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Strengths and weaknesses of different funding types for CSOs

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Question

- What are the strengths and weaknesses of different funding types? (e.g., accountable grants vs contracts, long-term vs short term funding)

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1. Overview

Donors and civil society organisations (CSOs) have a shared interest in having an effective way of funding CSO projects or programmes – as well as an efficient and transparent process for awarding grants. CSOs that are looking for development financing generally prefer less bureaucracy from donors, simpler rules, and a shorter wait between the date they apply for funding and when they actually obtain their contract and payment. Many CSOs also often emphasise the importance of fair, transparent procedures providing opportunities to a wide variety of CSOs via a suitable mix of funding modalities (Webb et al., 2020; CONCORDE, 2020; FCDO, 2022; Wieners, 2022; Verbrugge and Huyse, 2018).

Certain CSO financing mechanisms might be better suited to large CSOs, which may have the capacity to form even larger CSO consortia. Conversely, some funding mechanisms might be more suited to funding opportunities for small CSOs and grassroots organisations in partner countries in the global south (Webb et al., 2020; Longhurst, 2016; Ismail, 2019). As such, some CSOs may benefit whilst others lose – whenever donors decide to use a particular funding scheme for specific CSOs projects or decide to change existing policy instruments broadly.

The design and adoption of various funding modalities by donors, however, raises some important questions on the strength and weakness of each instrument – thereby underscoring their complexity; the need to carefully identify an instrument suited to the unique needs of specific CSO groups; and the need to combine various financing tools for best development outcomes.

Brief summaries of key financing tools for CSOs and their unique strengths/weaknesses (discussed further in subsequent sections):

- **Direct grants** awarded to CSOs without competitive calls for proposals (e.g., BRAC Bangladesh, DFID-funded CSO project) offer donors efficiency in funding certain CSOs – particularly those that have exceptional competence in their field of activity (e.g., during times of emergency, humanitarian crisis, and need for rapid response) or in a particular partner country or locality. However, their unusual nature (e.g., vis-a-vis financial rules) makes these funding schemes limited in scope and applicability.
- **Follow-up grants** (e.g., BRAC Bangladesh, DFID-funded CSO project), which are provided to CSOs that were already benefiting from earlier funding, also introduce efficiency and flexibility to donors. CSOs with a track record of competence in delivering development outcomes will be rewarded. Furthermore, successful CSO programmes will be scaled-up or expanded. This scheme will also save CSOs and donors time, money, and bureaucratic burden (in forgone calls for proposals and tenders). However, this funding system might also, unfortunately, penalise potentially competent CSOs that do not have a prior engagement with a donor. There might also be transparency issues involved in justifying such funding. Additionally, even CSOs that are benefitting from initial and follow-up funding might face challenges if the funding transition is not smooth.
- **Blended financing** (e.g., European Development Fund), where donors use their own grants to attract additional (non-grant) external financial resources to CSOs, enabling them to leverage limited donor funding and grow the overall funding pool available for CSOs. The downside of this funding tool is, of course, that it makes the funding of CSOs conditional on the successful buy-in by the private sector, which may often not succeed

for many projects and partner countries with undeveloped private/financial sectors – or other forms of fragility.

