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PRIVATE DEVELOPMENT ASSISTANCE (PDA)

IN A STATE OF COMPLIANCE

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In my experience, we too often ask what CSOs can do on our behalf, and too little about what we can do on theirs. When I was a CSO leader myself, I rarely heard foundation program officers begin a conversation with the words, “How can we help you create a stronger organization?”

**-Darren Walker, President,
Ford Foundation**



INTRODUCTION

Over the past four years, we have consulted extensively with several stakeholders in Honduras, Guatemala, Nicaragua, Bolivia, and Colombia to look at the current state of Private Development Assistance flows in developing countries. The purpose of the consultation was to: first gauge the level of awareness, knowledge, and attitude about Private Development Assistance and if Middle Income Countries have adapted or not to the new era of development – second put forward concrete actionable solutions that would make the private flows of human and financial resources more efficient, effective, and connected to local efforts.

At the same time, we have had the opportunity to meet with government and civil society leaders as well as met with business leaders, financial institutions, currency experts, local NGOs at all levels; to name a few. We wanted to be as inclusive as possible when looking at the changing landscape of development of finance and the flows of human and financial resources from the North to South but also incorporating local efforts (domestic resources mobilization).

We have actively participated at forums, events, and public consultation around innovative financing for development, immigration, remittances, volunteering, tourism, voluntourism, peace and development, banking, and social impact investment. We have managed to bring together a wealth of knowledge and expertise that has helped formulate the following White Paper.

Considering the importance of private flows of aid, little has been written on the subject. Most recently studies have begun to see the potential for PDA to complete ODA. In all of

publicly available researches, there are still no clear definitions of what “private development assistance” could be and can be. It is often limited to account remittances, philanthropic and charitable flows of funds but as the world of finance evolves, new sources of private funding such as crowdfunding, social impact bonds, diaspora bonds, foreign direct investments. We thrive bring a new and fresh perspective of the current situation when it comes to private development assistance.

While the field of international development is constantly changing and adapting to financial crises, needs, and opportunities, this White Paper put into perspective the evolution of financing for development and some of the factors around private aid that may have precipitated the increase scrutiny on civil society organizations both from banks and “aid” receiving countries.

There are no arguments around the fact that global economic, social and environmental disasters have intensified in recent years. Due to the sheer size of the financial needs, the ability of developing countries, local organizations, civil society, and multilateral organizations to tackle these crises appears to have diminished. Efforts adopted by sovereign states, including negotiated agreements, have been too often fragmented, partial, short-term and misguided, with an overreliance on market self-regulation. The belief of many opinion leaders and decision-makers worldwide continues to be focused on unfettered economic growth and market-driven solutions as the panacea for economic, social and environmental problems. This thinking has resulted in the underfunding of the providers of public goods and services, from local organization at the community level to international organizations at the global level.



In response to a recent consultation from the Office of the High Commissioner for Human Rights (OHCHR) for the development of a report of practical recommendations on how to create and maintain the space for civil society to work freely and independently, KeenTO is pleased to help contribute and share the following information.

We believe that our White Paper provides a welcome contribution to analyses of the changing face of global civil society activities in relation to international support for democracy through and with civil society actors. It assesses different perspectives on how civil society movements and activities are, and capture the dilemmas of democracy support in this changing context of increase scrutiny and regulations. The author has adopted a macro-level analysis and covers a vast terrain of different actors and contexts.

The authors with support from our professional team at KeenTO, place into context the factors that may have precipitated the increase scrutiny on civil society. After four years of extensive online and in person consultations, we put in perspective the current situation in the context of the changing development framework. The document offers information about Private Development Assistance that has been collected over the past ten years. To conclude, the authors bring forward sustainable and innovative solutions that would help increase transparency, reduce cost in international financial transactions, facilitate collaboration, and help connect international intentions with local efforts.

Our document sheds some light on the “grey space” that civil society and private development assistance flows have to navigate. From Westphalia to country ownership, human rights and terrorism - private flows of aid are increasingly being scrutinized. The changing civil society environment is leading NGOs and private flows of aid to adjust not only to the challenges of closing spaces to operate and financial constraints, but also to a broadened concept of civil society in international development.

In the spirit of the Global Goals and the estimated trillions of dollars that will be required annually to achieve the goals, it will be vital to put in place the processes and infrastructures that will allow for private aid flows of human and financial resources to be connected effectively to a democratic civil society free of political interest.

Here, we present a holistic approach to work through the complexity posed by cross-scale and dynamics interactions, and multiple uncertainties facing civil society. Our approach is explicit and involves brief assessments of conditions and social-ecological system dynamics, and current development trends. From donors, to banking and aid recipient countries, these cross-scale interactions independently affecting civil society might be addressed through innovative and transparent solutions.



FOREWORD

During the past 50 plus years of Official Development Assistance (ODA), the landscape of aid delivery has experienced major changes. Technology is transforming innovation at its core, allowing citizens, civil society and the private sector to test new ideas at speeds and prices that were unimaginable even a decade ago. The past decade has seen the emergence of many new actors and new sources of funding for development. New global partnerships have helped scale up aid to meet the relevant Millennium Development Goals (MDGs).

Built on technical work commissioned by heads of state in 2004, new mechanisms have been created to help raise steady, predictable and concessional funding for achieving human development and other poverty reduction goals. Over the past eleven years, the idea of innovative financing has been regularly promoted at several events and summits, stimulating new thinking around aid policies. A recent global consultation has helped to generate a set of global Sustainable Development Goals (SDGs) as the flagship for a post-2015 agenda that will need innovative and collaborative financing. How will we get better data to tell whether we are on track to achieve a broad range of indicators? How do we give member states the tools they need to define, own and implement the post-2015 agenda to really address the structural issues keeping their citizens in poverty and limiting sustainable development? How do we ensure that they have the global knowledge and financial support needed? And how could they be made more transparent in the context of legal requirements and concerns around Anti Money Laundering (AML).

For donors, developing countries, and development stakeholders, International

development business is now much more complex, with new actors flourishing and opportunities for collaboration diminishing. This trend is characteristic of the change from individual efforts, lack of transparency, and scarcity of financial expertise to operate in a multifaceted international system. Such a shift could bring new energy and resources to international development, but also more difficulty for countries and smaller NGOs that receive such aid.

