Lessons for USAID on Working with Local Civil Society Organizations in Indonesia

MADANI Civil Society Support Initiative
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Summary

Weak local civil society organization (CSO) capacity, in conjunction with a lack of existing relationships, hinders the international donor community's ability to seek out new local partners. This will be the main challenge as USAID aims to channel more funding directly to Indonesian organizations. The USAID MADANI project supports new CSO partners at the subnational level by strengthening their managerial and advocacy capacity, which in turn helps to combat corruption and strengthen Indonesia's democracy. MADANI leverages national training institutes and intermediary support organizations (ISOs) to achieve these goals. Moving forward, mature intermediaries can take on many of the relevant administrative functions, such as providing sub-grants, quality assurance, training, and fund development. However, many existing intermediary organizations in Indonesia lack the capacity needed to handle a large program. Therefore, the international donor community should invest in and further enhance the capacities of ISOs, such that they are able to provide high-quality and holistic capacity building support to local CSOs. This document is intended to elaborate on these themes, detailing MADANI's approach, as well as applicable lessons learned and recommendations.

Background

MADANI's model for civil society development is local. The main elements of MADANI's progress—strengthened core organizational capacities, improved skills to advocate for government accountability and communal tolerance, and increased impact of advocacy and policy recommendations outcomes—contribute to the broader goal of strengthening Indonesia's democracy and combating corruption, one of the most significant challenges to Indonesia's democratic development. In addition, MADANI contributes to a more inclusive development model, where local voices are valued. As USAID Administrator Samantha Power recently remarked, "If we truly want to make aid inclusive, local voices need to be at the center of everything we do." MADANI emphasizes the collaborative identification of issues and enables local actors at the district level to lead the implementation of solutions, placing them at the center of the entire approach.

Why Is Working with CSOs Important?

Bringing the voice of civil society into local governance is critical to reducing corruption and strengthening Indonesia's democracy. Citizen engagement improves the articulation of community priorities, providing local knowledge and identifying potential risks; increases the quality of government spending; provides an external mechanism for monitoring the use of funds; puts pressure on governments to provide the necessary services; and supports effective targeting of resources at the community level. The information and demand generated from citizen feedback loops, such as needs assessments, multi-stakeholder forums, community score cards, and complaint mechanisms, are communicated to local governments for action, with public pressure to ensure that they are acted upon by service providers. Requiring people to explain themselves in public provides a powerful edge

to citizen engagement and has proven an effective trigger for improved performance. According to the Busan Forum on Aid Effectiveness in 2011,[1] CSOs have a mandate to (1) promote citizen participation in decisions making; (2) demand accountability, transparency, and access to information; and (3) ensure that public services are accessible to the poor, women, children, disabled persons, and religious and/or ethnic minorities and other marginalize groups. In Indonesia, this notion is enshrined in Law 25/2009 on Public Services, Law 8/2013 on Social Organizations, Law 6/2014 on Villages, and Law 23/2014 on Local Governance, as well as detailed in Government Regulation 13/2017 on Public Participation.

Challenges

- **Organizational weaknesses hamper CSOs' ability to fulfill their missions and be self-sustainable**. CSOs are weak in proposal writing, in book-keeping and management, in strategic communication, and in monitoring, evaluation and learning (MEL). These organizational deficiencies limit their ability to plan for the future, identify and make the most of emerging local issues, and increase their visibility and profile with local and international donors. Furthermore, without strong internal management and planning capacity, CSOs may lose some legitimacy in the eyes of citizens and governments.

- **Although the donor community worked *through* CSOs for decades, they seldom provided core grants or funding for organizational development**. National CSOs and INGOs have often treated local CSOs as little more than event organizers, exploiting their local relationships and social capital to support national-level priorities – sometimes at the expense of local priorities. As a result, local CSOs have developed relatively strong technical capacities, but have failed to hone their organizational and managerial capacities. During MADANI's pre-award assessment of 32 district-based CSO partners, 22 were rated high risk and given special award conditions in order to be approved.

- Another challenge is related to the **continued relevance of traditional civil society organizations,** as the world moves towards a focus on issues and movements. Leslie Crutchfield, Executive Director of the Global Social Enterprise Initiative (GSEI) at Georgetown University's McDonough School of Business, has made the argument that, while organizations were the main modality for change in the 20th century, change in the 21st century is created through networks that are complex, flexible, and messy. To be clear, this does not take away from a focus on organizational resilience but does push CSOs to adapt so they can influence narratives and create change in the 2020s. Moving forward, civil society must be flexible, locally driven, and resilient.

MADANI's Approach

MADANI is designed to address these capacity concerns and increase the leadership role of local CSOs. MADANI supports 32 local CSOs—known as Lead Partners—over a period of three and a half years to build their capacity, legitimacy, and sustainability. The aim is that, when MADANI concludes, the organizations will have the skills, relations, and resources to continue their work in the district as partners to the local government, to the private sector, and potentially to USAID, and step into leadership roles in local development. MADANI's proof of concept includes working with a broad range of civil society organizations, including faith-based, associations, advocacy NGOs, and service delivery CSOs, many of which are new to USAID. Most of these local organizations are weak organizationally and need support.

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[1] "Busan Partnership for Effective Development Cooperation", Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, Dec. 2011, Article 22.

MADANI focuses on a tailored organizational development plan. MADANI starts its capacity development process by asking each organization to complete a performance self-assessment. Using the Organizational Performance Index (OPI),[2] each CSO creates a organizational capacity development plan, which becomes the basis for MADANI's support. To date, MADANI has provided tailored organizational development assistance and mentoring themes including internal financial regulations, human resource management, gender and social inclusion, private sector collaboration, strategic planning, advocacy, and coalition-building. In FY22, MADANI will provide support pertaining to strategic communication and resource mobilization.

