



Multi-donor funds in support of Civil Society

A Guidance Note for Danish Missions

INTRAC
International NGO Training and Research Centre



1. Introduction

Support to civil society is at the heart of Denmark's rights-based approach to development cooperation¹. Civil society organisations (CSOs) are a critical interface between rights holders and duty bearers in developing countries². Denmark is committed to a vibrant and diversified civil society and believes that civil society has an important role to play in promoting human rights and democracy, green growth, social progress and stability and protection³.

Denmark supports CSOs in the global South in a variety of ways, for example, through support to Danish CSOs and bilateral programmes in developing countries. A Right to a Better Life⁴ commits Denmark to increase direct support to civil society organisations in developing countries and to delivering more of its development cooperation directly in developing countries. One channel for in-country funding is the use of in-country multi-donor funds to support civil society. These have increased significantly in the last decade in line with the aid effectiveness agenda. Danida recently commissioned a study to review the effectiveness of multi-donor funds as a channel of support to Southern CSOs⁵ in order to identify lessons learned to date and some good practice suggestions for Danish Missions when engaging with joint civil society funds. This guidance note is based on the findings of the study. The aim is to ensure that support to Southern civil society is as effective as possible, by drawing on good practice, and consistent with Danida strategy and policy.

This Guidance Note draws upon that study to offer some brief insights into the use of multi-donor funds in support of civil society and some good practice suggestions at key phases in the country programming cycle. The note involves no additional procedures but seeks to support the processes and programme cycle outlined in the Guidelines for Country Programme Documents⁶.

This Note outlines some critical success factors associated with effective support to civil society through multi-donor funds. It then identifies some good practice suggestions in relation to the preparation, implementation and completion phases of the programme cycle. An annex is attached with a more detailed checklist of guiding questions for engagement with multi-donor funds in support of civil society in developing countries.

2. Critical success factors

While multi-donor civil society funds vary widely in terms of their objectives, target groups and ways of working, a number of critical success factors can be identified for constructive engagement with most, if not all, joint civil society funds. These include:

¹ See the recently published "Civil Society Policy".

² See "A Human Rights Based Approach to Denmark's Development Cooperation: Guidance and Inspiration for Policy Dialogue and Programming" February 2013.,

³ See "A Right to a Better Life: Strategy for Denmark's Development Cooperation", August 2012

⁴ Ibid p35

⁵ "Study on Support to civil society through Multi-donor Funds", January 2014

⁶ "Guidelines for Country Programme Documents" July 2013.

Alignment and harmonisation: The purpose and operation of the fund is aligned with the values embedded in the donors supporting the fund. This includes Danida's strategy, the 2014 Civil Society Policy and its human rights-based approach; and efforts to harmonise the operational procedures are given priority

Do no harm. The fund is unlikely to have unintended, negative consequences for Danida's and other donors' commitment to an independent, diverse, civil society.

Design: context and consultation and transition. The design of the fund is appropriate to its purpose by being based on free and informed consultation with civil society; a dynamic analysis of the national context including the situation for the most vulnerable and marginalised groups; and has a scenario plan regarding its future and the sustainability of the work supported.

Clarity and participation in governance.e. The governance and management roles are clearly defined and civil society is sufficiently represented in governance structures.

The right kind of leadership. The management agency has the leadership, skilled staff and decision-making authority to respond flexibly and effectively to civil society and donors' needs:

Appropriate, transparent funding. The funding modalities are appropriate for the civil society target groups and that grant administration procedures are conducted transparently and fairly.

Adding value through capacity development. The fund has invested sufficiently in its own 'added value' i.e. its ability to provide appropriate, capacity development support; to distil and share learning within and beyond the fund.

Accountability and Learning. The M&E framework provides plausible evidence of the effectiveness of the fund in achieving change while reporting on the processes that contribute to these changes. In addition it facilitates learning among internal stakeholders and share learning within the sector.