In the context of the Paris Declaration— KeenTO brings forward the first large-scale effort to coordinate hyper-collective action—as a starting point for envisioning a new conceptual framework to manage the complexity of current international collaboration. We offer concrete suggestions to improve the management of international private flows of human and financial resources, including new ways to share information, align the goals of disparate actors, and create more capable bodies for international collaboration.

We provide background information on Private Development Assistance and practical solutions that help everyone make evidence-based choices. This White Paper looks beyond rhetoric on the current situation affecting Civil Society and Private flows of aid, and find the right balance between regulations and direct assistance to local organizations. In doing this, we also reveals areas where we need to know more – echoing the Financing for Development outcome document for a Data Revolution.

The debate, he said, is not so much about “vetting happening versus it not happening, it’s about how it should happen.”¹

¹ <http://www.nytimes.com/2015/07/12/us/politics/us-screening-on-foreign-projects-roils-aid-groups.html>



THE CONSULTATION FROM OHCHR

A quick summary posted for this particular consultation read as follows:

The exercise of public freedoms (expression, association, peaceful assembly) and the right to participate in public life are at the heart of all civic activity. They are the "Super Rules" that allow you to do what you do; influence positive change in your communities. Whatever the issue you are working on. And so good laws and rules to guarantee public freedoms, as well as ways to monitor and protect them are a necessary condition.

But that's not all. You also need:

- a) a political and public environment that values civil society's contributions
- b) free flow of information
- c) long-term support and resources
- d) space for dialogue and collaboration

We want to hear from you about your experiences! Share with us:

- What is "enabling"? What does it mean to "create" and "maintain" space?
- Concrete, actual country examples and illustrations. How were the experiences beneficial to all stakeholders?
- If there are limitations, how do you continue to carry out your activities? Where are the openings?
- Useful links, tools, resources, guides (whatever the language)

This is not a report about examples of what goes wrong.

In the spirit of the above mentioned summary of what the OHCHR report will address, we believe that it's important to contextualize the current situation so that recommendations can be better framed and understood.

It's important to note that as a combination of words, the term *civil society* doesn't define a homogenous group, nor does it represent one set of interests. Civil society is not exempt from the political and power dynamics that shape their activities and scope of work. The role and work of Civil Society Organizations in general should not be accepted uncritically or naively. Over the past 25 years, there has been a massive proliferation in the scale and number of CSOs in many developing countries. This exponential growth and expansion calls for prudence in assuming the fundamental concept of 'good' of various CSOs. In her research Sue Unsworth¹ questioned the simplistic contrast between civil societies as an *autonomous, democratic sphere*, in opposition to an *authoritarian state*. Undoubtedly, there may be as many challenges posed by civil society, as there are positives.

Our White Paper will not focus on what goes wrong but will put forward ideas and solutions in the perspective of the current situation and changing landscape of development.

This document draws on a large body of research providing critical analysis of diverse country experiences and policy alternatives, KeenTO identifies 10 areas for urgent and coordinated action.



SETTING THE STAGE (from Unofficial Aid to Official Aid to Unofficial Aid)

To understand and put in perspective the factors that may have precipitated increase scrutiny on civil society and NGO, we believe that it's important to look at how the growth of Private Development Assistance flows (PDA or the size and scope of private financial flows) in the context of "country ownership".

We believe that there are **two points of pressure** that are driving the increase scrutiny on civil society organizations. First it's important to note that CSOs have increased efforts to make their works more transparent. One of the largest platforms currently available is the NGO Aid Map from Interaction. The platform is not available to all NGOs or CSOs that would like to make their efforts public or transparent making it harder for aid recipient countries to inform such flows. *The lack of information has generated an increasing sense of paranoia* by governments about the source of financing and the activities it's funding. Many of the activities funded through PDA are not expressly aligned or developed in partnership with governments' program.

Whilst PDA is nothing new, their effects are starting to be noticed by government officials in Middle Income Countries (MICs) and Least Developed Countries. PDA that is mostly delivered by NGOs have disrupted the way local organizations generate funding in countries where local philanthropy is scarce or quasi non-existent.

The second and interrelated point of pressure is *the increase scrutiny by banks under Anti Money Laundering regulations*. CSOs in general feel that banks and regulators unjustifiably target them around Anti Money Laundering. For banks and regulators Civil Society should not be seen

as a whole as a homogenous group, nor does it represent one set of interests. Civil Society Organizations are not exempt from the political and power dynamics that shape their activities. Their role should not be accepted uncritically or naively.

PDA is challenging the rules and principles of the Westphalia international system—where autonomous nation-states are the central players—states have the ultimate authority over citizens within their territory (without legal obligation to behave in a particular fashion toward them), and are to avoid interference in the internal matters of other "juridically equal" sovereign entities. Even though this system has been in place since the year 1648 (three decades ago) before being upended by post World War II innovations such as human rights law in 1948, standards of international cooperation, and cross-border humanitarian and development assistance operates within the principles of Westphalia and it remains centered of current diplomacy and funding efforts. But even these norms ultimately rely on sovereignty to operate since the networks of treaties, conventions, agreements, and compacts that support these norms rely on the agreement of states.

What's probably most disconcerting for present governments are the causes civil society organizations supports such as democratic governance, which include increasing political participation, civil society activism and transparency; human rights which includes the rights of minorities, marginalized communities; freedom of expression; sexuality, LGBT rights and women's rights among others. The central themes of their programs are rights, equality and transparency, which are ideas that challenge authoritative governments.



