

International funding for transparency, participation and accountability and COVID-19: trends and implications for funders



TRANSPARENCY &
ACCOUNTABILITY
INITIATIVE

This brief provides an update on trends in transparency, accountability and participation (TPA) funding globally in the face of COVID-19, and presents implications for funders to consider as they make decisions in this uncertain environment. It was prepared by Jenny Lah.

Findings are based on a review of donor documents, grey literature and 16 interviews with funders, experts and networks, as well as analyses of donor data from three major sources: the Creditor Reporting System of the Organisation for Economic Co-operation and Development Donor Assistance Committee (OECD DAC), Candid and data reported to the International Aid Transparency Initiative (IATI) standard. Interviews were a critical source for recent trends due to time lags in data reporting and, in some cases, lack of clear reporting.

This brief is based on a longer report written as part of a landscape scan of the TPA field for the William & Flora Hewlett Foundation. We encourage readers to view this alongside the landscape scan digital report, which includes more data and insights on global TPA trends and further insights on TPA funding, available at: www.medium.com/tpa-landscape-scan-and-evaluation

Introduction

The COVID-19 pandemic has ramped up uncertainty, volatility and fear in many people's lives and work. This extends to governments, organisations and funders working on TPA issues. With unexpected shifts and rapid changes – sometimes with a lack of real-time reporting and transparency – many in the field have been left to wonder how the pandemic has affected funding for TPA issues, and what effect it could have on funding over the next few years. These questions are critical for many organisations and their staffs worldwide.

While the crisis continues, there are no immediate and easy answers to these questions. We still lack a clear picture on how the COVID-19 pandemic has affected TPA funding across the three major types of international concessional funding providers – bilateral, multilateral and philanthropic.

Surveys and analysis of IATI data suggests that in 2020, funders both re-allocated funds to direct pandemic response and provided more flexibility in programming and funding conditions to adjust to pandemic conditions, such as restrictions on travel and mobility. The impacts of all of these changes are not yet fully known.

Many have speculated that official development assistance (ODA) for governance and civil society work (which overlap with TPA) may be down due to COVID-19 related spending re-allocations, as well as major ODA cuts from the United Kingdom (UK). However, the most recent data on bilateral donors' overall spending shows that ODA was slightly up in 2020. Complete data on spending by sectors in 2020 will not be available from the OECD DAC until early 2022, and without the sector-specific data, it is hard to say what the impact has been on TPA-related areas.¹

In terms of data on philanthropic funding, there is no single comprehensive and coherent data source. Some philanthropic funders report to a combination of IATI, the OECD DAC and Candid, while others do not report grants data to external organisations or even on their own websites. All three of these major data sources face issues with delayed reporting or misreporting.

¹ Data reported to IATI appears to show significant misreporting to the sector in 2020, so it is not used to draw conclusions on this point.

The Transparency and Accountability Initiative (TAI) collects data from its members who are major philanthropic funders of TPA. This data suggests that total grantmaking dollars did not decline in 2020 compared to 2019 and in fact, slightly increased. At the same time, there was a slight drop of about 10% in the number of total grantees and of new organisations receiving a first grant from these funders compared to 2019. This suggests that TPA funders did not cut or re-allocate funding from TPA, but a myriad of pandemic-related and other constraints (such as internal changes) prevented funders from reaching or prioritising new organisations.

Despite the data limitations, we are starting to see some trends, scenario thinking and insights emerge that may be useful for funders to consider in their decision making. In this brief, we first consider the medium-term outlook for TPA funding in light of the COVID-19 pandemic, drawing on interview data (given the limited reported data noted above). We then look at four insights related to philanthropic funders, multilateral financial institutions and bilateral government donors, and offer implications for funders to consider in their decision making.

