

## Trade unions' views on working with donor governments in the development sector

Study commissioned by the TUDCN

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### A review of 18 donor governments' support mechanisms

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## Summary

This summary of the report entitled Trade Union Support Mechanisms: an analysis of 18 donor countries discusses the current dynamics of trade union (TU) support mechanisms, based on a comparative study encompassing 25 TUs in 18 countries<sup>1</sup>. In view of the debate on the effectiveness of international development, and of CSOs' voice within that debate, there is a need to gain greater understanding of how donors support different groups of CSOs, and of the way in which this affects their activities on the ground. Over the past few years, several development agencies, and the OECD-DAC have conducted studies on donor support mechanisms for CSOs, although they have focused primarily on NGOs as the main recipients of Official Development Assistance (ODA) support for civil society. Other CSOs, such as women's organisations, religious organisations, cooperatives, social movements, and trade unions, have received less attention in these studies. This report was requested by the Trade Union Development Cooperation Network (TUDCN), in order to map out and review the international landscape for trade union donor support mechanisms in the development cooperation field.

The report concludes that donors have acknowledged the diversity of civil society organisations in theory, but have failed to do so in their support mechanisms. A one-size-fits-all approach is often adopted for all CSOs. In general, donor control over TUs has increased, leaving less room for them to be flexible and to work on development issues in accordance with their views and requirements. In some countries, TUs have seen a shift from framework agreements or programme support towards tendering procedures or project support (e.g. TUs in the Netherlands, the UK or Ireland). Moreover, the PCM approach has become stricter, and more top-down and prescriptive (e.g. for TUs in the US, Italy, Sweden and Norway). The changes have been less marked in other countries. The framework agreement system has remained stable in Belgium, Finland, Switzerland and Germany. Meanwhile, in Denmark or Norway, there has

been a transition from a project-based to a programme-based approach where funding terms are concerned.

This report identifies the need for donors to move towards actor-based support mechanisms, and to make use of the differences between TUs and CSOs in a complementary way. Moreover, donors should take TUs' particularities into account, by providing long-term and flexible support, for instance, or by allowing them to operate elsewhere than in the least developed countries (LDCs), and by recognising the difficulty of measuring the impact of TU development activities. The implications for TUs are that they could be more proactive in emphasising their specific features, could increase their efforts to create common learning frameworks, and could actively work towards an alternative discourse on the dominant donor-oriented aid effectiveness paradigm.

### Why examining TU support mechanisms is important

Since the AAA (2008), CSOs have been recognised as actors in the development field in their own right. Furthermore, CSOs have come together via the Open Forum and have established their own principles on development effectiveness, in order to complement the Paris Declaration, which focuses mainly on donor-government relationships (Tomlinson, 2006: 1; Open Forum, 2011). Multiple studies have been conducted in order to understand current donor-CSO relationships. In general, however, the studies are biased towards major CSO donor-funding recipients and national and international development NGOs, and are donor-driven (Scanteam, 2008; Hedman & McDonnell; Giffen & Judge, 2010; Pratt, 2009). There is also a tendency to describe CSOs as one homogenous group, which may, on the one hand, contribute towards a harmonized approach, but restricts CSOs from taking progressive and innovative approaches on the other (Gallin, 2000; COM,

<sup>1</sup> We will henceforth use the term "TUs" to refer to genuine TUs, Trade Union Support Organisations, or TUSSOs (such as the Solidarity Centre), and in one case even to a political foundation working on trade union solidarity, all of which were interviewed in the course of our research.

2002). This was also one of the European Commission's Structured Dialogue's main findings and recommendations, which highlighted the need for an 'appropriate mix of aid modalities () to best respond to the widest possible range of actors. Although donors want to support 'a more diverse and vibrant civil society', in reality this desire often does not coincide with actual donor commitments in terms of harmonisation and alignment., which often results in increased support for well-established international NGOs (Scanteam, 2008: 1).

