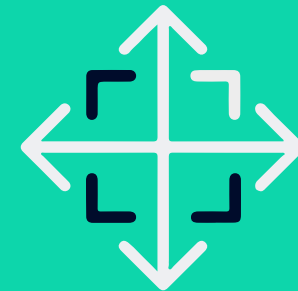




# INTERNATIONAL FUNDING TRENDS IN GOVERNMENT AND CIVIL SOCIETY: A Deep Dive into 2021



When the global pandemic spread worldwide in 2020, many asked how international funding would respond. When the 2020 data became available, we saw that indeed, there had been increases, though much of the increase was due to [loans](#). This was also the case in the governance and civil society sector, with new loans leading to a sharp increase in funding (see last year's brief).

But what about 2021, the first full year of the pandemic? Overall official development assistance (ODA), which comes from select public donors, increased by between 2020 and 2021. Funding related to COVID-19 was about \$21 billion. Did governance and civil society funding see an increase too?

In this brief, we cover the overall increase in funding, what types of funding increased the most, and which development partners had the largest changes. We also cover changes in important sub-sectors and some big changes across countries intended to benefit from the funding. Finally, we look at what kinds of organizations received funding. We hope this analysis is useful for funders (and others) to understand where investments are going, which may help with identifying ways to align, fill gaps, partner, advocate, and more.

## What happened to funding in 2021?

In 2021, international funding to government and civil society as a sector fell significantly from 2020 to 2021, from over \$34 billion to over \$26 billion. This approached the 2019 level of over \$25 billion. (These are given in actual rather than real figures to match announcements by funders. Accounting for inflation, the decrease would be more sharp.)

This total figure includes all the kinds of financing reported to the DAC: equity, official development assistance (ODA)

grants and loans, other official flows (OOFs), and private development finance, which is provided by private providers but has a development purpose.

OOFs, which are not necessarily concessional, accounted for about half of the decrease in funding disbursed in 2021, over \$4.3 billion. OOFs are often loans.

During the pandemic multilateral financial institutions (MFIs), announced substantial loan programs, and 2021 shows a drop off in this funding. [Last year's brief](#) covered some of the details, including the increased funding in 2020 from the Asian Infrastructure Investment Bank (AIIB), among others.

In addition, ODA grants and ODA loan disbursements also fell. In both absolute terms and relative terms, ODA loans decreased the most: over \$2 billion, by about 40%. (France and Germany both decreased their lending, while the International Development Association's (IDA's) loans increased).

**Table 1. International Funding Disbursed to the Government and Civil Society Sub-Sector (I.5.a) Reported to the OECD by Flow Modality in 2020 (United States Dollars (USD) Millions)**

	2020	2021	Change from 2020 to 2021
<b>TYPE OF FUNDING FLOW</b>			
Equity Investment	10.12	14.90	4.78
ODA Grants	15,563.62	13711.78	-1851.84
ODA Loans	5,365.70	3191.04	-2174.66
OOFs	12,687.93	8374.68	-4313.25
Private Development Finance	786.33	879.84	93.51
<b>Total</b>	<b>34,413.70</b>	<b>26,172.22</b>	<b>-8241.48</b>

A large share of the decrease for government and civil society could be viewed as funders wrapping up extraordinary funding for pandemic related governance response. In 2020, the DAC added the ability to add COVID-19 as a keyword, and over \$9.8 billion in the sector was marked with COVID-19. Of that amount, about \$7.5 billion were OOFs from the AIIB, Asian Development Bank, Inter-American Development Bank, and African Development Bank mainly for public finance management (PFM), public sector policy and administrative management, and macroeconomic policy. These OOFs appear to be loans for governments to respond to the pandemic and related crises.

ODA grants also fell by almost \$1.9 billion. A mix of donors increased grants, while others decreased. The biggest increase was from Germany and the greatest decreases were by the United States and European Union (EU) Institutions. **See Table 2.**

Germany’s increase was spread across a variety of purpose codes, with the top three being PFM, democratic participation, and decentralization.

In 2020, UN Women did not appear in this sector as a grant-maker, and in 2021, its disbursements jumped considerably. (The governance sector includes women’s rights organizations and institutions and ending violence against women.)