PRIVATE DEVELOPMENT ASSISTANCE

Since 2003, the Center for Global Prosperity (CGP) at the Hudson Institute has published *The Index of Global Philanthropy and Remittances*, which is the most comprehensive report measuring the sources and magnitude of private financial flows from developed countries to the developing world.¹ In 2008, (the latest complete numbers) ODA represented only 25.4 percent of donor nations' economic engagement with the developing world, while private financial flows, which include private investment, remittances, and private philanthropy accounted for the remaining 74.6 percent.¹ The first complete research "The Role of Private Assistance in International Development" on Private Aid flows defined private development assistance (PDA) as cross-border transfers of cash, grants, loans, in-kind contributions, or volunteer time to individuals, NGOs, or governments ultimately residing in Part 1 of the DAC List of Aid Recipients (developing countries). The first attempted at defining came from a research conducted by Heidi Metcalfe Little writes "*Private assistance is further limited to aid that is: (a) undertaken by private actors including individuals, foundations, corporations, private voluntary organizations, universities and colleges or religious organizations; (b) with promotion of economic development and humanitarian need as the objective; and (c) at concessional financial terms where commodities and loans are concerned.*"


Over the past ten years, the private flows of aid have brought incredible amount of new and innovative funding to help fill the gap left by shrinking ODA. This growing interest for the private sector and individuals to engage in development saw an exponential

growth during the 2004 Asian Tsunami and in 2005 when Louisiana was hit by hurricane Katrina. The media frenzy around these two disasters event propelled the sector forward where Private Aid flows helped filled the funding gap during the 2008 financial crisis and still continue to grow at exponential speed. During the Asian Tsunami, donations from individuals, businesses, trusts and foundations topped the list, accounting for half of total aid to the UN fund and making it the largest private response to any natural disaster.

As mentioned and reported in several academic researches, large and increasing share of international humanitarian and development aid is raised from private sources and allocated by transnational NGOs. Little is known about private foreign aid, not even how it is distributed across recipient countries; much less what explains the allocation. This article presents an original data set, based on detailed financial records from most of the major U.S.-based humanitarian and development NGOs, which allows us for the first time to map and analyze the allocation of U.S. private aid. We find no support for the common claim that aid NGOs systematically prioritize their organizational self-interest when they allocate private aid, and we find only limited support for the hypothesis that expected aid effectiveness drives aid allocation. By contrast, we find strong support for the argument that the deeply rooted humanitarian discourse within and among aid NGOs drives their aid allocation, consistent with a view of aid NGOs as principled actors and constructivist theories of international relations. Recipients' humanitarian need is substantively and statistically the most significant determinant of U.S. private aid allocation (beyond a regional effect in favor of Latin American countries). Materialist concerns do not crowd out ethical norms among these NGOs.

¹ CTR. FOR GLOBAL PROSPERITY, HUDSON INSTITUTE, INDEX OF GLOBAL PHILANTHROPY AND REMITTANCES (2010), [hereinafter CTR. FOR GLOBAL PROSPERITY].

¹ ID 13



In their recently published book “Human Dignity and the Future of Global Institutions¹” authored by Mark P. Lagon and Anthony Clark, their research focuses on this important point or grey zone where civil society operates in the context of “country ownership”. Their contribution to this anthology argues that private development aid advances the centrality of human agency rather than state sovereignty as the analytical centerpiece of relationships between donors and recipients.

GETTING THE RIGHT NUMBERS or the numbers right?

This White Paper focuses on researches that have been conducted around Private Aid or Private Development Assistance. Internet search and researches on this topic doesn’t specifically make any difference between “aid” delivered by NGOs and development efforts conducted by the private sector where a portion of their revenues could be allocated to local efforts such as CSR programs and initiatives. Private aid is often associated or confused with regular business activities (not specific to aid).

Currently, there are no (sending or receiving) countries in the world that are effectively trying to measure private efforts in development and there is no clear definition. There have been several attempts by the UN and the OECD around global partnerships (MDG8) but it has been dubbed as the failed MDG. Several UN international researches clearly demonstrated that the problem was basically caused by the lack of indicators, data, and definition¹.

Another one of the most active organizations dedicated to aid transparency is the UK based Development Initiatives (DI).

¹ <http://press.georgetown.edu/book/georgetown/human-dignity-and-future-global-institutions#sthash.0u1l8ky1.dpuf>

¹ UN System Task Team on the Post-2015 UN Development Agenda – Assessment of MDG8 and lessons learnt.

In their most recent stab at measuring PDA – Sarah Henon at DI writes “Growth trends for PDA are estimated on the basis of recorded growth across a sample of NGOs, foundations and corporations that represent (respectively) \$10 billion, \$6.4 billion and \$2.8 billion in PDA annually. An analysis of 23 countries (OECD DAC countries) shows that they provided \$45.3 billion of PDA in 2011 (or the latest year for which data are available). The top countries were the US, the UK, Germany, Canada and Australia.

Much attention has been paid to the consequences for traditional and (re)-emerging official donors of the shifting sands of development cooperation and global power and poverty. But what of the role of non-state actors, particularly the evolving and expanding group of international NGOs, the arrival of mega-foundations (some much bigger than state funders) on the international scene, and the unhelpfully grouped 'private sector', from multinational to corner shop. This next set of blogs in our financing progress series explores these questions.'

- ODI's Jonathan Glennie, series curator

'The past 10 years have seen a big increase in private development assistance, or 'philanthropic giving across borders'. Trusts, foundations and NGOs have become major players in the world of development finance, and now have more sway over

As described earlier like official development assistance (ODA), PDA involves a diverse bag of actors, mechanism and models in the funding and delivering projects. What is known of PDA flows is that the main channel of delivery of PDA from DAC countries is NGOs but little information is known about the role of the private



sector through their CSR contribution or other efforts such as pro-bono work, volunteering, capacity building, technical assistance (total Human Capital Investment).

Hyper-Individuals

In his research¹, Jean Michel Severino former Director of the French government international development agency - Agence Française de Développement wrote that the surge in the number of actors involved in the management of global challenges has taken the world of international cooperation into a whole new spectrum – one in which the rules change as the number of stakeholders increases. Indeed, although the first characteristic of hyper-collective action is the rapidly increasing number of actors that take part in a given policy, hyper-collective action is not just about there being many more actors around the table.

These actors of international cooperation are more than ever diverse in size, structure, processes and objectives than before. Each of them have their own process, different motivations for engaging in the policy, very different understandings of what is meant by development, security or environmental protection, different assumptions as to how international action can contribute to these policy goals, and different discourses to explain the policy ecosystem they inhabit.

These different processes, motivations, understandings, assumptions and discourses coexist, interact, and often oppose one another. In the absence of any legitimate intermediary, there is no obvious way to articulate these views or to make

them converge – which does not facilitate agreement on common objectives or rules.

We are at a phase of international and national policies where thousands of actors are moving different agenda within the same field – with no effective coordination!

