

Advantages and Value of Funding NGOs in the Global South

Zenobia Ismail
University of Birmingham
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Question

What are the advantages and added value of giving donor funding to NGOs in the global south rather than to international NGOs?

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1. Summary

This rapid literature review examines the advantages or added value of providing donor funding directly to Non-Governmental Organisations (NGOs) or Civil Society Organisations (CSOs)¹ based in the global south, rather than channelling such funding through International Non-Governmental Organisations (INGOs). The literature reveals that United Nations (UN) agencies and INGOs receive the bulk of donor funding and operate as intermediaries between donors and NGOs located in developing countries (Walton et al, 2016; Ali et al, 2018). Donors prefer to operate through intermediaries in order to reduce the administrative burden of managing multiple contracts and relationships, as well as to transfer the risk of managing local partners to the intermediaries (Tomlinson, 2013; Majid et al., 2018). However, case study evidence from South Sudan and Somalia indicates that direct funding to NGOs in the south is increasing (Majid et al., 2018; Ali Al, 2018).

The evidence on the advantages or added value of direct funding to NGOs in the south is extremely limited (Moilwa, 2015). The literature is located mainly in policy documents on partnerships between INGOs and local NGOs in developing countries or new trends in funding for CSOs. It discusses the anticipated advantages of supporting NGOs and CSOs in the south, but offers little evidence to support these claims. In addition, the Humanitarian Policy Network produced two case studies of direct funding to NGOs in South Sudan and Somalia. There are very few articles in the academic literature which touch on the advantages of supporting NGOs in the south.

The interest in providing donor funding directly to NGOs in the global south has increased because of the following reasons:

- The global shift in power and resources towards the south has implications for how development is undertaken (Longhurst, 2016);
- Expectations that CSOs from the BRICS² countries and Mexico would play a prominent role in south-south development cooperation (Moilwa, 2015);
- Concerns regarding the legitimacy of INGOs (Walton et al., 2016);
- Trends within leading INGOs to shift influence to national branches located in the south (Walton et al., 2016);
- Concern that INGOs will crowd out local NGOs (INTRAC, 2015); and
- The Busan principles of ownership, results, partnership, transparency and mutual accountability (Moilwa, 2015).

The literature identifies the following advantages or added value of funding NGOs in the south:

- *Sustainability*: Local NGOs are able to maintain projects and programmes long after INGOs have exited (Altahir, 2016; Williams, 2016).
- *Empowerment*: It is widely argued that building the capacity and empowering local development actors in developing countries is an inclusive and democratic approach to development (Moilwa, 2015; Longhurst, 2016).

¹ The terms NGO and CSO are used synonymously in this document.

² Brazil, Russia, India, China and South Africa

- *Climate change*: It is anticipated that the complexities of responding to climate change requires ongoing partnerships with local NGOs and CSOs (Altahir, 2016). However, Longhofer et al. (2016) found no evidence that domestic NGOs have a positive impact on environmental policy reform. In contrast, INGOs are notably more successful in terms of influencing environmental policy (Longhofer et al., 2016).

There are several risks and limitations for CSOs in the south, which should be considered in the debate on funding modalities (Moilwa, 2015):

- NGOs in developing countries may have hostile relations with national governments, particularly if they are critical of governance, corruption and human rights violations (Moilwa, 2015);
- The rising powers (including the BRICS countries) prefer state led development with a focus on government to government relationships (Moilwa, 2015);
- High transaction costs (Tomlinson, 2013);
- The limited capacity and ability to scale up programmes among NGOs in the south (Ali et al., 2018; Majid et al, 2018); and
- Dependence on external funding (AbouAssi, 2013).

The case studies from South Sudan and Somalia indicate that although direct funding to local NGOs is increasing, the UN agencies and INGOs still dominate the humanitarian sector. In Somalia, local NGOs received 0.5% of overall humanitarian funding for 2017 (Ali et al, 2017), while in South Sudan, local NGOs received 4.9% of total funds for 2017 (Majid et al., 2018). Evidence on the benefits of providing direct funding to local NGOs in these countries is not yet available.

The literature reviewed in this document did not make reference to gender issues.

2. Background

NGOs and CSOs are important development actors. Development Assistance Committee (DAC) donors have a long history of working with civil society and have four basic rationales for delivering aid through CSOs (Tomlinson, 2013):

- Local partners are needed to provide service delivery in recipient countries;
- To promote democratic processes and social accountability in partner countries by supporting independent organisations;
- To increase public awareness about aid and development; and
- To enhance the capacity of local CSOs.

