DANCING WITH DONORS

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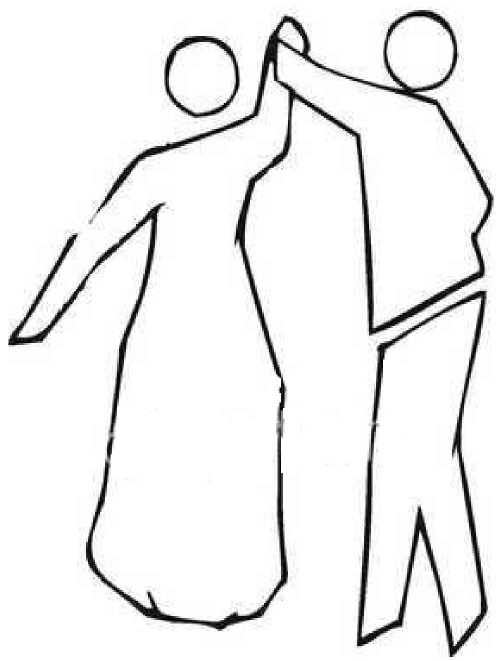

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Foreword

An important part of international cooperation in any government sector of development and transition countries is the coordination of international support received through donations and credits. As the Head of Department of International Cooperation in the Ministry of Education and Sports of the Republic of Serbia from 2001 to 2004, I have become aware of the complexity and difficulty of this task. There is no book, graduate or postgraduate course from which one can learn how to ensure this coordination. Every country has a different context. Learning comes through experience, by doing and hoping for the fewest mistakes possible.

Dealing with donors is like dancing – from being invited or inviting someone to dance (project proposals, donor conferences), finding the right partner (pledging and awarding donations), selecting the music, adjusting the steps, adapting to different rhythms (negotiating and signing contracts, project implementation) through to "happily dancing all night long" (the successful realization of a donation). As in a dance, mismatches and wrong steps can occur. These can be corrected depending on the level of interest on both sides.

"Dancing with Donors" is a practical handbook for moving around in the world of donors in the shoes of a recipient of donor support. It draws on my own experience and knowledge gained from day to day work, contacts with my colleagues from other South-east European (SEE) countries and from participating in various donor-related activities and settings.

This booklet is offered as a practical reminder and complementary resource for those already working in policy and strategy development, fundraising and project management. Although "Dancing with Donors" is set in the SEE context, it may also be of interest to government sectors and agencies in other parts of the world dealing with foreign assistance for their reform agendas and projects.

Acknowledgements

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WHO ARE THE DONORS AND HOW TO ATTRACT THEM?

Why are donors necessary?

"To promote social progress and better standards of life in larger freedom" is one of the goals of the United Nations. In our imperfect world, this goal can be achieved only if member countries support each other bilaterally or jointly through international government or non-government institutions or organizations.

Countries have their priorities and preferences that range from alleviating the consequences of natural disasters and warfare through to the development of a democratic society in the country. These major efforts often require external support. Depending on the reasons for seeking the support, the assistance provided can be humanitarian or developmental. Humanitarian assistance is usually extended to countries struck by natural disasters (for example, the recent December 2004 tsunami disaster in South-east Asia) or recovering from armed conflicts. Developmental help is provided to countries striving to build a democracy (so-called transition countries) and/or for an improvement in some or all vital sectors (infrastructure, education, health, judiciary, and others) that need to be modernized to create the environment required for ensuring a quality life for citizens.

Who are donors?

In this booklet, the term ‘donor’ is used in the broadest sense. It refers not only to the main international creditors, multilateral organizations or individual governments but also to those institutions, organizations or partners that do not provide strict financial assistance yet are important partners in policy and program development.

Donors have different interests, resources and ways of working. There are advantages and disadvantages of dealing with any donor. Likewise, donors see advantages and disadvantages in supporting a certain country, working with a specific sector or engaging in a certain project. (Bassler, T., 1997)[1]. This section gives a brief overview of active donors in SEE countries.

International organizations

These organizations are made up of members from numerous countries and are sometimes called multilateral organizations. Their members are usually governments. Examples of international organizations are the United Nations (UN) organizations, the European Union (EU), the Council of Europe (CoE), the Organization for Economic Cooperation and Development (OECD), the Organization for Security and Cooperation in Europe (OSCE), the World Bank, the European Bank for Reconstruction and Development, and the European Investment Bank.

Due to their membership bases and size, international organizations often have significant resources, technical expertise and legitimacy in the eyes of governments. They are active in most developing and transition countries and usually have resident offices in the country being assisted. If they do not have an office, there is usually a formal liaison with these organizations in the government. International organizations may also be contacted through their international headquarters or regional offices.

Funding from these donors is usually obtained through negotiations at the governmental level. Decision-making on funding is bureaucratic and time-consuming since international organizations operate with the resources and formal consensus of their many members. Even when a national government and an international organization have agreed to work in a given sector, it often takes at least a year to formulate, formalize and begin a major program. Although the credit, loan or grant has been negotiated for the specific sector and approved by the board of directors, the funds will only flow after the approval of the National Government, Council of Ministers or even Parliament. However, being supported by a large international donor such as the World Bank has its advantages:

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[1] Source: "Building Donors Partnership", Terrice Bassler and Mabel Wisse Smit, Open Society Institute, 1997, available at www.osi.hu/partnerships.

- donations or credits are substantial and support a medium-term effort to make notable progress in a given sector or area; and
- bilateral donors and NGOs are usually more inclined to support countries or projects in which a major international player is involved (particularly the World Bank).

Funding from EU programs is generally allocated to those priority sectors that have been formally identified by the recipient government in consultation with the European Commission.

Many UN agencies such as UNESCO, UNICEF, UNHCR and UNDP work through country programs with multi-year plans and allocations that have been negotiated with the national government.

How one can attract these and other donors will be discussed in the following chapter.

Bilateral donors

These are agents used by governments to fund or deliver country-to-country development assistance. They may be ministries, such as the donor country's ministry of development cooperation, foreign affairs, or education. Or they might be bilateral agencies that are government-owned and funded, such as the Austrian Technical Cooperation, the British Council, the Canadian Agency for International Development (CIDA), the German Gesellschaft fur Technische Zusammenarbait (GTZ), the Swiss Agency for Development and Cooperation (SDC), Norwegian People's Aid, the Swedish International Development Cooperation Agency (SIDA), or the United States Agency for International Development (USAID).

In general, bilateral donors have resources, technical expertise, formal diplomatic access, and legitimacy with recipient governments. Bilateral donors almost always primarily consult with the recipient government on defining their programs. They usually have regular contact with other bilateral donors and international organizations based in the recipient country. In some cases, bilateral agencies also consult with the local NGO community. They often fund NGOs from their own country that are active in the recipient country, such as KulturKontakt, Austria. Bilateral donors can be contacted through the donor country's embassy or the office of the bilateral agency in your country.

The program of a bilateral donor is usually based on the particular strengths, expertise and experience of the donor country. For example, Germany has an international reputation in technical education and training; the United Kingdom in publishing; and France in culture and the arts. Many donor countries provide at least some support to promote their language and culture in the recipient country. Bilateral programs are often multi-year commitments with fixed-priority program areas. The size and scope of bilateral programs reflect the economic situation in the donor country and its political, trade, and historical relations with the recipient country. For example, the Greek government has given substantial support to Serbia and Montenegro since the democratic changes of 2000.

The donor country's government usually decides on priorities and on major, high-cost projects in a given country. The programs of bilateral donors do not necessarily reflect locally assessed priorities or requests. This should be kept in mind when applying for support.

The funds can be given directly to a specific sector or government organization for the agreed programs. Certain countries allocate their support for specific sectors although the actual decision on dividing the donation into particular sectors lies with the recipient country government.

