

Hivos Partner Policy

Approved by the Supervisory Board
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1. Introduction

For Hivos, being a donor organisation and a global civil society actor committed to socio-political change, its partner network is of crucial importance. Within this dynamic network money, knowledge, experiences, human resources, ideas, contacts and commitment are exchanged and brought together in order to reach common goals. Hivos is linked to a wide variety of actors: civil society organisations and private sector entities in the South and East, international issue-based network organisations in the North and in the South and East, Dutch knowledge-based lobby organisations, other Dutch and European funding organisations, et cetera. These relationships are either bilateral or belong to networks in which Hivos is involved.

The term 'partners' expresses the commonality of interest and objectives. Hivos considers itself and its partners to be independent and autonomous organisations with their own responsibilities and accountabilities in the local or national context in which they operate. Hivos' partner policy is based on transparency and clarity regarding rights and obligations in order to minimise the negative effects of inequality inherent to donor-recipient relationships. Not all partner relations are of the same intensity, all partner relations are limited in time, and full equality of power never exists. Like Hivos, most partner organisations depend on external funding. In order to avoid excessive dependency on one donor, Hivos stimulates partners to diversify its sources of funding and other support.

Hivos uses an organisational approach, in the sense that the relationship should build up the organisational capacity of (starting) organisations and enable them to become more effective and independent over the years. This is reflected in the funding policy which offers a range of funding modalities, from small funds for specific activities to the funding the core costs of an organisation

Hivos strives to implement funding rules and procedures that enhance the specific activities, the impact, and the organisational development of recipient organisations. This means that Hivos deals quickly with funding requests, provides long-term and flexible funding, is willing to fund core costs of an organisation and is ready to take risks in funding new, untested initiatives.

In this document Hivos describes its partner policy towards organisations receiving funding. In addition to criteria for the selection of partners, the document also elaborates on funding policies, capacity building of partners as well as monitoring instruments and good donor-ship.

2. Principles of partner selection

Hivos' successful and effective functioning depends on the identification and selection of the 'right' partners. These are organisations of proven quality in view of Hivos' overall goals. Hivos also seeks co-operation with new and innovating organisations that explore new approaches and methodologies and areas of operation within its general, sectoral and geographical policy areas.

Hivos has defined its vision, mission, policies and strategies in the general policy document *Civil Voices on a Global Stage* (2002). In addition, sectoral policies and strategies have been worked out in long-term policy documents on Sustainable Economic Development, Gender, Women and Development, Human Rights, Culture and the Arts, Hiv/Aids, and ICT. Hivos will generally not support organisations working outside the framework formulated in the aforementioned documents. Partners should preferably be legal entities in their home country. This, however, does not rule out co-operation in cases where such registration is problematic due to social or political factors outside the partner's control.

In principle Hivos selects its partners from the (about 30) countries in which it operates. Partners from other countries may be supported on the basis of their international (regional or world-wide) outreach, high relevance for implementation of Hivos policies or their support to the partner portfolio in a Hivos country. Strategic co-operation with other (donor) organisations also provide opportunities to support activities in other countries.

The four-yearly Hivos Business Plans and the Annual Plans, as well as the separate bureau plans provide guidelines for portfolio development.

Types of organisations supported

Membership organisations and social movements have a special place in Hivos' partner network, being the most immediate representatives of poor and marginalised people and directly addressing problems on the ground. This provides them with legitimacy within global networks and discussion platforms. Their work, ideas and experiences are of great relevance for international co-operation and Hivos policies. Criteria of effective functioning in view of Hivos' goals, accountability and transparency remain in place.

Besides membership organisations and social movements Hivos also co-operates with community-based organisations, intermediary development and service rendering NGOs, institutions and companies, networks, and other donor agencies. Community-based organisations are supported if they have a substantial outreach and if their work is also relevant beyond their own community. Intermediary developmental and service rendering NGOs, institutions and companies can be Hivos partners if they specifically aim to provide professional services to marginalised people, membership organisations, social movements or community-based organisations and enhance the internal capacities of these organisations.