INGOs are the largest and most established civil society organisations in terms of organisational strength and policy influence in the development sector (Walton, Davies, Thrandardottir, & Keating, 2016). The history of the structures, practices and prejudices in the aid system have resulted in the domination of access to funding and international policy-making fora by the larger INGOs (Longhurst, 2016). A recent report conducted by Development Initiatives found that 85% of official humanitarian funding is channelled through northern INGOs while only 1% goes to NGOs in the south (Walton et al., 2016). There is increasing awareness of the low levels of resources which are directly managed by southern CSOs. The consequences of this approach

include lost capacity and expertise at the local level, donor interests prevail over community interests and limited voice for people in the south (Longhurst, 2016). In the UK, several funders have stated that they intend to increase direct funding for local CSOs in the south or that they will ensure that local ownership guides their funding strategies (Longhurst, 2016). For example, the Big Lottery Fund committed GBP 2 million to set up the “People in the Lead” programme help rebuild communities in Nepal after the earthquake. Although the Big Lottery Fund had to work through INGOs in the UK, the programme was set up so that small development actors in Nepal could apply for funding with fewer restrictions. PHASE Worldwide works with its local partner PHASE Nepal which has over 150 staff in Nepal who were able to respond the humanitarian crisis caused by the earthquake (Longhurst, 2016). In addition, some INGOs are engaged in radical transformations in order to shift the balance of power to partners in the south (Preston, 2017).

DAC donors allocate funds to CSOs in developing countries through partnerships of CSOs in the donor country or through direct transfers of funds to CSOs in the south. Among 26 DAC donors, 20 report that they allocate 1% to 30% of their aid to NGOs in the south (Tomlinson, 2013). Some DAC donors are interested in developing comprehensive country programmes that encompass governments, CSOs and the private sector.

INGOs can operate as intermediaries through which donors channel funds to local NGOs (Tomlinson, 2013). The local NGOs are selected because they are better placed to respond to local conditions but also have the technical capacity to manage relationships with funders. The INGO assumes the risk of managing local partner CSOs. Government departments can also act as intermediaries. The UK Department for International development (DFID) and the Canadian International Development Agency (CIDA) stipulate that a proportion of their budget support funds are used to strengthen local CSO capacity (Tomlinson, 2013). Another approach is for donors to set up a pooled fund which is jointly managed by the donors and local CSOs. This approach can include smaller community based CSOs and may be more effective in terms of yielding local ownership and capacity building. The Swedish International Development Agency (SIDA) distributes half of its funding to CSOs directly, while the remainder is distributed through intermediaries (Tomlinson, 2013).

3. Funding to NGOs in the south

Motivations for funding to NGOs in the south

The literature mentions the following motivators for shifting funding to NGOs or CSOs in the south.

South-south development cooperation

The Global Partnership for Effective Development Co-operation envisages that CSOs from the BRICS countries and Mexico will play a prominent role in south-south development cooperation (Moilwa, 2015). The BRICS countries, Turkey, Saudi Arabia and Poland are expanding into new roles and models for south-south development initiatives (Tomlinson, 2013). In 2011, south-south development was estimated to be worth USD 17 billion (Tomlinson, 2013).

Policies for the inclusion of CSOs in south-south co-operation should encompass the following issues (Tomlinson, 2013):

- A rationale for working with CSOs;
- Eligibility criteria for collaboration with CSOs;
- Expected modes of collaboration;
- Overarching criteria for selecting CSOs for partnerships;
- Transparent processes for determining programming priorities with CSOs; and
- Conditions for policy dialogue and periodic review of south-south cooperation policies.

Determining the appropriate funding modality for engaging with CSOs in the south is critical. The evidence indicates that no particular set of funding regulations is adept at reducing fiduciary risks. The following factors should inform the choice of funding modality (Tomlinson, 2013):

- Maximising the responsiveness of local CSOs;
- Provision of technical and financial resources to build capacity on the ground;
- Balancing flexibility and accountability to facilitate local control; and
- Developing sustainable partnerships which go beyond funding relationships.

