



Response to the Office for Civil Society consultation on the Civil Society Strategy

Submitted 21 May 2018

Executive summary

Bond is the UK network for organisations working in international development, therefore our submission will focus on the experiences and needs of this sub-sector of civil society. We have over 450 members and allies, from large organisations with a worldwide presence, to smaller, more specialist organisations working in specific regions or with specific groups of people.

Our priorities for the Civil Society Strategy are as follows:

- The Civil Society Strategy should seek to create a more supportive regulatory and political environment for civil society, which protects and promotes their independence and voice, recognises and respects their insights and expertise, and supports their participation in the policy- and decision-making process.
- Related to this, the Civil Society Strategy must support the creation of an **enabling environment for advocacy and campaigning**. This means recognising the social value and the positive and lasting impact of civil society campaigning, and making a commitment to: introducing primary legislation that revises the Lobbying Act; ensuring all government grants support the right of civil society organisations to engage in advocacy and campaigning; promoting CC9, and ensure future guidance for charities is consistent with its principles; and improving Electoral Commission guidance for non-party campaigners at elections
- The Civil Society Strategy must outline how the government will use funds strategically. We would like the government to **invest in strategic and sustainable funding mechanisms** for civil society that are flexible and support organisations both to deliver their missions, and to function sustainably. This means recognising the critical role civil society organisations play in helping those most in need and contributing to a fair and equal society. It may include providing core and programme funding through grants, rather than large-scale contracts which favour private sector contactors with greater access to capital.

Our civil society

What are the strengths of civil society today? You might consider its mission and motivation, services for the public, difference to quality of life or economic and/or social impact.

Civil society in the UK is extremely diverse. It comprises individuals, organisations and institutions, some of which are more formal (such as registered charities), and others that are more informal (such as networks of online activists or some community-based groups). The organisations that make up UK civil society vary considerably in both size and capacity and work on a wide range of social issues. What unites them is a commitment to social change; a drive to improve lives, provide a voice for the voiceless, bring people and communities together, and to make society fairer and more inclusive. Importantly, civil society also plays a critical role in increasing the public transparency and accountability of government and institutions.

Our response will focus on the strengths of two types of organisations: registered charities and international development organisations.

- **Strengths of registered charities:** Registered charities are one of the most numerous and prominent civil society actors. The 2017 report of House of Lords Select Committee on Charities, *Stronger Charities for a Stronger Society*, said that: "Charities are the eyes, ears and conscience of society. They mobilise, they provide, they inspire, they advocate and they unite..., their work touches almost every facet of British civic life". It described small and medium sized charities as "the lifeblood of the sector, with major capacity for innovation and the ability to form strong bonds with local communities and people in need." We strongly agree with these views.
- **Strengths of international development organisations:** We believe that the UK is home to some of the most experienced and innovative international development, humanitarian, and peacebuilding organisations in the world, including those advocating for the rights of people with disabilities, older people, LGBT people, children and youth, and victims of modern slavery. Among their many strengths are: their longstanding commitment to eradicate global poverty, inequality and injustice; the experience, knowledge and skills of the individuals who work for them; the promotion of Global Britain through their worldwide reach and influence; their contribution to poverty reduction and achievement of global goals (e.g. MDGs, SDGs); their role in research, knowledge exchange and evidence-based policy development; their focus on development education and awareness-raising in the UK; the creation of volunteering opportunities for young people and professionals; the solidarity created between people and communities in the UK and overseas; their campaigning which has helped to tackle the root causes of poverty and injustice; their capacity for and commitment to innovation, learning and effectiveness; and their ability and willingness to work together to achieve social change.

How can government help to increase the impact of civil society?

There are several ways in which the government can help to increase the impact of civil society. This submission will focus on two: creating an enabling environment for advocacy and campaigning, and the strategic use of funds to support the long-term sustainability of the sector, while reducing long term costs, complexity and bureaucracy, with greater use of grants to enable flexibility and innovation.

First, the Civil Society Strategy must set out how the government will create an enabling environment for civil society, where organisations and individuals are able to speak out and work together to achieve social change through advocacy and campaigning.

- **Civil society campaigning has been the driving force behind social change and results in public benefit:** Advocacy and campaigning is at the heart of what civil society organisations do. This is because they want to address the root causes of problems and fundamentally change the world and the country we live in for the better. Campaigning also enhances our democracy and improves public policy-making. Advocacy and campaigning has been the driving force behind many of our great social reforms, both here in the UK and overseas. It has contributed to policy and legislative changes that have saved lives and made them better; a legacy of which we are and should continue to be rightly proud. Among the reforms that have been brought about or aided by civil society campaigning are: the introduction of seatbelts; the smoking ban; the plastic bag tax; debt relief for the world's poorest nations; the legalisation of same sex relationships and equal marriage; the UK ivory trade ban, and most recently the maximum stake on fixed-odds betting terminals (FOBTs) being reduced to £2 under new rules unveiled by the government. This is why it is vital that the government creates an enabling environment for advocacy and campaigning.

