

Strengthening Leadership of Civil Society in Partner Countries: Implementing the DAC Recommendation on Enabling Civil Society

Reflections and Proposals from a Southern CSO-Led Discussion May 24, 2022

A. Introduction

In July 2021, DAC donors unanimously adopted a [Recommendation on Enabling Civil Society](#) in Development Co-operation and Humanitarian Assistance, their first-ever international legal policy instrument on enabling civil society. The *Recommendation* identifies 28 key actions that donor governments should follow to respect, protect, and promote civic space; support and engage with civil society; and incentivize civil society organization effectiveness, transparency, and accountability. While not legally binding, donors will be held accountable to these commitments; and their full implementation can have a major impact on the enabling environment for civil society in partner countries.

The DAC CSO Reference Group has established a Working Group on the *Recommendation* to monitor and advocate for its full and effective implementation. The Working Group will be providing input into a series of toolkits being developed by the DAC to promote effective change in donor policies and practices consistent with the *Recommendation*.

The focus of the first toolkit is the Recommendation commitment to “promote and invest in the leadership of local civil society actors in partner countries”, with a particular focus on funding modalities (*Recommendation*, Pillar Two, §4). This commitment further proposes that donors increase “the availability and accessibility of direct, flexible, and predictable support including core and/or programme-based support, to enhance their financial independence, sustainability, and local ownership” of civil society organizations in the global south.

DAC donors also agree in the *Recommendation* to incentivize CSOs to “support more equitable partnerships between provider country and/or international CSOs, and the partner country or territory CSOs they work with in which the comparative advantages of each type of CSO are appropriately drawn from.” [*Recommendation* Pillar Three, §4]

To inform its engagement with DAC donors on these issues, the Working Group sought perspectives, advice and proposals from a southern-led exchange among select civil society colleagues in the global south, all with long experience in funding relationships with donors and/or INGOs. (See the participant list in Annex One). The dialogue was informed by some guiding questions circulated in advance (see Annex Two)

The two-hour dialogue was facilitated by Anabel Cruz with the Communication and Development Institute (ICD) in Uruguay, following Chatham House rules, to enable the sharing of frank perspectives, with an emphasis on proposals for reform of donor practices and alternative funding modalities. The following draws from this discussion and highlights the main points and proposals.

B. How have Southern-based CSOs experienced current systems and practices in official donor and intermediary donor (INGO) financing?

Southern CSOs have a long experiential history of inherent power imbalances, major barriers and compliance hurdles to overcome to access donor funding. At the same time, they face major, complex, and ever-changing development challenges in communities and in local enabling conditions for civil society, with little change in donor practices, circumstances that have discouraged many local and national NGOs, some to the point where they have decided to cease cooperating with donors.

- 1. A fundamental challenge is the lack of trust and respect flowing from the persistence of a colonial mentality in development cooperation** The assumption is that southern organizations are 'deficient' and must be micro-managed / closely accompanied to get the results the donor wants. This lack of trust informs all aspects of the relationship from the way programs are developed, run and assessed, including imposed frameworks for "success". These relationships disempower "partner" CSOs, reducing them to implementers of externally pre-determined programs in their own country, for which the CSOs must produce results. The fundamental relationships of CSOs with communities and other social actors, built, tested and innovated in direct experience, is rhetorically acknowledged by donors, but devalued and undermined in practice.
- 2. Rigid alignment with donor-determined and ever-changing priorities undermines local civil society's roles in, and sensitivities to, local realities.** Highly dependent on external donor finance in poor countries and fragile contexts, CSOs often have to contort their organizational mandates to meet these donor priorities in (changing) countries of interest to donors.
 - ⇒ When donor short-term interests change, local CSOs must close community programs, setting back progress in complex long-term community development processes. These CSOs become very reactive with no space to plan with communities based on local context and needs. The impact of these shifting priorities also render futile sustainability plans that donors often require.
 - ⇒ Imposed donor agendas weaken broader social organization at the local level, distorting the relationship of funded CSOs to the local situation, undermining their independent capacity to engage as actors and allies with others in national social processes, and in local democracy.
- 3. Donor funding modalities (e.g. calls-for-proposals) encourage counter-productive competition and accentuate marginalization of local CSOs.** With the overall funding pie often so small, donor funding modalities create incentives for dysfunctional competition at the local level, when what is required is creative collaboration to maximize local skills and knowledge.
 - ⇒ Calls for proposals is the main donor funding modality, which clearly favours the big (international) organizations, and imposes inequitable competition between INGOs and local CSOs, undermining potentials for cooperation and solidarity.