These factors are explored in more detail below.

3. Preparation Phase

Multi-donor funds are one of several ways in which Danida supports civil society. There are many different types of joint funding arrangements - from 'open' civil society funds to funds with a specific thematic or sectoral focus. Setting up a multi-donor fund requires a significant investment in time and human resources and may not be appropriate, for example, as a response to a rapidly changing environment or when rapid results are expected. Three key aspects in the preparation phase are particularly relevant to the choice of multi-donor funds in support of civil society.

3.1. Choice of thematic area and development engagements

The development of a country programme documents requires the Danish Mission to identify thematic programme areas of its country programme. Each thematic area will involve a cluster of 'development engagements' each of which can have only one partner. 'Basket funds' are quoted as one of three preferred modalities.

Guidelines for Country Programmes pp11-15

Multi-donor funds are one of several forms of development engagement with civil society. There is evidence to support the benefits of multi-donor funds in support of civil society. They can help promote national civil society ownership, reduce transaction costs; avoid duplication of donor funding; and increase impact by enabling donors to provide a greater scale of response to development objectives.

Avoiding problems in the design phase

Many of the challenges associated with joint civil society funds have their roots in design phase. Three key elements in the design phase are key to the success or failure of a fund:

- Whether it is based on a good understanding of the **political economy of civil society and state/civil society relations** in the country concerned. The EC initiative to develop country ‘roadmaps’ for engagement with CSOs may provide an opportunity to develop a joint contextual analysis.
- Multi-donor funds are often perceived by civil society as donor-driven initiatives. Early **consultation with a broad range of stakeholders, including with the most vulnerable and excluded groups**, can help to encourage ownership; and ensure that its operational procedures, funding and funding support are consistent with the objectives of the fund and appropriate to its target groups.
- There is frequently pressure on joint civil society funds to quickly disburse funds. Allowing **sufficient time in the inception period** for the programme team to consult and test approaches with target groups can avoid problems further down the line.

The benefits and costs of harmonisation

Donors expect joint civil society funds to enable them to respond to development challenges on a larger scale while reducing their transaction costs. However, many funds fail to achieve the level of harmonisation anticipated with donors retaining different reporting and financial requirements, and funding cycles. When supporting an existing fund, a Mission should ensure that it has achieved a good track record for delivering results, is trusted by civil society, and has achieved a reasonable level of harmonised systems and requirements, e.g. regarding monitoring, evaluation and learning. When considering establishing a joint civil society fund, the availability of like-minded donors and a commitment to harmonise systems requirements should be given serious consideration.

Broader potential negative impact of joint civil society funds

CSOs have expressed concern at potential unintended consequences of joint civil society funds. For example, a concentration of donor priorities might reduce CSO access to sources of funding; divert CSOs from their primary missions; and reduce CSO access to individual donors and their mediating role with governments. The establishment of a major civil society institution might unintentionally undermine existing civil society representative bodies and networks and influence state/civil society relations. On the donor side concern has been expressed that donors lose the direct dialogue with civil society built around concrete engagements, and mutual trust built in accompanying advocacy processes.

A capacity to engage

Not all Missions have the capacity to engage with these complex institutions so donors frequently ‘piggy back’ established funds and/or ceding influence to a lead donor. Wherever possible a Mission should have sufficient capacity to engage in the oversight

of the fund as well as in dialogue with civil society in order to be able to benefit from and influence its implementation and development.