Limitations of short-term funding for NGOs in the south

The United States Agency for International Development (USAID) focuses on long-term development aid, but also has an Office of Foreign Disaster Assistance which provides emergency or disaster response (Altahir, 2013). Subcontracting to local NGOs is useful for attaining quick results for one-off projects, such as food distribution or rehabilitating schools because of natural disasters. Short-term funding can also be useful during acute emergencies when quick impact is desired. Subcontracting is a less costly response because it does not require capacity building for local partners. However, short-term funding does not contribute to strengthening the capacity of local partners. In contrast, long-term partnerships between INGOs and local partners aim to build local development agents with greater capacity to lead or take over development and processes after INGOs leave (AbouAssi, 2013; Altahir, 2013).

Declining legitimacy of INGOs

Since the late 1980s there have been concerns regarding the legitimacy of international NGOs stemming from the following factors (Walton et al., 2016):

- Dwindling support for liberal democracy and human rights;
- Mismatch between contemporary global challenges and the capacity of INGOs; and
- Backlash against INGOs from countries in Asia, Africa and Latin America.

Within INGOs there is a trend to shift greater influence to national branches in the south and to streamline efforts to influence southern governments (Preston, 2017). For example, Amnesty International's "closer to the ground" strategy aims to shift decision-making to the global South (Walton et al., 2016). Oxfam, Save the Children and Amnesty International have undertaken internal restructuring in response to the changing environment. Several organisations including Civicus and Action Aid have moved their headquarters to Africa. Amnesty International and Oxfam International have appointed leaders from the global south in recent years. They also pursue a two track strategy which seeks to lobby northern governments while attempting to influence national governments in the developing world (Walton et al., 2016).

Partnerships

The complexity of humanitarian crises has created more opportunities for partnerships between international and local actors (Altahir, 2013). INGOs and UN agencies need to react quickly and efficiently which raises the importance of establishing relationships with the local population. The Irish Association of Non-Governmental Development Organisations (Dóchas) highlights three reasons for a partnership approach with NGOs in the south (Williams, 2013):

- Strong local ownership of programmes;
- Support capacity of local CSOs so that they can lobby for broader social change; and
- CSOs in the south are natural allies with their northern counterparts.

The international community recognises the right to development which is mentioned in several international instruments, such as the Universal Declaration on Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights (Altahir, 2013). The right to development was also adopted in 1986 by the United Nations General Assembly Resolution 41 – 128. Embedded in the right to development is the right of local people to participate in development processes. Hence, development agencies must give villagers and suburban communities an opportunity to participate in the process of developing and managing their communities and livelihoods (Altahir, 2016).

Partnerships are a useful tool to expand the coverage of development interventions, increase the impact of projects and foster the sustainability of NGO services (Altahir, 2016). Partnerships can also be a conduit for transferring the management and oversight of development programmes from INGOs to community-based organisations (Altahir, 2016). Table 1 lists the ten principles which guide partnerships between Dóchas members and southern CSOs (Williams, 2013).

Table 1: Dóchas Principles for Partnerships

THE 10 DÓCHAS PARTNERSHIP PRINCIPLES ARE AS FOLLOWS:

01. Partnerships are based on a shared vision of development
02. Partnerships are based on shared organisational values
03. Partnerships are based on an agreed strategy
04. Relationships are based on mutual accountability and trust
05. Partnerships are based on a mutual commitment to long-term change
06. Expectations from partnerships will be set at a realistic level
07. Partnerships are based on clear roles and responsibilities
08. Partnerships are flexible and adaptable to change
09. Partnerships respect difference and recognise power imbalances
10. Partnerships ultimately deliver positive change for intended beneficiaries of projects.

Source: Williams, 2013, p. 7

Guidelines for direct funding of NGOs in the south

Longhurst (2016) offers the following recommendations to guide the transfer of funding to NGOs and CSOs in the south:

