



# HOW DAC MEMBERS WORK WITH CSOs IN DEVELOPMENT CO-OPERATION

**A**ll Development Assistance Committee (DAC) members work with civil society organisations (CSOs) – organisations that include membership-based, cause-based and service-oriented groups – because CSOs are key actors in development. CSOs implement aid projects and programmes in developing countries, both on behalf of donors and in their own right. They contribute to donor development co-operation policies and advocate for development issues.

The OECD Development Co-operation Directorate examined how DAC members work with CSOs and non-governmental organisations (NGOs). The information gathered provides both donors and civil society with a basis for making informed decisions on how they can work together effectively in the future.

## A note on NGO-CSO terminology

Although DAC members have traditionally used the term NGO, more are now using the term CSO.

Official development assistance (ODA) is a statistical definition used by OECD to report on development co-operation expenditure. In reporting ODA provided to non-governmental organisations (NGOs) DAC members use the OECD statistical reporting directive definition of NGOs as ‘any non-profit entity... without significant government participation or representation’. This definition is narrower than the now more commonly used term civil society organisation (CSO), which includes non-governmental organisations among a variety of other organisations.

The study from which this synthesis is drawn, *How DAC members work with civil society organisations: An overview*, uses the term NGO where information is derived from DAC statistics. NGO is also used when discussing certain responses from a survey of 24 OECD-DAC member states and NGO platforms in seven DAC member states in March–April 2010. The term CSO is used for broad discussions and analysis covering civil society groups which contribute to development.<sup>1</sup>

## WHY DAC MEMBERS PARTNER WITH NGOS

DAC members work with NGOs for many reasons. The most important reason given is to reach members’ specific development objectives related to service delivery. NGOs also have a comparative advantage in certain areas. They work closely with beneficiaries and bring different perspectives to those of official donors to policy discussions. In emergencies they have the ability to respond rapidly. Not least, NGOs, through their fundraising and awareness raising activities, play an important role in education and advocacy in DAC member countries.

Most DAC members have some kind of policy or strategy for working with CSOs though these vary widely in nature and scope. Nearly half have a strategy or policy for working with NGOs to provide humanitarian assistance.

1. The definition of CSOs agreed by the Advisory Group on Civil Society and Aid Effectiveness is: “CSOs can be defined to include all non-market and non-state organisations outside of the family in which people organise themselves to pursue shared interests in the public domain. They cover a wide range of organisations that include membership-based CSOs, cause-based CSOs and service-oriented CSOs. Examples include community-based organisations and village associations, environmental groups, women’s rights groups, farmers’ associations, faith-based organisations, labour unions, co-operatives, professional associations, chambers of commerce, independent research institutes and the not-for-profit media.”

## DEVELOPMENT FINANCING PROVIDED TO NGOS

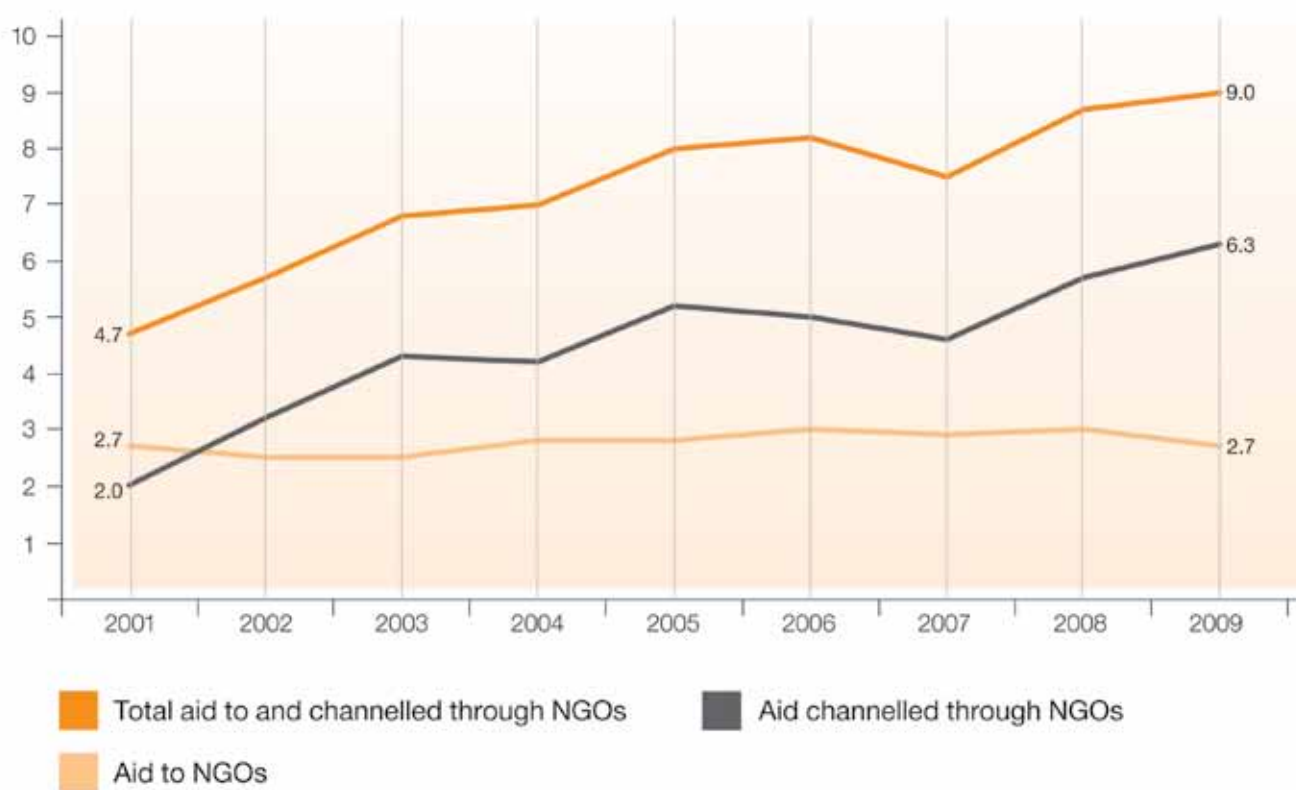
DAC statistics show that CSOs manage at least 13% of total official development assistance (ODA) provided by DAC members. This is a significant proportion of public expenditure on development co-operation and justifies paying attention as to how this public money is spent and the results it achieves.