In addition to partners receiving funding, Hivos also co-operates with other donor agencies and (single-issue) lobby and advocacy organisations in the North if they have specific expertise and added value for Hivos sectoral policy implementation. Co-operation is also sought with partners in the corporate sector.

Hivos strongly believes that support to *individuals* could, in some cases, trigger more extensive social debates or serve as an example for more organised civil society initiatives.

Innovation and strategic alliances

In its activities and strategies Hivos emphatically makes room for innovation, a continuous process of research, experimentation and adoption of new themes, products and approaches – provided they fit in Hivos' overall goals and strategy. Innovation should also raise quality standards. Innovation and learning capacities thrive on a culture of knowledge sharing, one of Hivos' priorities in the years to come. In the allocation of its resources Hivos always creates funding opportunities for new and potentially risky initiatives. The choice for innovation and experimentation also implies co-operating with individuals, research institutions or private companies. Renewal of the partner portfolio (mainly through limiting support for partners to ten years) is a precondition for innovative policy.

Quality criteria

All potential partners must meet quality criteria as listed in the Hivos Organisational Assessment document, including relevance of the problem to be addressed, quality of the proposed activities and expected results, and gender issues. Other quality criteria relate to environmental issues, implementation capacity, financial management, internal accountability plus a number of sector specific criteria.

Identification of partners

Hivos identifies its potential partners mainly through the networks of its staff and existing partner organisations worldwide. Duty trips are very effective in extending networks and identifying new organisations. In addition, Hivos staff or consultants carry out surveys to identify potential partners in specific geographic areas or sectors. Selection may also be based on the need to address specific themes or to apply a certain strategy (such as lobby and advocacy).

Hivos co-operates closely with the other members of European networks such as Alliance2015 as well as strategic partners such as Triodos, OneWorld, Amnesty International and Stop Aids Now! These organisations bring Hivos into contact with new initiatives and new organisations, which can develop into new partnerships.

Partner identification also results from organisations' and individuals' own initiatives. Every day Hivos receives requests for support from all over the world from organisations or individuals that came to know Hivos through Internet, have come across Hivos in their own environment, through networking or publications.

Every year Hivos organises workshops, seminars, roundtables or conferences with the aim of stimulating capacity building, networking or knowledge sharing. To these workshops partners as well as (increasingly) non-partners are invited, often leading to new contacts and sometimes to new partnerships.

Selection and assessment procedures

If applicants represent an added value in the (local) context and fit within the Hivos general, geographical and sectoral criteria, the organisation and its proposed programme are subject to an assessment process. This also includes a visit by Hivos staff before actual support is given. Criteria related to relevance, organisational quality and embedding in the institutional context are equally important. Hivos may also support organisations on the basis of their *potential* to meet these requirements in the near future.

Organisations supported by Hivos should have a clear vision on their role and objectives, possess sufficient professionalism in their field of action, and are able to position themselves clearly in their own context (or are likely to do so in the future). They should also be accountable to their stakeholders, possess a transparent internal structure and have developed sufficiently creative strategies to influence wider areas of social action.

Partner organisations must be effective and efficient. An effective organisation is able to define and achieve its goals and to assess the level of achievement. To be efficient means that the organisation has a clear picture of the costs to achieve its goals, and that the costs are reasonable in their context. In assessing its partners and applying quality standards, Hivos takes into consideration differences in their size and capacity. The assessment and selection procedure of applications is linked to Hivos' strategy and activities for each country and sector as formulated in its Continental Plans. In these plans, priorities and targets are set regarding the composition of the partner portfolio according to geographical areas, sectoral distribution of expenditures, types of organisations to be supported or specific Hivos objectives to be addressed.

