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THE RISE OF THE SOUTH

The United Nations Development Programme (UNDP) 2013 'Human Development Report' focuses global attention on 'the rise of the South'. The South is developing "at an unprecedented speed and scale" with significant reductions in extreme poverty across many middle-income countries.¹ The UNDP report brings together much that has been written in recent years documenting the extent and meaning of important trends in the rise of a growing number of dynamic economies in the South. It focuses on the impact of these changing dynamics in the global economy and in global politics.

This study looks more closely at the implications of the 'rise of the South' in South–South cooperation (SSC), and more specifically at the sometimes neglected potential roles for Southern civil

society organizations (CSOs) in Southern-led development cooperation. It draws the main lessons and potential directions for good practice from existing research and several case studies. It reflects upon 40 years of experience among the Organisation of Economic Co-operation and Development (OECD) donor countries in engaging civil society in aid delivery. The principles guiding SSC — such as mutual benefit, reciprocity, non-interference in domestic affairs — provide an essential optic in applying these lessons to the engagement with civil society by Southern aid-providers. These principles suggest roles for civil society in South–South aid delivery that have great promise in strengthening social solidarity. SSC can strengthen relationships, not only with governments, but also between peoples across the South.

According to the 2013 ‘Human Development Report’, by 2020, “the combined economic output of three leading developing countries alone — Brazil, China and India — will surpass the aggregate production of Canada, France, Germany, Italy, the United Kingdom and the United States.”² These countries are joined by Turkey, South Africa and the Republic of Korea, among others. Advances along their own development path have been the result of very different domestic political and socio-economic forces in each of these developing countries. In some countries, those promoting and contributing to unique models and approaches have also included strong CSOs as domestic development actors.

As a result, more complex, but perhaps more balanced, forms of globalization are emerging. Developing countries’ share of global merchandise trade has grown from 25 percent to 45 percent between 1980 and 2010. In the same period, the share of South–South trade has expanded from 8 percent to more than 26 percent.³ At the same time, the ‘rise of the South’ is contributing to a more diverse architecture for development assistance. This architecture not only involves new actors but also challenges, as well as complements, traditional forms of North–South development cooperation.

Several transition countries, middle-income and leading developing countries — among them China, Brazil, Turkey, India, South Africa, Poland and Saudi Arabia — are rapidly expanding into new roles and modalities for SSC. According to estimates, current SSC was approximately US\$17 billion in 2011. China, Saudi Arabia and Turkey are among the largest contributors, accounting for more than 70 percent of the total (see Table 1 for details). For Central/Eastern European and Southern aid-providing countries that report their aid to the OECD Development Assistance Committee (DAC), this assistance grew markedly by 56 percent between 2010 and 2011, from US\$7.0 billion to US\$10.9 billion.⁴ This figure of US\$17 billion for SSC is significant when compared to current aid flows from traditional DAC donors. SSC represents 12.7 percent of total DAC Official Development Assistance (ODA) in 2011 (but 24.5 percent of DAC Country Programmable Aid, including humanitarian assistance and food aid).

The middle-income developing countries have engaged in SSC for many decades, particularly through the Non-Aligned Movement. Initiated at the Bandung Conference⁵ of 1955, SSC takes many forms, often bundling investment opportunities, technical assistance, the provision of appropriate technology, training and education exchange, through grants and concessional and non-concessional finance modalities. Within this broad array of cooperation, this study focuses on a smaller set of SSC development assistance activities, including those that are supported through grant aid, concessional loans and humanitarian assistance (i.e. the US\$17 billion documented in Table 1).

As early as the 1950s countries such as Brazil and India began activities through modest technical cooperation programmes. Their main partners were countries in Africa and neighbouring countries of Latin America and Asia. By 1987, the Brazilian government had created the Brazilian Cooperation Agency (ABC) with a mandate to negotiate, implement and monitor programmes and projects in Brazilian technical cooperation.

Turkey launched its aid programme in 1985 with a grant of US\$10 million for the Sahel countries of Africa. The Turkish government created a coordinating aid agency, TIKA, in 1992, charged with implementing its development cooperation policies. India has played a very strong role in SSC since its independence in 1947, through manpower training programmes, establishing an Indian Aid Mission in Nepal in 1954, and launching a Special Volunteers Programme in 1994.⁶ In July 2012, the Indian government announced the implementation of its Development Partnership Administration (DPA), which will oversee Indian development partnership projects around the world with a substantially growing aid budget over the next five years. Despite the evolution of specialized aid agencies, SSC continues to be initiated and implemented in parallel by line ministries in most countries that provide SSC assistance. Comprehensive information about these initiatives is often incomplete.

Table 1 Notes

- 1 All reported or estimated development assistance provided annually on terms similar to the OECD DAC definition of ODA (to allow comparisons between DAC members and other aid-providers). See 'Is it ODA?', Factsheet, November 2008, at <http://www.oecd.org/dac/stats/34086975.pdf>.
- 2 Estimate for 2011 based on modest growth for Other Aid-Providers Not Reporting to the DAC, between year available and 2011/12.
- 3 Country Programmable Aid (CPA) is the portion of ODA donors programme for individual countries, and over which partner countries could have a significant say. The figure in this table also includes Humanitarian Assistance and Development Food Aid, which is not included in the DAC calculation of CPA. (See also footnote 3.)

Sources: Kang-Ho, Park, 'New Development Partners and a Global Development Partnership', in: *Catalyzing Development: A New Vision for Aid*, edited by Homi Kharas, Koji Makino and Woojin Jung, Brookings Institution, Washington, DC, 2011: 38–60. DAC Datasets, DAC1, accessed June 10 13, Chin, 2012: 585 (Brazil); Chaturvedi, 2012: 569 (India); and UNDP China, 2013: 1 (China) for actual expenditures in 2012 plus estimate of concessional loans, and *Reality of Aid 2012 Global Report*, www.realityofaid.org.

TABLE ONE

SSC ASSISTANCE FOR DEVELOPMENT COOPERATION: REPORTED AND ESTIMATED TOTAL ODA-EQUIVALENT ASSISTANCE

Millions of Current US\$

DONOR	ODA-EQUIVALENT/ CONCESSIONAL ASSISTANCE (NOTE 1)	DATA YEAR
OECD MEMBERS REPORTING TO THE DAC		
TURKEY	\$2,531.6	2012
POLAND	\$ 416.9	2011
CZECH REPUBLIC	\$ 250.5	2011
HUNGARY	\$ 139.7	2011
SLOVAK REPUBLIC	\$ 86.0	2011
MEXICO	NA	
NON-OECD, REPORTING TO THE DAC		
SAUDI ARABIA	\$5,094.9	2011
RUSSIA	\$ 479.0	2011
UNITED ARAB EMIRATES	\$ 942.2	2011
TAIWAN, CHINA	\$ 381.2	2011
KUWAIT	\$ 144.5	2011
ROMANIA	\$ 163.9	2011
SLOVENIA	\$ 62.8	2011
CYPRUS	\$ 37.6	2011
LITHUANIA	\$ 51.7	2011
LATVIA	\$ 19.2	2011
ESTONIA	\$ 24.2	2011
THAILAND	\$ 31.5	2011
TOTAL REPORTING SSC-PROVIDERS	\$10,857.4	2011
TOTAL REPORTING IN 2010	\$ 6,963.2	2011 Increase: 55.9%
SOUTH-SOUTH COOPERATION AID-PROVIDERS, NOT REPORTING TO DAC (ESTIMATES) (NOTE 2)		
CHINA	\$4,350	2012
INDIA	\$ 850	2012
BRAZIL	\$ 900	2010
SOUTH AFRICA	\$ 40	2007
VENEZUELA	NA	
TOTAL SSC-PROVIDERS' ODA (2011 ESTIMATE)	\$17,000	
PERCENT OF DAC ODA	12.7%	
PERCENT OF PROGRAMMABLE ODA	24.5%	
(INCL. HUMANITARIAN ASSISTANCE & FOOD AID)		
TOTAL DAC ODA (2011)	\$133,716 (DAC PROGRAMMABLE AID: \$69,428) (NOTE 3)	

Transition countries in Central and Eastern Europe (CEE) have also been increasingly active in SSC. Modest programmes for development cooperation have evolved in most transition countries since the mid-1990s, building on an experience in technical and other forms of international cooperation during the Soviet era. By 2011, these countries, including the Russian Federation, reported US\$1.7 billion in aid disbursements to the OECD DAC. Aid from these countries has grown by an average of 5 percent annually since 2008 despite challenging economic conditions for several CEE countries. According to a recent UNDP Survey, SSC for CEE countries has drawn on their different experiences in transition since the early 1990s, with a focus on issues in good governance, democratization, civil society and human rights. Priority areas also include agriculture, water, social development, education and health.⁷

Governments in most of the countries which are major providers of South–South aid are developing both institutional structures (e.g. South Africa and India) and policy frameworks (e.g. China and Turkey) to guide the allocation and improve the effectiveness of increasing aid resources. SSC is deepening the relationship between these countries and counterparts in Asia, Africa and the Americas through new partnerships in trade, investment and aid. In doing so, these SSC partnerships have opened a new development cooperation discourse at the global, regional and national level. Partners in SSC are drawing lessons from their own development experience and increasingly affecting institutional strategies to address poverty and inequality at the international level.⁸

SSC providers are influencing current development cooperation discourse through the elaboration of a number of principles and characteristics that they insist distinguish their cooperation from traditional DAC donor aid.⁹ Among these principles and characteristics are the following:

- solidarity based on a shared experience of colonial relationships and their historical position in post-colonial global architecture;
- respect for national sovereignty and non-interference in domestic affairs;
- promotion of mutual benefit and reciprocity in the relationship;
- appropriate expertise based on shared development challenges; and
- providing an integrated mix of concessional/ non-concessional grants, loans and technical assistance to meet development challenges.¹⁰

The growing scope of SSC, however, is not the only dynamic that is affecting an evolving and more complex global aid architecture. The past decade has also witnessed the growth of non-governmental organizations (NGOs) or CSOs as major aid and development actors. These civil society aid actors now transfer an estimated US\$50.8 billion to US\$76 billion annually.¹¹

CSOs as aid actors are not by all means an exclusively Northern donor-country phenomenon. In middle-income countries CSOs have been diverse, sophisticated development actors; they have played dynamic and innovative roles at all levels of socio-economic development. To date, they have done so mainly with external resources from official DAC donors or from Northern CSOs in the DAC countries. Many CSOs in Southern aid-providing countries would be supportive of strengthening SSC and would have invaluable experience to contribute. On the whole, Southern CSOs also reflect SSC principles in their own discourse on development cooperation practice.¹²

Recent research¹³ has demonstrated that CSOs in partner countries for SSC are looking to their colleagues in the Southern aid-providing countries to share this experience more directly, particularly through initiatives motivated by the principles and values of social solidarity.

Modest programmes to channel donor aid through CSOs can also be found in some CEE countries (e.g. the Czech Republic), as well as Turkey and in the Republic of Korea. (See the Turkey and CEE case studies.) However, the SSC case study (Brazil) and a wide review of secondary research on SSC found little evidence that CSOs to date have been involved systematically in SSC programmes or in Triangular Cooperation (involving a Northern donor).¹⁴ A review of Brazil's international cooperation undertaken through ABC and the Ministry of Foreign Affairs makes only passing reference to the involvement of a CSO in work with refugees in Brazil and some collaboration with CSOs in HIV/AIDS programming.¹⁵

At the policy level, China's Foreign Aid Statement¹⁶ (April 2011) makes no reference to CSOs, while its Africa Policy notes only the importance of cultural exchanges between peoples' organizations and institutions. At the global level, the five BRICS summit declarations¹⁷ to date make only one passing reference to expanding people-to-people contact.¹⁸

Despite this limited experience in engaging CSOs in aid delivery, a number of major assistance-providers (India, South Africa, Turkey, China) have expressed interest in developing policies and approaches that expand relationships with CSOs in aid programming. This study is intended to contribute to these processes through a comparative analysis of ODA undertaken in partnership with CSOs. It provides some background on common themes, issues to consider and possible good practices. The study looks at the experience and lessons from 40 years of North–South donor engagement with CSOs in the effective delivery of aid for development in the South.¹⁹ This record of North–South cooperation through CSOs is fraught

with issues, and development outcomes have been mixed, to say the least. Nevertheless, it is a rich experience within which it is possible to synthesize some good practices.²⁰ Its goal is to bring together a number of lessons for consideration by SSC aid-providers to enable these providers to consider how to engage CSOs in their aid delivery.

To identify some lessons for expanding SSC engagement with CSOs, the study first establishes some trends, issues and practices. These are intended to situate the work of CSOs as development actors in five areas:

1. the scope of CSOs in aid delivery;
2. the operational and legal environment for CSOs;
3. CSO accountability and transparency;
4. policies, funding modalities and policy dialogue between donors and CSOs; and
5. CSO and developing-country government collaboration in aid delivery.

Based on this background, the study then concludes with some highlights and summary lessons for consideration by SSC aid-providers, taking into account the distinctive characteristics of SSC.

2

THE GROWING SCOPE OF CSOs IN GLOBAL AID DELIVERY

There are several entry points to understand the significance of CSOs in aid delivery. In the first instance, CSOs are delivering very large amounts of development assistance each year, with one estimate as high as US\$76 billion a year (see below). Looking at the sectors in which CSOs are most active, CSOs provide large proportions of global aid to the social sectors, particularly health, humanitarian assistance and development food aid. Not only is there a great volume of CSO initiatives; there is also growing sophistication.



2.1 RELATIVE FINANCIAL IMPORTANCE OF CSOs IN DELIVERING AID

CSOs are playing a significant role in aid finance for both long-term development cooperation and humanitarian assistance. They do so in their own right as legally constituted independent organizations. They raise funds through private donations, from both the general public and from private companies and foundations, as well as through official donor agencies.

An exact measurement of the financial scope of their role in global development cooperation is impossible. This is due to the diversity in funding sources for CSOs as well as their numbers and independence as development actors. Saying this, however, some statistics are available. They provide a general (if incomplete) picture of the scale of CSOs in delivering aid.

In financial terms, CSOs are very significant development actors

Table 2 provides a breakdown of different funding sources for CSOs. An estimate of between US\$50.8 billion and US\$76 billion in aid was channelled through CSOs in 2011.²¹ CSOs in DAC donor countries provided approximately one third of all aid resources from these donor countries in that year.

The estimated total aid provided by CSOs approximately equalled all donor's Country Programmable Aid of US\$69.4 billion in 2011. CSO assistance from donor countries was also at least three times the level of SSC aid resource flows (US\$17 billion) in 2011. Chart 1 provides an overview of the relative balance in the different channels for aid (DAC bilateral aid less CSOs, DAC multilateral aid less CSOs, DAC aid channelled through CSOs, and for comparison the estimate of total aid channelled by CSOs including private sources) coming from DAC member countries.

TABLE 2 AID CHANNLED BY CSOs TO DEVELOPING COUNTRIES (2011)

A. RECEIVED FROM GOVERNMENT	
DAC DONOR AID THROUGH CSOs	US\$20.0 BILLION
OTHER GOVERNMENT AID-PROVIDERS THROUGH CSOs	US\$24.4 MILLION (1)
B. RECEIVED FROM PRIVATE SOURCES	
ESTIMATE OF PRIVATE FUNDS RAISED BY CSOs IN DAC COUNTRIES	US\$30.6 BILLION (2) TO US\$56 BILLION (3)
ESTIMATE OF PRIVATE FUNDS RAISED BY CSOs IN OTHER AID-PROVIDING COUNTRIES	US\$200 MILLION (4)
ESTIMATED TOTAL AID (ALL SOURCES) BY CSOS IN 2011	US\$50.8 BILLION TO US\$76 BILLION (5)

Table Two Notes

- 1 Including countries that report their aid to the OECD DAC.
- 2 As reported by DAC member donors in their annual reports to the DAC for 2010.
- 3 As calculated from the Center for Global Philanthropy, 2012.
- 4 As reported to the DAC by non-DAC members. Several large SSC aid-providers do not report to the DAC; therefore, these figures underestimate flows through CSOs in SSC aid-providing countries. See footnote 21.
- 5 Total is \$20.4 billion + \$30.6 billion + \$224 million = \$50.6 billion, or \$76 billion, using \$56 billion in place of \$30.6 billion.

Sources: OECD DAC Creditor Reporting System, accessed 29 May 2013 and Center for Global Philanthropy, 2012.

