

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT **D**  
BUDGETARY AFFAIRS



Budgets

Budgetary Control

# Financing of Non-governmental Organisations (NGO) from the EU Budget

STUDY





**DIRECTORATE GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT D: BUDGETARY AFFAIRS**

# **Financing of Non-governmental Organisations (NGO) from the EU Budget**

## **STUDY**

### **Abstract:**

The study analyses the financing of NGOs from the EU budget with a focus on effectiveness and transparency.

The main findings and recommendations are as follows:

- The European Commission (EC) co-finances more than 3000 NGOs with an overall amount of more than EUR 1.4 billion in 2009;
- EC should update its strategy on dealing with NGOs and harmonize the different DGs' approach;
- long-term programme funding through arrangements such as Framework Agreements should be privileged over short-term project funding;
- EC-NGO dialogue should be fostered, also through NGO umbrella groups, in order to create a sense of partnership;
- the EC should conduct regular, systematic assessments of the efficiency of its funding schemes; the administrative burden of NGOs obtaining EC grants should be reduced;
- information on beneficiaries of EC funding should be presented in a uniform manner differentiating by type of beneficiaries, including their non-for-profit nature.

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EN

This document was requested by the European Parliament's Committee on Budgetary Control. It designated Christofer Fjellner, MEP, to follow the study.

## **AUTHORS**

Roderick Ackermann, Roland Blomeyer (blomeyer & sanz),  
Michael Hammer, Robert Lloyd, Christina Laybourn (One World Trust),  
Jack Malan, Filipa Figuera, Michael Richardson, Daniel Beresford, Lee O'Connor (Centre for Strategy and Evaluation Services)

## **RESPONSIBLE ADMINISTRATOR**

Helmut Werner  
Policy Department D: Budgetary Affairs  
European Parliament  
B-1047 Brussels  
E-mail: [poldep-budg@europarl.europa.eu](mailto:poldep-budg@europarl.europa.eu)

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## **ABOUT THE EDITOR**

To contact the Policy Department or to subscribe to its newsletter please write to:  
[poldep-budg@europarl.europa.eu](mailto:poldep-budg@europarl.europa.eu)

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# Glossary

AECID	Spanish Agency of International Development Cooperation
DG	Directorate General
CoE	Council of Europe
CSO	Civil Society Organisation
DFID	United Kingdom Department for International Development
DMFA	Dutch Ministry of Foreign Affairs
EAC	European Commission Directorate General Education and Culture
EACEA	Education and Culture Executive Agency
EC	European Commission
ECA	European Court of Auditors
ECHO	European Commission Humanitarian Aid Office
ENV	European Commission Directorate General Environment
EP	European Parliament
ETI	European Transparency Initiative
EuropeAid	European Commission Directorate General EuropeAid co-operation Office
FPA	ECHO Framework Partnership Agreement
FTS	Financial Transparency System
JSDF	World Bank Japan Social Development Fund
NGO	Non Governmental Organisation
NSA	Non State Actor
RIR	Register of Interest Representatives
VOICE	Voluntary Organisations in Cooperation in Emergencies
WB	World Bank

# Executive summary

This assessment has been prepared during June to September 2010 for the European Parliament's (EP) Committee on Budgetary Control, and focuses on the financing of Non Governmental Organisations (NGO) from the European Union budget with a specific emphasis on the effectiveness and transparency of the European Commission's (EC) cooperation with NGOs.

Based on desk research, 40 stakeholder consultations and survey feedback from 120 NGOs, the following paragraphs present the main findings and recommendations.

- **The wider framework of EC-NGO cooperation:** Whilst there is no common definition, most EC Services engaged in NGO cooperation essentially coincide on the definition of the term NGO (not for profit and independent of government). The EC should consider establishing a standard wording in order to enhance the clarity of its funding programmes. This should be addressed in the context of an updated strategy on EC-NGO cooperation, taking into account developments since the last strategy was issued back in 2000.
- **EC Services involved and volume of cooperation:** EC-NGO cooperation is mainly organised via funding programmes managed by the EC Services dealing with development cooperation, humanitarian aid, education and culture, and the environment. The EC has estimated NGO funding at over €1 billion a year in 2000. Whilst there is no readily available financial data on NGO funding (EC data does not differentiate by type of beneficiary), desk research focussing on the main EC Services managing NGO funding (based on a database established by the authors and including some 3000 NGOs) confirms total funding of nearly €1.4 billion in 2009.<sup>1</sup>
- **Programme funding:** A detailed review of NGO funding programmes run by three EC Services confirms that while short term funding is useful for small NGOs, or to support short term pilot projects, long term programmatic funding through arrangements such as Framework Agreements provides much needed strategic support to NGOs, and flexibility to respond to emerging opportunities.

