Helpdesk Research Report: Civil Society Funding Mechanisms
Date: 20.11.09

**Query:** Please identify literature on civil society funding mechanisms.

**Enquirer:** DFID Civil Society Department

1. **Overview**
2. **General Surveys and Donor Approaches**
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### 1. Overview

Mechanisms by which civil society is funded have been receiving increasing amounts of attention, particularly in response to a number of issues making their presence felt within the development agenda:

- The Aid Effectiveness discourse
- Research into the role of inter-NGO relations
- Considerations of ‘moral hazard’ and ‘conflict sensitive’ financing of civil society projects
- The importance of building the capacity of Southern organisations

The rather limited available literature reflects these concerns, particularly in terms of analysing risk and providing a justification for providing financial support to civil society. The bent of the literature is however towards how donors fund civil society rather than other funding mechanisms (e.g. self-funded, private donations). In the literature ‘civil society’ is understood largely as NGOs, although there are some considerations of ‘non traditional’ civil society actors such as religious groups and community-based development organisations.

Two general points emerge in the literature on civil society funding mechanisms. The first is that 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). A key concern for donors, therefore, is to explore how to finance capacity building.

There is a shortage of literature directly concerned with assessing different funding mechanisms, analysing why different mechanisms may be implemented, and the variables determining their impact. However, a number of key documents which present surveys which address a specific question asked by donors (such as how to fund local capacity building initiatives), or which present a particular donor’s approach were found, and have been included below. Case studies, centred mainly on Sub-Saharan Africa, are also present in the
literature. In general however the query and subsequent literature survey have thrown up a number of obvious ‘gaps’ in the availability of information in this area:

1. Aside from taking into account context when formulating funding strategies, no overarching set of recommendations or lessons learnt of what works where and when emerge from the literature as it stands;
2. Whilst the literature available presents an overview of different funding mechanisms in a variety of case studies, as mentioned the literature identified is wholly donor-oriented with little consideration of how civil society actors are self-funded or receive funds from the private sector;
3. Much of the more substantial literature is relatively out-of-date and therefore does not address the current and future problems the impact of the financial crisis will have upon how civil society is funded, nor how the crisis may specifically impact upon bilateral donor attitudes towards multi-donor funding mechanisms.

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, 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 comes with 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 they are being marginalised and their capacity stalled, with little opportunity to gain access to donor funds.

A corresponding concern is to do with the potential for resource dependency amongst NGOs who regularly receive funds – a problem which raises questions about ownership and long-term development perspectives. Thirdly, donors have raised concerns in regard to the involvement of Southern governments in the allocation and channelling of funds to civil society actors. 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’ of civil society actors – thereby weakening their claims to autonomy and objectivity. In general civil society actors have their own criticisms of funding mechanisms, pointing out that reporting procedures to donors are cumbersome, funds are often subject to delays and donor project cycles suffer from short-termism.

2. General Surveys and Donor Approaches


The European Council has largely directed its support to NGOs through European Union [EU] NGOs, with the NGO Co-Financing Scheme being the most established channel for providing funds. This discussion paper considers the policy and management issues involved in direct
funding approaches. Importantly, the EC’s guiding objectives in funding Southern NGOs are to:

- Increase participatory democracy in the South, including development work and policy formation;
- Encourage participatory approaches to human development programmes and projects; and
- Encourage the implementation of operational development work which focuses on poverty eradication.

There are three ways in which the EC does this:

- Via Southern governments: as articulated in the Cotonou Agreement;
- Via EU NGOs: the EC’s traditional route; and
- Direct funding to Southern NGOs: the EC’s experience of this has largely been through the following budget lines:
  - ‘decentralised cooperation’
  - Food security
  - Other sectoral budget lines
  - EDF microproject schemes

Having considered some of the problems associated with funding civil society organisations and the added benefit working through European NGOs can bring, three recommendations are made:

1. To work directly with some (larger, professionalised) NGOs.
2. Work with Southern governments to support Southern NGOs which forms the basis for long-term state-civil society relations.
3. Working through EU NGOs to manage day-to-day relations with Southern NGOs, along with building their capacity.