CHART 1

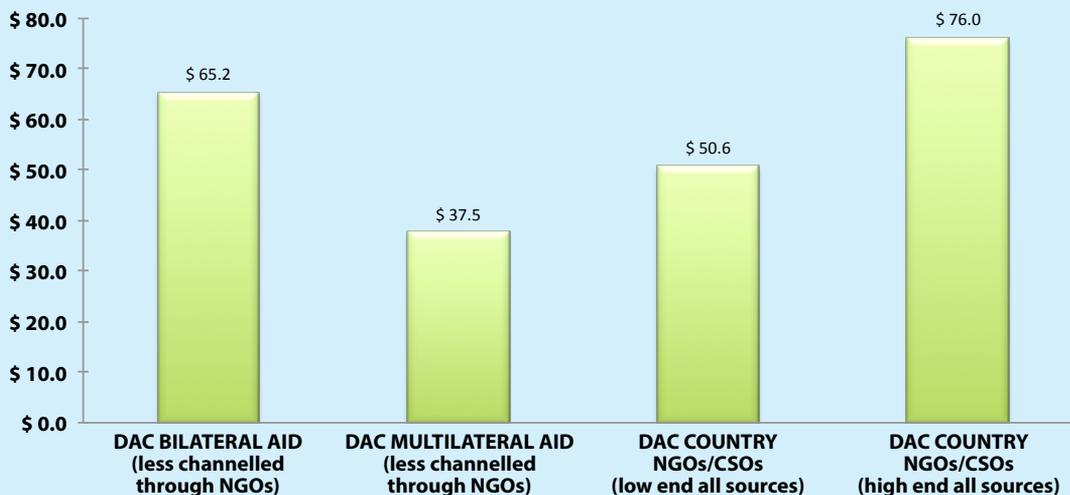
CHANNELS FOR DAC AID ALL CHANNELS, 2011

Millions of US\$

(DAC Bilateral Aid is less Bilateral Aid channelled through NGOs, Support for Refugees, Debt Cancellation and Students in Donor Countries)

Source: DAC Creditor Reporting System, May 2013

Note: DAC aid in this chart includes privately raised funds by CSOs in donor countries.



Members of the OECD DAC submit annual statistics on the aid they channel through NGOs and CSOs. From this information the following points can be made:

- In 2011, DAC donors channelled more than 21 percent of their bilateral ODA through CSOs.²²
- ODA channelled by DAC members through CSOs has been growing steadily in value since 2008 (from US\$15.4 billion to US\$20.0 billion), although it declined slightly between 2010 and 2011 (in 2011 dollars and exchanges rates).

Large differences in the amount of aid channelled through CSOs by different donors

There is considerable variance in the priority given to the CSO channel by donor countries for their bilateral aid, as indicated by Chart 2 (share of bilateral aid) for various donors. Donor partnerships with CSOs are extensive but also mixed, ranging from more than 30 percent of bilateral aid (Italy, Netherlands, Ireland, Switzerland, Sweden and Spain) to less than 10 percent (Japan, France, Portugal and the Republic of Korea). A long-standing and rich experience on the part of several DAC donors is the backdrop for several case studies and the assessment of lessons in subsequent sections of this study.

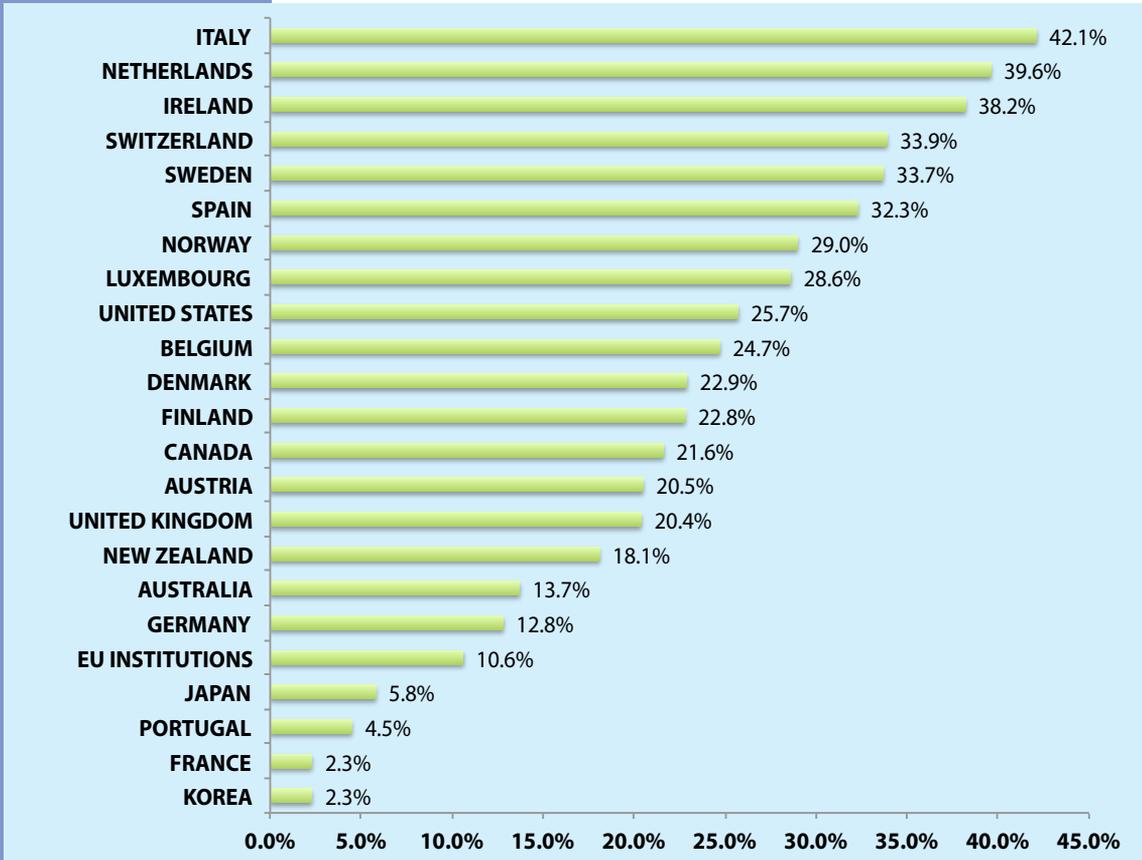
In dollar terms (Chart 3), five donors (the USA, European Union (EU) Institutions, the UK, the Netherlands and Sweden) channel more than \$1 billion through their CSOs. These five donors make up 47.6 percent of all DAC donor funds channelled through CSOs. However, a large proportion of donor bilateral aid delivered through CSOs can be deceptive in relation to the priority given to CSOs in the larger picture. Looking at the six donors that provide more than 30 percent of their bilateral aid through CSOs (see the top six in Chart 2), their financial flows to CSOs make up just a fifth (21.3 percent) of total DAC funds

CHART 2

DAC DONOR AID CHANNELLED THROUGH NGOs/CSOs AS A PERCENTAGE OF BILATERAL AID (2011)

Note: Bilateral aid is net of debt cancellation, support for students and refugees in donor countries.

Source: DAC Creditor Reporting System, accessed May 2013



channelled through CSOs. The largest bilateral donors such as the USA, Japan or the UK and the EU channel much smaller proportions through CSOs.

Only one non-DAC country that reports its aid to the DAC identifies that it allocates finance to CSOs. The United Arab Emirates reports that less than 4 percent of its bilateral aid is through CSOs in 2011.

In many DAC donor countries a small number of large CSOs are receiving a considerable proportion of donor funding for CSOs. In the 2000s, close to 60 percent of CSO funding in Norway went to five CSOs, 66 percent of Danish aid through CSOs goes to six CSOs, and in Ireland more than 85 percent was channelled to five CSOs.²³ Among the more than 580 CSOs registered with USAID, the top 10 USAID-funded grantees accounted for US\$1.5 billion in grants being implemented in fiscal year 2012.²⁴

Estimates of total aid channelled by CSOs are difficult to substantiate

There are no reliable statistics on total aid flows through CSOs that would accurately capture both ODA and private funds raised by CSOs for programmes in developing countries. This is true particularly for countries other than the USA, where there is more comprehensive information. The DAC members provide an estimate of the amount of CSO funds raised privately in their country, independent of government, from citizens, the private sector or foundations for aid activities. For 2010, DAC members estimated that a total of US\$30.6 billion was raised from private sources in all these countries. Using other figures calculated by the US-based Center for Global Philanthropy, the estimate for privately raised funds raised globally by CSOs might be as high as \$56 billion in 2010, of which the USA accounted for US\$39 billion.²⁵

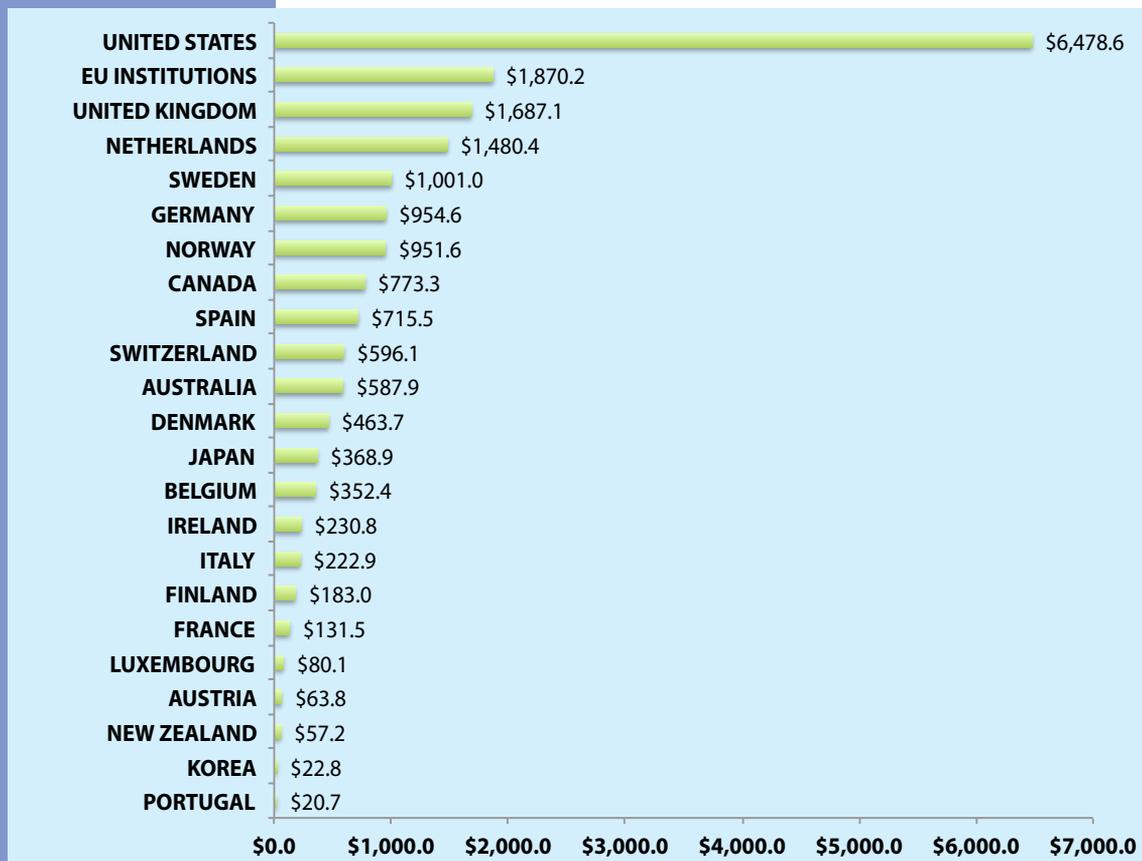
Among the DAC donors, the USA represents the largest share of private aid funds raised by CSOs. In 2010 the USA reported to the DAC that US CSOs raised US\$22.8 billion (or 75 percent of total private flows reported to the DAC).²⁶ Canada was the second largest, at US\$2 billion, followed by Germany at US\$1.5 billion. This is in contrast to the situation in Sweden, where privately raised funds account for only a very small part of the country's international assistance, with the exception of several faith-based organizations.²⁷ In Australia, while the amounts are less than the USA, the percentage of private donors is higher, representing 84 percent of the total funds managed by the CSO sector.²⁸

CHART 3

DAC DONOR ODA CHANNELLED THROUGH NGOs/CSOs AMOUNT IN MILLIONS US\$ (2011)

Note: Bilateral aid is net of debt cancellation, support for students and refugees in donor countries.

Source: DAC Creditor Reporting System, accessed May 2013



Aid by large INGO families makes up a large proportion of CSO aid

Financial flows from the largest international NGO families (INGOs) make up a significant and growing amount of aid from CSOs. Eight global INGOs had combined global revenue from all their affiliates of over US\$11.7 billion in 2011, up more than 40 percent since 2005. Only these eight INGOs would make up almost one quarter (23 percent) of the DAC reported funding by CSOs (US\$50.6 billion).

Direct donor aid to CSOs in developing countries is growing

Some DAC donors not only channel funds through CSOs in their own country, but they also channel resources directly to CSOs in developing countries. They do so most often through funds established for this purpose located in their Embassies or through joint donor funding mechanisms at the country level. In a survey conducted by the Development Cooperation Directorate (DCD) at the OECD, 20 of the 26 responding donors reported that they allocate between 1 percent and 30 percent of their aid directly to CSOs in developing countries.²⁹

2.2 SECTOR DISTRIBUTION OF DAC ODA THROUGH CSOs

The DAC Creditor Reporting System (CRS)³⁰ provides a sector breakdown for all DAC ODA channelled through CSOs (see Chart 4). These statistics give a good indication of the sector allocation for donor funds channelled through CSOs. They could also serve as a likely indicator for the sector distribution of privately raised CSO aid, since there are no comparable data for the allocation of these private resources.

Some highlights from these statistics include:

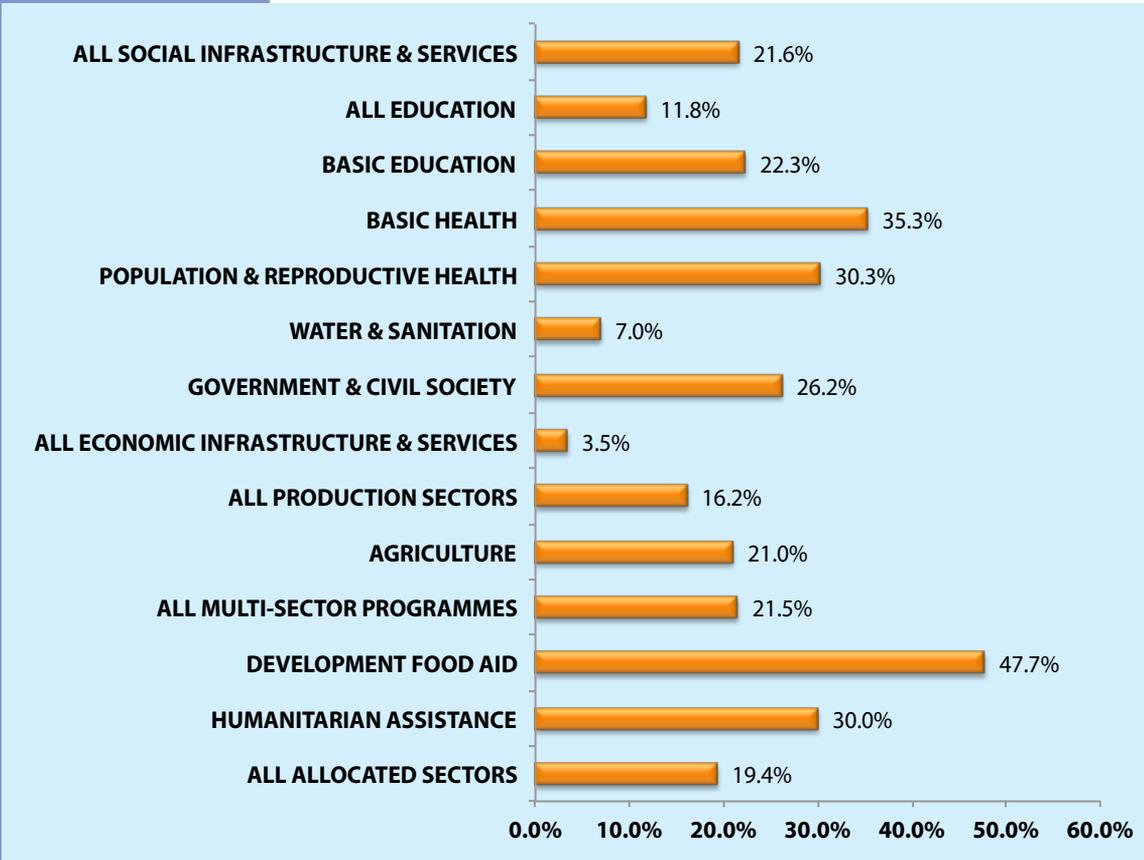
- **CSO aid gives priority to ‘social infrastructure and services’:** More than half (54 percent) of CSO aid from DAC countries in 2011 is allocated to ‘social infrastructure and services’ (areas such as education, health, maternal health). This compares to 47 percent for these sectors provided through other channels for DAC members’ ODA (i.e. excluding CSOs). CSOs are particularly strongly represented in basic health and reproductive health (see Chart 5).