- **Re-granting** or **sub-granting** (e.g., EU Support to Sub-National Democratic Development), where a donor provides funding to a certain CSO (or CSO-consortium) that in turn sub-grants the finance to other CSOs, helps to widen the support to grassroots CSOs in partner countries – without the considerable administrative burden to the donor. However, unless handled by a trusted sub-grantor, this CSO financing scheme might lead to worries about the misuse of development funds.
- **Operating grants**, where donors provide funding to explicitly finance certain operating expenses of CSOs, might be an innovative way of supporting uniquely positioned CSOs or umbrella organisations (e.g., European NGO confederation - CONCORD) or CSOs working in particular fields such as human rights.
- **Long-term CSO financing schemes** (such as the EU's 'Civil Society Organisations and Local Authorities' programme and various 'Framework Partnership Agreements') help maintain and grow the strategic partnership between certain donors and CSOs. This is because this funding scheme provides CSOs with greater flexibility, longer timeframes, and a more strategic focus. Unsurprisingly, CSOs often prefer such longer-term (programme based) funding, rather than the short-term 'project funding' cycle that is more popular among major donors, including FCDO.
- **Pooled financing**, such as 'Multi Donor Trust Funds' – where multiple donors jointly finance programmes (e.g., Regional trust fund in response to Syrian crisis), have the advantage of unlocking considerable size of funding for CSOs – especially to finance big or multi-country and/or multi-sector programmes. However, these basket funds might imply high transaction costs, as multiple donors try to manage the programme process and coordinate multitude of actors.
- Eased **co-financing** requirements, which make sure that part of the funding to CSOs comes from the CSOs themselves or other sources, help to ensure the ownership of the project by the beneficiaries and create sustainability, and post-project interventions. Many EU funded CSO projects, for instance, have historically enjoyed co-financing schemes. However, given the capacity limitations of CSOs in the global south (i.e., unlike CSOs based in Europe), donors like the EU have often covered 90-95% of the funding in co-financed projects for local CSOs. In some cases, where CSOs do not fulfil standard co-financing requirements, it has been advised that full funding should be considered – instead of co-financing.

Whilst some of these financing tools have distinct (positive and negative) implications for CSOs, the potential impact of other financing tools remains unclear – especially those of i) newer and more innovative funding schemes as well as ii) tools that aren't new but haven't been widely implemented by donors (Webb et al., 2020).

Trends in CSO financing schemes and their broader implications:

- The process of awarding CSO grants (especially those advertised internationally and competitively) by donors (such as the EU) tends to increasingly target large consortia of CSOs. Generally, there also seem to be fewer and larger calls over time (Webb et al., 2020; Longhurst, 2016; Ismail, 2019). For instance, the number of global calls for proposals targeting CSOs has decreased noticeably in the 2014-2020 period, and major donors now seem to target large CSO/NGO consortia and umbrella organisations, who are also the primary beneficiaries of direct awards and longer-term programmes (Webb et al., 2020).

- There is also growing use of CSO funding mechanisms such as 'Framework Partnership Agreements', core funding, and direct awards for international and regional CSO umbrella organisations, and regular use of compulsory sub-granting across international CSOs (Webb et al., 2020; Moilwa, 2015; Ismail, 2019).
- Some funding mechanisms are being introduced or expanded by donors specifically to support smaller, local CSOs in partner countries. Sub-granting, ring-fencing, lower co-financing requirements, and new mechanisms like the European Instrument for Democracy and Human Rights (EIDHR) funding facility are examples of this (CONCORDE, 2020). Sub-granting appears to have been readily accepted by donors such as the European Commission (EC). At the same time, other tools that could help local CSOs compete (for example, more ring-fencing) have been less common in recent calls (Webb et al., 2020).
- Targeting only large CSO network organisations on the one hand, and grassroots groups on the other, runs the risk of underfunding the work of CSOs "in the middle." It is important to fund all of CSOs' roles in order for them to contribute their full potential to development (Webb et al., 2020).

It is worth noting, however, that there is a relatively limited evidence base on the strength and weaknesses of different CSO funding instruments. Much of the publicly available documentation around donor-funded CSO projects and programmes often describes information about funding just as it relates to specific projects covered. There are fewer documents, evaluations, and academic studies that systematically compare various funding types benefitting CSOs – and not least explicitly highlighting the 'strength' and 'weaknesses' of each funding scheme.

2. Grants versus contracts

Development agencies such as FCDO channel funds to CSOs, particularly to those in developing countries, through a diverse set of funding instruments. These **funding types broadly include legal contracts** as well as other funding instruments such as **'accountable' grants** (DFID, 2019; FCDO, 2022). These funding types will be discussed further in subsequent sections.

Each funding modalities and type of CSO partners have their own strengths and weaknesses. As such, donor-CSO agreements are mechanisms to get the best out of suppliers and delivery partners. The selection of which funding arrangement and CSO partner to use will be made as part of the business case written for all programmes and the specific design of funding agreements seeks to maximise development impact (DFID, 2020).

In recent years, for example 2019 to 2020, FCDO/DFID has been working with CSOs to customise the 'Supply Partner Code of Conduct' for application to its accountable grants for

CSOs.[1] This allows FCDO and its CSO partners to submit an application for grants as well as contracts on the Code's protections on safeguarding, social responsibility, environmental protection and other vital areas (DFID, 2020).

