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# **FUNDING CIVIL SOCIETY ORGANISATIONS & NETWORKS**

**PROMISING APPROACHES TO FINANCING  
DEVELOPMENT IN THE 21ST CENTURY**

**RESEARCH REPORT**

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## EXECUTIVE SUMMARY

- ▶ Forus is a national network of 69 national NGO platforms and 7 regional coalitions from all continents, led by its members. One of the main objectives of the network's current strategy (2016-2020) is to become an influential international player and to benchmark for Civil Society Organisation's (CSO) capacity development at the national, regional and international levels.
- ▶ To support this work, Forus commissioned research into the current funding sources and modalities for civil society, with a particular focus on civil society networks and platforms at national and regional level, and on supporting their capacity development and advocacy activities.
- ▶ The aims of this research were: (i) to investigate the strengths and weaknesses of different CSO funding sources and modalities in order to shape informed recommendations about more effective resourcing of CSO networks and platforms in the future (ii) to ensure that the contribution of CSOs to the achievement of the Sustainable Development Goals (SDGs) is supported, particularly through the effective resourcing of their capacity development and advocacy activities and (iii) to support the development of essential sectoral infrastructure and the emergence of a more supportive ecosystem for civil society generally.
- ▶ The research was carried out by a team of researchers external to Forus, active in CSO networks, and with a background in institutional funding for development. The methodology involved a literature review of studies into current funding sources and modalities for civil society. This was combined with field research including interviews of Forus members (national civil society platforms & regional coalitions), partner organisations and relevant think-tanks and experts.
- ▶ The research identified some of the factors influencing current funding trends for civil society. It explored ways in which a wide range of new stakeholders are coming on board as both partners with, and funders of civil society and identified how networks and platforms are currently responding to these changes, highlighting both the main challenges and opportunities. The key findings of the research report, and its recommendations, will be included in a capacity development Toolkit for Forus members.

### Key Findings

The headline findings from the field research are:

- ▶ There is an alarming lack of diversity in funding modalities for majority of platforms and networks with many of them relying largely or exclusively on EU funding, particularly smaller national CSO platforms from the Global South
- ▶ Members fees are an important source of income for Forus members, and a significant source of income for a small number. The potential for income of such fees varies according to the local civil society context, including factors such as the political and funding environment.
- ▶ Income generating activities such as room and car rental, product sales, and selling services such as research and training are areas of growing interest for CSOs
- ▶ Managerialist approaches to funding, and challenges to closing civic space, are affecting CSOs' ability to strategize for sustainability, as well as to innovation and independence. Trust-building and collaborative working, including through networks, are key strategies to respond to these challenges.
- ▶ The best practices identified by the research on developing capacities and resourcing civil society have a power shift at their core, placing decision-making in the hands of communities and representatives of local civil society, for example through participatory grant-making and co-creation.

### When asked about the "ideal donor" respondents said they would value donors that

- **Involve CSOs in the co-creation<sup>1</sup> of funding programmes and modalities from the outset;**
- **Pro-actively include smaller, local organisations with local knowledge in funding partnerships with donors taking into account their capacities and needs;**
- **Consider flexible funding models that can be adjusted to changing circumstances;**
- **Consider longer term funding that will cover at least three to five-year programmes;**
- **Consider funding for stand-alone advocacy programmes;**
- **Funding for more innovative work such as policy coherence for sustainable development is crucial to the achievement of the SDGs.**

<sup>1</sup> Co-creation is a process where the donor works together with the NGO to design a programme that aligns with each of their missions and experience of what works, this is increasingly seen with donors such as US corporates and foundations, and also with the EU.



- ▶ **The research revealed that there is a diversity of contexts within which CSOs operate and that funding approaches that are promising in one context, are unlikely to be successful in all contexts.** An important unifying framework is the Agenda 2030 and it is important that any research, donor advocacy or policy - influencing takes place within that frame. Networks and platforms have a unique role to play in relation to the Agenda 2030, and this can also be a route to ensuring financial sustainability.
- ▶ **The literature review revealed a notable lack of research from the perspective of civil society itself, and that much of the literature originates from the Global North,** with a distinct lack of voices from the Global South. Further research needs to be undertaken that fully captures the perspective of CSOs at the end of the funding chain, to fully understand what sustainable best practice looks like.
- ▶ **There is an urgent need for evidence-based advocacy to influence donor policy in relation to the funding of regional and national civil society networks and platforms.** This includes the need for further research into innovative funding frameworks supported by multiple donors.
- ▶ **Official Development Assistance (ODA)<sup>2</sup> as a percentage of DAC<sup>3</sup> national economies is in decline,** and the definition of ODA itself is widening, as climate change, migration and the rise of populism puts increasing pressures on development budgets. A wide diversity of new philanthropic actors and innovative funding mechanisms are coming in to fill the space, emerging from very different contexts.
- ▶ **CSOs have witnessed traditional funding streams shrink and this has been accompanied by greater uncertainty in relation to funding size, sources and models from traditional donors.** Modifications have been made to donor criteria, including diversification of funding sources, requirements for private sector partners, and more stringent requirements to demonstrate impact. New sources of finance are emerging, such as the rise of emerging market philanthropists and social investment products. New mechanisms to access finance are also emerging, such as crowd-sourced funding and online lending platforms that directly connect lenders and entrepreneurs.
- **There is a rise of, and investment in, participatory forms of grant making,** such as Community Foundations<sup>4</sup>, which reflect the growing #ShiftThePower movement, and a growing consensus around the need to ensure local actors are driving funding decisions and capacity development