**Table 2. Funders with the Greatest Increases and Decreases of ODA Grants to Government and Civil Society-general from 2020 to 2021**

FUNDER NAME	Amount of Increase or Decrease in ODA Grants (USD)
Germany	\$365.9 million
UN Women	\$152.2 million
France	\$144.6 million
Australia	\$95.9 million
Green Climate Fund	\$75.2 million
Canada	-\$201.1 million
United Kingdom	-\$208.2 million
International Development Association	-\$246.6 million
EU Institutions	-\$1.0615 billion
United States	-\$1.0829 billion

ODA grants were made across many of the purpose areas, with over \$2 billion to public sector policy and administrative management and democratic participation and civil society, and over \$1 billion to legal and judicial development and human rights. The next highest was to “facilitation of orderly safe, regular and responsible migration and mobility” at \$980 million.

The EU’s decrease consisted of over \$300 million each in cuts to public sector policy, legal and judicial development, and facilitation of migration.

The US’s cut was focused on Jordan, which saw disbursements to this sector fall by about \$620 million. Similar to 2020, the United Kingdom (UK) cut its ODA grants to the sector substantially. The cut in 2021 was \$208 million, similar to the cut in 2020 of \$236 million. Over half of the cut (\$118 million) was to public sector policy.

In terms of private development finance, there was an increase of over \$90 million in this sector, compared to an overall increase in private development finance to all sectors by \$1.49 billion as reported to the DAC. The largest private development finance providers to governance were philanthropic foundations, and the top ten included four TAI members:

**Table 3. Top Ten Private Development Finance Disbursers to Government and Civil Society-general in 2021 by millions of USD**

Open Society Foundations	\$287.0 million
Ford Foundation	\$233.8 million
Bill & Melinda Gates Foundation	\$111.1 million
Oak Foundation	\$90.5 million
John D. & Catherine T. MacArthur Foundation	\$42.9 million
Dutch Postcode Lottery	\$32.4 million
Swedish Postcode Lottery	\$13.1 million
Omidyar Network Fund, Inc.	\$12.3 million
IKEA Foundation	\$11.8 million
People's Postcode Lottery	\$11.0 million

Interviewees for last year's brief speculated that private development finance may be shifting to health or climate. In fact, there wasn't a shift in 2021, just increases in health and environment far outpacing other sectors. As of 2020, there were substantial increases in basic health (\$874 million increase in 2021 and \$883 million in 2020) and general environment (\$500 million increase in 2021 and \$114 million in 2020), which is aligned with these expectations. Private development finance to renewable energy generation also increased by almost \$200 million.

## What were the changes across the sub-sectors?

In the OECD DAC's reporting standard, the governance and civil society sector includes many different purposes, from public procurement and PFM to human rights and "women's rights organizations and movements, and government institutions." By far, the largest decrease in disbursements was in the PFM purpose area: over \$4 billion in cuts. This was followed by \$1.8 billion in cuts to public sector policy and \$1.1 billion in macroeconomic policy (*see Figure 1*). As noted last year, these codes are used for loans to governments that are OOFs or ODA.

The largest increases were seen in the facilitation of migration, human rights, and democratic participation.