2.1 Growing use of contracts, over grants

The major difference between a grant and a contract to CSOs is the donors' expectation from the agreement made with beneficiaries or partners (Wieners, 2022):

- **Contract**: implies that donors and CSOs come to an agreement on particular results and outcomes that the CSOs must attain. Beneficiaries/CSOs may face the consequences if they fail to meet their targets. In the private sector, contracts are typically used when two parties agree on a task to be completed. One party agrees to pay a certain amount of money, while the other agrees to finish the job (Wieners, 2022).
- **Grant**: is a funding mechanism based on similar premises to contracts, but it is understood that the CSO carrying out the program cannot guarantee the project or program's success. The grantee will be expected to do his or her best, but there will be no legal consequences if the grantee fails. The grantee may be ineligible for future grants if they do not deliver on their proposal, but they will not be penalised (Wieners, 2022).[2]

Table 1: highlighting the differences between grants and contracts

	Grants	Contracts
CSO funding modalities	• Typically awarded over a 'more or less' competitive call for proposals (CfPs) • Usually entails reimbursement of eligible costs	• It is awarded by 'strict' competitive tendering procedures • Involves ex-ante payment by results, for risks borne by the contractor • The funding amounts match to the agreed-upon price, and this may involve a profit margin
CSO funding eligibility	It mostly targets not-for-profit organisations, even though private sector may be eligible	It has a strong focus on the private sector, even if not-for-

[1] DFID's DFID Supply Partner Code of Conduct presents the overarching Principles for Supply Partners. It describes the aims of an inclusive culture of best practice with the delivery partners with whom FCDO/DFID engages, and which receive UK taxpayers' funds (DFID, 2018). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750988/Supply-Partner-Code-August-2018.pdf

[2] Contractors can be a mix of CSOs/NGOs, academic institutions, private sector companies that deliver a small but important part of DFID's programming. All are international development organisations that provide a wide range of activities and services, including technical assistance (DFID, 2019).

		profit organisations may be eligible
CSO operational independence	This funding mechanism gives CSOs significant autonomy. But this will remain within limits set by policy strategies and by the particular requirements of the grant agreement	There is limited autonomy for beneficiaries under contract. This is because of the strong focus on results delivery.
Key characteristics	Often entails a direct financial contribution to CSOs or projects involved.	It involves a mutual agreement between donors and CSOs (or other partners) for the delivery of specific goods or services.
Legal matters	It is generally not subject to the rules of procurement.	It is subject to rules of procurement.

Source: Verbrugge and Huyse (2018), table adapted from https://international-partnerships.ec.europa.eu/index_en. Reproduced under CC by 4.0.

Main donors like the EU, US, and the UK have been spending an increasing amount of overseas development assistance (ODA) via commercial contracts, rather than grants (Verbrugge and Huyse, 2018; Wieners, 2022). These contracts differ from traditional project and programme grants in several ways (Verbrugge and Huyse, 2018):

- Unlike traditional CSO grants/programme funding, contract funding schemes are often accessible and appealing to commercial actors, such as consulting firms or other business players.
- Tendering procedures and procurement regulations are used by donors to award contracts when they require a contractor to provide a service that they cannot provide themselves. This frequently translates into an ex-ante payment-by-results agreement, which shifts the risk to the contractor.
- Contracts are explicitly focused on the delivery of specific goods or services, whereas grants allow for some beneficiary autonomy.

Nevertheless, the line between grants and contracts is becoming increasingly blurred. Contracts are being awarded for a wider range of tasks, some of which are becoming increasingly central to CSO development cooperation, while grants are increasingly coming with conditions.

The use of commercial contracts is increasing as a result of several key factors (Verbrugge and Huyse, 2018):

- From donors' perspective, contracts may be a good way to deal with demands for accountability and efficiency.
- For a weak state or civil society with limited capacity to implement projects and programmes (i.e., those in 'fragile environments'), contractors may provide an alternative solution.
- Contracts are proving better suited – as donors and their development assistance progressively takes the form of technical assistance.

