

Tracking aid from UK NGOs to their local partners

New insights from IATI

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The International Aid Transparency Initiative (IATI) is enabling improved tracking of funds channelled through international non-governmental organisations (NGO). Oxfam was the first international NGO to report to IATI – in November 2011 – and since then 140 other NGOs have joined. Thanks to their efforts, we can better track funds channelled through NGOs. Since the launch of the data store in September, IATI data can be queried and downloaded in CSV spreadsheet format.

Outflows from NGOs are poorly captured in most aid data sets. Using IATI, we have analysed data from 22 projects across 19 UK-based NGOs which have received a Civil Society Challenge Fund (CSCF) and/or a Global Poverty Action Fund (GPAF) grant from the Department for International Development (DFID). The CSCF and GPAF fund partnership projects that aim to reduce poverty; these run for two to four years and most are halfway through. This small sample limits the general applicability of the findings.

On average across the 22 projects, UK NGOs have received from DFID 42% of committed funds, i.e. 42% of the total funding that DFID has committed to transfer for the project. UK NGOs have so far transferred to the local partner 81% of the funding already received from DFID. This means that, on average, 34% of committed funds from DFID are already in the hands of local partners.

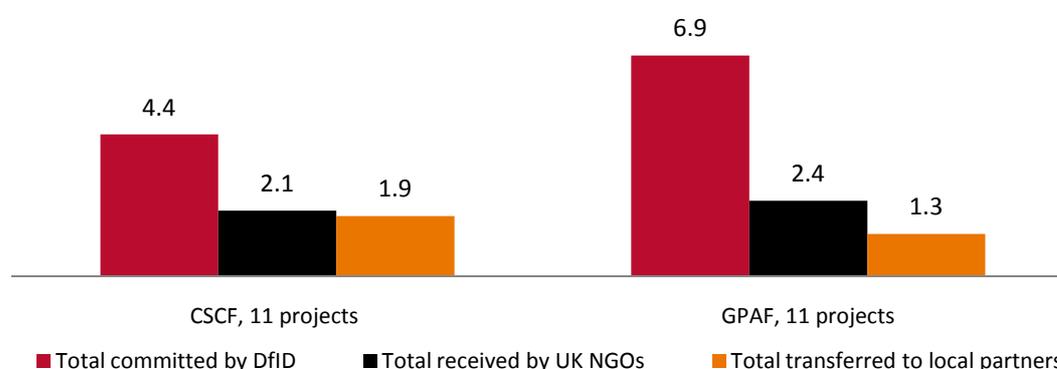


Figure 1. Amounts committed, received and transferred by 22 projects in GBP millions

As Figure 1 shows, in general UK NGOs have transferred only slightly less than the amount already received from DFID to their local partner. UK NGOs have retained some funding for their own costs, such as core costs and outreach activities. CSCF projects are nearer to completion than GPAF projects. UK NGOs have received 46% of total committed funds for CSCF projects, of which 92% has been transferred to the local partner.

In four cases, the UK NGO has transferred 100% or more of the funds received from DFID so far. This disjunction in the disbursement schedule of DFID and that of its grantees may indicate that hold-ups in the delivery system are creating problems for the ultimate recipient. However, there are indications that delays in disbursement occur less frequently with private funds than with official aid.¹ This is backed by a Keystone study that asked Southern NGOs to assess the quality of financial support received from Northern NGOs, and found that timing is the second highest rated aspect.²

What factors influence the level of disbursement of UK-based NGOs to their local partners? Two possible factors are tested:

- **Organisation size.** Our analysis reveals a very weak negative correlation between the size of the NGO in terms of annual budget, and the level of disbursement to the local partner ($c=-0.14$). However, our finding is limited by the small size of our sample and the incompleteness of the data about disbursement. Survey data from the French government and the NGO platform Coordination Sud allow a point of comparison. Their data indicate that smaller NGOs transfer a relatively larger share of field expenses to partners compared with larger NGOs. Some factors explaining this trend may include the smaller in-country presence of smaller NGOs and their lower structural costs.³
- **Country of intervention.** Plotting the 22 projects by location shows that there may be a link between the country of intervention and the share of funds received by the local partner. As shown in Figure 2, for nine projects based in least developed countries, on average 70% of funds already received by the UK NGO was transferred to the local partner. For eight projects based in other lower income countries, this average was 87%. Since countries classified as 'other low income' are considered less vulnerable and more developed than 'least developed countries', this preliminary finding may indicate that UK NGOs retain more funding in less-developed environments. This would confirm the argument developed by the Overseas Development Institute that Northern NGOs are favoured in instable environments due to their already-established programmes and relationships.⁴ The sample of projects in middle income countries is too small to draw any finding.