- **Advocacy and campaigning are normal and legitimate activities for registered charities:** Campaigning is a normal and legitimate activity for charities to undertake in vibrant and accountable democracies. According to the House of Lords Select Committee on Charities advocacy is a “central part” of the work of charities, and “a sign of a healthy democracy.” Charities engage in campaigning because it helps them to deliver their charitable objects and results in public benefit. Charity campaigning is aimed at securing social change and takes many forms, including activities that: seek to secure or oppose a change in the law or government policy; ensure existing laws or government policies are observed; intend to raise public awareness, educate the public or mobilise their support for an issue; aim to change public attitudes and behaviour.
- **Changes to legislation and regulation have made it harder for civil society organisations to speak out and campaign:** Changes in legislation and regulations have made it harder for civil society organisations to speak out, and made campaigning less effective and impactful. Some of the most significant and harmful changes have been: the introduction of the Lobbying Act, which governs non-party campaigning at elections; the insertion of broad anti-advocacy clauses into government grant contracts; restrictive Charity Commission guidance on campaigning at the EU Referendum; increase in media attacks on campaigning organisations; and limited participation or exclusion of civil society from the policy making process. Taken together, these restrictions have had a negative impact on space for campaigning in the UK, and have affected the willingness and ability of charities to engage in public debate. Of particular concern, is the Lobbying Act. This is because the rules, as they currently stand, do not get the balance right between preventing undue influence at elections and supporting normal and legitimate campaigning by charities and non-partisan campaign groups. The rules are vague and confusing; compliance with the rules is costly and burdensome; the rules come in to force 12 months before an election, and can be applied retrospectively if there is a snap election; and they discourage charities from working together.
- **The Civil Society Strategy must set out how the government will improve the environment for advocacy and campaigning in the UK:** The government can help to create an enabling environment for advocacy and campaigning by engaging with and involving charities throughout all stages of the policy making process; treating civil society as trusted and valued partners who provide insight and expertise; reforming the Lobbying Act along the lines proposed by Lord Hodgson of Astley Abbots; ensuring all government grants support the right of charities to engage in advocacy and campaigning (i.e. do not contain so called ‘anti-advocacy clauses’); promoting CC9 and ensure future guidance for charities is consistent with its principles; and improving Electoral Commission guidance for non-party campaigners at elections
- **The Civil Society Strategy must commit the government to revising the Lobbying Act and improving the Electoral Commission guidance for non-party campaigners:** The Government must significantly revise the Lobbying Act along the lines proposed by Lord Hodgson. These changes should be made through primary legislation. While there are many within the sector who would like to see Part II of the Lobbying Act repealed, most agree that the reforms proposed by Lord Hodgson of Astley Abbots in his 2016 report, *Third party election campaigning: getting the balance right*, would ensure that at the very least its unintended consequences on charities and non-partisan campaigning groups can be minimised. The Electoral Commission should work with the sector to significantly improve its guidance for non-party campaigners in order to improve the situation for civil society organisations in the short term. However, this is **not** a substitute for revising the Act, as many of the problems outlined above stem from the legislation itself.

Second, the Civil Society Strategy can also help to government improve the impact of civil society through establishing strategic and sustainable funding for civil society, preferably in the form of grant-based core and programme funding rather than excessive reliance on contracts and the associated procurement processes, which often favour large private sector contractors with pre-financing capital that NGOs lack.

- **Investing in strategic and sustainable funding mechanisms will help civil society organisations continue to support the most vulnerable people in the world, who are left behind by governments and businesses:** International NGOs are under increasing funding pressure, as bilateral funding reduces and multilateral donors parcel up their funds in ever larger contracts. Central government funding for UK based NGOs is likely to decrease as they shift their focus and funding directly in-country. While the move to have more funds flowing directly to the global south is welcome, changing funding patterns squeeze out international NGOs and thus risk losing the skills and experience of highly effective development actors.
- **Investing in strategic and sustainable funding mechanisms will support organisations to become future-fit:** Government should invest and provide funding to support civil society to take risks and challenge their assumptions and operating models in order to build future-fit organisations and create new models that can meet their changing needs. This funding mechanism must be flexible, so that organisations can respond effectively to changes in the external environment and maximise impact. Investing in strategic and sustainable funding mechanisms will support civil society as a whole to flourish.

How can public trust in civil society be built and maintained?

Strengthening and maintaining public trust in civil society is a priority for Bond and its members. Civil society organisations, umbrella and membership bodies, government and the Charity Commission all have important roles to play.