- ⇒ Lack of trust informs the methods of financing southern CSOs, with short term grants, disbursements in bits and pieces, and hold-backs, disrupting effective programming and often requiring unsustainable lines of credit or short-term loans.
- ⇒ There is abuse / exploitation of the name and experience of southern CSOs in consortium bidding, where local CSOs provides experience, knowledge and local data, but then become invisible in the implementation of a successful bid. Southern CSOs in such consortia are seldom included with full information about the full nature, scope and terms of the bid and its implementation.
- ⇒ In some countries, donor “innovative funding models” such as pre-financing / funding for results are well beyond the means of local organizations that could be highly effective partners in these areas. Similarly, many local and national CSOs do not have independent resources to meet donor co-financing requirements.
- ⇒ Capacity gaps are still real for many organizations, compounded by the little funding available for running organizations and for their sustainability. “Overhead,” when this is allowed, is based on tiny percentages that has no relevance to the context in which many southern organizations operate. Organizations have to run multiple projects, sometimes with creative accounting, just be able to sustain their basic infrastructure and governance.
- ⇒ Very little support, until recently, has been available for southern-determined capacity building to strengthen institutions. Southern-led and/or provided technical assistance to strengthen institutions is overlooked. Much of these resources in the past have been directed to strengthening donor-compliance capacities to enable funding, with little regard for prioritising capacities that equip organizations for sustainability and resilience. With weak digital infrastructure, southern CSOs for example can struggle to keep up with increasing pressures of digitalisation including demonstrating and reporting results.
- ⇒ CSO advocacy work, which is central to leadership by southern organizations, is often treated as problematic by donors. This crucial role receives less funding and is constrained by rigid program agreements and performance indicators, inappropriate for iterative work on policy and advocacy. The latter is not linear and takes much more time to realize results. Donor insistence on artificial CSO programmatic alignment with governments undermines the independence of CSOs and their representation of communities and constituencies.

4. Weak transparency and little accountability of donors/INGOs to CSOs in partner countries.

There is an over-whelming reliance on sub-contracting arrangements for local CSOs through INGOs. The latter’s role is to manage the funding for the donor, often passing on donor conditions (eligibility criteria, audits etc.) to local CSO partners. These arrangements undermine independence, autonomy, ownership and leadership by civil society in partner countries.

- ⇒ The scope and share of funding for local CSOs in a program/project is largely pre-determined by the managing INGO, for which local CSOs have little input, and their share is most often unknown until the last moment. Despite this reality, INGOs usually lack the in-depth expertise in local conditions and consequently rely on sub-contracted southern CSOs to generate results in complex development circumstances.

- ⇒ The rigid hierarchy of top-down accountability to funders makes it difficult for southern CSOs to be fully accountable to the people and communities with whom the organization works and seeks to support.
- ⇒ Fiduciary accountability is essential, but donors make the conditions of accountability so onerous that local NGOs can never meet these standards, and so they always have to partner with an INGO, creating a dependency on their good will. The presumption is a lack of trust.
- ⇒ The devaluing of local NGOs in practical terms as reflected by large salary disparities is a big concern, despite the fact that local NGOs are the ones doing the difficult change work in communities. The “best of the best” don’t want to work for local NGOs because “we don’t pay much”.

C. How can donor systems of finance be reformed? What might be some examples or ideas for alternative funding models and/or donor practices?