5. 5. Funding policies

New and first time partner organisations enter into either a micro-fund contract or a regular contract. Through the *Micro-fund* Hivos supports small-scale new initiatives, with some characteristics of 'trial and error', organisations of which limited information is available and for one-time initiatives. The Micro-fund also supports one-time activities such as conferences, seminars, travel and workshops. For *regular contracts* the amount of funding depends on the quality of the programme and the organisation's capacities. Amounts provided also differ for young and starting organisations and more established and experienced partners.

Through the *Experiments Fund* Hivos supports initiatives that do not qualify for regular funding or which are particularly innovative in a local context, and which are original and dynamic.

Long-term contracts

The terms of follow up contracts depend on the experiences with the first contract and the organisation's capacity. Different levels of support are awarded to less well-established partners and well-established and effective organisations with proper internal checks and balances and good reporting performances, which may qualify for a contract period of (in principle) up to four years. Consecutive contracts up to a total duration of ten years are limited to well performing, strategically important partners with a transparent internal organisation and up to standard reporting. Contracts with *international organisations* usually involve substantive amounts of money for very specific strategic goals or specific activities.

In general Hivos supports organisations for a maximum of ten years. In exceptional cases, co-operation may be prolonged beyond this period with organisations that are highly effective (with an outstanding score in Hivos' results assessment system) or that occupy a unique strategic position in their work field. Other criteria for '10-plus' funding could be the absence of viable alternative

organisations working in a key sector or region for Hivos policies, or the need for the partner to complete a recently started restructuring or reorientation process for which continued Hivos support is essential. Specific approval has to be acquired for '10-plus' contracts.

Purpose and methods of funding

Hivos provides funding for specific activities (project funding), for programmes, or for the organisation as such. In general Hivos initially provides project support, which could be followed by programme funding. Well-established, effective organisations with firm internal accountability structures can apply for organisational funding. In this case, the partner organisation decides on the best use of funds within the range of objectives agreed upon in the contract. Organisational funding is an expression of Hivos' confidence in partner organisations – following fruitful co-operation and proven quality of partner organisations in earlier stages of collaboration – and aims to increase organisations' flexibility to deploy resources according to strategic use.

Hivos aims to bring contract periods and reporting requirements in line with time schedules applied within partners' internal financial system and procedures as well as their narrative and financial reporting practices.

In principle Hivos does not fund the entire programme of community-based organisations, membership organisations and social movements. Community-based organisations are expected to contribute (in kind or in cash) to their own programmes. Membership organisations and social movements are supposed to contribute through membership fees, voluntary work or fund raising activities. Hivos funds should not replace these contributions. If partners need services from service rendering organisations, Hivos stimulates and expects partners to pay for these from their own budgets.

Likewise, Hivos prefers enabling partners to pay membership contributions to networks instead of Hivos directly financing the network. This approach enhances accountability of network organisations to their membership. During the first six years of a partnership, support by Hivos could make up a large part of partners' programme expenditures. After this period, partners should seek additional funding from- other donors or own funds to prepare for the time beyond the Hivos partnership

Microfinance: grants, seed capital, HTF

Micro-finance institutions (MFIs) are a special category of partners supported by Hivos. This support is not restricted to grants, but can also include loans and equity participation through the Hivos-Triodos Fund (HTF) and the Hivos seed capital facility. HTF projects have their own terms regarding annual contributions and contract periods.

MFIs supported should offer *relevant* financial services to the poor, especially women. Information on repeat clients (retention rate), client satisfaction and impact assessment are important instruments to assess the relevance of the services offered. Impact assessments are generally conducted at the country level, often including more than one MFI and preferably in co-operation with other finance providers.

Hivos encourages MFIs to develop a gender policy to ensure that the considerable potential contribution of micro-finance to women's empowerment and poverty elimination is realised. Hivos also seeks to help MFIs support the prevention of Hiv/Aids, and mitigate the economic impact of the epidemic on affected households.

Grants

Hivos provides grants towards MFIs' capacity building, product development and the development of Management Information Systems. Applicants must demonstrate that they are unable to finance these activities from their own profits.

