



## VI. Financing for Partnerships with Civil Society

- 1. Introduction.** This chapter analyzes the availability of financing for civil society (citizen and CSO) engagement in the Bank's [country engagement, financing](#), accountability, and capacity-building activities. Local CSOs engage in Bank-supported activities in the following four pivotal areas:
  - a. participating in Bank-led country engagement activities and multistakeholder platforms to enhance country ownership of development policies and programs;
  - b. facilitating the design and implementation of citizen and stakeholder engagement in Bank-financed projects;
  - c. providing operational services to complement project implementing agencies, especially in challenging contexts; and,
  - d. performing independent third-party monitoring and oversight, bolstering transparency and accountability.

- 2. Sources of financing for citizen and CSO engagement (CSE) in IDA- and IBRD-supported operations.** Bank investment project financing and/or government funds can cover the costs of citizen and CSO engagement that are included in a project description. Project financing is not available or suited for funding CSOs to carry out the analytical work needed for substantive participation in country engagement and multistakeholder platforms. The CSOs, therefore, depend on their own funding or donors other than the Bank.

The accountability work benefits the government accountability institutions (such as supreme audit agencies and anti-corruption agencies) and the Bank's work as fiduciary, but the Bank has no systematic approach to financing such work. Some [trust funds \(TF\) and financial intermediary funds \(FIF\)](#) hosted by the Bank can fund country engagement and oversight work by the CSOs. Sometimes, IDA/IBRD contributing countries individually and directly provide financing for CSOs. We analyze the availability and adequacy of each of these sources of financing below.

- 3. Financing for CSE in country engagement and multistakeholder platforms.** The Bank has been a pioneer in seeking the views of citizens and CSOs in its various country engagement activities. Appropriately, it considers such consultations as essential for empowering the

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voices of a country's citizens in formulating and implementing a country's development policies and programs. These consultations are done to enhance the responsiveness to citizens' needs, as well as the Bank's supporting programs, thereby increasing public ownership and trust. However, the Bank has no systematic financing source to support citizen and CSO engagement in the Bank's country engagement activities and in the MSPs.

While such consultation now routinely takes place, their quality needs much improvement. One of the ways to improve quality is to help local CSOs with resources to carry out analytical work necessary for meaningful participation in consultations and the MSPs established in the 30 IDA recipient countries and in the member countries of the Open Government Partnerships. While international CSOs can mobilize the funding for analytical work to inform their participation, there are no systematic funding sources for local CSOs that would allow them to do the required analysis. The OGP Multi-Donor Trust Fund at the Bank can sometimes be used to support MSP work, but it lacks adequate funding and is due to expire in 2023.

Without the analytics, the local CSOs' participation becomes tokenistic and lacks depth, undermining the effectiveness of their participation. It is important to close this funding gap to enhance the overall effectiveness of the Bank's country assistance program.

4. **Project financing for CSE.** As noted in chapter III, almost all investment projects financed by the Bank plan one or more citizen engagement activities. Some also include plans for contracting CSOs to deliver operational services as determined by the implementing agency (IA). In principle, the budget for the planned citizen and CSO engagement should be explicitly included in the project cost estimates and financing plan, and the procurement plan should include an appropriate procurement package and method. However, in practice, explicit funding and procurement plans for citizen and CSO engagement are rarely evident in project financing documents available at the approval stage.<sup>1</sup> The implementation and completion report by the Bank rarely provides details of actual citizen/CSO engagement and funding. Fixing these issues will require staff guidance, reporting requirements, and monitoring and evaluation metrics to be improved.
5. **Financing for citizen and CSO-led accountability and oversight work to improve governance and identify and prevent leakages of funds.** The Bank and its financiers generally recognize their strong vested interest in fostering new approaches and partnerships to ensure that everything possible is done to prevent leakages due to waste, fraud, and corruption. There is rich literature (annex 2) demonstrating the efficacy of civil society actions to turn the spotlight on corruption, identify losses, and heighten accountability. Indeed, civil society has helped expose many cases of fraud, corruption, and other malpractice in Bank operations in recent years.

