

**STRENGTHENING CIVIL SOCIETY PARTNERSHIPS
THE MARGINALIZATION OF CSOs
IN CANADA'S INTERNATIONAL COOPERATION PROGRAM
CCIC BRIEFING PAPER #2**

CSOs play a vital role in poverty reduction but they are playing a diminishing role in Canadian international cooperation, particularly in relation to new programmatic approaches to aid delivery. CCIC has calculated that disbursements of Canadian aid through civil society organizations has fallen over five years from approximately 28.5% of CIDA's share of Canadian aid in 1999-2000 to about 18.5% in 2004-05 (Chart One).

CIDA can strengthen civil society partnerships for innovation and excellence in development programming by

- 1) Ensuring effective consultation of civil society actors in regarding appropriate priorities for programming in the 25 priority countries;
- 2) Adapting responsive bilateral country-based funding mechanism to strengthen civil society programs and projects in support of MDG priorities, particularly with communities of the poor; and
- 3) Continuing to reverse the systemic decline in Canadian aid resources available for responsive partnerships in Canadian Partnership Branch, by increasing the base budget for the Branch in each of the next five years by at least 8% per year.

1.0 RESPONSIVE CIVIL SOCIETY FUNDING

CIDA has had a long and diverse history of support for innovative partnerships with CSOs in Canada and in developing countries, including humanitarian assistance, development programming and policy dialogue. Since the 1970s, Canada has been a leader among official donors in support for partnerships through *responsive civil society program funding*.¹ Across its three program Branches, CIDA's responsive mechanisms have provided non-competitive and flexible resources to quality long-term programming that has been nurtured by strong Canadian and Southern civil society partnerships over many years. These partnerships have been the foundation for Canadian CSO development programming that is innovative, and which embodies participatory approaches with local communities that are important partners in addressing poverty and improved governance. Unfortunately in recent years CIDA disbursements for CSO partnerships have been marginalized as aid resources for the Agency have grown.

¹ Responsive program funding for Canadian Partnership Branch includes support for CSO program and project proposals that are consistent with CIDA's overall mandate and goals but determined by the mandate, goals and programming partnerships of the respective organization. It also includes support for CSO proposals to CIDA's bilateral country programs, rooted in the CSO country program and partnerships, but determined to be consistent with CIDA's country program priorities. There are also responsive funding mechanisms in IHA and the Program against Hunger, Malnutrition and Disease.

1.1 CANADIAN PARTNERSHIP BRANCH (CPB)

Current funding mechanisms in Canadian Partnership Branch's Voluntary Sector Program have been instrumental to the growth of a diverse and strong Canadian voluntary sector involved in international cooperation.² In Canada, unlike the United States and the United Kingdom, there are few alternative sources of funding for international cooperation beyond government and private donations.

The move by CPB to implement program agreements, now affecting more than 100 Canadian CSOs, has provided an important responsive flexibility for Canadian CSOs to enter into long term partner arrangements with counterparts in developing countries. A project facility has been available to smaller Canadian CSOs who often link Canadians in smaller communities across the country to particular project initiatives overseas. This latter facility is currently under review. It is imperative that the project facility has funding modalities that support multi-year funding, which contributes to organizational viability.

Canadians have been consistently generous in providing increased donations to Canadian CSOs for international cooperation. Yet the capacity of CPB to match these resources and to respond to new CSO initiatives has not kept pace with the generosity of citizens. Accurate statistics are not available; but CCIC estimates that in recent years individual Canadians donate in excess of \$500 million to Canadian CSOs for international cooperation.³ In 2004-05 CPB made available approximately \$135 million to Canadian CSOs that raise funds from the Canadian individual donors. This has declined from about \$200 million for these same organizations in the early 1990s.

Like other donor countries, public generosity was very much apparent in the more than \$230 million donated over three months for relief and reconstruction following the December 2004 Tsunami. The government in this instance did respond with a dollar-for-dollar match in new resources for the funds collected.

What have been the disbursement trends for the Voluntary Sector Program of Canadian Partnership Branch?

- ❑ In nominal dollars, the Program disbursed about \$250 million in 1990-91, which fell gradually over the past fifteen years to slightly more than \$200 million in 2005-06.