3.2. Management arrangements

The Guidelines express a preference for joint initiatives in support of civil society where there is evidence of shared donor objectives. Section 2.3.1. of the Guidelines considers different management set ups. The governance and management arrangements for a multi-donor fund are critical to fund performance. These vary from consortia of private

consultancy companies to independent national foundations. There is no ‘one size fits all’ solution to the most appropriate fund management. This will depend on the context, objectives and targets groups of the fund. It is possible, however, to identify some key issues regarding governance and management that contribute to the success of a fund and avoid unnecessary tensions:

“When the thematic objective aims at strengtheningcivil society at large this requires the Danish Mission to engage with many partners but only on a narrow part of the partners’ operations or for a short period of time.....an intermediate management set up will enhance outreach and quality of development cooperation . If other donors are supporting similar activities, joint set-ups are always preferred”

Guidelines for Country Programmes pp 15,16

Clarity in governance roles

Clarity in the roles and responsibilities of the governance and management functions greatly assists their smooth

functioning. There have been several examples of tensions in governance bodies between national stakeholders, donors and fund managers because roles and responsibilities including degree of ownership or participation in decision making were not clear. Broad stakeholder representation and transparent decision-making in governance can build ownership, mitigate vested interests and help to get things done. However, is advisable to avoid tokenism; a more precise mandate or formal selection of CSO representation may be required to ensure effective civil society participation with due consideration to potential conflicts among civil society groups, as well making sure vulnerable and marginalised groups are represented by persons trusted by them.

A fund manager fit for the purpose and ways of working of the fund

The choice of a fund manager should be determined by the purpose, target groups and intended ways of working of the fund but there are some shared good practice standards. A management agent should:

- Be appointed wherever possible through competitive tender;
- Have a clear MoU or service level agreement defining deliverables;
- Provide leadership with experience of civil society, and knowledge of the context;
- Have delegated powers of decision-making to ensure speed, agility and flexibility of response;
- Have staff with behavioural competencies to work with civil society;
- Have administrative systems and processes appropriate to the objectives of the fund and the capacities of the target group.

3.3. Country programme results framework

There are a number of challenges in measuring and reporting on the outcomes and effects of multi-donor funds in support of civil society. Not

“The Country Programme Results Frameworkbuilds on objectives and indicators from partners’ result frameworks... Partners’ result frameworks may vary considerably from the Country Programme Results Framework.....It is underlined that the intended use of the Country Programme Results Framework is not to dictate the design of the partners’ result frameworks.”

“Engagement outcomes and outputs should be drawn from engagement partner’s programme documentationor be defined together with the partner.Quantitative indicators are preferred although qualitative and process indicators can be used.”

Guidelines for Country Programmes p 17 &18

all stakeholders share an understanding of how results will be measured. Consultation on the fund's logframe and/or theory of change can help to build a shared understanding of what constitutes 'success' for the fund and reduce subsequent transaction costs.

Measuring results at portfolio level

The Guidelines indicate that a Country Results Framework should draw upon partners' own results frameworks. This will be welcomed by CSOs but presents a challenge with regard to how the fund will measure results at portfolio level. To aggregate results at portfolio level, for example, grantees would need to use the same outcome indicators, definitions and standards, and collect information through the same methodologies. This is not consistent with the Guidelines which suggest that M&E systems should not be imposed on partners. Fund managers can draw upon grantees' own M&E systems to summarise results through case studies or stories responding to indicators defined by the fund. However, this may not be sufficient for many donors who require some quantification of results. Most funds are experimenting with a mixture of quantitative and qualitative indicators e.g. 'number and description of policy changes'. Alternatively, a fund can assign a numeric value to an "intangible" e.g. the degree of change in a certain area, which can then be aggregated across a portfolio. Trying to keep things simple and to ensure that M&E systems work and are understandable for the staff of grantees is important.

The challenge of measuring the results of 'open' civil society funds

Harmonising the results frameworks at engagement level of open' civil society funds or those supporting human rights and democracy is likely to be more challenging than those of sectoral programmes. Special attention needs to be paid to the how results are measured in joint funds that support a wider, more diverse range of CSOs and activities. For example, tracking process-related indicators linked to CSO organisational development or collective action may be more relevant than aggregating project outputs.