initiatives. These trends, and new avenues for funding, can be very context specific, and there is no “one size fits all” approach.

- ▶ **The literature review identified a disconnect between managerialist approaches to civil society funding, characterised by competitive, short-termist and results-driven agendas, and the desire of institutional donors to support a sustainable and thriving civil society through flexible and responsive funding.** The interviews showed how the managerialist approach is affecting Forus members, their ability to respond to the rapidly changing environment, and to strategize for sustainability. This is contrasted with the principles of social transformation and adaptive management that many of these institutions espouse. There is strong and clear evidence of institutional donors adopting a strategic, long term, partnership approach to developing civil society, and it will be important to generate clear evidence about what works well in relation to funding modalities.
- ▶ **Many networks and platforms are struggling to find sources of funding for core costs, and are highly dependent on project funding,** particularly from the EU. Membership fees and social enterprise, or selling services, are two ways that networks and platforms can generate an income. However, in general, interviewees feel that they are lagging behind in terms of capacity, time and resources to respond to trends in the funding landscape. Furthermore, trends such as more consortia working, and the increasing desire by donors to fund southern Non-Government Organisations (NGOs) directly, are occurring without acknowledging and addressing power issues, further exacerbating challenges to mobilise resources, and in particular to cover core costs. Such trends can represent a challenge, and, if handled correctly, also an opportunity.
- ▶ **One of the biggest challenges to innovation and independence is the closing space for civil society,** and this is affecting many Forus members. While this presents a significant challenge, it is also seen as an opportunity, as funders who are beginning to coalesce around efforts to tackle closing space may be attracted by the convening role that networks and platforms are able to play. Foundations and private donors, with different lines of accountability, have greater freedom to innovate with funding approaches, and to tackle issues around the closing space for civil society. The literature has revealed some strong examples of how foundations are working collaboratively with civil society, and adopting a partnership approach to capacity development, despite

<sup>2</sup> Official Development Assistance

<sup>3</sup> Development Assistance Committees

<sup>4</sup> Community Foundations defined as combining “stewardship over community resources with a specialisation in building co-financed partnership at the community level” (Inviolatta Moyo, WRF, Zimbabwe) are led by the communities they are intended to benefit, and manage community resources and funding to meet particular needs within that community.

the perceived risks to accountability. Forus members have begun to benefit from such forward-looking donor practice, and this is a notable area of potential.

► **A long-term approach to trust and relationship building is a crucial bedrock for true funding partnerships.**

In a rapidly changing context, risk awareness and leadership are also crucially important factors in sustainability. From the point of view of donors, there is evidence that long-term, flexible, and less restricted funding modalities are crucial to support advocacy, capacity building and a thriving civil society.

► **There is power shift underway, and the very best practices in civil society capacity development, have this power shift at their core.**

For example, Yetu, Red Umbrella and UHAI, are organisations that have evolved to a model of community approaches to resource mobilisation and participatory grant making, and the report showcases these examples. UHAI<sup>5</sup> in particular makes an interesting example of where funding decisions and governance is carried out exclusively by the communities intended to benefit. The review calls for an examination of the unique role that regional and national civil society platforms have in facilitating and enabling the right conditions for such participatory, “bottom-up”, context specific and locally designed funding models, through their advocacy, capacity building roles and through facilitating cross learning.

► **Greater collaboration and co-creation between donors and networks/platforms are identified as “promising approaches”**

and increased dialogue with donors is called for about what constitutes effective funding practice, assessing the true cost of activities/projects, increasing the scope for mutually identifying the areas of greatest synergy, how change happens and how long it takes. This is a very positive trend for CSO relationships with funders, and a small number of the interviewees from both the global north and the global south shared their positive experiences of this. Reference was made during the online interviews to a Civil Society Fund- a one stop shop for funding management for CSOs in Cambodia. Any funder wanting to fund NGOs in Cambodia can work through this mechanism, which was started under an EU support project in partnership with Bread for the World. Other activities in this programme include building capacity of NGOs and attracting new donors.