Capacity Poaching

One of the hazards of the institutional jungle is the considerable administrative burden placed by a congested aid industry on aid receiving countries confronted with fragile administrative capacities¹.


A study has shown that 38 developing countries deal with twenty-five or more active bilateral donors and international organizations on their territory – notwithstanding the myriad of actors from the worlds of international NGOs, foundations and decentralized cooperation¹. Each of these donors requires availability from national and local authorities, as well as the provision of time-consuming reports to monitor the advancement of projects and the use of funds.

This absorbs precious administrative capacity, which cannot be deployed for national development.

In recipient countries where there is greater donor fragmentation, (large number of donors who each work on a small share of the projects), Knack and Rahman found that administrative quality erodes. They find that –in their need to show results, donors each act to maximize the performance of their own projects, and shirk on provision of the

¹ KNACK, S., and RAHMAN, A. (2004), —Donor Fragmentation and Bureaucratic Quality in Aid Recipients , World Bank Policy Research Working Paper, (3186).

¹ OECD DAC (January 2008), —Development Co-Operation Report 2009 .



human and organizational infrastructure essential for the country's overall long-term development¹.

They also emphasize the detrimental effects of donor poaching practices' of qualified local staff, which amounts to a form of brain drain: in countries where administrative capacities are scarce, donors' generous payrolls compete with the national private and public sectors for skilled labor. In some countries senior officials work for internationally funded NGOs in addition to (or in place of) poorly paid positions in government or local NGOs.

Total Official Support Sustainable Development (TOSSD) and Private Development Efforts.

The OECD recently launched the idea of a new statistical measure tailored to the SDG framework. The OECD describes *Total official support for sustainable development (TOSSD)* as a new statistical measure that has emerged as a main feature of the means of implementation of the post-2015 financing framework. It will complement the official development assistance (ODA) measure by capturing a broad range of instruments and complex financing packages beyond ODA.

When it comes to data or the concept of Global Partnership, the problem may lie in the term "**official**" as seem to disqualify flows of efforts, aid, assistance that have not officially been recognized by a specific organizations such as the UN or the OECD.

In many ways, words are metaphors pointing to the matters they represent. The word "**official**" in this case leads the reader to believe that there are such things as "**unofficial aid**". Our understanding of the

world is built upon a deeper set of presuppositions. Meaning demands meaning. Words are our framework of meaning. Every word is a metaphor reaching to something beyond its simple spelling and articulation.

Words have incredible power. Words create worlds as they help define ourselves and the world around us. They shape the reality of actions and activities for all stakeholders in development. Our words determine our ideologies.


Unofficial aid is described as aid transferred through non-governmental organizations (NGOs)¹. This definition is still unclear which makes more difficult to measure. Does it involve "volunteer activities"? and other non-financial transactions from the private sector.

Prior to 1958 and officially 1961, unofficial aid was delivered by NGOs, religious groups, and adventure seekers. Some of the concept that we believe new, such as remittances, crowdfunding, philanthropy, volunteering, and others date back to pre-ODA but were left out the development agenda until recently (Monterey 2002) when the series of High Level Meetings began to include other stakeholders. ODA was the main focus on the agenda where countries would contribute 0.7% of GDP towards a rapidly changing definition of what is included and measured.

Back to Unofficial Aid – the new Global Goals (aka SDGs) have focused primarily on the role of the private sector and philanthropy in financing the enormous financial gap that comes with the Global Goals.

¹ KNACK, S., and RAHMAN, A. (2004), op cit.

¹https://en.wikibooks.org/wiki/IB_Economics/Development_Economics/Growth_and_Development_Strategies



The TOSSD still leave several sources of innovative financing for development of the record and little agreement on what is included or excluded.

Making Unofficial Aid – Official

Several factors may have precipitated the current situation that is now exerting pressure on CSOs. Before getting into the details of our proposed solutions, let's put into perspective some of these factors. This will help answer the two main questions:

- 1) Is the increase pressure on NGOs / CSOs by developing countries justified and are there solutions that could help mitigate the problem?
- 2) Do banks unjustifiably target CSOs?

These two major fronts that are now disrupting the way CSOs operate are somewhat interrelated.

New tools – New Actors

As we enter a new era of development, many donor (ODA) policies are up for review. This includes donor approaches to support for on governmental organizations (NGOs) and civil society. The prevailing standard, which arose in the mid-1990s, broadened traditional ODA support to include more of a focus on the nature of and role-played by civil society in developing countries. Support to civil society, both the NGOs in the north and the broader organizational forms in the south, has since been seen as an important part of ODA. By 2009, a considerable proportion of some donors' bilateral ODA was channeled to and through NGOs.

Most donors seem to be in various stages of taking stock on different aspects of their ODA in preparation of allocating their financial resources for the post 2015 world.


The recent radical changes in global trends, politics and power bases, and the fiscal difficulties faced in the traditional donor world, will all have influence on the future frameworks. It is possible that the current paradigm for thinking about civil society may also be about to shift. Whilst few donors are being very explicit about this, examining the focus of current thinking and changes within funding mechanisms can provide a pointer for future thinking.

All donors examined have been working within the focus of the new aid architecture which has been developing since the 2002 Paris Declaration, and this together with the focus on the MDGs has led some donors to focus more on the delivery of basic services, and thus a more instrumental approach to funding for civil society. However, at the same time, the most recent strategy papers relating to civil society – especially those from the Scandinavian donors – focus on the need for strengthening Southern civil society in its own right – both for service delivery and in holding governments to account. The question is, as 2015 approaches, what implications the likely new thinking about development assistance will have on donor thinking about support for civil society – both national northern based INGOs and Southern civil society itself.

Country Ownership

Over the past 15 years, country ownership has become one of the central principles of the aid effectiveness agenda and a part of every development worker's vocabulary. Yet, we have never adequately reconciled the concept of ownership with the need for a country to be accountable for its policies, including controlling patronage and corruption.

This is partly because both donors and their development partners are willing to treat



development partnerships and activities as technical interventions insulated from local politics rather than explicitly recognizing that the allocation of scarce resources, including foreign aid, is inherently political.

This tendency has resulted in country ownership being defined in a narrow, unidirectional manner that makes confronting the binding policy constraints to economic and social progress much more difficult. In these circumstances, the concept of country ownership is too often invoked to protect the status quo instead of advancing sustainable development.

