



VII. Suggested Framework for a CSO Funding Facility

- 1. Introduction.** This chapter discusses a suggested framework for designing the proposed CSO funding facility. The whole design, including the scale of the facility, would require a full feasibility study. The feasibility study would need to incorporate the viewpoints and respond to the needs of a diverse group of stakeholders, including potential funders, IDA recipients, IDA management, potential grantees (local and international CSOs and academia), and operators and beneficiaries of benchmarked CSO funding facilities.

While a feasibility study is beyond the scope of this report, the framework discussed in this chapter is based on three activities. First, a prima facie review of eight CSO funding mechanisms (box 5) used by the World Bank–hosted trust funds. Second, the consultation draft of the report on “funding local civil society in partner countries,” which is being prepared for the Development Co-operation Directorate of the OECD. Finally, the PTF’s own 20-year experience in working with many donors provided a large evidentiary basis.

- 2. Modality and institutional location.** The feasibility report for the CSO funding facility should review whether it should be set up within one or more existing trust funds or be established as a new trust fund. The facility would need to coordinate very closely with Bank operational staff as well as the Social Sustainability and Inclusion (SSI) and Governance Global Practices (GGP). Therefore, the Bank is the recommended location.

Drawing on existing good practice models, key criteria for deciding on the optimal modality (new or restructured, multi-donor trust fund, financial intermediary fund, window, etc.) should include independence of third-party monitors from the implementing agency to avoid conflicts of interest, financial products and processes appropriate for funding and capacity building of local CSOs, scale commensurate with the needs, and minimizing the transaction costs involved for CSOs and the IDA when engaging CSOs for accountability activities including TPM.

- 3. Scope and components.** While funding gaps exist in both IDA and IBRD countries, we recommend prioritizing the IDA countries in recognition of (a) a scarcity of donor funding; (b) IDA18-20 foundational work on citizen engagement as a part of the governance thematic priority; (c) the relatively greater need among IDA recipient countries for supplementing implementation and accountability systems; (d) the relatively higher capacity of development

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needs and relatively lower possibility of domestic funding for local CSOs; and (e) the incentive for IDA recipient governments to improve their country allocations by engaging with CSOs to improve portfolio performance and their CPIA¹ scores for the “Public Sector Management and Institutions” cluster.

IDA operations are vast, country and project contexts are diverse, and the enabling environment for and the state of civil society varies widely by country and over time. Hence, CSO engagement would need to be tailored to each situation and prioritized. It would be unrealistic to expect that a new facility could commence with funding levels that would allow for covering all projects and all countries, even as the IDA expands. Even if funding were available, effective systems for selecting, funding, and managing CSOs at a large scale are a work in progress.

A gradual and iterative approach to operationalizing the facility would be prudent. It is therefore proposed that the facility start with the following three components with the option to add other components at a later stage:

- a. ***Component 1: Grants for analytical work to enable meaningful participation of local CSOs in the [IDA’s country engagement](#) and multistakeholder activities.*** IDA policies require consultations with CSOs on all their strategies, policies, and programs, with MSPs promoted in many instances. This component would fund the cocreation of effective assessments and/or road maps for effective CSO engagement at the country and sector level. It would help the CSOs do the background/analytical work needed for meaningful engagement. The cocreation awards under the OGP-MDTF provide an example of how cocreation could work. These awards (up to \$75,000 per grant) help CSOs engage with government and MSPs to cocreate action plans for enhancing open government. Focusing on country policies and systems for citizen and CSO engagement as part of country and sector assessments (systematic country diagnostic in the case of the World Bank) will help expand meaningful dialogue with recipient governments to argue the case for providing a more enabling policy and legislative environment that will support more effective operationalization of the Bank policies on stakeholder engagement and beneficiary participation.
- b. ***Component 2: Grants to local CSOs for independent TPM to enhance oversight of process legitimacy, results, and waste, fraud, and corruption in government spending.*** TPM would be selective and could focus on enhancing quality and accountability in the IDA-funded projects rated to face “high” governance and/or fiduciary risks. The ratings are initially assigned at the preparation and appraisal stages and updated during project implemen-

¹ The IDA determines “country allocation” for each IDA recipient using a combination of the country performance rating (CPR) and their financing needs (assessed by their population and gross national income per capita). The CPR is determined annually based on the Country Policy and Institutional Assessment (CPIA), including “transparency, accountability, and corruption in the country,” and including the portfolio performance ratings (PPR) based on the implementation progress of projects. For a description, please see annex 3 in the [IDA20 Replenishment report](#). International Development Association, [IDA20 – Building Back Better](#).

