

POSITION PAPER by Groupe *initiatives*

Extract from work published in *TRAVERSES* n°49

The consortium : a pertinent Tool or a high-risk trap?



THE CONSORTIUM, A PERTINENT CHOICE...

The consortium has become a common practice in the NGO and international solidarity sphere. It reflects a **mode of intervention, sometimes deliberately chosen by its members**, who are aware of its added value for a specific action in a given context. It is often used in **pre-existing strategic partnerships** between civil society organisations and other stakeholders in the Northern and Southern hemispheres (NGOs, research, social and solidarity economy businesses, etc.). But since the 2000s, and even more so since 2010, the consortium has become **a condition**, imposed by numerous donors (in France and Europe, as well as internationally), **to access grants or calls for proposals** resourced with **substantial volumes of funding** (up to several tens of millions of euros) and/or responding to **complex situations of insecurity or "fragile" States**.

The consortium is a common practice among Groupe *initiatives* NGO members, who try to **use it whenever pertinent**. Consortia have in fact demonstrated their effectiveness to:

- **scale up** a development programme and/or innovative actions in a territory (field action) or a forum (advocacy);

Definition 1

A consortium (from the Latin meaning "partnership" or "association") is a group of stakeholders, in particular organisations or individuals, arising from **collaboration** in a project or programme in order to obtain a result. It leads to a **formalisation** (contract, convention or any shared agreement) of principles of collaboration and agreements on shared responsibilities between the members, for the co-execution of an action.

- **strengthen the territorial and thematic visibility and legitimacy of certain partners** in Europe and in countries of cooperation, in particular of stakeholders with restricted scopes of action or considered too "small" by political decision-makers, contracting authorities, and national and international donors; in this case the consortium is also a lever for advocacy in favour of recognising these stakeholders.
- **better manage, anticipate and limit competition between partners in calls for proposals and projects**, but also to access substantial funding.

In a less automatic manner, **the consortium can sometimes be interesting and effective** to:

- **prepare or strengthen emerging or pre-existing strategic alliances:** between NGOs, with regional and local authorities, universities, research centres or other stakeholders;
- **create or consolidate a culture of cooperation and “working together”** between cooperation stakeholders and territories;
- **support mutual learning, cross-strengthening of skills and structuring of development stakeholders.**

But these gains are only confirmed when attention, time and specific resources are really devoted to them.

...BUT A CHOICE THAT INVOLVES RISKS

However, **the consortium is not a panacea**, because although some gains can be effective, it is now obvious that others, valued by donors, are merely potential, or even mythical. **Undoubtedly because some of these expected added values are based on objectives and hypotheses that are not very realistic and, in order to be achieved, would require far greater financial resources.** In particular, apart from simple pooling of logistical or sometimes human resources, **the consortium only rarely features effective gains in economies of scale;** it adds together its member organisations' monitoring, quality control and support costs. **Neither can it guarantee harmonisation of working methods** between members, which is often an illusion. On the other hand, the consortium makes it possible to combine methods, that are sometimes different, but complementary for shared objectives.

Although the consortium makes it possible to pool and collectively manage certain “project” risks better, for example treasury or security in some dangerous zones, **it exacerbates a series of major risks** – contractual and financial – related to institutional inertia and external communication, which have a sizeable cost and penalise economies of scale. One of the related risks is the **increase of cumbersome procedures to the detriment of activities' effectiveness** in the field. Apart from the fact that these cumbersome procedures run counter to any attempt at pooling, capitalisation or collective advocacy, they generate **high transaction costs**, which are not funded, for preparation and coordination by the organisation leading the project and, to a lesser extent, for the consortium partners. Other factors can lead to **a decrease in the coherence of the consortium:** an alliance constructed through simple opportunism or on instruction from a donor, an initial diagnostic that is not shared, inertia of structures, etc. There are also real **risks related to external communication when the latter is not equitable or not respectful of the consortium members.** They can damage the reputation and image of the project leader and of all the partners over the period of the project and afterwards, when one of the partners does not fulfil its obligations and commitments. A **contractual legal risk exists in the implementation of each partner's responsibility**, according to the conventions imposed by the donor and those signed between the project leader and the

partners. Lastly, the **financial risks inherent in potential financial losses are significant for each member of the consortium, and particularly for the project leader, who, in almost all cases, has sole responsibility vis-a-vis the donor** in the event of default of one or several members of the consortium: ineligible expenditure, budgetary under-execution and late payment of instalments, deficient co-funding mobilisation, unavailability of partner NGOs' treasury.