- *Accountability should be paramount.*
Accountability should not be flowing upward. Instead, for CSOs to be effective they need to be accountable to those closest to the ground. Funders should therefore encourage participation of citizens in all stages of a CSO's work. Feedback should be solicited and used to pursue continuous improvement.
- *Balance short-term results with long-term sustainability.*
There is an emphasis on short-term, measurable project outputs even though this may not be aligned to long-term, sustainable social change, which is desired. It is necessary to revise metrics so that a more flexible, long-term approach can be adopted to encourage changes in the local context.
- *Invest in the core capacities of southern CSOs.*
Many of the challenges included in the Sustainable Development Goals are complex. In order to address them, resilient organisations and leadership, which can respond to disruptive changes, are required. This entails a shift from an emphasis on project funding towards funding which provides incentives for NGOs in the south to build their long-term capabilities. Hence, it is necessary to invest in the core capacities of civil society actors in the south. The Ford Foundation and the Open Society Foundation are grant makers that provide funding for institution building for development actors in the south (Longhurst, 2016).
- *Address funding criteria that act as a barrier to southern ownership.*
Funding modalities have a strong influence on the profile of NGOs. For example, requirements for matched funding or intensive reporting requirements favours larger NGOs. However, funding criteria that provide incentives for positive partnerships can encourage larger INGOs to invest in their local NGO partners. Funders must become cognisant of the administrative barriers that curtail access to funding for NGOs and CSOs in the south.
- *Funder collaboration can support CSOs on the ground.*
Better information sharing, co-development of strategy and a holistic understanding of the drivers of change may improve development outcomes. Funders can collaborate to ease the burden on CSOs in the south by streamlining the reporting processes.
- *Funders can facilitate the creation of learning by supporting evidence generation and peer learning spaces.*

NGOs in the south contend with many disruptive changes and therefore need flexible funding (Ward & Bigg, 2016). Funders must support the organisational skills, systems and capabilities of NGOs in the south. Moreover, grant decisions must reflect a deeper understanding of the effects of disruption on the ground. Grant makers can provide financial incentives for INGOs or other intermediaries to share learning or organisational development with CSOs in middle-and-low-income countries (Johnson, 2016; Ward & Bigg, 2016).

4. The value of NGOs in the south

Advantages of NGOs in the south

Sustainability

A key advantage of supporting NGOs in the south is that they are able to continue to provide services and support to beneficiaries long after INGOs have exited (Altahir, 2016). Dóchas notes that working with local partners might be slower and more complex in the early stages, but it improves the likelihood that the project will be sustained after the external NGO leaves (Williams, 2013).

Empowerment

Local NGOs have achieved impressive results under difficult circumstances and deserve support. “Empowering [local] NGOs and building capacity thus establishes a stronger system that will enable services to continue in the event of further complications associated with development activities” (Altahir, 2013, p. 5).

Climate change

Climate change is expected to increase the burden on disaster response as it has short, medium and long-term consequences (Longhurst, 2016). Consequently, there is a greater need for local, less expensive partners in the development process at community level. Partnerships between INGOs and southern NGOs may help to identify potential hazards and ultimately save more lives. For example, drought is a long-standing issue in Ethiopia. Aid organisations have devised coordination methods that encourage partnerships between INGOs and Ethiopian NGOs which facilitate better preparedness (Longhurst, 2016). Furthermore, the success of local NGOs in the north (such as the Sierra Club in the US) with regard to environmental protection has stimulated interest in supporting similar organisations in the south (Longhofer, Schofer, Miric, & Frank, 2016). However, a quantitative comparative analysis of the impact of domestic and international NGOs on environmental policy reform found that the former had little influence on policy (Longhofer et al., 2016).

Risks and limitations for NGOs in the south

The literature mentions the following challenges for south-south cooperation and working with CSOs in the south in general:

- South-south civil society led initiatives are relatively unknown and under analysed (Moilwa 2015);
- The rising powers prefer state led approaches to development, hence there is a focus on government to government relationships (Moilwa 2015);
- The rise of government sponsored NGOs which have preferential access to government funds (Doane, 2017);
- Many CSOs lack the information systems necessary for documenting the international initiatives systematically (Moilwa 2015);

- Concerns regarding government intentions to regulate civil society in some developing countries (Doane, 2017);
- The rise of fake news, bots and artificial intelligence technologies which challenge the messages and credibility of civil society (Doane, 2017);
- Some NGOs in the south are dependent on foreign funding and adapt their programmes to suit the preferences of donors (AbouAssi, 2013).
- CSOs in the south may have difficult relationships with the state. For example, the legal framework and political context may be highly restrictive (Moilwa 2015);
- The tendency to undermine some civil society initiatives such as LGBT+ rights as the infiltration of “western values” in the south (Doane, 2017);
- Rising powers see development as part of foreign policy which raises the sensitivity of some key issues and undermines dialogue (Moilwa 2015); and
- The shrinking of independent funding which is not linked to government or business interests for CSOs (Moilwa 2015).

In addition, DAC donors note the following challenges that they confront when working with CSOs in the south (Tomlinson, 2013):

- High transactions costs;
- Duplication and coordination challenges;
- Limited capacity of CSOs; and
- Balancing donor and CSO priorities.