Ambassadors of the donor country may have modest discretionary funds available for special events or urgent projects in the country where they are based.

NGOs and foundations

As countries become more open and civil society becomes more vibrant, ever more international and bilateral non-governmental organizations (NGOs) and other foundations are funding government and non-government organizations in the recipient countries and/or introducing their own programs.

NGOs vary in their mission, status, origin, structure and funding arrangements. International NGOs have branches in many countries. Examples are Amnesty

International, CARE International, the Catholic Relief Services (CRS), the International Rescue Committee (IRC), Medicins Sans Frontieres, and Save the Children. The Soros Foundations Network operates both as an NGO and a foundation. International NGOs may be registered locally or not. Many international NGOs are private humanitarian organizations that address emergencies created by armed conflict, civil disturbances or national disasters. Many international NGOs also undertake longer-term economic development programs as part of a reconstruction effort or assistance to poor countries or regions. Although they are privately directed, international NGOs receive a large portion of their funding directly from governments and international organizations. Other sources of financing include private donors, churches and, in some countries, the national lottery.

Foundations make grants to both local and international NGOs for program delivery and organizational support. Examples of US-based foundations operating in Europe are the Ford Foundation, the Charles Stewart Mott Foundation or the MacArthur Foundation. Western European foundations include, for example, NOVIB in the Netherlands, the Friderich Ebert Foundation in Germany, or the Westminister Foundations in the United Kingdom. Some foundations receive part or all of their funding from their governments but are privately operated.

International NGOs and foundations may have country budgets or program budgets. They may have multi-year programs or may fund or implement ad hoc projects. They may operate country-wide or only in a designated area. The international boards or trustees of these organizations usually allocate funds and define their program priorities such as protecting the environment, providing services to the local NGO sector, developing higher education, supporting human rights work and independent media.

Private enterprises and businesses

Potential partners in the private sector include small, medium and large local enterprises and multinational companies. These are profit-making organizations that can be motivated to become donors in ways that directly or indirectly serve their economic interests.

Donor activity can be "good business" for an enterprise. The giving of a grant or donation may help in promoting the sales of a company's goods or services. (For example, Microsoft’s donation of computers to schools enhanced the legalization of software and product sales). Donor activity may help a business penetrate a new market and enhance a firm's local image as a socially responsible enterprise. For tax reasons, it may be advantageous for a business to become a donor. Companies may also engage in donor activities to improve the socioeconomic conditions of their employees, their future labor force or their customers.

There are many ways in which cooperation with enterprises can be useful. For example, they can sponsor or co-sponsor an event, provide equipment and premises for capacity-building, give funds to renovate the schools that train staff needed for their business, and cover the expenses of specific training courses. Further, cooperation with business enterprises can give added value to negotiations with major donors because it is evidence of social dialogue and a wider partnership in addressing a given issue.

Professional organizations and associations

Professional organizations and associations are groups of people formed to promote the common interests of their trade, profession or industrial sector. Examples are associations or organizations of teachers, publishers, lawyers, owners of small businesses, factory workers, academics, professional women, writers, journalists, medical professionals or farmers.

The support of professional organizations is rarely in the form of grants or funds but, given their professionalism and technical expertise, their contribution is important for program development, monitoring and evaluation. They may be indispensable for consensus-building and the professional endorsement of a program. Their dissemination networks may be a highly valuable resource.

DONORS AND THEIR RESOURCES

	Financial resources	In-kind goods	Volunteer labor	Technical Expertise	Legitimacy	Other resources
International organizations	**X**	**X**		**X**	**X**	
Bilateral agencies	**X**	**X**		**X**	**X**	
NGOs and foundations	**X**	**X**	**X**	**X**		
Private enterprises and business	**X**	**X**				Sponsorships
Professional organizations/ associations			**X**	**X**	**X**	Dissemination network

What do donors support?

As mentioned, developmental support is provided for different activities and endeavors that aid the progress of a country and help it to achieve the goals beneficial for the lives and prosperity of its citizens. They provide funds and know-how to create or build the necessary infrastructure, buy equipment, enable technology transfer, services, technical assistance, training and capacity-building, access to information, and the sharing of knowledge.

DONORS AND THE AREAS THEY SUPPORT

	Government programs	NGO programs	Individual gov. or NGO activities	Ad hoc projects - filling in the gaps	Emergency needs - Individual events	Stipends - Scholarships
International organizations	X	X			X	
Bilateral agencies	X	X	X		X	
NGOs and foundations	X	X	X	X	X	X
Private enterprises and business			X		X	X

What are the forms of support?

Financial support is provided via:

I. Direct funding

1. **Credits or loans** – credits or loans given to support the development of a country are usually granted with very favorable conditions – low interest rates or a long grace period.

Agreeing on a credit or loan arrangement is a time-consuming activity involving the highest structures of government. Credits and loans are used to support realization of the long-term strategic goals of a country or sector.

2. **Donations/Grants** – funds given to support certain activities, to buy equipment, build infrastructure, provide training, and for other needs. They vary in amount and may be made for a single activity or a long-term program.

Credits and donations are the forms of direct funding. Disbursement arrangements can differ. The entire allocated amount can be transferred to the account of the recipient or disbursed against the relevant documents.

II. Indirect funding and other kinds of support

1. Technical support – usually given for the preparation of programs and strategic documents (sometimes including conducting surveys and research as the bases for policies and/or their evaluation), training, managing projects, and other.

2. Capacity-building – through internships, study tours, training seminars, or shadowing visits.

3. In-kind support – equipment, the use of venues and facilities, literature, access to information, and other.

Different programs and activities require various forms of support. Activities involving all forms of support are usually the reform of an entire sector such as education, health, industry privatization, telecommunications restructuring and other structural reforms.

What is needed to attract donors?

The amount of help and number of potential donors depend on three main factors: the donors' political and economic interest in the country; the compatibility of the development or reform strategy of the country with international trends and donors' agendas; and the estimated/perceived capacity of the country for sustainable development. Bearing in mind that funding demands around the world are far greater than the available resources, an approach to donors should be carefully planned.

There is a vast collection of different manuals and guides on fundraising, ranging from general manuals to more specific ones that address how to approach specific organizations. For example, the Eurofunding guides on access to EU funds that are available at www.welcomeurope.com. It is recommended that readers also consult such sources.

This section will give a brief overview of the basic prerequisites for approaching donors and describe the common instruments that attract donors' interest.

What are the prerequisites for approaching donors?

The approach to donors differs according to the scope of work, particular project and purpose. It is also determined by the presence or absence of donors in a given country and any previous support for the sector(s) in question.

Preparations for attracting donors' interest should focus on:

1) providing the evidence that the donors' support is actually needed to enhance the **sustainable** development of the country or a government sector; and
2) learning about those whose support is expected.

Such **evidence**, which is also the framework for all individual programs and projects, is a **coherent development policy with a clear strategy and action plan,** endorsed and supported by the government and giving clear answers to these questions:

What are the development priorities and goals?
Why were these priorities chosen (context, background)?
What has to be done to achieve them?
How will the results be made sustainable?

This document is the platform for all negotiations and the mechanism for synergy and sustainability.

Creation and ownership of the policy lies solely with the government or its sectors. However, this is also an area where donors can contribute significantly by providing their expert help, conducting research and surveys (in an SEE country the involvement of UNICEF, the World Bank or the OECD is particularly useful in sector analyses). These donors might also fund in-country capacity-building and the implementation of a participatory process necessary for the creation of a sustainable, democratic national policy.

Further, having donors supporting the democratic process of the creation of sectoral policies and strategies opens the door to their more substantial contribution to the very implementation of these documents.