Southern CSOs have long sought donor policies and practices that move current top-down, neo-colonial practices to a real powershift for civil society in the Global South. Participants proposed significant reforms in financing arrangements, ones that build upon and incentivize the rich knowledge and organizational experience born in the South, that recognize southern-based self regulatory and quality assurance mechanisms setting high standards for CSOs as development actors, and that ensure long term organizational sustainability and flexibility for effective humanitarian and development interventions.

1. **Donor policies and practices must change in ways that strengthen leadership and sustainability of CSOs in partner countries.** Participants recognized small movements in this direction, but seek approaches that are systemic, deeper and holistic.
 - ⇒ **Values-based donor financing, avoiding instrumentalization.** Donor financing modalities should be consistent with a values-based approach (solidarity, ownership, horizontal alliances), understanding civil society as allies for democracy and development, not market-based sub-contractors for implementing donor priorities.
 - ⇒ **Shape financing policies through the application feminist principles.**¹ Participant experience with feminist funders has been very positive in which the approach and language is highly respectful of local CSO counterparts. Embedding feminist principles in donor policies and practices can ensure an organizational cultural shift in practices, one not dependent on the good will of individuals.
 - ⇒ **Institutionalize country level dialogue and consultation with CSOs.** Create platforms at the country level for active discussion and engagement between individual donors or a group of donors and country CSOs (through their national platforms) to improve mutual understanding and demystify one another and our processes. Donors also need to inform themselves of local

¹ See Equality Fund (Canada), Principles for Feminist Funding, at <https://canadianwomen.org/wp-content/uploads/2020/05/Feminist-Philanthropy.pdf>

civil society conditions, including valuing the ways that local CSOs engage, not just through development professionals, but also with many local volunteers bringing their local knowledge into CSO programming.

- ⇒ **Co-create donor country priorities.** Donors should determine country priorities in close consultation with local civil society building their program priorities with knowledge of their expressed needs and their particular strengths in each country. Donor support for CSOs should be guided by the value offer of CSOs that corresponds to processes, programs and initiatives that reach local communities and respond to their own realities and needs, including coordination, when relevant, with public policies and other social actors.
- ⇒ **Institutionalize transparency.** Make full transparency a requirement when INGOs are partnering with local NGOs as donor intermediaries, with timely access to the full picture of donor allocated funds. Donors should incentivize INGOs to be accountable to the local partners, with eligibility requirements that balance power relations within funding chains.
- ⇒ **Make donor framework agreements available to southern CSOs.** Framework agreements embed a long-term relationship based on trust and knowledge of strong southern-based CSOs. Co-creating benchmarks for success and results is a key aspect. Another aspect of trust is shared reporting from organization to donor, but also from donor to organization, i.e. mutual accountability within a framework agreement.
- ⇒ **Openness to failures in donor partnerships is a key characteristic of trust.** The notion that failure is not an option is unrealistic and counter-productive, especially when an organization is developing new ideas, innovations or transformations in social and economic relations. Out of “failure” comes learning, which is not possible when organizations must hide their challenges and struggles.
- ⇒ **Support multi-year southern CSO programming with organization-specific core financing.** Without core funding many local NGOs / community-based organizations can not be sustained over the longer term, which is also the time frame required for change. Including both core funding that is organizationally-relevant (not formulative) in programmatic partnerships will deepen an organization’s capacities to think strategically beyond the daily programming to implement a contract, and achieve more meaningful and sustainable results. Learn from core-funding donors to understand the benefits arising from this approach to finance.

One participant noted: “As an executive director, it is one of the most comforting things, to not have to be always worried where the salary of my key staff will come from in the next year.” This is key to retaining effective dedicated staff over the longer term.
- ⇒ **Use local CSO platforms that promote self-regulation, quality assurance standards and compliance mechanisms in assessing donor risks.** Avoid deploying donor-driven organizational assessment tools, which are often inappropriate to country contexts. Generic risk assessment tools can miss unique values that southern CSOs bring to the table. Donor due diligence is strengthened by actively supporting and relying on CSO-led self-governance and self-regulating mechanisms, often with years of experience in addressing civil society accountability and legitimacy in ways that are sensitive to local context and needs.