Underestimation or denial of these risks related to the “consortium” procedure would be a mistake. For NGOs and other members of the consortium, the objective is to anticipate and define procedures and conditions to best prevent and manage these risks, and for the financial partners, to plan the inherent costs.

These risks are also related to the fact that stakeholders' (donors, consortium members and others) expectations and interests are sometimes divergent, or even contradictory. Yet **it is now obvious that, for the financial partners, the consortium sometimes serves other, often implicit, objectives**, for example:

- **Compensating for the deficiencies of a State or public contracting authority.** Which raises an ethical question for NGOs (and other partners involved), who must then define and negotiate with donors the extent to which – and conditions in which – they accept this mandate, to avoid endorsing a strategy to circumvent failed or indigent States and public authorities, and, on the contrary, to integrate the need to consolidate these.
- **Saving time and obtaining economies of scale**, in particular for transaction and management costs, by awarding a single contract and “cascading” allocation of funding, under the sole responsibility of an NGO leading the project.
- **Delegating – and therefore limiting – risk management, including security risks in dangerous zones.**
- **Lastly, favouring restructuring of the NGO sector**, by favouring groups and collaborations between NGOs of different sizes, sometimes favouring large NGOs to the detriment of – and sometimes even causing the disappearance of – those considered too small...

It is therefore crucial to clarify the objectives shared by stakeholders upstream, in particular between the consortium members and with the donor.

WHICH CONDITIONS FOR THE MANAGEMENT AND SUCCESS OF A CONSORTIUM? RECOMMENDATIONS TO NGOS

▮ A fundamental prerequisite: always question the pertinence of the “consortium” procedure for each situation and context

Before confirming the “consortium” option, the financial partners and NGOs should always ask themselves two essential questions:

1. What added values would the consortium be likely to provide compared to a sum of actions conducted separately by each of the members?
2. Does the consortium portend an **expected gain in terms of simplicity and efficiency** or a risk of increased complexity, cumbersome procedures and loss of flexibility?

If the answers to these questions confirm that the consortium makes sense, those involved should seek to ensure the conditions and means necessary for its success, between limitation of risks and optimisation of gains related to this demanding method of implementation.



Afghanistan - Central Highlands Program

▮ Manage risks from the outset during preparation and setting-up of the consortium



► **For co-construction and collective identification of the action**

1. Construct a **shared global vision** and check that issues focused on by each party are in line with this vision, confirm a **common base of values** and define the consortium's position before launching operational work.
2. Conduct a **shared diagnosis of the local situation** with the authorities and other stakeholders in the territory, and **formulate shared objectives**.
3. Conduct an upstream **shared evaluation of members' capacities**
4. Define **common principles of intervention** and construct **action strategies**.
5. **Agree** not just on a logical framework - often required - but also on the **changes desired** by all the stakeholders.

► **Equitable budgets and financial management procedures**

There is no single model, but it is necessary to ensure consensual, clear and equitable budgetary distribution, taking into account each consortium member's responsibilities and obligations, risks, capacities (co-funding, pre-funding) and constraints:

- **Breakdown of direct costs valorising the recognised skills of each partner**, their capacity to implement activities and therefore their operational responsibilities, and taking into account the needs of certain partners, internationally and nationally, in terms of monitoring and quality control (costs for field teams' support functions).
- A **breakdown of indirect costs taking account of the commitments and responsibilities of each partner and of the project leader**, particularly in terms of cash advances, management and accounting liability vis-à-vis the funders and search and/or provision of co-funding, if required, but also **risks taken by the lead organisation, or another designated partner**

in charge of **operational coordination** or another responsibility established collectively.

