

Funding Mechanisms to Local CSOs

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Question

What are the current funding mechanisms and the barriers to local CSOs successfully gaining access to FCDO funding? To what extent FCDO funding leads towards organisational development and sustainability?

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1. Summary

This rapid literature review collates available literature on funding mechanisms and barriers to local CSOs gaining access to funding and the extent to which funding leads towards organisational development and sustainability. There are a range of definitions of what 'civil society' entails and what 'local' means. Civil society can be broadly defined as the area outside the family, market and state. As such, civil society encompasses a spectrum of actors with a wide range of purposes, constituencies, structures, degrees of organisation, functions, size, resource levels, cultural contexts, ideologies, membership, geographical coverage, strategies and approaches.

Given the diversity of CSOs and the variety of contexts, sectors they work in and the services they supply, it is challenging to summarise funding mechanisms available to local CSOs and the barriers to accessing these. Recent analyses of CSO funding report that while the total CSO funding in many contexts has continued to increase in absolute terms since 2015, its relative importance (as a share of total Overseas Development Assistance) has been decreasing (Verbrugge and Huyse, 2018). They continued that ODA funding channelled through CSOs (i.e., funding that is programmed by the donor government) remains far more important in volumes than ODA channelled directly to CSOs (which is programmed by CSOs themselves).

Broadly, it is asserted that in terms of funding, local CSOs often struggle to secure funding equivalent to that of INGOs and their local representatives. Kleibl & Munck (2017) reflect that indigenous non-state actors do not receive large shares of development funding. For example, only 10% of the total funding for US-funded health projects in Uganda was allocated to indigenous non-state actors.

The literature identifies three principal mechanisms by which donors provide financial support to civil society actors: a) Direct support to individual or umbrella organisations; b) Via Southern government; c) Via Intermediaries – largely Northern NGOs. Further, this can be delivered through bilateral or multilateral donors through a number of different types of funds:

- Core funding
- 'Basket' funding
- Umbrella funds
- Multi-Donor Trust Funds (MDTFs)

Each of these mechanisms poses its own risks for donors and recipients alike. Some of the common problems associated with funding civil society actors may include concerns over the 'centralisation' of funding towards larger, more professionalised NGOs – particularly in cases where there is a competition for grants. In this way, smaller organisations often feel marginalised and their capacity stalled, with little opportunity to gain access to donor funds.

International Barriers: There are numerous international barriers to CSOs in the global south. Kleibl and Munck (2017) argue that these primarily consist of the racialised and colonial nature of funding, donor preferences and choices, complex donor systems, requirements, and language and reporting mechanisms. As a result, it is asserted that donors prefer funding INGOs because "they are professionalised, urban, and have the required skills, credibility and resources to cater to donors' architecture" (O'Driscoll, 2018).

National Barriers: In addition to international barriers, local CSOs are confronted by several domestic factors, including the regulatory environment under which they operate. Governments in various countries give very limited civic space for CSOs' operations in human rights and democratic development, including limiting access to national and foreign funding (CIVICUS, 2015).

Organisational Barriers: Beyond national and international barriers, several internal organisational factors hinder the development of CSO capacity and their efforts to scale up operations and activities. These include their capacity to absorb resources (absorptive capacity), weaknesses in governance and leadership structures and mechanisms, a lack of highly skilled personnel, weak infrastructure, and lack of trust, accountability and transparency.

It is important to note that much of the literature presented in this report predates the COVID-19 pandemic and the ongoing conflict in Ukraine which will likely have further influenced the funding landscape.

2. Civil Society

There are a range of definitions of what civil society entails and what local means. Civil society can be broadly defined as the “area outside the family, market and state” (WEF, 2013: 8)¹. The EU defines civil society as “all forms of social action carried out by individuals or groups who are neither connected to, nor managed by, the State”². In turn, the African Development Bank argues that civil society is the voluntary expression of the interests and aspirations of citizens organised and united by common interests, goals, values or traditions and mobilised into collective action (AfDB, 2012: 10). Civil society encompasses a spectrum of actors with a wide range of purposes, constituencies, structures, degrees of organisation, functions, size, resource levels, cultural contexts, ideologies, membership, geographical coverage, strategies and approaches (WEF, 2013: 8; AfDB, 2012: 10).