CHART 4

NGOs/CSOs DISBURSEMENTS AS A PERCENTAGE OF TOTAL SECTOR DISBURSEMENTS (2011)

Donor Allocated Disbursements through NGOs/CSOs

Source: DAC Creditor Reporting System, accessed May 2013



- Humanitarian assistance for emergencies is a strong priority for CSOs:** Humanitarian assistance makes up 17 percent of CSO aid compared to 10 percent of DAC donors' ODA (again, excluding CSOs). Several donors (Australia and Canada) have developed special partnerships with select humanitarian CSOs that assure rapid response by these organizations in humanitarian crises. CSOs also delivered almost 50 percent of development food aid in 2011.

- **The productive sectors are relatively low priorities for CSOs:** ‘Economic infrastructure and services’ (banking, transportation etc.) and the ‘production sectors’ (agriculture, mining, forestry etc.) together are not a priority for assistance through CSOs — combined, they represents only 10.5 percent of CSO aid. In contrast, these sectors are important for DAC donors, making up 30 percent of their ODA excluding CSOs. Within these sectors, CSOs most often contribute specialized capacities in microfinance banking and support agriculture and rural livelihoods through cooperatives.

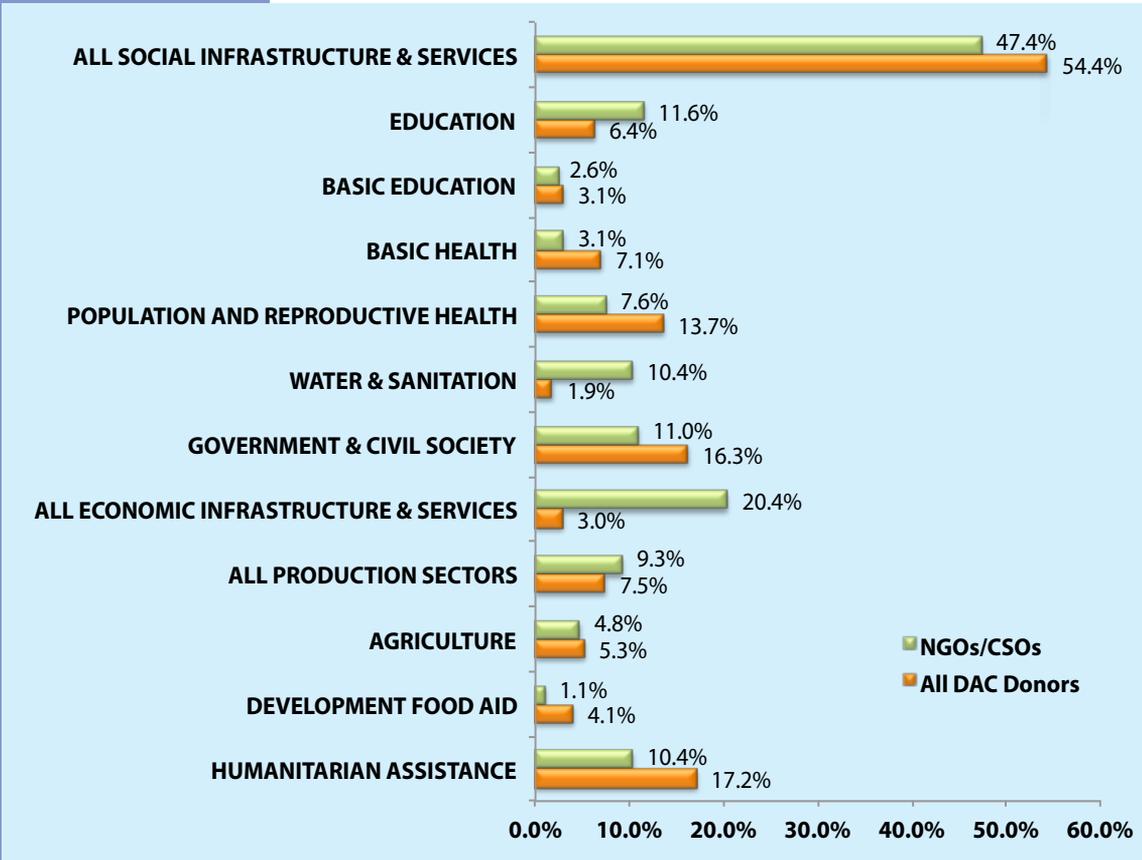
There is no comparable information on sector allocations of aid from middle-income aid-providing countries for SSC.

CHART 5

PERCENTAGE OF DISBURSEMENTS TO SECTORS NGOs/CSOs & ALL DONOR DISBURSEMENTS, 2011

Donor Allocated Disbursements through NGOs/CSOs

Source: DAC Creditor Reporting System, accessed May 2013



3

THE CSO LANDSCAPE IN DEVELOPMENT: ROLES, LEGAL AND OPERATIONAL ENVIRONMENT

CSOs are an extensive and highly diverse set of actors in the public realm. There are thousands of organizations working to promote development and poverty reduction, and respond to humanitarian emergencies, including countries experiencing violent conflict. CSOs are involved in aid delivery as both donors and recipients of aid. They are not only part of aid implementation, but they also actively take part in policy dialogue around development policies. They engage governments in both the North and the South to monitor and influence official aid policies, priorities and practices.



This section provides an overview of the roles of CSOs in development and the environment within which they work to realize development outcomes.³¹ The study briefly examines:

1. increasing numbers and diversity of CSOs in development cooperation;
2. the types of CSOs engaged in development cooperation;
3. the roles of CSOs in development cooperation;
4. the nature of CSO partnerships;
5. the legal environment for CSOs;
6. CSO governance and operational structures; and
7. CSOs coordinating and working through coalitions.

3.1 INCREASING NUMBERS OF CSOs IN DEVELOPMENT COOPERATION

The number and diversity of CSOs in developing countries has increased significantly. There are no reliable estimates of the number of CSOs working in development processes, but they can range from hundreds of thousands to millions. India alone may have more than 3 million CSOs operating at all levels of society. China has 460,000 officially registered non-profit organizations.³² The Brazilian Case Study puts the number of Brazilian NGOs involved in development in that country at between 300,000 and 350,000. In Kenya, in 1974 only 125 NGOs were registered with the government; by 2006, this number had risen to 4200 organizations.³³ Many CSOs, however, may be short-lived and cannot be sustained. For example, Uganda had 3500 registered NGOs in 2009; however, research on Kampala-based NGOs could only locate 25 percent of the 1700 NGOs said to be located in that city.³⁴

Many CSOs are involved in development activities in their country. A much smaller, but still sizable, number are directly involved in the delivery of aid through development cooperation from Northern donor countries. The annual Yearbook for International Associations currently registers more than 65,000 international voluntary organizations operating globally, but not all of them would work with aid. In the USA there are presently 580 US-based NGOs registered with USAID, another 95 registered NGOs from other countries, and six cooperative organizations.³⁵ In Australia there are more than 200 organizations providing funds for international development.³⁶ There are likely many more organizations working in delivering private aid without government funding in both these countries. For example, the Swedish Case Study suggests that in Sweden, with a relatively small population, an estimated 1000 CSOs engage in development cooperation.

3.2 TYPES OF CSOs ENGAGED IN DEVELOPMENT COOPERATION

CSOs involved in development cooperation and aid delivery come in many forms. A large number are small to medium-size CSOs working from individual donor countries. But the more visible are the very large INGOs (such as CARE International or World Vision International) that are a confederation of affiliates (or 'family'). They are based simultaneously in many donor countries and work in most developing countries around the world. As noted above, the eight largest INGOs had combined revenue in 2011 of US\$11.7 billion, up more than 40 percent since 2005. Other forms of CSOs include civil society associations (e.g. trade unions, teachers or public health associations), faith-based organizations, or institutions with a component of work in development cooperation. Finally there are also NGOs that specialize in sending volunteers from donor countries to work in the developing world.

The vast majority of CSOs from DAC donor countries deliver a range of services for development. They do so sometimes through on-the-ground operations, but increasingly through various forms of partnerships with local and national CSOs in developing countries. The latter is particularly true of smaller and medium-sized CSOs. These organizations may also be specialized thematically (such as in cooperatives or microcredit), in a particular sector (education, health or housing), or work on a single issue (such as HIV/AIDS). While smaller organizations have less capacity than the large INGOs, these organizations tend to be more flexible, have particular expertise, and they sometimes pilot unique development innovations. While not as visible as INGOs, they can be making important development contributions through long-standing partnerships in developing countries. These partnerships link the experience of local communities and people in donor countries with civil society counterparts in developing countries based on shared values of solidarity, learning and practical capacity development.

Increasingly, the CSO counterparts in developing countries are demanding partnership arrangements with Northern CSOs consistent with aid effectiveness principles³⁷ (particularly country ownership) and, by extension, with SSC principles (mutuality and non-interference). They are seeking arrangements where power and decision-making is shared and negotiated in the context of long-term financing.³⁸

Growing numbers of CSOs from DAC countries focus on humanitarian assistance in emergencies and conflict situations. In the USA, for example, approximately 70 organizations, or about a third of the members of InterAction (the main US coalition of development organizations), carry out humanitarian assistance. But of these, only 10 to 20 of the largest organizations have significant experience and strong capacities for rapid response to complex humanitarian emergencies. They are the INGOs such as CARE, Oxfam, the Red Cross, Save the Children or World Vision.³⁹ Similarly in

Sweden, three large organizations (the Red Cross, MSF and the Church of Sweden) provide humanitarian assistance.⁴⁰

Humanitarian capacity has been developed over decades of coordinated responses to emergencies. These organizations have highly trained and experienced specialized personnel. They are supported by donors to enable rapid action for a timely launch of an emergency operation. Many of these humanitarian-oriented CSOs have evolved programmatically to include long-term engagement with local counterparts in situations of sustained conflict and immediate post-conflict reconstruction. But it is important to note that almost all CSOs working in the humanitarian field provide emergency services directly in developing countries, and seldom through local intermediaries.

3.3 THE ROLES OF CSOs IN DEVELOPMENT COOPERATION

CSOs have been widely recognized as independent development actors in their own right, most recently in the Fourth High-Level Forum on Aid Effectiveness (HLF4) held in Busan, Republic of Korea, in 2011. As such, the areas of work for CSOs are as varied as the numbers of organizations involved in development cooperation. The vast majority of CSOs from DAC donor countries have an exclusive mandate to carry out development programmes in developing countries, although some also work mainly in the donor country. This mandate has been developed by the members of each CSO and often codified in legal statutes with the government. They focus in large measure on various aspects of service delivery where they can have the most impact.⁴¹ More broadly, CSOs are often perceived to have important tasks in the public realm to strengthen democracy, social solidarity and the participation of citizens as part of public policy discourse, and support policymaking through specialized information and experience in development.

More specifically, a number of increasingly interrelated roles for CSOs in development can be identified.⁴²

Roles in service provision

CSOs respond to community and societal needs through the delivery of services such as education, health, reproductive services for women, agricultural support or food security, financial services and business support. Most CSOs acknowledge the primary role and responsibility of the State to provide health, education and other essential services to its citizens. CSOs, at their best, complement the work of government, fill gaps in the reach of government programmes to the poorest sections of the population, and create innovative alternatives with local populations. They can be an agile and flexible means of providing services and reaching populations that governments might have difficulty reaching. They can be incubators of these new and innovative solutions, which often require iterative experimentation and a time-frame beyond the normal scope of government programmes. From their vantage point at the front lines of service provision, CSOs are increasingly combining this practical role with support for affected populations to present their interests and concerns before local government or national ministries.

Roles in sharing expertise

CSOs bring unique and specialized knowledge (sectoral, ways of working) and on-the-ground development experience with local communities and constituencies to development processes. This experience is valuable in shaping policy and strategy, and in identifying and building solutions that are based on the realities of local people. CSOs can provide technical and professional services (including the organization and provision of volunteers) in areas such as environmental protection and management or the promotion and protection of human rights. Donors are often involved in many diverse partnerships. As a result,

they usually have very limited capacities for in-depth and particular knowledge of the complex dynamics of civil society and its evolving needs. But this knowledge resides in Southern CSO networks and in North–South civil society partnerships.

Roles in developing capacity

CSOs are well placed to transfer expertise and knowledge through training and capacity-building. As they are often closer to peoples’ organizations, they are sensitive to the expressed needs of other development actors, including both grass-roots communities and local governments. Grass-roots organizations can also be marginalized by the high technical requirements of aid-providers or have great difficulty accessing these donors. CSO partnerships can act as intermediaries to transfer knowledge of donor requirements and facilitate access to funding even to the most vulnerable and hard-to-reach parts of society. CSOs in partnerships and networks also have the potential for direct peer learning from each other. These forms of learning are not likely in contractual relationships between governments and donors, including government partnerships with CSOs in developing countries. The donors often use consultants for capacity development. This cannot replace access to learning and capacity-building in various CSO partnerships, where capacity-building is often an organic and sustained aspect of the relationship.

Roles as watchdog and advocate

CSOs act together to hold government institutions and officials to account, promoting transparency and accountability. They also act as a counter-weight to tendencies towards corruption. They draw on their on-the-ground expertise to raise awareness of societal issues. They do so often from the perspective of the rights of poor, marginalized or vulnerable populations. They promote various government policies and practices that bring these populations into a wider development process.

INGOs in particular have developed these policy-oriented capacities, and other smaller CSOs often work together in policy coalitions and networks. An important aspect of this CSO role is to work with governments and multilateral organizations to identify standards, norms and effective practices, consistent with human rights agreements and development results.

Roles in championing citizenship

CSOs in donor and other aid-providing countries play an important role in sensitizing citizens to global issues. They are instrumental in creating broad public support for development cooperation and in giving people opportunities to participate directly in development action as volunteers. Raising financial resources is also an important public role for CSOs in many donor/aid-providing countries. But it is important to remain aware that CSOs are not established in the first instance to be donors of money. Rather, they are first and foremost voluntary organizations of people who join together because they share values, goals and expertise.

These various roles are interrelated and are often carried out within the same CSO. Increasingly, new civil society actors are emerging that are crossing sectoral boundaries (facilitators that build trust between and among sectors). They are experimenting with new organizational forms (combining not-for-profit and private-sector mandates). These hybrid organizations pursue a social mission within a profit-making operational framework. One recent study reported that hybrids had moved beyond the microcredit, health care and education sectors into addressing issues such as the environment, food security, economic development, governance and housing.⁴³

According to a recent report on behalf of the World Economic Forum, “information and communications technologies have opened up spaces of power, influence

and association to new configurations of actors, leading to a significant growth of online civil society activity and enabling networks to be built across geographical, social and physical divides.⁴⁴ These technologies have the potential to empower local organizations. They can bring to development the significant energy and global perspectives of young people under the age of 30. They create conditions to access information for improved transparency and accountability for citizens coming together to monitor and inform government policies.

3.4 THE NATURE OF CSO PARTNERSHIPS

Many of the largest INGOs maintain offices around the world, in many donor countries as well as most developing countries. On the other hand, medium and small CSOs and associations more often work from their donor-country base, creating partnerships with independent national CSOs in developing countries.

‘Partnership’ is a term commonly used by many CSOs to characterize their relationships in development. But this term has many different meanings, depending on the context and the nature of the CSOs. For example, INGOs such as CARE and World Vision would describe their affiliate organizations in developing countries as ‘partners’. These are legal relationships based on the organizational brand, which carry on over many years. Others, on the other hand, will use the term ‘partnership’ to describe a specific time-bound subcontract with a local NGO.

Increasingly CSOs from developing countries are calling for a more equal partnership with their funders, based on aid effectiveness principles (ownership). Since 2005, developing countries, DAC donors and some middle-income aid-providers have agreed on five principles to improve the effectiveness of aid and development

cooperation. These principles of aid effectiveness and commitments to implement them are set out in the 2005 'Paris Declaration'.⁴⁵ The first and most important principle for aid effectiveness is 'country ownership' — whereby the priorities and interests of developing-country partners guide aid allocations.

In more equitable aid-effective CSO partnerships, power, goals and decision-making authority are shared and negotiated. These negotiations take place as part of the initiation of a project or programme funded through a grant or contributions agreement from a Northern CSO.⁴⁶ Box 1 sets out some good-practice guidelines for effective development cooperation through partnerships. These guidelines are not only for CSOs, but can be considered by all aid actors in defining equitable relationships, including those involved in SSC.