An officially published country or sector development policy and strategy paper(s) are actually the “invitation to dance”. This kind of invitation tells donors not only where and why the dance will be held, but also whether attending it will just be another in a series of social events or a step leading towards a meaningful longer-term relationship.

Some ways of extending the invitation, i.e. to present the policy and strategic documents are:

- launching a conference in the recipient country that will gather key representatives of the local and international communities to discuss and debate;

- posting the document(s) on the government, organization or line Ministry’s web site;

- posting the document(s) on the relevant international network sites; and

- sending it electronically or by regular mail to potential funders.

How to learn about donors?

Parallel to preparing the policy and strategy documents, namely the "invitation", one has to start thinking about who to invite. Consequently, information on the potential donors and the contacts within them should be gathered.

Perhaps there is already a good database on donors available in a government organization, a specific sector or an NGO that only needs updating.

In gathering and analyzing the information on donors relative to your strategy and long-term goals, it is good to keep the following questions in mind:

- What is the extent of the support provided by this organization?
- What are the areas the donor supports – their mission and long- and short-term strategies?
- Is this organization's involvement in the given region increasing or decreasing?
- How long and how complicated are the negotiation procedures?
- How is the specific donor linked and connected with other donor organizations?
- What is the experience of others who have already received support from the particular donor?

There are many different sources of information about donors. For example, official web pages and documents of an organization, published reports on project implementation, project evaluations, or the experiences of the others.

Besides these public and formal sources, another valuable resource can be the people in or close to your organization who have had previous experience in the international community, who have in the course of their work or otherwise developed personal contacts with the representatives of international, bilateral government and non-government organizations. They can give first-hand information on the potential donors but can also help in establishing direct contact with them.

Having a comprehensive and well-organized database on donors is useful in many ways, for example:

- as soon as the policy documents are finished, the mailing list is ready;
- it allows rough calculations of potential support thereby allowing more realistic plans for strategy implementation;
- it saves time in preparing for direct negotiations on a specific project;
- projects can be immediately presented in the format requested by a potential donor and targeted at concrete donors; and
- it prevents misunderstanding (for example, applying for funds for construction works from an organization that only funds research and capacity-building).

How to connect with donors?

There are a number of formal and less formal options.

Less formal possibilities include:

Personal connections of governmental or organizational staff with specific funding organizations or institutions.

The presence of appropriate government or line Ministry representatives at every **formal** or **social** international **gathering** in your country is an opportunity to inform about your ideas, results and needs.

Formal occasions include international, regional or local conferences, gatherings, meetings organized by ministries for international affairs, international government or non-government organizations – UNICEF, UNESCO, the Council of Europe, the World Bank, Open Society Foundation(s) on a specific subject or on the occasion of a visit by high-ranking officials etc.

Social events include receptions by different embassies, international organizations, or celebrations organized by your government or ministries. Naturally, these events are not the venue to present projects and needs in detail but are good opportunities to capture donors' interest and to schedule formal meetings.

Ways of approaching donors

The formal forms of a direct approach are:

1. two-way negotiations; and
2. responding to a call for proposals.

Two-way negotiations

Two-way negotiations to secure assistance start once the concrete donor has indicated an interest in your program and pledged a certain amount.

Prior to entering the negotiations, it is advisable to:

- Set up the negotiating team with the level of authority and professionalism corresponding to the level and content of the negotiations. It has to be composed of authorized professionals, the highest officials of that sector, and/or other government representatives if the contract is to be endorsed by the government, conduct the negotiations. The negotiators' profile is determined by the scope and purpose of the donation and the donor in question. For example, negotiations for funding by the international organizations such as the World Bank, the EU are conducted at the highest government level. If support of a specific sector is concerned, the highest officials of that sector, experts in the project content, and/or other government representatives if the contract is to be endorsed by the government, conduct the negotiations. Talks on donations with individual countries or their agencies are conducted between authorized sector representatives and country representatives.

- Become as fully acquainted as possible with the characteristics and activities of the donor in question. Some important points which may differ with various countries are: the fiscal year of the given donor (for example, the fiscal year in the USA starts on October 1, in Japan on April 1, or in Germany on January 1); its decision-making cycle, i.e. which resources are at the discretion of local representatives and what has to be programmed in the home country; is the aid tied to home experts, suppliers; or whether any local NGO partners are required.

- Have the relevant information and background/supporting materials available (i.e. statistical data, country reports, sector reports, photographs etc.).

- Make the necessary prior arrangements for possible field visits and meetings with representatives of other organizations, state and/or local governments. The locations of visits and relevant people are determined by the content of the project and the donor decision-making procedure.

Make sure that the negotiating and decision-making procedures are clear. It is good to have decision-makers from both parties in the negotiating team because this ensures faster realization of the donation.

Useful tips

- The same negotiating team should be kept throughout the talks; the roles of each member must be clarified within the team and with the donor and maintained from the beginning to the end of the negotiations. Having the future project manager on the team may prevent misinformation and assure smooth progress from negotiation to implementation. The same approach is expected from the other party. This helps ensure a sense of stability and responsibility.

- Full awareness of in-country or in-sector potential is needed. This will prevent taking on responsibilities and commitments that cannot realistically be met. A failure to use the donation as agreed can have grave consequences and result in damage to the recipient's reputation.

- It is important to assert your country/sector needs and not to give in to the very attractive offers of donors for their own preferences that may not be in line with your country/sector's needs.

- Donors' offers may be accepted provided they are within your country/sector's strategic framework. Unless agreed at the highest levels, the amounts of initial donations are usually below recipients' expectations and actual needs. However, they can represent tests. More substantial help may follow based on the results of the initial donor-supported projects.

- Both the quality and quantity of the support are important. A small donation that will help in the completion of a strategic step that is imperative for further development is just as important as the construction of a new building.

What are the results of direct negotiations?

The most desirable result is the signing of the agreement on financial support. However, if successful such direct agreements might have other positive outcomes:

- Initiation and/or support for the donor conference to attract more donors (the donor conference will be described in more detail later), particularly if the direct talks and subsequent implementation of the donation have been successful and the funder is convinced that further support is needed and justified.
- An advantage in the evaluation of projects submitted to a call for proposals issued by that or another organization.

Responding to calls for projects

Many international government and non-governmental organizations and foundations announce calls for proposals in the areas they support. These calls are usually published on the organizations' web pages.
There are specialized agencies that monitor “the offers” in a particular area, particularly calls for proposals issued by EU Commission Directorates, and notify their subscribers about them. Some of them also provide training for project/application writing, including the evaluation of prepared projects. Subscribing to the services of such agencies may save time and effort.

Responding to calls for projects is one of the key themes of many manuals on fundraising and will not be discussed here.

It is important to note that responding to calls for projects is also a good way to establish direct communication with an organization, thereby laying the groundwork for bilateral talks in the future.

Follow up

The results of direct talks, particularly positive ones, have to be made visible to the broader public. This is one of the ways to acknowledge and express respect to the donor and also raises the responsibility of all concerned.

In addition, it may be one of the tools for attracting other donors' interest.

For example, signing the contract is a good occasion for a press conference. It assures the visibility of a donor and enables the presentation of your country/sector program to the broader local and international publics. The completion and start of any major step in implementation of the donor-funded project also deserve publicity. Additional ways to ensure visibility are: posting information on web pages or including it in regular interim and annual reports.

The results of direct talks are not always positive. However, once established the contact with a donor should be maintained because there is always a chance of a good outcome later. Situations and possibilities are often subject to change. Some ways to maintain the contact are: inviting the representatives of such organizations to appropriate conferences and events; keeping the donor informed about developments in your sector by sending them annual reports, strategy papers, relevant publications and other documents; or sending greeting cards for relevant holidays and responding to invitations from them.