COVID-19 and TPA funding: the medium-term outlook

For bilateral funding, several analysts have suggested that in a few years ODA is likely to fall due to renewed fiscal austerity goals – as it did a few years after the financial crisis of 2008. However, it is not clear yet if this will happen, and if it does, how TPA funding would be affected. In light of the data limitations and speculation, we interviewed 16 funders, network staff and other experts to seek answers to the question ‘what could happen to TPA funding over the next few years?’ We heard four types of answers:

- **Decreased emphasis on standalone TPA issues as attention shifts to health, climate change and inequalities:** With the pandemic still raging in much of the world, many interviewees felt that TPA issues may take a back seat as funders, governments and citizens focus on health and livelihoods. Many funders are also paying more attention to issues like climate change and inequalities, with philanthropies in the United States (US) increasing funding to racial justice issues in particular. TPA as a standalone effort may be considered less important, though it could be viewed as a complementary approach to other issues in some cases.
- **Not much change expected:** Some felt that the pandemic and even its ripple effects were not likely to change much about TPA funding. Funding is already being influenced by other pressing factors such as geopolitics, national interests and identities, elections, the upward trend in authoritarian practices and responses to other humanitarian and security crises. It was suggested that COVID-19 issues would not be enough to change other driving imperatives.
- **Increased attention to salient TPA issues:** Some interviewees noted that the pandemic had re-focused attention on some issues related to public capacity and public trust, including anti-corruption approaches, transparent and effective public procurement, transparency and accountability in public spending and borrowing, and domestic resource mobilisation. In addition, corporate accountability of various kinds – from paying taxes to providing social value – has received more attention. These issues may see increased funding.

- **Too soon to tell:** Others felt that the full effects cannot be known yet, and forecasts are unlikely to be accurate due to the myriad knock-on effects of COVID-19 – such as more restrictions on civic space, increasing use of digital technologies, new kinds of civil society action, backlash to activism, misinformation spreading, increased nationalistic policies and pressures on public finances. CIVICUS's *2021 State of Civil Society Report* provides an overview of some of these trends. With the pandemic still uncontrolled in much of the world, other unforeseen consequences could happen in the next few years.

Some of these viewpoints reflect different regional or country realities and sectoral situations, as well as when the question was being answered. In the health space for example, practitioners have written about how COVID-19 health responses can include TPA approaches, but it is not clear if and how funders are picking up these recommendations. Some TPA issues like transparency of vaccine contracts are being picked up by some funders but certainly not all. In addition, in some countries there is greater concern about the use of public health restrictions to close civic space or harm marginalised people.

Gaining a full understanding of these unknowns will take time as funders consider what is happening due to the pandemic, as well as all the other live issues, such as inequality, racial justice, climate change, sovereign debt pressures, election results and their own budgets.

Four insights and their implications for TPA funders

As donors are faced with funding decisions in what remains a largely uncertain environment, research and data suggest four substantiated insights that may help inform their decisions. This brief discusses one insight regarding philanthropic funders, one regarding multilateral financial institutions (MFIs) and two regarding bilateral government donors. Each point offers implications for funders to consider as they seek information and make decisions in this uncertain context.

1. The TPA field is struggling to gain traction with new and established philanthropies – globally and within Africa

The Chandler Foundation – the newest member of the Transparency and Accountability Initiative, a network of funders supporting TPA-related work globally – was mentioned by interviewees as one of the notable new funders working on transparency, accountability and anti-corruption. In a few other cases, funders have engaged with TPA issues to benefit a sector or issue. For example, Oceans 5, with the Pew Charitable Trusts, is supporting work to map beneficial ownership in the fishing industry.

However, interviewees and other funding scans suggest that no other major philanthropic donors that fund internationally had begun to work on TPA as a standalone programme or even substantively integrate it into their other work.² In addition, there were speculations that budgets for international TPA work by existing TPA funders may come under pressure in the future as they take on new areas of work.

Both new and established philanthropies have been increasing funds for direct responses to COVID-19 and racial justice in the US. In a few cases, TPA approaches have been included as part of these portfolios – for example, the Skoll Foundation and the Conrad N. Hilton Foundation

² There are some indications of increased funding to TPA work in the US in 2020, but this scan examined international work only - funding to TPA work in the US and other countries that host large philanthropies were not included.

have supported the COVID-19 Transparency and Accountability Project to track funds received and donated for the pandemic – but it seems to be a minor part of new work on aggregate.

Turning to African philanthropists, recent reports by Bridgespan and Dalberg suggest that TPA is not an area of funding interest for them in general. As recounted by Bridgespan, the surveyed African philanthropists were more interested in funding issues related to ‘basic needs’ like education, health and livelihoods, and they are seeking to avoid any ‘political risk’ from their giving.

