable to reduce the costs incurred, particularly by smaller CSOs, for which even nominally low costs may represent a high proportion of available resources.

The overall costs of resource allocation processes may escalate to the point where several funding grants end up costing more than they are worth.

Notwithstanding, this may lead to an increase, rather than a decrease, in the costs incurred by donors. By focusing on reducing expenditure, donors may inadvertently raise some barriers to access that CSOs already face. Conversely, they could choose to lower these barriers and thus reduce the costs faced by CSOs by bearing them themselves, even if this results in an increase in overall ecosystem costs.

CSOS COSTS

The costs incurred by CSOs can be estimated by adding up the average working hours that CSOs report spending at each stage of the process and assigning them a monetary value linked to the average hourly wage of staff in the sector.

According to the information gathered through the survey, CSOs with smaller budgets often fail to obtain funding: the investment made in searching for and preparing applications in such cases thus has a zero return. Overall, CSOs surveyed reported submitting an average of six proposals to obtain a grant.

Of the total number of CSOs surveyed, nine per cent, mostly small entities, reported not submitting proposals in response to calls for

proposals; 14 per cent reported submitting one or two proposals per year, 16 per cent reported submitting between three and four, and 19 per cent between five and seven. In other words, only about half reached the threshold above which funding becomes likely. Furthermore, about a quarter of the CSOs surveyed reported submitting between eight and 15 proposals per year, and almost 15 per cent reported submitting up to 50. Only a few CSOs reported submitting more than 50.

According to the data, both the number of proposals submitted and the success rate – meaning the ratio of proposals submitted to proposals funded – tend to reflect the size of CSOs, in terms of their budget. For many small organisations that rarely submit proposals, the success rate is extremely low, while for larger organisations that apply for numerous opportunities, it can be as high as 40 per cent.

Table 1 shows, for the CSOs classified by budget size, the number of working hours spent on each phase: search for opportunities, proposal preparation and submission of documentation, and the negotiation of the final terms of implementation for the projects selected.

The success rate for many small organisations that rarely submit funding proposals is extremely low.

For example, a small organisation tends to spend, on average, about six hours identifying funding opportunities, 18 hours preparing proposals and, if selected, seven hours negotiating the final terms of implementation; this entire process takes over 30 hours of work (or about 24 if the proposal is not selected). At the other extreme, a large organisation spends an average of 61 working hours per proposal (or about 42 for proposals that do not reach the stage of negotiating terms of reference).

Annual budget	Hours dedicated		
	To searching for opportunities (in average)	To preparing proposals (in average)	To negotiating final terms (in average)
Up to US\$24,999	6	18	7
Between US\$25,000 and US\$149,999	7	25	13
Between US\$150,000 and US\$999,999	6	30	15
Over US\$1,000,000	7	35	19

Table 1. Number of working hours spent on each stage of the process by CSO in different budget ranges

The monetisation of these working hours depends on the average wage paid in each segment of the sector, which varies according to each country, ranging from five to 20 dollars per hour. To this must be added additional costs for subscriptions to search platforms, translation, document printing, mailing and internet, as well as any indirect expenditure related to obtaining and maintaining their legal status, including administration costs such as bank charges, for instance.

This estimate does not consider reporting costs, which occur after projects are awarded, nor does it contemplate the opportunity costs, which are hard to quantify. These have to do with the fact that the time and resources spent on applying for a call are time and resources not invested in other activities. Even so, the costs incurred by CSOs are substantial – and all the greater considering that most CSOs need to prepare and submit several proposals until such time as one is funded. Moreover, due to the phenomenon known as ‘aid projectisation’, CSOs may not be able to recover all the investment made in getting funding for a proposal, even if they do secure funding for the project itself.

CSOs may not be able to recover the investment made in getting funding for a proposal, even if they do secure funding for the project itself.