² In 1995, CIDA set out its understanding of the key elements of this relationship in *Canadian Voluntary Organizations and CIDA: Framework for a Renewed Relationship*. This *Framework* asserted that "a key dimension of sustainable development is building strong civil societies. Strengthening civil society, and the voice and capacity of marginalized actors within it, has become an important element in CIDA's development policies and in the work of Canadian voluntary organizations." (page 3) It goes on to set out some principles that were to guide CIDA's relationship with Canadian Voluntary Organizations. These include development impact, mutual respect, accountability, participation, dialogue and simplification (streamlining CIDA's processes and requirements). Strategies for action included foremost a commitment to responsive programming within the overall mandate and priorities set for Canadian ODA. The history of the Voluntary Sector Program in the 10 years since set out below and in Briefing Papers #3 and #4 has been far from consistent with these principles and commitments to action.

³ This amount of \$500 million is imputed from a 2003 CCIC survey of 60 CCIC members' annual reports. Total income from private individual donations for these 60 organizations was \$270 million in the year 2000 (and \$340 million from all non-governmental sources, including the \$270 million).

- ❑ Chart Two sets out the history of disbursements for this program in 2003 dollars (discounting the impact of inflation over these years). Since 1990 there has been a decline of 36% in 2003 dollars. Since 1995 the decline is close to 20% (not including the special one-off allocation for Tsunami relief in 2004-05).⁴
- ❑ This decline should be contrasted with the real growth in Canadian aid since 1999-2000, following the cuts of the mid to late 1990s. During this period, CIDA's resources grew by more than 28%. However disbursements by the Voluntary Sector in Canadian Partnership Branch shrank by 23%. Not only did the Voluntary Sector Program not share in the renewed growth in Canadian aid (and the post-2001 commitment to double Canadian aid to 2010), but an even smaller amount was available for contributions to Canadian CSOs partnerships.
- ❑ For the past ten years, the Canadian Partnership Branch has had no fiscal space for new initiatives from Canadian CSOs (such as emerging labour solidarity funds among others). Despite in-depth assessments of the institutional capacities of its Canadian CSO constituency, such assessments have had little bearing on relative allocations to respective CSOs. Allocation decisions have continued to be made largely on historical legacies from a period of growth up to the early 1990s (which for many now has diminished value in annual budgets when the impact of inflation in fixed costs is taken into account).
- ❑ In November 2005, CIDA announced that it was increasing its allocation to Partnership Branch by \$147.5 million over the next five years, an average of \$29.5 million per year. This amounts to a one-off 15% annual increase to the base budget for the Branch for five years.

In addition, CIDA established the Canadian Partnership Fund as a project facility with annual funding of \$15 million, with funding for the facility already contained within the 2005 base budget for the Branch (and therefore does not come out of the \$147.5 million).

This announcement is certainly a welcomed recognition of the declining resources available to the Branch. However, in nominal dollars it merely restores the Branch budget to the level achieved ten years ago in 1994. Because there is no commitment to grow the base budget for the Branch each year, by 2010 inflation will have eaten away most of the value of the increase. In 2003 dollars, the Branch voluntary sector budget is \$197 million, almost identical to the \$195 million allocated in 2005.

1.2 RESPONSIVE MECHANISMS IN BILATERAL COUNTRY-TO-COUNTRY PROGRAMS

In the late 1980s, unique among official donors, CIDA bilateral programs recognized the capacities of many Canadian CSOs to scale up their development partnerships in countries and sectors that were high priority for CIDA. This resulted in the growth of a “responsive mechanism” for many bilateral country programs in which CSOs could propose and manage multi-year large-scale projects consistent with CIDA country priorities. Through this mechanism, Canadian CSOs were able to extend their impact on conditions of poverty, working for the most part in close partnership with local CSOs, and at local levels. While not without their administrative difficulties for both CIDA and CSOs, many of these projects developed long term partnerships from which the CSOs involved and CIDA itself have derived important development lessons (that CIDA is now applying to programs with government).