Micro-finance networks are essential to help MFIs learn from each other, and to contribute to a favourable political and legal environment. Hivos also establishes contacts between MFIs and microfinance and micro-insurance experts, as well as with organisations specialised in gender, environment and Hiv/Aids.

Seed Capital

Many small financial institutions need loan capital for on lending, in order to build up a track record and increase outreach – which will enable them to reach break-even and attract loans. However, for HTF the amounts required are generally too small, the investments too risky and monitoring too

costly. At the same time, grants can only be provided for capacity building, training, technical assistance, institutional development.

The seed capital package is meant to fill this gap and is designed to support new MFIs, smaller MFIs with growth potential and MFIs that operate in difficult circumstances. Applicants must demonstrate a good potential for growth and the potential to qualify for HTF or local credit funding in the future.

Hivos Triodos Fund

The Hivos-Triodos Fund is a Public-Private Partnership that combines Hivos' resources and knowledge on development processes with the banking expertise of Triodos Bank NV. Hivos evaluates the development relevance of requests, including accessibility for low-income groups and women in particular, local ownership and capacity, and environmental and economic impact. Triodos Bank can advise against making an investment from a financial point of view, while Hivos has a right of veto if the request does not comply with the Hivos policy and vision. The final responsibility lies with the HTF Board of Management. After finance has been provided, management responsibility lies with HTF. Based on regular visits, each borrower undergoes an annual review that is discussed in the credit committee. Follow-up also takes place in consultation with Hivos, usually via the Hivos regional offices or via the responsible member of staff at the head office. In addition to loans to and equity investments in financial institutions HTF provides trade finance to certified 'Fair Trade' and/or organic producers.

Links to other funding

Hivos funds its partners' projects and programmes mainly through its share of the Dutch Co-Financing Programme. In addition, Hivos increasingly seeks other funding sources and submit projects and programmes of partners, which have proven their ability to implement projects and programmes effectively and have adequately reported to Hivos, to other funding sources (such as the European Union, Stop Aids Now, Alliance2015, and Bio Diversity Fund). If required by these funds, Hivos will add specific requirements to its standard reporting conditions.

Endowment fund

In exceptional cases Hivos assists partners to create an endowment fund to ensure financial sustainability. This facility is limited to partners maintaining a working relationship with Hivos of at least six years, a track record of effectiveness, good narrative and financial reporting, and strong internal and external accountability structures.

6. End of co-operation and exit strategy

The duration of Hivos' relationship with partners varies according to contract type and partners' performance. In general, co-operation will end when the project has been completed or after support has exceeded 10 years (with exceptions, see above) and its objectives achieved.

For relationships of more than one contract over a longer period Hivos will conclude the relationship with a partner (in some cases linked to a defined exit strategy) when one of the following situations occurs:

- Inadequate results of projects and programmes financed by Hivos, as established during duty trips, through external evaluations, annual reports and end of term assessments.
- The organisation is unable to account properly for Hivos funds or to meet reporting requirements.
- A follow up proposal does not meet the Hivos quality and assessment criteria
- The problem being addressed has become less relevant or less urgent
- Development of organisational capacity is stagnating and external support does not achieve the results expected
- Change of focus or strategy by the partner organisation or within Hivos policy priorities
- The organisation is receiving sufficient funding from other sources.

Hivos will be clear as to whether or not a follow-up contract is possible and what needs to be done before co-operation could be prolonged.

If the end of relationship was not yet known at the beginning of the last regular contract, Hivos may decide to provide a phase out contract varying from 6 to 24 months allowing partner organisations to seek other funding sources.

7. Capacity building of partners and other non-financial services to partners

Organisational development and capacity building require the investment of time and resources, including external advice. Hivos staff can assist partners to identify their needs for external support and sources of expertise. Hivos encourages partners to include activities regarding capacity building and organisational development in their budgets. Hivos can also provide additional funding for this purpose during the contract period.