Accountability and Learning

If the M&E framework of the fund focuses narrowly on reporting results for the purposes of upwards accountability, this may undermine its usefulness in supporting the downwards accountability of grantees to their own constituencies and holding itself accountable to a broader range of stakeholders. Multi-donor funds, as collaborative, influential civil society initiatives, should also play a lead role in generating and sharing learning within the sector and national context.

4. Implementation Phase

Reviews

It is important that the performance of a multi-donor civil society fund is regularly reviewed. A technical review, for example, would provide an opportunity to review the progress of the fund in order to adjust its operations if necessary. The attached checklist provides a comprehensive list of guiding questions to inform such a review. However, two areas of a fund's performance are of critical importance from the point of view of CSOs – funding support and capacity development.

Two types of periodic reviews are anticipated for country programmes – a mid-term country review by TAS and a technical review at development engagement or thematic level, which could be in the form of an annual joint review, by external consultants.

Guidelines for Country Programmes pp 29-31

Funding support

There are two key determinants of the effectiveness of joint civil society funding - its appropriateness to target groups and transparency in grant administration.

Transparency in grant administration

The award of grant funds to CSOs should be managed with complete transparency e.g.

- A functional website before operations that clearly communicates eligibility criteria, grant approval and assessment processes etc.
- Follow up where possible with outreach meetings to communicate the objectives of the fund and how grants can be accessed.
- A graduated process of grant application e.g. submission of concept note prior to invitation to submit a proposal.
- Include independent assessors or establish an independent assessment panel as part of the grant appraisal process.
- Offer feedback to unsuccessful applicants, if possible, including the written comments of assessors.
- Publish grants lists on the fund website.

The right kind of funding for the purpose of the fund and its target groups

There are number of ways in which funds can award grants to CSOs each of which has advantages and disadvantages. For example:

- *Open Calls for proposals:* Open calls allow CSOs to submit proposals reflecting their own priorities under a broad generic category such as governance. They have the advantage of being an open, competitive process but are likely to favour more established CSOs, unless affirmative action is taken (see below). They also encourage a high number of applications only a few of which are likely to be funded.
- *Restricted Calls for proposals:* These calls are restricted by some form of pre-qualification of potential applicants. These are most often used where donors are keen to encourage a particular theme or area of work.
- *Thematic calls for proposals:* These predetermine the focus of the call. They have greater potential to create greater synergies between grantees and to develop or encourage a critical mass of effort on one issue. Their disadvantages are that the priorities can be donor-determined; they allow less space for emerging or new issues; and restrict funding opportunities for CSOs outside the thematic area.
- *Strategic partnerships:* Strategic funding of the strategies and plans of CSOs is most popular with CSOs since it supports their own priorities over a longer period. However, this will tend to benefit CSOs with track record of delivery and fiduciary management.

In general, a results-based approach to development will tend to favour more competent CSOs to deliver demonstrable results, cost-efficiently, in the shortest period of time possible, and at least risk. Multi-donor fund support to a more diverse partner portfolio - for example, smaller CSOs working closer to poor populations in marginalised districts, indigenous peoples, and informal, traditional or emerging actors such as faith-based groups or new forms of civic association, requires affirmative action. For example:

- Publish calls in regional newspapers and providing regional briefings on the fund.
- Regional briefings should be accompanied with efforts to build mutual confidence

- Analyse the geography of applications in each call. Target information sessions for following calls among those groups and in those regions which were previously under-represented.
- Establish quotas on proposals from different groups and regions and weigh selection criteria in favour of regional applications and “hard to reach” populations.
- Establish local or regional support offices, although this can be an expensive option.
- Adapt selection criteria to the level of CSO development e.g. allow applications in local languages.
- Provide outreach through regional networks and/or through a network of coaches or mentors.
- Encourage new organisations among women or youth to apply

Working pro-actively to support an independent, diverse civil society in this way involves a higher level of investment in such outreach activities and implies a willingness to accept a higher level of risk. This can be seen as a ‘venture capital’ approach - small grants funding a variety of actors to subsequently invest in those that demonstrate the greatest potential.