2. Donors should work to incentivize and collaborate with country-based coalitions or consortia of CSOs working together to maximize their skills, community reach and knowledge, as well as capacities to engage the donor.

- ⇒ **Reassess roles of donors and northern CSOs in partner countries** Donor/INGO initiatives to strengthen leadership of southern CSOs in development action should start by reflecting on current implementation roles by northern CSOs in countries in the Global South, where there are often competent national or sector-based organizations with the proximity, local knowledge, experience and community sensitivity for effective programming and results. Donors should acknowledge and take account of progress from years of initiative by southern CSOs in capacity development for a wide range of effective organizations. Direct funding for southern CSOs should engage a diversity of CSOs at country level.
- ⇒ **Design financing models that can support coalitions of locally-led CSOs in partner countries.** Innovative mechanisms, which are already being tested in some countries, could allow for several smaller organizations coming together to receive funding to implement joint and holistic actions towards a shared vision, bringing together multiple skills and grounded in local knowledge and evidence. Together these initiatives strengthen participating CSOs to meet all donor compliance requirements and spread the risks of ineffectiveness. Such collaborations also leverage peer accountability that further enhances the sustainability of the community actions. Providing predictable, flexible and, sustainable finance for local resource hubs or platforms that support the local civil society sector and enabling ecosystem is also crucial.
- ⇒ **Strengthen capacity through long term accompaniment** Rather than one-off capacity strengthening efforts, embed capacity initiatives within a long-term program, whereby partners learn about their strengths and address weaker areas as they become apparent. Organizations together identify gaps, with the possibility over time to connect with experts that one organization working alone may not have access.
- ⇒ **Donor pool funding** Support strong southern CSOs and civil society consortia /coalitions / platforms through multiple donors with pooled donor funding, based on a shared agreement with participating donors setting out common compliance, financing and reporting requirements, to simplify accounting and program reporting.
- ⇒ **Finance southern CSO-led intermediary donor platforms.** These platforms are well placed to implement initiatives with CSO counterparts in the Global South, with a governance and programming framework with full transparency, participatory budgeting and work sharing/planning. Supporting these platforms, northern donors need to be sensitive to imposing compliance conditions that can be in tension with platform programming priorities intended to promote solidarity.
- ⇒ **Support organizations to work on alternative ways of ensuring sustainability of funding.** Support southern CSOs to build reserves, support them to venture into social enterprise, if this is available to them, support them with capital assets, such as an office building. This allows organizations and donors to transition in their funding relationships without jeopardizing the organizations involved. Supporting work to develop and encourage local philanthropy can also

be a key part of this ecosystem that builds a supportive civil society infrastructure in partner countries.

3. Make support for southern CSO advocacy an integral part of donor financing for strengthening leadership capacities in the Global South.

- ⇒ **Ensure inclusive country ownership in aligning donor country strategies with partner country governments** Donor policies aligning their development cooperation with the priorities of partner governments should integrate human rights standards in their approach to country ownership, in ways that take account the rights of local communities and CSOs, which can be adversely affected by the priorities and actions of a partner government.
- ⇒ **Ensure access to independent funding mechanisms that value advocacy roles for local CSOs** Create funding mechanisms, supported by broader commitments of donor diplomacy, to protect funding for local CSOs seeking to hold their government or other development actors to account in their development efforts.
- ⇒ **Flexibility of finance is key.** Flexibility is essential for organizations working in the policy realm, advocacy, engaging and holding governments to account and protecting rights-holders. The conditions for effective advocacy changes unpredictably, where straight-jacketed donor transactional relationships are not appropriate.