Capacity building of partners and networks relates to human resource development, organisation development and institutional development.

Support for *human resource development* may focus on improving the level of (sectoral) expertise or on enhancing the quality of implementation of activities (such as technical training to extension officers, credit officers and lobbyists). Administrative staff and management may also receive training. Training activities are carried out by external consultants or through workshops or short courses. The organisation itself is expected to take the initiative. Hivos assists in identifying consultants, training institutions and funding.

Hivos supports partners' *organisational development* through assistance to develop their strategies and better define their programme of activities. It provides resources (funds and contacts) for strategic planning, organisation development interventions, administrative systems, management information systems, and result assessment. As Hivos attaches great value to upward and downward accountability, partners are expected to include members of the target group in the planning, implementation and evaluation stages of programme activities. Staff and board members of community based organisations, membership organisations, social movements and networks should account for their work towards their membership through annual meetings and financial and narrative reporting. Hivos may suggest partners to improve their internal accountability and bring them into contact with organisations with valuable experiences in this field. Hivos expects service-rendering organisations to have proper structures in place for checks and balances and it encourages these organisations to make public annual reports to enhance accountability. This could be a general improvement, but in some cases it is a condition for further financial support.

Regarding *institutional development*, Hivos encourages partner organisations to build up horizontal and vertical networks within their wider context and environment, made up of actors including government bodies, politicians, civil society organisations and private sector companies. Knowledge sharing contributes to institutional capacity building of partner organisations.

Horizontal linkages relate to networks of similar organisations working on similar objectives. These networks are important for the exchange of information, development of common strategies, and creation of critical mass vis-à-vis stronger actors. Vertical linkages refer to a chain of stakeholders from target groups, intermediary and service rendering organisations, local government, and private companies to national governments and international organisations and markets. These vertical networks are important to produce changes in policies and power structures and to address bottlenecks in the chain. Hivos encourages partner organisations to get involved in lobby and advocacy in national and international platforms. This corresponds to Hivos' own lobby agenda aiming to reinforce civil society and on issues directly linked to Hivos' expertise.

Representing another aspect of organisational and institutional development, *knowledge sharing* is a crucial factor for capacity building and for horizontal and vertical networking. It relates to the build-up of timely and up-to-date information and knowledge for effective implementation of programme activities and lobby and advocacy. Hivos actively supports the building of networks and knowledge sharing through information sharing during duty trips and regular correspondence, and by informing partners on relevant conferences, workshops, seminars and training facilities. Hivos regularly provides funding to enable partners to participate in these activities and also organises workshops and seminars itself. Hivos will further develop its knowledge sharing activities in the years to come.

8. Monitoring instruments

Hivos uses a number of monitoring instruments to be kept updated on developments at the level of its partners and to monitor implementation of programme activities.

Reporting requirements relate to annual narrative and financial reports to Hivos and other donors on all activities of the entire organisation. Partners' annual financial reports have to be approved by an external auditor. From young, starting and inexperienced organisations Hivos may request six-monthly narrative and financial reports in order to create more opportunities for monitoring and counselling.

These requirements do not apply if Hivos supports a small and clearly identified project of a large organisation, if the project period is shorter than one year, or in case of one-time activities.

Hivos' implementation of *result assessment* is particularly relevant for its dealing with partner organisations. Before signing a contract the partner organisation and Hivos negotiate an agreement on the way in which results of the proposed objectives and activities mentioned in the contract will be assessed. The agreement includes both the procedure of result assessment and the indicators to be used or to be developed. Partner organisations are obliged to report annually on achievements by using the indicators agreed upon. Hivos' expectations regarding the quality of indicator setting and result assessment systems are proportional to the capacity of the partner organisation and should generally increase with subsequent contracts.

Through *duty trips* of its staff members, Hivos aims to visit every regular partner once a year, except organisations supported through the micro fund. Visits will be more frequent if urgent issues or major developments require so. Triodos staff (and occasionally Hivos staff) is responsible for duty trips to HTF partners.