In summary, TPA as a field has not yet gained significant traction either with African philanthropy nor with large grantmaking programmes at new or traditional philanthropic funders located in Europe, the US or Asia.

Implications for funders

Current TPA funders have tried various approaches to engage new donors, including supporting evidence generation and advocacy and coalition building on TPA. It does not seem that evidence alone will lead other philanthropies to start funding TPA. One major implication of this is to re-examine any current efforts to influence philanthropies toward TPA. An interviewee suggested that the field may need to renew some of its narratives and ways of connecting with other sectors.

Another option is to look for specific opportunities to work with other philanthropies to show how TPA approaches may add concrete value to outcomes, dignity or processes. In some cases, this may involve experiential learning more than academic evidence. Finally, it might be worth shifting to partnerships and complementarities with governmental funders and multilateral institutions, which often have mandates to work on TPA, or with philanthropies working on related issues like human rights.

2. Some MFIs have become key funders during COVID-19

Some MFIs have become critical funders during the COVID-19 crisis, especially in the early days. As bilaterals and many philanthropies took time to react to the pandemic, the International Monetary Fund (IMF), International Development Association of the World Bank and the Asian Development Bank’s public lending were able to react much

more quickly, in some cases frontloading spending. In addition to crisis lending, the IMF has developed a proposal for how an upcoming issuance of the equivalent of US \$650 billion in Special Drawing Rights could further finance crisis response, and the World Bank and Asian Development Bank have made financing available for vaccines.

Advocates and commentators have been tracking transparency and accountability in crisis lending, particularly by the IMF and the World Bank. Both institutions have highlighted their support for transparency in public debt and spending. Recently World Bank President David Malpass has advocated for transparency in vaccines contracts for COVID-19 and announced the World Bank's portal on vaccine finance. The IMF has highlighted its efforts to support audits and report on pandemic-related spending and gain commitments from governments to publish beneficial ownership information of public contractors and pandemic-related procurement contracts.

However, advocates have been digging into loan agreements to better understand actual conditionalities beyond high-level rhetoric. They have called out some of the IMF's austerity provisions as forcing future policy actions, which will diminish the possibilities for future citizen participation in public budgets. Furthermore, for many developing countries, increased public debt loads are expected to create pressures to cut spending and raise revenues in the future when interest rates are expected to rise, no matter the official conditionalities. Kenyan activists have already targeted the IMF's lending to their own country for fear of future repayment burdens.

Implications for funders

TPA funders may want to consider how the renewed importance of MFIs will shift TPA work in the short and medium term. Analysts are already putting forward proposals about how to reform or expand the multilateral finance system. In some cases, MFIs could be allies for TPA, for example by promoting transparency and even accountability in public borrowing, including participation of legislatures.

In other cases, their conditionalities could limit the extent of domestic control over future fiscal decisions, thus limiting the potential impact of future citizen organising. Furthermore, it may be worth looking more into the roles of the regional development banks in influencing TPA issues as their work has received less attention from civil society and media. Finally, TPA funders may want to learn from long-standing

advocacy around MFIs' activities and safeguards, including movements for free, prior and informed consent.

3. The UK's ODA cuts are affecting a variety of governance and TPA initiatives

Most interviewees raised the impact of the UK's cuts to its aid programmes as a major challenge to the TPA and governance spaces. The UK has been a key funder of many initiatives. As shown in Table 1, it has been a major funder of anti-corruption initiatives, elections, media and macroeconomic policy on a relative basis. In 2020 the UK announced a series of major cuts. Many grantees received notice of cuts to be made on active programmes. At the same time there was a lack of overall transparency about what exactly was being cut. Concerns about these cuts included the possible downgrading of some TPA work at multilaterals and reduced support for specific fields where the UK has been a major supporter, such as governance research and natural resource governance.

Some interviewees were also worried that the UK's cuts could signal a cascade of other bilateral donors cutting funding due to shrinking donor country economies. Thus far, this has not happened. The other top bilateral donors Germany, France, Japan and the US saw their ODA increase in 2020. Even if ODA may fall in the future, the UK's example of rapid same-year cuts does not seem likely to be replicated.

Implications for funders

The UK's current and future cuts present major challenges to many organisations working on TPA. Funders need to adjust assumptions about funding that may have supported key actors in their fields or related actors. TPA funders, their grantees and partners may want to find ways to assess the ongoing implications of the cuts. Cuts were made to a variety of programmes, including multilateral spending and country programmes. Therefore, other TPA funders may want to analyse how the cuts and the UK's changed position are likely to impact organisations working in specific regions and on specific issues.