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<sup>1</sup> EuropeAid (€995 million), European Commission Humanitarian Aid Office (€373 million), Environment (€8 million), Education and Culture (€5 million)

Programme funding also allows NGOs to improve their organisational development, which in turn improves their operations. The EC should consider using this approach to NGO funding more widely.

- **EC-NGO dialogue:** NGOs value the opportunity to be involved in policy dialogue with the EC. This creates a sense of partnership between the NGO community and the EC, where the NGO is valued as an equal player, rather than just a recipient of funding. NGOs can have valuable perspectives on areas of interest to the EC, and regular policy dialogue would enable these views to be shared. One way in which the EC should consider facilitating such policy dialogue is by working through sectoral NGO umbrella groups.
- **Efficiency:** Overly burdensome grant administration can divert limited resources away from project delivery. The EC might therefore consider conducting regular, systematic assessments of the efficiency of its funding schemes, in order to identify ways of improving efficiency. Whilst the EC has made considerable efforts in recent years to address problems with the administration of its funding, many NGOs are still struggling with the administrative burden of EC grants. The EC should help reduce this burden by streamlining application and implementation procedures, and introducing more proportional financial control and reporting requirements.
- **Effectiveness:** Evidence on the effectiveness of EC-NGO cooperation remains scarce. The EC monitoring and evaluation systems rely heavily on NGO self-reporting, however, this can cause problems with the verification of results. In order to address this, the EC should consider increasing the number of external evaluations they commission, as an additional monitoring and evaluation requirement. Given the large sums distributed to NGOs, there would be value in conducting regular, specific evaluations of the effectiveness of EC-NGO cooperation.
- **Publication of NGO funding:** The EC presents funding data (including for NGOs) on its websites, however, this information is not presented in a uniform way; the degree of visibility of this information varies; and generally, funding data (including in the central Financial Transparency System) does not differentiate by type of organisation (i.e. no clear identification of NGOs). Strategic oversight and transparency of NGO funding would benefit from a single, standard system of classification and the implementation of an EC-wide relational database.
- **Transparency of EC-NGO cooperation:** NGOs that are engaged in advocacy are generally registered in the EC's Register of Interest Representatives (RIR) or participate in other transparency initiatives. The RIR has reached some 3000 entries in September 2010, including 908 entries under the category '*NGO/ think-*



*tank*' (about 30% of total RIR entries). The EC is currently working with the EP to set up a joint register, and this reform should provide the opportunity to address the identified RIR deficiencies (e.g. absence of a clear definition of organisational categories, no quality control of the RIR entries by the EC). Moreover, the visibility of the register might benefit from targeted promotion via NGO umbrella groups.

# Résumé

Cette étude a été préparée entre juin et septembre 2010 à la demande de la Commission de contrôle budgétaire du Parlement européen (PE) afin d'analyser le financement des organisations non gouvernementales (ONG) par le budget de l'Union européenne avec un accent particulier sur l'efficacité et la transparence de la coopération entre la Commission européenne (CE) et les ONG.

Sur la base d'une recherche documentaire, 40 consultations auprès de la CE et autres organisations, et les réponses de 120 ONG à une enquête réalisée dans le cadre de l'étude, les paragraphes suivants présentent les principales conclusions et recommandations.

- **Le cadre de la coopération CE-ONG:** Bien qu'il n'y ait pas de définition commune, la plupart des services de la CE engagés dans la coopération avec les ONG essentiellement coïncident sur la définition du terme ONG (sans but lucratif et indépendante du gouvernement). La CE devrait envisager de créer une définition standard afin d'améliorer la clarté de ses programmes de financement. Cela devrait être abordé dans le cadre d'une stratégie actualisée sur la coopération CE-ONG, en tenant compte de l'évolution depuis la dernière stratégie publiée en 2000.
- **Services de la CE concernés et volume financier de la coopération:** la coopération CE-ONG est principalement organisée dans le cadre des programmes de financement gérés par les services de la CE portant sur la coopération au développement, l'aide humanitaire, l'éducation et la culture, et enfin l'environnement. La CE a estimé le financement des ONG à plus de €1 milliard par an en 2000. Bien qu'il n'y ait pas de données financières précises disponibles sur le financement des ONG (les données de la CE ne font pas distinction selon le type de bénéficiaire), la recherche documentaire mettant l'accent sur les principaux services de la CE impliqués dans le financement des ONG (avec une base de données préparée par les auteurs et comprenant quelques 3000 ONG) confirme un financement total de près de €1,4 milliards en 2009.<sup>2</sup>