DONOR COSTS

Donors also face costs at every stage of the funding process, from drafting the terms of reference to negotiating the proposals approved, as well as any follow-up monitoring and evaluation work, which are not discussed here. All of this represents costs which can be quantified in terms of staff time and vary considerably between open and closed calls for proposals, which influences the quantity and quality of proposals received.

The resources invested in the first phase of the process, drafting the terms and conditions of the calls for proposals and disseminating these, vary according to the type of donor. According to the data collect-

ed through the survey and corroborated through in-depth interviews, public entities tend to invest more time than private ones in drafting the terms of reference, as they must follow relatively rigid administrative procedures which involve successive review instances. Several private entities, on the other hand, stated that their terms of reference do not tend to vary very much, being based on pre-defined criteria, and aligned with their long-term organisational objectives. Most of them estimated committing some 16 hours to this task, while most public entities estimated a time commitment of up to 40 hours, and in some cases significantly more.

Once the terms and conditions have been defined, donors issue calls for proposals, which are usually publicised on electronic media, sometimes segmented according to thematic or geographic criteria. Sixteen of the 26 donors consulted said they tended to issue open requests, while ten reported a preference for closed ones, i.e., targeting a pre-selected subset of CSOs. This has implications for the use of the funds allocated: while the bulk of funds distributed through open calls for proposals are earmarked for project implementation, those distributed through closed ones seem to be more balanced and tend to include support for CSO capacity building.

The public entities consulted by-and-large reported a substantially higher time investment in dissemination activities than private ones, supported by the explanation that this is due to the need to use all the channels available to ensure that every officially registered CSO is reached. The overwhelming majority of both public and private donors consulted felt that their communication channels generally reach their target audiences.

The most labour-intensive phase of the process concerns the review and selection of the proposals received. Among the donors consulted, public entities reported receiving, on average, more than 800 proposals per call, a much higher figure than that reported by private donors (less than 200). However, while over half the private donors reported spending more than 160 hours (or 20 working days) reviewing the proposals received following a typical call, most public donors said they spent considerably less time, and presented significant variations in estimates.

In sum, while the public donors consulted seem to spend comparatively more time on drawing up the terms of reference and disseminating opportunities, private donors tend to invest more time in evaluating the applications received.

“We get between 500 and 800 applications. We use a digital platform, and each application is about two pages long, but it still takes time. [...] The review process involves three people from the team, one for each programme.”

US private foundation representative

Most of the donors interviewed agreed that the teams assessing the applications involve three to four people, each of whom has to review, on average, between 45 and 60 applications in the case of private donors, and between 200 and 280 in the case of public donors.

Once the review work has finished, donors again invest a considerable amount of time in selecting which proposals are to be funded. Once again, it seems to be that private donors spend longest on this task: some public donors report spending barely a few hours or just a couple of working days on the selection stage, while others spend over 20 eight-hour workdays on this part of the

process. Among the private donors consulted, none indicated spending less than two working days on this task, and nearly half say they spend more than 20 eight-hour workdays. It may be assumed that such differences have to do with the specific features of the terms of reference included in their respective calls for proposals; public donor terms of reference tend to be more extensive and contain more formal specifications, whereas those issued by private donors are generally laxer and more open to more diverse applications.

At these stages, costs depend on the quantity and quality of proposals received, many of which are not necessarily aligned with the objectives of the calls. Hence the adoption of strategies to reduce numbers, improve quality, and speed up the review process, such as the use of closed calls for proposals and short-lists, dissemination through specialised non-mass channels, the standardisation and simplification of forms, and the introduction of key questions to quickly identify the project experience most in line with the call for proposals' objectives.

According to the data collected in this research, open calls receive on average more than 800 proposals, while closed ones, targeting specific or pre-selected sub-groups of organisations, usually receive around ten.

Costs to donors in the resource allocation process depend on the quantity and quality of funding proposals received.

Clearly, the proportion of proposals that do not receive funding is substantially higher in the case of open calls for proposals: according to the donors consulted, an average of around 15 proposals are funded per open call, equivalent to around 2 per cent of the proposals submitted, while for closed ones, the number of proposals funded is about eight, or 80 per cent of the proposals received.