Private Aid (Unofficial Aid) functions in the grey space of what is accepted in the limited definition of country ownership. While most NGOs and CSO organizations have had the ability and freedom to operate without much restrictions both aid recipient countries are now taking a stand on outside influence.

Localisation of aid

As part of the renewed Global Goals agenda, many donors are now interested in taking aid “local”. Donors without any definition of what defines a local organization vaguely use the term “local”. The UK Based Overseas Development Institute (ODI) has written on the subject and the focus on *national* organization versus *international*.

The literature is mixed on the impact localising aid can have on state or organization accountability. ODI research suggests that, on the one hand pressure from donors that do localise their aid appears to have brought accountability actors, such as parliament and civil society, more into play. Important to note that the previously mentioned researches were written prior to this current situation that is

exponentially affecting CSOs. It has also encouraged state actors to be more open to vigilance. On the other hand, the deeper involvement in state processes implied by localising aid has led to accountability moving more towards donors than domestic stakeholders.


Domestic Resources Mobilization

What happens when donors leave? Is often the question that remains in the mind of the many NGOs that depend entirely on international financing to deliver some of the social services? Dependence on foreign-funded NGOs puts the country in a vulnerable position. The only way to step away from that is community engagement that goes beyond lip service to genuine involvement. While the concept of raising funds locally is of utmost importance, the local conditions and climate for philanthropy are often lacking and the lack of trust may impede the engagement of local communities in supporting a “social” project that depends entirely on charitable giving.

Pooled fund can play a crucial role in leveraging international resources that support local philanthropic efforts. Civicus and many donors are pushing the need for government and civil society to generate resources locally.

Pooled Fund & Multi-Donor Trust Fund

Multi-donor funds have skyrocketed in recent years. A recent fashion in the international community has been to create new sector-specific (vertical) funds to channel aid towards specific international public goods. By the end of 2008, the World Bank alone held a total of \$26.31 billion in 1,020 active funds, supported by 224 sovereigns and non-sovereign donor



agencies¹. Some of these entities, such as the Global Environment Facility (GEF), are endowed with their own council, assembly, secretariat and CEO, which makes these hybrid institutional tools look a lot like multilateral organizations.

Pooled fund that support a specific groups are still new in their design

State of compliance

Simply put in a few words - COMPLIANCE IS NOT OPTIONAL! Financial institutions are increasingly coming under pressure from shareholders, regulators and customers to find the balance between profitability and compliance. Since the financial crisis of 2008, which has largely been blamed on the failure to properly regulate the financial industry, banks have been subjected to ever-more extensive regulations around AML and Counter-Terrorism Financing (CFT). As a result, they are mandated to carry out extensive and ongoing KYC checks on all their clients (not only CSOs).

More recently, regulators expect banks to know - and document - their clients' sources of revenues, as well as the tax consequences of their activities.

This has naturally led to banks requiring more information from their clients and, because the stakes are so high, *many of them are erring on the side of caution and gathering too much rather than too little information*. It is understandable that banks are taking this approach given that the costs of non-compliance are punitive, both in terms of fines and, more importantly, reputational damage. One telling example is that in roughly the last two years, banks have been fined more than \$10 billion

¹ Partnership and Trust Fund Annual Report, 2008.

globally for activities involving money laundering, or doing business with *persona non grata*.

Bank clients face a multitude of issues – some costly – relating to bank KYC requirements:

The documents you need to provide can reside in several different locations within your company. Finding, extracting and organizing these documents have become increasingly burdensome and time-consuming.

The sheer number of documents required has also increased exponentially. Because the number of regulations has escalated and banks need to ensure that they remain compliant, they tend to request more information, rather than less.

In addition, there is currently no universal global KYC standard, so each bank relies on its own interpretation of AML/KYC requirements. As a result, each requires different documentation from institutional clients.

With identity theft and cyber crime increasing, there are concerns surrounding current methods of sharing client identity documents, particularly via email. If not encrypted, these messages are easy to hack. In addition, organizations want more visibility and control over who can access their information before and after it has been sent to the banks.

This is all leading to increased effort, time and cost – simply to open an account and maintain a business relationship with a bank.

Vetting process or Compliance

Vetting is another world that is now fashionable in the development sector. Is there a difference between vetting and compliance?



Over the past few months, we have taking a look at existing “vetting” processes as well as discussed the concept with several organizations including several UN agencies, USAID, and TechnoSoup to name a few.

Partner Capacity Assessment is another exercise that many donors undertake to create a databank of ready and assessed organizations that could deliver projects in a particular context and funding opportunity.

A study conducted by the International Council of Voluntary Agencies (ICVA) has attempted to map a complex area of assessment procedures in use by a variety of funders for different purposes and targeting different types of organizations operating in numerous country contexts. As reported, it therefore inherently runs the risk of simply scratching the surface of complicated broader questions concerning how NGOs are being assessed and funded globally and under different policy frameworks.

ICVA suggest that the topic of PCAs should require more in-depth tracer studies of individual agency practices to allow for broader comparisons across agencies. Such studies should be presented to help inform future coordination and policy discussions and include innovative examples of how to collectively organize and manage partner assessments guided by a minimum set of “good enough” requirements, making them “fit for purpose.”

The study commissioned by the HTTF should look for suitable avenues for raising these issues before the appropriate audiences, be that donors, funders and NGO representatives who can and will influence the future direction of partner assessments. That could include dialogue around future Principles of Partnership, the


Good Humanitarian Donorship Initiative, the OCHA NGO Dialogue Platform, the Pooled Fund Working Group and the Future Humanitarian Financing initiative.

CSO a definition

The word “non-governmental organization” describes a wide variety of organizations variously known as “private voluntary organizations,” “civil society organizations,” and “nonprofit organizations.” The dramatic explosion in the number of NGOs and the growth in public and private grants and contracts flowing to these organizations have enabled them to become an influential force in global politics. Because so many types of organizations are included under the acronym NGO, the scope and breadth of this sector's typological landscape is lost. The inability to accurately gauge the size and range of this sector is one of the critical problems that need to be addressed jointly by the public, private, and NGOs around the world.