⁴ Calculations for 2004-05 and 2005-06 are based on the indicative budgets for the total Voluntary Sector Program and for CIDA's share in the International Assistance Envelope identified in the Part III Plans and Priorities for these years. Actual disbursements may differ (and will be affected by Tsunami relief), but official figures (disaggregated for the impact of Tsunami relief) are unavailable to CCIC at the time of writing. The percentages are indicative of a trend if not precisely accurate to the actual disbursement for 2004-05.

Up to the late 1990s, CSO responsive programming through bilateral country programs had comprised a steady share of bilateral country-to-country disbursements (30% to 35%). But since 1999-2000, there has been a significant shift in the place of CSO partnerships in Canada's bilateral programming, one that has been accentuated by the commitment to program funding mechanisms, particular in Sub-Saharan Africa. Chart Three highlights these shifts for the five years from 1999-2000 to 2004-05:

- ❑ As a percentage of total bilateral aid disbursements, CCIC has calculated that the share of disbursements by CSOs as “executing agencies” declined from 35% to less than 20%. Not only did the percentage drop significantly, the absolute dollar amounts of disbursements by these agencies also fell by 20% from approximately \$230 million to about \$185 million in 2004-05 (in the context of growing bilateral programs in these years).
- ❑ In Sub-Saharan Africa, a region with complex issues of poverty, Canadian CSOs have recently increased their emphasis through CPB responsive funding (growing from 28% to 43% of their CPB disbursements between 2000-01 and 2004-05). But as a share of total bilateral programs in that region, Canadian CSO Executing Agencies declined from 32% to less than 20% during these same years.

Canadian aid resources channeled to joint donor funding of Sector Wide Programs (SWAs) or Budget Support has resulted in corresponding increases in government-to-government partnerships. Since 2000-01, program-based approaches in the bilateral programs have grown from less than 1% of disbursements to more than 11% in 2005-06 (and for Sub-Saharan Africa this growth has been even more dramatic – from 0.7% in 2001-02 to 31.5% in 2005-06).

Canadian aid has increased by at least 8% per year since 2001-02. Of these new aid dollars allocated to CIDA, 27% were disbursed through new program-based approaches, 22% through new programming in Afghanistan and Iraq, and 27% via special multilateral initiatives (Global Fund for HIV/AIDS, Malaria and Tuberculosis etc. in the February 2005 budget), accounting for more than 76% of the new funds available. Civil society initiatives have been marginalized within these priorities.

2.0 CIVIL SOCIETY MISSING FROM NEW PROGRAM APPROACHES

While the emphasis on program approaches is a welcome innovation, the Agency has not to date put sufficient attention in these programs on continued roles for civil society in relation to issues of local ownership and poverty impacts. Some issues are noted in CIDA's 2003 *Primer on Program Based Approaches*⁵ but not explored from the point of view of CIDA's past and present field practices.

Independent research reveals that this new “aid architecture” is increasingly co-opting local civil society in development agendas that are agreed exclusively among donors and senior officials of developing country governments. On the one hand, in-depth research by the IMF concludes that “NGO aid may be more effective than government actions in reaching out to the poor ... and therefore donors who have chosen to channel aid through NGOs have made the right choice”.⁶

⁵ See Lavergne, R., Alba, A., *CIDA Primer on Program Based Approaches*, CIDA Policy Branch, September 2003, available from CIDA's limited access extranet site on PBAs, <http://remote4.acdi-cida.gc.ca/pbas>.

⁶ N. Masud, B. Yontcheva, “Does Foreign Aid Reduce Poverty? Empirical Evidence from Nongovernmental and Bilateral Aid”, IMF Working Paper 05/100, May 2005, p. 20.

On the other hand, the assumption in program-based approaches is that CSOs will become sub-contractors for local and regional governments, implementing PRSP strategies. This approach significantly compromises the independence of local CSOs, potentially undermines their relationships with their constituencies among the poor, and entangles them in clientalist politics in which they lose the right to critical self-expression.⁷ Donor expectations that these same CSOs will be able to hold their governments to account, glosses over “the politics of power and control between NGOs and governments at all levels... [when] sets of contradictory roles are laid out for NGOs and civil society to follow”.⁸

CIDA will inevitably be a modest participant in program-based donor approaches and in this light should consider niche roles that strengthens the quality of governance and ownership (through enhancing the roles for civil society actors) and that target the interests of poor people (such as initiatives at all levels of society to strengthen gender equality).