This report will focus on TUs as important, but somehow less visible actors in the development community. TUs are asserting themselves in the development effectiveness debate, as illustrated by the creation of the TUDCN in 2008, for instance, or by the adoption of the Trade Union Principles and Guidelines on Development Effectiveness in 2011. The TUDCN has contributed to the monitoring the implementation of the Paris Declaration and of the AAA, i.e. by developing indicators for democratic ownership (OECD/DAC, 2011). The ITUC has also participated in the worldwide BetterAid Platform, and has specifically emphasised the importance of a comprehensive definition for CSOs, of an enabling environment and decent work as part of the development agenda (BetterAid 2011; Dereymaeker, 2007)<sup>2</sup>. As 4HLF in Busan came to a close, we are on the brink of pivotal changes within the architecture of aid. Trade Unions have 'a major role to play in sustainable, inclusive development and participatory democracy' (Thomas, 1999); therefore, gaining insight into the way in which their efforts can be improved and how donors can help in this regard is essential.

### Review of published research on CSO support mechanisms

Donor agencies and academics have shown an increased interest in understanding the way in which donors cooperate with CSOs in the development cooperation field, which has resulted in several reviews of the issue. More specifically, studies have been conducted on the use of various support mechanisms and their impact (Giffen & Judge, 2010; Hedman & McDonnell, 2011; Tembo et al., 2007; Scanteam, 2008; COM, 2002). Throughout the international development arena, CSOs are increasingly involved in a structural dialogue with donors. In some cases this process has been institutionalised, as by the EU, while in others, it has been on an ad hoc basis (Structured Dialogue, 2011: Hedman & McDonnell, 2011). The report touches on

various issues relating to the enhanced recognition of CSOs ranging from the selectivity of donors towards CSOs, the discussion of direct versus indirect support, and the choice of intermediaries, to the independence of CSOs.

Historically, donors have preferred to support domestic or international development NGOs rather than other CSOs, such as TUs, smaller or Southern NGOs, or advocacy groups, although the figures vary from one study to another. Whereas some studies point to the significance of the funds channelled through national NGOs that are based in DAC countries (Hedman & McDonnell, 2011), others find an increasing number of donors engaging directly with Southern NGOs (Giffen and Judge, 2010). The discussion also touches on the issue of direct versus indirect support. Direct support means that "the donor transfers funds to the implementing CSO in the South directly"; while indirect support implies that "an intermediary agent manages the funds and CSO relations based on a formal agreement with the donor" (Scanteam, 2008). Once again, the interpretations differ: according to the Scanteam study (2008), there is a trend towards using intermediaries, which differs from the evidence produced by Giffen and Judge (2010), who highlight a shift towards more direct support for Southern CSOs. They also touch upon the choice of intermediary actor, highlighting the importance of the intermediary's legitimacy within local civil society.

Furthermore, the increased recognition of CSOs and the translation of that recognition into higher levels of government funding have both positive and negative consequences. On the one hand, an increased financial input enhances CSOs' capacity to deliver basic services, and helps strengthen civil society in developing countries. On the other, it also leads to increased dependency on governmental donors, and to larger incentives to adjust to donor priorities as a result.

Where the operating procedures of support mechanisms are concerned, the published research points to the increasing importance of programme support compared with project support.<sup>3</sup> However, the discourse does not always correspond with the reality, and funds are often earmarked for specific projects (Giffen & Judge, 2010; Scanteam, 2008; Hedman & McDonnell, 2011). In line with the recommendations issued by Hedman and McDonnell's study (2011), there seems to be a trend towards selecting support mechanisms that serve the donor's specific development aims. Donors, like the UK, Belgium, and Denmark, are increasingly using framework agreements. However, these agreements are only accessible to CSOs with a certain absorption capacity, which are once again large development or service-

<sup>2</sup> The ILO Decent Work Agenda encompasses four strategic aims: job creation, rights at work, social protection, and social dialogue.