- **Umbrella and membership bodies can strengthen public trust through supporting their members to live their values:** Bond and its members are committed to maintaining and strengthening public trust in our organisations and our work. We support and encourage the international development sector to live its values, including our commitments to transparency, gender equality, and diversity. Where problems have been identified, such as concerns around fundraising practices or safeguarding, Bond has worked with its members to take strong and effective action to address these issues and improve standards across the sector.
- **Addressing safeguarding concerns is a priority for strengthening public trust:** Bond is working with members, government and regulatory bodies to ensure organisations are equipped to prevent sexual exploitation across the international development sector. This has included developing an agreed set of principles for the sector and organising a Safeguarding Summit for the sector in March 2018. The summit agreed a set of actions to drive up standards, including: demonstrating accountability to beneficiaries and survivors; demonstrating a step change in shifting organisational culture to tackle power imbalances and gender inequality; ensuring that safeguards are integrated throughout the employment cycle; ensuring full accountability through rigorous reporting and complaints mechanisms; ensure that concerns are heard and acted on through a whistleblowing process. Following the Summit, 32 organisations and government signed a joint commitment to improving safeguarding, which commits organisations to “always putting beneficiaries first, to concrete steps to improve the effectiveness of safeguards, to meet our duties and responsibilities and to lead a system-wide process of improving standards and restoring trust”. Extensive work is being taken forward by NGOs both to improve their own safeguarding practice and to deliver sector-wide reforms that will significantly reduce the safeguarding breaches.

- **The Civil Society Strategy must commit the government to providing sufficient and sustainable funding to the Charity Commission so that it is able to support registered charities to strengthen public trust:** An effective and enabling regulator is vital for maintaining and strengthening public trust in civil society. The Charity Commission must be adequately funded so that it can carry out its important work. This funding should come direct from the Treasury and must be long-term. Asking registered charities to fund the Charity Commission could reduce public trust in the regulator. The House of Lords Select Committee on Charities expressed “grave concerns” about plans to fund the Charity Commission through charging charities. They expressed concerns about the burden on smaller charities, the impact on the relationship between charities and the regulator; and the financial impact on charities and their beneficiaries. Paying for services would give charities a financial stake in the Charity Commission, which means that charities could make a legitimate request for direct representation on the board of the Charity Commission. This could upset the finely balanced relationship between charities and their regulator, and would ultimately have a negative impact on public trust and confidence in the Charity Commission.
- **The Civil Society Strategy should set out how the Charity Commission and the government will take steps to strengthen the real and perceived independence of the regulator:** The Charity Commission must also retain the confidence of charity sector and the public. Independence from the government and political parties, as well as the sector it regulates is critical to this. However, the independence of the Charity Commission has been strongly criticised in recent years, both by umbrella bodies and the House of Lords Select Committee on Charities. In their report, peers expressed concerns about the board of the Commission and the appointments process for trustees. The Charity Commission must take steps to strengthen its real and perceived independence from government and party politics, reinforce its accountability to parliament, and improve the diversity of its board. One way of achieving this would be to make changes to the appointments process for the chair and board members, such as giving the House of Commons more control over the process.

How can civil society be supported to have a stronger role in shaping government policy now and/or in the future?

Civil society organisations seek to engage in the policy process because they want to work with the government to find solutions to societal challenges and ensure that policy is evidence based and meets the needs of the communities and people they support and represent. The Civil Society Strategy must set out how the government will support the full and inclusive participation of civil society in policy making processes.

- **The current political and operating environment does not support civil society to participate in the policy-making process:** Most civil society organisations engage in the policy process through advocacy and campaigning. However, changes in legislation and regulations have made it harder for civil society organisations to speak out. Some of the most significant and harmful changes have been: the introduction of the Lobbying Act, which governs non-party campaigning at elections; the insertion of broad anti-advocacy clauses into government grant contracts; restrictive Charity Commission guidance on campaigning at the EU Referendum; an increase in media attacks on campaigning organisations. Taken together, these restrictions have had a negative impact on civil society participation in the policy making process, and have affected the willingness and ability of charities to engage in public debate. The House of Lords Select Committee on Charities was critical of the way that government has engaged with civil society in recent years, stating that: “Poor consultation and ill-thought-through policy proposals have caused serious unease and disruption to the work of charities. We recommend that the Government reviews its approach to engagement with the charity sector before policy announcements are made, with a view to ensuring that charities feel better informed about legal

changes which may affect them and have a greater opportunity to provide input on new policies.”

- **The Civil Society Strategy must set out the steps the government will take to support the full and inclusive participation of civil society in policy making processes:** The government can support civil society organisations to play a stronger role in policy making by engaging with and involving charities throughout all stages of the policy making process; respecting and valuing the insight and expertise of charities; reforming the Lobbying Act along the lines proposed by Lord Hodgson of Astley Abbots; ensuring all government grants support the right of charities to engage in campaigning; promoting CC9 and ensure future guidance for charities is consistent with its principles; and improving Electoral Commission guidance for non-party campaigners at elections.

We interpret civil society as inclusive of all those outside of the public sector, who share the mission of building a stronger society and improving lives, regardless of traditional sector boundaries such as charity or private and for profit or not. What are the advantages of using this interpretation in developing this Strategy?