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<sup>1</sup> Rachel Nadelman, Ha Le, and Anjali Sah, [How Does the World Bank Build Citizen Engagement Commitments into Project Design? Results from Pilot Assessments in Mozambique, Myanmar, Nigeria, and Pakistan](#) (IDS Working Paper, vol. 2019, no. 525, Institute of Development Studies, 2019).

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Conversations with CSOs and Bank staff indicate that while the country and Bank policy and practice constraints play a role, the binding constraint was funding. Even when there is broad consensus on the benefits of using partnerships with CSOs for third-party monitoring and other oversight activities, there is great difficulty in finding funding. First, Bank budget resources can be drawn on only exceptionally for such purposes. Second, few facilities/trust funds can be tapped for this purpose, and the demand exceeds available resources (e.g., demand for funding social accountability projects exceeds GPSA's funding capacity). Third, parallel funding from other donors was feasible, but the absence of a dedicated funding facility for governance and accountability work by CSOs required a transaction cost-heavy retail (i.e., project-by-project) approach to fundraising.

Moreover, the source of funding is also important as the independence of TPM needs to be ensured to maintain credibility. While using project funds for TPM is possible, the independence and credibility of findings and reporting are at risk when the IAs contract, pay, and manage third-party monitors. The benefits of this work would be optimized when there is independence from both the IA and the IDA.

- 6. Trust fund financing for CSE.** Some [trust funds and financial intermediary funds](#) hosted by the Bank can fund CSOs, but the funding amounts are negligible relative to needs. We found eight trust funds (box 5) with primary focus sectors or themes such as education, health, climate change, open government, governance, etc. They fund governments and also provide small amounts of funding for CSOs in their primary focus area. However, their objectives do not include funding the CSOs' participation in country engagement work, multistakeholder platforms, and anti-corruption activities.

### **Box 5: CSO Funding Facility/Mechanism in Trust Funds Hosted by the World Bank and Other Donors**

Global Partnership for Social Accountability (GPSA)  
Open Government Partnership (OGP) MDTF  
Global Environment Fund (GEF), Small Grants Programme (SGP)  
Global Partnership for Education Fund (GPEF), Education Out Loud  
Climate Investment Fund (CIF), Dedicated Grant Mechanism for Indigenous People and Local Communities (DMG)  
State and Peacebuilding Trust Fund (SPF)  
Japan Social Development Fund (JSDF)

Source: Author compilation

Only one trust fund, the [GPSA](#), is dedicated to funding CSOs. It has granted about \$5 million per year in the past 10 years and is set to expire in 2026. We understand that work is underway at the Bank for possible restructuring of GPSA, and we believe that GPSA could

evolve to close the referenced funding gaps and support effective CSO engagement in new directions (e.g., green accountability, inclusion, and climate justice).

- CSOs’ direct financing from bilaterals and foundations occurs, but evidence of prioritization in funding CSO engagement in IDA/IBRD operations is lacking.** [OECD-DAC analysis](#) shows that the bulk of direct official development assistance (ODA) to CSOs is earmarked for bilateral programs. It is mainly disbursed to international CSOs; only a fraction trickles down to the local CSO. The OECD-DAC Commitment Reporting System contains self-reported data from all major donors on funding provided to CSOs, including country-based NGOs.

As shown in table 3 below, during the 2017–2021 period, NGOs and CSOs implemented 10% of all ODA; within that, country-based NGOs and civil society implemented around 13% (or 1.4% of all ODA). Funding to country-based NGOs and CSOs was primarily for project interventions; only 10% of the support they received (0.1% of all ODA) was for nonproject interventions. Moreover, a detailed review of these nonproject interventions revealed that they included project-specific deliverables, suggesting that the nonearmarked funds available for core expenses and capacity building were extremely limited.