This paper presents an analysis of European Union (EU) support to civil society organisations in Europe based on two databases. The findings suggest that financing of civil society is not evenly spread and does not ‘live up’ to the EU’s rhetoric on forging a ‘partnership’ with NGOs. Emphasising how public interest (as opposed to sectoral interests) often suffer from ‘collective action problems’ this paper suggests that targeted support to civil society groups corrects this ‘imbalance’. However, a number of problems are identified:

- Organisations or groups receiving support may be co-opted by government.
- Governments may favour particular segments of society.
- Funding may lead to resource dependence.
- Loss of autonomy, direction and complete ‘goal displacement’.

The paper argues that the EU’s funding is biased towards older, more established EU members and penalises organisations with weak capacity and limited resources.

This paper charts and analyses the mechanisms by which the official agencies of seven major European countries — Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom (UK) — distribute ODA to domestic NGOs. It provides details of historical developments of Official Aid funding of NGOs, overall trends and the implications of these funding mechanisms for NGOs and civil society. In addition, it outlines the influence of wider policy issues of official agencies, such as the emphasis on security and the aid harmonisation agenda. Overall, the paper contributes to the understanding of one aspect of NGO funding and aid architecture; namely, the mechanisms used by official agencies to fund NGOs and the changes that these mechanisms are undergoing.

The mechanisms by which governments distribute official development assistance (ODA) to domestic non-governmental organisations (NGOs) through their official agencies (e.g. the UK Department for International Development [DFID] and the Swedish International Development Cooperation Agency [Sida]) are continually changing. These changes and the ways in which this funding is distributed to NGOs can have a variety of implications for NGOs, not only in terms of the amounts and sources of their income, but also on the ways in which they operate. The influence of such factors can extend far beyond simple reporting requirements, to even act upon the ways in which NGOs conceptualise and plan their work; for example, whether they work on a project or programmatic basis.


The Local Capacity Development Fund (LCDF) initiative is part of SNV’s 2007-2015 strategy, based upon a commitment to empowering local actors in a way that allows them to acquire services which are geared towards their needs. Local development funds are seen as the best way of ensuring that financing supports tools to empower actors at local level. SNV understands LCDFs as being earmarked for capacity development rather than being amalgamated into programme funding. This paper examines SNV’s operational assumptions about LCDFs in order to inform SNV’s planning phase. Based on a desk-study consisting of 35 case studies, the study considers approaches to supporting capacity development and related financing mechanisms before providing SNV with recommendations for implementing the initiative. The concluding section focuses upon partnerships between donors and civil society.

The LCDF draws upon the capacity development paradigm, ‘pulling’ capacity development funding to the sub-national level and thereby ‘bridging’ the micro-macro gap. For the majority of the cases reviewed, capacity development was a component of an investment programme such as Ghana Research and Advocacy Programme or the Foundation for Civil Society in Tanzania. In other cases capacity development is either the programme itself or a product in the development marketplace.

Funding capacity building: In terms of funding modalities, the study suggests that where capacity development is a component of the programme donors tend to use intermediary institutions. Where capacity developing is the programme itself, ‘own staff can be used creatively’, whilst if capacity development is a product on the market it needs to support both demand and supply with a view to playing a reduced role in time. The model most closely resembles the LCDF model. The study also indicates various ways in which funding can be made flexible, such as:
- Closed and open calls for proposals
- Unsolicited grants
- Discretionary support in unexpected situations
- ‘Activity’ or ‘responsive’ funds, similar to discretionary support
- Core funding for high-performance organisations

Amongst the proposed recommendations for SNV’s LCDF initiative, the study suggests the use of value-chain analysis within interventions in order to develop an understanding of ‘gainers’ and ‘losers’ in the local context where sub-national activity actually stimulates the local market.