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tation. A “high” rating at any stage could trigger consideration of TPM by CSOs as part of the risk management measures for the project.

- c. ***Component 3: Capacity building of local CSOs for TPM, citizen engagement, and constructive engagement with implementing and accountability institutions.*** This component would complement components 1 and 2 by focusing on the capacity building of CSOs to carry out TPM, facilitate citizen engagement, and constructively engage with implementing and accountability institutions in IDA recipient countries. The goal would be to develop a roster of local CSOs skilled in TPM and engagement in IDA operations, and the emphasis would be on learning by doing. The capacity-building program would be developed and managed by the country/regional fund manager (C/RFM) (see the Implementation Arrangements section). Precedents are provided by GEF-SGP and GPEF-EOL (box 5) that support CSO capacity building with up to 10% and 15% of country programs, respectively. Both GPSA and JSDF have also supported capacity building in the past.

Box 6: How Would the Facility Work in Practice, and What Might the Outcome of TPM Be on the Project? (This is an imagined example.)

The IDA has been asked to finance a road reconstruction project in a poor country devastated by floods. The country has serious fiduciary and governance risks. The construction industry is notable for its lack of integrity. The IDA team is anxious to have the risk mitigation plan include independent TPM to supplement the borrower's own fiduciary mechanisms, which are known to be ineffective, and the IDA's monitoring requirements, which cannot reach down to the operational level. The IDA and government agree to include a TPM mechanism in the risk mitigation plan.

The CSO financing facility has selected a CSO experienced in the country or region (local or international) as its country/regional finance manager (C/RFM). The CSO is familiar with the CSO community in the country. CSOs have a history in the country of providing essential services such as health, education, and even some security functions. Some local CSOs meet the selection criteria for inclusion in the project.

The C/RFM, in consultation with the IDA project team and the implementing agency, agrees on the activities to be covered by TPM in the initial phase of the project. In this case, it will involve citizen monitoring of the procurement process for selecting the contractor building the first road segment. In subsequent periods, it will involve citizen monitoring of the construction process, tracking change orders in the contract, and financial flows.

The C/RFM issues a call for proposals, inviting local CSOs to submit proposals. The local CSOs will have been vetted to ensure they meet the requisite criteria. The winning CSO or CSOs will be selected by the financing facility governing body set up in the region. They will undergo training/certification. The CSOs will agree to follow a cooperation process that sets out respective commitments of the implementing agency, C/RFM, and the IDA for constructive engagement, including sharing and disclosing information and reports.

The TPM process will be monitored by the C/RFM, who will also sponsor an evaluation of the results. The results may include diversion/leakages identified/prevented and significant improvements in compliance and outcomes due to timely adjustments resulting from the monitoring. It could also include referrals to appropriate implementing/accountability authorities for addressing issues identified by the TPM and their responses/actions.

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- 4. Eligibility.** CSOs legally established in an IDA recipient country would be eligible to receive funds if they are not-for-profit entities. These may include community-based groups, women's groups, indigenous peoples' organizations, charitable organizations, faith-based groups, foundations, academic institutions, associations, policy development and research groups, trade associations, and social movements.

Selection would be based on a competitive process and eligibility criteria that could include requirements to demonstrate the requisite capacity and credibility to perform TPM and meet standards of good governance. For example, selected CSOs may be required to have a certificate of completing and/or passing prescribed TPM training that could be funded under component 3. Similarly, only CSOs that have adopted and signed appropriate codes of conduct or accreditation schemes for governance standards could be eligible for funding. The feasibility study would need to look at practices in benchmark CSO funding mechanisms (annex 6) and recommend good practices.