- **The Civil Society Strategy should adopt an inclusive definition of civil society:** Bond supports the use of an inclusive definition which captures the diversity of civil society in the UK today. Civil society is made up of individuals, organisations and institutions. The organisations that comprise it vary considerably in both size and capacity and work on a wide range of social issues. What unites them is a commitment to social change; a drive to improve lives, provide a voice for the voiceless, bring people and communities together, and to make society fairer and more inclusive. The boundaries between private and civil society sectors have become much less distinct than they used to be, and there are more relationships and interdependences between them. However, there remain significant differences, most notably the distinction between profit making and non-profit organisations.
- **The Civil Society Strategy must focus primarily on non-profit organisations (and those who adopt mixed models such as social enterprises) rather than businesses or other distinctly for-profit entities:** Even where non- and for-profit groups share similar goals (e.g. environmental sustainability), they have many differences. Non-profit organisations (including those who adopt mixed models such as social enterprises): are driven by mission rather than profit; work solely for public benefit and/or social change; are accountable to members, beneficiaries and funders rather than owners or shareholders; have different definitions of success and measure it in different ways; are often structured and managed differently to for profit organisations; may have a different legal status (e.g. registered charities); and they face different challenges.

What are the disadvantages of using this interpretation in developing this Strategy?

- **The Civil Society Strategy interpretation of civil society including all those outside the public sector is too broad and threatens to undermine the mission of civil society. Adopting such an inclusive definition could risk losing what is distinct and different about civil society:** In our view, civil society organisations are always non-profit (this includes those who use mixed models such as social enterprises). Non-profit organisations are driven by mission rather than profit; work solely for public benefit and/or social change; are accountable to members, beneficiaries and funders rather than owners or shareholders; have different definitions of success and measure it in different ways; are often structured and managed differently to for profit organisations; may have a different legal status (e.g. registered charities); and face different challenges. It is important that these differences are recognised in the Civil Society Strategy.

People

Reflecting on your own experience or examples you are aware of in the UK or abroad, how have people successfully taken action to improve things for themselves and their communities? Please tell us why it has worked well.

- **Civil society organisations enable people to play an active role in society by supporting individuals to come together to take action and speak out:** An important commitment of the Sustainable Development Goals is to 'leave no one behind'. Civil society is critical to ensuring that this is achieved. It supports people to come together to take action on injustices and inequality; improving things not just for themselves and their communities, but for communities around the world. Often, these actions are supported and enhanced by registered charities and other formal civil society organisations, who are able to connect people who care and are concerned about similar issues, amplify their voices, and support their participation in the policy making process. Bond members do this through their campaigning work, but also through supporting volunteering and active citizenship.

Which of the following changes are the most important in enabling more people to take action on issues that matter to them? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

1. Give citizens more opportunities to be part of the decision-making processes on local and national issues
2. Developing more opportunities for individuals to get involved
3. Supporting employers and businesses to promote active citizenship, such as volunteering, becoming a school governor or charity trusteeship

_____ Increasing awareness of the range of opportunities for individuals to get involved in civil society

_____ Empowering people or giving them permission so that they think that they do have a say and are able to take action

_____ Developing a better understanding of how social action* can build the networks and relationships among people as well as the confidence and skills of the disadvantaged and disengaged

Are there any additional changes that would enable more people to take action on issues that matter to them?

- **Creating an enabling environment for participation is critical when it comes to supporting people to take action and speak out:** We would like the government to creating an enabling environment for participation in the UK. Bottom up changes identified above should be supported by top down changes, such as reforming the Lobbying Act. This would send a strong signal to people, and the organisations that they campaign and volunteer with, that the government supports campaigning and speaking out at all levels.

Partnership

Reflecting on your own experience or examples you are aware of in the UK or abroad, how are partnerships across sectors improving outcomes or realising new potential?

- **Strategic cross-sectoral partnerships can help to tackle complex problems:** Many of the problems that NGOs seek to address are increasingly global, transboundary and complex in nature. No single actor can solve them, and they require holistic joined-up solutions that combine policy, on-the-ground delivery and behaviour change, with the engagement of state, business and civil society actors.
- **However, to work they require cross-sectoral partnerships require resources and long-lead in times:** Multi-stakeholder programmes may be the solution, but they require serious lead-in times and resources put towards effective management of the partnership. In Bond's experience, such programmes can be highly effective in dealing with complex problems; however, they require significant resource, trust-based partnerships and an adaptive learning-based approach. Civil society organisations do not always have an equal place at the table in such arrangements, yet will bring essential local knowledge and expertise to problem-solving.
- **The voice and participation of beneficiaries is essential to ensuring cross-sectoral partnerships work:** The voice of the end user or beneficiary is also critical to effective partnerships.

Which of the following factors are the most important to enable more impactful partnership working across sectors? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

1. A common agenda / shared vision and strategy
 2. Better skills (e.g. commercial skills, collaborative commissioning practice and social value*) and capacity (e.g. time, resource) to form partnerships
 3. Greater leadership around partnership working
- _____ Better knowledge of potential partners
- _____ Better understanding of the benefits of partnerships
- _____ Better knowledge of opportunities to work in partnership
- _____ Better understanding of other sectors
- _____ Ability to prove impact of partnership working
- _____ Making it easier to identify and access funding opportunities to support partnership working
- _____ Shared values
- _____ Shared measurement practice

Are there any additional factors that would enable more impactful partnerships across sectors?