It should be underlined, however, that while in the case of closed calls for proposals, the time investment in the review and selection stages is substantially less, the commitment required in the initial stages is significantly greater. This is because the donor needs to canvass the field to identify organisations that can be candidates for funding and reach out to them with its call for proposals.

“For the selection we interview several organisations, we learn from the partners in our network, we travel to different countries to meet with them, we make phone calls or video calls. In the end, it takes a long time to identify ten organisations that will be funded.”

Representative of international private foundation

All the private entities consulted reported that they issue between one and three calls for proposals per year. The fact that the same (few) people in charge of the assessment and selection of funding applications are also responsible for monitoring and evaluating the projects funded encourages them to distribute all the funding among as few applicants as possible. Furthermore, to reduce the risk of selecting proposals that are not aligned with their strategic objectives, they prefer to offer high amounts to fewer organisations or to concentrate their efforts on a few specific networks.

The public donors consulted, on the other hand, presented a more diversified picture: about one third said they launch between one and three calls for proposals per year, while several said they issue up to 10, or up to 50, or even more.

The practical preference for disbursing reduced numbers of considerably large grants is at odds with the need to support small, new and grassroots CSOs carrying out important work but which often fail to qualify for funding.

Some donors prefer to distribute their funding among very few and only specific applicants because of staff constraints and to reduce the risk of selecting proposals that do not align with their strategic objectives.

“Funding a small organisation has a bigger impact... US\$50,000 for a large organisation might not seem like a lot of money for a project, but when it gets into the right hands [...] you can do great things.”

Representative of Latin American non-profit donor organisation

To resolve this conflict, some donors rely on the intermediation of larger, more established organisations that can channel resources and facilitate processes for smaller recipient organisations. Typically, intermediary CSOs retain a percentage of the funds they manage to cover operating expenses, and this can result in a not-insignificant increase in transaction costs. However, according to some donors consulted, some intermediary organisations are prepared to do this work on a voluntary basis, as reported by participants in our focus groups.

Donors adopting this solution emphasise that, in addition to channelling funding to small CSOs and achieving local impact, this practice encourages the formation of alliances and support networks among diverse CSOs. It is worth noting, however, that the use of intermediaries in a purely administrative role can also create problems: if intermediaries become bureaucrats who prioritise donor accountability over facilitating work by the grassroots groups being supported, it can lead to power relations that end up disadvantaging the latter.

“We fund large organisations with a proven capacity to administer grants to smaller, administratively weak organisations in need of support.”

European bilateral cooperation agency representative

“The role of the local support organisation is rather administrative; it consists of receiving the resources and transferring them when the [grantee] organisation has little financial management capacity.”

Representative of Latin American non-profit donor organisation

Based on the data collected, we estimate that a call for proposals getting about 150 proposals, about ten of which are selected for funding, requires on average a total investment of 400 hours of donor staff time. The monetisation of these working hours will depend mostly on the type and location of the donor, but even a conservative estimate, based on the average salary of a full-time, registered worker in a country in the region with moderate living costs, yields figures of several thousand dollars per call for proposals.

SYSTEMIC INEFFICIENCIES?

The total cost of a given call for proposals for the funding ecosystem is the sum of the costs incurred by the donor and all the CSOs involved. This is a conservative estimate, because it considers only the costs invested in labour time, without taking into account other direct and indirect costs. Also, it barely acknowledges the costs of the CSOs that submitted full applications.

We do not in fact know how many of them identified an offer, analysed the terms and conditions, discussed the opportunity with other colleagues and finally decided not to apply, or began drawing up their applications but left them unfinished. It is possible that, for each organisation applying, there were several others investing resources in the call for proposals that did not submit a proposal. We did not take into account the hours invested by CSO grantees in reporting to their donors, nor the hours invested by donors in evaluating the reports received, as we focused only on the resource allocation stage.