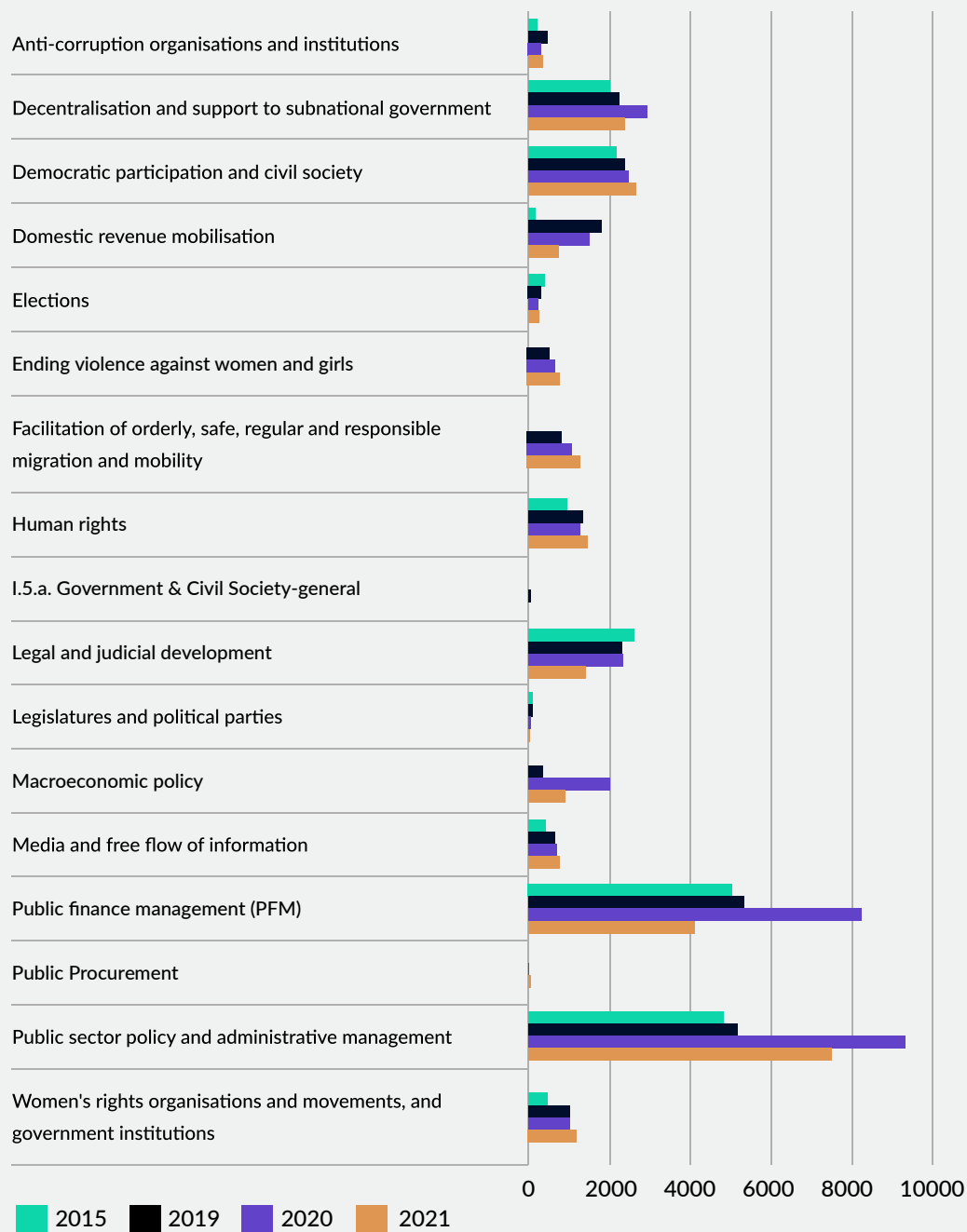
What about some of the sub-sectors that TAI members prioritize? Anti-corruption organizations saw funding disbursements increase by \$37 million, support to domestic resource mobilization (DRM) was down by \$767 million, and human rights was up by \$186 million. *See Table 4*.

In some cases, these decreases reflect a change in disbursements from MFIs. The drop in disbursements to DRM is mostly from the World Bank, both IBRD and IDA.

The increase in disbursements to human rights was due to large increases of over \$100 million from EU Institutions, Norway, Open Society Foundations, and Sweden.

With 2020 being an especially unusual year, what about comparing 2021 to 2019? PFM still saw the largest drop, but the second highest drop was in support of domestic resource mobilization (DRM). On the other hand, both public sector policy and macroeconomic policy have increased since 2019.