Since 2011, the guidelines in Box 1 have been agreed globally by CSOs as a framework through which to examine their own organizational practices. They are consistent not only with the Paris and Accra aid effectiveness principles agreed by DAC donors, but also with the principles and norms governing SSC. CSOs are accountable for reporting progress at the global level on their implementation through their participation in the Global Partnership for Effective Development Cooperation and its periodic ministerial meetings.

As noted above, almost all INGOs working in the humanitarian field provide emergency services directly in developing countries, and seldom work through local intermediaries or partnerships. The INGO affiliates collect funding from private and government sources in various donor countries for the emergency, but these funds usually enter the emergency situation in an organizationally coordinated fashion through a specialized team working on behalf of the INGO family as a whole.

GUIDELINES FOR EFFECTIVE PARTNERSHIPS IN NGO–CSO DEVELOPMENT COOPERATION

Source: Open Forum, 2011b.

- A. Define, clearly and explicitly, the conditions and terms of partnerships in a ‘Partnership Agreement’.** Responsibilities, contributions, decision-making processes and accountability mechanisms must be clearly established through respectful dialogue and in a freely determined agreement. Adequate allocation of resources is needed to ensure the mutual strengthening of organizations. The participation of and respect for women and their strategic gender needs is critical for determining the conditions and terms of partnerships.
- B. Build complementary actions by all partners towards shared analysis, programmatic goals and monitoring, rather than narrow project contracts.** Invest in and institutionalize long-term relationships rooted in partner leadership, appropriate development strategies, and with appropriate consideration of core institutional support, mutual accountability, dialogue to resolve differences, and the participation of all relevant stakeholders in the partnership.
- C. Acting as donors, align with partner organizations’ programmatic goals, strategies and administrative systems,** wherever possible, and work to harmonize requirements with other donors based on the partner’s systems.
- D. Strengthen collaboration for solidarity and to create synergies for common cause among CSOs, domestically and internationally.** Utilize existing opportunities and structures, such as platforms, coalitions and networks, and encourage new forms of collaboration and inclusion of other development actors such as academics.
- E. Establish mutually agreed conditions and mechanisms for ongoing risk management, monitoring, evaluation, information sharing and co-learning processes.**

3.5 THE LEGAL ENVIRONMENT FOR CSOs

The capacities of CSOs to operate effectively as independent actors in development require an enabling legal framework. Laws, regulations and policies create important conditions for CSOs to fulfil their roles in development. At HLF4 in 2011 all development actors agreed to “implement fully our

respective commitments to enable CSOs to exercise their roles as independent development actors, with a particular focus on an enabling environment, consistent with agreed international rights, that maximises the contributions of CSOs to development."⁴⁷ In working with CSOs in aid delivery, donors and SSC providers may wish to be assured that an enabling legal environment exists within which both CSOs and governments can fulfil their obligations.

CSOs in most DAC donor countries operate within a robust legal environment. In most countries they are required to be legally registered as not-for-profit companies or associations under the legal regime in the country where they are based. Each donor country has specific requirements for this registration. The registration and reporting requirements can be quite demanding and involve several layers and different government agencies.⁴⁸ Selective political interference in the implementation of the regulations in donor countries can sometimes affect the capacities of some CSOs to operate effectively.⁴⁹

CSO incorporation (creating a legal foundation) normally requires the adoption and approval by government authorities of by-laws created by the founders of the organization. The latter must be independent of government. These by-laws set out the CSO's purpose, governance structure, expected activities, election procedures and qualifications for the Board of Directors. They establish the terms for banking and audit arrangements. In the case of registered charities, there are usually strict rules about the nature and extent of advocacy or lobbying activities they are allowed to conduct.

The regulation of CSOs in developing countries is equally complex. Increasingly, organizations must agree to comply with laws that set the terms for their operations. Some of these laws were established many years ago for self-help associations and have become ill suited to the growth of CSOs and nature of their work in development cooperation.

In India, for example, the existing law governing the activities of CSOs dates from the Societies Registration Act of 1860. The Open Society Institute and the International Center for Not-for-Profit Law have published a report setting out best-practice guidelines for laws affecting CSOs (see Annex 2 for a summary.) Parliamentarians, government officials and CSOs can draw lessons and approaches from these guidelines in the modernization of laws governing the operations of CSOs in their country.

The Brazilian Case Study reveals a difficult legal context for Brazilian programmes in SSC. Brazil has a regulatory environment shaped by the assumption of the country as an aid recipient.⁵⁰ The Brazilian legal system does not allow the transfer of funds by Brazilian organizations to other countries, whether from the State or from civil society. This greatly reduces the ability of these organizations to provide flexible financial resources, goods and services to partners in other developing countries. According to Abong, a broad coalition of Brazilian NGOs,

“The existing legal and regulatory framework for CSOs in Brazil is confusing, obscure and its lack of effective transparency and accountability instruments makes it vulnerable to corruption and misuse. Thus, the development of a new regulatory framework would decisively contribute not only to predictable and transparent access to government funding, but also to the creation of favourable public opinion, which would motivate citizens to support and participate in CSOs projects and programmes.”⁵¹

Reforms of the legal regime may be necessary to fully enable appropriate modalities for Brazilian international development cooperation, and particularly those that allow for the inclusion of Brazilian CSOs in SSC.⁵²

3.6 CSO GOVERNANCE AND OPERATIONAL STRUCTURES

The legal framework in which CSOs operate requires an independent governance structure for the organizations. There are often strict regulations about the composition of an independent Board of Directors and requirements for audited financial statements. Governments set regulations for CSO by-laws, through which the organization establishes its purposes, governance structure, expected areas of activities, and the qualifications and election procedures for members.

Internal modalities for CSO operational decision-making on programming issues also vary widely according to the particular characteristics of each organization. In general, each organization works through a management team, which is ultimately responsible to a Board of Directors. INGOs have a more complex governance and management structure. Usually there is an overarching international governance structure with representatives from the different affiliates. This INGO global structure has a secretariat that coordinates with legally independent INGO affiliates. The latter maintain separate governance bodies in the various countries of operation.⁵³

3.7 CSO COORDINATION AND WORKING THROUGH COALITIONS

A common critique of CSOs in development cooperation is their numbers, a resulting inherent lack of coordination and a resistance to working together. Various factors make coordination difficult. There are literally hundreds of CSO actors legitimately working in specific countries or in different thematic areas. The independent legal status of CSOs, combined with the recognized right of citizens to organize, makes insistence on coordination very difficult and complex. But within these limitations, many CSOs do

in fact coordinate with each other to create synergies that benefit the people they represent. The coordination is often on a voluntary basis and for different purposes such as humanitarian responses, provision of health services, or policy responses. It takes place at all levels, from the global to the local.

In almost every country around the world, CSOs have organized national coalitions of member organizations involved in development cooperation. In the DAC donor countries these are often referred to as ‘NGO platforms’ and sometimes ‘framework organizations’. In the case study countries, examples of these platforms include Forum Syd (Sweden), InterAction (USA), the Australian Council for International Development (ACFID) and Abong (Associação Brasileira de Organizações não Governamentais) in Brazil. The International Forum of National NGO Platforms (IFP) is a global coalition bringing together about 60 country-level CSO platforms and coalitions.

National CSO platforms often implement accountability mechanisms (as described below), undertake learning activities to improve practice and understanding of development issues, and represent their members to governments and international bodies in policy dialogue.⁵⁴ Governments in countries where there is a good working relationship with a national CSO platform benefit from a coherent dialogue with their CSO community. By working with representative CSO coalitions or platforms, the government benefits from the efficiencies of speaking with a coalition rather than seeking out views from a multiplicity of individual organizations.

In addition to national platforms, CSOs create both formal and informal coalitions and networks in sectors (e.g. health or education), programme themes (e.g. ecological agriculture) and geographic areas (e.g. Sub-Saharan Africa Working Group). In Australia, for example, Australian CSOs

working in Afghanistan have established a country-based Afghanistan Working Group. The Australian Humanitarian Reference Group provides an opportunity to share information, coordinate actions and improve their NGO practices.⁵⁵ In the US Case Study two examples of these types of coalitions are described: 1) the CORE Group, which has 50 members that focus on issues of child survival and child health concerns, and 2) the Basic Education Coalition, which brings together 19 members focusing on universal access to quality education.

Sweden has been a leader in CSO coalition building. It has 15 'framework organizations' that coordinate Swedish government (Sida) funding with the members of these framework organizations. Among the largest are Forum Syd (163 CSOs), Swedish Mission Council (36 faith-based organizations), Olof Palme International Centre (27 organizations working in democracy, human rights and peace) and SHIA (30 disabilities organizations). These organizations receive block grants from Sida, from which they recommend support for particular projects created by their member organizations.⁵⁶ They promote coordination, provide timely support to members' projects, support innovation and reduce the government's administration burden for project management.

At the global level, in 2013 the BetterAid Platform and the Open Forum on CSO Development Effectiveness, which coordinated CSO input from hundreds of organizations, merged to form the Civil Society Platform for Development Effectiveness (CPDE). This platform continues to coordinate the participation of CSOs in the post-Busan Global Partnership for Effective Development Cooperation, promoting CSO efforts in improving aid and development effectiveness.⁵⁷ Regionally, CSOs come together within Concord in the EU,⁵⁸ PIANGO in the Pacific Islands,⁵⁹ ALOP in the Americas,⁶⁰ or as members of CIVICUS⁶¹ at the global level.

A factor that has affected coordination is the practice of CSO 'branding', which has been developing over the past 15 years. Measures to strengthen the brand of the organization have been employed particularly by the larger INGOs. INGOs use the public recognition of their organizational brand (CARE, Oxfam etc.) to market their organization, to raise significant levels of funds from both government and the public, and to gain access to global development policy dialogue at the UN and elsewhere. The need for high visibility for the individual organizational 'brand' can interfere with a commitment to improve coordination with others working in the same geographic or thematic area.⁶²

4

CSO ACCOUNTABILITY AND TRANSPARENCY

Issues in CSO accountability and transparency are crucial to assessing their legitimacy as actors in development and to mobilize resources and support. CSOs have a primary responsibility to be accountable to beneficiary populations for results that are consistent with the interests and inclusion of these populations. Accountability and transparency issues are particularly important because South–South aid-providers and developing-country governments face the practical dilemmas of determining the basis for making appropriate choices for partnerships with different CSO organizations. These aid-providers may be relatively new in developing relationships with CSOs in different country contexts, whether for delivery of longer-term development programmes or for emergency humanitarian assistance.



4.1 ACCOUNTABILITY

Over the past decade CSOs have responded to the challenges in improving their accountability. They are responding to both internal imperatives to be more effective, and demands from external development actors to demonstrate progress.⁶³ With the reality of large numbers and great diversity in independent CSOs worldwide, there are no simple frameworks for assessing CSOs as development actors and holding them to account. The most common approach at the country level has been local or national voluntary accountability mechanisms. These mechanisms can set standards and apply a framework for quality assurance.⁶⁴

Voluntary mechanisms help to improve CSO practice, but also keep a requisite flexibility to safeguard CSO diversity and independence. The case studies of the USA, Sweden and Australia for this study demonstrate the variety of accountability mechanisms that are currently operational in these three DAC donor countries. In Australia, ACFID, the coalition representing Australian CSOs, has developed an elaborate code of conduct, to which all members must adhere. This code is unique in its direct role in establishing eligibility to receive funding from AusAID, the Australian government aid agency. To be accredited with AusAID, an organization must have formally adopted and be compliant with ACFID's code of conduct (even if they are not members of ACFID). The code has an independent 'complaints committee', and all adherents to the code are required to have their own individual complaints mechanisms.⁶⁵ Increasingly, CSOs in developing countries are working in national coalitions to develop similar codes of conduct, but oriented towards partnership and programmatic implementation in these countries.

Despite the many CSOs committed to their implementation, it is widely acknowledged that voluntary mechanisms also come with some inherent limitations and practical questions:

- **How is compliance to voluntary standards and quality assurance best implemented?** How can CSOs create processes that are transparent and open to outside interested actors? Most often voluntary codes are agreed through CSO platforms or coalitions at a national level. These bodies have limited means for carrying out independent assessments of their members' practices against the codes. Quality is assured mainly through organizational self-analysis and self-reporting — an inherent problem. To deal with this issue, some INGOs have implemented 'peer review' among member affiliates in their global structures. There are a few examples of more robust compliance and certification mechanisms, but this compliance can be difficult to enforce in a membership-based organization and is very costly to maintain.⁶⁶
- **In what ways are accountability mechanisms accessible to the primary stakeholders and beneficiary populations for whom the CSO is mandated to serve?** CSO values and orientation suggest the most important constituencies for accountability are their primary beneficiaries. However, they face multiple demands for accountability. One of the most powerful is donors' contractual legal demands and the need to inform supporters in donor countries. These demands will drive CSOs to prioritize accountability to donors and governments (and their donor publics). Thereby they pay less attention to beneficiary populations with whom they have a moral obligation but seldom a legal contract.
- **How can CSOs manage the different requirements and level of accountability?** A CSO will be accountable in varying degrees to oversight by the Board of

Directors, government regulatory requirements, and voluntary accountability mechanisms. These obligations need to be harmonized to create synergy and not an impossible burden on the limited staffing capacities of CSOs and their partners. CSOs, and particularly large INGOs working in many jurisdictions, can face many different and sometimes competing accountability and legal requirements. Despite a large revenue base at their disposal, these demands can consume considerable organizational resources to maintain.

At the project level, CSOs have developed various monitoring and evaluation systems. These tend to focus on donor accountability requirements, rather than learning processes to improve practices. A study by InterAction in 2008 reported that almost 100 percent of US and local NGOs had a monitoring and evaluation system in use.⁶⁷ For the most part, CSOs, in their role as donors, monitor progress through the combination of field visits, and financial and narrative progress reports from their programme partners in developing countries. DAC donors usually specify evaluation and accountability requirements as part of contribution and funding agreements. A review of DAC donor partnerships with CSOs put forward a number of different ways in which they assess the outcomes of their support for CSO programming. These measures tend to focus on financial compliance or 'value for money', rather than working closely with CSOs to define clear learning needs — what worked and why, in what context.⁶⁸

At the global level several important accountability mechanisms have been established to which the major INGOs and many national CSOs adhere (see Annex 3 for more details on these three mechanisms):

- **The 'INGO Accountability Charter'**, (<http://www.ingoaccountabilitycharter.org/>) has 25 members, including the largest INGOs involved in development cooperation. The charter maintains a rigorous reporting regime against its principles and commitments, which focus on areas such as governance, partnerships and transparency.
- **The Sphere Project's 'Humanitarian Charter' and 'Minimum Standards in Disaster Response'**, (<http://www.sphereproject.org/>) is a voluntary initiative that brings major NGO humanitarian actors together around a common aim. The goal is to improve the quality of humanitarian assistance and the accountability of humanitarian actors to their constituents, donors and affected populations.⁶⁹ In May 2013, the Boards of Directors of the Sphere Project, the Humanitarian Accountability Partnership (HAP) and People In Aid agreed to launch by the end of 2013 a verifiable Common Standard for humanitarian assistance. This accountability framework will bring together various existing initiatives into a new architecture of good practice for aid workers and agencies to implement the Common Standard (see Annex 3).

The progress towards one common standard has many benefits for all aid actors. But one concern relevant to South–South aid-providers is the question of how a credible certification against this standard is achieved. The standard is largely based on the rich experience of large Northern humanitarian actors. Emerging CSO humanitarian actors within countries involved in SSC tend to relate to emergency situations in their immediate geographic area (e.g. Turkey for Syria or Brazil for Haiti). They have developed and evolved their own experience and practices, but usually without the capacity to undertake elaborate certification processes. The common standards will be very relevant to the

practices of SSC humanitarian actors. However, strict adherence to only certified CSOs by donor countries may limit access to humanitarian resources for CSOs from SSC countries.⁷⁰

- Meeting in Siem Reap, Cambodia, in June 2011, more than 200 representative CSOs from 82 countries adopted the **'Istanbul Principles for CSO Development Effectiveness' and an International Framework** for guidance in implementing these principles. These Principles were explicitly recognized in the Outcome Document of HLF4 as those that should guide efforts in holding CSOs to account. Since 2011, CSOs in many countries have been working with the Principles accordingly to both assess and improve their practices as aid actors.⁷¹

4.2 TRANSPARENCY

Since 2008 there have been renewed commitments by all development actors to improve the transparency of aid transactions, as an essential foundation for not only improved accountability but also effective planning of long-term development initiatives. DAC donors, multilateral organizations, CSOs and developing-country governments have joined together, under the leadership of the UK Department for International Development (DFID), to create and implement the International Aid Transparency Initiative (IATI), with a focus on providing timely aid information for partners in developing countries. Over these four years, there has been some limited progress in the implementation of the IATI transparency standard.