<sup>3</sup> Project support is funding earmarked for specific projects or activities. Programme support is funding for a programme), which usually has a longer term perspective and provides more flexibility as it is based on outcomes and not activities. In turn, framework agreements make the long-term relationship with a development actor central to the agreement, which enables a high level of flexibility when defining development programmes. Core support, meanwhile, covers basic "core" organisational and administrative costs, such as staff salaries, operating costs, equipment and direct day-to-day overheads. The reports do not always make clear distinctions in their definitions. For instance, Scanteam (2008) confuses *programme* and core support, although they are different funding procedures.

oriented NGOs (Scanteam, 2008; Giffen & Judge, 2010). A parallel trend is the increased use of calls for proposals as an instrument for the disbursement of funds to CSOs (see Hedman & McDonnell, 2011). Another relevant issue is the conditions for the support mechanisms that refer to self-funding by CSOs (Hedman & McDonnell, 2011).

These support mechanisms, however, go hand-in-hand with monitoring, programme evaluation, and reporting conditions that are set by the donor (Hedman & McDonnell, 2011; Clayton et al., 2000). In the Netherlands an external audit has concluded that the new co-financing system has raised the administrative pressure to an unnecessarily high level (Zijlstra, 2011). Along the same line, Germany applies an obligatory bidding procedure to external contracting, which has been criticised for creating a significant amount of additional administrative work, often without clear results. Pratt (2009) argues that donors have adopted a narrow interpretation of effectiveness, and that results-driven frameworks have not been adjusted for the diversity within the civil society community.

### **Dynamics of trade union support mechanisms: what does the data tell us?**

In the following paragraphs, we summarise the main findings of our research on TU support mechanisms in 18 donor countries, namely the United States, Belgium, the Netherlands, the United Kingdom, Italy, France, Denmark, Norway, Finland, Sweden, Spain, Portugal, Luxembourg, Switzerland, Japan, Australia, Germany and Ireland. We discuss our main observations regarding sources of funding, funding modalities, the decentralisation of support and intermediate structures, compliance with the governmental agenda and PCM approaches.

### **Sources of funding**

By and large, governments are identified as providing most of the funding for TU development work. The majority of TU development organisations that we interviewed stated that the largest part of their budget was financed by their respective national governments. Ten out of the 18 TUs were dependent on their national government for two-thirds or more of their total budget (2008). For many TUs, the percentage of government funding amounts to around 80, 90 or even 100%. This is the case, for instance, for FNV-Mondiaal in the Netherlands, the ACLVB-CGSLB in Belgium, SASK in Finland, LO in Norway, LCGB in Luxembourg, the ICTU in Ireland, UGT-P in Portugal, DGB Bildungswerk in Germany and Paz y Solidaridad-CCOO in Spain). These figures have remained relatively constant between 2008 and 2011 (fluctuating between 56% and 59%).

One group of organisations enjoys more diversified funding. The group includes organisations like Solidar in Switzerland, which rely on their national government for

around one third of their funding. Likewise, ISCOS in Italy, JTUC-Rengo in Japan, and APHEDA in Australia have portfolios that are less dependent on government aid, which accounts for between 17% and 58% of their funding, depending on the year (2008-2011). Funding diversification, however, may include not only private or self- (i.e. membership or campaign) funding, but also resources from local or international governments.

There is an additional group of TUs that are 100% self-financed. The Swiss SGB distinguishes between activities that are more or less political activities. The former are 100% financed by own contributions through the organization Solifonds. Other organizations shifted towards a 100% self-funding model as a result of very demanding conditions (e.g. ELA in Spain).

Unavoidably, dependency on governmental funding has implications for TUs. It is especially sensitive because of the political nature of much TU development work. Interviewees provided examples of how their work is sometimes exposed to the political preferences of the ruling party or coalition, or to ad hoc policy making. However, the impact of shifts in government on TU development work is not as straightforward as one would expect. Framework agreements do not necessarily solve all the side-effects of the dependency problem, but seem to provide more predictability for TUs.

The dependency of TUs on government funding is ambiguous. In some countries, such as Belgium, the development work of TUs is embedded in consolidated TU structures, where a certain percentage of membership fees are also reserved for development cooperation. This is also the case in Spain, where 0.7% of the membership fee goes directly towards the development programme. The concept is also being trialled in other countries, including Luxembourg. In addition, TUs can rely on the collection of funds through campaigns targeting their membership or the broader TU movement. However, TUs may find that they have less access to certain kinds of fund-raising among the general public, compared to traditional development NGOs.