► **The research also demonstrated how some networks and platforms have been able to benefit from their unique relationships with CSOs to act as Fund Managers<sup>6</sup>, generating an income while doing so, at the same time as serving their members.**

There is a clear interest from other platforms, generally smaller and/or Southern based, who were keen to also act as Fund Managers. To enable this, they will require support to advocate to donors about the considerable value that they can add as fund managers, for example in terms of access to hard to reach grant recipients, and in relation to their enabling and capacity building support roles. Forus is well placed to support such advocacy on the added value and benefits of having smaller, Southern based platforms act as Fund Managers.

► **Prevalent project-style funding models were questioned by some interview respondents and it was suggested that southern-based civil society should rethink strategies for sustainability, including concentrating on advocacy to influence the funding environment, and turning to social enterprise.**

A recommendation for further research is to examine the role that regional and national civil society platforms have in facilitating and enabling the right conditions for such funding models for civil society more generally.

► **CSO are increasingly building social enterprise into their strategies for sustainability.**

One of the online interviews highlighted an example of many community based organisations which produce different agricultural products and which work with the private sector as an investor. A local CSO acts as bridge between investor and community and then asks for 5-10% of business turnover.

► **CSOs are aware that they need to promote diversification of their funding strategies.**

The research highlighted how being part of a network can support organisations to explore diversification of funding strategies. With support from Forus, the national platform had time and money to contract a specialist to develop a fundraising plan and involved all members and its Board in the process. This energised the members as all could volunteer their ideas and many different proposals of how to fundraise were generated.

► **The research report concludes with four examples of best practice in resource mobilisation from the interviews,**

from pro-active relationships with donors to the importance of understanding, and mobilising, the unique value of platforms and networks to generate income; to membership fees and income generation.

<sup>5</sup> UHAI EASHRI- the East African Sexual Health and Rights Initiative: Africa’s first and largest indigenous activist fund supporting the human rights of sex workers and sexual and gender minorities in seven East African countries

<sup>6</sup> Fund Managers is a term used to describe contractors that donors engage to manage particular funding programmes. While these are often private sector consultancies, not for profits, and academic institutions are also eligible to act as fund managers.



## Recommendations

The following is a summary of the recommendations made throughout the report. These recommendations are grouped under (1) recommendations for donors and the wider civil society, and (2) recommendations for Forus

### For donors and wider civil society

**1**

More research should be funded to enable a better understanding the current situation facing networks and platforms (particularly in the Global South), and to enable such organizations to learn, adapt and survive in a rapidly changing funding landscape.

**2**

There is a need to enable and nurture cross collaboration between donors and grantees and for facilitating spaces where CSOs and NGOs, particularly those in the South, can have a seat at the table with the skills and tools to adequately negotiate with donors, with the aim of exploring framework approaches to fulfilling the commitments of SDG17. Donors, networks and platforms alike should consider their role in making this happen, and channel resources to this work.

**3**

Long-term, flexible, and unrestricted funding is critical to support the organizational health of CSOs, particularly in the context of the closing of space for Civil Society. In order to support a thriving civil society, donors should develop new, and collaborative, and context specific funding approaches and modalities based on learning from best practice.

**4**

Donors and civil society should learn from best practices in co-creation, and participatory and “bottom-up” approaches to funding design, and to make these emerging trends a regular feature of programming.

### For Forus

**5**

Forus should play a key role in continuing its advocacy aimed at existing and emerging donors, to raise awareness and understanding of the unique role of platforms and networks, to advocate for continued funding, and to influence donors on the most effective forms and modalities of funding.

**6**

Forus should support networks and platforms to understand and articulate their ‘value offer’ whether their local community knowledge and experience or position of trust, their ability to promote messages within global fora, or their ability to create needed research.

**7**

Forus should continue to monitor the use of the Toolkit that will be produced from this report and which will contain guidance on strategies and planning for sustainable funding. It should ensure that it captures and shares the learning from ongoing experiences of its members who are trying to find routes to sustainable funding.

**8**

Forus should carry out more detailed and specific research into new financing tools, to enable a better understanding of their relevance to Forus members, and what would be required in order for members to access these instruments.

**9**

Forus should support smaller, Southern based platforms to explore the opportunities and risks of operating as Fund Managers, and the support advocacy with donors about the considerable and unique added value and benefits that these platforms will bring to such roles.

**10**

Forus should continue to support platforms to negotiate better donor-grantee terms, including supporting the negotiation of full cost recovery. In addition to support Forus members to advocate with consortia leads (such as large INGOs) for a fair and equitable approach to budgeting overhead costs.

Read here the full version of the research report “Promising Approaches to financing development in the 21st century”.







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Forus, previously known as the International Forum of National NGO Platforms (IFP/FIP), is a member-led network of 69 National NGO Platforms and 7 Regional Coalitions from all continents representing over 22,000 NGOs active locally and internationally on development, human rights and environmental issues.



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