- 5. Governance and management.** The review of CSO funding mechanisms (box 5 and annex 6) and PTF experience suggests that to manage the trade-off between local knowledge and the high cost of creating a local office, an effective mechanism used in other trust funds is to designate a country or region-based CSO as a C/RFM. The country manager would manage a small grants program for multiple local NGOs engaged in the same IDA-funded project. A regional CSO could do the same in smaller countries. A small global secretariat would be responsible for overseeing the program and selecting the country or regional fund managers. Several precedents for such a model exist in GEF-SGP, GPEF-EOL, and DMG-Global (annex 6).

Consistent with significant differences in size and scope, the mechanisms utilized differing governance and administrative structures. These ranged from central steering committees supported by small technical secretariats to more expanded governance and technical support structures at global, regional, and/or national levels. Some mechanisms were more successful than others in achieving desired outcomes.

Effective and responsive mechanisms shared several characteristics, including understanding and dealing effectively with the local context; utilizing simplified grant-making arrangements and reporting requirements to take account of the limited capacity of local CSOs to deal with complex legal and operational requirements; and engaging grant recipients in defining activities consistent with program objectives instead of predetermining activities. This rich evidence base can be drawn upon in designing a fit-for-purpose management structure for the facility.

- 6. Grant processing mechanisms.** It is important that the facility's financial products, processing times, and transaction costs are tailored to the special needs of small grants to local CSOs. The GPSA and OGP-MDTF use the World Bank's standard loan/appraisal processing criteria for direct granting to CSOs, but these are not regarded as fit for the purpose of small grants to CSOs. Alternate models exist, such as the use of intermediaries by [GEF-SGP](#) for over 30 years to make grants of up to \$50,000 to CSOs and by [GPEF-EOL](#), which was founded

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in 2020 and has grown to fund 100 CSOs in 60 countries in a short period. The feasibility study would need to assess the relative efficiency and merits of the alternate grant processing mechanisms listed in box 5 and other relevant funding mechanisms used by bilateral donors and/or grant-making foundations.

7. **Links to the IDA.** CSO third-party monitoring will need to be independent of both implementing agency and IDA control while still being an integral part of project fiduciary and risk management efforts. Both the IDA and government will need to agree to CSO TPM but allow CSOs to carry out their activities independently. One approach would be to include TPM in the project risk mitigation plan for the project agreed upon by the IDA and government agency. This would represent government consent and help ensure that the findings of TPM would be considered by the relevant authorities. IDA representatives might be included in the governance of the facility and the selection and performance reviews of the country or regional fund manager CSOs. However, they would not be involved in the management of the facility or oversight of the CSOs.
8. **Constructive engagement with government agencies.** Third-party monitoring is only effective if the monitored parties respect the process, provide relevant access and information, and honor redress processes. Constructive engagement between government agencies and CSOs is a prerequisite for effective TPM. The proposed “Links to the IDA” can help ensure implementing agencies recognize that TPM can improve project outcomes as well as mitigate risks. The IDA will need to ensure that the agreed arrangements are honored. A good practice would be to have a cooperation instrument (memorandum of understanding or cooperation) that lays out the respective obligations of CSOs, country/regional fund managers, implementing agencies, and the IDA.
9. **Estimating the size of the funding facility.** The funding facility would supplement existing country and IDA fiduciary mechanisms. It should be adequate to meet the scope of likely CSO country engagement, TPM, and capacity-building needs for the normal three-year cycle of IDA, plus the global secretariat costs. We have used a simple model (see box 7) to estimate orders of magnitude of funding requirements for three years under different assumptions.

In the model, we estimate a low-end funding requirement for three years to be about \$206 million and a high-end funding requirement of \$537 million. Using this, the facility would allocate country/regional budgets based on the number of projects to be monitored and the extent of capacity building needed. The costs for fund management at the country or regional level would vary by location and estimated size of business and would normally be included in the country program budget. The cost of the global secretariat would be additional. A rigorous exercise to determine the amount required would be part of a feasibility study.