Thus, in the case of the standard call for proposals described in the previous section, the investment made by the 150 CSOs that submitted proposals would have to be added to the estimated cost to the donor. The

amount of this investment depends on the size of the CSO involved; we know that larger CSOs invest far more in the process than smaller ones. The composition of the pool of applicants, in turn, depends to a large extent on the size of the grant involved in the call for proposals: when the amounts are too small, they do not justify the efforts of larger organisations. Depending on these variables, there are some calls for proposals that create overall costs of several thousand dollars, while others amount to several tens of thousands of dollars. There are also some calls for proposals which cost only a small fraction of the amount distributed, while others incur costs that are equal or even exceed the amount of funding offered.

To estimate the costs to the funding ecosystem more accurately, it would be desirable for further research to undertake the task of developing a 'call for proposals' typology and then estimate the overall costs incurred by each 'typical' call for proposals. This calculation needs to be performed based on real data from a donor concerning the amount offered and the number and profile of CSO applicants and selected CSOs. The donor's costs can be monetised on the basis of their own estimates of staff hours and salary levels, while, for CSO participants, the costs can be monetised on the basis of

existing data on CSO staff time and costs for entities in different budget categories. The comparison between these 'typical' cases will enable an assessment of their relative strengths and weaknesses in terms of equity and efficiency. Furthermore, if the frequency with which these typical situations occur in Latin America can be estimated, it will enable conclusions about the overall balance or imbalance of the funding ecosystem to be drawn.

To estimate the costs to the funding ecosystem more accurately, it is still needed to develop a 'call for proposals' typology and then estimate the overall costs incurred by each 'typical' call.

CONCLUSIONS

This research once again reveals the reality of a very worrying situation for most CSOs in the region: seeking resources is a costly activity in terms of human resources and, paradoxically, the organisations most in need of funding are the ones that are in the worst conditions to make the required investment. What for a few is a virtuous circle – resources attracting more resources – is for most a vicious downward spiral: without the minimum resources necessary to undertake the search for resources, they barely manage to survive.

Data collected through surveys and in-depth interviews show that the barriers standing between CSOs and the resources they need to enhance their impact and ensure their sustainability vary significantly according to the size of the organisation, as measured by its annual budget.

In general terms, the first barrier identified by the CSOs consulted is the lack of hired, trained and specialised staff.

The gulf here between large and small organisations – many of which are sustained by volunteer work and have no professional support at all – can be seen in the huge differences in the amount of time they spend identifying opportunities, preparing proposals, negotiating terms and conditions, and meeting the requirements to complete their applications.

Indeed, small organisations, a description that includes most local social organisations embedded in their community, often do not have any paid staff with adequate knowledge of the donor universe, nor a strategic vision in terms of resourcing and the time available to dedicate to such tasks. Similarly, this subset of CSOs most frequently identified language limitation (and specifically, the insufficient command of English) as a barrier. This is not such a problem for larger CSOs as they can hire staff with the required language skills.

The second major barrier identified by the CSOs consulted is the difficulty in meeting the requirements of the calls for proposals. In general terms, this difficulty stems from the diverse nature of the procedures, requirements and formats used by donors, which oblige CSO applicants to spend time filling in forms and collecting specific documentation for each call for proposals.

The majority of CSOs included in the study identified certain specific requirements as particularly complicated to meet, regardless of their size: those where a counterpart contribution was required, the need to present quality certifications, and the accreditation of proficiency in foreign languages. More than half of the CSOs surveyed, and a much higher proportion of smaller ones, also acknowledged difficulties in proving their track record of completed projects, meeting formal requirements, project development, and sticking to the thematic areas for which the funding is intended.

It is worth highlighting that there is one requirement where the difficulty in complying has clearly been underestimated, due to our sample's particular bias; however, it has a direct and exclusionary effect on informal, recently constituted groups, or those working in contexts where freedom of association is strongly restricted. This requirement concerns an organisation's accreditation of legal status and its ability to prove a certain number of years of formal existence.