In assessing partnerships with donors, including INGOs, southern CSOs are asking three critical questions of “partnership” --

- 1) Do we have a say in your [donor] vision for our communities and can we arrive at shared goals through dialogue, not donor preconditions?
- 2) Do we have agency in real decision-making over how all aspects of the program is being designed and carried out? and
- 3) Do we have a real say on money and shared decision making on its allocation, not only for program, but including such areas as overhead?

As donor financing in response to the pandemic, wars/conflict, climate change expands, pressures is growing on donors for displacement in ODA, encroaching on former priorities (including funding for civil society). It can be expected that there will also be more emphasis on ‘effectiveness’ that is more about ‘value for money’ or ‘efficiency’ or donor ‘interests’, rather than the development effectiveness principles of ownership, focus on results, mutual accountability, inclusive partnerships.

Given these pressures, there are three contextual issues we must face: 1) The need to mitigate the reduction in CSO funding, which will impact even more gravely on southern CSOs; 2) To uphold the effectiveness agenda more wholistically and broaden the definition of ‘value’ to recognise what southern CSOs bring to the table; and (3) To provide safety nets/support for southern CSOs/platforms that will face compounded impacts of the multiple crises, plus these expected reductions in “trickle down” funding.

Annex One Participants

1. Richard Ssewakiryanga, Uganda, CSO Co-Chair, Task Force on CSO Development Effectiveness and Enabling Environment
2. Roberto Pinauin, Civil Society Platform on Development Effectiveness (CPDE), Executive Secretary, Philippines
3. Chilande Kuloba-Warria, The Warande Advisory Centre, Kenya
4. Maithreyi Rajasingam, Executive Director, Viluthu, Sri Lanka
5. Nana Afadzinu, Executive Director, West Africa Civil Society Institute, Ghana
6. Liliana Rodriguez, Executive Director, CCONG, Colombia
7. Emeline Siale Ilolahia, Executive Director, PIANGO, Fiji Islands
8. Anabel Cruz, Director, Communication and Development Institute (ICD), Uruguay, Facilitator of the Discussion
9. Nikhil Dutta, Legal Advisor, Global Programs, International Centre for Not-for-Profit Law, Observer
10. Brian Tomlinson, Executive Director, AidWatch Canada, Facilitator, Working Group on DAC Recommendation on Enabling Civil Society, Observer

Regrets:

1. Anja Bosilkova-Antovska, Acting Executive Director, Balkan Civil Society Development Network, Macedonia
2. Juliate K. Malakar, Executive Director, Christian Commission for Development in Bangladesh, Bangladesh

Annex Two

Guiding Questions for the Dialogue

1. **How have you experienced current systems and practices in intermediary donor financing** for civil society in partner countries (including through provider country based CSOs and INGOs)?

How current practices impeded the strengthening of leadership of civil society as development and humanitarian actors?

2. **Can the donor systems of finance be reformed, and if so, what are some key changes in current donor practices that would be transformation** for civil society in the Global South, while respecting donors' own political context and imperatives for accountability?

3. What might be some **examples and/or ideas for alternative funding models and/or donor practices**, which donors, provider country CSOs and INGOs can support?

Are there alternatives for support by donors for civil society in the Global South that prioritize local conditions, local civil society development priorities, ownership and accountability?

4. What might be some **strengths and weaknesses of these funding alternatives and reformed donor practices**, particularly for smaller community-based, rights-based organizations, social movements. Some alternatives to consider, among others to be proposed,

- Direct funding of a diversity of Southern CSOs by official donors?
- Support for local foundations, national and regional philanthropy?
- Pool donors' finance at the country level for thematic or other purposes?
- Networking to strengthen access for marginalized groups, smaller community-based and/or groups operating in closed civil space?

How might these alternatives and/or good donor practices be affected by / respond to current **legal and regulatory issues** that are affecting CSO funding options in increasing numbers of countries?

What considerations are needed to ensure that alternative financing modalities and/or reformed donor practices **strengthen accountability of CSOs** to their local constituencies and mandates?