Advantages of INGOs

INGOs such as CARE, Oxfam, the Red Cross, Save the Children and World Vision have experience and strong capacity for rapid response to complex humanitarian emergencies (Tomlinson, 2013). They have highly trained and experienced personnel and have established long-term partnerships with local counterparts in areas affected by conflict.

There is little evidence that domestic NGOs have a positive impact on environmental policy reform (Longhofer et al., 2016). Instead, INGOs have a positive effect on all aspects of national environmental policy reform. “The overall strength and durability of the impact of international environmental groups are striking, especially in contrast to the evanescent and consistently smaller effect of domestic NGOs” (Longhofer et al., 2016, p. 1759). Moreover, there is no evidence that the impact of domestic NGOs is amplified in developing countries when INGOs are present. Longhofer et al. (2016) contend that most local NGOs in developing countries are weak and poorly funded and therefore have limited potential to instigate meaningful social change.

5. Case studies of direct funding for NGOs in the south

The case studies were developed using secondary data on funding flows and interviews with senior managers in INGOs, local NGOs, UN agencies and other development actors. There is little evidence of the actual benefits or impact of direct funding for local NGOs.

South Sudan

Since 2006, the South Sudan NGO Forum, a voluntary independent networking body, was established to facilitate cooperation between INGOs and national NGOs (Ali et al., 2018). By 2013, there were 136 international members and 92 national members. “The forum provides a platform through which national and international NGOs, the government of Sudan, UN, donors, and other external stakeholders can exchange information, share expertise and establish guidelines for more networked, efficient and effective use of aid resources in South Sudan” (Ali et al., 2018, p. 6). Due to governance and economic crises in South Sudan Official Development Assistance (ODA) funding was diverted from state institutions and given to support humanitarian relief efforts. In 2017, national NGOs received USD 3.6 million in direct funding from donors and a further USD 50.8 million from UN agencies (Ali et al., 2018). The South Sudan Humanitarian Fund (SSHF) gave USD 14.2 million to national NGOs. In total, national NGOs received around 4.9% of the total funds given to address the 2017 crisis in South Sudan (Ali et al., 2018).

The majority of the funding for national NGOs was given via intermediaries such as UN agencies and INGOs or channelled through the SSHF. Donors prefer to operate through such intermediaries to reduce transaction costs and because they do not have capacity within South Sudan to manage a large number of contracts. Although donors are looking for ways to increase direct funding to national NGOs, thus far there has been limited success (Ali et al., 2018). For example:

- DFID provides funding to national NGOs through the SSHF, UN agencies and different consortia in which an INGO is the lead contractor;
- USAID provides funding to national NGOs through the International Organisation for Migration (IOM) managed Rapid Response Fund as well as UN agencies and INGO subcontracts; and
- The European Civil Protection and Humanitarian Aid Operations (ECHO) provides no direct funding to national NGOs in South Sudan.

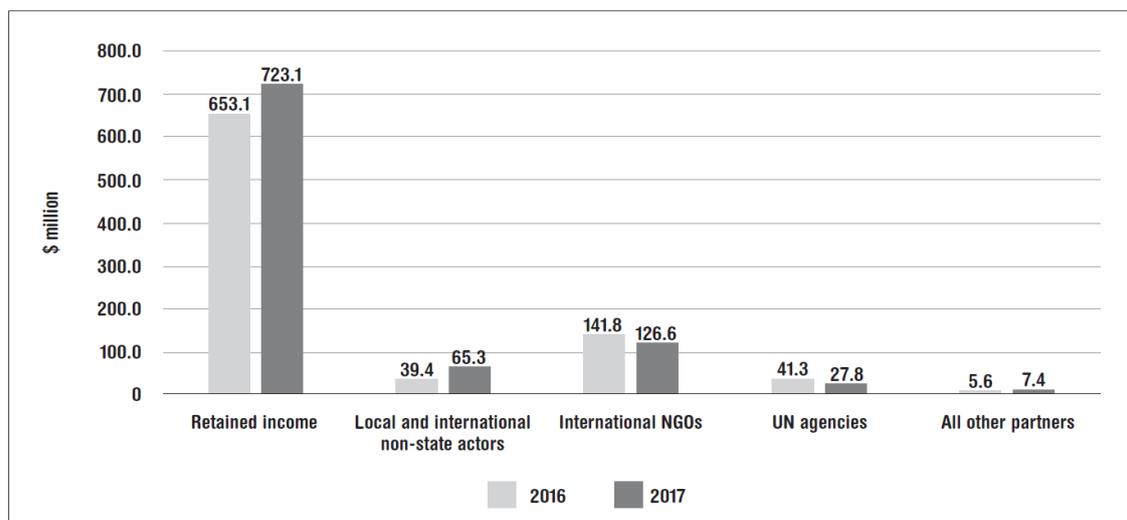
Interviews with national NGOs found that the main sources of funding were obtained from UN agencies (Ali et al., 2018). For example, UNICEF provides funds to national NGOs via its Programme Cooperation Agreements and small-scale funding agreements. There is considerable variation in the extent to which national NGOs rely on funding from the UN. For example, one national NGO obtains 9% of its funds from the UN while another claimed that 50% of its funding came from UN agencies. In 2017, it was estimated that national NGOs obtained:

- 41% of their funding from UN agencies;
- 25.5% of their income from INGOs usually in the form of sub-grants; and
- 28.4% of their income from the SSHF (Ali et al., 2018).

The SSHF, the Rapid Response Fund and UN agencies are discouraging INGOs from subcontracting to national NGOs. Instead, they advise national NGOs to approach the schemes directly for funding (Ali et al., 2018).

Figure 1 reveals that there has been considerable growth in funding provided to local and international nonstate actors in South Sudan from 2016 to 2017. At the same time, there has been a slight decrease in the funding provided to INGOs and a more dramatic decline in the funding channelled to UN agencies in South Sudan (Ali et al., 2018).

Figure 1: Growth in funding to local and national NGOs



Source: Ali et al., 2018, p. 10

Interviews with national NGOs revealed that they were not satisfied with their level of decision-making authority because they were not able to influence the prioritisation or management of funds (Ali et al., 2018). Although national NGOs are part of coordination clusters which involve the state, INGOs and UN agencies, these clusters do not influence funding allocations. National NGOs felt that there were many barriers in terms of communicating their needs and influencing the priorities of donors that were not involved in the clusters (Ali et al., 2018).

Some of the barriers for direct funding of national NGOs in South Sudan are as follows (Ali et al., 2018):

- ECHO regulations state that it can fund agencies only if they have an office in the European Union.
- The complexity of the requirements and regulations relating to funding from USAID and other donors. While INGOs have specialist staff in their head offices or in Juba who understand donor requirements, national NGOs often lack this ability.
- The absence of clear policies or guidance among donors for intermediaries wishing to collaborate with national NGOs.
- The perception that national NGOs are better suited for development work rather than humanitarian work in South Sudan. This occurs because many national NGOs were formed with a development agenda that was influenced by the history of donor funding in South Sudan before 2013.
- Donors have more confidence that INGOs from the north can scale up and respond to humanitarian crises.
- Lower visibility of national NGOs especially in the national coordination mechanisms.
- National NGOs have little contact or engagement with donors. Hence, donors are not fully aware of the challenges, issues and strength of national NGOs.
- A few serious cases of fraud and corruption involving national NGOs has tainted the reputation of all national NGOs in South Sudan.