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<sup>2</sup> CE EuropeAid (€995 millions), CE Service d'Aide Humanitaire (€373 millions), Direction générale Environnement (€8 millions), CE Direction générale de l'éducation et de la culture (€5 millions)

- **Financement de programmes:** Un examen détaillé des programmes de financement des ONG dirigés par trois services de la CE confirme que le financement à court terme (financement de projet) est utile pour les petites ONG ou pour soutenir des projets pilotes à court terme. Cependant un financement à long terme (financement de programme), grâce à des arrangements tels que les contrats-cadres permet un soutien stratégique aux ONG ainsi que de la flexibilité pour répondre aux nouvelles opportunités. Le financement de programmes permet également aux ONG d'améliorer leur développement organisationnel, ce qui implique des effets positifs sur leurs opérations. La CE devrait envisager une utilisation plus large du financement de programmes.
- **Dialogue CE-ONG:** Les ONG valorisent la possibilité d'être impliquées dans le dialogue politique avec la CE. Cela crée un sentiment de partenariat entre la communauté des ONG et la CE, où l'ONG est considérée comme un partenaire, plutôt que juste un bénéficiaire du financement. Les ONG peuvent avoir des perspectives importantes sur des domaines d'intérêt de la CE, et un dialogue régulier permettrait de partager ces points de vue. Une façon dont la CE devrait envisager de faciliter le dialogue politique serait de travailler avec des groupes sectoriels de coordination des ONG.
- **Efficiace:** Une administration des subventions excessivement lourde peut détourner les ressources limitées de la livraison du projet. La CE pourrait donc envisager d'effectuer des évaluations régulières et systématiques de l'efficiace de ses programmes de financement, afin d'identifier des opportunités d'améliorer l'efficiace. Alors que la CE a fait des efforts considérables ces dernières années pour résoudre les problèmes concernant le financement, de nombreuses ONG sont toujours aux prises avec le fardeau administratif des subventions de la CE. La CE devrait aider à réduire ce fardeau en rationalisant les procédures d'application et de mise en œuvre et en introduisant un contrôle financier plus proportionnel.
- **Efficacité:** Les données sur l'efficacité de la coopération CE-ONG ne sont pas nombreuses. Les systèmes de suivi et d'évaluation de la CE s'appuient essentiellement sur les auto-déclarations des ONG, ce qui peut provoquer des problèmes quant à la vérification des résultats. Afin d'éviter cette situation, la CE devrait envisager d'augmenter le nombre d'évaluations externes qu'elle initie, comme une condition additionnelle d'évaluation. Compte tenu de l'importance des sommes distribuées aux ONG, il serait utile d'évaluer régulièrement l'efficacité de la coopération CE-ONG.
- **Publication du financement des ONG:** La CE présente le financement de données (y compris des ONG) sur ses sites Web; cependant, cette information

n'est pas présentée de façon uniforme; le degré de visibilité de cette information varie; et généralement, les données relatives aux financements (y compris dans le Système de transparence financière) ne font pas de distinction selon le type d'organisation (pas de définition claire des ONG). La surveillance stratégique et la transparence du financement des ONG bénéficieraient d'un système unique et standardisé de la classification des organisations et de la mise en œuvre d'une base de données au niveau communautaire.

- **La transparence de la coopération entre la CE et les ONG:** Les ONG qui représentent des intérêts auprès de la CE sont généralement inscrites dans le registre des représentants d'intérêts (RIR) de la CE ou participent à d'autres initiatives de transparence. Le RIR a atteint près de 3000 inscriptions en Septembre 2010, y compris 908 inscriptions dans la catégorie '*ONG et groupes de réflexion (think-tanks)*' (environ 30% des inscriptions totales du RIR). La CE travaille actuellement avec le PE à la mise en place d'un registre commun et cette réforme devrait fournir l'occasion de corriger les lacunes relevées du RIR (par exemple l'absence d'une définition claire des catégories d'organisation, aucun contrôle de la qualité des inscriptions du RIR par la CE). En outre, la visibilité du registre pourrait bénéficier d'une promotion ciblée via des groupes de coordination des ONG.