Understanding the different settings where CSOs are embedded is important for different target groups, including scientists, researchers, national-level policymakers, donors, NGO staff, and the beneficiaries themselves. Each of these stakeholders has different interests and outlooks (Natil, 2021).

There is diverse literature on contemporary civil society reflecting the multifaceted nature of CSOs and the influence that contextual factors have on their operation (O’Driscoll, 2018). For example, commentators have reflected that civil society in Africa is often based on religious, tribal or ethnic connections and includes traditional and spiritual forms of social organisations and networks of indigenous institutions (O’Driscoll, 2018; Kleibl & Munck, 2017: 204). Political factors also influence the operations of CSOs. For example, in authoritarian regimes, it is likely that these civil society forms are more effective than (what has been termed) ‘Western professional civil society’ as they have more space to manoeuvre and have large support bases (O’Driscoll, 2018).

Finally, it is important to reflect that some have referred to the dominant conception of civil society as Eurocentric and a Northern imposition on local realities (Kleibl & Munck, 2017: 204). They continue that consequently, ‘official’ civil society, for example, in Africa, is occupied by “Western-type” NGOs, certain churches, and professional organisations. More traditional forms of African civil society are ignored or deemed irrelevant (Kleibl & Munck, 2017: 204).

¹ Civil society sustainability may be defined as the capacity and capability of organized and loosely formed citizens associations and groupings to continuously respond to national and international public policy variations, governance deficits, and legal and regulatory policies through coherent and deliberate strategies of mobilizing and effectively utilizing diversified resources, strengthening operations and leadership, promoting transparency and accountability, and fostering the scalability and replicability of initiatives and interventions (VanDyck, 2017).

² https://eur-lex.europa.eu/summary/glossary/civil_society_organisation.html

While the term CSO is often used interchangeably with the term NGO, the term CSO encompasses a wider range of organisations and also includes social organisations (trade unions, cooperatives, etc.), social movements (women movement, activists, etc.), and religious and nationalist groups etc. Although hybrid forms of CSOs exist, the organisations described above differentiate themselves from NGOs in terms of mission, types of activities, social composition and forms of organisation. The extent to which the range of organisations are eligible for governmental development funding (ODA) - and are included in CSO funding figures - varies between countries (Verbrugge & Huyse, 2018).

Civil Society Funding

Given the diversity of CSOs and the variety of contexts and sectors they work in and the services they supply, it is challenging to summarise funding mechanisms available to local CSOs and the barriers accessing these. Much of the literature that is available reflects on broad trends. That being said, the mechanisms by which civil society is funded have been receiving increasing amounts of attention. Two general points emerge in the literature on civil society funding mechanisms (Broadbent, 2009).

- Firstly, it is assumed that support to civil society actors is desirable and should be continued or scaled-up. Civil society is considered to play a key role in development and indeed the theme of 'partnership' is certainly present in the literature.
- Secondly, on the basis of the premises made in the literature it is further asserted that capacity building is an essential component of all support to civil society – whether this is direct (e.g. funding for organisational development) or indirect (e.g. funding an organisation to build the capacity of more localised actors).

There is a more limited of literature directly concerned with assessing different funding mechanisms, analysing why different mechanisms may be implemented, and the variables determining their impact. A number of key documents which present surveys that address a specific question asked by donors (such as how to fund local capacity building initiatives), or which present a particular donor's approach are listed below.