- The donor community's growing embrace of private sector partners has also facilitated the development of new/adapted funding channels (including wider use of contracts) to improve private sector access.
- The lack of capacity by donor agencies (particularly in some sectors and localities) creates incentives to outsource tasks through contracts.

2.2 "Accountable" grants

The 'accountable grant' funding mechanism is a type of responsible grant scheme that requires the grantee/CSO to notify the donor (e.g., FCDO) of any suspected or alleged misuse of funds right away. The fund manager or an independent auditor will investigate any allegations or actual misuse of funds, and appropriate action will be taken to recover aid funds (FCDO, 2022).

In the case of FCDO accountable grants, recipients of accountable grants (i.e., CSOs) will be required to report on spending on a quarterly basis. FCDO has the right to stop funding at any time during the agreement if the level of financial risk becomes unmanageable or if there is evidence of fraud under the accountable grant arrangement. The fiduciary risk is thus transferred to grantees, who are rewarded for developing robust risk monitoring systems in order to ensure that their downstream partners are diligent in preventing and detecting fraud (FCDO, 2022).

The financial risk and the risk of fraud are moderate with accountable grants because accountability and transparency measures are in place (FCDO, 2022). With donor funding declining, it's more important than ever to lay a solid foundation for mutually beneficial collaboration with CSOs, including systems for transparent and accountable grant-making (USAID, 2015).

It has been noted that FCDO/DFID's work with CSOs is increasingly focused on partnerships with higher efficiency, transparency, and accountability standards (DFID, 2019).

3. Longer-term versus shorter-term funding

Longer-term programmes (e.g., Partnership Program Agreements (PPAs)) provide more strategic funding to international CSOs than short-term and often smaller funding (TNA, 2017; Verbrugge and Huyse, 2018). Complex grant instruments and innovations (such as local Partnership Agreements and multi-donor joint funding agencies) promise a more strategic approach to long-term development challenges, better coordination, and lower transaction costs if they are based on well-defined and trackable strategic objectives (TNA, 2017).

Longer-term (i.e., partnership based) CSO funding programmes have lower administration costs as a percentage of total annual budget, because the donor, for example, may not be involved in day-to-day fund administration. These (often strategic) funding instruments provide selected 'influential' CSOs with guaranteed longer-term financing (TNA, 2017).

Unlike short-term projects, longer-term funding instruments (such as DFID's 'Challenge Fund' or long-term projects under country programmes) also require CSOs to plan ahead. For example, from concept note to bank funding, the process can take up to 18 months. Conversely, these instruments have the advantage of being transparent and fair. As a result, CSOs can have faith in the process. CSOs are frequently provided with information, briefings, and consultations as part of these programmes (TNA, 2017).

With the end of DFID's central unrestricted funding instrument, almost all funding received by DFID's CSO partners goes toward project implementation, with funding tied to results frameworks. Some external reviews of DFID CSO projects (ICAI, 2019) argued that project funding is based on detailed budgets and reporting, whereas unrestricted funding can be used flexibly and at the discretion of the CSO – thus, potentially improving the transparency of DFID-funded spending.

The short-term nature of FCDO/DFID's CSO funding is not good for the sector's long-term health, argue ICAI (2019). Project-based funding, combined with DFID's new funding mechanisms' stringent new requirements, has improved the accountability and transparency of its CSO partners. However, as a result of this funding model, CSOs have become more closely tied to DFID as service providers, leaving less room for supporting an autonomous, strong civil society in its priority partner countries.

ICAI (2019) further contend that DFID, for example, has not effectively acted on its own recommendations to avoid overly strict requirements, which add significant costs to CSOs and can limit their operational space. The end of unrestricted funding, the income volatility caused by the consolidation of funding instruments, the individually reasonable but collectively overburdening conditions and requirements of these instruments, the unnecessarily high investments required to develop funding proposals, and the increased due diligence requirements are all factors that pose challenges for CSO partners (ICAI, 2019).