- **To work they require cross-sectoral partnerships require resources and long-lead in times:** Adequate lead-in times to set up the partnership and resources to enable the partnership to operate effectively are two of the most important factors. Impactful partnerships have a common goal and are trust-based, existing over the long term, rather than as a quick fix to secure funding.

Considering all of the factors you have discussed in this section, how could these be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

- **Adequate resourcing is essential to ensuring successful partnerships:** A recognition of the true costs of effective partnerships would be a great start from commissioners seeking multi-stakeholder partnerships.

The funding and financing environment

Reflecting on your own experience, or examples you are aware of in the UK or abroad, what does an effective pool of funding and financing as well as income opportunities for the voluntary and community sector look like?

- **Provide funding that recognises the particular attributes of INGOs:** Funding pressures on international development organisations based in the UK have increased and this trend looks likely to continue. There is no doubt that international NGOs are under increasing funding pressures. Central government funding for UK based NGOs is likely to decrease as they shift their focus and funding directly in-country. While this direct funding to the global south is a positive thing, Bond believes that the Government should continue to invest in UK civil society organisations to deliver humanitarian assistance and development aid where local organisations are weak or nascent. INGOs have a long track record of respectful community development programmes which help to strengthen local organisations through peer support and capacity building. Sustainable investment would help INGOs to have a stronger base from which to deliver long-term sustained help to developing countries as they modernise, adapting the form of that assistance as local skills increase. Funding that is purely 'project-based' tends to be instrumental, with longer term impact undermined by the short-term nature of the 'project'. Donors paying the true costs ('full cost recovery'), rather than simply project costs, is essential for sustainable funding. And grant funding needs to be a key component of effective funding, rather than excessive reliance on contracts and the associated procurement processes, which often favour large private sector contractors with pre-financing capital that NGOs lack.
- **Using a results focus only where this is an appropriate mechanism:** Government funding for NGOs is increasingly focused on results. The Department for International Development (DFID) Results Framework is a tool that they use to monitor and manage progress and report publicly on delivery. It sets out the development outcomes they are seeking to contribute to and the results, through NGOs and suppliers, that they have committed to deliver. As a result of this, DFID grants and contracts are increasingly being designed to achieve results within the project timeframe rather than focusing on reaching the most marginalised and achieving long term change. Well-designed Payment by Results (PbR) programmes can be effective in incentivising positive results where evidence is strong (e.g. education programmes). However, PbR should be used with caution in less well-evidenced areas, as an over-emphasis on 'results' can lead to programmes that do not adapt to the reality on the ground, nor the changing needs of communities. Adaptive funding approaches are needed for contexts of complexity and volatility.
- **Investing in the long-term capacity of organisations:** Building the capacity of NGOs through strategic funding of UK based and international NGOs will ensure both a strong a flourishing civil society in the UK and abroad. DFID's Programme Partnership Agreements (PPA) were flexible grants for NGOs from 2000- 2016 which were very much valued by the sector, as they allowed for risk-taking, innovation and organisational strengthening. The 2014 The Independent

Commission for Aid Impact (ICAI) review into the PPAs said that: “the value of an unrestricted funding instrument like a PPA is that it strengthens CSOs’ capacity. Flexible funding enables CSOs to set their own priorities and to develop their own areas of comparative advantage. It fosters risk-taking and innovation, allowing them to pilot untested initiatives that donors might not wish to fund directly. It enables them to focus on organisational development, including their governance and management structures, their fundraising capacity and their systems for learning”. Despite the positive results achieved through the PPAs, DFID do not appear to have any plans to re-introduce such strategic funding for NGOs. We would urge DFID to reconsider and continue to invest in the term sustainability of INGOs.

Where is there the potential for changes to the funding and financing environment to better support the work of the voluntary and community sector, for example increasing the use of new models of funding, use of technology and/or changes to current funding practice?

- **Streamlining and simplifying reporting and due diligence requirements would help to improve the funding and financing environment for civil society:** The increasing importance placed by donors on due diligence and reporting requirements discourages smaller INGOs from applying for institutional grants, as they don't have the capacity to meet these requirements. If donors were to streamline their reporting and due diligence requirements, this would reduce the pressure on INGOs and give donors better value for money. We urge the UK Government to continue to invest in the Good Financial Grant Practice Standard, as it has the potential to democratise access to funding for any participating CSO, and to provide a means for donors to harmonise their requirements. CSOs would be able to prove their fitness for grant funding to a donor, and it could also allow donors to modify due diligence processes (and reduce the duplication of each donor re-doing the due diligence for each grant) because they had the assurance of this standard. Bond advocates the use of other global standards such as the International Aid Transparency Initiative (IATI), which provides a standard registry of financial and results data. If donors fully support this initiative, there is the potential to reduce duplication and significantly improve the openness of financial information along the delivery chain.
- **Official Development Assistance (ODA) is increasingly being spent outside of DFID:** This happens through Other Government Departments (OGD) such as the Foreign & Commonwealth Office (FCO) and through cross-Whitehall funds: Preliminary figures show in 2017, 27.5% of total UK ODA was spent outside DFID. We expect this to continue in line with the Government's 2015 aid strategy. DFID must play a lead role for all UK aid and development efforts - from defining and monitoring strategy and impact to ensuring transparency and reporting in line with UK law and international standards on ODA. We recommend that DFID as the lead department on ODA also retains oversight on where ODA is being spent across departments and ensuring this spend is coherent and appropriate. Capacity needs to be in place to provide this support – for example training for staff from other departments on what is ODA eligible spend, and technical support from DFID staff. Beyond meeting international reporting requirements as well as UK law, DFID has a wealth of experience, research, knowledge and learning which should support more effective ODA delivery in other government departments and cross-Whitehall funds. This could include, for example, establishing a learning and development hub across Whitehall led by DFID.