At HLF4 in 2011, development partners agreed to go further to implement a common, open standard, integrating the IATI standard and the OECD donor Creditor Reporting System (CRS).⁷² Aid transparency was seen in Busan as a necessary condition for making all forms of aid

more effective and measuring development impact. The adoption of the IATI standard and the publishing of aid data by donors and other stakeholders since early 2012 is a tangible result of increased commitment to transparency. CSOs have been a strong promoter of the IATI process and in parallel have also taken up issues in CSO transparency.⁷³

Transparency is an important commitment for CSOs arising from the 2011 Istanbul Principles (see above). A growing number of CSOs from the UK, Netherlands and Canada have been publishing aid data and information to the IATI standard.⁷⁴ BOND, the UK CSO platform, and InterAction in the USA, are working closely with their members to conduct training programmes on the IATI standard. CSOs have also been taking action to strengthen their transparency beyond IATI through initiatives at global, regional, country and organizational levels. *Rendir Cuentas*, a regional CSO initiative in Latin America, for example, brings together 25 civil society networks in eight countries to improve standards of CSO transparency and accountability, independent of IATI. *Open for Change* is an international CSO network based in the Netherlands and hosted by the Dutch platform, *Partos*. It is working to increase access to data, knowledge and software applications within the global development sector, including with CSOs around the world.⁷⁵ CSOs in many different institutional contexts have been adopting open information policies, and are promoting transparency through commitments, codes of conduct and self-regulatory initiatives such as the INGO Charter of Accountability (see above).⁷⁶

The IATI standard creates a common format for publishing open data to improve transparency of aid flows by all development and humanitarian actors.⁷⁷ It will offer unique opportunities for the users of data, including South–South aid-providers and developing-country governments. It will be increasingly possible to compare and aggregate CSO project and programme data and to track and visualize aid

spending and results at a country and local level. It should contribute to increased cooperation and coordination among development actors and, consequently, lead to improved aid effectiveness for CSOs.⁷⁸

Improved transparency is a necessary condition for CSO accountability in their programme priorities and operations. Access to information is essential not only for donors and other aid-providers but also for CSO beneficiary constituencies. At the same time, CSOs have some challenges in improving their transparency. Some CSOs are working to improve transparency, but it is important that they also balance transparency with the practical difficulties of publishing timely data. These challenges include the cost and workload implications for staff, the capacities of affected small beneficiary organizations, and the protection of individual privacy and the rights of partners and vulnerable individuals, such as human rights defenders.⁷⁹ In some countries where governments already impose severe legal and political restrictions, there are partner organizations that may be made more vulnerable by publishing detailed data on funded programmes.

5

DONORS AND CSOs: CREATING POLICIES AND STRATEGIES TO GUIDE THE RELATIONSHIP

The relationships between donors and CSOs are long-standing in all DAC donor countries. But they also take many forms that are articulated through donor policies, donor funding modalities, support for local CSOs in developing countries and in CSO involvement in policy dialogue. This chapter examines the importance of policies, approaches and institutional arrangements to guide donors' work with CSOs in delivering aid. Subsequent chapters will discuss the advantages and disadvantages of different DAC funding modalities for CSOs as well as donor modalities for policy dialogue between governments and CSOs to engage citizens in development and to help shape effective donor policies. Each chapter draws out highlights that might inform the development and evolution of the engagement with civil society in SSC.



5.1 DAC DONOR RATIONALES, POLICY APPROACHES AND INSTITUTIONAL ARRANGEMENTS IN THEIR WORK WITH CSOs IN DELIVERING AID

As independent development actors, CSOs determine their own priorities and undertake programmes and long-term partnerships for development based on these priorities. As humanitarian actors, CSOs have developed strong capacities for rapid assessment of humanitarian emergencies and for effective humanitarian intervention. Donors, on the other hand, have their own goals and objectives for their aid programmes. Why then do donors decide to channel aid through CSOs, and on what terms?

DAC donor rationales for supporting CSOs

Most DAC donors have an explicit policy on partnering with CSOs and/or a strategy to guide their support for CSOs in delivering aid.⁸⁰ A transparent strategy is important for CSOs and governments to improve CSOs' understanding of the purposes and terms of their partnerships with governments, ensuring a better matching of goals and expectations. They are an opportunity to bring together learning and experience in delivering aid with CSOs in developing countries. Box 2 lists a number of these policies and strategies. The policy content and the nature of the relationships with CSOs vary considerably between donors, but they also share a number of common features.

According to a survey conducted with 26 DAC donors by the OECD Development Cooperation Directorate (DCD), DAC donors identify four basic rationales for the delivery of aid through CSOs.⁸¹ These rationales are not mutually exclusive:

- to achieve a development objective in the donor's aid programme, often related to service delivery in partner countries;

- to achieve a development objective through the donor aid programme linked to democratic processes and social accountability in partner countries (supporting independent organizations working for development accountability in partner countries);
- to increase public awareness about aid and development issues in the donor country; and
- to strengthen CSOs' capacities in developing countries to be more effective in delivering aid resources to reach beneficiary populations.

Comparative advantages for donors in working through CSOs

In the same study, DAC donors pointed to several comparative advantages that CSOs may bring to development cooperation and the realization of donors' objectives for their aid programme.⁸² Among the most important are:

- the ability of CSOs to reach more directly targeted beneficiary populations in partner countries, and to interact with them in a sustained way;
- the ability and capacities to respond quickly to rapid-onset humanitarian crises and to sustain an effective presence on the ground in humanitarian situations;
- access to special skills and capacities within CSOs for training, for including marginalized beneficiary populations, and for innovating alternatives that are effective in achieving development outcomes;
- the capacity in fragile and conflict situations to provide effective support to affected populations, which may be inaccessible to donors and multilateral institutions;
- extending the donor's geographic reach and presence in countries that are not its priority countries; and

- capacities to communicate with donor-country constituencies to sustain public support and capture additional non-governmental resources for development cooperation.

Achieving donor aid objectives with CSOs

Despite many evaluations of individual projects involving CSOs, there are few studies of the extent to which donors have achieved their policy and programmatic expectations and objectives with CSOs. One such study by NORAD (the Norwegian aid agency) confirmed that the majority of CSO projects targeted poor people and poor regions, including marginal and vulnerable populations. However, the study concluded that CSOs were usually no more successful than official donors in reaching the very 'poorest of the poor'. For the most part, the Norwegian CSOs examined did not have country-level strategies. Their development activities focused mostly on their specific partnership relationships, and not so much on donor or government country strategies. The study also concluded that while there were examples of innovation, "most projects used well-known approaches and technologies", which, the study points out, might have also been the most appropriate.⁸³

Other DAC donors have identified some challenges they face in working with CSOs in the delivery of aid, consistent with the donor's aid objectives.⁸⁴

- **high donor transaction costs in managing financial and programmatic relationships with many small organizations.** CSOs face these same costs in managing their partnership relationships at the country or community level. High transaction costs are a problem; nevertheless, these costs are probably necessary to achieve good and sustainable outcomes, given the often localized nature of the activities,⁸⁵

- **duplication and coordination challenges** among CSOs working in similar sectors and/or geographic areas, and between donors and CSOs in partner countries,⁸⁶ and
- **CSO capacity issues** in terms of programme delivery, accountability and transparency.

There is continued debate on the effectiveness and impact of CSOs on achieving development outcomes (as there is with any delivery channel, such as government ministries or the private sector). Nevertheless, almost all DAC donors acknowledge that CSOs do make important and substantial contributions to development that cannot be duplicated through other mechanisms. They do so as independent actors, but ones that can have distinct advantages for donor programmes. CSO effectiveness in fulfilling roles in development (see Section 3.3) is only possible when they have the legal and political space to act as civic organizations and not as instruments of government. In this context, how then can these relationships between donors and CSOs be shaped to reflect donor priorities for geographic focus (priority countries), sectors or programming approaches?

Donors are increasingly using a variety of mechanisms to ensure that their support for CSO activities is focused on donor priorities.⁸⁷ The US Case Study outlines the contractual relationships that are currently being implemented between USAID and US NGOs. In these arrangements funding is provided exclusively “for sectors chosen by USAID and for donor-developed priorities and projects”.⁸⁸ These CSOs must use their privately raised funds to pursue their own project objectives with their partners, separate from USAID-directed funding. US-based INGOs may also draw on privately raised funds from any of their affiliates in other donor countries for these latter purposes.

The case studies reveal that both Sweden and Australia allow for greater flexibility in their CSO partnerships than the USA. They have funding programmes that provide core institutional funding for programmes determined by Swedish and Australian CSOs. There is recognition in these government–CSO partnerships “that NGOs and government may have similar overall objectives, [but] NGOs contribute to development differently than government.”⁸⁹ On the other hand, AusAID also supports CSOs through their bilateral funding window, which is focused on specific projects and directly linked to AusAID’s bilateral country programme priorities. Approximately a quarter of Sida aid for CSOs in Sweden is not limited to Sweden’s official geographic or thematic priorities. For the remaining 75 percent of available funding, Sida’s policy states that the agency should be responsive to NGO priorities, but inside the framework of its geographic and thematic plans.⁹⁰

The degree of focus on donor priorities in their funding of CSOs is closely linked to funding modalities (see below). According to the DCD survey mentioned above, half of the DAC members ensure compliance with their own donor priorities through financial incentives, and the other half, either through dialogue with the CSO sector or through *ex post* monitoring and evaluation of CSO activities financed by the donor.⁹¹

Based on the DCD donor survey, the DAC concludes that a sensitive balance is required. The donor’s mandate and priorities need to be reconciled with CSOs’ priorities and respect for their autonomy to carry out their roles and achieve development outcomes on the ground. CSOs cannot be considered solely contractors for donor programmes. But the balance, on the other hand, must also take into account the partner country’s development policies and frameworks, particularly where these have evolved from an inclusive policy process at the country level. Among the DCD recommendations,⁹² donors should:

- jointly define priorities and objectives with CSO partners, including expected compliance with donors' focus sectors and themes, through a negotiated framework with the CSO;
- adopt a balanced and transparent approach to conditions in their CSO funding mechanisms;
- when providing funding to a CSO, clarify beforehand whether the organization is expected to align with the development priorities of the partner-country government or fill gaps in these priorities; and
- include civil society in multi-stakeholder consultations on development issues, particularly working with CSO platforms and alliances to facilitate coordination among CSOs.

Donor institutional structures for supporting CSOs

Organizational structures for managing donor ODA vary considerably among donor countries. These structures range from a dedicated mechanism for coordination of development assistance through the Ministry of Foreign Affairs, stand-alone government agencies for development cooperation, to a mix of government ministries with line responsibilities for different aspects of development cooperation.⁹³ The DAC donor embassies in partner countries also play increasingly important roles in the decentralized management of aid programmes on the ground. Embassies are able to respond to the imperatives of greater synergies with country priorities. For some donors, embassies also have funds at their disposal for supporting small projects, often with local CSOs.

There are also a wide variety of administrative forms for managing the donor relationship with CSOs within these mechanisms for DAC ODA.⁹⁴ A large part of donor support is a funding relationship. A dedicated branch or section within the donor's administrative structures for aid usually manages this CSO relationship. Given the often

large number of donor partnerships with CSOs, donors tend to manage an institutional relationship with the CSO contracted to undertake the activities (through reporting requirements and periodic institutional evaluations). They often leave the CSO wide scope to manage its partnerships and programmes on the ground. This approach may be more 'hands-on' where the donor is contracting the CSO to implement a donor-initiated project in the donor's bilateral country programme.

But a donor government may also want a variety of engagements with CSOs beyond a funding relationship. Policy interaction with CSOs, for example, may be coordinated with foreign affairs and/or agency policy staff separate from those managing the institutional funding relationships (see the discussion of donor policy dialogue below). Staff in the embassy may play an important role in vetting and monitoring donors' country-based CSO projects and programme relationships in a given country. This embassy role may be particularly important in countries that are priority countries for the donor or where the donor may have sensitive political issues.

6

DONORS AND CSOs: EXPLORING FUNDING MODALITIES

Funding relationships both shape and are shaped by the donor's CSO policies and practices. CSOs raise financial resources for their programming from a variety of sources, but DAC donors have provided a crucial foundation of CSO development and humanitarian financing. As noted above, DAC donors, including the EU institutions, provided \$20 billion in aid through CSOs in 2011. This support amounted to more than 21 percent of their bilateral aid for that year, making CSOs an important actor in aid delivery.

It is not possible to determine how much of this aid provided by donors through CSOs was received by local CSOs at the country level. As noted earlier, CSOs as donors increasingly work in partnerships on the ground. The dramatic expansion of



local CSOs is partly the result of this growing financing by CSO donors and donors' direct financing of local CSOs over the past several decades.

DAC donors have allocated financial support for CSOs through several different funding modalities. Lessons from the use of these funding modalities could inform policies and approaches by South–South aid-providers seeking to strengthen the effectiveness of their aid delivery through CSO counterparts.

6.1 ADVANTAGES AND DISADVANTAGES IN DIFFERENT DONOR FUNDING MODALITIES FOR CSOs

The case studies for the USA, Australia and Sweden highlight a complex array of funding channels and mechanisms for the delivery of aid through CSOs. Each DAC donor country has in fact developed a distinct array of mechanisms according to its own history, country contexts and needs. Relatively new donors such as the Republic of Korea and the Czech Republic have drawn on this experience in designing their own mechanisms.⁹⁵

Despite these differences, donor mechanisms for funding CSOs can be divided into four main categories:

1. support for specific CSO projects or programmes;
2. donor call-for-proposal mechanisms;
3. partnership/framework agreement or core untied funding for a CSO; and
4. standing funding arrangements for rapid response to humanitarian emergencies.⁹⁶

These modalities may not be mutually exclusive within a given donor's policies. CSOs, and particularly larger INGOs, may access funding through a combination of available donor windows.

1. SUPPORT FOR SPECIFIC CSO PROJECTS OR PROGRAMMES

Characteristics of the funding relationship:

- The CSO usually initiates the planning and implementation of one or more projects. It submits project(s) for donor financing on a non-competitive basis, against donor-established criteria. The CSO may be limited to submission of a set number of projects in any given year. The donor may establish set times during the year for the submission of proposals.
- Donor criteria may be limited to donor-determined priorities for project proposals (in sector or geographic areas of interest to the donor). Or criteria may allow for and be responsive to a broad range of CSO-initiated proposals beyond immediate donor country or sector priorities. The latter may permit the strengthening of smaller and medium-sized CSOs in carrying out programming.
- The donor manages an approval process at the donor headquarters (usually for CSOs in the donor country) or at the embassy (usually for CSOs in a partner country served by the embassy). Donor staff review proposals from eligible CSOs on their own merits, not in comparison to other proposals received.
- Some DAC donors have been open to broadly responsive non-competitive proposals from CSOs (giving opportunity to new and smaller CSOs). More commonly, donors seek non-competitive proposals from CSOs on specific sectors or themes. Donors can also use this mechanism to seek unique innovative and pilot proposals, based on the CSO's particular expertise.
- The donor usually requires a financial demonstration of support from the CSO through a matching funding arrangement. The CSO contributes a defined share (from 10 percent to 50 percent) of the project/

programme costs. This CSO contribution can often be provided as an in-kind (non-cash) contribution in the form of programme management and/or volunteers.

- While the mechanism is focused on financing individual projects, it can sometimes allow for a contribution to the CSO's 'overhead' costs in the budget submitted (10 percent to 12 percent). This allocation is an acknowledgement that projects cannot be effectively implemented by a CSO without a minimum in institutional infrastructure to accompany the project. Overhead is essential for both the recipient CSO in the donor country as well as the beneficiary partner CSO on the ground (although the latter is often not explicitly considered in donor financing criteria).
- The donor will enter into a contribution agreement with the CSO. This agreement will establish the scope of the project to be supported, including its budget, a schedule of payments (linked to periodic financial and narrative reports) and a results framework for the project.

When is this modality most effective?

- Support for small and medium-sized CSOs, sometimes relatively new, with limited capacities to absorb large amounts of funding, and limited means to develop large comprehensive programmes. Dialogue between the donor and the CSO during the proposal development stage is often beneficial for both parties. Such dialogue is not usually possible in a competitive call-for-proposal mechanism (see below).
- Support for a donor's programme objective by contracting with a CSO that offers a unique skill or programme capacity on a non-competitive basis.
- Support for pilot projects that promote innovation with respect to specific development issues/problems. Such

projects are often managed through an innovations fund. Given the unique aspect of innovation, it may be difficult to establish competitive criteria that define ‘innovation’, and a non-competitive approach for a small number of projects may be the best approach.

