

STRENGTHENING CIVIL SOCIETY PARTNERSHIPS
CIDA'S OPERATIONAL REQUIREMENTS AND THE FOUNDATION OF PARTNERSHIPS
CCIC BRIEFING PAPER #3

Southern civil society counterparts frequently note the gap between the rhetoric of egalitarian relationships implicit in the notion of partnership and the practice of northern donors, both civil society organizations (CSOs) and official donors. Power relationships inherent in access to money can easily distort north/south partnerships with little recourse for the southern CSO.

While many Canadian CSOs sometimes fail to reflect adequately on their role in their partnership relationships (see CCIC's *Code of Ethics* partnership principles), it is also true that Canadian CSOs are *increasingly* drawn back to a donor/recipient relationship as a result of operational requirements that are the result of the terms of their funding relationship with CIDA.

Effective partnerships for excellence and innovation will not be possible without a thorough and serious re-examination of the management practices of Canadian Partnership Branch (CPB), the accountability requirements of contribution agreements throughout the Agency, and the implications of competitive processes for long-term sustained CSO partnerships. A CIDA *Framework for Effective Partnerships* should establish both the principles and broad operational reforms that will improve the consistency between CIDA's operational relationships with stakeholders and its commitment to partnerships for locally-controlled development processes. This Briefing Paper makes some recommendations as a starting point.

1.0 CIDA'S OPERATIONAL FRAMEWORKS AFFECT THE CONDITIONS FOR PARTNERSHIPS

Although the operational relationship between CIDA and its program/project stakeholders is not a "partnership" in the usual meaning of the word, key partnership elements in collaborative association can work to the mutual advantage of the parties and to the benefit of the southern poor. Some of these qualities affect the *conditions* under which "excellence and innovation" are likely to prosper; others affect them in a *direct* way.

Favourable *conditions* for partnerships include mutual confidence, trust, close collaboration, timely consultation, fair and equitable funding rules, as well as appropriate procedures for joint planning and learning processes. The operational terms of the relationship between CIDA and its stakeholders affect very directly the consequent relationships with local "partners", the essential front end of most projects. Canadian procedures for accountability, organizational policies and culture, planning and reporting requirements can and do involve special challenges and burdens, significantly limiting the full achievement of "excellence and innovation" in partnership.¹

¹ Blagescu, M. and Young, J. *Partnerships and Accountability: Current Thinking and Approaches Among Agencies Supporting Civil Society Organizations*, Overseas Development Institute (ODI), August 2005, pages 3-5.

Elements leading *directly* to excellence and innovation include knowledge and skills, adequate time to achieve results, flexible and discretionary implementation, appropriate partners, and adequate funding. Innovation in particular requires creativity from all concerned, along with supportive implementation and accountability procedures. It cannot be emphasized enough that development is inherently a risky undertaking with a much higher degree of unpredictability, and failure, than found in domestic ventures. If risk is not an option, then neither is innovation. To function in these circumstances, flexibility is essential in order to deal optimally with both unforeseen problems and opportunities.

Beyond the elements themselves, it should be noted that personalities are a major factor. Every regulation and procedure is subject to personal interpretation, and many CSOs that work with an experienced and pragmatic project officer report a very productive relationship. The challenge is obviously to ensure that this experience is as widely shared as possible. In addition, the relationship can be seriously affected by changes to CIDA operational procedures and requirements that are introduced with inadequate notice and/or consultation to explore impact.

2.0 ACCOUNTABILITY

Oversight and accountability will be receiving renewed attention in the coming months as the Conservative Government introduces legislation and regulations to enhance public accountability for government money. Issues of accountability have a long history in aid programming. Accountability is a key means of managing the power relationships between different levels of actors in the aid chain, from official donor, to intermediate CSOs, to community-based civil actors.² The question of who is responsible to whom and for what is key. In the words of researchers at ODI, “northern partners must recognize that they are not the only ones rendering accountability; southern resources, such as local knowledge and capacity, relationships with local stakeholders, etc. are equally valuable resources for which both northern and southern partners need to be accountable.”³ A four-year research project in South Africa revealed that the management tools employed by donors are not producing the desired results in terms of more effective programs reaching the poor. Southern CSOs operate in an environment of fear of losing valuable funding due to quickly changing donor priorities, the turning of complex relationships of development into competitive contracts, and the almost monthly requirements to account for results. The results is “layers of misinformation and cover-up, which in the end benefits nobody”, undermining any efforts at real learning and shared lessons.⁴

² Northern and southern CSOs may have very different notions of effective partnerships, with southern CSOs concerned with the quality of the relationship in terms of their own autonomy and local accountability, while northern donors are seeking responsibility for decisions and actions against their own missions and legal responsibilities.

³ Blagescu, M. and Young, J., *op.cit.*, page 5.