Which of the following factors are the most important in strengthening the funding and financing environment in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

1. Stronger collaboration between funders
2. Improved funding practices by funders
3. Raising awareness of new funding models

_____ Making it easier to bring together civil society with potential funders

_____ More skills training for civil society

_____ Increased use of technology to support fundraising

Are there any additional changes that would improve the funding and financing environment for the voluntary and community sector?

- **The government should fund civil society through direct grants rather than commercial contracts, especially if it wishes to support smaller CSOs:** We recognise that Governments are increasingly using commercial contracts as a means to achieve results and pass risk down to the supplier. It is harder for civil society organisations to compete with the private sector because of the risks associated with non-delivery and their lack of ability to pre-finance. Larger civil society organisations, who may have significant unrestricted reserves and a greater ability to pre-finance, will also have an advantage over smaller CSOs. While we recognise that DFID does use commercial procurements, we would encourage them to continue to provide grants through central funding mechanisms as compared to commercial contracts; they provide flexibility, encourage innovation and ensure that smaller niche organisations, which have the skills and can offer value for money, are able to apply. DFID often outsources the grant making process to Fund Managers, who manage the central funding mechanisms for DFID, such as the Girls Education Challenge Fund or Aid Direct. This reduces contact between DFID and the NGO grantees which can cause conflict and misunderstandings. In 2016 DFID asked Bond to do a Fund Manager survey of their Aid Direct funding mechanisms, which revealed that many grantees were 'nervous that not having a direct relationship with DFID means missed opportunities, especially for learning'. Many also questioned 'the value for money of this arrangement, and linked to this - respondents questioned the profit made by fund managers and wondered specifically about the implications of the Fund Manager contract on value for money'. We suggest that where possible DFID brings grant management back in house as while it would mean increased headcount for DFID, on balance it would appear to have long-term sustainability, learning and value for money benefits.
- **Payment by Results (PbR) disadvantages smaller CSOs and stifles innovation:** The 2017 International Development Committee (IDC) report into the use of DFID contractors stated that the use of PbR is 'likely to further concentrate work in the hands of medium-sized contractors at the expense of small and micro enterprises.' PbR can also stifle innovation as the benefit of flexibility is offset by the threat of financial loss and contracts that do not have an intentional equity focus can lead suppliers to avoid supporting marginalised groups or complex cases as the added cost is not rewarded.
- **The use of for-profit, private sector organisations to deliver aid is contentious, is less effective and provides less value for money:** In recent years there has been heavy criticism of DFID's use of for-profit private organisations to deliver aid programmes, due to rising profits and the high salaries within the organisations used. A number of scandals have emerged about commercial contracting and the role of the private sector. When DFID chooses to procure through a commercial route, we recommend that they use INGOs. INGOs tend to be set up in-country, with

existing relationships with local communities and other stakeholders, offering better value for money for DFID than private contractors, and providing added quality improvements such as strengthening local civil society and building learning and evidence.

New investment models

Reflecting on your own experience or examples you are aware of in the UK or abroad, how are new investment models unlocking new potential and partnerships?

- **Impact investing has the potential to support civil society organisations to find new forms of income, become more sustainable, and create new partnerships:** The international development organisation of today looks quite different than it did 30 years ago – launching joint ventures with multi-national companies to employ women in rural Bangladesh, investing in early-stage social enterprises that provide solar technology in Kenya, or raising billions of dollars of investment for land conservation. Alternative forms of investment such as impact investing, give investors the opportunity to have social impact. As experienced fundraisers, international development charities can work with bilateral and multilateral donors, private foundations, and high net worth individuals to complement investments with philanthropic capital, providing support to activities difficult to cover through traditional investment structures. It can bridge the gap between traditional philanthropy and impact investing to leverage the social aims of the movement, access capital that can generate returns and be reused, and demonstrate the potential for financial sustainability in their work. Impact investing offers INGOs the opportunity to diversify their funding sources, providing return-seeking capital that gives non-profits freedom to invest in things donors typically do not fund, such as innovation or internal organisational health.

Where is there the greatest potential for the future development of investment models for civil society?