The right kind of capacity development

Capacity development is basically about supporting and accompanying relevant institutional, social or political changes. Accompaniment is the process where civil society actors are guided through important change processes, and provided with professional and strategic input and knowledge. It is fundamental that these change processes are owned and led by those whose capacity is developing; fund managers can teach, coach and shape incentives for learning – that is all.

Most CSOs comment favourably on the capacity development support received from funds. However, the need for capacity development support to CSOs is often belatedly recognised. Most capacity development offered is supply driven, focusing on the donors’ need to ensure grantees comply with project cycle and financial management standards of the fund. There is a need to strike a balance between supporting grantee compliance and investing in their own organisational development and sustainability. Effective capacity development is often demand led and tailored to the needs of individual CSOs. Such an individualised approach can be at odds with the pressure on multi-donor funds to manage big portfolios. The size and nature of grant-making cycles in civil society funds needs to be balanced with the space and time available to provide quality capacity development support. Whatever the form of capacity development, most funds have weak systems to measure the effectiveness of capacity development efforts and limited systematic tracking of organisational capacity as a result of support.

Think beyond standard training packages

Some funds combining training opportunities with more innovative forms of capacity development support, such as:

- Mentoring, which is most popular with less well-developed CSOs.
- Offering a brokering role to facilitate collaboration between CSOs and, for example, media, local governments etc. on particular issues or problems.
- Facilitating peer learning e.g. at thematic, national or international level which can be very effective but is resource intensive.
- Working with local capacity development providers to take on new approaches and methodologies when appropriate skills are not available.

5. Completion Phase

Preparation of exit strategy

The Guidelines highlight the importance of early consideration of an exit or transition strategy when supporting a development engagement. This is all the more important with multi-donor funds in support of civil society since their withdrawal may have a significant impact on local civil society. As part of the sustainability analysis the exit strategy should distinguish between the objective is to have sustainable impact through funding or to build an independent institution that will survive after current donor funding arrangements e.g. in the form of an independent national foundation.

“Towards the end of country programming cycle there is the opportunity to decide whether to continue to work with the same partners in development engagements or to exit from one or more development engagement.....an exit strategy should ideally be part of the initial development engagement strategy and inform the sustainability analysis..... the earlier the issues related to a phase out are addressedthe better the chances are of ensuring sustainability of the achievements.”

Guidelines for Country Programmes p34

The role of independent national foundations

There is increased donor interest in transitioning funds into independent foundations. Independent foundations can promote national ownership; create long term institutional capacity; make it easier for donors to support over different timescales; and extend the life of the fund by attracting new donors. However, making the transition requires a major investment; foundations may compete or take space from other national actors; and the transition may not be appropriate where there is a restrictive environment for civil society.

Annex: Guiding questions for engaging with joint civil society funds.

Context and Design

- Is there a clear purpose for the fund from which operational choices can be deduced? Is it consistent with Danida strategy and Civil Society Policy
- Is the fund based on a contextual analysis of development of civil society in the country and the political economy of state/civil society relations?
- Has civil society been consulted during the design and inception period on operational systems and processes?
- What is the possible impact of the fund on existing civil society networks and representative bodies; state/civil society relations; and on the range and variety of funding sources for civil society?
- Have alternative funding modalities been considered e.g. established national NGOS or networks?
- Does the fund have an exit or transition strategy?

Harmonisation

Does the fund have the potential to deliver:

- Greater outreach i.e. to a greater number and wider range of CSOs?
 - Greater scale of impact e.g. more beneficiaries, more widely across the country or greater influence on policy or practice?
 - Reduced transaction costs i.e. less financial and human resources?
 - Harmonised funding cycles and reporting systems.
-
- Do donors agree on the purpose of the fund its operational procedures?
 - Are they informed and engaged with its operations and partners?
 - Is a lead donor approach in place? Is there adequate support to the lead donor?
 - Have non-traditional donors to the fund been explored?