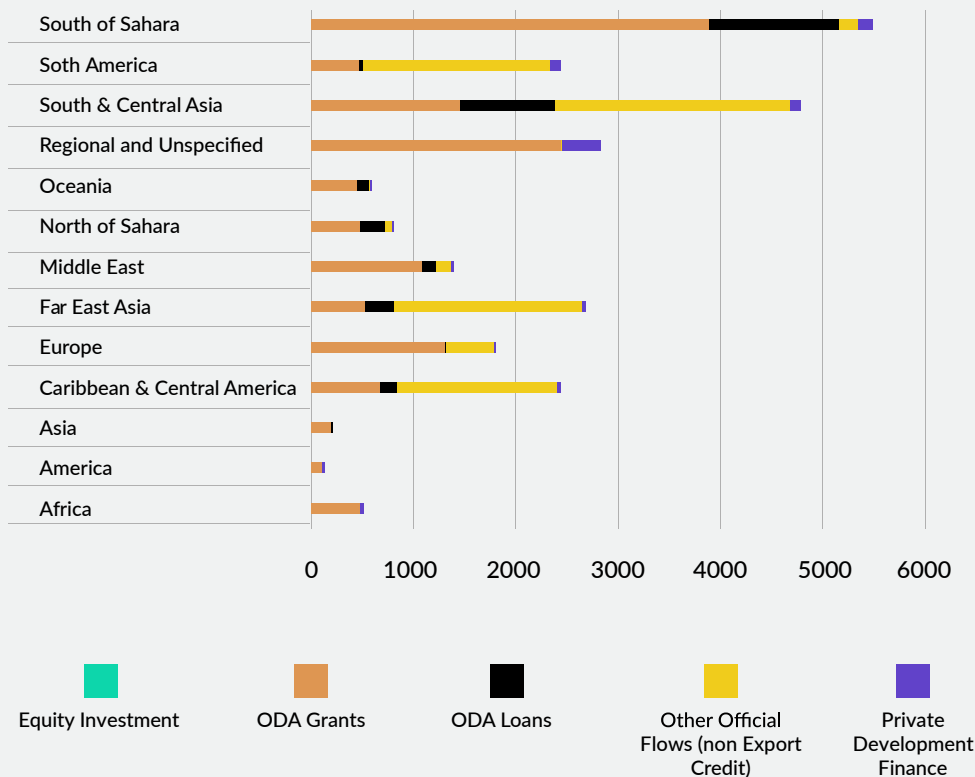
**FIGURE 1. International Funding Disbursements to Governance Sub-Sectors in USD millions (nominal)**



**Table 4. Change in Disbursements to Governance from 2021 to 2020 and to 2019 in USD millions (nominal)**

PURPOSE AREA	Change from 2020	Change from 2019
Anti-corruption organisations and institutions	37.36	-106.42
Decentralisation and support to subnational government	-558.93	137.83
Democratic participation and civil society	183.68	303.11
Domestic revenue mobilisation	-767.39	-1056.32
Elections	28.91	-54.55
Ending violence against women and girls	108.49	239.49
Facilitation of orderly, safe, regular and responsible migration and mobility	207.06	452.05
Human rights	186.00	132.93
I.5.a. Government & Civil Society-general	-12.23	-49.77
Legal and judicial development	-924.46	-889.24
Legislatures and political parties	-7.36	-40.98
Macroeconomic policy	-1129.44	534.40
Media and free flow of information	93.73	106.88
Public finance management (PFM)	-4077.81	-1223.38
Public Procurement	35.89	61.05
Public sector policy and administrative management	-1804.93	2308.46
Women's rights organisations and movements, and government institutions	159.94	156.41

**FIGURE 2. Funding Disbursed to Government and Civil Society by Region and Type of Flow in USD Millions in 2021**



Looking at relative change (as a proportion of 2019 disbursement levels), the following purpose areas changed 16% or less: women’s rights organizations, media and free flow of information, human rights, elections, democratic participation and civil society, and decentralization.

## Who were the intended beneficiary regions and countries for the funding?

Sub-Saharan Africa was the top region designated as benefitting from funding flows (using the DAC region categories.) It also had the highest disbursements of ODA grants and loans, as well as the highest amount of private development finance after global or unspecified funding. South and Central Asia and Far East Asia were second and third in terms of the overall flow amounts, with very high proportions of OOFs. **See Figure 2.**

What about specific countries? Some of the largest absolute increases and decreases were for middle-income countries: **see Table 5.** Some of these changes follow from events, such as support to Sudan, while others are changes in disbursements of loans.

**Table 5. Recipients with the Greatest Increases and Decreases of International Funding to Government and Civil Society-general from 2020 to 2021**

RECIPIENT NAME	Amount of Increase or Decrease in USD Millions (nominal)
Thailand	
Mexico	801.4
Sudan	621.3
Costa Rica	482.6
Ukraine	457.1
Paraguay	333.2
Pakistan	-645.7
Peru	-1025.6
Indonesia	-1066.2
Philippines	-1796.3
United States	-1986.3

In 2021, the top recipients in SSA were: Sudan (\$601 million), Kenya (\$476 million), Nigeria (\$470 million), Ethiopia (\$300 million), and Uganda (\$227 million). Nigeria and Kenya saw disbursements decrease by over \$300 million.

In Latin America, changes in disbursements in 2021 re-ordered the top recipients list, with Mexico, Colombia, Ecuador, Costa Rica, and Peru the top five.