- **International development organisations are exploring new ways of improving the long-term sustainability:** International development organisations are actively seeking investments for their entrepreneurial activities, whether it is in the form of internal assets and programmes that have been developed into earned income ventures or the establishment of new social enterprises. In some cases, international development charities are also seeking private capital to fund immediate project needs via working capital loans as part of result-based financing schemes, like development impact bonds (also known as social impact bonds). While some organisations are building such ventures to ensure long-term sustainability of development programs (once aid-based funding for a particular program runs out), others are focused on scaling the impact of existing programs, or diversification of revenue sources.

Which of the following factors are the most important in enabling the growth of new investment models in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

1. The scaling of social impact bonds
2. Identifying suitable opportunities for social impact investment
3. Understanding of how to make / receive a social impact investment

_____ Knowledge of social impact investment as a form of finance

_____ Establishing a formal framework, such as the UN Sustainable Development Goals, to analyse social impact

Are there any additional factors that could enable new investment models to grow in the future?

With a few notable exceptions, investing knowledge and skills are typically outside international development charities' core areas of expertise. To be effective in engaging in impact investing, these organisations will need to recruit staff with experience and knowledge in finance, investment, and entrepreneurship. To ensure that such staff, often from a private sector background, are equipped for success, it is important to make sure they are a good cultural fit for the organisation, able to push staff to think differently while also respecting the core values and culture that unite the global teams.

Some INGOs avoid activities that could generate revenue or profit for fear of the legal complications involved in their non-profit status. However, as hybrid organizations become increasingly common, INGO leadership and legal teams are equipped with more and more examples of how to pursue mission-aligned activities with diverse revenue and return models. Government can encourage these mixed models while acknowledging that the opportunities for impact investment and financial returns are constrained in many of the fragile states where INGOs work, and when their beneficiaries are the poorest and most vulnerable.

Responsible business

Reflecting on your own experience or examples you are aware of in the UK or abroad, how are businesses unlocking new partnerships and potential within civil society? Please tell us how this is different to other types of organisations.

Bond engages with business in a variety of different ways, directly and via our members' private-sector partnerships. From our experience we have found that, if managed well, and if objectives are shared, these partnerships can be complementary and provide value-added for both partners. Successful partnerships also require: mutual respect and trust, transparency and accountability in decision-making, delivery and results, commitment to long-term sustainable engagement, and ability to adapt.

- **A successful partnership depends on a shared goal.** It is important to identify where the common self-interest lies before proceeding. Partners should seek collaboration on issues that would really benefit from a cross-sector approach, where more than one actor – with specialist competences – is needed to address the problem.
- **Corporates can help civil society to scale faster and increase impact.** When non-profit organisations and for-profit companies work together they can create something bigger than they would achieve alone. For example, a partnership between Plan and Aviva in Jakarta has helped to change the law on birth registration, enabling thousands of street children to be registered for the first time.
- **Civil society can help corporate businesses to understand their social impact.** Monitoring partnerships has revealed the difference they can make. In the 2017 C&E Corporate-NGO Partnerships Barometer, 97% of corporate respondents stated that corporate-NGO partnerships have improved business understanding of social and environmental issues; 63% stated that their business practices have changed for the better as a result. Research by Oxfam shows in food

supply chains, there can be benefits to all actors by guaranteeing a fairer share of value for producers. Civil society can support, connect and represent producers, particularly women producers, to secure a fairer distribution of value.

- **Transparency and mutual trust and accountability.** Partnerships benefit from good communication, transparency, mutual trust and accountability and by each party acting as a critical friend to the other. Strengthening transparency and accountability mechanisms helps to amplify the voice and participation of people directly affected by a company's actions, but also informs the perspective of investors, consumers and governments, and represents an important step in broadening the basis for business calculations
- **Governments have a role to play.** Government support can improve partnerships, by creating an enabling environment in the public sector - through regulation and co-ordination, and incentivizing 'value additionality'. According to the OECD, a transaction "is additional in value if the public sector offers to recipient entities or mobilises, alongside its investment, non-financial value that the private sector is not offering and which will lead to better development outcomes e.g. by providing or catalysing knowledge and expertise, promoting social or environmental standards or fostering good corporate governance". For example, DfID grants must include the empowerment of women as a key objective.
- **Measuring impact.** Business/civil society impact can be measured by assessing three areas: input (the value of the resources in), outcome (the immediate change experienced by the people reached) and impact (the longer-term change). Business focus on measuring profit and benefits such as brand, marketing and employee engagement, while civil society focuses on measuring social impact. Where these two interests align, greater joint impact is achieved.
- **Publications offering guidance to business on engagement with the SDGs highlight a range of benefits** (eg. Responsible Investment, UN Global Compact and World Business Council for Sustainable Development (2015). *SDG Compass: The Guide for Business Action on the SDGs*; Corporate Citizenship (2015). *From My World to Our World: What the Sustainable Development Goals Mean for Business*. http://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf) Many of these benefits are enhanced through civil society partnerships, including:
 - Opportunities for businesses to grow in new markets
 - Enhanced value and return on investment of corporate sustainability through partnerships
 - Strengthening stakeholder relations
 - Keeping pace with policy developments and priorities and strengthening government relations
 - Reducing risks in the operating environment
 - Stabilizing societies and markets through progress on the SDGs
 - Enhancing business's license to operate and strengthening social reputation and trust
 - Attracting and retaining employees

Which of the following factors are the most important in enabling more businesses to have a social purpose or positively increase their social impact in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

1. Increasing demand for products, services, businesses that have a social purpose or a positive social impact
2. Consideration of the UN Sustainable Development Goals
3. Improved data on the "business case" for social purpose

_____ Celebration of best practice

_____ The legal and regulatory framework for businesses

_____ The legal and regulatory framework for investors

_____ Advice or tools to help businesses adopt, show and set value on social purpose

Are there any additional factors that could enable more businesses to have a social purpose in the future?