- In all cases, **budgeting and specific remuneration of the lead organisation's coordination expenses and direct inherent costs**, as well as support costs in the field and at headquarters for each partner organisation (travel, legal, administrative and financial monitoring, security, etc.)
- Whenever possible, **attention must be given to limiting excessive discrepancy between each consortium member's wage conditions and HR unit costs for equivalent positions**, which could generate tensions within the project team during implementation, without excessively distorting remuneration rules in force in each partner's organisation.
- Lastly, a **systematic "miscellaneous and contingencies" section of 1 to 5 %**, because there will always be unforeseen costs...

► **For appropriate contractualisation that ensures joint and legally binding responsibility**

As soon as the project starts, draw up a **common framework agreement** to establish and define the solidarity and interdependency of all co-applicants and a shared vision of changes expected from the joint action, and **bilateral agreements** between the project leader and each of the members, on specific management procedures (administrative, financial, HR, procurement, etc.).

And a necessity: better define and better frame the "collective" responsibility of the NGO leading the project, which ultimately makes it more flexible:

- In the agreement between the donor and the NGO leading the project, envisage sharing the financial consequences of ineligible costs or of a partner's lack of co-funding;
- Adapt these agreements according to contexts (failed State or difficulty with legal enforcement, non-respect of the clauses of a contract for example) and types of partnership.

Ensure the consortium functions dynamically according to **effective, transparent and democratic governance and operation procedures**

Have a specific **system and HR time management** for intermediary and final **evaluation of the consortium's functioning and effectiveness**

Give **specific attention to teams** to anticipate and avoid any internal differences and fractures between local offices and headquarters, between technical and management teams

Make **time for sharing** between teams, this can generate **changes in practices** with regards cooperation and **strengthening of capacities**

Ensure **organised communication between and with all the stakeholders** in the action for broad appropriation

► Effective, transparent and democratic governance procedures

- **Ensure the existence and funding of a coordination team (project leader) whose functions** (facilitation, coordination, arbitration) are clearly defined between members well in advance, and acknowledge its **final arbitration role** in the event of a disagreement.
- **Draw on the proven experience of those in charge of coordinating the consortium.**
- **Separate governance between the project team (technical committee) and partners' institutional senior management (senior management committee)** for a better spread of responsibilities, in particular limit mobilisation or frequent interference from institutional senior management committees in the implementation of the project, and instead expect commitment

from them to **formalise progress margins**: strategy and priority actions, management, communication, joint management of differences, etc.

- Define and ensure the existence of **clear decision-making channels and procedures that are known by all**, taking account of each consortium member's governance and mode of operation: between centralisation at headquarters versus delegation to the field.
- **Implement and formalise bodies for mediation, arbitration and decision-making** that are recognised by all the members, to deal with difficulties encountered.
- **Anticipate in agreements, specifying the potential elements of a partner's malfunctions or incapacities to fulfil their responsibilities**, and plan alternatives to be put in place.

Definition 2

"Fair" responsibility: a notion that is difficult to grasp!

Firstly let us recall that a consortium has no specific legal identity and that the definition of responsibilities between the consortium members is done through the "consortium contract".

Responsibility between the parties is contractual in nature: the contract defines the scopes of application of the parties' joint responsibility. Generally, it clearly determines the missions of each member, thereby enabling rapid determination of the scope of responsibility of all concerned. In this way, when the project is being conducted, each member of the consortium is solely responsible for faults they have committed vis-à-vis the other consortium members and/or legal entities and natural people with which they contracted individually, for example service providers, suppliers or sub-contractors.

With regards the donor:

- If the funding agreement is between the donor and the

consortium members, who are all signatories, **all members of the group are jointly liable**: solidarity deliberately stipulated in the agreement is, in all cases, binding if the agreement is concluded under French law. If, in addition, this agreement stipulates the existence of a project leader designated among the consortium members, the latter will have two sorts of obligations: obligations as the donor's agent, and obligations as a member of the consortium. The consequence of this solidarity means that the donor can refer to any of the members to request reimbursement of its debt or the conduct of such and such an activity stipulated in the funding agreement, including a project activity.

Hence the importance of contracts signed between the members specifically defining the scope of their joint responsibility.