In conclusion, CIDA should build upon its decades of experience with civil society organizations to directly strengthen CSO partnerships for poverty reduction. CIDA can facilitate, as it has done in the past, new forms of partnership that are responsive to the needs of southern civil society actors (see Briefing Paper #1 in this series). In doing so, the Agency should recognize its unique role as a sustaining partner for Canadian civil society actors, who in turn are able to act on the interest of Canadians in an increased role for Canada in ending poverty.

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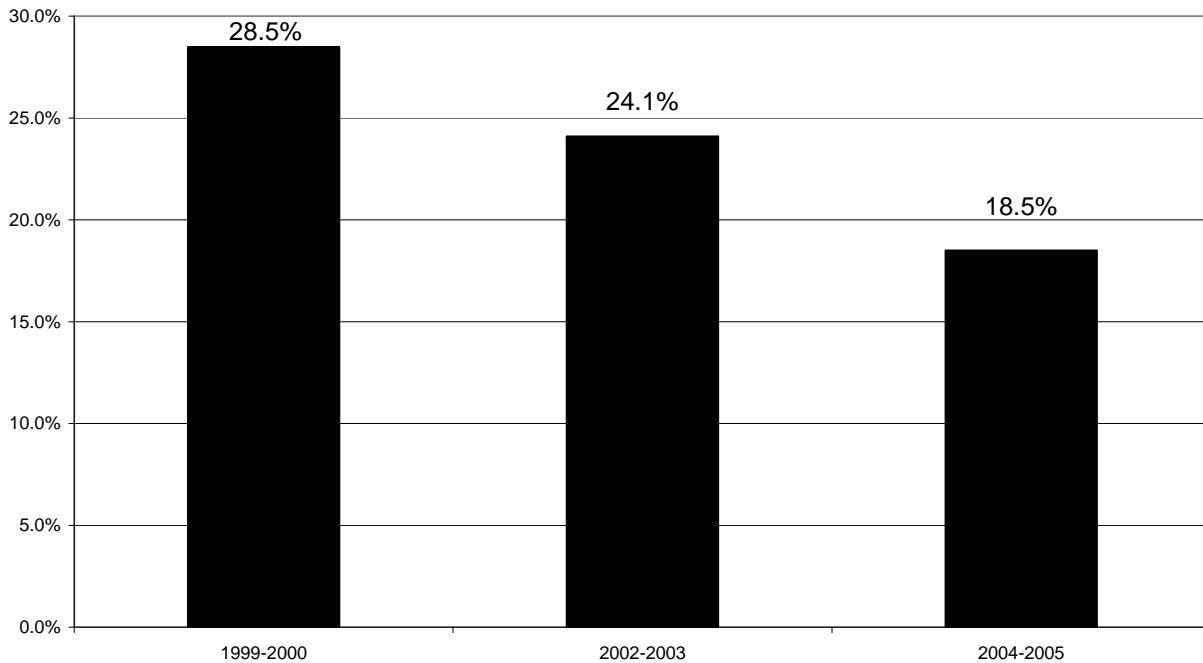
CCIC is grateful to the International Development Research Centre (IDRC) for its financial support.

⁷ See Ansilla Najar, “South Africa Presentation” in “Southern Perspectives on the Management of Aid by NGOs: Changes in Practice and Implications for Development” Workshop Papers, March 2003, accessed at <http://www.mande.co.uk/docs/workshoppresentationMarch21st.doc>, page 2; Rosemary Adong, in Actionaid International, “Current Procedures and Policies dominating the disbursement of aid: are they building strong relationships and enabling NGOs to meet their stated aims?”, CDRN, Kampala, 2005, pages 9-10; Sarah Lister, “The Future of International NGOs: New Challenges in a Changing World Order”, March 2004 page 14-15.

⁸ Actionaid International, “Current Procedures and Policies dominating the disbursement of aid: are they building strong relationships and enabling NGOs to meet their stated aims? A Summary Report on research carried out in Uganda, 2000-2004”, 2005 page 18, accessible at <http://www.actionaid.org.uk/ngopractice/docs/Wallacesynopsisshort.pdf>.