In 2009 DAC members (excluding the European Union institutions) provided USD 15.5 billion to and through NGOs. NGOs based in member countries (national NGOs) were allocated five times more than international NGOs and local NGOs in developing countries put together.

Up to 2010, aid data for international NGOs and aid data for local NGOs were put in the same category for DAC statistical purposes. This means that it is not possible to determine from DAC data prior to 2010 how much aid was channelled to each separately. In 2010, a new category was introduced for reporting aid for local NGOs. This change in reporting will provide a more accurate picture of aid flows to NGOs from 2010 onwards.

National NGOs re-allocate some of the aid allocated to them to local organisations in partner countries. Most DAC members also provide funding directly to local NGOs. Thus the data on the amounts of aid provided by DAC members nationally, internationally and locally to NGOs 2001–2009 are indicative rather than definitive.

### ODA provided to and channelled through NGOs by DAC members, 2001–2009, USD billion (2008 constant prices)



Source: DAC statistics.

Note: Excluding the United States which does not report an aggregate for core and earmarked aid for NGOs in the DAC statistical questionnaire.

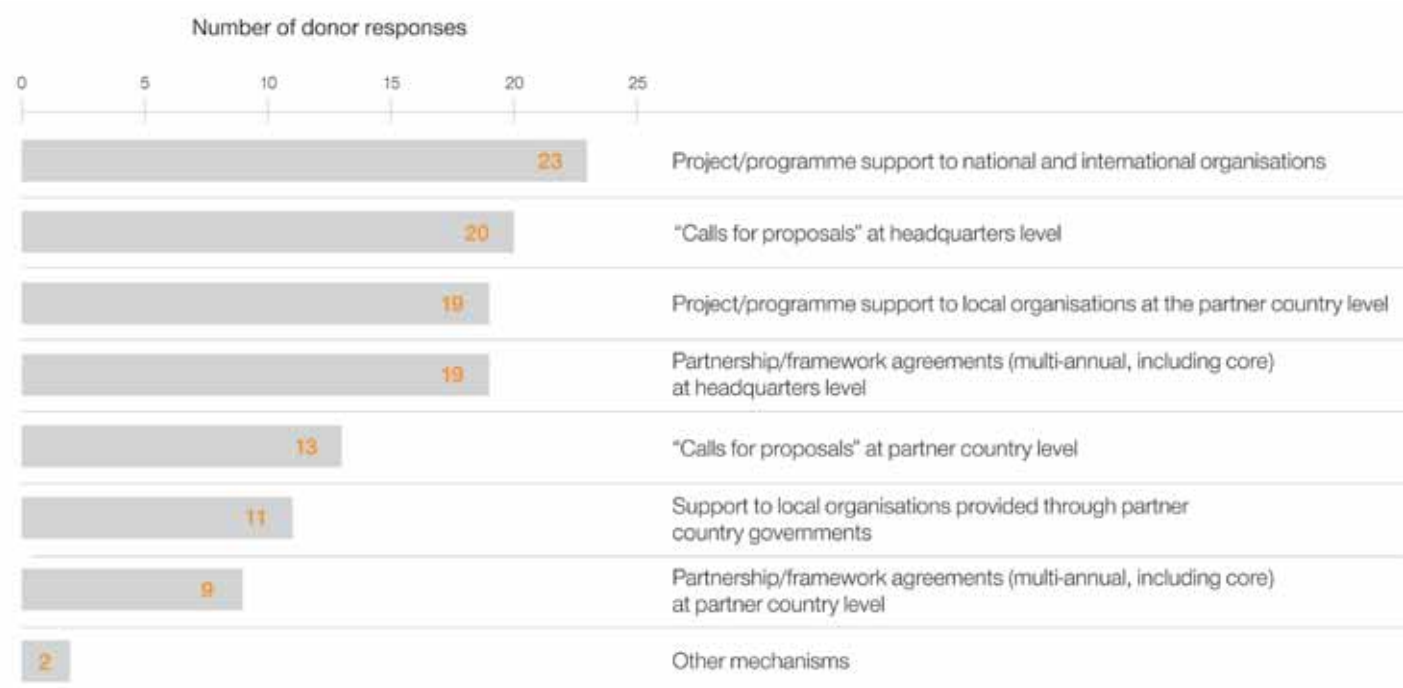
## BILATERAL AID

The share of bilateral aid DAC members provide to NGOs varies widely, from 1% (France) to 37% (Ireland) in 2009, and most bilateral aid to NGOs was for humanitarian assistance, governance, strengthening civil society or service delivery for example, reflecting the different objectives that different donors try to achieve through their work with CSOs. Members generally prefer to allocate earmarked funding rather than core support.

## AID MECHANISMS

Most DAC members have several mechanisms for providing funds to NGOs. These include project and programme support (the most common), partnership or framework agreements (comprising but not limited to core support) and national, international and local calls for proposals. Nearly half of DAC members also provide support to local organisations through partner country governments. Many pool funding for NGOs with other donors, although there is some concern that pooling donor funds at the partner country level reduces the number of funding sources and means that support goes to only a few large organisations. Almost all DAC members endorse co-funding as a way of leveraging resources and promoting buy-in.

### DAC member mechanisms for funding NGOs



*Source:* Responses to the survey on how DAC members work with civil society, March–April 2010, (responses from 24 DAC members, 26 agencies).

## AUTONOMY AND INFLUENCE

DAC members take different approaches in their relations with NGOs, ranging from determining where NGOs will work and in which sectors, to letting NGOs decide for themselves. In general donors provide more direction on sectors and themes than on where NGOs work. DAC members can reasonably expect CSOs to align with their priorities when it is clear to both CSOs and the donor that the objective is to implement an aid programme in which the CSO is an intermediary. Nevertheless, donors need to find a balance between respecting CSO autonomy and steering CSOs to meet donors' development co-operation objectives.