Governance

- Is the form of governance appropriate to the purpose of the fund?
- Are roles and responsibilities of Board, steering and advisory committees clearly defined and a clear system of authority, accountability, and transparency in place?
- Is there broad stakeholder representation and transparent decision-making in governance structures?
- Are CSOs adequately and effectively represented? How have they been chosen? Is their role clearly defined?
- Has the governance structures of the fund been recently reviewed? Is there a need?
- Is there a scenario plan for the future governance of the fund e.g. as an independent foundation? Has the issue of sustainability been addressed?

Management

- Is the choice of management agency appropriate to the purpose and target groups of the fund?
- Was the management agent selected in an open competitive process? Was civil society consulted in the appointment?
- Does the management agent have in-depth experience and professional expertise in civil society funding and support, and understanding of the characteristics of civil society in national context?
- Does it have a clear MoU or service level agreement defining deliverables and how they will be measured and reported on?
- Does it have delegated powers of decision-making in situ?
- Does it have experienced leadership with the appropriate skills, authority and understanding of the context?
- Do the staff have the right mix of behavioral and technical skills to support and facilitate civil society development?
- Does it have administrative systems and processes appropriate to the objectives of the fund and the capacities of the target group?

Funding modalities

- Are the CSOs targeted appropriate to the fund's anticipated outputs and activities?
- Are the funding modalities e.g. calls for proposals, direct award etc., appropriate to the purpose and target groups of the fund?
- Are there mechanisms to extend the reach of the fund to a wider range of CSOs e.g. outreach mechanisms, affirmative actions?
- Is there a strategy to support civic associations e.g. TUs, indigenous peoples, faith-based groups that are not formally registered?
- Do funding windows enable grantees to expand their work by either accessing larger grants or "graduating" to more flexible, strategic funding?

Is the assessment and approval process transparent and fair?

- Does the website clearly communicate eligibility criteria, grant approval and assessment processes?
- Are there outreach meetings to communicate the objectives of the fund and how grants can be accessed?
- Does the fund offer a 'graduated' process of grant application e.g. concept note before invitation to submit a proposal?
- Are independent assessors or an independent assessment panel involved as part of the grant appraisal process?
- Does the fund offer feedback to unsuccessful applicants, including the written comments of assessors?
- Does the fund publish its grants lists on its website?
- Does the fund encourage feedback on its operational procedures e.g. through grantee meetings?
- Do grant agreements clearly define reciprocal obligations?

Capacity Development

- Does the fund offer capacity development support to applicants and/or grantees?
- Is the support offered appropriate to fund partners e.g.
- Does the capacity development support focus on grant management and compliance , or does it include wider issues of organisational development?
- Does the capacity development support include accompaniment, where civil society actors are guided through important change processes, and provided with professional and strategic input and knowledge?
- Is it demand i.e. the result of a capacity needs assessment, or supply driven?
- Does the fund offer alternative forms of capacity development support e.g. mentoring, peer learning etc.?
- Is the size of the grant portfolio and grant schedule appropriate for the level of capacity development envisaged?
- How does the fund monitor and evaluate the effectiveness of the support offered?

Monitoring, Accountability and Learning

Internal accountability

- Are the outcomes and outputs of the fund appropriate to its anticipated period of funding?
- Does the fund have unitary systems of financial and narrative reporting for grantees, or does it draw upon grantees financial and reporting systems?
- How does the fund monitor and report on results at portfolio level Do grantees perceive reporting demands of the fund as appropriate and proportionate?

External accountability

- How does the fund demonstrate its wider accountability e.g. through independent reviews; grant-making performance surveys; grantee meetings etc.

Learning

- How does the M&E system contribute to internal learning? e.g. communities of practice among grantees; internal newsletters?
- How does the M&E system contribute to external learning? e.g. through website; learning events in the sector etc?