Despite their important role - or because of it - many CSOs feel that they have been under sieged and targeted unjustifiably. At few moments since the movement to build CSOs began have these institutions been at greater risk, more vulnerable, and less resilient. How can this be, given the vital role of civil society? We believe there are combinations of reasons, both external and internal that could resolve with the right data and financial infrastructures.

Externally, we know about the atrocities committed by authoritarian regimes, and how civil society has been repressed and restricted by those in power, and thus severely limited in their ability to operate and give voice. For years, new laws in have constrained the operation, and free association, of CSOs with foreign funding.



The fact is that around the world, CSOs feel the pressure from governments, who see them as adversaries rather than allies. An increasing number of legal challenges and constrictive laws impede their important work.

In 2013 the World Economic Forum's (WEF) presented the following information to help describe Civil Society Organizations.

Broadly speaking civil society is commonly defined as “the area outside the family, market and state”, encompassing a spectrum of civil society actors and entities with a wide range of purposes, structures, and degrees of organization, membership and geographical coverage. While descriptions vary across institutions and countries, the “civil society ecosystem” typically includes:

- *NGOs, non-profit organizations and civil society organizations (CSOs) that have an organized structure or activity, and are typically registered entities and groups*
- *Online groups and activities including social media communities that can be “organized” but do not necessarily have physical, legal or financial structures*
- *Social movements of collective action and/or identity, which can be online or physical*
- *Religious leaders, faith communities, and faith-based organizations*
- *Labor unions and labor organizations representing workers*
- *Social entrepreneurs employing innovative and/or market oriented approaches for social and environmental outcomes*

- *Grassroots associations and activities at local level*
- *Cooperatives owned and democratically controlled by their members*

Civil society roles include:

- **Watchdog:** *holding institutions to account, promoting transparency and accountability*
- **Advocate:** *raising awareness of societal issues and challenges and advocating for change*
- **Service provider:** *delivering services to meet societal needs such as education, health, food and security; implementing disaster management, preparedness and emergency response*
- **Expert:** *bringing unique knowledge and experience to shape policy and strategy, and identifying and building solutions*
- **Capacity builder:** *providing education, training and other capacity building*
- **Incubator:** *developing solutions that may require a long gestation or payback period*
- **Representative:** *giving power to the voice of the marginalized or under-represented*
- **Citizenship champion:** *encouraging citizen engagement and supporting the rights of citizens*
- **Solidarity supporter:** *promoting fundamental and universal values*
- **Definer of standards:** *creating norms that shape market and state activity*



KeenTO PROPOSAL

- Understanding that several efforts, researches, forums, events, and accords have already addressed individually each of the above-mentioned points.
- Understanding that this consultation focused on finding/identifying the “gems” in dealing with the current situation.
- Understanding that the future and success of the newly accepted Global Goals will depend entirely on increasing funding, engaging the private sector, and finding the sweet spot to involve local organizations;
- and that this needs to take place in an era where compliance, transparency, and new funding models are being developed at exponential speed.

The findings are clear, and the consent largely shared among actors of international cooperation that the cost associated with the multiple administrative process and burden of proliferation and fragmentation calls for the implementation of innovative process in the transparency and reporting of private aid flows. There is, to date, no common agreement for a blueprint on how to proceed to instill collaboration that support all actors engaged in PDA initiatives or efforts.

KeenTO puts forward a new conceptual framework to that will help shape dynamic processes of multi-actor convergence that are more compatible with the political economy of international cooperation initiatives as they are taking shape in these early years of the 21st century. This will mean getting the philosophy right, and getting the processes right.

- KeenTO’s contribution focuses on the importance for OHCHR and other

multilateral organizations to support and help implement the following proposal.

Our proposal offers a hyper-collective solution that brings all moving parts into one actionable framework for sustainable development. If civil society is to operate freely, it will need to take place in a system that is owned by civil society where the financial and human flows of private aid will support the sector itself.

OHCHR should support KeenTO’s work in the development of a series of interconnected pooled fund that would support and strengthen the work of civil society. In the con

RECOMMENDATIONS


Establishment of a Pooled Fund

.....that would be owned and that would support civil society organizations in their process of international transactions.

The concept of pooled fund have been used, tested, and tried by several UN agencies and a few development agencies. The concept is simple and funds managers as well as end-users have identified benefits.

Such benefits include reducing the cost of transactions, facilitating collaboration, and providing a mechanism that can accelerate transfer of funds to identified local partners.

While the UN has years of experience in managing pooled funds for development, the UN has limited ability to provide other financial services that would bring sustainability for other administrative services such as supporting NGOs/CSOs in their AML/KYC reporting, transparency



reporting to regulators and government agencies.

Dabbing in the field of currency exchanges may also be a sensible issue that would prevent the UN to used currency swap or hedging solutions. Financial innovation in the field of development is moving rapidly where traditional donors are experimenting with new concept such as Blended Finance. A privately owned process (fund) would have the ability to complement ODA and local efforts without having to deal with heavy bureaucratic processes.

THE FUND WOULD HAVE THE ABILITY to innovate in support of the sector itself. The fund would be accompanying “users” through the following five services.

a) Currency Fluctuations and Mitigations

While the reported administrative cost of UN pooled fund is relatively reasonable, the agency can’t provided many of the other financial services that could benefit the sector itself.

Lost and risk associated with currency swings / fluctuations are normally passed on to beneficiaries. While some donors allow beneficiaries to account for potential fluctuations, the risk lies with the organizations that are receiving the funds.

A few research have been conducted on this subject and stress the lack of knowledge and tools currently available to NGOs to better manage their “currency risk”. Some organizations such as Mango (UK based) and InsideNGO (Washington DC based) have started to offer NGO specific training on financial management, currency risk, and accountability. These services seem to have caught the interest of NGOs but it does little to create a sustainable source of funding for the sector. Such services could be easily provided through a

common fund that generates savings for all members.

Missing Millions¹ was one of the first and few research that raised awareness on the potential lost that NGOs face every day when they have to conduct international transactions.

Greenpeace mega million lost¹ due to a bad currency decisions clearly demonstrate the risk associated with the international currency markets. In their report, Missing Millions, commissioned by Stamp Out Poverty, the author highlighted, among many other issues, *that between £20-£50 million is being lost by UK charities in the process of sending funds overseas to carry out their humanitarian and development work. These millions do not make it to their intended destinations because of the uncompetitive rates and misleading transfer fees offered by banks when selling local currency.*

b) Other financial services

The UK based Start Fund¹, created by the DFID and Irish Aid, have innovated in the process where they have provided insurance products to member organizations. Other financial services include “bridge loans” and opportunity for blended finance products.