Box 7: Model for Estimating Funding Scale (F) for the Proposed Local CSO Funding Facility in IDA-Eligible Countries

$$F = CC + G + CB$$

CC= Budget for grants to local CSOs for analytical work to enable their meaningful participation in the IDA’s country engagement activities. (Assumption = 50–100 grants per year at an average amount of \$75,000 = \$3.75M per year at the low end (\$11.25M over three years) and \$7.5M per year high end (\$22.5M over three years)

G= Budget for grants to local CSO-led independent TPM and other oversight activities to enhance process legitimacy, verify and improve results, and prevent and expose waste, fraud, and corruption. Estimated as $(H \times C \times Y)$ where,

- H= # of IDA projects rated “high” for governance and/or fiduciary risks in a given FY. Assumed 10–25% (table 2) of 250 approvals a year.
- C= Average cost of TPM per project. Estimated \$2.5 million per project based on World Bank data on actuals (annex 5).
- Y= # of years in replenishment period (assumed to be three years).

CB= Budget for support programs to build the technical capacity of local CSOs to participate in country engagement and TPM activities (assumed as 10–15% of G)

G per year= Low end, \$187M $(25 \times \$2.5M \times 3)$

G per year= High end, \$465M $(62 \times \$2.5M \times 3)$

F for three years (low end) = \$206.25 million $(11.25+187.5+7.5)$

F for three years (high end) = \$537.5 million $(22.5+465+50)$

Source: Authors

10. **Options for funding scale.** The above funding scale targets all IDA-funded projects deemed to be most at risk on the basis of high-risk projects on geography (region) and/or sectors or themes (e.g., service delivery, human development, climate change, FCS, etc.). It is important to emphasize that in most scenarios, required funding would be several orders of magnitude over current funding facilities for such TPM activities.
11. **A dedicated multilateral facility in support of CSE in IDA projects would be better positioned to accomplish the objectives than direct financing from bilateral ODA and foundations.** Advantages of a multilateral approach include (a) coordinated collective action

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versus fragmented bilateral efforts that sometimes are pushed back; (b) higher political acceptability of local CSE as an integral part of IDA development project and policy structure; (c) leveraging of the Bank’s infrastructure to oversee accountable CSE; and (d) development of local CSO institutional capacities in tandem with building effective state institutions in a sustained manner.

In our view, with due advocacy, the proposed facility could attract support from IDA donors/recipients and foundations, which would like to ensure the highest possible value for money for their contributions and leverage their contributions to support local CSO engagement in the IDA and beyond.

12. **The theory of change and core performance indicators for the facility should be agreed upon upfront.** This would keep the facility focused on results and reduce the downstream work in subgranting. Foundations for this are available in the theory of change (TOC) underlying the Bank’s citizen engagement strategy, the [theory of action for the GPSA](#), and the TOC and results chain for the [Global Governance Program](#) issued by the Global Governance Practice.²
13. **There was high stakeholder interest in a dedicated funding mechanism, but also questions and concerns.** We are providing a comprehensive list of questions and concerns raised, along with our initial responses below, to inform a continuing discussion (see table 4). It should be noted that some of our responses have informed our recommended design parameters.

² This program document describes a governance program to be implemented by the World Bank at global, regional, and country levels. The program is being supported by two umbrella trust funds (UTF) for Governance & Institutions (G&I) and for Financial Management. The “Institutions of Accountability” module under the G&I UTF would provide support to nonstate actors including CSOs. World Bank Governance Global Practice, [Global Governance Program](#) (World Bank Group, ND).

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TABLE 4: Stakeholder Comments and Responses