- Support for specific CSO efforts (workshops, training etc.) that focus on strengthening particular capacities in civil society in developing countries or CSO learning processes involving CSOs in both donor and developing countries.

2. DONOR CALL-FOR-PROPOSAL MECHANISMS

Characteristics of the funding relationship:

- Donor-initiated calls to CSOs (and sometimes other stakeholders) to submit proposals for projects or programmes. Submissions must be received within a defined time period. They must respond to donor-established eligibility, project or programme criteria and guidelines for this particular call for proposals.
- Eligibility to submit to a given call is established by the donor and may be limited to a segment of CSOs or can also be broadly inclusive of other actors such as the private sector. Eligibility to submit may be based on the CSO’s nationality (e.g. only those in the donor country), the length of time of its existence/registration, minimum qualifications in a sector, and/or required programme capacities.
- The criteria and guidelines may differ between calls for proposals. The criteria are established based on the nature of the programming sought by the donor for each call. These criteria and guidelines are usually published when the call is issued. A given format for making a proposal takes the specific criteria/guidelines into account. A donor may also have guidelines and criteria that apply to all calls for proposals from CSOs.

- Among the requirements for a call for proposals, the CSO may be asked to demonstrate its own cash and/or in-kind contributions to the project. The CSO may be required to cover all or a proportion of overhead expenses.
- Staff in the donor agency/bureau use an assessment framework to assess all proposals. This framework creates a common grid of criteria for ranking the proposals. (Sometimes this assessment grid is made public at the beginning of the call, but not in all cases.) Donor staff will often assign a ranking (e.g. 1 to 5) for each criterion, but some criteria may be required (i.e. its absence makes the proposal ineligible). Most donors also include a qualitative assessment of each proposal that is taken into account in the final decision-making process. In most cases a senior donor official or the government minister responsible for development assistance signs off on the final list of successful projects.
- After a decision has been made, a contribution agreement is negotiated with the selected successful CSOs. The donor may insist on further refinements of the project and its financing at this stage. Standing regulations governing donor contracts are applied (for example, a logic model defining activities, a results framework of outputs and outcomes, a risk assessment, payment schedules, reporting requirements etc.).

When is this modality most effective?

- Donors are seeking CSOs as implementing contractors for donor-designed projects or programmes.
- Donors wishing to maintain their prerogative to choose CSO partners for activities that closely align with their priorities.
- Donors wishing to extend support to different CSOs over time (creating a 'level playing field'). Each competition gives donors options to support different organizations based on changing donor priorities. Non-competitive

processes tend to lock a donor into longer-term support for a set of CSOs, which in turn develop a strong capacity to relate to this donor.

- Donors seeking proposals that respond to a unique one-off situation (such as second-stage reconstruction following a country-specific rapid onset emergency).

3. A PARTNERSHIP/Framework AGREEMENT OR CORE UNTIED FUNDING FOR A CSO

Characteristics of the funding relationship:

- The donor negotiates a multi-year framework agreement with a CSO based on a long-standing donor experience with this CSO. The CSO submits an institutional proposal covering all or a substantial number of programmes designed by the CSO, rather than a specific project or programme proposal (as they might for funding modalities 1 or 2 above). Annex 4 gives an example of the requirements for a framework agreement in Denmark.
- The CSO programme is planned and initiated by the CSO. It must be broadly consistent with the donor's development goals but not usually with specific donor sector or country priorities for its bilateral aid.
- The donor process often involves rigorous accreditation and/or regular institutional evaluations to sustain eligibility for a framework agreement.
- CSOs that have a framework agreement will work with a variety of programme CSO partners of their choosing on the ground in developing countries, with which they may have their own partnership agreements.
- Donor funding is linked to, and progress is assessed, in relation to a logic and results framework **for the organization as a whole** at the institutional level, and not usually for each programme or project. The CSO

has the prerogative and flexibility to realize the agreed institutional results (e.g. strengthen the capacity of CSO partners in creating more access to health care) in various ways through its different programmes.

- Donor agreements are multi-year (e.g. for a period of three to five years). There is often an annual assessment of progress against the organization's objectives and results framework. A schedule of payments over the life of the agreement is based on annual financial and narrative reports (and sometimes even quarterly financial reports).
- In some donor countries framework agreements are negotiated with CSO coalitions through which members of the coalition access funds on a core and/or project basis (see, for example, the Sweden Case Study).
- Framework agreements usually include a formula for the donor's (partial) financing of the organization's overhead costs through the agreement (e.g. 12 percent of the value of the annual donor disbursements to the organization).

When is this modality most effective?

- Core or institutional support for large, well-established and accredited CSOs. These CSOs are usually based in the donor country or part of a global family.
- Donors have confidence in a CSO's proven track record. This confidence is established through a history of partnerships with the CSO as well as donor-commissioned independent evaluations and institutional assessments.
- The donor goal is to strengthen CSOs as development actors in their own right by responding to CSO-determined programming across the institution as a whole.

- The arrangement enables the CSOs to be more responsive to partner interests and to respond to changing local conditions through an interactive approach to programme implementation.
- The donor responds to the need for predictability of finance for CSOs and their aid partners in developing countries as a principle of aid effectiveness.
- The donor reduces the administrative burden and transaction costs for both the donor and CSO given the three-to-five-year time-frame of the partnership, and predetermined disbursements based on annual reports.

4. **STANDING FUNDING ARRANGEMENT FOR RAPID RESPONSE TO HUMANITARIAN EMERGENCIES**

Characteristics of the funding relationship:

- Responding to humanitarian emergencies (floods, earthquakes etc.) requires capacities, flexibility and preparedness. Several INGOs have developed these capacities for rapid response in many parts of the world. Standing offers by the donor enable quick access to pre-approved donor funding for these immediate responses to rapid-onset emergencies.
- The donor has a pre-approval process for determining a selected group of effective CSO humanitarian actors. Pre-approval is based on donor and independent assessment of the CSO's experience and capacities for effective humanitarian response. The donor maintains (and periodically updates) a list of pre-approved CSOs, with a donor understanding of the different capacities and areas of the world in which each CSO can operate.
- With the onset of an emergency, the donor usually provides 100 percent quick-release financing to a number of pre-selected CSOs based on communication from these organizations and a demonstrated

presence in the field. This funding is targeted to first-responders to emergencies, and not to longer-term complex emergencies or reconstruction.

- Some donors sometimes collaborate with their CSO community to provide special donor funds to match a set amount of money raised by CSOs from the public for the emergency. The donor disburses these funds under funding modalities 1 or 2 above, focusing on longer-term reconstruction and post-disaster recovery programming. The donor's matching funding will not go to the organizations that raised the funds, but to those CSOs with the best projects as assessed by the donor.

When is this modality most effective?

- There is a body of humanitarian CSOs (often INGOs) with the capacity for strong and rapid responses to emergency situations, with highly developed standing capacities within the organization (such as the Red Cross or Red Crescent).
- It creates conditions for quick, flexible financing that responds to priority emergency needs, based on immediate on-the-ground assessments by CSOs present and working in the area or country.

Any of the above funding modalities might include a role for CSOs in the delivery of technical assistance. Since the 1990s there has been a surge in volunteers from the OECD DAC countries working in development activities. One estimate put the number at more than 50,000 volunteers in a given year.⁹⁷ There are also many CSOs in the DAC countries that specialize in sending volunteers. DAC donors play a large role in financing these programmes, but usually through the modalities described above. The largest organization for sending volunteers, VSO International, for example, received approximately US\$70

million from various government sources in 2012. Five major Canadian volunteer-sending organizations received a total of more than Cdn\$30 million from CIDA in 2011. CSOs provide technical expertise *inter alia* through direct service in institutions in developing countries, capacity development initiatives, or as an aspect of the partnership relationship with counterparts in developing countries.⁹⁸

6.2 THE IMPACT OF FUNDING MODALITIES ON THE NATURE OF DONOR PARTNERSHIPS WITH CSOs

The evidence from four decades of donor financing points to the importance of considering a mix of funding modalities in donor relationships with CSOs. Funding modalities often determine the possibilities for good development outcomes in the work of CSOs with their counterparts in developing countries. It is best to tailor funding modalities to the purposes of the donor agency, the country context and the particular strengths and capacities of the CSOs — “one size does not fit all”.⁹⁹

In this regard, some donors have achieved an effective mix, while others have given sole priority to contracting CSOs for donor-determined priorities. Donor-selected CSO projects and call-for-proposal mechanisms, based exclusively on donor priorities, are a common practice among the DAC donors. In the case studies, Sweden is at one end of the spectrum, with an overarching policy to provide responsive programme-based and core funding for selected CSOs to the greatest possible extent. At the other end, USAID mechanisms for CSOs focus almost exclusively on government-determined priorities.

Donors might consider not only seeking consistency with donor priorities, but also paying attention to the impact of a donor-preferred funding modality on the capacities and effectiveness of the CSO in realizing the goals of projects

and programmes on the ground. CSOs in developing countries have identified a number of issues to consider in relation to donor funding modalities:¹⁰⁰

- **The difficulty in the sustainability of core CSO institutional processes** due to terms and conditions of donor grants. CSOs point to little and declining core support, high transaction costs in managing donor grants, and the push by donors for short-term results. While CSOs may be able to attract resources for specific programming goals, the terms of this donor financing often preclude support for the basic operational functions of the organization. The latter include managing a Board of Directors, strategic planning and financial systems, computers and other administrative resources, and sustainable salaries. In the end this lack of support for core institutional functions undermines the organization's capacities to effectively undertake the programme.
- **Less collaboration at the country level due to competitive donor mechanisms.** CSOs more often now compete with each other for partnerships with INGOs or official donor funding. There are seldom any opportunities to develop and present strategic CSO sectoral plans for donor funding by CSO coalitions or networks in developing countries. With dependency on short-term, time-limited donor contracts, CSOs are always in a resource-seeking mode, competing with each other to profile their programmes for donors, even when working through networks or coalitions.
- **DAC donor CSO priorities (and often INGO priorities) are developed with little engagement with developing-country CSOs** and sometimes with little knowledge of conditions facing local CSOs. These donor priorities are more likely to reflect priorities determined by the donor agencies and in dialogue with stakeholders based in donor countries. The predetermination of donor priorities then precludes

for the most part opportunities for funding that is responsive to locally determined CSO priorities.

- **Access to information regarding government strategies and donor plans at country level** remains a significant challenge for many CSOs involved in development. If funding modalities aim to strengthen coordination or policy dialogue between different development actors, the issue of access to relevant information about these actors' programmes and intentions is crucial.
- **Pressure for uncritical alignment with government.** CSOs in developing countries wish to contribute to advancing social and economic development for poor and marginalized populations. They hope and expect that these objectives are in harmony with or complement the government's actual development strategies. But to enable closer alignment, government strategies need to be the outcome of inclusive processes with different development stakeholders. This engagement might include, where feasible, strong participation in the development of the strategy to assure that it reflects broad citizens' interests and support. In cases where country strategies are not the result of socially inclusive political processes, CSOs may legitimately argue that their programming fills missing gaps or speaks to the interests of populations whose interests have been marginalized. Similarly, without sustained access and dialogue between CSOs and government, practical collaboration and alignment with government is difficult.

An aid-provider might consider these CSO funding issues when reflecting on the advantages and reasons for selecting a particular mechanism for supporting CSOs.¹⁰¹ Assessments by DAC and other analysts of funding modalities point to various important good practices in CSO support. Some issues to consider to strengthen the effectiveness of CSOs in delivering aid are:

- **The mechanism has been tailored to the specific CSO outcomes and objectives that the donor wishes to support.**¹⁰² Strengthening CSO capacities over time, for example, requires a modality that targets and allows for sustained multi-year financing of a CSO's self-defined needs. On the other hand, providing support for medical services in a post-emergency situation may be best met through a one-off project through a competitive mechanism.¹⁰³
- **The diversity of donor financing mechanisms could support the unique capacities and comparative advantages of different types and sizes of CSOs.** Medium-sized and smaller CSOs may not have the capacities to prepare a full bid in a competitive competition. But these organizations may, nevertheless, offer particularly important expertise or access to constituencies required for an effective outcome in a donor programme. As several commentators have suggested, the call-for-proposal mechanism encourages competition rather than collaboration among CSOs. Donors may choose to ensure that their financing mechanisms do not undermine the diversity of CSOs (by focusing on a few high-profile CSOs), particularly in developing countries where capacities are very mixed to enter funding competitions.¹⁰⁴
- **Transparent funding guidelines that are evidence-based and provide clear instructions and criteria for making choices for the applicants are an important aspect of funding mechanisms.** Donors receive the best proposals when they have been clear about their purposes for funding CSOs; therefore, the expected requirements also need to be clear. Guidelines might be rooted in policies governing the financing of CSOs. These policies are best determined through both high-quality donor knowledge of the CSO community and through consultations with this community.

- **It is important to adapt reporting and monitoring requirements to the expected results and take into account the inherent risks of a particular development context.** Many forms of development are inherently risky, and specific outcomes are often difficult to predetermine. Successful outcomes are consciously built through support for learning from project experience and adapting programmes, rather than through a punitive and/or rigid monitoring approach to specific results in a log-frame.¹⁰⁵
- **The harmonization of project application, reporting and monitoring requirements as much as possible between donors and different funding mechanisms will reduce transaction costs.**¹⁰⁶ CSOs in developing countries that receive financing from several donor sources are often burdened by different application and reporting requirements for financing their programme. This is not dissimilar to the experience of many ministries in least developed countries responding to multiple donors. Donor requirements often create (unnecessary) high transaction costs for the CSO involved, when the latter have much less capacity than governments to undertake these administrative areas of work.

6.3 DAC DONOR DECISION-MAKING PROCESSES FOR DETERMINING CSO FUNDING

Deciding which CSO to support is both complex and very context-specific. The decision is as much a political decision as one determined by technical criteria. The December 2011 'Busan Partnership for Effective Development Cooperation' [§22] acknowledged that donors and governments should measure the effectiveness of CSOs as development actors according to the 'Istanbul Principles for CSO Development Effectiveness'.¹⁰⁷ As the principles are highly generalized, they provide no immediate

assessment criteria to determine the choice of CSO partners. Nevertheless, CSO development effectiveness principles can be the foundation for questions about the background of applicant organizations. They can inform an aid-provider's framework for assessing institutional capacities and for determining areas of investigation in institutional assessments or evaluations of CSOs.

Knowledge of and sensitivity to the local realities for aid-supported CSO programmes are essential ingredients for good decisions. Being assured of a CSO's technical capacities to manage and report on funds to the aid-provider is essential, but understanding its programmatic abilities is equally crucial. An INGO or a developing-country CSO with good technical management skills, based in a national capital, for example, may not have the skills to work with poor and marginalized people at the community level. They require the trust of local people for the success of the project or programme. There is no technical criterion or substitute for purposeful and in-depth exploration to build the aid-provider's knowledge of the local context. This knowledge is iterative, built through consultations as well as commissioned research, and a key part of the process of allocating funds, particularly where the aid-provider is relatively unfamiliar with the CSO realities.¹⁰⁸

SSC decision-making regarding CSOs, where there is little previous experience, might in the first instance involve the aid-provider and the CSO building knowledge and trust of each other. Pilot projects may be one way to test capacities and working relationships. In a detailed study of localizing development cooperation, the researchers concluded "generally, donors need to invest more time in understanding the civil society sector as a whole, in order to inform a strategic, long-term and system-wide approach, rather than focusing too much on their individual projects."¹⁰⁹

Decision-making processes in determining which CSOs to support vary considerably among DAC donors and with respect to the various funding mechanisms. There are several areas of consideration to inform policy approaches to funding decisions:

- **Avoid rigidly defined processes and policies:** A call-for-proposal mechanism, for example, is characterized by very defined decision-making steps that have been built into the call. These steps include setting out strict criteria, eligibility and decision-making grids, with no pre-proposal exchanges between the CSO and government officials. This approach is common and increasingly used by DAC donors. It is praised for its transparency and the technical creation of a 'level playing field' in the aid-provider's management of short-term CSO project relationships. But as noted above, it is also criticized for not strengthening engagement with smaller organizations, for limiting access to longer-term CSO programmatic innovation, and for undermining sustainable and longer-term partnerships with CSOs in developing countries.
- **CSO accreditation and decision-making:** Funding modalities that provide core support for CSOs require a robust and lengthy accreditation process. It is essential that such accreditation be built into the aid-provider's decision-making process. Once these organizations gain this type of funding, they have the flexibility to undertake activities with minimal direction from the aid-provider.¹¹⁰ The critique of this modality from the point of view of the aid-provider's decision-making is that it encourages notions of ongoing 'entitlement' on the part of the CSO being supported. However, recent research suggests that core funding can play an important role in strengthening the capacities of CSOs, including their responsive relationships with their beneficiary populations, thus strengthening country ownership.¹¹¹

- **Rapid responses to humanitarian emergencies:** As noted earlier, many DAC donors have developed lists of pre-approved CSOs who are eligible for quick release of emergency funding at the onset of an emergency. This decision-making process requires at the time only a decision about the level of funding to be delivered through the pre-selected organizations. Creating the list of eligible CSOs requires a due diligence prior-screening process by the institution providing humanitarian aid.