Donors’ conference

A donors’ conference is an occasion to present the needs to the largest number of donors possible. The conference can be organized to secure support for the country as whole or for the development of a particular sector (like ecology, education or traffic).

When there is overall interest in the international community to support the development of a certain country (Serbia in 2001 after the political change, for example) or when a country has persuaded some key donors it may happen that support in certain areas is crucial for their further development.

A donors' conference may be initiated and organized by:

- the government of a country
- a government sector
- the government or sector in cooperation with some major donors (the World Bank for example)
- international organization(s)
- a single donor taking the initiative.

Good preparation is one of the keys to the success of a donors’ conference, measured by the number of donors showing their interest and in the overall amount of support pledged.

Preparation of the conference

When preparing the conference one must bear in mind that this is the occasion to convince the donors that their support is needed to aid the long-term sustainable development of the country and help it achieve one or more of its strategic goals.

Thus, it is necessary to present:

- a coherent strategy and action plan to achieve the desired goals and make them sustainable; and
- concrete actions and steps for achieving those goals presented in the form of project outlines.

Further, you should reassure the donors that the country is capable of receiving and managing their support by showing that there are:

- A legal basis for receiving and realizing donations (in some countries there is a law on donations and credits) that guarantees that the donation or credit will be used for the stated purpose.

- Clear financial regulations – bank accounts, clear rules on drawing the funds/credit installments, taxation or tax clearance procedures. These are needed to avoid possible delays in transferring the funds, extra costs or long customs procedures.
- A clearly identified legal body to receive and use the donation (government or non-government organization, institution) and a responsible person. Donations and credits are given to the institution – no real commitment is possible if there are no concrete legal entities to negotiate and take responsibility for the donation.
- Human resources that are competent to manage the donation – contextually and technically.

Above all, a willingness, capacity, energy and full commitment to make the best use of any donations needs to be clearly demonstrated.

Assistance in preparing the strategy, action plan and the projects for the conference may be provided by:

International, regional or local partners (remember that international and bilateral donor partners offer this kind of support. Involving them in preparation of a strategy or a program can be the first step in securing their financial support). They can also cover the conference expenses.

Professional associations/organizations
You can benefit from this partnership in several ways: expert knowledge, recruitment of appropriate staff for project implementation, and so on.

Local or international NGOs – they are experienced in project preparation and fundraising.

Any other relevant available resource.

Logistics

Choice of the location

If the conference is organized for a country, it is usually held in a place where the majority of "big players" have their head offices (Brussels, Washington).

Sectoral donors' conferences can be organized outside or within the country.

An in-country donor conference is reasonable if the major donors have their regional or branch offices there. There is an advantage here because prospective donors have an opportunity to actually see why and where their help is needed. At some historical moments a country in transition might be considered a "hot spot" by donors (e.g. after resolution of a conflict, when a new democratic government succeeds a more closed regime, following a natural disaster). Donor agency representatives may find it interesting to have a reason to travel to the country at the time and holding the meeting in the country may be an attraction in itself.

Co-organizers

Having major international donors or creditors co-organizing the donors' conference is very likely to encourage more countries and international organizations to attend. To use the dance metaphor again – an invitation to the ball from the prime minister or the queen is not often turned down.

Timing

It usually takes several months of careful work by a group of very competent people to organize a conference of donors. It is not easy to coordinate the busy agendas of much sought-after organizations given the number of major conferences that are scheduled. There might even be a hope that not many unscheduled crises will happen.

If the conference is organized locally it has to be announced well in advance (a minimum of 45 days) and participants should get all relevant information at least two weeks beforehand.

<u>At the conference</u>

- The presence of country/sector decision-makers is necessary. Exploratory discussions or negotiations may begin at the conference itself.
- All donors present – large or smaller – should be treated with equal respect. Sometimes a country or a donor new to the scene may become a major contributor.
- Plenty of printed materials (information on the country, strategic documents, reports, summaries, project proposals etc.) should be available – preferably in at least two major languages. Ideally, these should also be backed up on a user-friendly web site. It is well-known that many conference participants discard large conference files even before they reach the airport to return home. If they become interested later and can access a web site, the information may be better absorbed.
- There should be authorized and competent recipient country people who are fluent in at least English and able to give answers regarding a specific project or sector and to carry out subsequent talks.
- In communication with donors, it is desirable to:
  Be open and responsive – answer questions immediately and truthfully. If the answer or information is currently unavailable it should be provided at the earliest possible time after the conference.
  Offer reliable evidence to support statements and requests.
  Discuss the next steps – make subsequent arrangements as clear as possible, for example the date of the next meeting.

The preparations, conduct and presentation of the recipient country/sector are vital for the conference's success. The better the preparations, the greater are the chances of attracting donors. But remember – a positive outcome of the donors' conference is just the first step – the real work still lies ahead.

<u>After the conference</u>

Usual formal activities following the conference are:

- Thanking donors for their attendance by letter signed by the highest official.
- Sending the conference report containing the names of all those present, a brief description of the event, conclusions and other presented materials to all invited donors. The report and supplementary materials should also be posted on the appropriate web pages.

Conclusion

It is hoped that this section has helped you to initiate the dance with donors. While it might not seem so, having the desirable dance partners (attracting the donors) and together enjoying one or several dances (agreeing on the donation) is an easier part of your work. To keep your partners, continue dancing and enjoy it requires much hard work and commitment coupled with a willingness to learn new dance steps, the capacity and courage to introduce your own steps and, if appropriate and necessary, adjust to the partners' steps.

The next chapters might assist you in this.

MANAGING RELATIONSHIPS WITH DONORS

Each relationship with a donor involves its own special dance. These dances will happen in different places, in different contexts, have varying lengths yet the basic prerequisites for each and all of them are:

- *a defined overall strategy and project;*
- *a defined project management structure with local leadership; and*
- *roles and responsibilities of all partners that are clearly defined, accepted and observed.*

In addition, there has to be somebody to organize and support the dancers, to look out for prospective new partners, to take care that no guest is neglected and to ensure that the dance(s) are proceeding as they should.

Let us now look at the different kinds of dances and offer some ideas for how to manage them.

What are the possible dances (relationships) with donors?

Possible relationship contexts:

1. One donor – one project
2. Several donors – same area/project
3. One donor – several projects

Let us now examine each of them.

1. One donor – one project

1.1. Perfect situation – the donor agrees to fund the proposed project as submitted

This usually happens:

- when there has been previous good cooperation with the donor and mutual trust and respect are already established;
- when the projects are in line with the donor's strategy;
- the project has good publicity and adds to the donor's visibility;
- the project is small or a pilot – ideal for "testing" prior to approving greater support; or
- the donor has extra money to spend before the end of the fiscal year.

The next steps are preparing and signing the contract, transferring the funds and starting to implement the project in the way and with the structure defined in the contract and project documents.

Tips

- No matter how small the project is, the donor should be treated with respect and obligations duly fulfilled (proper and timely reports, keeping to the schedule).
- Proper implementation of the project and good cooperation with the donor can give the recipient a positive reputation in the donor community.

1.2. <u>The donor does not fully agree with the content or location of the project.</u>

This may happen if the donor has already supported a similar project (content) or is already working on another project in a certain area (location) and wants to use its existing resources in that area for the given project.

In negotiating the <u>content</u>, it is recommended:

- to bring in other relevant partners – professional organizations and associations to support the negotiations on the contents;
- to present evidence that the target group is interested in the themes of the project and that the project is the result of a participatory process;
- to show and demonstrate openly why it is necessary to undertake certain steps before others; and
- to be open to the donor's comments and suggestions: they may be appropriate.

If the donor does not accept the proposed contents, another project corresponding to the donor's preferences may be offered for funding provided that the alternative is also in line with your strategy.