Table 1. ODA grants and loans by the UK and other donors to government and civil society sub-sectors in 2019 (as reported to the OECD DAC, in US \$ millions)

Sub-sector	UK	All other donors	Total ODA grants and loans	UK funding as a percentage of total ODA grants and loans
Anti-corruption organisations and institutions	75	184	260	29%
Decentralisation and support to subnational government	31	1336	1367	2%
Democratic participation and civil society	98	2130	2228	4%
Domestic revenue mobilisation	43	561	604	7%
Elections	55	286	340	16%
Ending violence against women and girls	60	472	532	11%
Facilitation of orderly, safe, regular and responsible migration and mobility	110	709	820	13%
Human rights	69	1054	1122	6%
Legal and judicial development	50	2105	2155	2%
Legislatures and political parties	12	97	109	11%
Macroeconomic policy	15	60	75	20%
Media and free flow of information	152	471	623	24%
Public finance management	70	1375	1444	5%
Public Procurement	0	9	9	0%
Public sector policy and administrative management	291	3783	4073	7%
Women's rights organisations and movements, and government institutions	28	613	641	4%

4. Some bilateral funders remain highly committed to supporting democracy and the rule of law

Prior to COVID-19 and through 2020, many bilateral funders (e.g. the European Union, Germany, Sweden and Denmark) continued to emphasise democracy, rule of law and human rights in their strategies, policies and funding. Some of them have budgeted for increases in these areas over the next few years. Even if COVID-19 stalled some funding, donors are likely to follow through with those commitments. In addition, several interviewees speculated that the US may increase its funding to

TPA approaches given the change in presidential administration and renewed interest in supporting anti-corruption and democracy.

These funders' continued strong support for democracy, the rule of law and human rights reflects their ideas, interests and incentives. For some, these issues represent important aspects of national and supranational (i.e. European Union) identity. In particular cases, there are concerns that democratic practices are under threat both from internal dynamics and external influences, some of which are being driven by geopolitical dynamics and incentives. These strategies are also seen as supporting other important areas of work, such as more sustainable economies and social development, for example youth involvement. They also are thought to help address and ameliorate some urgent crises and challenges, such as civil unrest and migration of refugees.

Implications for funders

Current TPA funders may want to watch for how larger funders are supporting TPA and closely-related issues like human rights and legal development. Some bilateral funders are more likely to fund civil society or media, while others work more directly with governments, including sub-national entities. Knowing more about specific sub-sectors and recipients could suggest opportunities for complementing funding, avoiding saturation, partnering or advocating for changes.

For example, in 2019, Kenya was the top country in sub-Saharan Africa benefiting from ODA provided for governance and civil society. About US \$400 million was reported for Kenya, of which considerable amounts were reported for public financial management, domestic resource mobilisation, public sector policy and administrative management and decentralisation. This could have implications for the much smaller TPA philanthropies working in the country: they could complement larger programmes, consider less well-funded areas or geographies or even think about influencing other funders.

Conclusion

This brief highlighted four funding insights that can inform funder decision making. First, additional philanthropies are mostly not taking up TPA work – direct response, inequalities and climate change are receiving much more attention. Second, some MFIs have become critical funders to many governments during the crisis, and their policies and operations may have medium-term effects on the environment for TPA work. Third, the UK’s cuts to ODA are affecting the TPA field right now, and the full scope of their impacts is not yet comprehensively known. Fourth, some large public funders are committed to work on democracy, rule of law and human rights, and knowing more about their work could inform TPA funders’ strategies.

The full scope of changes to TPA funding in the face of the COVID-19 crisis is not yet known, including all the implications for TPA organisations’ well-being, ability to operate and access to civic space. For some issues, TPA has become ever more salient, such as the transparency of public borrowing, but for other issues TPA is not considered a priority. Funders and partners are watching closely, especially since a myriad of impacts are still unfolding as the crisis continues. Funders, grantees and partners should continue to discuss what they are seeing and how they can better support TPA in this uncertain crisis context.



TRANSPARENCY &
ACCOUNTABILITY
INITIATIVE