4. Strengths and weaknesses of different funding mechanisms for CSOs

Table 2: Simple grant instruments

No	Funding Type	Description	Strength	Weakness	Examples
1	Direct Grant /Award	• Such grants can be awarded without a need to call for proposals.[3] • Grants to non-state actors are usually awarded through calls for proposals, so direct grants to CSOs are an exception to the financial rule (Webb et al., 2020).	• Direct grants can be given to actors who have a high level of specialisation or technical competence that is required for a specific type of action – and one that is not covered by a call for proposals (Webb et al., 2020). • CSOs (or other agencies) that receive these grants may have a de facto or de jure monopoly, which means that the grant beneficiaries (which could also be	• Direct grants are frequently given in a small number of circumstances, such as to support humanitarian aid or emergency relief (Webb et al., 2020).[4]	**BRAC Bangladesh, DFID-funded CSO project:** • This was one of the best-achieving grants (among many CSO funding schemes evaluated by ICAI, 2019) • It was also one of the largest one: a £223 million five-year grant. • BRAC is a very large CSO that is based in Bangladesh, with which the UK government has had strong and evolving relations since its establishment nearly 50 years ago. • The relationship between FCDO/DFID and BRAC in Bangladesh is an example of the department actively engaging with a non-governmental organisation to pursue a successful innovation. DFID contributed to the initial pilot funding and then continued to fund replication, adaptation, and scale-up of the model in Bangladesh (by other organisations

[3] Article 125, EU Financial Regulation

[4] Direct awards by major donors (e.g., EU grants) are normally made to international organisations, such as UN agencies or development banks, rather than to CSOs. Direct awards could also be relevant and feasible when working with local authorities, given their de facto monopoly status (Webb et al., 2020).

			a consortium) have exclusive competence in the field of activity and/or geographical area to which the grant relates pursuant to any applicable law; or are the only organisation operating or capable of operating in the field of activity and/or geographical area to which the grant relates by virtue of all factual/technical/legal considerations (Webb et al., 2020).		as well), and also independent evaluations of the outcomes. • Nevertheless, FCDO has not yet completely used its influence to encourage BRAC's efforts to do the same work (i.e., scale-up and expand) outside of Bangladesh (ICAI, 2019; DFID, 2016).[5] **EU Global Public Goods and Challenges (GPGC) thematic programme; Environment and Climate Change strategic area** (CONCORDE, 2020).[6] • Some programme components were financed by direct grants but the role of CSOs is not stated clearly. • It seeks to enhance environmental protection and to help people alleviate and adapt to climate change in a development context.

[5] BRAC targeted the poorest women in rural communities with a mix of asset grants, small cash transfers, food supplements, hygiene and family planning education, basic healthcare services, entrepreneurship training, and frequent coaching. This multifaceted support model has been evaluated numerous times, and evidence shows that the majority of the women who were targeted were able to make long-term improvements. BRAC and many other organizations have been adapting and testing this model to fit a variety of other country contexts (ICAI, 2019; Banerjee et al, 2015).

[6] https://www.gtai.de/resource/blob/167600/e96679946c802c363a68fbb369917189/pro201910095002-data.pdf

					• It encourages a transformation towards an inclusive green economy in partner developing countries. **EU Global Public Goods and Challenges (GPGC) thematic programme; food and nutrition security and sustainable agriculture and fisheries** (CONCORDE, 2020). • Certain programme components were financed by direct grants. • The key role of CSOs is recognised in core programme priorities areas for food security. • CSOs are mentioned as partners in delivering market opportunities and providing services to generate new jobs in rural areas along value chains.
2	Follow-Up Grant	• These are grants given to existing beneficiaries as a way to reward their past high performance (Webb et al., 2020).	• Historically, calls for proposals (such as those issued by the EU and other donors) have not taken into account the performance of projects previously funded by them (or other donors). This makes it difficult to	• Only CSOs that have already benefited from previous grants and have completed a successful project would be eligible for follow-up grants. • other challenges include avoiding a funding gap between the initial and follow-	**FCDO**: See again **DFID-BRAC partnership**, mentioned above under 'direct grants'. BRAC (a Bangladeshi CSO) also benefitted from follow-up grants, apart from direct grants. • ICAI (2019) review noted that DFID and its funding intermediaries have not been effective at recognising and following up on successful innovation among CSOs – as they do not systematically collate information on results.