- European Council International Development Programme and Support to Civil Society Organisations (2001). Notes on the Direct Funding of Southern NGOs. Discussion Paper. <http://www.aprodev.net/files/DevPol/DirectFunding.pdf>
- Mahoney, C. and Beckstrand, M. J. (2009). Following the Money: EU Funding of Civil Society Organisations, Paper prepared for the 11th European Studies Association conference. http://www.unc.edu/euce/eusa2009/papers/mahoney_05F.pdf
- Pratt, B., Adams, J. and Warren, H. (2006). Official Agency Funding of NGOs in Seven Countries: Mechanisms, Trends and Implications. INTRAC. http://dochas.ie/pages/resources/documents/Donor_funding_trends.pdf
- Pratt, B., Adams, J. and Warren, H. (2006). Official Agency Funding of NGOs in Seven Countries: Mechanisms, Trends and Implications. INTRAC. Oxford http://dochas.ie/pages/resources/documents/Donor_funding_trends.pdf
- Tembo, F. et al. (2007). Multi-Donor Support to Civil Society and Engaging with 'Nontraditional' Civil Society: A Light-Touch Review of DFID's Portfolio. Overseas Development Institute. <http://www.odi.org.uk/resources/download/259.pdf>
- IOD Parc (2015). DFID Civil Society Challenge Fund, Final Evaluation: Final Report. IOD Parc.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/496983/Evaluation-Civil-Society-Challenge-Fund.pdf

More recent analyses of CSO funding report that while the total CSO funding in many contexts has continued to increase in absolute terms since 2015, its relative importance (as a share of total Overseas Development Assistance) has been decreasing (Verbrugge and Huyse, 2018). They continued that ODA funding channelled through CSOs (i.e. funding that is programmed by the donor government) remains far more important in volumes than ODA channelled directly to CSOs (which is programmed by CSOs themselves).

More specifically, it is reported that traditional funding streams are shrinking along with modifications to donor criteria including diversification of funding sources, requirements for private sector partners and stringent requirements to demonstrate impact (WEF, 2013, p. 15). New funding sources include market philanthropists, social entrepreneurs, social investment products and crowdsourcing (WEF, 2013, p. 15). Geopolitical and economic shifts including the expansion of Chinese foreign direct investment in Africa and the changing focus of donor countries from aid to trade with key emerging market economies are also impacting on the nature of CSO funding (WEF, 2013, p. 15).

Studies have also highlighted that United Nations (UN) agencies and International Non-Government Organisations receive the bulk of donor funding and operate as intermediaries between donors and NGOs and CSOs located in developing countries (Walton et al, 2016; Ali et al, 2018). Authors conclude that 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).

Broadly, it is asserted that in terms of funding, local CSOs often struggle to secure funding equivalent to that of INGOs and their local representatives. Kleibl & Munck (2017) reflect that indigenous non-state actors do not receive large shares of development funding: for example, only 10% of the total funding for US-funded health projects in Uganda was allocated to indigenous non-state actors.

Donor Funding Mechanisms

The literature identifies three principal mechanisms by which donors provide financial support to civil society actors: a) Direct support to individual or umbrella organisations; b) Via Southern government; c) Via Intermediaries – largely Northern NGOs. Further, these can be delivered through bilateral or multilateral donors through a number of different types of funds (Broadbent, 2009):

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Each of these mechanisms poses its own risks for donors and recipients alike. Some of the common problems associated with funding civil society actors may include concerns over the 'centralisation' of funding towards larger, more professionalised NGOs – particularly in cases where there is a competition for grants. In this way smaller organisations often feel marginalised and their capacity stalled, with little opportunity to gain access to donor funds (Broadbent, 2009).

There are also concerns regarding potential for resource dependency amongst organisations who regularly receive funds (AbouAssi, 2013). Associated with this, there are issues around ownership and longterm development perspectives. In turn, donors have raised concerns regarding the involvement of Southern governments in the allocation and channelling of funds to CSOs. It is thought that whilst their involvement promotes ownership, it also risks financial mismanagement and the unwanted consequences of poor administrative procedures, as well as increasing the potential for governmental ‘co-option’ thereby weakening their claims to autonomy and objectivity. It has also been reported that CSOs in the global south who may have hostile relations with national governments, particularly if they are critical of governance, corruption and human rights violations may have constraints placed on their abilities to act (Moilwa, 2015). Working with local partners has been portrayed as risky given potential limited capacity and ability to scale up programmes among NGOs in the south (Ali et al., 2018; Majid et al, 2018); and potential for high transaction costs (Tomlinson, 2013);

Regarding the nature of funding, international debate on the opportunities and risks of direct or decentralised funding of CSOs continues (Huyse & De Bruyn, 2015). A 2014 review of the Dutch modality for direct funding (IOB, 2014) provides a summary of some key arguments.