⁴ Lister, S. “The Future of International NGOs: New Challenges in a Changing World Order”, BOND (UK), prepared for BOND Futures Programme, April 2004, www.bond.org.uk/futures. See also Jenny Chapman *et al.*, “Southern Perspectives on the Management of Aid by NGOs: Changes in Practice and Implications for Development”, a research project funded by DFID in Uganda and South Africa, 2000 to 2004

Many Canadian CSO CIDA counterparts experience the application Results-Based-Management (RBM) tools to their work in this light. RBM, applied with sensitivity to local partner conditions and timeframes, could be an ideal vehicle to encourage excellence and innovation. But it has largely become a bureaucratic requirement, which has effectively been trumped by detailed *activity management* and audits as the principal accountability (i.e. control) tools in the CIDA toolbox. Both have resulted in considerable expense for both CIDA and the implementing agencies, and have not generally shown good value for money.

Three features of CIDA audits are particularly damaging:

1. The replacement of normal accounting practices (i.e. sampling) by comprehensive forensic-style examination, an expensive practice that has not yielded the benefits that would warrant the costs;
2. An unrealistic (for diverse southern contexts) and unnecessary requirement for detailed materiality (receipts and proof of activity); and
3. The lack of recognition of an organization's track record.

Organizations that have implemented CIDA projects without problems for many years continue to be examined minutely as if each intervention were the first time they had been reviewed. Innovation is discouraged by fear that auditors will consider expenditures outside narrow contract terms, and by CIDA project officers who are inclined to accept audit observations as proven (very often by young audit staff unfamiliar with development projects). Organizations are frustrated by the absence of a satisfactory mechanism for resolving disputes in these matters.

By its nature, innovation cannot be comprehensively pre-planned and is therefore discouraged in the extensive use of project/program plans by CIDA for purposes of control. Some Canadian organizations who wish to pass on the benefits of program funding to long-standing southern counterparts in the form of core funding with a higher degree of local control over activities are discouraged from doing so by rigid interpretation of contribution agreements and legal obligations. A growing tendency to extend the detail and period of planning into the future, as well as unnecessarily low financial levels of pre-approvals for changes in projected activities makes innovation less and less likely to happen and reduces Canadian CSO responsiveness to local partners. Much effort by CSO staff continues to be drained off by an onerous and unpredictable burden of reports. It is not clear that the information is needed or used, and the time could much better be applied to the program activities themselves.

3.0 FUNDING ALLOCATION

The Partnership Branch funds a number organizations through a series of renewed multi-year program agreements, a process that permits the development of knowledge of local conditions and local partners, as well as the time necessary both to learn and to affect change. From a developmental point of view, this is a far more effective approach than *ad hoc* projects, and CIDA should be commended for moving towards this form of funding long before many other official donors.

Despite being highly innovative and ideal for encouraging innovation and learning, the Branch budget available for program partnerships has, for more than 10 years been affected first by cuts, and then by being frozen out of recent aid increases (see Briefing Paper #2). Recent additions to the Branch's budget over the next several years begins to address this imbalance. But without significant increases each year in the Branch budget (in line with increases in the overall aid budget) there will be no flexibility to recognize special innovation and excellence, and to

accommodate organizations that have demonstrated competence over time in project management. Many CSOs in Canada face unique funding contexts, with a generous but limited population base for private donations and few alternative private sources of funding.

There will always be contention around the issue of “fairness” in CIDA funding allocations, but allocations criteria for program funded CSOs must take account of the need for sustained long-term funding to nurture equitable and trusting partnership relationships in the South. A competitive process, while it may be attractive and fair on the surface, could potentially seriously disrupt decades of strong and effective programmatic partnerships with southern CSOs and heighten competition (for survival) rather than increased collaboration among CSOs. While it may be impossible to find a non-competitive “fair” allocation process that will satisfy all stakeholders, so long as it is sensible and transparent, and the north/south partnership relationship is given priority, it will be accepted by Canadian CSOs. Criteria for relative allocations should be based on management competence and development impact.

CIDA will need to assure itself that organizations can meet whatever cost-share formula is adopted, but beyond that, fund-raising capacity is not a principle guide to a good development program. Volunteerism lies at the heart of public engagement and financial leverage, but they are not a cost-less asset. Recognition is needed of volunteer contributions and costs. Many Canadian organizations, that do not raise funds for development, build excellence through their valuable expertise and community participation, which should be harnessed without the burden of demonstrating strictly nominal cost-sharing capacity.

CIDA’s share of the overhead costs of managing a program is an issue of equity and effectiveness. The new flat rate may appear simpler for CIDA to administer, but it needs to be refined to accommodate different situations and organizational circumstances, adding considerable financial uncertainty in the development context for both Canadian NGOs and their southern partners.