And after...

Conduct a final evaluation of the project/impacts/functioning of the consortium

Capitalise, for each structure and collectively, on the lessons to be learned from the consortium's intervention

Plan future collaborations at the end of the partnership

...AND SEVEN REQUESTS TO FINANCIAL PARTNERS

1. Improve dialogue with the consortium and the other stakeholders to clarify objectives and responsibilities, including legal responsibilities

- Opt for **balanced dialogue** on the consortium's objectives, its technical action and the expected effects, as well as on contractual, financial and procedural aspects.
- Ensure **greater clarity, coherence and consistency** from the donor in its requirements and expectations, and in its position vis-à-vis the other stakeholders.
- Recognise that **the members of a consortium cannot harmonise their practices**, but they can seek coherence in each party's interventions.
- **Clarify the legal status of the consortium and the project leader**, and the joint or several responsibilities of each of its members.

2. Respect the time necessary for proper functioning of a consortium and efficiency of the collective action

- Set **reasonable, sufficiently long deadlines** for responding to calls for proposals or projects involving consortiums (at least 50 days, outside of traditional holiday periods in Europe).
- **Recognise and fund the time necessary** for the functioning of the consortium to gather momentum, by planning an inception phase of 6 months to 1 year, and a project duration of 4 years minimum, as well as the 6 to 12 months dedicated to the construction and launch of the project.
- **Trust the consortium, listen and limit undue pressure** (requirements in terms of payments, results, etc.).
- **Invest over the long term:** a 1st 4-year phase makes it possible to set up optimal functioning and should be followed by other phases for greater effectiveness.



Madagascar - Fair trade project east coast Madagascar

3. Apart from funding the action, fund the consortium!

- Fund joint **co-construction workshops and preliminary studies** between consortium members
- Take account of and **fund coordination, operating and transaction costs** that contribute to the effectiveness of the action: coordination unit (excluding indirect costs), steering, sharing of practices, capitalisation, evaluation and communication.
- Recognise **high indirect costs** and fund administrative costs in line with the actual management requirements of a complex project and risks taken by the project leader and the members: **7% for example means irrecoverable financial losses!**

4. For the effectiveness of the action, limit risks related to co-funding

- **Reduce co-funding required for all projects with consortiums as much as possible, or fund them 100% = full dedication to the action and avoid loss of energy!**
- And if there must be co-funding, **harmonise calendars, conditions and reporting documents** of the various donors involved.

5. Do not limit evaluation of the effectiveness of an action conducted in a consortium solely to a financial ratio

- Take account of all costs related to quality, and therefore to the **means required in terms of operations, support and human resources** in properly remunerated, stable teams.
- Effectiveness must not be considered solely in light of the “HR costs + operating costs + management/total budget costs” ratio. **Limiting this ratio to less than 40 or 50 % in some programmes, and even more so in the case of a consortium, does not make sense.**

6. Make procedures more flexible for greater efficiency and effectiveness and for increased protagonism by national partners

- **Ease the rigidity of some procedures or requirements in terms of eligibility of civil society partners in developing countries**, some of which cannot meet donors’ strict requirements: administrative, financial, LAB-FT in France, etc.
- **Simplify procedures and reporting documents.**
- Lastly, in isolated or insecure areas, **make procurement rules more flexible**, as they are too complex and restrictive.

7. Mobilise ad hoc funding to support innovative consortiums made up of NGOs and businesses, in particular businesses in the social and solidarity economy.

- Develop **ad hoc funding schemes**, while isolated funding systems do not always enable multi-stakeholder partnerships and consortiums to be set up, in particular with businesses in the social and solidarity economy.
- Public systems and resources currently available for such consortiums are still largely insufficient, in particular in France and Europe.



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Created in 1993, Groupe *initiatives* (Gi) is a collective of 13 professional international solidarity associations who assumed that "they would make better progress together than separately and they would overcome their differences and conflicting interests by setting themselves common challenges and shared goals".

Gi is a forum for exchange and sharing of experiences and practices, making it possible to inform reflections conducted by development cooperation stakeholders and to formulate recommendations in terms of public policies.

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