- Positively, there was a recognition that the southern CSO community had grown more diverse and stronger. Direct funding was seen as a flexible modality that helped to strengthen the local CSO community, to get to know civil society better, and indirectly strengthen the credibility of local CSOs.
- Negatively, the review identified risks to the practice of ad-hoc and activity based funding of civil society, arguing that funding individual projects did not equate to civil society development. In addition, only certain types of CSOs tended to have access to the networks of embassies. The lack of policy guidelines on when and how to use direct funding was found to decrease its strategic relevance. Finally, there was limited coordination amongst donors on how to support the local CSO landscape leading to risks for gaps or overlaps (IOB, 2014).

The evaluation made a case for pooled funding mechanisms, at the same time avoiding too much bureaucracy not to lose the personal contacts and flexibility of the existing mechanisms. Multi-donor funds have been one response to the call for a more coordinated and integrated approach to CSO support at country level, but these still face a number of operational challenges (INTRAC, 2014b).

Donor funding for CSOs

In What follows I provide a summary of Verbrugge & Huyse’s (2018) comparative study of changing funding realities in six European countries.

United Kingdom

In November 2016, DFID published its Civil Society Partnership Review marking the end of Programme Partnership Arrangements (PPAs). These PPAs were seen by some as a catalyst for innovation because they provided selected CSOs with a strategic and long-term source of programme funding. Conversely, critics highlighted the risk of complacency and the lack of innovation under the PPA-framework (Verbrugge & Huyse, 2018).

The end of PPA funding coincided with a proliferation of new funding schemes, which had more explicit thematic and/or geographic focus, and often stimulated some form of

collaboration with the private sector. Verbrugge & Huyse (2018) comment that the UK now has a fragmented and highly competitive funding landscape. While the UK has been trying to diversify the range of funding beneficiaries, there are important indications that CSO funding continues to privilege bigger and more established players.

In particular, Verbrugge & Huyse (2018) reflect that the private sector is increasingly leaving its mark on CSO funding, as epitomised by (1) the emphasis on collaboration between CSOs and the private sector; (2) the role of consultancy firms in managing CSO funding; and (3) the growing importance of commercial contracts.

At the time of writing, Verbrugge & Huyse (2018) reflected that funding was channelled through four 'funding pots' that were either newly created, or significantly expanded. In general, when compared with the PPAs, these funding pots represent more short-term funding opportunities with stricter thematic and/or geographical conditionalities:

- UK Aid Direct is the most important funding channel for small- and medium-sized CSOs. It encourages competitive bids for project grants of varying sizes, and with varying degrees of thematic and geographic specificity;
- UK Aid volunteers is aimed specifically at supporting volunteers;
- UK Aid Match aims to give the British public a greater say in CSO funding, by matching charity appeals with public funding;
- UK Aid Connect was designed specifically to stimulate coalition-building between public, private, and not-for-profit organisations.

Netherlands

Governmental funding for CSOs decreased in the period under review with the ministry responsible for relationships with CSOs moving away from a 'managerial' approach in its relationship with development CSOs, in an effort to create the necessary space and support for their political role (Verbrugge & Huyse, 2018).

The simplified selection and reporting procedures and the flexibility in making changes to the theory of change were encouraged and expected to create more transformative interventions. However, tighter audit and financial regulations, further reinforced by risk avoidance strategies by CSOs, are creating new 'managerial' dynamics.

A number of smaller CSO funding channels exist, resulting in a rather fragmented landscape with more CSOs receiving smaller pieces of funding. The Dutch humanitarian channel stands out compared with other countries in how sixteen Dutch CSOs work together through the Dutch Relief Alliance. The approach receives positive evaluations in terms of efficiency and creating a more collaborative environment.

France

Despite modest increases, CSO funding in France remains at a low level. Despite political commitments to further increase ODA spending and CSO funding, a sense of uncertainty persists. Alongside an increase in more 'traditional' CSO funding that respects the right of initiative of CSOs, there is also a clear trend towards competitive calls for proposals that reflect the logic of French and EU foreign policy. This raises concerns over the possible instrumentalisation of CSOs (Verbrugge & Huyse, 2018).