**Partnerships:** In terms of bilateral partnerships, core funding to NGOs provided through Framework Agreements (Denmark, Norway, Sweden), Partnership Agreements (Finland), Partnership Programme Agreements (PPA) (UK), Co-Financing Programme (MFP) (The Netherlands), and the Multi-Annual Programme Scheme (MAPS) (Ireland) are often channeled to partners (usually umbrella organisations) in the South. DFID are extending this approach, setting up a number of intermediary organisations in order to provide a desired outcome. Multilaterals such as the EC and World Bank work in partnership with civil society to support capacity development through the ‘Non-State Actors and Local Authorities in Development’ budget line (EC) and Community Fund (World Bank), amongst others.

Annexes I and II provide an analytical description of the LCDF and details of the 35 case study organisations.


This paper from the Overseas Development Institute (ODI) analyses multi-donor support models and partnerships with ‘non-traditional’ civil society. The decision to move from bilateral to multi-donor support of civil society organisations (CSOs) involves a trade-off between direct donor management of project administration and politics, and leaving civil society advocacy to run its own course.

The most relevant sections are found in Part 1 where the transition from bilateral to multi-donor approaches is addressed. The principal ways of supporting civil society through multi-donor interventions are:

- Umbrella funds to support a variety of actors (e.g. Common Fund for Supporting Civil Society in Nicaragua)
- Sector programmes (e.g. Multi-stakeholder forestry programme in Indonesia)
- Multi-donor trust funds (MDTF)
- Basket funds for specific actors (e.g. Tanzania Media Fund)
- Core funding to individuals CSOs (e.g. Ghana Research and Advocacy Programme)

These funds are managed by a number of different actors, including local NGOs and networks, multilateral agencies, international NGOs, private management companies, national foundations and community funds/small grant mechanisms. Within DFID there is a trend towards transitioning funds from international NGOs to local foundations. In general, DFID’s portfolio of support towards civil society indicates three broad approaches: a) high-visibility ‘direct facilitation’; b) use of a CSO intermediary; and c) core funding. The choice of approach depends on country context – for instance, fragile states are more likely to receive MDTF with little of the budget earmarked for voice and accountability purposes.
The second part of the review considers DFID’s engagement with ‘non-traditional’ partners. The review indicates that DFID uses a range of different funding mechanisms to support these partners:

- Diverse experimental funding, e.g. RAVI Ghana
- Working with intermediaries with experience of engaging with ‘non-traditional’ groups, e.g. the Asia Foundation
- Developing different funding mechanisms, e.g. Mechanismo Nacional de Control Social in Bolivia
- Differentiating grant making, reducing reporting requirements and giving partners the space to learn from their mistakes, e.g. City Challenge Fund in Zambia

The Annexes to this paper provide detailed case studies of how DFID has supported traditional and ‘non-traditional’ civil society networks, groups, intermediary organisations, foundations and funds.


This paper poses the question as to why civil society cannot always live up to its advocates’ expectations and offers one possible explanation - the implication of different sources of financing for operational autonomy from the state, business, and transnational organisations. Based on an analysis of data from the Johns Hopkins Comparative Nonprofit Sector Project, the paper suggests that the pervasive ‘myth’ of civil society self-sufficiency has no factual base. The data analysed suggests that there is no country where private giving is the dominant source of revenue for civil society organisations. The study explains why this is the case, identifies actual patterns of civil society finance in the world, and discusses the possible implications of various funding patterns for civil society’s autonomy.

3. Case Studies


This article draws on a review conducted in early 2008 to examine issues around fund design, access and effectiveness from the perspective of NGOs supporting service delivery in Southern Sudan, three years after the Comprehensive Peace Agreement (CPA). A number of donor funding mechanisms are identified and assessed:

- **Multi-Donor Trust Fund (MDTF):** This fund is administered by the World Bank, which despite allocating a significant amount of the $650 million pooled funds to NGOs is seen to treat NGOs purely as contractors or implementing partners rather than participants of equal standing;
- **UN Funding Pools:** These include the Common Humanitarian Fund (CHF) and the Sudan Recovery Fund (SRF) and like the MDTF are criticised for being cumbersome and difficult for NGOs to gain access to;
- **Targeted Bilateral Funds:** Funds such as DFID’s Basic Services Fund (BSF) and the EU’s Recovery and Rehabilitation Programme (RRP) have made important contributions to the provision of funds for NGOs to deliver basic services.