**TABLE 3: ODA and the Role of Developing Country-Based NGOs and Civil Society 2017–2021 Commitments (USD million, current prices)**

	2017	2018	2019	2020	2021	Total	
	USD m	USD m	USD m	USD m	USD m	USD m	%
All ODA	196,325	205,243	204,089	247,252	246,447	1,099,355	
ODA: All NGOs and CSOs as channel	20,304	20,703	21,993	23,968	24,361	111,329	10
ODA implemented by developing country-based NGOs and civil society	3,346	2,877	2,786	3,353	2,598	14,960	1
ODA: Nonproject interventions implemented by developing country-based NGOs and civil society	195	405	333	272	282	1,485	0.1

- Conclusions and recommendations.** Local CSO involvement in Bank-supported [financing](#) and [country engagement](#) operations needs to be adequately funded to ensure country-owned and inclusive development and to enhance quality and accountability in Bank-supported public spending by identifying and preventing waste, fraud, and corruption. However, available information indicates that effective citizen and CSO participation is being undermined by funding gaps and a lack of fit-for-purpose funding mechanisms.

Major funding gaps exist for meaningful local CSO involvement in country engagement, MSPs, and accountability and oversight of public spending. Small amounts of financing for CSOs are accessible from trust funds hosted by the Bank, including the [GPSA](#), which is set to expire in 2026. These amounts are negligible relative to needs, not regarded as fit for purpose, and involve high transaction costs that discourage their use.

The reality is very different for CSOs, particularly local CSOs, as the information in table 3 demonstrates. Moreover, dedicating scarce local CSO funding for monitoring World Bank-supported operations is not a priority for bilateral donors. The net result is that the social accountability work, in general, and TPM in particular, are inadequately resourced, and partnerships with civil society for heightening integrity in the Bank's operations are underutilized.

The citizen and CSO engagement built into investment project design should be budgeted in the project cost and financing. However, whether and to what extent it happens is unknown. Fixing these issues requires staff guidance and monitoring and evaluation metrics to be improved. Expanding such partnerships will not end the problem, but it would undoubtedly be a powerful complement to other, more orthodox measures. Forming such partnerships would be well regarded by donors and, hence, will help the Bank's resource mobilization efforts. They will also help the Bank perform its fiduciary responsibilities more effectively.

**Recommendation #10:** IDA partners consider establishing a Bank-housed facility to close funding gaps for the participation of local CSOs in IDA country engagement and accountability activities. Such a funding facility could initially:

- a. provide grants to local CSOs for analytical work to enable their meaningful participation in the IDA's country engagement activities, including the updated core analytics;
- b. finance CSO-led independent TPM and other oversight activities to enhance process legitimacy, verify and improve results, and prevent and expose waste, fraud, and corruption in government spending; and
- c. support programs to build the technical capacity of local CSOs to participate in country engagement and TPM activities.

9. **Key parameters for the proposed funding facility.** The facility should be geared toward closing funding gaps, be adequately funded, and be fit for purpose to finance local CSO engagement in IDA countries. It could be set up by adapting an existing (such as GPSA) or a new free-standing financial intermediary multi-donor trust fund. It is important that its scope, scale, and funding modalities focus on the funding gaps and three objectives listed above.

A suggested framework for establishing the proposed funding facility, discussed in the next chapter, could be used to frame a full feasibility study, which could be commissioned by IDA partners. The framework is based on a preliminary review of seven CSO funding mechanisms already used by the World Bank. Precedents for funding analytical work by CSOs in country engagement activities exist under the [Open Government Partnership-MDTF](#). Local knowledge and presence are essential for funding local CSOs. A good model would designate a country or region-based CSO as a country/regional fund manager to

manage a small grants program for multiple local NGOs. A small global secretariat could select the country or regional fund managers and oversee the facility.

