Civil society organisations in the Global South have long advocated for donor policies and practices that value their rich knowledge and organisational experience; recognise their need for predictable finance and support; and institutionalise regular dialogue. The 2021 DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance, the first international legal policy instrument on enabling civil society, acknowledged these concerns, calling on donors to strengthen civil society leadership and effectiveness in partner countries. Recent outreach to Southern organisations by an OECD working group on the Recommendation has generated specific recommendations around alternative mechanisms for funding, collaboration and support that help donors create new and more fruitful relationships with local civil society that are built on mutual trust and respect.
Key messages

- Donors should implement trust-based, respectful funding modalities with local and national civil society organisations in the Global South, including core and/or programmatic support for locally led development efforts.
- Southern civil society organisations are seeking pathways to strengthen their leadership in development by participating directly with donors in developing shared goals for their communities, exercising agency in decision making for all aspects of programming and on the allocation of funding.

In July 2021, OECD Development Assistance Committee members unanimously adopted the Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance (OECD, 2021[1]), the first-ever international legal policy instrument on enabling civil society. It outlines 28 key actions to respect, protect and promote civic space; support and engage with civil society; and incentivise civil society organisation (CSO) effectiveness, transparency and accountability. Taken together, these will strengthen effective and locally led development for national and local CSOs in partner countries. The Recommendation is the strongest level of donor accountability in the OECD, and its implementation is crucial to fostering the enabling environment for CSOs as development actors in their own right. The Development Assistance Committee’s (DAC) Community of Practice on Civil Society is leading this implementation with the aid of several toolkits. The first of these is focused on funding relationships that promote and invest in the leadership of local civil society actors in partner countries, in line with the recommendation that donors increase “the availability and accessibility of direct, flexible, and predictable support including core and/or programme-based support, to enhance [the] financial independence, sustainability, and local ownership” of CSOs in the Global South.

The CSO working group on the Recommendation sought Southern CSO perspectives and proposals to inform the development of this first toolkit. This case study discusses some of their reflections and proposals for transforming these relationships.1

Current systems and practices in official donor and intermediary financing disadvantage Global South civil society organisations

The relationships between national and local actors in the Global South and donors, and the intermediary international civil society that are largely based in the Global North, have always been complex and multi-layered. But Southern CSOs have also experienced these relationships as inherent power imbalances since they must overcome major barriers and compliance hurdles to access donor funding. Such relationships often disempower partner CSOs, reducing them to being implementers in their own country of externally predetermined programmes for which the partner CSOs must produce results.

A fundamental challenge is a lack of trust and respect flowing from the persistence of colonial mindsets and racism in development co-operation. The assumption seems to be that Southern organisations are in some way deficient and must be micro-managed and/or closely accompanied to produce the results the donor wants. This lack of trust informs all aspects of the relationship from how programmes are developed, run and assessed to imposing frameworks for what the donor defines as success. The fundamental relationships of local CSOs with communities and other social actors – tested and innovated through direct experience – are rhetorically acknowledged by donors but devalued and undermined in practice.
Highly dependent on external donor finance in poor countries and fragile contexts, local CSOs often have to contort their organisational mandates to meet ever-changing donor priorities. These shifting priorities make the sustainability plans often required by donors pointless.

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Donor funding modalities, particularly calls for proposals, encourage dysfunctional competition and accentuate the marginalisation of local CSOs when what is required is creative collaboration to maximise local skills, knowledge and solidarity. Calls for proposals clearly favour big (international) organisations. Lack of trust also informs the common methods of financing Southern CSOs: short-term project grants; disbursements in bits and pieces; holdbacks; and limited or no support for overheads – all of which disrupt effective programming and often require CSOs to get unsustainable lines of credit or short-term loans. Organisations have to run multiple projects, sometimes with creative accounting, just be able to sustain their basic infrastructure and governance.

CSO advocacy work, which is central to leadership by Southern organisations, is often treated as problematic by donors. This crucial role receives less funding and is constrained by rigid programme agreements and performance indicators, which are inappropriate for iterative work on policy and advocacy.

Official donors overwhelmingly rely on subcontracting arrangements for local CSOs through international non-governmental organisations (INGOs). The role of the INGO is to manage the funding for the donor, and it often enforces donor conditions (eligibility criteria, audits, etc.) with local CSO partners. These arrangements undermine independence, autonomy, ownership and leadership by civil society in partner countries.

Fiduciary accountability is essential, but donors make the conditions of accountability so onerous that local NGOs have difficulties meeting these standards and so they often have to partner with an INGO, creating a dependency on its good will. This rigid hierarchy of top-down accountability to funders makes it difficult for Southern CSOs to be fully accountable to the people and communities the organisation works with and seeks to support.

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Reforming donor systems of finance: Models and ideas for alternative donor practices

Southern CSOs have long sought donor policies and practices that move from current top-down, neo-colonial practices to a real power shift for civil society in the Global South. Southern CSOs have proposed significant reforms in financing arrangements. These include those that build upon and incentivise the rich knowledge and organisational experience born in the Global South; recognise Southern-based self-regulatory and quality assurance mechanisms, setting high standards for CSOs as
development actors; and ensure long-term organisational sustainability and flexibility for effective humanitarian and development interventions.