The targeted bilateral funds offer lessons learnt for the UN, particularly for the UNDP who are seen by NGOs in Sudan as difficult to work with. The article recommends that donors offer ‘fast, flexible and multi-year funding’ to enable NGOs to continue and expand their delivery of good-quality basic services.
The Ghana Research and Advocacy Programme (G-RAP) is a pooled funding mechanism which provides funds for research and advocacy organisations in Ghana, initially set up with a lifespan of five years. This Memorandum sets out the rationale behind the programme (Section 2) before detailing its implementation in Section 3 and assessing the programme’s risks in the last section.

The programme offers multi-annual core funding which makes up 25-40% of an organisation’s annual budget. Grants are made on the basis of a competitive grant-making process and is made available in three ways: core funding grants; institutional development grants; and technical assistance. G-RAP’s donors (DFID, DANIDA, the Royal Netherlands Embassy and Sida) do not manage the programme directly but through a Ghana-based Project Management Team (PMT) which answers to a Funding Committee (FC). Grantees are required to write detailed reports of their activities to appear on the G-RAP website.

In terms of risks, the areas deemed ‘high risk’ are organisational dependence upon donor funding; the Government of Ghana being unable to make effective use of grantee’s research and advocacy output; fiduciary risk; and a lack of exit strategy for donors.


The pastoralist land rights movement in Tanzania began with local resistance to the alienation of traditional grazing lands in Maasai and Barabaig communities. Whilst these community-based social movements were administered through institutions and relationships that local people knew and understood, they were not co-ordinated in a comprehensive fashion and their initial effectiveness was limited. These groups began to gain institutional legitimacy with the advent of liberalisation in the mid–1980s, registering as pastoralist Non–Governmental Organizations (NGOs). As registered NGOs these groups provided community leaders with a formal mechanism for co–ordinating local land movements and for advocating for land rights at the international level. The connections between pastoralist NGOs to disenfranchised communities, and their incorporation of traditional cultural institutions into modern institutional structures, resonated with the intentions of international donors who wished to provide new support channels to civil society and to create an effective public sphere in Tanzania. The newly-registered NGOs were an attractive funding focus. Despite their good intentions, donors tended to overlook the institutional impacts of their assistance on the pastoralist land rights movement and the formation of civil society in pastoralist communities. NGO leaders have become less accountable to their constituent communities, and the movement has lost momentum as energies have been concentrated onto activities that can be justified in donor funding reports. A political movement geared towards specific outcomes has been transformed into group of apolitical institutions geared toward the process of donor funding cycles.


This report was undertaken in order to inform NORAD’s funding to civil society organisations in Mozambique. The study takes a general approach by first defining ‘civil society’ and
explaining the historical and structural conditions which have formed civil society in the country. The report recommends that NORAD's support to civil society should encompass wider governance issues whilst maintaining a human rights focus. In terms of research, knowledge of the 'informal' aspects of civil society needs to be deepened. Ultimately, the report suggests that increased support for civil society in Mozambique does not necessarily mean increased funding.

**UNDP, undated, ‘Funding Mechanism to Support Civil Society’, Concept Note, UNDP**


This concept note addresses how an independent, competitive grant-making mechanism in the Democratic Republic of Congo (DRC) could support civil society in strengthening citizen’s voice and accountability. The programme this concept note sets out consists of two elements: both enabling CSOs to undertake activities by which the voices of civil society can be channelled to improve accountability; but also a ‘tailor-made, capacity building facility’ for those awarded grants. The proposed mechanism is multi-donor and would ultimately be implemented by a ‘local foundation’.

**4. Additional information**

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World Bank, Ghana Research and Advocacy Programme (G-RAP), Overseas Development Institute (ODI), Humanitarian Exchange, United Nations Development Programme (UNDP), European Union (EU), Eldis, Springerlink, Ingenta Connect, Google Scholar, City Challenge Fund Zambia, SNV, FRIDE, ALNAP, Sida, DANIDA, USAID, OECD DAC, Institute for Development Studies, London School of Economics Centre for Civil Society.

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