Humanitarian funding, while flexible, is allocated predominantly through bilateral negotiations rather than standardised funding modalities. Overall, changes in the French funding landscape are perceived by respondents as privileging bigger and established players to the detriment of smaller and newer CSOs.

Belgium

Belgium is considered to offer a generous system of programme funding (e.g., the NGO Co-financing Program) that respects CSO's right of initiative. However, Verbrugge & Huyse (2018) reflect that there is a sense that CSOs are becoming less central to the policies of the ministry of development cooperation, and there are more instrumental views about the role and position of CSOs. This contributes to a growing unease about the future of program funding, further reinforced by gradual but substantial budget cuts. The 'fit for purpose' agenda also translates into new administrative conditions to access funding.

CfPs for shorter-term project grants only cover a small part of the overall CSO funding, but are gradually gaining ground. These calls typically have a more specific thematic and/or geographical focus (e.g., transitional development), which is determined unilaterally by the administration or the ministry. This raises concerns over a possible instrumentalisation of CSOs, who risk being reduced to implementers of government policy (Verbrugge & Huyse, 2018).

Germany

The majority of German CSO funding takes the form of block grants to political foundations and faith-based networks. Other development CSOs are only entitled to a small share of CSO funding, although this share has grown in recent years (Verbrugge & Huyse, 2018).

Historically, respect for CSO autonomy has been a central feature of government-CSO relations in Germany. While German CSOs continue to enjoy a comparatively high degree of autonomy, the aid effectiveness agenda, as well as a growing number of 'special initiatives' that allocate funding based on stricter geographical or thematic conditionalities are shifting dynamics.

Sweden

Sweden is considered to have a generous system of CSO funding that revolves around multi-year framework agreements, which provide a small number of large framework organisations with program funding. The overarching CSO-strategy guiding these agreements emphasises support for Southern CSOs (via Swedish CSOs).

While the system of framework agreements is inaccessible to smaller and newer CSOs, a number of framework organisations are sub-granting funding to smaller Swedish CSOs. Humanitarian funding similarly revolves around multi-year agreements with strategic partners, although in this case, there is no way in which non-partners can gain access to funding (Verbrugge & Huyse, 2018).

3. Developments in the CSO Funding Landscape

INTRAC (2014b) identify a number of drivers at different levels of the aid system which have together driven developments in CSO funding. These include:

- The OECD-DAC (2012) recommend that DAC members should conduct more joint assessments of CSOs (Lesson 4).
- The Aid Effectiveness Agenda has been an additional driver towards the creation of multi-donor funds.
- The gradual trend for decentralised funding is decided and coordinated in-country. This creates another opportunity for the coordination of the work of different bilateral actors at country level, as they have more flexibility and decision making power to organise these types of arrangements.

Three important questions emerge from this trend related to:

- the best coordination structure,
- the risk of unequal access to the funds through gatekeeping processes, and finally
- the risk for a further distortion in the balance of power between donors and CSO beneficiaries.

A recurrent concern is that pooling resources into larger schemes presents a risk that access to the funds needs to be governed by complex regulations and conditions to minimise the risks for corruption or elite capture. A perverse side effect can be that it closes off the possibility for smaller CSOs or networks of CSOs to access this type of finance as they might not have all the systems and procedures in place. The challenge is, therefore, to avoid a gatekeeping mechanism which implies that it can only be accessed by highly professionalised CSOs or CSOs with the right connections. Another concern is that the pooling of resources also means that the power to decide whether to fund certain CSOs or not may become concentrated in one entity. If not well managed, CSOs will have few alternatives for funding and little power to resist certain types of conditions if all the main donors pool their funds.

The funding landscape for CSOs is thus changing for all, but is considered to pose unique challenges and opportunities to newer, smaller and more local CSOs.

Rationalisation and centralisation: Various authors comment that there is a rationalisation and centralisation of entities responsible for the CSO support in order to render the management of CSO funding less dispersed and complex, to decrease management costs, and to create opportunities for alignment with bilateral governmental policies (Ali et al., 2018; Majid et al, 2018; Tomlinson, 2013; Huyse & De Bruyn, 2015; Verbrugge & Huyse, 2018).