Several precedents for such a model exist among the trust funds hosted by the Bank. To ensure close linkages with the IDA, the Bank should host the facility. Close operational linkages with the IDA would be needed to maximize the benefits. The IDA's multilateral approach and governance structure should assure IDA recipient governments that the CSO engagement would be apolitical and the governments would have a say in the operation of the facility. The MSPs could have specific roles in setting priorities for analytical work for country engagement activities, and the IDA and the government could identify the IDA-funded operations that could benefit from CSO-led TPM, then referring the project to the facility's management for selecting, funding, and managing the CSOs. These arrangements would help ensure that activities are carried out independently, yet their findings would receive consideration by the relevant authorities.

- 10. Potential funding sources for the proposed facility.** The facility would help the Bank do its fiduciary job; therefore, it is logical for the Bank to contribute to it. Similarly, partnerships with CSOs would enable IDA recipients to boost their absorptive capacity, implement IDA-financed projects faster and better, and potentially sustain and increase their [IDA allocations](#) due to improved control of waste, fraud, and corruption. For all these reasons, the IDA should contribute to the facility. In addition, the facility should be capable of accepting bilateral official and private funding to supplement Bank and IDA funding.

In our view, with due advocacy, the proposed facility could attract support from IDA donors/recipients and foundations interested in ensuring the highest possible value for money for their contributions, supporting locally owned development and developing local CSOs. The likelihood of their support would be higher if they see meaningful contributions by the Bank and the IDA. They may also be favorably motivated by the potential of the facility to advance the localization agenda and counter the shrinking civic space.

- 11. The scale of the proposed facility.** The scale of the funding would need to be proportionate to the needs in the portfolio of more than 1,200 active [IDA-supported projects](#) involving commitments of \$120 billion in 58 IDA-recipient countries.<sup>2</sup> The facility could prioritize funding for local CSO participation in country engagement activities in countries where MSPs exist and where CPFs/SCDs/CCDRs are scheduled. It could also prioritize funding for TPM and other oversight activities by CSOs in two out of three IDA-funded active projects that have been assessed as facing “high or substantial” implementation capacity limitations (table 1), along with one in four active projects that the [IDA](#) assesses as having “high” governance and/or fiduciary risks (table 2) that could undermine the achievement of their development outcomes.

A feasibility study for the facility would be needed to determine the scale of funding and other features, but using a methodology described in the next chapter (box 7), we estimate a low-end funding requirement for three years to be about \$206 million and a high-end

<sup>2</sup> The [database](#) is updated every day providing a snapshot. These numbers were accessed on January 19, 2024.

funding requirement of \$537 million. These amounts are only a tiny fraction of the \$78–90 billion in IDA commitments at high and/or substantial governance and/or fiduciary risk, according to the World Bank’s [risk assessments](#). These tiny amounts would be more than offset if oversight activities prevent and/or expose as little as 1% of financial leakages in the Bank’s financing portfolio.

- 12. CSO activities supported by the proposed funding facility would provide significant social, economic, and financial benefits.** These benefits include (a) greater country ownership and responsiveness of development policies and programs; (b) enhanced inclusion, improved trust in government and the Bank, and localization; (c) better results through independent CSO monitoring; and (d) better accountability in expanded financing by exposing and preventing waste, fraud, and corruption through oversight activities.

These benefits are compelling reasons for the Bank and other development partners to invest in such partnerships. The principle that governments and the Bank should pay for systems to control leakages is well established. That is why the state accountability institutions exist and the Bank finances fiduciary work and the Integrity Vice Presidency from its budget. Following this principle, funding for partnerships among CSOs, government accountability institutions, and the Bank should be included as an essential component of fiduciary, monitoring and evaluation, and accountability systems of government and the Bank.

Additional reasons for establishing and funding such partnerships include incentivizing private donors to contribute to such a facility, enhancing public trust in both recipient and donor countries, and potentially improving IDA recipient countries’ scores in the [IDA’s resource allocation system](#) by improving portfolio performance and public financial management and control of corruption. If CSO-led accountability initiatives prevent as little as 1% of leakage of funds, the allocations would pay for themselves.