# Zusammenfassung

Die vorliegende Untersuchung ist in der Zeit Juni bis September 2010 im Auftrag des Europäischen Parlaments (EP, Ausschuss für Haushaltskontrolle) durchgeführt worden, und behandelt die Finanzierung von Nichtregierungsorganisationen (NRO) durch den Haushalt der Europäischen Union mit besonderem Augenmerk auf die Effektivität und Transparenz der Zusammenarbeit zwischen der Europäischen Kommission (EK) und den NRO.

Auf der Grundlage detaillierter Untersuchungen, Gesprächen mit 40 Vertretern der EK und anderen Organisationen, sowie den Befragungsbeiträgen von 120 NRO, fassen die folgenden Paragraphen kurz die wichtigsten Erkenntnisse und Empfehlungen zusammen.

- **Der Rahmen der EK-NRO Zusammenarbeit:** Obwohl keine gemeinsame Definition besteht, sind sich die meisten EK Generaldirektionen bezüglich der Inhalte des Konzepts 'NRO' einig (nicht gewinnorientiert und regierungsunabhängig). Die EK sollte eine einheitliche Formulierung einführen, um die Klarheit ihrer Förderprogramme zu verbessern. Dies sollte im Rahmen einer aktualisierten Strategie zur NRO Zusammenarbeit erfolgen, unter Berücksichtigung der Entwicklungen seit der letzten EK-NRO Strategie aus dem Jahr 2000.
- **EK Generaldirektionen und finanzielles Volumen der Zusammenarbeit:** Die EK-NRO Zusammenarbeit ist vorrangig im Rahmen von Förderprogrammen organisiert, die durch die für die Bereiche der Entwicklungszusammenarbeit, der Humanitären Hilfe, Bildung und Kultur und Umwelt zuständigen Generaldirektionen verwaltet werden. Laut EK Schätzungen lag die NRO Förderung im Jahr 2000 bei über €1 Milliarde. Genaue aktuelle Daten liegen zwar nicht vor (die Angaben der EK unterscheiden nicht nach Art des Empfängers), betragen aber nach Untersuchungen zu den oben aufgeführten Politikbereichen im Jahr 2009 beinahe €1.4 Milliarden (Datensammlung der Autoren für 3000 NRO).<sup>3</sup>

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<sup>3</sup> EuropeAid (€995 Millionen), EK Dienst für Humanitäre Hilfe (€373 Millionen), Umwelt (€8 million), Bildung und Kultur (€5 Millionen)