Outsourcing: Linked to the above, there is a trend towards outsourcing certain responsibilities, such as the management of specific subsidising channels to third parties in order to decrease the management and administrative costs. Third parties can be umbrella organisations of CSOs or private companies such as consultancies. Further to this, there has been a trend to outsource the management of multi-donor trust funds in support of local CSOs to third parties (NGO structures, foundations, or consultancy groups) (Huyse & De Bruyn, 2015; Verbrugge & Huyse, 2018).

Framework agreements: A comparative study by INTRAC (2014a) provides an overview of how key CSO donors work with framework agreements. The study focused on four donors (UK, Netherlands, Denmark and Sweden). This form of financing aims to provide long-term, stable funding, which makes it easier for CSOs with a proven track record to scale up and implement ambitious programmes and innovate and take some risks, and learn systematically from pilots. This modality is expected to be easier to manage for donors than individual projects and programmes. However, the INTRAC study concluded that these

types of framework agreements are not low maintenance. The study highlights that it is often more difficult to attribute results to this type of funding, and there is some risk of CSO complacency. In most countries, these frameworks are captured by the larger NGOs. A major trend identified by INTRAC is the progressive introduction of results-based approaches by donors inside these frameworks. In some cases, the funding framework is so prescriptive that it is more similar to a programmatic approach than a strategic funding scheme.

Conditionalities: Conditions for funding have increased the pressure on CSOs to professionalise in terms of project management, result orientation and reporting. On the other hand, they tend to come at a cost. Existing studies and evaluation reports have highlighted the downsides of the increased use of conditionalities. Huyse and De Bruyn (2015) grouped these around several themes in the table below.

Table 1: Side effects of increased use of conditionalities (Huyse and De Bruyn, 2015: 28)

This image has been removed due to copyright reasons the full version can be viewed at <https://www.ngo-federatie.be/system/files/2019-09/HIVA%20study%20for%20NGO%20Federatie%20Belgium%20Nov%202015.pdf>

Managerial approaches to civil society:

Managerial approaches to civil society: Studies have reflected that governments often adopt broad policy logic to manage their relationship with CSOs: a managerial logic and a social transformation logic (Verbrugge & Huyse, 2018). Broadly speaking, while the former treats CSOs mainly as collaborative and efficient implementers of government policies to achieve specific development goals, often leading to service delivery roles, the latter sees them as incubators of social and political transformation that should receive enough autonomy to fulfil this role. The table below provides an overview of the main differences between the two approaches. Government-CSO relations in most countries embody elements of both logics, at the same time, there are clear differences.

Table 2: Social transformation logic vs. managerial logic (Verbrugge & Huyse, 2018: 56)

This image has been removed due to copyright reasons the full version can be viewed at <https://www.ngo-federatie.be/system/files/2019-09/HIVA%20study%20for%20NGO%20Federatie%20Belgium%20Nov%202015.pdf>

Commentators have reflected that in many countries, a managerial logic is gradually pervading CSO funding, primarily in the form of a more explicit focus on results monitoring. The managerial logic is evident in the case of the UK, where the focus on results and value-for-money is now deeply engrained in relations with CSOs, but also in internal dynamics e.g. reliance on contracts, and the observation that many of its grant schemes now have contract-like features.

The impact of changes in approaches to funding CSOs varies substantially between countries, and there is a lack of systematic data about funding recipients. It is widely held that civil society as a whole loses diversity and civil space through the expanded use of different types of conditionalities in the provision of donor funding, especially in combination with more competitive funding mechanisms (Verbrugge & Huyse, 2018). This tends to benefit those parts of civil society with strong managerial capacities and interest in service delivery work (Verbrugge & Huyse, 2018). There are important indications that bigger and more established players are better equipped to deal with changes in the CSO funding landscape compared to smaller, local or newer organisations (Huyse & De Bruyn, 2015; Verbrugge & Huyse, 2018). More precisely, bigger organisations with more financial and human resources have a clear edge when it comes to applying for competitive grant funding. Both the process of applying for grants/contracts, managing the funds, as well as meeting the stringent requirements in terms of monitoring, evaluation and reporting require a substantial investment in terms of time and money. For this reason, smaller and newer organisations face numerous entry barriers when attempting to access funding.