One interesting finding here is that lack of knowledge or communication often leads to a disconnect between the requirements that donors claim to prioritise, and those that the CSOs make a special effort to meet, despite the difficulties involved, on the as-

sumption that they must be fundamental to donors.

The third major barrier identified is the limited access to information about existing opportunities and the even more limited availability of direct donor contacts. While there are no major disparities in the use of search platforms, the information deficit in relation to donor priorities, resulting from the disparate availability of contacts and access to direct communication channels with donors, is closely related to the size of the organisations.

Close to half of large CSOs, compared to 18 per cent of small CSOs, reported frequently using their contacts to locate funding opportunities. Conversely, more than half of small CSOs reported never or rarely using contacts, compared to only 15 per cent of larger CSOs.

Clearly, the fact that the search for resources involves costs that some organisations are unable to afford is the main barrier to accessing resources. However, it is important to take into account that CSOs are not the only ones bearing costs in the resource allocation process.

At each of its stages, the process of resource allocation for civil society involves a number of unproductive costs that fall on funders

and fund-seekers alike. All of these costs can be estimated by monetising the number of working hours required by the tasks of each party at each stage, based on the average salary per country, sector and segment of organisations.

According to our survey data, the time spent by CSOs seeking and pursuing opportunities, as well as their success rate, is directly related to their size. Smaller CSOs tend to submit few proposals and often get no funding at all: at the extreme end of the scale, their investment achieves zero returns. Larger CSOs, on the other hand, tend to apply for several opportunities, and their success rate increases along with their bud-

The costs faced by donors at each stage of the funding process tends to vary according to the public or private nature of the donor and the type of call for proposals (open or closed).

get, reaching rates of up to 40 per cent for the sample analysed.

The considerable magnitude of the costs faced by donors at each stage of the funding process tends to vary according to the public or private nature of the donor and the type of call for proposals (open or closed). The former reported spending substantially more time than the latter on drawing up the terms of reference of the calls for proposals; moreover, for reasons linked to the need to guarantee equity of access by reaching all CSOs included in the official records, they also reported making greater investments in the dissemination stage. Possibly for the same reason, public donors were more inclined than private donors to hold open calls for proposals.

In turn, the use of open or closed calls has consequences related to the destination of resources: whereas the bulk of resources distributed through open calls for proposals is allocated to project implementation, the resources distributed through closed ones, aimed at a pre-selection of CSOs, often contain components aimed at fostering capacity building among recipient entities.

Also, the type of call for proposals has consequences in terms of the number of proposals received, and thus affects competition

between participating CSOs, which is obviously much higher in the case of open calls for proposals. Nevertheless, private donors tended to report a far greater commitment in terms of time to the work of reviewing, evaluating and selecting proposals.

The magnitude of the investment required for each call explains the practical preference of many donors for spreading large amounts over a few calls per year. This option conflicts with the stated importance of supporting small, new and grassroots CSOs.

The sum of the costs incurred by the donor and all the CSOs involved, measured by monetising the working hours invested by all parties in the process, can provide a conservative estimate of the total cost of a given call for proposals for the funding ecosystem. However, this would leave out a certain amount of additional direct and indirect costs, as well as the expenses incurred by an undetermined number of CSOs that pulled out along the way, and – since our focus is on the resource allocation stage – also the costs associated with further reporting, monitoring and evaluation.

The data collected in this research do not allow us to make a cost estimate as such, not least because of the lack of reliable information on labour costs; however, they provide a first approximation of the amount of

labour time invested by the various parties involved in each phase of the process. The approach taken in some real-life cases, presented anecdotally by interviewees, gives us a glimpse of an ample diversity of situations, ranging from relatively cheap calls for proposals – in relation to the magnitude of the amounts distributed – to those costing considerably more than they are worth.