CHART ONE

Canadian ODA Disbursements by Civil Society Organizations
As a Proportion of Total CIDA ODA
1999-2000 to 2004-2005



CCIC calculations based on detailed project information for bilateral, partnership and multilateral programs provided by CIDA and CIDA's statistical reports. Civil society organizations include all not-for-profit NGOs, associations and institutions.

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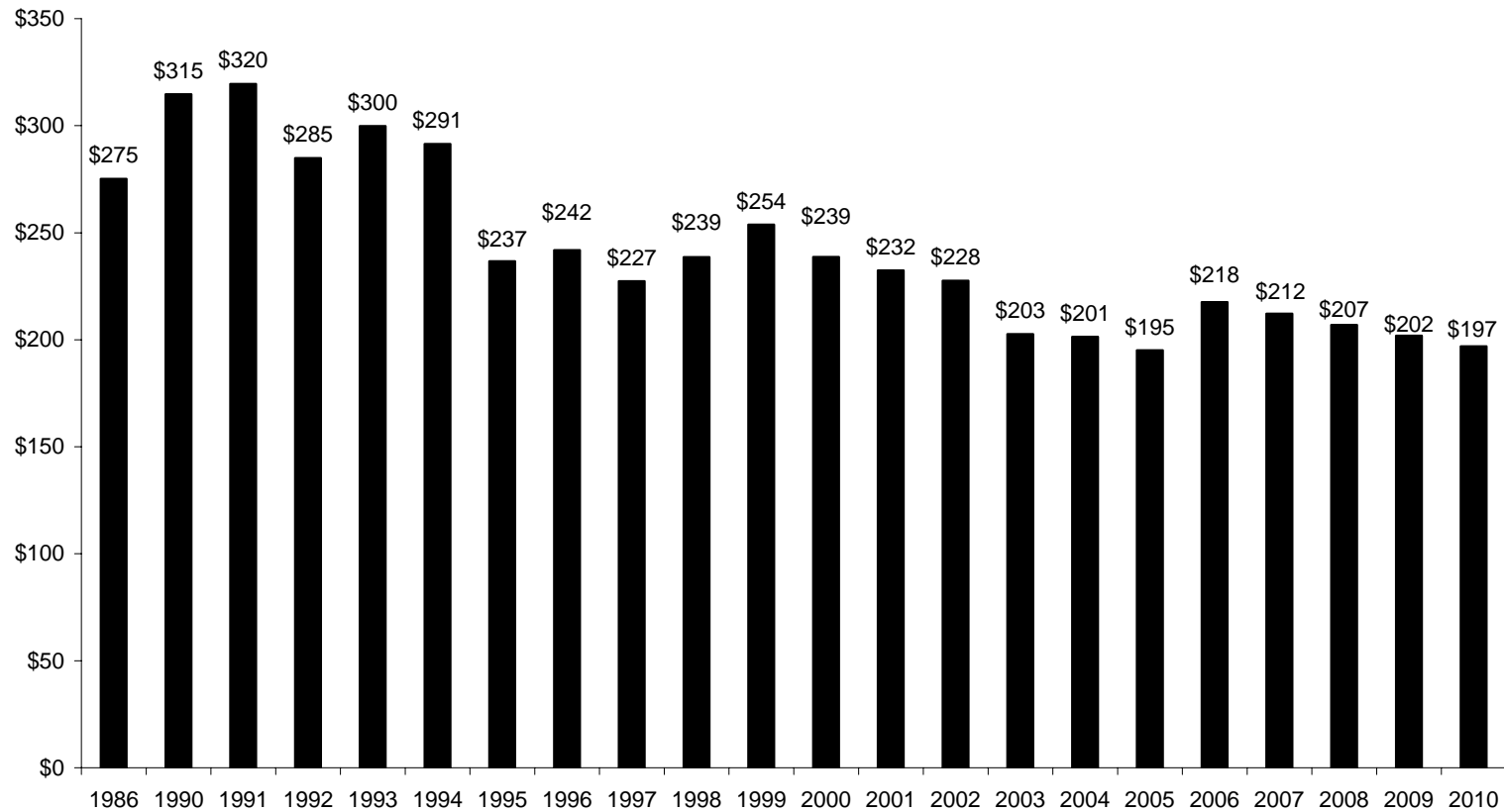
NOTES