CIDA and implementing staff should be working closely together to identify the lessons of the project work. Learning is too often left to independent consultants as staff has insufficient time for this activity. Excellence would be much enhanced by adequate provision in Contribution Agreements and contract budgets for research and reflection by Canadian and southern partner staff and constituencies.

4.0 COMPETITION

CIDA has encouraged innovation for many years by creating a responsive window within its priority bilateral country programs for proposals from Canadian CSOs and their partners in the South. Such proposals have always needed to demonstrate consistency with CIDA’s country strategies and its framework agreement with the government concerned. But they have been key ways for selected CSOs to scale-up innovative programs with sustained resources and deepen their engagement with counterparts in the South, including different levels of government, to boost development impact. CIDA country programs responded to interesting initiatives rather than open competition for pre-determined CIDA program ideas. Yet over the past five years, these responsive projects have received a declining share of growing bilateral resources (see CCIC Briefing Paper #2).

The alternative for CSOs is increased participation in the competitive bidding system. While recognizing that this system *appears* to be a more equitable and prudent means of awarding public contracts, the present process in fact impedes excellence, innovation and access. Competitive bids are so expensive that smaller organizations or those with new ideas, (both firms

and not-for-profits), are effectively shut out of the system. Some may be prepared to join a consortium; but the funding arrangements discourage the practice. In addition, the current selection process affects the quality of projects. There is a) inadequate consideration of competitors' track records, b) an inability to judge creativity and innovation in a rigid point system, and c) little consideration of local partners, undermining any commitment to local ownership. Moreover, relatively short-term contracts do not provide the time and experience often necessary to achieve desired results, a situation made more difficult by applying the competitive process to subsequent phases of the same project.

As noted above, competitive applications may also have a superficial appeal to the project process in Partnership Branch as well as a device to ensure quality and fair access. However, the developmental and administrative costs of such a process significantly outweigh its possible benefits. Rather, the Branch needs to establish clear, transparent and fair allocation criteria that respond to its mandate, which is to enable a broad range of partnerships in Canadian international cooperation.

5.0 RECOMMENDATIONS

1. CIDA should consider formally developing and adopting a service culture that puts a premium on partner relations, with due consideration of implications for southern counterparts of Canadian partners.
2. Program funding should be the norm for those partners who continue to demonstrate effective development. The terms of the contribution agreements should be as long as possible, not less than three years and ideally five years or more, subject to periodic and regular evaluation. Adequate funds should be provided in program/project budgets for learning and dissemination.
3. Organizations that have demonstrated effective multiple project management should be granted multi-year program funding.
4. CIDA should develop a rational and transparent process for allocation of its funds to program-funded organizations, based on good management and development effectiveness.
5. To create funding room to build in support of innovation and excellence, CIDA should increase the base budget for the Canadian Partnership Branch by at least 8% per year for the next five years.
6. Recognizing the substantial contribution of small and medium sized Canadian CSOs, CIDA should develop the Canadian Partnership Fund in a manner that is both administratively efficient and appropriate to the long-term needs of small and medium sized Canadian CSOs engaged in citizen-to-citizen north/south partnerships.
7. CIDA should assess the new overhead formula, and give serious consideration to the international practice of supporting level of effort involved in fully carrying out the program. Overhead funds should be available for the costs involved in volunteer management.

8. Bilateral project competitions should include a review of past performance and the contributions and quality of relationships with southern partners. Substantive innovation should be a major consideration in contract awards.
9. Short-lists, based on short concept papers, should be reintroduced for bilateral contracts to permit organizations to test out their ideas and ability to implement projects.
10. Where a Bilateral project has been evaluated positively and no management problems identified in an audit, subsequent phases should be awarded without competition in order to build on the experience and relationships established.
11. CIDA should plan and manage its audits based on CCIC's proposed set of guidelines to govern CIDA/NGO audits and audits should be designed to recognize the expertise and experience (including audit history) of implementing partners.
12. CIDA should consider the introduction of an appeal process, possibly in the form of an ombudsperson, to facilitate the transparent resolution of disputes when the hierarchy cannot provide the assurance that issue has been resolved fairly.
13. Partnership Branch should review its need for the number of narrative reports it now requires. Management measures should be taken to ensure consistency of use among its staff and clients, particularly in face of staff turnover. New reporting procedures of all reports should not be instituted without consultation and a year's notice.
14. CIDA should negotiate with the Auditor General a level of audit scrutiny that satisfies the Government's need for accountability without reducing contract management to narrow audit compliance. Special attention needs to be paid to conditions for southern partners with limited capacity, the importance of long term commitment, and heightened risk and predictability. In the same vein, the evolution of Services Canada should be monitored as the Government reviews its basic approaches to accountability on the political and operational levels.
15. A formal process should be considered to bring together senior program and financial staff from CIDA and partners to review key operational issues.
16. CIDA and its cooperating communities should facilitate a system of short term staff interchanges to augment their common knowledge and understanding.

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