<u>Location</u>

If the project is unique to a specific location, it might be necessary to present additional arguments and/or to organize a field visit that may help persuade the donor to accept it. Field visits also provide an excellent opportunity to spend more relaxed time with the donor's representative, to learn more about their particular interests, likes and dislikes.

If the project can be implemented at various locations, the donor's request may be accepted.

Tip

The issue of location should rarely appear because it is usually decided on jointly during the elaboration of project documents, also taking into consideration the sites at which the donor already works.

When preparing a project to be submitted to a specific donor, the area in which the donor is already active may, if applicable, be indicated as the place of the project. There are chances that funds will be granted more easily because the donor can use the resources and organizational structures already in place.

1.3. <u>The donor has certain requests that do not correspond with your agenda, such as:</u>

Funding offered immediately for the activity/segment planned at a later date (in a year or two).

This happens when the donor already has the necessary resources available or did not use the resources allocated to this segment in its annual budget.

Since the recipient is rarely in a position to turn down a generous offer, open and flexible negotiation may result in finding the solution that is acceptable to both parties.

For example, a donor provides support for teacher training in the use of computers and distance learning at a point where the teachers have not yet mastered basic ICT literacy and the schools are not properly equipped. Possible solutions:

- to select suitably equipped schools as pilots and have their teachers trained within the donor-funded project;
- these teachers can become multipliers; or

- meanwhile, work on securing government, private company or other donor funds for equipping schools with ICT.

Financing only experts from their home country

A strong argument here is to convince the donor that it is better to invest in domestic experts who will stay. This is directly connected with the sustainability of change. Naturally, if your country does not have experts in a specific area one task of foreign experts must be to train local staff.

The donor wants to carbon-copy a project implemented in another country

In negotiating support, the suggestions given under 1.2. above (content) may apply.

If the donor is very important in the long run and if the project is to some extent in accordance with your needs and strategy, piloting may allow a compromise.

The donor requires full control of staff selection, locations and the schedule

Such a request jeopardizes the ownership of the project and its sustainability. It is possible to negotiate a project management structure in which the donor representative will have a place. The roles, duties and responsibilities of all partners should be strictly defined. If necessary, the negotiations might be taken to the highest level.

Ultimately, your sector/organization might lose the donation but your strategy and integrity will be preserved.

1.4. The offered donation is not sufficient for the project.

Prior to accepting the donation, investigate if there are other donors that might be interested in funding the project. If the results of this search are positive, the project can be jointly funded provided that all parties involved accept such arrangements.

This is the situation where skills in attracting and communicating with the donor community and the investment in establishing and maintaining contacts and good relationships with donors may yield results.

- Another project might be offered if the securing of additional funds from other donors fails.

- When the project is extremely important and necessary for subsequent development stages, if applicable, it can be split into phases; restructured so that only the core activities providing the bases for future work are funded from this initial donation. Funding for the next phase may be secured from the following year's government/sector budget and/or the same or other donors in the next fiscal year. Be sure to include monitoring and evaluation for the first phase, if appropriate, so that both donor and recipient have a scheduled, formal opportunity later on to review progress and discuss potential follow-on support at a future stage.

2. Several donors interested in the same area/project

This is usually the case with development programs covering an entire area and with the programs for rehabilitation and building infrastructure.

Support for infrastructure

The simpler the area, the easier it is to handle. An example of a fairly simple situation is investing in buildings, furniture and equipment. Depending on the size of the building there can be several donors financing different components – construction works, interior, furnishing and equipping.

Tips

- The necessary arrangements have to be set up to ensure a good information flow so that it is always clear who is financing what, where and when. This is the task of the donor coordination unit. Tracking information, statistical data and relevant indicators need to be available and accessible to all. Data on support in this area provided by other sources should be collected and regularly updated. (Some developmental projects also have infrastructural components).
- Needs and priorities should also be collected and reconsidered periodically.
- This timely information is particularly important when new donors arrive on the scene or when a project is extended.

<u>Support for developmental programs</u>

A situation requiring more careful handling is one where several donors are interested in supporting policy development in a certain area or in the development of a specific strategic segment. An example from the education sector is the support of the professional development of teachers.

If all donors are engaged at the same moment (which is rarely the case since donors arrive at different times), a suggested approach is to organize a joint meeting and to agree on a “division of work”. In so doing, a clear strategy and action plan forms a preliminary “menu” from which the donors can choose. Naturally, changes of the “menu” are possible. This should be done in cooperation and with the agreement of all interested parties. Suggestions and ideas presented by donors are welcome. It has to be clear from the very start, however, that they are present to support what your country needs and not what they *think* it needs.

Tip

- Donors have their own strategies and projects that have been implemented successfully or less successfully elsewhere. Some donors might be reluctant to try out a new “dance step.” To persuade them to try the “new step” it is necessary to be very clear and explicit (strategy), to present evidence and reassurance that they will not “break their legs” (legal framework, strong leadership, coordination firmly in your hands, competent staff to implement the project).

- A strong project management structure is vital. Making very clear who is in charge and what is the decision-making procedure is a good way to avoid the problem of dealing with a donors’ competition on priority and the “final say”.

- When donors arrive at different times or at different stages of work it is important to make sure that the newcomers are briefed as extensively as possible about what has been going on so far and who is also at the dance. All written information, project reports, long- and short-term objectives, and priorities should be shared with all parties in writing and during regular joint meetings.

3. One donor supporting several areas

Some international and bilateral donors support different sectors or different areas within the same sector. For example, a World Bank loan is used for several strategic components. Which portion of the loan shall be used for which component is often the subject of tough negotiations because the creditors’ and your perceptions on what is needed may differ.

Other donors may start by supporting one project and then expand their funding to other projects. This is often a direct consequence of the success of your previous relationship as measured by the results of the project directly and by your efforts to establish and maintain a stable and healthy partnership.

Tip

In managing such relationships, some of the suggestions mentioned above may be useful.

What is important for and in the relationship?

Once the dance with the donors starts, one hopes it will not only last but also become stronger. No relationship can continue without:

- *mutual respect;*
- *trust and confidence in one another earned through responsible and accountable behavior;*
- *visibility; and*
- *sustainability.*

Each of these is built starting from the first contact and continues throughout realization of the project.

Respect

Mutual respect is vital for any successful partnership. If the donor's representative is well-known locally and internationally and has a proven work record, they will not have to put too much effort into earning your respect. On the other hand, if your program or organization is new it will be necessary for you to earn the respect of the donor. A good start is when the person negotiating the program is respected internationally in professional circles.

To earn and to keep respect, it is necessary:

- to clearly show to donors what is needed, why it is needed and that the capacity to achieve it exists (long-term strategies, feasible projects in the function of enabling realization of one or several strategic goals);
- to demonstrate the contribution to realization of the project/program;
- to be aware of one's own potential and shortcomings and to be ready to acknowledge them;
- to recognize the potential and needs of donors;
- to be open and honest, for example, it is better to admit that the donation of computers cannot be accepted at this time due to the lack of adequate premises than to accept it and store the computers unused somewhere for an indefinite period; and
- to participate in events organized by the donor/international community in your country and abroad if possible.

Be considerate but not over-attentive. Extravagant generosity and gift-giving may be a turn-off or may be misinterpreted as a veiled bribe. There is a line between business and private relationships, appropriate hospitality and entertainment. Wining and dining in expensive restaurants till the early hours can be fun yet it can also create wrong impressions.

Trust

Mutual respect is a good starting point for building trust. However, in a donor-recipient situation more substantial things are needed to gain trust. Trust is based on responsibility and accountability. This primarily means:

- consistency of words and actions;
- respecting mutually agreed procedures, schedules and deadlines;
- using the funds for their intended purpose;
- being clear about any changes and seeking agreement on them;
- regular narrative and financial reports in the format requested by the donor;

- having all important documents, data or reports available in English and/or the donor's official language;
- promptly responding to donors' requests for additional information /reports/ documents whether by providing them or admitting they are not available and possibly suggesting alternative sources; and
- engaging competent staff for the project (required skills and knowledge of the donor's language) and keeping it stable, particularly people in the project management unit.