- **Programmförderung:** Detaillierte Untersuchungen zu den Förderprogrammen von drei EK Generaldirektionen bestätigen den Wert kurzfristiger Förderungen für kleinere NRO oder zur Unterstützung von Pilotprojekten; eine langfristige Programmförderung, z.B. durch die sogenannten Rahmenabkommen trifft aber eher den NRO Bedarf an einer strategischen Unterstützung, und erhöht die Flexibilität, auf neue Bedürfnisse einzugehen. Die Programmförderung trägt in der Regel zu einer verbesserten NRO-Organisationsstruktur bei, mit positiver Auswirkung auf den operationellen Bereich. Die EK sollte einen stärkeren Gebrauch dieser Programmförderung erwägen.
- **EK-NRO Dialog:** NRO schätzen die Möglichkeit, mit der EK einen Politikdialog zu führen. Dieser Dialog bedeutet eine Partnerschaft zwischen den NRO und der EK, in der die NRO als gleichwertige Partner, und nicht nur als Empfänger von Fördergeldern betrachtet werden. NRO können wertvolle Einsichten in Entwicklungen haben, die durch einen regulären Dialog mit der EK ausgetauscht werden könnten. Die EK sollte diesen Dialog durch eine stärkere Einbindung von sektorellen NRO-Verbänden stärken.
- **Effizienz:** Ein zu hoher Verwaltungsaufwand kann begrenzte Mittel von der Projektumsetzung 'ablenken'. Die EK könnte hier die regelmäßige Durchführung von systematischen Untersuchungen der Effizienz ihrer Förderprogramme erwägen, um mögliche Verbesserungen aufzudecken. Die EK hat in den letzten Jahren erhebliche Anstrengungen unternommen, um Probleme bei der Verwaltung ihrer Förderprogramme anzugehen; der hohe Verwaltungsaufwand beeinträchtigt aber weiterhin viele NRO. Die EK sollte diesen Aufwand durch verbesserte Bewerbungs- und Umsetzungsregeln, und proportionelle Finanzkontroll- und Berichterstattungsanforderungen reduzieren.
- **Effektivität:** Es liegen nur wenige Nachweise zur Effektivität der EK-NRO Zusammenarbeit vor. Die Begleit- und Bewertungssysteme der EK beruhen in hohem Ausmaß auf die Eigen-Berichterstattung der NRO, und dies kann die Verifizierung der Ergebnisse beeinträchtigen. Um dieses Problem anzugehen, sollte die EK einen stärkeren Rückgriff auf externe Bewertungen als zusätzliches Element ihrer Begleit- und Bewertungssysteme erwägen. In Anbetracht der erheblichen Fördergelder für NROs würden auch reguläre spezifische Bewertungen der Effektivität der EK-NRO Zusammenarbeit einen Mehrwert darstellen.
- **Veröffentlichung von NRO Finanzierung:** Die EK veröffentlicht die Finanzdaten ihrer Förderprogramme auf den EK Webseiten. Diese Information ist jedoch nicht in einheitlicher Form gestaltet, die Visibilität der Information ist von unterschiedlicher Qualität, und die Angaben der EK (z.B. im zentralen 'Finanz-

transparenzsystem') unterscheiden nicht nach Art des Empfängers (keine klare Identifizierung von NRO). Die strategische Übersicht und Transparenz der NRO Förderung sollte durch ein einziges einheitliches System der Klassifizierung und die Einführung einer EK-weiten Förderdatenbank verbessert werden.

- **Transparenz der EK-NRO Zusammenarbeit:** NROs, die bei der EK bestimmte Interessen vertreten, sind in der Regel im EK Register der Interessenvertreter (RIR) eingetragen, oder nehmen an anderen Transparenzinitiativen teil. Im September 2010, enthält das RIR 3000 Einträge, darunter 908 Einträge unter der Kategorie 'NGO und Denkfabriken (*think-tanks*)' (ungefähr 30% aller RIR Einträge). Die EK arbeitet derzeit mit dem EP an der Einführung eines gemeinsamen Registers, und diese Reform sollte auch der Beseitigung identifizierter Schwächen dienen (z.B. keine klaren Definitionen der Organisationskategorien, keine Qualitätskontrolle der RIR-Einträge durch die EK). Weiterhin könnte die Sichtbarkeit des RIR durch eine gezielte Kampagne mit NRO Verbänden gestärkt werden.

# Section 1 - Introduction

This assessment has been prepared by the group Blomeyer & Sanz, Centre for Strategy and Evaluation Services, and One World Trust.<sup>4</sup>

The assignment is delivered in response to Order Form IP/D/ALL/FWC/2009-056/LOT6/C2/OF1 implementing Framework Service Contract IP/D/ALL/FWC/2009-056 for external expertise in the area of the administration of the European Union institutions for the European Parliament's Committee on Budgetary Control.

The introduction briefly presents the assessment's objectives (section 1.1), the methodology (section 1.2) and this report's structure (section 1.3).

## 1.1 Objectives

The study focuses on two main issues, namely: (a) the **performance** of European Commission (EC) cooperation with Non Governmental Organisations (NGOs); and (b) the **transparency** of EC-NGO cooperation.

With regard to the two issues, the study intends to present an **assessment of the current situation** and **recommendations** as to how to address possible deficiencies.

- **Performance:** The assessment of performance focuses on the efficiency and effectiveness of EC-NGO cooperation, i.e. how cooperation is organised, and whether cooperation achieves immediate and wider objectives as set out in the strategy / programme documents providing for EC-NGO cooperation.
- **Transparency:** Two issues are covered: (a) the publication of information on **beneficiaries of EC funding**, and (b) the use by NGOs of the **EC Register of Interest Representatives (RIR)** as launched in the framework of the European Transparency Initiative in June 2008.<sup>5</sup>

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<sup>4</sup> Expert input and peer review was provided by Roderick Ackermann, Roland Blomeyer (blomeyer & sanz), Michael Hammer, Robert Lloyd, Christina Laybourn (One World Trust), Jack Malan, Filipa Figuera, Michael Richardson, Daniel Beresford, Lee O'Connor (Centre for Strategy and Evaluation Services).