			continually fund programmes, even when they have produced positive results (Webb et al., 2020). • However, few donors have recently become more willing to fund projects that meet a set of pre-determined, objective performance criteria. This is thought to encourage high performance, strengthen sustainability, and promote the spread of best practices (Webb et al., 2020; ICAI, 2019).	up grants and determining performance after a potentially brief implementation period. • Any follow-up grant mechanism must be transparent (i.e., non-discriminatory) and must include clear performance indicators (Webb et al., 2020).	• CSOs complain that the majority of their (and donors') effort is often focused on meeting reporting and compliance requirements rather than discussing what could be done next in terms of replication and scale-up (ICAI, 2019). • Past innovations were underutilised, as donors like DFID failed to act on several examples of successful innovations identified in external evaluations of UK Aid Direct (ICAI, 2019; Coffey, 2014). **EU**: Since 2014, EU has been trying to get away from a project-based way of working with CSOs to introduce greater programme funding, pooled funding, streamlined calls for proposals, **follow-up grants and regranting schemes** (CONCORDE, 2020).

Table 3: Other innovative grant instruments

No	Funding Type	Description	Strength	Weakness	Examples

1	Blending	This entails utilising grants to attract non-grant resources to supplement sustainable development financing, such as loans, equity, and guarantees from development finance institutions, as well as commercial loans and investment (Webb et al., 2020).	• This is an vital way to leverage extra resources and boost the impact of aid to support inclusive, sustainable growth and job creation (Webb et al., 2020).	• Blending mechanisms do not directly offer funding opportunities for CSOs – unless they in some way associate themselves with private sector beneficiaries or get funding through loans taken up by governments (Webb et al., 2020).	**The European Development Fund** (EDF): • This is a large and a long-running programme, which is primary focusing on the reduction/eradication of poverty in African, Caribbean, and Pacific (ACP) countries. • Lately, EDF accelerated the use of innovative modalities, like the blending of loans and grants, in an effort to leverage new resources from the private sector and investment banks (CONCORDE, 2020). • CSOs may benefit from funds in various ways. CSOs may be eligible for funds allocated to priority sectors (e.g., in country programmes) or earmarked support if this is not the case (CONCORDE, 2020). • The EU spent €2 billion in grant money on regional blending facilities, leveraging €20 billion in loans from European financial institutions and regional development banks to fund over 240 projects (Webb et al., 2020). • A growing number of consultations with CSOs on blending facilities are being organised by EuropeAid (Webb et al., 2020).
	Re-Granting (block grants or	This is a funding mechanism in which a donor funds one organisation (e.g.,	• Re-granting could be a way to help local grassroots organisations that are unable to	• The monitoring of re-granted funds must be sufficient to prevent misuse.	**EU Support to Sub-National Democratic Development** (SNDD) programme (Webb et al., 2020):

	sub-granting)	major CSO or CSO consortium), which then facilitates funding (sub-grants) for several smaller or grassroots organisations or small CSOs (Webb et al., 2020).	participate in a call for proposals as co-applicants or in any other capacity (Webb et al., 2020).	• Re-granting could be considered a way of transferring the administrative burden of a project from the donor to a third party. • The principal grant beneficiary is financially responsible vis-à-vis the donor for the correct use of the financial support. • Terms for providing financial support to third parties are strictly defined in grant contracts, and applicants must usually account for the granting criteria in their full funding application (Webb et al., 2020). • However, it is helpful to avoid promoting sub-granting in a way that would distort the partnership between the local coordinating organisation and its	• EU offers support CSOs through re-granting, but a restriction of €60,000 per sub-grant is kept. • **Myanmar**: Re-granting was "encouraged" but was not obligatory, for example, in the CfP to support CSOs in Myanmar. First choice was given to proposals that included sub-granting of at least 50% of total amount. • **Fiji**: Re-granting was adopted/required in EU's funding to CSOs in Fiji. This was to promote human rights and development in the country. **Instrument for Pre-Accession (IPA) programme** (CONCORDE, 2020)**:** • Re-granting has been used (in combination with other funding modalities) to support CSOs • EU provides both political and financial support for strengthening of CSOs in 'pre-accession' process. • IPA targets social, economic and legal reforms in countries that will be potential EU member states.