## CHALLENGES

Both DAC members and CSOs identify challenges in working together. For DAC members these include the high transaction costs of dealing with many small organisations, duplication of activities, and co-ordination between donors and NGOs. CSOs raise the lack of clear donor policies as a key challenge. Other issues of concern to CSOs are the onerous conditions set by donors for financing and reporting. All DAC members claim that civil society is satisfied with consultation processes. However, this view is not shared by NGO survey respondents or the findings of DAC peer reviews.

## WHAT NEXT?

Transparency is important for accountability. This applies to all aspects of ODA. Donors and CSOs alike need to be accountable to both citizens of countries benefitting from aid and citizens of countries providing aid. Clear, comprehensive information on public (official development assistance) and privately-raised aid provided to and managed by CSOs, together with appropriate accounts of expenditure, outcomes and results achieved, will increase transparency and allow both providers and recipients to assess the effectiveness of this aid.

### WHAT DAC MEMBERS CAN DO

DAC members can:

- Agree on definitions of CSO and NGO and when the terms should be used.
- Make aid allocations to and through NGOs more transparent through better reporting to the OECD.
- Develop transparent, forward looking and results-oriented policies and strategies for working with CSOs. Be clear about the overall objectives, principles and conditions for working with CSOs. Do this in consultation with CSOs.
- Strike a balance between respecting CSO autonomy and steering CSOs to deliver development co-operation objectives.
- Collaborate with CSOs to identify achievable objectives, indicators for measuring achievements and realistic outcomes for ODA channelled through CSOs that take into account the need to be fully accountable to donor governments.
- Simplify and harmonise contracting, funding and reporting requirements to reduce transaction costs. Consider accepting and using CSO systems for monitoring and reporting.

### WHAT DONORS AND PARTNER GOVERNMENTS CAN DO

DAC members and partner governments can:

- Engage systematically in meaningful dialogue with CSOs that taps into their knowledge of beneficiary needs, and expertise in development co-operation and humanitarian assistance.

### WHAT CSOs CAN DO

CSOs can:

- Collaborate with donors to identify achievable objectives, indicators for measuring achievements and realistic outcomes for ODA channelled through CSOs that take into account the need to be fully accountable to donor governments and beneficiaries.
- Support DAC member efforts to harmonise donor systems and processes by harmonising CSO systems and processes.
- Make how they manage and spend aid more transparent by establishing an international database for CSO financing for development.

## FURTHER READING

DCD-DAC (2007), “DCD/DAC (2007)39/FINAL/CORR5, Reporting Directives for the Creditor Reporting System, Corrigendum on Channels of Delivery”, OECD, Paris.

DCD-DAC (2010), “DCD/DAC(2010)40/REV1, DAC Statistical Reporting Directives”, OECD, Paris.

DCD-DAC (2011), “DCD/DAC(2010)42/FINAL, How DAC Members Work with Civil Society Organisations: An Overview”, OECD, Paris.

OECD (2011), “How DAC Members work with CSOs: An overview”, OECD, Paris.