Even so, we must analyse whether efficiency is the only value at issue, or whether other elements need to be measured. When what is at stake is the funding of grassroots groups representing excluded or vulnerable sectors, such calculations are not necessarily a matter of pure arithmetic.

The existence of high transaction costs could well be an indication of a huge waste of resources that CSOs could, in another scenario, apply to fulfilling their main mission. Since they are the weakest link in the chain, it would certainly be desirable to reduce their costs, particularly regarding smaller entities, for which even nominally low costs may involve committing a high proportion of available resources.

However, it is important to understand that this could prompt an increase, rather than a decrease, in the costs incurred by donors. By focusing exclusively on reducing expenditure, donors may inadvertently raise some

barriers to access that CSOs already face. Or, conversely, they could choose to lower these barriers and assume the expenses involved, thus lowering the costs faced by CSOs, even though this could raise costs to the ecosystem as a whole. Donors should begin by asking themselves whether their costs are unproductive and should therefore be minimised, or whether they also represent investments in equity and inclusion that should not be sacrificed for the sake of cost reduction.

RECOMMENDATIONS

This research seeks to open a debate aimed at finding new ways of distributing resources that reduce the barriers to access faced by most CSOs in the region, particularly informal, small, emerging groups or those dedicated to defending civic spaces and promoting the human rights of marginalised populations and vulnerable groups.

To respond to the urgent needs of civil society, the distribution of resources must become more efficient, more equitable and better adapted to context. This would free up resources for impact generation, redirect funds to those small, local, and grassroots groups that are doing good work with vulnerable communities, and shift some of the burden onto the donor, which should refine its offer based on a situational analysis of the needs of communities and the organisations working with them.

With these objectives in mind, we offer the following recommendations to donors in the region, in line with the actions included in the recent [OECD DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance](#).⁵



1. Seeking democratising alternatives

The process of allocating funds needs to be democratised at different stages, from providing information on available opportunities and establishing mechanisms and timelines that are more realistic from the perspective of smaller, more informal CSOs with less resources, to the participatory design of programmes which are better aligned with the priorities of target groups and communities. This should also take into account the implementation of participatory grantmaking processes when selecting beneficiaries and distributing funds. To this end, it is important to invest in inclusive spaces to cultivate relationships and channels for direct dialogue with CSOs, especially with grassroots and remote groups, which are currently the least connected.

Some participatory alternatives may result in increased costs, which should be borne by donors and understood as an investment in impact and relevance. Certain lessons on creating spaces for dialogue and co-creating solutions with grassroots groups can be drawn from the [Grassroots Solidarity Revolution](#) campaign.



2. Encouraging learning

A commitment to the future is also a commitment to learning. For CSOs, particularly smaller ones, responding to a call for proposals should not be seen as a waste of time, but a learning opportunity. For this to happen, donors should, at the very least, provide feedback and preferably training to improve the fundraising and fund management skills of CSOs taking part in the process. Furthermore, large CSOs currently channelling funds to smaller CSOs should emphasise capacity building, so that they eventually become redundant, as strengthened, smaller CSOs learn to stand on their own two feet.

While the provision of feedback and training involves costs, it can also be an excellent investment. This is particularly the case if performed consistently by the entire donor community, taking the form of scalable processes, and involving materials which can be reused by a potentially infinite number of CSOs, eventually improving the quality of proposals that donors receive and must evaluate.



3. A flexible response

Monitoring funding allocation processes should include an analysis of transaction costs and the composition of the applicant pool. From their call for proposals databases, donors should map participation and identify any gaps in coverage, difficulties with locating access pathways and other problems experienced. The learnings from this analysis should be applied to the design of flexible and creative solutions to overcome barriers to access.