Governments demand a certain percentage of self-funding, which ranges between 10 and 25%, for the development programmes for which TUs apply for government funding. In some countries, the percentage of self-funding required for a project or programme depends on the degree to which it complies with the government development agenda. If not, a self-funded contribution of 10% is required. Likewise, the Luxembourg government demands a self-funded contribution of 15 to 20% when a project is aimed at one of the target countries identified. If not, the self-funded component is increased to 25%.

The EU is an additional source of funding. Although some TUs have obtained EU funding for their development work, this funding channel is hard to access, as the chances of success are limited, while the administrative requirements are very demanding (European court of auditors, 2009).

## Funding methods

Some donors appear to be shifting towards programme support. There are, however, significant variations in TUs' flexibility where managing these programmes is concerned. In the Scandinavian countries, especially Denmark, Finland and Norway, programme support offers the most freedom to TUs. They can switch between projects, and shift their attention from one country to another, if necessary, as long as the changes fall within the parameters of the overall programme implementation that was agreed upon with the Government. In Germany, programme support is also perceived as relatively flexible in terms of setting priorities, although it is more rigid in other areas, like external contracting. Flexibility is important for all CSOs but is even more essential in the case of TUs, as the field in which they operate is constantly influenced by external factors. Being able to adopt a long-term outlook is another vital factor for TU development work, and support mechanisms must take this into account. TUs focus on bringing about long-term and structural social change, while engaging strongly with their local partners.

None of the TUs receive pure core funding. In parallel with the shift towards programme support, there are other countries that are moving in the opposite direction, i.e. towards a tendering process. In the UK and the Netherlands, as well as in Italy, the US and the EU, donors have adopted full-blown tender procedures for the disbursement of funds to CSOs. In practice, TUs end up writing project proposals based on the Government's expectations, and on thematic areas, in order to stand a chance of receiving funding. It also implies that TUs have to compete with all CSOs to access funds, or as in the Dutch case, to compete among themselves according to criteria set by the government. TUs have historically been more concerned with downward accountability, which partly explains their administrative shortcomings in terms of upward accountability.

In some countries, such as Sweden, Belgium, Finland, Denmark, Spain and the Netherlands, TUs have (or have had) partnership or framework agreements with the government. These agreements can be specifically designed for TUs, or more generally for all major CSOs. Interestingly, TUs that fall under a general CSO framework do not always see it as a disadvantage. They argue that working within a single framework increases the chance of cooperation between different actors, if TU development organisations are part of the negotiations regarding the framework, and enough emphasis can be placed on their approach to development. The advantage of framework or partnership agreements is that they create stability in the relationship between the donor and the TUs, and allow for more targeted, actor-based development approaches.

## Decentralisation of support and intermediary structures

In line with international trends towards decentralised cooperation, embassies from donor countries have been

given more autonomy to support local CSOs. In general, the respondents stated that this has not yet systematically been the case for TU development activities, or has only been the case for limited budgets.

Furthermore, the research noted that there are a number of incentives for TU structures in donor countries to shift from funding TUs in receiving countries through international or regional TU structures (multilateral funding) to increasingly focusing on direct funding from the TU in the donor country to the TU in the receiving country (bilateral funding). This is remarkable because there seems to be international recognition that TUs in donor countries could be more effective if they pooled their support for the organisations that they support in developing countries. In addition, some labour rights issues are better dealt with at a regional or international level. However, the involvement of an additional player through multilateral funding can be perceived as more complex, less controllable, and therefore less effective.

## Compliance with the government development agenda

In most countries, there is an implicit incentive to comply with the government development agenda, as it increases the funding possibilities for TUs. This tends to be the case in countries with programme support mechanisms such as Norway, Denmark and Belgium. Some TUs call this the reformulation of their own priorities in a language that is more acceptable for governments (e.g. trade union support is formulated as 'democratisation', or training for trade union leaders as 'professional training').