Donors have their sources in your countries and use other sources of information to follow the situation and sometimes verify the information provided by your organization. Likewise, if your organization is uncertain about one or several donors it is perfectly legitimate to seek additional information either through one's own sources or directly from them.

Visibility

Regardless of the size or impact of the donation, care should be taken that the contribution of even the smallest donor is acknowledged and visible. This recognition can be achieved by:

- mentioning the donor in your interim or annual reports from the moment the donor has indicated an interest in supporting you;
- inserting the link to the donor's web site on your organization's home page;
- having a sub-page with a brief description of the donor and the project they are supporting;
- printing the donor's logo on project products (reports, publications, equipped classrooms, donated computers etc.); and
- posting a list or plaque of your donors and a word of appreciation somewhere in your office or building, or on your web site.

Sustainability

It is in the interest of both the donor and your country that the investment, changes, innovation or progress brought about with the donor's help actually lasts. Sustainability has to be addressed in the project preparation stage.
The ways in which a lasting effect will be ensured should be thought through and indicated in the overall strategy. The only real guarantee of sustainability is through government efforts, beyond the dance with the donor.

These are the elements that have to be built within both individual projects and between the organization/sector and the donors.

What is needed to manage the relationship with donors?

Once the dance with donors starts, each pair or group of dancers (project management units) will build their relationships around the concrete issue or task following the common principles outlined above. However, there is a number of things to do before the dance, during the dance and after it to ensure healthy relationships with donors, the smooth realization of donor-funded projects and for attracting new donors. To be able to accomplish all of this, it is vital to have a **Donor coordination unit (DCU)** within your organization.

Naturally, a DCU is not needed if the organization is dealing with one or two donors. In this case, a focal person within the organization is sufficient. That person's task is to ensure smooth communication between the donor and relevant people or units within the organization.

Why is it important to have a donor coordination unit within the organization?

This unit is there to ensure that the things needed for the relationship are developing, maintained and upgraded with the donor community in general and within each individual project. Many or all things mentioned in discussions about respect, trust, visibility and sustainability are the direct responsibility of the unit. The unit may well become a reflection of all these qualities in the donor's eyes.

Donor coordination has to be in the hands of the donation recipient. In this way the ownership and sustainability of a country's development will be assured. Donor coordination cannot and should not be done by another donor or external agency.

Donors sometimes tend to assume leadership and coordination roles, particularly if they have supported the creation of the strategy or project, have already supported the sector or organization or brought in other donors. Donors may readily agree to undertake donors' coordination for your organization. It can be tempting for those recipients who often do not have the necessary capacities or competencies to lean on the donors. Yet donors lack the true insight into the needs and developments in your country. They might have a different perception of the importance and timing of certain steps and pursue their own ideas and strategies and, as outsiders, may lack the commitment, persistence and energy of the creators of change and owners of the vision. In the case of support of the government sector, having "foreigners" managing donors' support and leading the major reform projects could create a negative response in the public or amongst the project participants.

The above arguments are also applicable to an external agency engaged in donor coordination. Further, an external agency may care more about its own image and profit than about your needs.

In some organizations or government sectors, an individual project management unit is required to do the overall donor coordination. The main reasons to avoid this are: a project management unit's workload is already too heavy. The unit may not have the capacity or interest to take on additional tasks, no matter how important they may be. Even if the unit's staff are ready to do so, they do not have a clear and objective picture of what is going on and what is needed because they are primarily focused on the tasks at hand.

Tasks of the Donor Coordination Unit

Below is a summary of the main tasks already mentioned in this text:

- initiate and maintain contacts with donors;
- prepare projects or organize their preparation, submit and distribute them to the relevant donor(s);
- collect information on donors' activities and look out for calls for projects;
- inform donors about the activities in your organization/sector;
- advise donors about each other's activities;
- organize conferences, meetings and briefings;
- assist foreign partners with visas, hotel accommodation and travel arrangements; and
- share information and cooperate with other sectors, ministries and organizations on donor-related issues.

Setting up a Donor Coordination Unit

In setting up a DCU, the two most important organizational issues are the position of the unit within the organizational structure and the unit's staff.

Position: the Unit needs to be located in the head office with direct access to the key decision-makers. The head of the unit reports directly to the head of the sector or organization manager. The authority and competencies of the DCU head should be a matter of internal organization regulations and formalized in writing. The unit takes care of attracting and maintaining contacts with donors, assuring the visibility of the donors involved, information sharing, project preparation, and following up donor activities. To be able to accomplish this, close cooperation with sector managers – decision-makers, project managers and other related organizations – and regular communication with international partners are required. There should be direct communication channels between the head of the DCU and the heads of project implementation units and project managers.

Staff: the number of staff is determined by the structure, financial and material resources of the organization and the extent of work. The optimum is a head and at least one contact person for each area of work and the donors supporting this area, depending on the scope of the activities and number of donors. It is highly desirable that at least the head of the DCU has had previous personal contacts with donors, worked for or with an international organization or agency, and prepared and managed internationally funded projects. The DCU should also have an ICT specialist, protocol and administrative assistant. Sometimes a dedicated financial manager is required. All employees should be fluent in at least one major EU language and have a good command of English. A legal adviser(s) is an asset unless legal matters are handled by a different section. If the latter is the case, the people dealing with international contracts and official documents need to be clearly identified. Depending on the internal organization structure and division of tasks, the unit may have an accountant or procurement officer. In any case, some expertise in financial management within the unit is needed.

Since local expertise in managing donors and donations is scarce, the capacity-building of DCU staff has to be a priority. Investing in staff development using either the country’s own or international partners’ resources will be paid back many times over.

Frequent staff changes and turnover in the donors’ coordination unit and project implementation unit should be avoided as much as possible. Some degree of stability is important for two reasons. The first is that it maintains an “institutional memory” and a continued understanding of the project within the unit. Secondly, the stability of staffing provides donors with a sense of security about the organization and project. Frequent changes of names and addresses can be confusing and affects the smooth information flow. Naturally, this does not mean that staff changes should be avoided at all cost. Changing a name and a mail address is less harmful than keeping on a staff member who is ineffective, dishonest or otherwise not performing and perceived as such by the donors. It is difficult to achieve a professional performance, maintain mutual respect and trust without adequate competencies and proper business conduct.

For the unit to be efficient it is necessary to:

- Assure that all information on activities involving foreign partners is communicated to the unit (it may take some time to make it a regular practice among the staff concerned, particular senior staff. The strong support of the organization's management may help here).
- Inform all international partners about the existence of the DCU, its tasks and provide the name of the contact person for the donor/area/country. Having one person as the link between a concrete donor and other relevant people in your organization makes information flow more easily and efficiently. It also adds to your reputation as a responsible organization in the donor community and saves time and effort for the other people in your organization who are dealing with international support.
- Provide good working conditions and proper equipment. Besides being important to the efficiency of the office they shape the donors' impression of the DCU and the entire organization.

When the DCU is set up and operational it is good to introduce it to the international community. Some ideas on how to do this are:

- send a letter to all existing and potential international partners;
- visit donors' local offices (head and contact person for the specific donor) to gather information and seek advice;
- organize a briefing meeting that can also be used to present the developments and projects of the organization; and
- place information about the DCU, along with the names and contact details of staff on the organization's web page.