Depending on the context, one could experiment with staged selection processes with an increasing level of requirements, coupled with accompaniment and feedback for CSO applicants. Other options include referring to eligible proposals submitted in previous calls for proposals in subsequent ones; accepting applications in formats already used in previous calls for proposals, to avoid CSOs having to rewrite previously-submitted proposals from scratch; tailoring requirements to the amount of funding and level of risk; segmenting calls to avoid cannibalistic competition between organisations of varying scope and capabilities to secure funding; and devising mechanisms to assess the effectiveness of CSO funding and risk levels; tailoring requirements to match funding amounts and risk levels; segmenting calls to avoid cannibalistic

competition between organisations of varying scope and fund management capabilities; and devising mechanisms to assess the capacity of CSO applicants to perform the task at hand rather than their ability to write good proposals.

Flexibility should also be applied to providing support for informal and unincorporated CSOs, especially those operating in contexts where civic freedoms are restricted. If, in order to minimise risks, donors only support CSOs that have the approval of their governments – governments often bent on eliminating dissent by denying or cancelling a CSO's legal status for instance – they may end up playing the role of unwitting accomplices to such restrictive policies.



4. Working in partnership

Donors operating in the same territory should work together to avoid duplication and combine their support to provide more substantial and sustained funding for CSOs and boost their capabilities. Donors funding the same type of organisations should streamline their requirements and consider where it is most appropriate to use unified formats or standardised application processes.

If they can fine-tune their collaboration, donors could adopt the practice of cross-referrals, sending each other applications

that may be more in line with other donors' calls for proposals and in turn, accepting applications received by them. This would, firstly, allow for a better alignment between applicant and donor objectives, and, secondly, help CSOs to secure more funding in the medium to long term.



5. Focusing on sustainability and the long term

The allocation of resources must operate according to a long-term outlook in favour of future CSO sustainability. As a reaction to the trend towards 'aid projectisation', CSOs are demanding funding to cover their indirect costs and operating expenses, in addition to strengthening their capabilities, particularly in the case of smaller, new, informal and grassroots CSOs. They are also demanding funding at programme level aimed at articulating projects, rather than simply at financing isolated ones.

This commitment to the long term requires an increase not only in the quality but also in the quantity of funds distributed. Hence, the importance of networking and the introduction of co-financing mechanisms able to articulate resources from different donors in the same vehicle, call for proposals, or opportunity.

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¹In CIVICUS (2020) *Solidarity in times of COVID-19. Civil society responses to the pandemic*, there are numerous examples of action taken by civil society groups and activists in Latin America in the face of the health crisis and its economic and social impacts.

²See CAF (2021) *World Giving Index 2021. A global pandemic special report*.

³Pousadela, Inés M. and Anabel Cruz (2016) “The sustainability of Latin American CSOs: historical patterns and new funding sources”, *Development in Practice*, 26:5, 606-618.

⁴Paul, Elisabeth and Frieda Vandeninden (2012) “Foreign Aid Transaction Costs: What Are They and When Are They Minimised?”, *Development Policy Review*, 30(3), 283-304; Lithman, Eva (2014) *Transaction costs and Development aid through Sida. A pre-study for a strategic evaluation*, *Sida Studies in Evaluation* 2014:2. Given the difficulties in measuring transaction costs, some of the literature focuses on the costs perceived by the parties involved and yields similar analyses to the one offered in the first part of this report, on the barriers experienced by the CSOs consulted. See Philip Amis, Lara Green and Michael Hubbard (2005) “Measuring aid costs: what has been learned and what still needs to be learned”, *Public Administration and Development*, 25(5), 373-378.

⁵Adopted in July 2021, this recommendation is the first to cover civil society in all its diversity, in terms of both actors and roles. It seeks to improve the way aid providers approach civic space and work with civil society, to ensure the most effective use of the resources dedicated to partnering with these actors. Pillar 2 of the document recommends, among other things, streamlining the administrative requirements for providing support to civil society to reduce transaction costs; increasing the availability and accessibility of direct, flexible and predictable financial support; fostering more structured, institutionalised, inclusive and accessible dialogue with diverse civil society actors; and ensuring that local civil society actors participate in decision-making on the basis of equitable power relations.