Questions/Concerns	Responses
<p>IDA accountability and fiduciary systems are highly regarded. What is the need?</p>	<p>Substantial challenges persist and may get more acute as IDA spending grows. It is imperative for the IDA to do everything possible and keep improving. One underutilized avenue for doing better is to significantly expand. Expanding CSE has proven potential to prevent and detect diversion and misuse in spending and enhance credibility and trust by results and compliance verification.</p>
<p>What is the evidence that citizen/CSO-led monitoring would improve results?</p>	<p>There are no guarantees, but multiple evidence reviews by the Bank and others show that in supportive contexts, citizen and CSO engagement has improved transparency, accountability, and control of corruption in public spending. That is why the Bank’s policies and practices already support it.</p>
<p>Many IDA donors support CSOs through other ODA programs. What is the value added of a facility at the IDA?</p>	<p>True, but their linkages to IDA-funded operations are nonexistent or weak. Setting up the facility at the IDA will ensure that TPM is made an integral part of risk mitigation plans for the projects and that findings receive consideration from project authorities. Channeling resources to CSOs through the IDA would not be subject to restrictions on foreign funds flowing to local CSOs, and the use of funds would be supervised by the IDA.</p>
<p>GPSA and other trust funds exist at the Bank to fund CSOs.</p>	<p>Yes, but not for large-scale accountability/independent TPM by CSOs. GPSA is solely dedicated to funding CSOs for social accountability activities but has averaged only about \$5 million a year over the last ten years and is considered high cost, linked weakly with the IDA, and due to expire in 2026. It has the potential to be restructured to serve the roles proposed.</p>
<p>The World Bank is ill-suited for funding local CSOs.</p>	<p>Yes, this is proven by experience with GPSA as well as feedback from CSOs. The framework we are proposing suggests alternate modalities and a review of several other fit-for-purpose CSO funding mechanisms.</p>
<p>A CSO window under the IDA is not appropriate as it would further fragment the IDA.</p>	<p>A window under the IDA has very specific meanings and modalities and is set up only exceptionally. Our proposal is to use an existing multi-donor trust fund to establish a module for a facility rather than a “window.” This is discussed in detail in the framework.</p>

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<p>How would a dedicated funding facility improve IDA recipient willingness to accept citizen/CSO-led TPM?</p>	<p>Experience confirms that IDA recipients are extremely reluctant to take money from their IDA envelope and allocate it to CSOs to hold the government accountable. However, many IDA recipients and CSOs are open to engaging with each other if funding does not come from the government. For example, many IDA countries are members of open government partnerships. IDA recipients see GPSA funding of CSOs as incremental for the country and have joined GPSA. There are rare instances of IDA recipients channeling IDA and trust fund resources to CSOs and enlisting CSOs to mitigate risks at the project level. All of this supports the proposition that, while some will not consent, willingness among many others to accept TPM would be higher with a dedicated funding facility than without.</p>
<p>Some IDA members would be reluctant to support this initiative.</p>	<p>On at least two past occasions, the Bank's board has unanimously approved CSO engagement and funding to improve governance, accountability, and control of corruption, including through social accountability: (a) the 2007 Governance and Anti-corruption Strategy and (b) 2012 approval to set up the Global Partnership for Transparency. In addition, IDA18-20 included statements supporting the use of social accountability and mechanisms for citizens to hold the state accountable.</p>
<p>Availability of CSOs with requisite capacity credibility of CSOs for TPM.</p>	<p>It is proposed that grantees for TPM would need to be duly qualified by past experience and/or completing training offered by the facility. This approach will, over time, build country systems and address the catch-22 situation in which local CSOs lack experience because there is a lack of work/funding, and they cannot get funding due to a lack of expertise.</p>
<p>International CSOs will crowd out local CSOs.</p>	<p>The focus will be on TPM by local CSOs. The bulk of the funding would go to local CSOs. INGOs may play a role in technical support, as fund managers, and in transitions and capacity building. Caps on funding for ICSOs could be considered if necessary.</p>
<p>Many implementation challenges, e.g., CSO selection criteria, government cooperation, fiduciary risk relating to CSOs, etc.</p>	<p>These challenges are not unique. Many models of funding CSOs exist inside and outside the Bank and, as part of the report, we reviewed more than a dozen of them. A viable framework for designing the recommended facility has been outlined. This is not a substitute for a full feasibility study but indicates that solutions exist.</p>

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<p>Who is willing to fund the facility? Where will money come from?</p>	<p>We believe that funders may come from the following groups: (a) IDA donors who are interested in assuring their constituencies that everything possible is being done to enhance value for money for their contributions; (b) IDA donors who want to promote open societies and support civil society; and (c) foundations/INGOs interested in leveraging their funding for local CSOs and opening up civic space and business opportunities for CSE by local CSOs in the vast portfolio of IDA operations. The Bank has the requisite contacts and knowledge to reach out to specific official and private donors, assess interest in funding, and carry out a feasibility study if the IDA partners want to explore feasibility.</p>
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