Such services would help bring new sources of funding to pay for reporting, mapping, and compliance requirements.

¹ http://www.stampoutpoverty.org/wf_library_post/missing-millions/

¹ <http://www.theguardian.com/environment/2014/jun/16/greenpeace-loses-3m-pounds-currency-speculation>

¹ <http://www.start-network.org/how/start-fund/>



c) Vetting and Compliance

As expressed by Sam Worthington of Interaction, *“vetting happening versus it not happening, it’s about how it should happen.”*¹

The tough talk and the pace of regulatory change are fast accelerating, just as the cost of compliance continues to rise. The global financial services industry has arrived at the point where compliance officers must assimilate on average 167 regulatory alerts per day – up considerably from 68 a few years ago – encompassing rulebook changes, policy statements, enforcement orders or announcements of fines, according to Thomson Reuters Regulatory Intelligence.

The industry has now begun to think and act smarter in managing KYC and reducing the adverse costs and impacts of failure. Attitudes toward KYC managed services and utilities held by all participants – from banks to corporates and funds – have evolved from where they were 18 months ago. The same thing cannot be said about civil society organizations. Some of the larger INGO like World Vision¹ have spoken and expressed their concern about the burden and cost that is being inflicted to them. CSOs / NGOs are not exempted from such compliance requirements but access to such services is (could be cost prohibitive). Savings generated by other financial services provided by the fund could be provided to organizations that are using the fund. Information collected for AML/KYC requirements could be used for reporting to “aid” receiving countries and donors.

¹ <http://www.nytimes.com/2015/07/12/us/politics/us-screening-on-foreign-projects-roils-aid-groups.html>

http://www.afponline.org/pub/res/news/KYC_Compliance_Tops_the_List_of_Concerns_for_NGO_Treasurers.html

d) Mapping and Transparency

Several countries like India have asked for complete reporting of international funding (sources and destinations of such funds) within 48 hours. These requirements might be somewhat reasonable for aid receiving countries but for many agencies such information and process to report might require extra staff. Some of this information could already be captured by AML/KYC process. Providing such services to NGOs/CSOs by the proposed fund would reduce duplication and administrative burden to such agencies.

Several local and international NGOs have expressed concerns about the need to have their activities and efforts mapped for security reason. Having control on the information collected, CSOs could report regularly on the Total Flows (Human and Financial) of Private Development Assistance.

e) Charitable Equivalency

The Global Goals are ambitious and achieving them will require collective action, partnership, and innovative source of financing. Countries must be in the driver’s seat, leading the development process and building strong enabling environments for development. As previously discussed, the concept and definition of “country ownership” should not be limited to government agencies. In terms of public policies to help channel these new flows of financing, processes such as charitable equivalency standards and discussions, developing country could begin to work collaboratively with the fund and help implement such process. This could take the form of “trade negotiations” for access to philanthropic dollars and social impact investment without the middleman.



Charitable equivalency¹ allows individuals and the private sector to “donate” to local organizations in developing countries and receive the same fiscal benefits.

Generating Common Norms and Standards

A call for a data revolution, increased transparency, new compliance procedures, vetting and assessment processes, and addressing NGO credibility issues – can only be successful if owned by the sector itself.

The global financial crisis has shown that the explosion in numbers of actors and instruments in under regulated sector can be a factor of fragility for the system as a whole. What makes a sector efficient is not the reduction in the number of its actors, or even the coordination of their strategies. On the contrary, efficient markets thrive because organizations have different strategies which often fosters innovation and new approaches to deal with a particular need

What ultimately counts is the presence of an established framework within which actors can respectfully compete and innovate. On top of irregularities of information and insufficient incentives to cooperate, the international development sector, as it stands suffers from the

<http://www.ngosource.org/what-is-equivalency-determination>

weakness of its norms and standards, and the absence of a general sense of direction which as driven countries to impose stricter rules. The above-described normative framework for Private Development Assistance could provide the canvas in which organizations’ practices will gradually converge. By making every actor’s efforts compatible, it would allow for their impacts to add up.

CONCLUSION

Civil society plays a hugely important role in shaping our daily lives, from how we interact, to the policies that guide laws and regulations, and the market forces that allocate resources.

Today’s the global financial and social conditions are unsettled and is likely to be so in the future. However, it is also vibrant, and offers huge opportunities for innovation in all sectors. Highlighted by the set of challenging factors that comes with increase compliance requirements and stricter country rules, a critical question for the next 15 years will be how to enable and utilize those opportunities to effectively build resilience and address the human and financial needs associated with many societal challenges that continue to confront us.

One of the key messages from this work is that civil society, just as for business will need to look to unusual sources and effective processes to adapt to a shifting, and increasingly challenging, global contextual environment that demands transparency and compliance. These include exploring new opportunities for engagement and action through technology; new sources of inspiration and activity driven by players in emerging economies; and new methods for measuring and demonstrating impact.



During our consultation many have stressed the fact that building resilience as siloes sectors is not enough – civil society, business and government can no longer work in isolation.

More effective ways of tackling societal challenges are required, which, by necessity, will transcend outdated sector barriers. This includes employing new financial and economic models that combine the resources and expertise of multiple sectors to address common challenges, as well as creating platforms that enable leaders across all sectors to collaborate.

As detailed in this paper, there are many potential benefits to the increasing flow of PDA. One of the great hopes of PDA in the new era of Global Goals is that the sheer size of the private flows will force changes in the way that foreign aid is delivered. There is consensus that a new model is needed for foreign aid, and there is hope that requiring foreign assistance to leverage private aid will add a much-needed market test that might lend transparency, accountability, and sustainability to ODA.

As noted in Heidi's 2008 research¹, PDA is unlikely to be a panacea. *For one thing, if rigorous evaluation and transparency mechanisms are not developed, it may fall into many of the same traps that bedeviled ODA. Private development assistance actors must find a way to make their efforts sustainable and scalable without losing the strengths of the diverse and innovative funding streams currently making their way.*

If we believe in the work that CSOs are doing - and we should - then we must help

¹ THE ROLE OF PRIVATE ASSISTANCE IN INTERNATIONAL DEVELOPMENT
– Heidi Metcalf Little

usher in a new era of capacity-building investment, for institutions, and the individuals who comprise them.