Additional factors that could enable more businesses to develop a social purpose in the future include:

Responsible Tax behaviour

Tax is an issue of good corporate governance and responsible business practice. *Getting to Good: Towards responsible corporate tax behaviour*, jointly produced by Oxfam, ActionAid and Christian Aid, proposes what 'good' looks like in responsible corporate tax behaviour, and contains a wide range of positive behaviours and actions companies can undertake to go beyond legal compliance, to deliver significant gains for developing countries. Companies, too, will benefit because responsible tax behaviour helps mitigate risk and is in companies' own long-term interest. The best companies – and their investors – recognise that their success is inseparable from the success of the society in which they operate.

Another joint briefing from Oxfam, Christian Aid, ActionAid and the CBI reflects a growing convergence between businesses and tax advocacy groups on the use of tax incentives in the Global South. It argues that tax incentives can be a useful tool in promoting decent jobs and growth. But it also contends that too often tax incentives are used in inefficient and ineffective ways, and in the worst cases are entirely redundant. Promoting domestic resource mobilization should mean that governments have more money to invest in essential public services to tackle poverty.

Consumer pressure

Civil society campaigns have leveraged the power of consumers to persuade the world's largest companies to account for or change their behaviour. For example, Oxfam's *Behind the Brands* campaign has resulted in significant changes in company behavior. For instance, five companies, Coca-Cola, PepsiCo, Unilever, Nestle and Illovo (Africa's biggest sugar producer, part of ABF), committed to zero tolerance of land grabs in their supply chains; Coca-Cola and PepsiCo also agreed to use their influence to resolve two land rights conflicts in their supply chain. Three companies, Nestle, Mars and Mondelez, made commitments to tackle gender inequality in their cocoa supply chains. Meanwhile on climate change, Kelloggs and General Mills set targets to reduce emissions throughout their supply chain, a first in the food sector.

Donor supported private partnerships:

The 2030 Agenda for Sustainable Development gives business a significant role to play in efforts to achieve the SDGs, based on its ability to invest and innovate. However, for companies to truly contribute, they must move beyond current forms of engagement, abandon a narrow focus on the SDGs as an opportunity to increase corporate profits and embrace their wider responsibilities to the societies in which they operate. When donors use Official Development Assistance (ODA) or public guarantees to finance partnerships, civil society advocates for donors to ensure the following:

- Development objectives and desired results determine the selection of private sector partners, and objectives focus on potential for donor private partnerships to contribute to achieving SDGs—including poverty reduction and gender equality—and international climate change commitments.
- Programme operates in line with principles of country ownership and alignment and is explicitly structured to support national leadership and development plans, and includes provisions for consultation and involvement where possible with domestic stakeholders (broadly understood as government, civil society and the private sector).
- Programme operates in line with principle of managing for results which are aligned to the development objectives and sets out key performance indicators and results metrics, and/or provisions for the development of partnership specific results indicators and sets out provisions for monitoring, evaluation and learning.
- Programme operates in line with principle of presumed full public disclosure and transparency, making publicly available partnership criteria, application procedure, decision-making, financial contract details, partners supported, activities, results and evaluation.
- Programme operates in line with principles of accountability, including provisions for *public oversight* (subject to government regulation, is open to an element of public oversight, and open to independent evaluation); a *public consultation mechanism*; and a *publicly communicated complaints mechanism* (by which affected communities can raise concerns and seek meaningful resolution).
- Programme includes provisions for compliance with international human rights frameworks, and voluntary standards for the private sector (including the UN Guiding Principles on Business and Human Rights, OECD Guidelines on Multinational Enterprises etc.) as part of its due diligence process.
- Programme operates in line with due diligence principles and guidelines that that safeguard 'do not harm' and include: (i) setting out clear *partnership criteria* in terms of corporate governance, finance and development impact with respect to potential private sector partners, (ii) undertakes a *due diligence assessment* of potential partners, and includes provision for free, prior and informed consent for affected communities, and (iii) outlines provisions for *risk management*, including how financial, Environmental, Social and Governance (ESG), and economic risks associated with the project are assessed and managed.
- Programme supports partnerships that demonstrate 'development additionality' (refers to faster, larger or better development impacts than the private or public sector would be able to achieve working alone), and 'financial additionality' (refers to financing provided in cases where private sector partners are unable to obtain commercial financing owing to the high-risk nature of the investment).