In countries where there are tender processes or project funding, has been introduced, the requirement to comply with the government (or EU) development agenda is more explicit because the procedures include many specifications and conditions. For some TUs, complying with these back-donor conditions is less problematic, since they argue that these issues are important enough to be taken into account by every development actor. The Decent Work Agenda that has been developed and promoted by the ILO, and that is now generally accepted and promoted by the TU movement, has provided TUs with a sound framework in which to position additional government development priorities. A major reason why complying with the government agenda has posed less of a problem in some cases is the involvement of TUs in setting the agenda and in contributing to defining the terms of national development strategies. This has been the case in the Scandinavian countries. Moreover, in the case of Luxembourg, trade unions, the private sector and the NGO sector participated alongside the ministries involved in Lux-Development, the Luxembourg agency for development cooperation. Meanwhile, the 'Consejo de Cooperación' is the official participatory mechanism for channelling the opinions of Spanish civil society on its Government's development policy. Trade unions are not in the NGO group, but participate as separate category. In response to most back-donors' one-size-fits-all approach to CSOs, TUs would rather see a trend

towards an actor-based approach to development. This implies recognising the particularities and added-value of TUs, and adapting support mechanisms in accordance with this diversity among CSOs.

Although the amounts involved are often smaller than those for development budgets, TUs may find that they are at advantage compared with other NGOs where budget grants for TU-related issues (i.e. trade and labour, and social protection, etc.) are concerned. In some countries, like Switzerland or Portugal, the Ministry of Foreign Affairs is not the sole Ministry that has a budget for development cooperation; other ministries, such as the Ministries of the Economy or Labour also have budgets, and sometimes provide specific funding that can be used for development-related activities. Furthermore, for the Ministry of Labour, complying with the government agenda is less of an issue. The importance of social dialogue, tripartism, or decent work is not questioned.

Trade unions have something to offer that often cannot be provided by NGOs. Whereas in some countries trade unions are recognised as essential actors in democratisation processes, in others it is precisely this more political nature that hampers their access to funding. Trade unions can rely on stable world-wide networks, which involve not only partners in the South, but also global and regional federations. Furthermore, the existence of an organisation like the International Labour Organisation, which is part of the United Nations and has a body of legal instruments at its disposal, is perceived as added-value that is contributed by the labour movement to international development cooperation. In addition, we should not underestimate the expertise of trade unions where important development issues, such as social protection, informal employment, international trade integration, and governance, etc. are concerned. These specific features should be used complementarily, in order to broaden the scope and impact of development cooperation.

Geographical conditions tend to pose even more problems for TUs than thematic ones. There is a general trend towards limiting the number of countries in which CSOs that are funded by a specific donor are allowed to operate. These countries include many LDCs (Least Developed Countries) or fragile states, since the focus of many governments is on poverty reduction. The emphasis on working in LDCs has implications for TU development activities. In line with recent concerns that more than 70% of the world's poor live in middle-income countries (MICs), it makes even less sense to restrict TUs to working in LDCs (Sumner, 2010).

### **Project Cycle Management requirements**

In all countries, except for the Netherlands and Australia in the recent past, and for some experimentation in Belgium, TUs use logical frameworks as a project-cycle management (PCM) tool. FNV Mondiaal uses outcome mapping as a PCM tool. Belgium is experimenting with outcome mapping, while in Australia, TUs are relatively

free to develop their own PCM tools. For instance, Australia's APHEDA enters into mutual agreements rather than donor-recipient agreements. The logical framework as such has been accepted by TUs, not with much enthusiasm, but rather as an instrument that can facilitate planning. Some TUs, like the LO/FTF Council in Denmark, genuinely think that it is good tool, while others, like the ACLVB-CGSLB in Belgium, are getting used to working with it, and are trying to make it work in their partners' context.

However, some TUs have criticised the blueprint approach that back-donors use where PCM requirements are concerned. The fact that most back-donors do not have any understanding of TU development work has implications for the PCM obligations that they impose. The long-term outlook and complex nature of TU development activities are insufficiently recognised by the majority of donors. In those cases where donors are more open to a diversity of PCM approaches, such flexibility is welcomed, as it gives TUs the autonomy to adapt existing schemes to the reality of TUs. The most problematic issue in the field of PCM is the over-emphasis on, and the implementation of certain aspects of the results based-management agenda. The fact that measuring the impact of TU development activities is not straightforward lies at the heart of this problem. Trade unions often work on complex societal phenomena such as democratisation, the strengthening of civil society, or on political work, which are often difficult to express in terms of quantitative indicators.