In assessing partnerships with donors and INGOs, Southern CSOs are asking three critical questions:

- Do we have **a say in your [donor] vision for our communities** and can we arrive at shared goals through dialogue instead of through donor preconditions?
- Do we have **agency in real decision making** over how all aspects of the programme are being designed and carried out?
- Do we have **a real say on budgeting and share in decisions on its allocation**, not only for programmes but also including areas such as overhead?

To respond positively to these questions, donor policies and practices must change in ways that strengthen the leadership and sustainability of CSOs in partner countries and develop approaches that are systemic, deep and holistic. Some examples and ideas for alternative funding models and donor practices include:

- **Values-based approaches** (solidarity, ownership, horizontal alliances) to donor financing should treat partner country CSOs as allies for democracy and avoid instrumentalising them as market-based subcontractors for implementing donor priorities.
- **Embedding feminist principles** in donor financing policies and practices should be considered to be a way to ensure an organisational cultural shift in practices.²
- **Institutionalising country-level dialogue and consultation between donors and CSOs** at the country level can improve mutual understanding. Such regular engagement between individual donors or a group of donors and country CSOs (through their national platforms) can help demystify each for the other and allow donors to inform themselves about local civil society conditions and value the ways local CSOs engage with local volunteers and bring their local knowledge into CSO programming.
- **Co-creating donor country priorities** in close consultation with local civil society ensures that donor programme priorities take advantage of civil society’s expressed needs, knowledge and particular strengths in each country, ensuring that programmes and initiatives respond to and reach local communities.
- **Full transparency should be a requirement** when INGOs partner with local NGOs as donor intermediaries, including timely access to the full picture of donor-allocated funds. This incentivises INGOs to be accountable to the local partners. It should also include eligibility requirements that balance power relations within funding chains.
- **Making donor framework agreements available to Southern CSOs** can embed a long-term relationship based on trust and the knowledge and strengths of strong Southern-based CSOs. A key aspect of trust is shared reporting from organisation to donor as well as from donor to organisation – i.e. mutual accountability within a framework agreement.
- **Openness to failures in donor partnerships.** The notion that failure is not an option is unrealistic and counterproductive, especially when an organisation is developing new ideas, innovations, or transformations in social and economic relations.
- **Supporting multi-year Southern CSO programming with organisation-specific core financing is essential.** Without these, many local NGOs cannot be sustained over the long term – which is the time frame required for change. Core funding is key to retaining effective dedicated staff.
- **National CSO platforms that promote self-regulation, quality assurance standards and compliance mechanisms enhance donor due diligence in assessing risks.** In contrast, donor-driven organisational assessment tools are often inappropriate to country contexts.
• **Support for Southern CSO advocacy** should be an integral part of donor financing priorities and programmes for strengthening civil society leadership capacities in the Global South.

Donors should work to incentivise and collaborate with country-based coalitions or consortiums of CSOs that are working together to maximise their skills, community reach and knowledge, as well as their capacities to engage the donor.

• **Reassessing the roles of donors and Northern CSOs in partner countries** is essential to strengthen the leadership of Southern CSOs in development action. Donors should acknowledge and collaborate with a diversity of Southern CSOs with the proximity, local knowledge, long-standing experience and community sensitivity needed for effective programming and results. Direct funding should be available to Southern CSOs at the country level.

• **Financing models, including CSO-managed pool funding, should be considered to strengthen coalitions of locally led CSOs in partner countries**. Innovative mechanisms, which are already being tested in some countries, could allow several smaller organisations to join together to receive funding to implement joint and holistic actions towards a shared vision, bringing together multiple skills grounded in local knowledge and evidence. Such initiatives can strengthen the ability of participating CSOs to meet all donor compliance requirements, spreading the risk of ineffectiveness, and also leverage peer accountability that further enhances the sustainability of the community actions.

• **Southern CSO-led intermediary donor platforms, with appropriate donor finance**, are well placed to implement initiatives with CSO counterparts in the Global South and offer a governance and programming framework for full transparency, participatory budgeting, and work sharing and planning.

• **Supporting organisations to work on alternative financing ensures sustainability**, including support for building reserves as well as for social enterprise ventures, capital assets such as an office building and developing local philanthropy. Such support allows organisations and donors to transition in their funding relationships without jeopardising the CSO’s sustainability.

The Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance (OECD, 2021[1]) provides a unique opportunity for DAC donors and CSOs to examine current practice in donor finance modalities as they impact on Southern-based CSOs and enable more equitable and transformative partnerships through new approaches to locally led development. CSOs have a strong interest in ensuring that the ambitions and commitments of the Recommendation are fully realised through dialogue with the Community of Practice on Civil Society and with all DAC donors at the country level.

**Reference**

Notes

1 The discussion among CSO colleagues in the Global South was facilitated by Anabel Cruz with support from Brian Tomlinson and Nikhil Dutta. The full report is available at: https://21a29bf8-528b-4043-b9dc-caa23e5a1907.usrfiles.com/ugd/21a29b_7cf05364b3564a73b39ca79b42c84e4b.pdf.

2 See, for example, the Principles for Feminist Funding published by the Canadian Women’s Foundation at: https://canadianwomen.org/wp-content/uploads/2020/05/Feminist-Philanthropy.pdf.