6.4 FUNDING MODALITIES FOR DIRECT DAC DONOR SUPPORT FOR CSOs IN DEVELOPING COUNTRIES

DAC donor funding for local CSOs in developing countries may be allocated through partnerships of CSOs in the donor country and through funds allocated directly by the donor to local CSOs in developing countries. Unfortunately the actual balance is not known. Various studies have documented increased direct support by DAC donors for CSOs in developing countries.¹¹² Recently, 20 of 26 DAC donors have reported that they allocate between 1 percent and 30 percent of their aid directly to NGOs in developing countries.¹¹³

There is increasing interest among DAC donors in strengthening a whole-of-country approach. These donors wish to focus more on donor approaches to a comprehensive country programme that include as partners not only government ministries but also civil society and the private sector.¹¹⁴ A whole-of-country approach assesses donor/developing country priorities in terms of national plans, but creates synergies between different actors in carrying out these plans, including support for CSOs in innovation and citizen monitoring. Such a whole-of-country approach is consistent with

the principles of SSC (solidarity and respect for national sovereignty). It is also an approach that is more inclusive of development actors, which might be important in achieving and sustaining development outcomes for SSC initiatives, particularly in the social realm.

DAC donors have historically mainly supported local CSOs through contractual relationships with intermediary CSOs based in the donor country, devolving the management of these relationships to the intermediary CSO. The latter in turn carry out programmes through local partnerships in developing countries. But as CSOs have evolved in developing countries as potential partners for donors, several recent donor funding modalities have emerged to support direct partnerships between donors and CSOs in developing countries:

- **Developing-country CSO intermediary:** Donors provide funding through individual intermediary CSOs in developing countries (including local affiliates of INGOs) at the national level to reach many smaller grass-roots organizations. These national organizations are selected on the basis of their technical capacities to manage the donor relationship, but also because they have proven access to community-based organizations. While such arrangements provide clear management relationships for funding and respond better to local conditions, they also rely on the implementing CSO's particular local partnerships and its reach into local communities, which may vary in quality.
- **Linking to sector support programmes:** Several donors (e.g. the UK's DFID and Canada's CIDA) have linked budget and sector support for a developing-country government ministry to an allocation of a proportion of this support to strengthen local CSO capacities in the relevant sector.¹¹⁵ These funds enhance a broader ownership of these programmes, support CSO-sponsored innovation and allow for citizens to

monitor government aid-supported programmes. On the other hand, they may also increase client relationships between local CSOs and government ministries, reducing the independence of these CSOs.

- **Local pooled-funding mechanism:** Some DAC donors contribute to pooled funds that combine resources from different donors to create a harmonized fund at the country level. Donors and local CSOs manage these locally pooled mechanisms jointly in varying degrees. The funds in turn allocate funding to smaller local CSO initiatives. Pooled funds may have a thematic focus (governance in Uganda) or provide support across sectors (Tanzania).¹¹⁶ These arrangements can take advantage of local capacities and strengthen ownership through local CSO management of donor funds (where they have effective roles in governance of the funds). They can reach out to smaller and community-based CSOs that might not have the capacity for a direct relationship with a donor or a national CSO. But such funds require transparent funding criteria and decision-making, and accountability to the local CSO community, if they are to avoid the perception of bias and divide the local CSO community. Funding of local CSO initiatives is often managed through a donor's embassy. The Swedish Case Study reports that about half of the agreements with local NGOs were direct support, and the other half indirect through local intermediate organizations.

7

DONORS AND CSOs: POLICY DIALOGUE AND CITIZENS' ENGAGEMENT

CSOs are increasingly engaging with DAC donors to influence policy directions and create learning environments. Selected CSOs are playing important roles in developing alternative policy proposals for government based on their unique experiences arising from their development practice. In most DAC countries, CSOs are very important actors in creating greater knowledge, sensitivity and support among the general public in the donor country for the activities of the donor government and agency in development cooperation. CSOs do so through their education programmes in schools, their fundraising activities, and their communications work with media, particularly in responding to humanitarian emergencies.



Social media and the Internet are increasingly important in engaging citizens and creating public support for aid.¹¹⁷

In the past decade CSOs have become major actors in strengthening the accountability of governments in both donor and partner countries. They do so through independent research and evidence-based advocacy to deepen donor and government commitments in development cooperation. With increased donor transparency, CSOs are able to monitor the allocation of donor funds, giving some independent assurance that it is going to the intended beneficiaries and achieving sustainable results on the ground. This CSO role assists donors and SSC aid-providers to check whether their interventions continue to be responsive to local needs in developing countries.

CSOs in donor countries also promote alternative development policies with both the public and donor agencies. Policy areas such as greater attention to food security, health, children's rights, climate change adaptation or livelihood issues affecting poor and marginalized populations, among others, are all important. Northern CSOs still tend to dominate spaces for policy dialogue in international forums, such as UN bodies and processes, but Southern CSO networks are becoming increasingly stronger voices in these and other global processes.¹¹⁸

Domestic CSOs in many middle-income countries involved in SSC have also been active in domestic policy dialogue and advocacy over the past several decades.¹¹⁹ However, to date, these CSOs, in India or Brazil for example, have not paid much attention to policy directions for their country's SSC. According to the Brazilian and Indian Case Studies, this exclusively national policy focus on the part of some of these CSOs may be changing as SSC expands and becomes more widely known in the country providing SSC aid. These CSOs could also play roles in deepening understanding and support for expanding their government's role in SSC among their populations.

In Brazil a periodic dialogue has evolved between Abong, the Brazilian NGO platform, and the government engaging with Brazil's international cooperation.¹²⁰ There is, nevertheless, evidence of growing interest in other parts of the government to take advantage of Brazilian NGO expertise.¹²¹ In India, the government created in September 2012 its Development Partnership Administration (DPA) to streamline all aid activities. Soon afterwards, DPA officials sought out Indian CSOs to discuss potential areas for dialogue and cooperation. In 2012 and 2013 a series of multi-stakeholder meetings were convened under the Forum for Indian Development Cooperation. These sessions aimed to increase mutual understanding of India's global development cooperation efforts, including the experience of Indian NGOs globally, and to establish some mechanisms for dialogue on India's external development policies.¹²²

In April 2013, TIKA, the Turkish aid agency, working with UNDP, held a workshop with more than 30 Turkish NGOs involved in Turkish development cooperation. The intention of this workshop was to contribute to the development of a TIKA development policy that included its relationships with Turkish CSOs.¹²³ While these initiatives are relatively modest, early indications reveal intentions with several South–South aid-providers to interact more regularly with their civil societies. They will do so to deepen not only programmatic relationships but also policy dialogue.

CSOs in developing countries have also organized themselves to contribute to local and national government policy processes. A recent evaluation of DAC donor support for national policy initiatives by domestic CSOs in Uganda, Mozambique and Bangladesh has identified some important ingredients and lessons for effective policy engagement.¹²⁴ The evaluation highlighted several critical factors that make for more effective policy engagement that are relevant to both CSOs and government:

- **Links with constituencies:** CSOs that can sustain and demonstrate links with large relevant constituencies have legitimacy and credibility in their voice for policy changes they propose with government.
- **Evidence-based research:** CSOs can contribute strong evidence-based, high-quality research and monitoring of government policies, on which governments can build an ongoing dialogue on policy options.
- **Sustained engagement:** Engagement with CSOs is best when it is not episodic and solely instrumental to government immediate policy needs. Most of the ‘successful’ policy engagements were the result of a decade or more of engagement. Governments and CSOs progressively built a mature relationship through dialogue. CSOs were able to strengthen support for development options through allies within government and the legislatures.
- **Skills and training in policy dialogue:** It is advisable to pay attention to the skills needed for effective policy dialogue and engagement. Professional human resource capacities for policy dialogue are weak in a majority of CSOs, particularly outside capital cities. Similarly, government officials may require new skills to organize effective consultations with CSO actors.
- **Working with CSO coalitions:** Governments are able to engage a wider range of CSOs when they work with representative CSO coalitions and networks. The latter can be a CSO national platform that brings together common CSO concerns that have evolved through the coalition’s deliberations with its members.

In policy dialogue, country politics shape the possibilities for engagement both nationally and locally, regardless of formal legal recognition of CSOs by governments. The donor evaluation drew a useful distinction between **invited space** (where governments seek out CSO policy advice) and **claimed space**

(where CSOs must claim for themselves the right to assert their policy perspectives 'from below'). When governments and CSOs have a shared interest in policy (such as expanding primary education or developing external aid policies), invited space is often a welcomed approach. In such spaces, however, CSOs can be wary of governments 'using' CSOs only to promote the legitimacy of predetermined policies. Annex 5 highlights some best practices for donors and governments in maximizing the mutual benefits from 'invited' policy dialogue. But CSOs in all three countries also 'claimed space' with local communities and organizations to promote policy changes and new laws. The evaluation pointed to significant disabling conditions for CSOs to claim a rightful space to undertake such policy engagement. The country studies drew attention to instances of government manipulation of regulatory and legal requirements for CSOs, limiting their operations and potential funding. Governments sometimes impose limitations on the right to assembly, which affects the space for participation and advocacy by representative people's organizations and other CSOs.¹²⁵

8

TRENDS IN DEVELOPING-COUNTRY CSOs: GOVERNMENT COLLABORATION

CSOs in developing countries have a variety of relationships with local and national governments, ranging from overt and hidden tensions to cooperation and collaboration. These relationships are very context-specific, a function of many social, political and historical factors. These factors include the government's faith and trust in the ways CSOs work, the overall political climate, gender relations, and the goals and strategies of particular CSOs — to name just some of the variables. There are, therefore, many variations to the government–CSO relationship that affect the interests of donors and SSC aid-providers in creating inclusive country ownership of local development policies and strategies.



8.1 DEVELOPING-COUNTRY GOVERNMENT FUNDING OF NATIONAL AND LOCAL CSOs

While there are no comprehensive statistics, all the studies consulted, along with several interviews, confirm that almost all funding for national and local CSOs involved in development cooperation comes from foreign donors.¹²⁶ A study of Kenyan CSOs documented that more than 90 percent of their funding came from international sources. Only 1 percent of CSO funds derived from the Kenyan government, either at the national or local level.¹²⁷ In a case study in Uganda, external grants accounted for more than 80 percent of total funding for CSOs in that country, whereas private contributors accounted for less than 3 percent. The remaining 17 percent of funds was from business income. Successful Ugandan NGOs have developed over time many skills in donor relationships. They usually have a broad portfolio of development interests, and these often change to meet changing donor priorities. Just as important are the links with local and international civil society networks to establish credibility and confidence with donors.¹²⁸

In Brazil, a high middle-income country, fully 78 percent of the members of Abong (a Brazilian CSO platform) reported in 2007 that they receive financing from international sources. But while this financing made up a large part of these members' budgets in 2003, by 2007 this percentage had fallen significantly. Brazilian CSOs were becoming less dependent on foreign aid sources.¹²⁹ There are no verifiable public estimates for international funding of CSOs in India, but popular newspaper accounts suggest that it is substantial. This funding may also be in decline as some traditional donors re-orient their aid away from middle-income countries. In China, on the other hand, private local donations account for more than 90 percent of the financing for Chinese NGOs.¹³⁰

8.2 RELATIONSHIPS BETWEEN CSOs AND DEVELOPING-COUNTRY GOVERNMENTS

In some developing countries, CSOs are seen as important actors by technical departments of government ministries at both the national and local level.¹³¹ However, this interest seemingly has not yet translated into long-term collaboration in the implementation of development programming.

In Africa very specific collaboration has occurred where governments require access to CSO infrastructure to deliver particular services in health, education or relief food assistance.¹³² These are contractual relationships to distribute government services. They usually involve either INGOs such as the Red Cross or sometimes CSOs that are created through government incentives for particular government purposes. Relationships with local government involving local/national CSOs are becoming more common, but these relationships are often affected by local cliental politics.

Ugandan CSOs have been successful in providing services that fill resource gaps of government agencies. These CSOs have established policy guidelines for development initiatives, and created awareness and empowerment of community members to engage in these processes.¹³³ While these CSO initiatives may be carried out independently of government, government is still able to influence the nature of CSO programming through various regulatory means. For example, in education programmes, government usually requires registration of the CSO, can set limitations on CSO interventions (geographic area or types of interventions) and can enforce standards (teacher qualifications or school curriculum).¹³⁴

In India, Pakistan and Bangladesh, there have been a greater variety of collaborations between CSOs and government.

These have ranged from CSO assistance for primary schools, management of government health centres, and support for local government sanitation programmes.¹³⁵ In many cases, the CSOs in question have developed a successful and mutually beneficial contractual relationship with the government. At the same time, they have been able to maintain autonomous programming as a CSO.¹³⁶ For example, in Bangladesh extensive CSO experience in basic education at the community level has formed the basis for collaboration with the national government. This collaboration has involved both expanding basic and early childhood education opportunities and formulating the National Education Policy.¹³⁷ CSOs that were more financially independent were more likely to enter into a successful partnership with government.¹³⁸

Conditions for effective government– CSO collaboration for service delivery

There are a number of important areas that seem to affect the capacities and outcomes of collaboration between governments and CSOs for service delivery. Clearly, every country government and each country's CSO sector are different and distinctive in what they might bring to collaboration, and both change over time.¹³⁹ Recognizing these dynamics, some common features for collaboration can be identified:¹⁴⁰

- **An enabling legal framework:** The stability of an enabling legal and regulatory framework for CSOs is an important precondition for mutual respect and contractual relationships between the State and civil society.¹⁴¹ This framework recognizes CSOs as development actors in their own right, and not merely as government subcontractors. The absence of such a framework in many developing countries makes it difficult for both government and CSOs to have sustained co-financing agreements. As noted earlier, in many developing countries the legal framework may be

outdated (e.g. India) or create restrictive conditions for CSO operations (e.g. putting limitations on sources of funding, demanding lengthy and complex registration processes or uneven regulatory frameworks etc.).¹⁴²

- **Government–CSO dialogue on appropriate programmatic approaches:** An open and transparent national policy for service delivery is an important element for effective partnership.¹⁴³ In some countries, CSOs expanded into service delivery partly because of the perceived failure of government programmes to provide these services. In the absence of dialogue on appropriate implementation policies at all levels, many highly competent CSOs are reluctant to enter into contractual arrangements with governments (or other external donors). The fear is that they will have little say over the directions of these programmes, particularly at the local and district level. Inflexible government contracts may also reduce the effectiveness of CSOs to be innovative and respond to local conditions and local ownership.
- **Building confidence is essential:** Relationships between governments and CSOs in developing countries are often fraught with suspicion on both sides. Wariness includes questions as to which side is truly serving the public good, distrust over access to financing, and a concern over patronage networks in local governance. Case studies in South Asia demonstrate the importance of gradually building trust. Positive outcomes are more likely where contracted activities can operate based on shared objectives with government, but on an understanding that CSOs retain their autonomy as organizations.

A long history of effective CSO service delivery (for example, in Bangladesh), recognized by all development actors, creates an important foundation for collaboration. In these situations governments do not feel threatened

to acknowledge that CSOs contribute in areas that the government cannot (e.g. access to work with communities and/or the provision of technical skills). On their side, CSOs work with the acknowledgement that the primary responsibility and mandate of government is to provide health or education services to its citizens. In this context, both government and CSOs share an interest in ensuring that the service delivery capacities of CSOs are continually improving.¹⁴⁴ Donors and governments often seek firm contractual conditions based on measurable short-term outcomes. These contracts can be a subject of tension, with iterative learning and exchange between CSOs and government. CSOs, on the other hand, often want to preserve informal relations despite contracts with government. Through informality, CSOs are able to strengthen areas for mutual advantage, which may not be apparent at the beginning.¹⁴⁵

INGOs and collaboration with developing-country governments

In developing countries, INGOs and Northern CSOs must work within the legal framework established by the government of the host country. In situations where INGOs have a significant presence on the ground, the government will often engage with these organizations at both a formal and informal level.¹⁴⁶

International financing of domestic CSOs (from donors, INGOs and CSOs in donor countries) is the primary means of support for the vast majority of domestic CSOs. A number of developing countries are beginning to track foreign financing of domestic CSOs, particularly for organizations involved in various forms of public policy monitoring and advocacy. Ethiopia, Egypt and the Russian Federation are high-profile examples, but the International Center for Not-for-Profit Law reports that in 2012 Pakistan, Bangladesh, Kazakhstan, Nicaragua and Malaysia also

were considering or have adopted foreign funding restrictions.¹⁴⁷ Governments have a legitimate concern and interest in tracking the work of CSOs in their country to maximize synergies and enable more effective government planning, but the imposition of funding restrictions and controls is a worrying trend for CSOs. The potential impact, whatever the stated intentions of government regulations, may be to limit an important role for CSOs dedicated to strengthening government accountability. Such controls may also affect the effectiveness of all CSOs working at the country level to make strategic holistic contributions in their respective areas of development, such as the provision of health care or education.