1. Tsunami Effect

Between 1999-2000 and 2004-05 the absolute dollars disbursed through Canadian executing civil society organizations increased by 4.3% due to a large increase in IHA for the matching Tsunami program. If the Tsunami allocations are removed from the statistics, CIDA disbursements by those CSOs in 2004-05 are more than 14% less than 1999-2000 (approximately \$451.4 million in 2004-05, compared to \$526.6 million in 1999-00).

CHART TWO

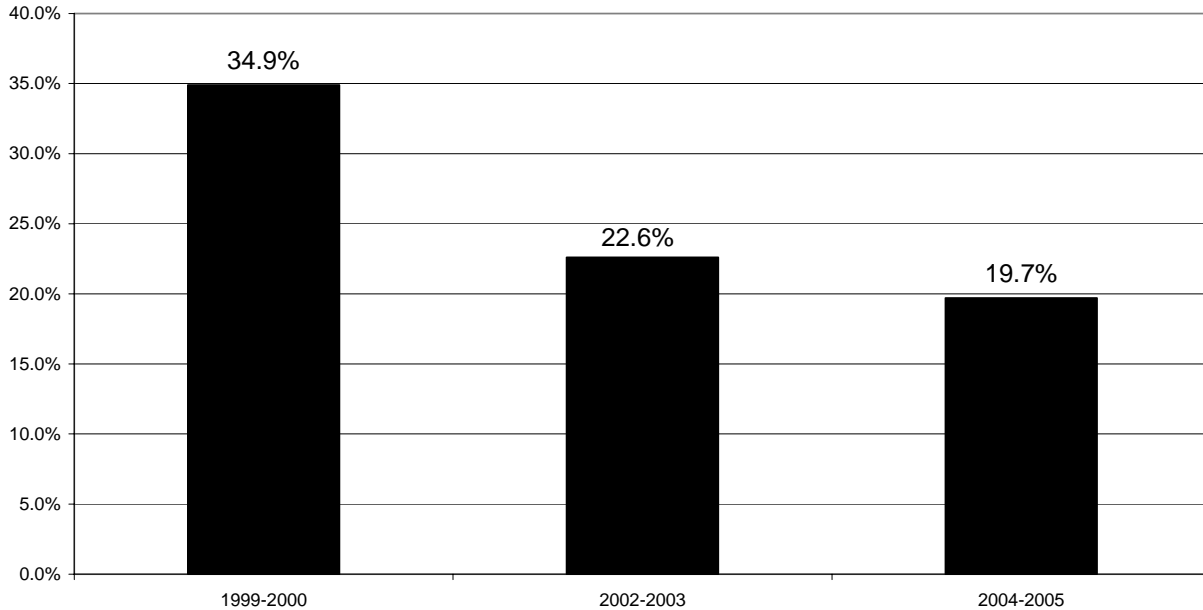
Total Disbursements for the Voluntary Sector Program Canadian Partnership Branch, (Millions 2003 dollars)



CCIC Calculations, January 2006
CIDA Official Statistics; Part II Plans and Priorities for 2004 and 2005;
Statistics Canada GDP Deflator

CHART THREE

Canadian Bilateral ODA Disbursements by Civil Society Executing Agencies, as a Percentage of Total Bilateral ODA 1999-2000 to 2004-2005



CCIC calculations based on detailed project information for bilateral programs provided by CIDA and CIDA's statistical reports. Civil society organizations include all not-for-profit NGOs, associations and institutions.

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NOTES

1. Declining Dollar Disbursements

Between 1999-2000 and 2004-05, the absolute dollar amounts of bilateral resources disbursed by CSO Executing Agencies declined by 20% from approximately \$231.4 million in 1999-00 to \$185.4 million in 2004-05.

2. Membership-Based CSOs

The proportion of bilateral disbursements executed by Canadian membership-based CSOs, **excluding** institutions, colleges and universities, declined from 18% in 1999-2000 to 11.5% in 2004-05.