The RBM requirements are even more burdensome for local TUs, as they often lack the capacity to comply with these increasingly stringent obligations. In extreme cases, local TUs increasingly have to dedicate more time to trying to fulfil the administrative wishes of back-donors, thereby diverting their attention from the correct implementation of their projects. To support their partners, TUs in developed countries are forced to invest more attention in building M&E capacity than in core TU activities, such as enhancing their negotiation skills.

The research has pointed out that some Northern and Southern TUs are better suited to the PCM and RBM obligations than others. TUs that have experience of these issues do not take enough initiative in sharing best practices. Although examples of this kind of peer-to-peer cooperation effort have brought about positive results, TUs do not currently make enough use of them. Many TUs also emphasised the importance of working together with NGOs on these issues, as they are generally more experienced with such RBM requirements. Generally speaking, TUs have acknowledged the need to become more specialised development actors.

## Policy recommendations

We are proposing a series of policy recommendations that can be understood as good donor principles (directed at donors), and as issues that should be dealt with by trade unions in order to improve the effectiveness of support mechanisms.

### Recommendations for donors

**Recognising CSOs' diversity and support complementarity:** not only should CSOs be seen as actors in their own right, as stipulated by the AAA, but there is also a need within the heterogeneous CSO community to treat TUs (and other CSOs) as distinctive actors in their own right. In line with the previous recommendations, TUs should be seen as complementary to other CSOs. Instead of trying to harmonise and focus CSOs' development activities, the diversity should be embraced and supported.

**Providing programme support:** donors should respect the specific nature of TU development work, and should adjust their support mechanisms accordingly. As TUs operate in a complex field, and with a long-term outlook, support mechanisms should be as flexible as possible. Genuine programme support, and preferably core funding are the preferred funding methods for increasing the effectiveness of TU development cooperation.

**Establishing framework agreements:** donors view the use of framework agreements as a guarantee that their needs will be respected, together with those of TUs.

**Realising the limitations of a strict focus on LDCs:** donors have to realise that an exclusive focus on LDCs implies an under-use of TUs' potential, and redistributive capacity. Geographical conditions should, preferably, be decided in consultation with the civil society sector.

**Creating flexible PCM obligations:** Although demonstrating results is essential, and is also recognised as such by TUs, an overly strict focus on these issues could actually undermine effectiveness, if the administrative burden becomes exceedingly high.

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## Recommendations for trade unions

**Becoming more proactive:** TUs should become more proactive in terms of emphasising their specific features and of stressing their priorities. The Decent Work Agenda could be used as a starting point in this respect

**Being aware of compliance:** in line with the previous recommendation, TUs should dare to challenge donor policies more systematically and openly, and should sometimes take the step of venturing into the unknown. More experimentation with PCM instruments would be welcome.

**Enhancing mutual learning structures:** there are divergences between TUs in terms of the level of professionalism with which they approach PCM and RBM requirements. TUs with greater expertise in these areas should take responsibility for sharing their experience with others.

**Enhancing cooperation with other CSOs:** in line with the previous recommendation, TUs should maintain and enhance the scope of cooperation with other CSOs.

**Enhancing cooperation with the private sector:** as key actors in the field of labour and economics, TUs are in a privileged position to ensure corporate social accountability, and to act proactively in the debate regarding the role of the private sector in development.

**Raising awareness of neglected issues:** TUs are well suited to increasing awareness of global issues like unfair trade agreements, perverse agricultural policies, and migration, which are not receiving the attention they deserve, due to increased government control over their agenda

## About the TUDCN

The Trade Union Development Cooperation Network is an initiative of the International Trade Union Confederation (ITUC) that brings together affiliated trade union organisations, the solidarity support organisations (SSO), the representatives of the ITUC regional organisations, the Global Union Federations (GUFs), European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC). The network's objective is to bring the trade union perspective into the international development policy debates and improve the coordination and effectiveness of trade union development cooperation activities.

The ITUC represents 175 million workers in 153 countries and territories and has 308 national affiliates.



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