What civil society needs most, and now more than ever, are resilient, durable, fortified institutions that can take on inequality, fight poverty, advance justice and promote dignity and democracy.

We believe that collaboration and coherence can be instilled by having in place the right data and financial infrastructures that would support the delivery of PDA it will be through the implementation of the six modes of collaboration that we have identified as constituting the fabric of effective hyper-collective action.

Just as the current roles of civil society vary broadly in the unstable present, across and within the unique contexts of countries, cultures, and compliance; the future roles of civil society will be more demanding and multiple.

However, individual factors such as technological change, demographic shifts, environmental pressures and political and economic uncertainty, as well as the demands of multi-stakeholder models strongly suggest that the roles that civil society plays will gain in importance, particularly in relation to populations that are better educated and connected.

The opportunity for leaders across civil society, business, government and international organizations is to harness these changes to implement solutions for collective impact. Civil society can play a particularly powerful role in this process as an enabler and constructive challenger, creating the political and social space for relationships that are based on the core values of trust and the collective good.



SCHEMATIC (Page 22)

The Schematic provided on Page (22) of this report shows a country specific fund that would leverage Private Aid flows from various donors, foundations, private sector, diaspora, and individuals abroad. The fund also had the ability to facilitate Blended Financing arrangement based on a specific project needs.

The Multi Partner Trust fund acts as a pass-through fund and doesn't manage projects.

SCHEMATIC (Page 23)

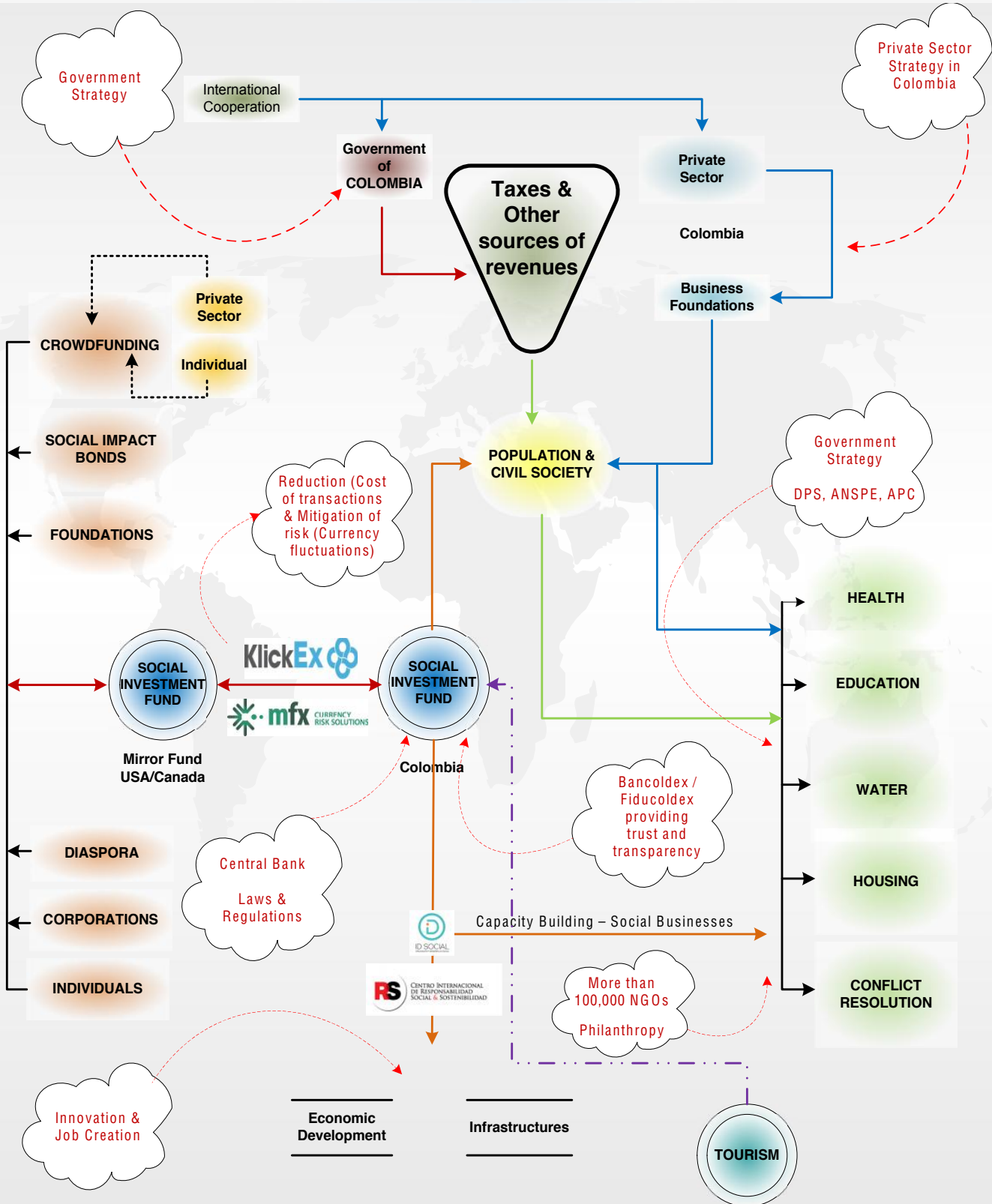
The schematic on Page (23) of this report shows the various levels of NGOs – civil society organizations that are currently active in Colombia. There are no good sources of information when it comes to the status of civil society organizations.

The first level (corporate foundations) - They have the ability to attract international funding and can apply for funds in at least three languages. These foundations receive most of their funding from the corporations that they represent. They rarely donate to other smaller NGOs.

The second level (NGOs member of CCONG) – These NGOs have more ability to apply for external funding. The majority of their funding is generated outside of Colombia through ODA and a small portion of PDA.

The Third level (smaller NGOs) – They represent grassroots NGOs located for the major parts in smaller communities or (HUB communities). They have little ability to apply for external funding.

Financial Strategies and Efforts in Post Conflict



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