Here are some **practical suggestions for the unit's operations**:

- Compile a mailing list of all potential donors, that will be continuously updated.
- This list will be used for sending information, reports on different projects and activities, meeting reports etc.
- Maintain separate mailing lists of donors interested in or working in specific programs or thematic areas that also contain the contact details of the person in charge of that area or a specific program.
- This will be used for sharing information in the given area and to ensure that all donors get the same information at the same time.
- Organize the translation of all relevant documents into English to be able to respond to donors' requests promptly.
- Ensure there is a designated person in each project responsible for communication with the DCU, and the provision and dissemination of all relevant information.
- Include details of all donors who support your organization on your web page and provide links to their sites. This information has to be continuously updated and the site links reconfirmed.
- Organize regular donors' meetings (at least bi-monthly) at which different donors can meet each other and learn about other donor-supported activities. People responsible for the specific areas in your organization are also present at those meetings.
- Brief senior staff of your organization on donors' involvement and interest – particularly if they are to attend any major international event.
- Make sure that the donors supporting you are mentioned whenever appropriate.
- Take care that the completion of each major project phase is publicized, even celebrated if possible. Use the occasion to invite all other involved or interested donors. The presentation of results, proof that the donation has been effectively used and an acknowledgment of the donor who enabled it, is a powerful tool to attract more donors.
- Make sure that other people or units in your organization have information on existing and potential international cooperation.

- Respond promptly to invitations to relevant conferences, seminars and workshops and register your nominated participants on time. If unable to attend, inform the host and send a note of apology and best wishes for the conference. Assist the nominated participant(s) in the preparation of presentations concerning international involvement or the need for it.
- Inform members of the international community about every important conference, meeting or event and invite them to participate or attend well in advance. Make sure that all participants receive pre-event documents on time. Send the report on the event and all documents presented there to everyone on your general mailing list.
- Organize training sessions or seminars for the organization's staff on project preparation and management, reporting formats and other issues that will aid in the successful receipt and realization of the donation. Many donors are willing to help with such training.

Conclusion

The development and progress of each dance (donor-recipient relationship) is primarily determined by those directly involved in it. There is no universal recipe that works for all or any of such relationships. In building your relationships you may and may not use the suggestions given in this section. Your experiences may be different; you may find other ways and resources. We invite you to share them.

WHAT CAN DISRUPT THE DANCES (RELATIONSHIPS) WITH DONORS?

Even the dance of the best professional dancers can be disrupted – due to the misstep of one of the dancers or an external factor. The recipient-donor relationship is no exception. Its quality and sustainability depends on the conduct of those directly involved and on their investment in the relationship. There is also the strong influence of external factors.

Let us look at the possible causes of disruption and suggest ways to prevent, avoid and/or overcome them.

External factors

These are the factors that do not directly involve concrete donor-recipient relationships but provide the framework within which it is built.

Change of government

Consequences of a change of government for donor partnerships can vary in their scope and intensity. They may be drastic or negligible. Examples of a drastic impact are:

- temporary or permanent ceasing of all contacts with the international community;
- putting all foreign assistance on hold or the suspension of projects; and
- the cancellation or termination of certain contracts.

To resolve such difficulties, the mobilization of external resources at the highest level may be necessary, i.e. independent professional institutions, renowned individuals in the country, the highest levels in the international community.

Modification of policy – a change in priorities

This usually means assigning higher priority to certain developmental areas or sectors, introducing new elements in sectoral policies or making the development of certain areas more important.
For example, the development of tourism becomes more important than addressing needs in the health sector. In the education sector, the development of the school inspection service becomes more important than the professional development of teachers.

Such shifts may result in pressure on donors to redirect their support. To what extent this occurs depends largely on the donors. Public pressure may help preserve certain activities.

One may expect that those projects that have already started will continue. From the donors' perspective, breaking a contract is complicated and expensive, making them reluctant to take such steps. For donors, the formal continuation of the project is more comfortable than engagement in complicated administrative matters and conflict. In such cases, it could happen that the project may not continue with the same energy and it will not achieve the expected and desired outcomes.

Depending on the donors' strategy, some agreements will not have follow-up phases (planned earlier), and the funds allocated for the country could be re-directed to other countries or to the NGO sector (if an NGO sector capable of implementing the planned activities exists in the country).

To ensure making the maximum use of the support and preserving what is accomplished, whenever possible the recipient might plan the project in separate meaningful units or steps that will be the foundation for all steps to follow. When capacity-building in an area is concerned, it is wise to train the core team of future trainers or multipliers first. It is better to complete the entire project cycle in several selected schools than to start the project in too many schools at the same time.

Another consequence of a change in government and/or change of policy or policies that can have a negative impact on donor-recipient partnership is described below.

Cancellation or restructuring of the local institutions/agencies implementing donor-funded projects

Some contracts are signed at the government level and are supposed to be recognized by the new government. However, a number of contracts are signed between different donors and individual institutions/agencies. If these agencies are cancelled or restructured, it may take some time to make new administrative arrangements.

Cancellation can also slow down a project’s implementation. Restructuring usually means the appointment of new heads and new staff that will need time to get familiar with the project. They might have different ideas and wishes and try to impose them.

What can be done to prevent or minimize a cancellation?

- The contract should be endorsed by the government.
- The funds should be earmarked for the specific purpose, with the most detailed, broken down budget possible forming an integral part of the contract.
- The withdrawal of funds and penalties if the money is used for other purposes must be stipulated in the contract.
- New people should be immediately briefed about the project(s) in progress (all relevant documents have to be regularly updated) and, if appropriate, the consequences of not following the contract and the agreed schedule clearly pointed out. Briefing may be verbal or written – both are recommended. For example, the DCU can schedule a meeting at which relevant government officials, the donor representative, and the representatives of target groups and beneficiaries will be present.
- If the newly responsible person refuses to join in the meeting, the matter should be brought to a higher level involving intervention by the donor’s head office. When the communication goes through the donor’s channels, the local representatives of both parties must be present at the meeting.

Note: the stronger the respect and trust-based partnerships with the donor that are established, the faster and easier will be the adaptation to changes and amelioration of their consequences.

What is to be avoided by the recipient?

Lack of or poor coordination of donors

Some examples of poor donor coordination are:

Information on existing or needed donor support is missing or not shared with all donors

Although donors have their own sources of information about your country, sector or program they rely on information provided by your organization, particularly with respect to specific areas or locations where support is needed. If information on the engagement and interest of active or potential donors is not available, or if it is available but not shared with the donors, this can cause quite an amount of confusion in the field. Imagine the situation of a donor investing financial and human resources in planning support for a certain area and discovering on site that somebody else is already doing it. Or, somebody comes with funds to support the building of a small textile factory in a certain area and finds out that such a factory is already well under construction there. Confusion results in the reducing donors' interest, a reconsideration of the planned support and in questioning the reliability and responsibility of your organization as a partner.

New donors are engaged without informing the others

Poor donor coordination also manifests when a new partner is engaged in a project that is already supported by another donor(s) with no preliminary discussions and agreements on the division of work. This also creates confusion, competition and dissatisfaction of those involved.

The synergy and maximum use of the support can only be achieved if the partners cooperate with each other and openly share all relevant information.

Engaging the new donor in an existing project or program supported by the others in a proper way is the task of the DCU. Assuring the synergy and cooperation in the course of work is the task of the PIU with the support of the DCU.

<u>One donor coordinating the others (openly – covertly)</u>

As mentioned, a donor may not have an accurate insight into the needs and developments in a country; the donor may have a different perception of the importance and urgency of certain activities. Further, partners may have reservations or biases about certain countries or international agencies and are reluctant to work under their management.

Remember, donors are there to support your country and your program, and it is your responsibility to manage relationships with them.