Increasingly, foreign CSOs are also required to enter into Memoranda of Understanding with a government of a developing country, which outline an agreement for their programme or presence.¹⁴⁸ Developing-country governments reasonably want information and agreement on INGO activity in service delivery. Both would want to avoid overlap and increase complementarity in the range of services being provided. Given the numbers of CSOs involved in development cooperation, aid transparency may offer a practical approach to realizing greater coordination. As more INGOs adhere to the IATI, the result should be a central registry of information about INGO programming around the world. Advances in data mapping will increasingly allow governments and other stakeholders to visualize the specific location and purposes of CSO programming and could lead to greater coordination.¹⁴⁹

9

ISSUES FOR CONSIDERATION: DEEPENING CSO INCLUSION IN SOUTH–SOUTH DEVELOPMENT COOPERATION

The experience of DAC donors in delivering aid through CSOs cannot easily be translated and applied as a ‘model’ for middle-income countries providing aid for SSC. This experience is highly diverse and difficult to generalize as a model for good practices. Equally importantly, SSC has its own principles and approaches within which greater engagement with CSOs need to be considered. Furthermore, CSOs in the DAC donor countries have been embedded and strongly influenced by a North–South ‘donor–recipient model’ of aid delivery for many decades. For both governments and CSOs in middle-income countries, SSC partnerships aim to be distinct from this



donor–recipient model. At its best, SSC is the result of common development experiences as middle-income countries, and the relevance of their different development practices to the conditions facing low-income developing countries.

With the exception of Turkey and a few CEE countries, research on middle-income countries involved in SSC did not reveal systematic inclusion of domestic CSOs in these programmes. There is, therefore, almost no SSC experience from which to draw lessons in structuring the inclusion of CSOs in SSC. Indeed, to date, it appears to be the case that there is very little dialogue with domestic CSOs in most South–South aid-providing countries to identify the issues involved. However, years of development experience of these CSOs could be highly relevant to the goals of SSC. It also seems that some Southern aid-providers have an interest in engaging more with domestic CSOs in their own country and in partner developing countries. Including CSOs in development cooperation efforts can both create domestic awareness on global issues as well as contribute to sustainable development results of SSC efforts.

Some interest, therefore, exists to deepen CSO engagement in SSC programmes. To take advantage of this interest, further groundwork may be required on the part of Southern governments and CSOs. It is useful to start by focusing on some overarching questions:

- Does the government providing assistance have any interest in building a relationship with CSOs for SSC, and if so, why is this? If not, why not?
- What are the SSC aid-providers' intended purposes for the aid programme in a particular country in which CSOs might participate? What are the intended roles for CSOs?

- What are the particular capacities of CSOs in these SSC aid-providing countries and partner countries, and do the services or CSO capacities match the purposes of SSC?
- Are there limitations in the current legal and regulatory framework for Southern CSOs, enabling or preventing them to undertake practical SSC through their own relationships in partner countries?
- What are the modalities for engaging in dialogue with CSOs in SSC aid-providing countries and partner countries to develop answers to the above questions?

If a greater engagement with CSOs in SSC evolves in the coming years, South–South development assistance providers could usefully undertake or enhance initiatives to work more closely with CSOs in five important policy areas:

1. define the inclusion of CSOs in official policies for SSC;
2. create an enabling legal and policy environment for development cooperation for all aid actors;
3. strengthen knowledge and capacities of CSOs in both partner countries and SSC aid-providing countries;
4. build trust through iterative programming relationships and mutual transparency; and
5. create space for policy dialogue and learning between CSOs and the institutions involved in SSC.

This conclusion will draw together some issues for consideration in each of these areas in turn.

9.1 SOME KEY ISSUES FOR CONSIDERATION

SSC emphasizes some key approaches — strengthening capacities for self-development, country ownership, non-interference or political conditionality, implementing principles of equality and mutual benefit, win–win and the need to “adjust the scale, arrangement, structure and sectors of its foreign aid in accordance with actual conditions” in developing countries.¹⁵⁰ Equally important is the point that many CSOs who are interested in SSC strive to be independent and voluntary organizations, with their own principles, mandates and programmes. Clarity in establishing areas of common purpose and objectives with these CSOs will be important for effective relationships in SSC. Clarity includes a shared recognition and agreement on limits in collaborations. From the CSO perspective this includes guarding against co-optation of their organization, real or perceived, as an extension of the SSC aid-providing State.

The five policy areas identified above provide a framework for considering a number of issues with respect to the roles of CSOs in South–South aid delivery.

1. HOW TO DEFINE THE INCLUSION OF CSOs IN OFFICIAL POLICIES FOR SSC

As SSC partners increase resources and institutionalize the coordination of these resources, they are elaborating policies that define the purposes and directions of their development cooperation. These policies are important for both institutional coordination and external transparency. A number of SSC countries are in various stages of defining or updating existing policy statements.

For those who wish to move in this direction, the process of developing policy presents an opportunity

to consider how the SSC aid-provider intends to work with CSOs in development cooperation within the context of SSC principles — such as self-development, mutual benefit and non-interference. CSOs are a well-established part of the development landscape in both partner and the aid-providing countries. There continue to be debates about the effectiveness and impact of CSOs, as there are with all aid delivery channels. But it is also recognized that CSOs can implement on the ground aspects of development cooperation particularly well — for example, in humanitarian assistance, in working directly with poor people in the social sector, or in strengthening practices and accountability in development cooperation.

CSO policies will, and should be, specific for each development partner country. This is also the case for most DAC donor countries. Within the context of implementing SSC principles, a government policy framework for SSC would usefully *inter alia* address the inclusion of CSOs as development actors, and at a minimum:

- a. **specify the rationale for collaboration with CSOs**, the expected results and ‘mutual benefits’ from this collaboration;
- b. **describe the eligible CSO constituency for cooperation** (national, INGO and partner-country) and their relationship to the SSC providers’ priorities and principles of cooperation;
- c. **set out the modes of CSO cooperation** (e.g. within government-to-government projects; drawing individuals from CSOs into technical assistance programmes; direct support from SSC-providing government to partner-country CSOs; use of CSOs in the SSC-providing country as aid implementers etc.);

- d. specify the overarching criteria for selecting CSOs** for programme partnerships (e.g. legal conditions; years/type of development expertise in SSC-providing or partner country; institutional capacities and governance; fiduciary capacities; existing relationships in partner countries etc.);
- e. provide an outline of the process for determining programme priorities with CSOs**, including the funding modalities (e.g. management through a dedicated section of a relevant ministry; decision-making processes for funding; types, purposes and periodicity of funding modalities etc.); and
- f. commit to periodic review of the implementation of these policies with affected CSO constituencies** in both the provider's country and in the partner countries to gather lessons and increase effectiveness (reviews would require transparency of funding opportunities and criteria; transparency in programme choices and outcomes, regular consultation mechanisms etc.).

Choice of financing modalities for CSOs

When determining appropriate modalities for financing CSOs in SSC, governments are rightly concerned about the issues of accountability and compliance with contractual terms in any funding arrangement. Nevertheless, the first consideration for elaborating policy on funding modalities will likely be the **choice** of appropriate modalities in relation to the objectives of the SSC provider and its potential CSO partners. As detailed for DAC donor funding modalities in Section 5 above, any modality will have different implications for the relative capacities of CSOs to effectively achieve **and sustain** agreed development outcomes. Limitations of current DAC funding modalities for effective partnerships with CSOs point to the importance of a diversity of funding modalities according to defined purposes of engagement.

No particular set of funding regulations in themselves reduces fiduciary risk any better than another. Addressing fiduciary risks is best seen as a holistic exercise. Measures can be built into eligibility requirements for CSO partners, into the terms of the contractual regime and into levels of monitoring the implementation of activities on the ground, irrespective of the nature of any particular modality, including long-term core programmatic support for some CSOs.

As noted in Section 5, the use of different modalities is more closely related to the aid-provider's overall purposes in engaging CSOs. In this regard, South-South funding modalities for CSOs might consider the following factors that are consistent with SSC principles:

- **Responsiveness to local CSOs:** A high degree of responsiveness to a local CSO's determination of conditions on the ground and the appropriate actions to address these conditions is consistent with SSC principles of mutual benefit and non-interference. Similar to SSC support for the priorities of partner governments, South-South aid-providers are better to resist the tendency to treat CSO partners as mere organizational instruments to deliver aid for their own purposes and objectives, in which these CSOs have had little or no opportunity to contribute.
- **Providing technical and financial resources to build on-the-ground CSO capacities:** SSC partners seek to strengthen equitable country-led development cooperation. If SSC is to work with a more diverse set of partners, it will be essential to be aware of and address the capacity needs of these partners in any funding relationship. Potential partners are more effective if they are fully engaged

in programme design at an early stage. South–South funding modalities might consider providing the needed technical and financial resources to strengthen local capacities for such engagement. Assessments of call-for-proposal mechanisms suggest that this modality, for example, is often not well suited for this purpose due to often built-in rigidities in requirements for implementation by the successful CSOs.

- **Programmatic flexibility likely to result in more local control and more effective work on the ground:** An iterative approach to programming activities in funding agreements, one that does not rigidly specify directions and a set of activities, allows for greater CSO scope for appropriate activities. This flexibility provides a basis for the CSOs to enter into respectful local partnerships. CSOs are able to meet the conditions of contractual accountability to the aid-provider but at the same time respect the centrality of local ownership needed to ensure an effective implementation by the local partner(s) of SSC development activities.
- **Developing a partnership, not only a funding relationship:** Many CSOs are willing to work with governments in programme delivery. But they also see themselves as independent organizations, not just a channel to deliver aid. Government actors in SSC, therefore, need to strike a balance — between a strictly contractual funding relationship (i.e. delivering a particular set of services or goods) and a more multifaceted partnership where over time increased trust allows for an exchange of experience and learning to improve development outcomes.

While acknowledging staffing and resource limitations of South–South aid-providers, best practice suggests

the importance of dedicating a small team within the aid institution or responsible ministry to managing CSO relationships in SSC. This formal structuring of responsibilities can take many practical and efficient forms, depending on the institutional context. Such a unit not only administers funding and partnerships with CSOs; it also coordinates these relationships with other parts of the agency or ministry and creates an important ‘institutional memory’ over time of the lessons and innovations arising from collaborations with CSOs.

2. CREATING AN ENABLING ENVIRONMENT FOR CSO ENGAGEMENT IN SSC

The legal environment for CSOs has evolved differently in each country. It is particularly important that CSOs have a clear and transparent legal framework within which to structure their domestic work, to participate in official SSC programmes and to undertake a variety of relationships with diverse stakeholders in the SSC aid-providing country.¹⁵¹ It is important that provisions allow for both direct partnerships with governments and for direct partnerships between CSOs. Regulations for legal accountability, such as the requirements for financial audits, need to be robust. However, these measures also need to be sensitive to the unique operational conditions in international CSO collaborations with foreign governments and with other actors in a foreign jurisdiction, working in sometimes difficult emergency or remote situations.

Best practice shows that it is efficient for South-South aid-providers to develop knowledge of the legal and regulatory environment for CSOs in partner countries, particularly when considering partnerships with CSOs in these countries. As noted already, some partner governments have been revising these laws

and regulatory frameworks in ways that may further disadvantage the work of CSOs. To develop partnerships that would result in effective development outcomes, it is important for all development actors to structure their partnerships with CSOs in ways that strengthen the possibility of all CSOs fulfilling all of their roles (including policy advocacy). Aid-providers are unlikely to want their interventions to inadvertently further compromise CSOs' independence as development actors (e.g. via indirect partnerships with CSOs through partner governments with the intention of limiting the scope of CSO activities).

3. STRENGTHENING THE KNOWLEDGE AND CAPACITIES OF CSOs IN BOTH PARTNER AND AID-PROVIDING COUNTRIES

South–South partners will establish more effective partnerships with CSOs when they understand the CSO environment and the potential contributions of various development actors to their programming priorities both in the recipient country as well as in their own. A specific mapping by SSC partners of the different capacities of development actors at the country level may facilitate greater and more effectively targeted collaboration. This mapping analyses *inter alia* the different strengths and vulnerabilities of major CSO actors in both country contexts. Mapping could help to identify synergies between the aid-providers, CSOs in the aid-provider's country and CSOs in the partner country in meeting the aid-provider's development goals. This mapping would include the interests of the relevant ministries in the government of the partner country and the specific objectives of the partner country's development plans.

A mapping exercise could be conducted in partnership with relevant CSO coalitions and platforms at the

partner-country level, as a way to more ably understand the dynamics of civil society and other actors on the ground. Such mapping might also include familiarity with current codes of conduct for CSOs. It could identify diligence measures for the SSC aid-provider to be assured of both the legal legitimacy of potential CSO partners and the quality of their development experience and capacities. In some countries it is also important to be aware of laws and regulations that might affect the practice of CSOs as development actors and their accountability to government and other stakeholders.

CSOs in middle-income countries have largely worked inside a domestic arena where they often have had a recipient relationship to the aid system. In developing partnerships thorough SSC, it is important that CSOs and aid-providers do not assume that all the skills required in SSC are the same as those honed within this domestic context. To engage effectively, CSOs may benefit from capacity strengthening in a number of areas: capacities for analysing appropriate ways of conducting international cooperation, for determining the conditions of a productive mutual partnership, for understanding approaches to development within a different country's cultural and political realities, for adapting existing skills to respond to expressed needs of partners, or for working equitably with counterparts in other countries, among others.

4. BUILDING TRUST THROUGH ITERATIVE PROGRAMMING RELATIONSHIPS AND MUTUAL TRANSPARENCY

Where there is little previous experience, decision-making regarding CSOs' potential role in SSC is likely to be an iterative process. It is one in which the SSC aid-provider and the CSO build knowledge and trust

of each other over time. One good way to start the process is through pilot projects that test capacities and working relationships of both partners. This will create a foundation for further, longer-term collaboration.

5. CREATING SPACE FOR POLICY DIALOGUE AND LEARNING BETWEEN CSOs AND SSC PARTNERS

Ongoing policy dialogue is an essential ingredient for developing trust and knowledge across different partnerships for SSC. The initiation of the multi-stakeholder Forum for Indian Development Cooperation, for example, will likely deepen relationships between the Indian government's Development Partnership Administration (DPA) and a range of Indian CSOs. Development cooperation can be affected by many dilemmas and knowledge gaps. Development actors benefit from systematic exchange of experience in elaborating policies, priorities and the most effective approaches. A great deal of this knowledge resides within the CSO community. CSO coalitions and country platforms are often ideally suited to facilitate engagement with a diverse and broad range of CSOs not easily accessible to the development assistance provider or government. They are also well suited to socialize information on SSC opportunities across a wide spectrum of potential CSO partners. Working with these coalitions and platforms to institutionalize regular dialogue and focused learning sessions could be an important element in SSC in both the aid-provider and partner countries.

A very limited space for and experience of government collaboration with domestic CSOs seems to be the current reality in many developing countries. Given the strong orientation within SSC to work with government partners, pilot initiatives could be explored to encourage collaborations between CSOs

and governments. Supporting direct partnerships between SSC-providing governments and CSOs is a way of assuring stronger capacities of domestic CSOs in partner countries. Research suggests that CSOs in partner countries are seeking closer working relationships with CSOs in countries providing SSC.¹⁵²

In recent years, governments, traditional donors, South-South aid-providers, multilateral organizations and CSOs have agreed on measures to improve their development practices. Many CSOs are learning from their experience to become more effective development actors. The result is stronger civil society — organizations with better credibility, effectiveness and policy advocacy for locally owned alternatives. Governments, traditional donors and SSC aid-providers have also been working to clarify the principles that guide their development cooperation. SSC is growing significantly each year. Perhaps the time has come to consider how to utilize the experience of CSOs, long considered only as recipients of aid, as the basis for productive and responsible SSC.