				local partners. Transforming CSOs into some kind of sub-contracted donor agencies is not in the best interest of either donors or CSOs (Webb et al., 2020).	
3	Operating Grants	This is a type of core funding given by donors to CSOs to cover their operating costs – e.g., staff, rental/property maintenance, equipment, and travel costs (Webb et al., 2020; CONCORDE, 2020).	CSO that are most likely to obtain core funding include those focusing on governance, democratic ownership, human rights, advocacy or capacity building. These funds may also be provided to CSO coalitions and networks (Webb et al., 2020; CONCORDE, 2020).	Operating grants are usually given in the form of a direct award. As such, the scale tends to be limited (Webb et al., 2020; CONCORDE, 2020).	**CONCORD (the European NGO confederation for Relief and Development)** has been directly awarded operating grants by EC since 2003. This is on the basis of the unique role the CSO plays in linking the EC with CSOs active in international development, and because of its wide scope (Webb et al., 2020; CONCORDE, 2020). Funding of some programme components within broader and longer term **'Framework Partnership Agreements'** (often signed with umbrella organisations of local authorities, see next section) is regularly conducted through operating grants (Webb et al., 2020; CONCORDE, 2020).

Table 4: Longer-term and/or contract-based instruments

No	Funding Type	Description	Strength	Weakness	Examples
1	Long Term Funding (Framework Partnership Agreement (FPAs))	This mechanism funds the long-term cooperation between donors and strategic/key partners (CSOs), which receive the grants (Webb et al., 2020).	CSOs often prefer such programme-based long-term funding, since it offers them greater flexibility, longer timeframes, and a more strategic focus – unlike the typical short-term project funding model traditionally followed by most donors (Webb et al., 2020).	• FPAs tend to benefit the larger and better-known CSOs (internationally or at country level). • The use of such funding schemes could result in a concentration of donor funds in a few 'influential' CSOs, thus reducing other funding. • The contest for such funds will be intense, and the application processes is often intense, with only a few CSOs eventually benefiting.	**Foundation for Civil Society (Tanzania), DFID-funded CSO partnership**: • Funding targeted at capacity building of local CSOs, safety nets, governance and policy engagement. • The CSO/foundation was established to support development of civil society in Tanzania. • DFID Tanzania committed £3.8 million, while other donors, such as the Swiss Agency for Development and Co-operation and the Royal Netherlands Embassy, have also offered financial support (TNA, 2017).[7] **Manusher Jonno, 'For the People' (Bangladesh), DFID-funded CSO partnership**: • Programme provides funding to Bangladeshi CSOs to support small-scale but vital initiatives

[7] The CSO is run by a Secretariat and governed by an independent Board and a Council of Members. It is also the Secretariat (i.e., not donors) that administers the grants the Foundation provides to local CSOs (TNA, 2017).

				• Overall effect of FPAs could become negative if they turn out to be the only mechanism for delivering funding to CSOs. FPAs are best used as part of a mix of various funding delivery mechanisms to deliberately prevent this (Webb et al., 2020). • Sufficient transparency over funding decisions is required for the success of these instruments (Webb et al., 2020).	that are not covered by other governance initiatives. • DFID Bangladesh facilitated the establishment of this human rights and governance programme with funding of £16.5 million. This was to strengthen poor women, men, and children's capability to demand better governance and the realisation of their rights (TNA, 2017).[8] **Civil Society Organisations and Local Authorities (CSO-LA) thematic programme:** • Programme is intended to improve CSOs and local authorities in partner countries, enhancing governance and accountability through inclusive policy-making by empowering citizens – which will be done through strategic partnerships (CONCORDE, 2020) • €53.9 million has been allocated by EU for framework partnership agreements under CSOs (i.e., Non-State Actors and Local Authorities), facilitated through Multi-annual

[8] Although DFID provided the funding, it had no say in which CSOs get funds through the programme. Instead, funding decisions were made by contracted-out project management or steering committee (TNA, 2017).