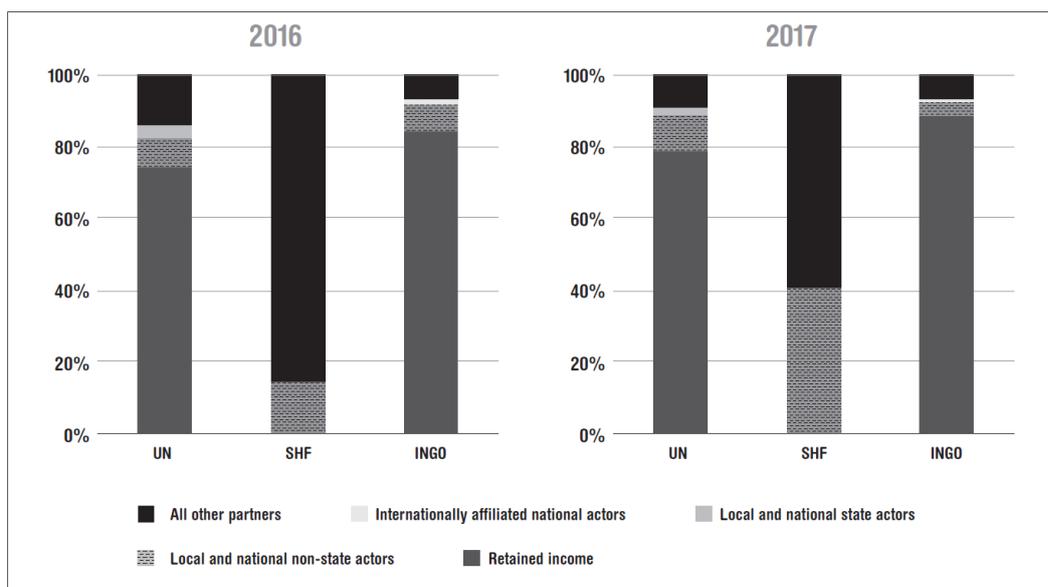
- The provision of short-term funding does not help national NGOs to cover their overheads. Therefore, it is difficult for national NGOs to build their internal systems and strengthen their management capacity. Moreover, national NGOs have very little funding with which to purchase assets. There were two cases where national NGOs used their unrestricted overhead funding to pay for direct implementation costs that were not covered by the intermediary. However not all national NGOs have access to unrestricted overhead funding.
- Short-term funding creates uncertainty and national NGOs are hesitant to employ additional staff or invest in developing their systems.
- There is a large number of national NGOs in South Sudan that compete for funding. Moreover, donors struggle to become familiar with the large number of national NGOs and minimise their risk by giving them small short-term grants.
- There is a brain drain because experienced workers at national NGOs often get jobs at international NGOs or the UN.
- There is a need for more evidence to support the case for direct funding for national NGOs.

The national NGOs in South Sudan are relatively young. The majority of their funding comes from humanitarian sources. There is a risk of creating a funding dependency on short-term humanitarian funding. It is also possible that a few successful national NGOs may become overburdened while others are underutilised (Ali et al., 2018).

Somalia

In Somalia there was no direct funding to local actors in 2016 but in 2017 they received USD 6.5 million (0.5% of overall humanitarian funding in 2017) (Majid, Abdirahman, Poole, & Willitts-King, 2018). Figure 2 indicates the change in funding for local and national non-state actors from 2016 to 2017.

Figure 2: Proportion of Total Income Passed to Partners



Source: Majid et al., 2018, p. 7

In terms of indirect funding, local CSOs receive 9.7% of overall funding (around USD 128 million, excluding the value of cash and in-kind contributions). However, the humanitarian sector is dominated by UN agencies and larger INGOs, as they have the capacity to cope with large fluctuations in funding as well as risk (Majid et al., 2018). Interviews indicate that UN agencies and INGOs operate as gatekeepers and “crowd out” local NGOs, but local NGOs have failed to self-regulate and are mired in clan-territorial divisions.

The following factors undermine the potential for the localisation agenda in the humanitarian sector in Somalia (Majid et al., 2018):

- Absence of national policies and regulation especially in the banking and legal sectors;
- Many actual and alleged cases of corruption; and
- Many of the operating costs of working in Somalia are not recorded by local NGOs or INGOs.

Local NGOs listed the following benefits of direct funding for their organisations (Majid et al., 2018):

- Negotiate better salaries and benefits;
- More realistic project costs;
- More generous overhead contributions; and
- An opportunity to showcase their work.

The donors mentioned the following practical challenges in terms of providing direct funding to local and national actors (Majid et al., 2018):

- ECHO can only directly fund European based NGOs;
- Administrative burden of many contracts;
- INGOs have capacity to absorb surges in funding which occur because of humanitarian crises, such as the famine in 2016/7;
- Compliance risks especially since anti-money laundering and counter-terrorism regulations increase the difficulty of disbursing funds in Somalia;
- Risks of corruption and the negative publicity this generates;
- INGOs provide a firewall and act as intermediaries between donors and local NGOs;
- Competition for funding among local NGOs could lead to division or even violence; and
- Greater funding could stimulate growth in the already crowded NGO sector.

The Somalia Humanitarian Fund (SHF) provides flexible funding to local CSOs and permits them to receive overhead costs. In addition, the application process requires a thorough evaluation of the project proposal which generates a sense of ownership (Majid et al., 2018). In the past, considerable resources were invested in capacity building in Somalia. More recently, INGOs note that capacity building for local partners is a challenge especially since they engage in remote management of some projects (Majid et al., 2018).

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