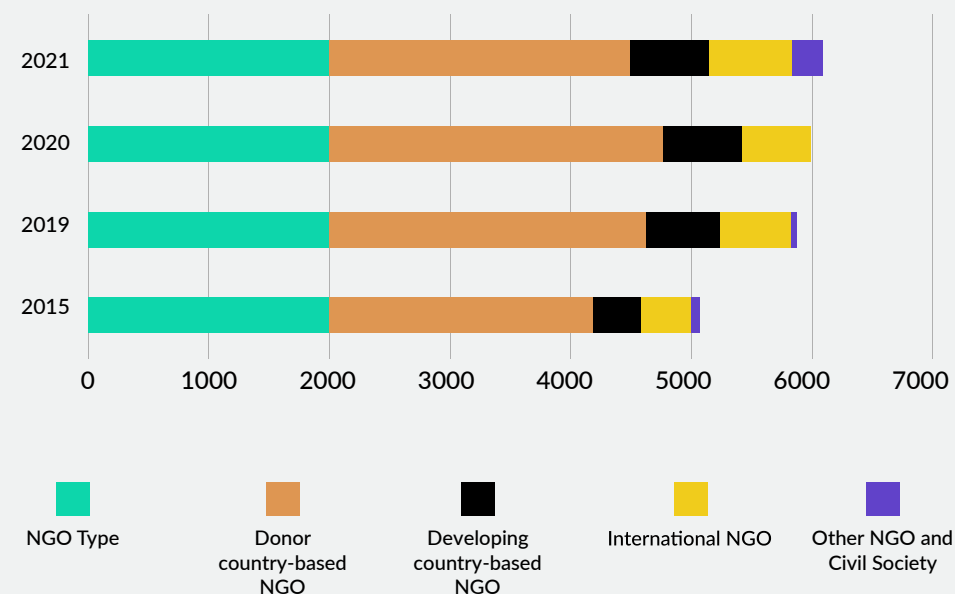
Who received the funding? The OECD DAC collects information on the “channel” for funding, recording what type of entity received it. The top “channel” by far was recipient government entities, same as in 2021.,

Overall, non-government organizations (NGOs) received over \$4 billion in 2021, as in 2021. In the second year of the

pandemic, funders neither increased nor decreased funding to NGOs substantially. As in 2020, most of this funding went to donor-country-based NGOs.

Last year, TAI took a look at the type of NGOs receiving funding for governance work and found that in 2019, 15% of funding was disbursed to developing-country NGOs. That trend continued in 2020 at 17%, and it was 16% in 2021. *See Figure 3.* We see that the localization agenda, at least in this sector, did not lead to any change in the early years of the pandemic.

**FIGURE 3. International Funding to Government and Civil Society Sector through Type of NGO in 2015, 2019, 2020, and 2021 in USD million (nominal)**



## Conclusion

International funding to governance and civil society decreased during the second full year of the pandemic, and much of this decreased due to a reduction in loan disbursements. In 2020, we wondered if MFIs would maintain funding disbursement levels, and they did not.

Germany stands out for its large increase in ODA grants to the sector. At the same time, some bilaterals decreased grant funding in 2021, especially in the US. It was also the greatest reducer of disbursements to the sector in 2020, both times driven by major changes in spending in specific countries.

Overall, private development finance from foundations was up to the sector in 2021, though a small proportion of the overall increase in philanthropy as reported to the DAC. This was counter to expectations that funders had started to reduce funding to the sector and shift to others.

In terms of who was receiving the funding, developing country governments were the top recipients, receiving billions in loans and direct ODA grants. In addition, funding to NGOs remained about the same compared to 2020 – the second year of the pandemic did not lead to an increase in addressing civil society needs.

Donor-country-based NGOs still received the bulk of funding disbursed through NGOs. The percentage received by developing country NGOs remained in the range of 15-17%. As of 2021, shifting the power in this sector had not happened.

Despite the challenges posed by the ongoing pandemic, some areas, such as human rights and women's rights organizations, saw increases in funding, indicating a continued commitment

to addressing at least a subset of critical issues within the governance and civil society sector.

The [OECD](#) has already released topline numbers for 2022, showing an increase of 13.6% in real terms from 2021, but only 4.6% if in-donor country refugee costs are excluded. Aid to Ukraine has also contributed to the increase. We expect the governance and civil society sector will also see an increase based on these factors, with the facilitation of orderly migration also likely to increase. In light of debt crisis fears in many Global South countries, we'll be looking to see how other sub-sectors have fared.