Due to the lack of capacity, staff shortage or other reasons, it may happen that a DCU officially exists but acts on the directions of one donor. There are situations when it is difficult to resist donors' attempts to control, particularly if the donor provides a lot of funds or is very prestigious internationally. If the recipient has a clear strategy and commitment to the goals and objectives set, they will easily find a way to coordinate donors with the existing resources and keep a good relationship with the one in question.

The role of the DCU head is crucial here. Therefore, they should be selected carefully.

A well-organized and capable DCU can prevent and minimize the above negative outcomes. In some countries, there are even government offices in charge of donor coordination.

Misuse of funds

To use funds for any purpose not stipulated by the agreement, without the written consent of the donor, is not allowed. The consequences may be international court proceedings, withdrawal of the donation and, inevitably, loss of respect and trust by the donor involved and, subsequently, the donor community in general.

It often happens that the recipient might need funds for activities not included in the project, perhaps for an emergency intervention. The only available funds are donations allocated to certain projects and not yet used. If the donor is approached with a well-argued request, explaining why the funds from the donation are needed for a different purpose and showing that the project activities will not suffer until the funds are reimbursed, the donor might accept such a request. It may happen that the donor provides extra funds and/or helps in approaching other potential donors about the need that has arisen.

Disrespect of the agreed procedures

Examples are: a delay in providing reports or reports not presented in the required format; decisions made one-sidedly, donors not notified or their approval not obtained for changes of the schedule, locations.

Although some or all of this conduct may bring certain gains in the short run, they are very dangerous in the long run. A one-sided change of schedule might be useful for the recipient at the given time but may result in a more complicated project implementation procedure. The absence of the agreed documents (incomplete or delayed reports) causes a delay in the disbursement of agreed tranches of the donation or even the withdrawal of subsequent amounts due.

Sometimes it is necessary to make decisions quickly and there is no time to follow the required procedure. If this is the case, the donor and other relevant partners should be notified about it as soon as possible, along with an explanation of the reasons for such action. A donor may understand the first time this happens, but this does not mean that the same procedure will always be tolerated. Though it may be easier, less time and work consuming to make decisions without calling steering committee meetings or applying other agreed procedures, respecting what has been agreed brings stability and trust into the partnership. The meetings do not necessarily have to be face-to-face. There are other options such as telephone and videoconferences and online consultations.

A failure to act as agreed can result in a project delay, a request for auditing and/or losing the donation.

Note: providing regular information to the donor about all steps of the project, as well as the donor's participation in planning and decision-making, will earn your organization respect and trust but will also make the donor more interested in your programs and more willing to extend its support.

<u>Frequent staff changes in the project management unit (and changes of staff dealing with donors in general)</u>

Besides disrupting the flow of project activities (new staff need time to get acquainted with the situation), this brings an element of instability and insecurity into the relationship.

It is easier to communicate and build the relationship when people are better acquainted with each other.
When you dance with somebody for the first time, the chances that you will step on each other's toes are larger than after your third dance together. Likewise, the communication with the donor may be awkward at first but become smoother as you adjust to each other. In today's world of technology and online communication, it feels secure to have a name and a reliable address from which the response will come. If there is a chance of a face-to-face meeting, the communication will almost certainly be better and more efficient. Bringing in the new person inevitably reduces the efficiency of communication for they need time to become familiar with all information and procedures and to get know their counterpart. The same problem occurs when the donor changes staff.

Besides difficulties in the information flow, frequent changes of staff in a project can raise donors' concerns about its proper implementation.

It is advisable to keep staff changes to a minimum, particularly if the employees are very competent. However, staff changes will happen. All partners should be notified immediately (or even better, in advance) of staff changes (caused by replacements, enlargements and reductions of the PIU's work power) and the new names and addresses provided.
Some time has to be provided for the handover of duties and tasks and, if possible, the old and new people should work together for a certain time. Depending on the complexity of tasks, this time may last between a week and a month.
If there is a change in the leader's position, a face-to-face introduction is necessary.

Staff changes do not only happen in the recipient organization. It is expected that the donor will act in the same way to ensure that such a change does not influence the project's implementation.

What is to be avoided by the donor?

Some problems that might arise on the donor's part and disrupt the relationship have already been discussed in the section on managing relationships with donors (e.g. interference in the content, staff, location, attempts to take over donors' coordination).

In the course of project implementation, some issues that may impede work are:

A delay in transferring funds

It happens more often than not and it is advisable to take it into account in the project preparation stage by making a flexible time-plan of activities.

The recipient may also:

- request payments in direct talks and in writing conducted by the DCU and other parties of influence; or
- increase pressure on the donor by informing the international community about the problems faced due to the delay in fulfillment of that donor's obligation.

In the case of large projects or programs that are very important for your sector, it is possible to get start-up funds or funds for preparatory stages from other donors. These funds can be a grant or a loan to be paid back when the actual donation arrives.

An example is the Education Development Program of the Ministry of Education of Serbia funded by a World Bank loan in which the Swiss Agency for Development and Cooperation provided funds for the preparatory phase of the School Grants component.

<u>Withholding the agreement needed for a subsequent project stage without a justifiable reason</u>

To deal with this, the recipient can:

- keep reminding the responsible official(s) of their contractual obligations;
- set a deadline for the agreement and proceed with the project if the agreement does not arrive by the deadline; and
- put pressure on the responsible official; inform the donor organization's senior staff about the problems you are facing.

<u>Delay in the preparation of documents needed to effect payment</u>

It may help to put pressure on the responsible official; inform the donor organization's senior staff about the problem.

The donor's representative in charge of the specific project is unsuitable for the task

If the other measures have failed (briefings, on-site visits, training) a replacement may be requested on the basis of reliable evidence.

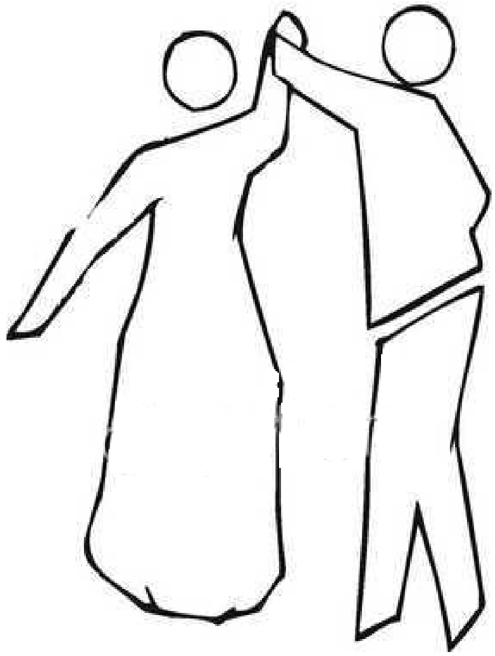
There are many other things that may disrupt the relationship. They may arise at any stage of your partnership – the dance. To avoid and prevent these, answering the following questions may help:

- Will that make my partner respect and trust me more or less?
- Will that show to my partner that I respect or disrespect them?
- Will it add to the sustainability of our partnership, our joint endeavor or shatter it?
- Will it compromise our own or our partners' reputation?
- Is this relationship worthy of further investment?

Conclusion

The possible causes of a disruption in your dance with donors outlined above are far from exhaustive. Whether you have faced some of them or have different problems, remember that there is no human relationship without a certain degree of stress, misunderstanding and wrong steps. At times, they can be difficult to cope with. On the other hand, we have the potential to learn from both our own mistakes and those of others. Your experience may be a valuable contribution to this learning process.

The more we know, the better equipped we shall be to dance, to prevent or avoid disrupting it and to add a new dimension to our dances and make them even more fruitful and enjoyable. It is important to continue dancing as long as it takes (but not indefinitely) so as to become the one invited to dance by the donor and, ultimately, become the donor.



We invite the first readers of this draft version of the "Dancing with Donors" to send comments, additions and corrections for improvement to: yago@EUnet.yu