1 OECD (2008) Financing development: whose ownership?

2 Keystone Accountability Report (2011) NGO Partnership survey 2010, available at www.keystoneaccountability.org/sites/default/files/Keystone%20partner%20survey%20Jan2011_0.pdf

3 Commission Coopération Développement (2008) Argent et organisations de solidarité internationales 2004-2005. Ibid (2006) Argent et organisations de solidarité internationales 2000-2001. Data for 2005 based on 159 NGOs; data for 2001 based on 157 NGOs.

4 Fletcher Tembo, Adrian Wells, Bhavna Sharma and Enrique Mendizabal (2007) "Multi-donor support to civil society and engaging with 'non-traditional' civil society: A light-touch review of DFID's portfolio", London.

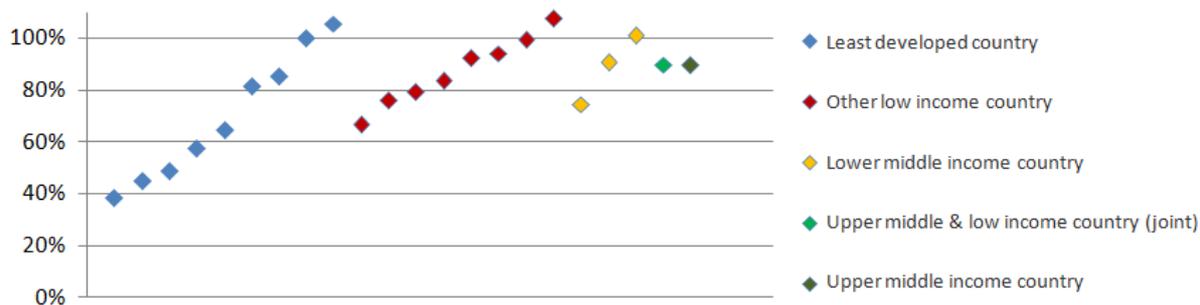


Figure 2. Plotting the 22 projects according to % of received funds that has been disbursed to the local partner, and country of intervention based on World Bank and United Nations classifications

Most projects in our sample will continue until 2014–2015, therefore it is too early for a definitive conclusion about UK NGO disbursements to local partners. French NGOs data reveal a sharp increase in the share of funds transferred to local partners as a proportion of expenses, from 2% in 2001 to 8.8% of French NGO expenses in 2005⁵, a 340% increase. This may be due to the improved quality of reporting in 2005, or other factors such as the growth of Southern organisations.

Understanding outflows from NGOs is important in the context of the global conversation about the role of international NGOs and their added value. Some organisations such as Afrodad have called for donors to enhance direct funding to Southern NGOs, including core funding, and “reduce the role of intermediary agencies”.⁶ Donors seem to be moving in that direction: in 2009, DFID committed to expanding partnership agreements to organisations based in developing countries⁷, and USAID plans to allocate 30% of mission funds to local institutions by 2015.⁸ Civil society in developing countries must be able to access data about the funding available from international NGOs. A CIVICUS report revealed that in Rwanda “Respondents from civil society believe that the international NGOs hold the economic survival of local civil society in their hands”.⁹

More NGOs reporting to IATI will enable better tracking of this trend in the future. More comprehensive reporting will also allow us to compare trends across sectors, organisations, and countries. Improving the quality of data on development funding is a necessary step for optimising their allocation and maximising their impact on poverty.

Sarah Hénon, October 2013

5 Commission Coopération Développement (2008) Argent et organisations de solidarité internationales 2004-2005. Ibid (2006) Argent et organisations de solidarité internationales 2000-2001. Data for 2005 based on 159 NGOs; data for 2001 based on 157 NGOs.

6 Afrodad (2007) Civil Society Communiqué from the Inter Regional Dialogue on Paris Declaration on Aid Effectiveness, www.afrodad.org

7 DFID (2009) White Paper: Eliminating poverty: Building our common future.

8 USAID (2013) USAID Forward, available at www.usaid.gov/usaidforward

9 CIVICUS (2011) “Bridging the gaps: citizens, organisations and dissociation: Civil Society Index summary report 2008-2011”, p33, available at www.civicus.org/downloads/Bridging%20the%20Gaps%20-%20Citizens%20%20Organisations%20and%20Dissociation.pdf