					Indicative Programme (MIP) 2014-2020 (Webb et al., 2020).[9]
2	Pooled Funding (Multi Donor Trust Funds)	In a pooled funding mechanism, two or more donors together finance a CSO programme on the basis of prior agreed objectives and an agreed reporting system. Funds from individual donors are not earmarked (Webb et al., 2020).	The use of trust funds has opened up substantial new funding opportunities for CSOs working in partner countries (Webb et al., 2020).	CSOs, however, fear that donors may in future concentrate most of their funding in trust funds, thereby reducing other funding opportunities better suited to – e.g., small CSOs or CSOs working in sectors deemed 'non-priority' by donors. In general, such basket funding schemes might also worsen aid fragmentation, instead of aid harmonisation. Due to the multitude of actors involved in basket financing, there will also be high transaction costs	**EU regional trust fund in response to Syrian crisis** (Webb et al., 2020): • Targets international, European and local CSOs active in the non-humanitarian response to the Syrian crisis. • Objective is to provide aid to about 400,000 Syrian refugees and the most affected host communities in Lebanon, Turkey, and Jordan, focusing on education, livelihoods and food security, targeting especially children and young people. **EU's Central African Republic 'Bekou' crisis trust fund** (Webb et al., 2020): • Trust funds (€64 million from various channels) is used for the benefit of CSOs to address 'Bekou' crisis.

[9] See also: https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1430731628566&do=publi.detPUB&page=1&orderby=upd&searchtype=QS&nbPubliList=50&orderbyad=Desc&aoref=150053&userlanguage=en

				to coordinate all responsible actors (Houssa and Megersa, 2020).	
3	Eased co-financing requirements	This financing scheme helps the main donor not to be the sole funder of a CSO or CSO linked programme, by requiring that portion of the cost assumed by CSO or by contributions from other donors (Webb et al., 2020).	To date, co-financing has been the primary source of European funding for CSOs. It is regarded as a crucial principle for ensuring ownership, expanding the potential of aid funds, and increasing the long-term viability of CSO programmes. Full funding (unlike co-financing) tends to imply a contractual service instead of a grant relationship, and has therefore been discouraged (Webb et al., 2020).	Southern CSOs may be unable to meet standard co-financing requirements due to limited resources. The European Commission, for example, recommends that full funding for CSOs be considered when the co-financing requirement is a real impediment to achieving aid goals (Webb et al., 2020).	The EU typically provides up to 90% of funding for local CSO actions, but only up to 75% for European CSOs. Smaller local CSOs in partner countries may be able to negotiate 95% or even 100% funding at the proposal stage, in exceptional cases (Webb et al., 2020).
4	Large Multi-Sector Initiatives	Large, multidisciplinary (flagship) programmes that encourage broad, cross-sector	Such initiatives frequently aid in the formation of broad alliances between CSOs and relevant stakeholders	The extent to which CSOs may benefit (if at all) from funding from Multi-Sector Initiatives is determined by each programme's	EU's **Global Climate Change Alliance+** (GCCA+) – flagship initiative that supports climate adaptation in partner countries in the global south – works with CSOs. Some programme components aim at financing activities put forward by CSOs (Webb et al., 2020).

		partnerships to address major development challenges can sometimes benefit CSOs (Webb et al., 2020).	(governments, private sector, social partners, academia, and so on), as well as the development of collaboration with local partners and other international actors. Large multi-sector programmes can be funded through joint contributions from various programmes due to their cross-cutting, multi-dimensional nature. They can also be supplemented with funds from geographical programmes (in collaboration with partner countries and regions) and other donors (public and private), as well as by blending (Webb et al., 2020).	specific focus areas (Webb et al., 2020).	

5	Ring-fencing	This implies putting aside all or part of the budget for funding a particular programme activity or specific CSOs.	Third-country CSOs, as well as grassroots and community-based organisations that struggle to compete with larger CSOs, can benefit from ring-fencing if a specific percentage of funds within a call is allocated to them.	In theory, ring-fencing should ensure more balanced competition between bigger or established CSOs and new players. However, it appears that sub-granting has been a more popular funding method than ring-fencing, in this regard (Webb et al., 2020).	Ring-fencing has appeared in some EC calls for proposals under the **CSO-LA Thematic Programme** (see first row above, i.e., FPAs). For instance: • CSOs Actions to Enhance Social Development: Focus on Maternal and Child Nutrition in Kenya • CSO-LA Thematic Programme Uganda In-country calls in Uganda and Kenya in 2015, under CSO-LA programme, explicitly mentioned ring-fencing a specific percentage (30%) of funds for local actors/CSOs (Webb et al., 2020).

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