Hivos assigns *external evaluations* of partners and their programmes to obtain an outsider's assessment of the quality and results of the organisation. Hivos consults partner organisations on the terms of reference as well as on the composition of the evaluation team. The focus of external evaluations varies according to the partner concerned. The particular characteristics and circumstances of an organisation determine the timing of external evaluations. In principle, external evaluations will not be used to end an (unsatisfactory) partner relationship. Annually Hivos intends to have 5-10% of its portfolio externally evaluated.

The terms for *programme evaluations* and *financial inspections*, however, are set by Hivos. Hivos programme evaluations cover groups of partners within a specific sector or geographical area, of a specific organisational type, or a combination of these. Apart from these evaluations, joint programme evaluations by the co-financing organisations and those by the IOB are also relevant for the selection of partners by Hivos.

The objective of financial inspections (implemented by Hivos staff) is to assess the quality of audited financial reports, the quality of financial management systems, the functioning of checks and balances and the legality of income and expenditures and internal decision-making. Every year the internal Hivos auditor selects 5 to 10 partners to be visited.

9. Good donorship

Good donorship is reflected in the tangible and intangible dimensions of the partnership. It relates to the extent to which Hivos staff, communication and funding procedures are supportive to the needs and interests of partner organisations and to the way material and moral support is offered. It is expressed in an atmosphere that offers room for genuine and mutual exchange and debate, and for critique if deemed necessary.

Hivos replies to all correspondence from partner organisation as detailed and adequately as possible and within the time limits set in its Quality Manual. All observations and comments by partners are

taken seriously. In case Hivos decides not to respond positively to funding requests, the applicant will be informed properly on the reasons for rejection. Hivos has a complaints registration system (described in its Quality Manual) open to grievances, critique and complaints by partners, consultants and others.

Hivos aims at *donor co-ordination* among all agencies supporting a particular partner organisation. Hivos promotes the use of one monitoring and reporting system by its partners in reporting to all donors concerned.

Hivos intends to involve partners in its overall policy development as stakeholders, resource persons or advisers. Hivos organises *partner consultations* to enable partner organisations to reflect upon conditions and potentials in relation to Hivos policies and practices and their relationship with Hivos. Every year Hivos also carries out *client satisfaction surveys* to obtain direct feedback from partner organisations on the quality of Hivos services.

Accountability to stakeholders is addressed through the Hivos Annual Reports and audited financial reports, which are available to the general public as well as to all Hivos stakeholders including partners. To enhance accessibility, the annual reports are published in Dutch, English and Spanish and are also available at the Hivos web site. This web site also contains a database of organisations supported and their programmes. Through its *Virtual Office* (www.hivos.org) Hivos informs the public and applicants on the criteria for selection and assessment processes, and (from 2005) on the status of applications.

10. Support to organisations and individuals in the North

Funding of partners in the North is subject to the same systems and methods as described above, with the exception of two specific categories of activities in The Netherlands.

Education activities aim to reinforce the support base for international co-operation and to contribute to public awareness and critical reflection and debate on questions of equitable and sustainable development worldwide. Hivos selects partners according to their ability to reach its main target groups of humanists, staff and members of strategic partners, migrants and refugees, and young people (age group 18-30) – both direct and through media. Other criteria relate to the link of proposals to the target group's world of experience and the potential publicity the activity will generate.

Being member of the Linkis group, Hivos supports *small-scale activities* by individuals and groups to stimulate debate about, and generate constituency for development co-operation. In contrast to general micro-fund procedures, partners are allowed to apply three times. Hivos prefers to support initiatives based on with creative, innovative ideas and with ideas that might attract new or larger constituencies. In order to stimulate low-threshold initiatives, a legal status is not required and individuals can also apply. Other criteria relate to the ability to reach a particular constituency and to applicants' own contribution, either in money or in kind or time.