Innovative Local Financing Mechanism Briefs

Saferworld's Agents of Change: Cascade Funding Model

This brief, along with others in the "Innovative Local Financing" series, is designed to highlight creative, innovative, and adaptive mechanisms already being implemented that provide accessible, relevant, and community-driven funding to local peace and development actors.

Overview of the *Agents of Change Project*

In 2019, Saferworld began a project called *Agents of Change* in Sudan. The project is designed to provide small grants (between USD $3,000 and $49,000) and microgrants (up to USD $2,999) to Sudanese civil society and communities. With accessible funds, Sudanese civil society can implement projects that are relevant to the community and enhance processes of positive political, social, and conflict transformation to contribute to a more inclusive, equitable, and just peace in Sudan.

Agents of Change is implemented in South Kordofan, Blue Nile, and Khartoum states, and prioritises initiatives led by and supportive of women and youth. To ensure that funds are accessible, community relevant, and conflict sensitive, Saferworld adapted the way they were providing resources to community groups. Saferworld's Participatory Action Learning in Conflict (PALC) methodology guides the project. PALC is a process that starts with the community identifying their issues and needs, followed by community or civil society-led implementation of the *Agents for Change* grant, and concludes with collaborative learning. The PALC process ensures that projects respond to community needs and learn with and through the community.

This brief outlines five grant process adaptations made by Saferworld through the *Agents of Change* project that increased the accessibility, utility, community leadership and accountability of the funds to local peace actors. The five adaptations highlighted here include:

1. **Cascade funding** engages partner organisations who are closely connected to and respected by the communities. Through the Cascade funding contractual and risk management mechanisms, also referred to as "financial support to third parties", liability and risk sit with the original grantee (in this case, Saferworld), which reduces risk to third parties (partners and local organisations) while ensuring fiscal and administrative standards are met.

2. **Engaging local needs, projects and commitment** through the PALC method results in a process and grants that support the communities' ongoing initiatives, responds to collective needs, rewards motivation and engagement, and prioritises community engagement over conventional proposal development.

3. **Community review committees** are developed to review proposals and ensure that applications are sensitive to community dynamics. Community review committees make sure projects take a localized conflict sensitive approach and raise community awareness and participation.

4. **Community accountability mechanisms** that include high-levels of transparency including publicly posting project spending in ways that are visible to the community reduced risk, increased the community's awareness and trust in the project, and complemented donors' traditional financial requirements.

5. **Networking, exchange and learning,** which is built into the process at 6-month intervals, leads to identifying collective community issues that require advocacy across the states and at the national or international levels. By engaging partner organisations directly in this exchange and learning process, Saferworld facilitates a network that elevates community issues to address policy challenges affecting the communities in which partners are working.

Process Innovations in Support of Quality Local Peacebuilding Financing

1. Cascade Funding

"Cascade funding" or "financial support to third parties" is a contractual and risk management mechanism regularly used by international donors. The mechanism enables simpler administrative procedures for funding third parties and partner organisations.

Partner organisations are critical to the *Agents of Change* program. Partners are registered civil society organisations specifically chosen because of their links to and trust within the community. An actor mapping at the beginning of the project determines what organisations and groups exist, are working in the community, and have strong constituencies and engagement. Constituency, not capacity, is primary. Saferworld accompanies partners as they build internal capacity. With partners, Saferworld conducts an organisational capacity assessment to understand areas partners can build and strengthen in their work like gender and conflict sensitivity or financial management.

Partners lead participatory issue identification processes that allow the community to distinguish what to address, discuss how they have already started handling the issue, and how they want to proceed. Then, Saferworld convenes the partners to collectively analyse the challenges, write proposals on behalf of the community, and distribute the funds to the community initiatives.

Through cascade funding, partners and small/microgrant recipients are not contractually linked to the donor organisation or agency. Rather, Saferworld remains liable for the third parties' use of funds. This allows Saferworld to tailor due diligence, financial management, and liability requirements to be more appropriate and easier for smaller civil society organisations and community groups. In some cases, Saferworld can take on the administration while allowing the partner or community to conduct the work. This ensures Saferworld can meet best practice standards and donor requirements while appropriately tailoring the process for local organisations and the communities.

While cascade funding is not the most efficient mechanisms for funding local civil society or community organisations since it requires an "intermediary" organisation, when combined with other adaptations to the small and microgranting process, like those documented here, it can be highly effective at ensuring donor funds are made accessible and relevant to small organisations and communities. Additionally, for organisations that are not interested in growing to a size required to handle many donors' requirements and levels of administration, this is a useful mechanism for enabling their work. In many ways, cascade funding can provide an alternative to a growth model and the "NGO-isation" of many community-engaged organisations.

2. Supporting Ongoing Community Work and Commitment

Agents of Change funds ongoing community initiatives that need additional support to achieve their goals. Rather than looking for new projects, when partners are engaging the community they ask: "how are you solving this problem?" and "what additional support do you need?". Supporting ongoing work in the community guarantees that initiatives are locally designed and led. Also, it limits incentives to create projects for the sake of accessing funding. Community needs remain paramount.

Following a partner organisation's community consultations using the PALC method, the partner organisation submits a proposal on behalf of the communities to Saferworld. Rather than traditional project proposals that detail activities and timelines, the proposals include broad descriptions of the initiatives that need to be supported, as well as identifying the project's financial needs.