MADANI emphasizes collaboration and partnership building. To promote the role of CSOs in local development and establish new channels for citizen participation, MADANI provides grants to bring together local CSOs, reform-minded local government officials, responsible businesses, higher education staff, and community leaders in public deliberations on important local development issues—achieving more together than each actor could on its own. This "social lab" model[3] encourages a diverse group of local stakeholders to address the root causes of social problems, identifying possible solutions and working together to test and iterate to improve advocacy and joint-action activities.

Lessons Learned

- **Building CSO capacity takes time and effort,** and a project approach is often not very sustainable. MADANI has provided intense hands-on assistance to local partners, supporting the development of workplans and budgets, as well as helping them to measure and communicate their impact. MADANI employs a Field Coordinator in each district who mentors the Lead Partner, coordinating and overseeing the technical assistance. However, concerns remain with regards to the sustainability of these efforts. Organizational change goes beyond training and operational procedures and requires a mindset shift among staff at all levels. Experience within MADANI and other FHI 360 civil society strengthening programs have greatly benefitted from securing commitment from leadership, including boards of directors, to organizational improvements. In addition, MADANI's experience highlights the importance that evidence—in the form of organizational assessments and feedback mechanisms—can play in incentivizing a CSO's commitment to change. By pairing self-assessments with tailored plans that include change goals, as well as high-quality and locally-relevant capacity building support, a CSO's desire for change can be effectively matched with the tools, mentoring, and follow-up support to help them achieve their goals.

- **A lack of capacity and incentives among national service providers** has impeded MADANI's efforts to sustain a market-based relationship between training institutes and local CSOs. MADANI's training is designed to be conducted by national and provincial service providers. However, while trainings have been delivered with quality, even well-known national training institutes often lack experience in key financial management and reporting practices, which creates a challenge for building a sustainable local market for capacity-building service providers.

Best Practices and Recommendations

- **Building an ecosystem for CSO support**. If USAID intends to increase its direct funding to local organizations and further deepen collaboration with local Indonesian partners, a system-wide approach will be necessary, fostering an ecosystem for CSO development that:
    - Provides core support. Grants to local partners should have at least 25% flexible funding, allowing organizations to promote their own interests and concerns.

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[2] USAID's standardized tool for civil society capacity assessment. See https://usaidlearninglab.org/library/organizational-performance-index-measurement-tool

[3] https://social-labs.org/.

- o Creates opportunities for organizational capacity development. Most local CSOs do not have the capacity to manage funds from USAID today. They need support in preparing proposals and drafting complex financial budgets, management, and evaluating and communicating their results.
  - o Builds fund-raising and self-reliance. Sustainability presupposes that local organizations can diversity their funding sources and are given the space to publicity criticize the government. MADANI has good experience in doing this through a collaborative governance approach using multi-stakeholder citizen forums combined with social accountability tools, such as community score cards or complaint handling mechanisms. A confrontational approach may cause friction, making it difficult to access local sources of funding.
  - o Collaborates with national partners. Agencies and institutions, such as Bappenas and LKPP, to support an enabling environment.

- **Intermediary support organizations offer one avenue for supporting local CSOs in the short- and medium-term.** These organizations can provide sub-grants, capacity-building, and program support to local CSOs. In addition, intermediary support organizations can assume many of the necessary administrative functions, such as standards-setting, quality assurance, training, fund development, and data collection, empowering local CSOs to focus on what they do best: advocacy, working with communities, and building partnerships. For example, an intermediary support organization could organize coaching clinics on various management issues, including proposal writing and strategic communication, as well as schedule match-making sessions with potential funding agencies, similar to what is being done by social incubators for social enterprises.

- **Many of the existing intermediary support organizations in Indonesia do not have the capacity to manage a large program at this time.** Although national CSOs such as YAPPIKA-ActionAid, Konsil LSM, and Penabulu have played this intermediary role to an extent in the past, their experience is limited. As a result, there is a strong need to invest in and further enhance the capabilities of ISOs. This could be achieved through an intensive two-year program in which selected ISOs would be supported to provide high-quality, holistic capacity building support to local CSOs, including the management of sub-awards. ISOs would also assume a greater leadership role in the development of local CSO capacities beyond USAID support.

- **Activities that would incentivize ISOs to adopt evidence-based approaches for capacity building.** This includes the use of MADANI's foundational tools, such as the OPI and Forum Performance Index (FPI), development of capacity building plans based on OPI and FPI results, and provision of technical assistance to local CSOs using mentorship principles developed through MADANI. ISOs would also receive dedicated support to improve their knowledge and skills in key domains necessary for effective CSO management, such as good governance, procurement, strategic planning, inclusion, grant management, and MEL. Depending on the level of interest, MADANI could develop training accreditations that would certify ISO trainers in core topics. Ultimately, the creation of standards for training quality and the development of this expertise within key Indonesian institutions would strengthen the local Indonesian CSO support ecosystem and lessen the reliance on international support.

- **There are opportunities for this in Indonesia**. With Ford Foundation's BUILD initiative, the CSO Endowment Fund, the European Union's 2021-2024 roadmap for CSO support, and traction in the National Development Planning Agency (BAPPENAS) on a national CSO commission, as well as work being done by local CSOs such as YAPPIKA-ActionAid, Konsil LSM, and Penabulu on the broader civil society ecosystem. As part of the overall agenda to strengthen democracy, foundations and other international donors should coordinate their support and enhance collaboration with local CSOs.