4. Barriers to accessing funding

A 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). More broadly, a number of factors are seen to pose challenges to smaller or more local CSOs in accessing funding. These include (though are not limited to):

International Barriers

There are numerous international barriers to CSOs in the global south. Kleibl and Munck, (2017) argue that these primarily consist of the racialised and colonial nature of funding, donor preferences and choices, complex donor systems, requirements, and language and reporting mechanisms. As a result, it is asserted that donors prefer funding INGOs because “they are professionalised, urban, and have the required skills, credibility and resources to cater to donors’ architecture” (O’Driscoll, 2018). In addition, INGOs are perceived to better understand ‘donor jargon’, including accountability and the reporting requirements that are seen to ensure value for money and project effectiveness. It is also convenient for Northern donors to fund Northern organisations working on issues in the global south rather than local organisations (Kleibl & Munck, 2017; O’Driscoll, 2018).

The localisation and domestication of INGOs in many cities, through directly moving headquarters and registering as local organisations, has led to the further weakening of local groups. Localised NGOs retain the same advantages over local CSOs, including their familiarity with funders. In addition, these trans-localised INGOs recruit the best talent from local organisations, weakening local CSOs. The collaborations and assistance given to local groups by INGOs ultimately result in the weakening of local groups, firstly because they cannot compete with their INGO counterparts for resources, and secondly, local groups lose staff to INGOs (Moyo & Imafidon, 2021).

At an international level, there is also evidence of pressure on funding in countries of origin. Pousadela and Cruz (2016) argue that the reduction of funding for CSOs can be attributed to factors affecting donors, economic growth, and operational and financial restrictions stemming from political polarisation and increased government hostility towards CSOs in various countries. Here it is also important to consider the challenges and opportunities posed by the COVID-19 pandemics, the conflict in Ukraine and the multifaceted impact this has had globally.

National Barriers

In addition to international barriers, local CSOs are confronted by several domestic factors, including the regulatory environment under which they operate. Governments in various countries give very limited civic space for CSOs' operations in the field of human rights and democratic development, including limiting access to national and foreign funding (CIVICUS, 2015). Only four percent of the world's population are estimated to live in countries where fundamental civil society freedoms, association, peaceful assembly and expression are respected, and CSOs are allowed to operate freely and effectively (CIVICUS, 2019: 6).

There are tight regulations and policies for civil society in many countries, and tensions between governments and civil society are rising. Chaplowe and Engo-Tjega (2007) comment that a number of African governments have been accused of weaponising laws and legal instruments through constitutional amendments, acts of parliament, and other forms of legislation to stifle and limit the legitimacy, effectiveness and sustainability of civil society, especially those groups that are perceived to be critical of the government (Moyo & Imafidon, 2021). Similar trends have been witnessed in India (see, for example, comments made by CIVICUS, 2019)³.

Studies have indicated that African governments routinely use legal and regulatory strategies to control, monitor and suppress CSO and NGO operations through:

- i) burdensome accountability and reporting requirements;
- ii) high taxation policies on international funding;
- iii) mandatory registration for NGOs and higher qualifications and experience requirements for founding members;
- iv) permitting government officials excessive powers for searching and on-site visits without prior warning;
- v) restricting NGOs from receiving funding from certain donors or countries, and
- vi) limiting the scale of NGO's international funding. This leads to some organisations and individuals using unorthodox means, including operating without proper registration and documentation, eventually limiting the scale of their activities and growth.

Organisational Barriers

Beyond national and international barriers, several internal organisational factors hinder the development of CSO capacity and their efforts to scale up operations and activities. These include their capacity to absorb resources (absorptive capacity), weaknesses in governance and leadership structures and mechanisms, a lack of highly skilled personnel, weak

³ <https://monitor.civicus.org/updates/2018/09/25/india-routine-repression-civil-society/>

infrastructure, and lack of trust, accountability and transparency. A pertinent recent challenge was that following the outbreak of COVID-19, many CSOs were challenged to adapt to technological solutions and, due to poor investment in digital systems, were found wanting (Moyo & Imafidon, 2021).