For example, the partner writes the proposal request for the number of small and microgrants needed based on what was identified during the PALC process. By using the PALC method and focusing on identifying ongoing community initiatives, *Agents of Change's* application process rewards interest and commitment to the process by ensuring that all relevant project proposals are provided an opportunity to be awarded a grant.

Traditional proposal processes create a "cost of rejection" – the significant personnel and time cost that goes uncompensated when a proposal is rejected as part of a competitive grant application process. Competitive calls for proposal force organisations to weigh a grant's "opportunity cost" and their estimates of an application being accepted versus the "cost of rejection". Smaller local organisations that often lack the experience or technical skills demanded by donor application requirements face lower probabilities of accepted applications and greater costs since they rarely have dedicated proposal development staff. Often, donors attempt to reduce the cost of rejection by requiring concept notes prior to requesting a full proposal from a smaller pool of applicants.

By disavowing the cost of rejection, the project's grants are awarded based on motivation, community engagement, and conflict sensitivity rather than proposal development resources.

3. Community Review Committees and Conflict Sensitivity

From this participatory issue identification process, a community might come up with over 30 initiatives. However, while there may be 30 initiatives identified, *Agents for Change* strives to ensure equal distribution of funding between different groups and also encourages inter-group projects. Therefore, partners establish community review committees that include the civil society partners, local authorities, and elders. Community review committees strive to be inclusive including ensuring a gender balance. The committees review the initiatives requesting support and provide suggestions on how to make certain initiatives are conflict sensitive.

When there are duplicate initiatives or funds are not equally divided between groups, the committees ask initiatives to come together. For example, at one point in South Kordofan, three groups representing three different ethnic communities asked for funds for a similar project. The community review committee was able to identify this and ask the groups to work together. This eliminated duplication, was conflict sensitive, and increased inter-group collaboration.

By including a range of locally connected actors, the review committees engage different viewpoints, community knowledge and context, and transparency. The committees develop an evaluation criterion that is jointly applied to all applications. Aligned with the cost of rejection concept, the primary reason for rejecting an application is if it does not articulate a conflict sensitive project design, is not responsive to community identified priorities, or is assessed to potentially aggravate the conflict it is trying to address.

Groups can explain their ideas to the committee and receive inputs, advice, and assistance from partners to help improve their initiatives. In particular, review committees assist to ensure adequate community input and participation in the initiatives. This participatory review process contributes to initiatives that are more inclusive and responsive to community priorities.

4. Community Accountability

In addition to the community review committees, *Agents of Change* utilizes community accountability mechanisms that ensure funded initiatives are highly accountable to each other and to community members. Community accountability mechanisms are developed based on broad transparency and are applied to the whole grant making process not just project implementation. For example, at the start of the project, community meetings are convened to explain the application process and the people and organisations involved. Details like the precise amount of funding available and for what purposes is communicated.

Funding recipients are required to share with the community how funds are spent. In some places, innovative methods for transparent publicising accounts and costs are used. For example, in some communities, project costs are shared via a Facebook page or a WhatsApp group. In other places, projects posted notices in civil society organisations' offices, used public noticeboards, or simply posted their accounts on trees near the centre of communities. This contrasts to traditional grant practices that rarely involve nor share budgets and other administrative information with the community. Furthermore, Saferworld leads outcome harvesting sessions with partners at regular intervals to collectively monitor results and identify project learning.[1]
Through these accountability mechanisms, communities engaged in Agents of Change say that they know who holds funds, how much they have, and how they are spending them. Whereas grants with financial accountability mechanisms geared toward the donor rather than the community, communities say they have little to no understanding and where money is coming from, how much there is, or how it is being spent. By combining, community accountability mechanisms with traditional financial reporting, *Agents of Change* fulfils donor requirements and increases transparency beyond traditional financial reporting mechanisms. Project staff and participants claim that community accountability mechanisms are highly effective at reducing financial risk related to corruption or misspending. As a result, small and micro grant mechanisms that employ these techniques may be significantly less financially risky than more traditional development and peacebuilding projects, even though many donors view local organisations and community associations as "riskier".

5. Collective Monitoring and Advocacy

Saferworld regularly convenes partner organisations (at least twice a year) for reviews, sharing, and monitoring and evaluation. The regular convening of partners allows for learning and information sharing, as well as identifying common challenges and opportunities. While conflict is visible at the community level, the conflict dynamics often relate to a broader conflict system that includes international actors and issues at the state and national level. Through these convenings, that include structured monitoring by outcome harvesting, partners identify common areas to conduct policy and advocacy engagement.

In this way, partners and Saferworld can support the community projects by elevating their perspectives into national, and, sometimes, international policy discussions. The PALC method ensures that community inputs, messages, and needs are central to such policy discussions and advocacy efforts. By integrating this engagement into the *Agents of Change* project, Saferworld recognises the systematic nature of conflict and continues to prioritise community inputs in support of conflict resolution and peace initiatives.

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1 Outcome Harvesting was inspired by Outcome Mapping informed by Utilization-Focused Evaluation, based on complexity theory, to become a tool for Developmental Evaluation. See: Wilson-Grau, Ricardo. 2019, Outcome Harvesting Principles, Steps and Evaluation Applications, IAP, 2019, Charlotte, NC.