5. Funding, organisational development and sustainability

For civil society based in the global south, declining donor funding and shifting priorities driven by foreign policy considerations pose a threat to their sustainability (Van Dyck, 2017: 2). Van Dyck (2017) argues that in light of this, civil society in the global south needs to shift its focus and strengthen its ability to mobilise resources from domestic constituencies and reduce excessive dependency on foreign donors. Van Dyck (2017) contends that the relationship between donors and civil society is ad hoc, short-term, and on a project basis. Consequently, CSO can, at times, be seen as implementers of donors' development or foreign policy agendas and donors do not feel an obligation to support them to become robust or sustainable beyond project timelines (Van Dyck, 2017: 5).

In terms of organisational development and sustainability of local CSOs, funding is often directed to support capacity development. Moyo and Imafidon (2021) report that there are several elements of capacity building; the most dominant reported by Moyo and Imafidon (2021) is the strengthening of an organisation to function at its optimum. Capacity building also involves having an organisation that is adaptable and remains enduringly relevant. It means ensuring that an organisation's systems, processes, and tools are well equipped to deliver their purpose and mission.

Evidence gathered suggests that in recent years, there have been efforts by some external and local donors, such as private foundations and multilateral donor agencies, to build the capacity of CSOs in the countries in which they operate. Moyo and Imafidon (2021) highlight that in Ghana, for example, the Open Society Initiative for West Africa (OSIWA) was established to focus on building the capacity of CSOs in West Africa. Other donors have also built capacity strengthening into their grant offerings. They have focused their investments on capacity issues in relation to (organisational) resilience, leadership, succession planning, and advocacy.

The Ford Foundation's Building Institutions and Networks (BUILD) programme is a pertinent example and had an investment of US\$1 billion and was aimed at building the long-term capacity, resilience, effectiveness and sustainability of CSOs in the Global South. In Ghana, CSOs such as Third World Network, West Africa Civil Society Institute (WACSI), and the African Women's Development Fund have benefited from the BUILD programme. In addition, INGOs such as Oxfam International, ActionAid and World Vision International have also been providing capacity-building programmes for their partners.

Studies have probed CSOs' perceptions of issues that undermined organisational development and sustainability. The issues cited as pressing are:

- resource constraints,
- weak internal systems,
- failure to access big grants,
- weak governance systems and processes
- and technical issues such as proposal writing.

The misalignment between donor interests and the beneficiary needs was also raised. In addition, organisations identified staff retention as one of their biggest challenges (Moyo & Imafidon, 2021). In particular, it was reported that the failure to retain staff leads to the loss of key skills and institutional memory in an organisation. CSOs felt the need for an institutional approach to building their capacity rather than an individual one, given that more often, staff are trained by an organisation only to be poached by another.

An assessment of capacities among Kenyan CSOs indicated that while the sector has developed capacities and competencies, structural and external challenges remain. These include underlying factors associated with dysfunctional boards, internal monitoring and evaluation structures, and the disconnect between the NGOs and the communities they serve.

Direct Funding

The evidence on the advantages or added value of direct funding to NGOs in the south is 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. The literature identifies the following advantages or added value of funding NGOs and CSOs in the south (Ismail, 2019):

- **Sustainability:** Local NGOs and CSOs 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).
- **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/CSOs 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).

Knowledge Gaps

In general, however, the query and subsequent literature survey have thrown up several obvious 'gaps' in the availability of information in this area (Ismail, 2019):

- Aside from taking into account context when formulating funding strategies, overarching recommendations or lessons learnt of what works where and when are limited;
- Whilst the literature available presents an overview of different funding mechanisms, the literature identified is largely donor oriented with little consideration of how civil society actors are self-funded or receive funds from the private sector;
- Much of the literature is dated and therefore does not address how current and future crises will impact how civil society is funded, nor how crises may specifically impact bilateral donor attitudes towards multi-donor funding mechanisms.

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