<sup>5</sup> <https://webgate.ec.europa.eu/transparency/regrin/welcome.do>



In order to add value to existing assessments, and considering the limited time frame for conducting research (June to September 2010), the study needed to be highly focussed. This was organised via in-depth case studies on **NGO cooperation in specific policy areas**. Having said this, in the framework of presenting the wider context of EC-NGO cooperation, the study also explores more general issues, such as the discussion on a **definition for NGOs**, and the overall **volume of EC-NGO cooperation** (EC services involved in NGO cooperation, and related volume of funding).

## 1.2 Methodology

The methodology adopted for delivering this assessment combines desk research, stakeholder consultations, case studies and survey work:

- First, desk research and stakeholder consultations helped to identify the key issues in relation to NGO financing;
- This information was then used to allow for stakeholder feedback in the framework of a comprehensive survey;
- Finally, case studies were conducted to provide more in-depth insights into some of the desk research and survey findings.

### Desk research and stakeholder consultations

Desk research aimed to identify the key issues surrounding the performance and transparency of EC-NGO cooperation, and to establish the basis for subsequent stakeholder consultations, and survey and case study work. A list of the main documentation consulted is presented in Annex 2.

Some 40 stakeholder consultations were conducted. Consultations included the cabinet of the EC Vice-President responsible for Inter-Institutional Relations and Administration, key EC Services (e.g. the EC Humanitarian Aid Office (ECHO)), Member State representatives (e.g. from the Spanish International Development Agency (AECID) or the Dutch Ministry of Foreign Affairs (DFMA)), the World Bank (WB) and NGO representative organisations (e.g. the association Voluntary Organisations in Cooperation in Emergencies (VOICE)). In this context the authors of this study wish to express their gratitude to the EP, the EC and other stakeholders for

sharing documentation, and making their time available for interviews. Stakeholder consultations are noted in Annex 1.

### **Survey work**

Following the identification of the key issues concerning NGO financing, two surveys were conducted to allow for EC and NGO feedback.

The first survey was addressed to the EC Services involved in NGO cooperation. However, whilst launched on 23 July 2010, only limited feedback was received by the deadline for drafting this report (30 September 2010). This gap was addressed by more detailed desk research (e.g. on the volume of EC-NGO cooperation), and case study work with three EC Directorate Generals (DG).

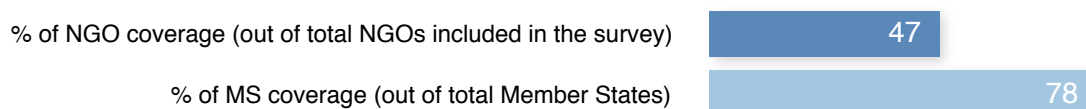
The second survey was addressed to the NGOs working with the three DGs selected for the case studies, namely ECHO, DG Education and Culture (EAC), and DG Environment (ENV). This includes NGOs selected in the framework of specific cooperation arrangements (i.e. the 186 organisations working under ECHO's Framework Partnership Agreement (FPA)),<sup>6</sup> and NGOs listed as beneficiaries in 2008 and 2009 under funding programmes specifically targeting NGOs (35 NGOs for EAC (Europe for Citizens Action 2, Measure 2) and 38 NGOs for ENV (LIFE+)).

Survey issues covered: NGO identification (Member State of origin, legal status); EC Services targeted and volume of funding; the efficiency and effectiveness of EC NGO cooperation; the transparency of EC-NGO cooperation; and NGO recommendations to improve EC-NGO cooperation.

The survey was operated via an online survey tool. The survey was launched on 22 July 2010. By 20 September 2010, 120 survey respondents from 21 Member States had completed the online questionnaire. As shown in the figure below, this presents a response rate of 47%, i.e. survey results can be considered as sufficiently representative.

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<sup>6</sup> Note that at the time of launching the survey there was a total of 186 partners under the ECHO Framework Partnership Agreement.

**Figure 1 - NGO survey coverage**

### Case studies

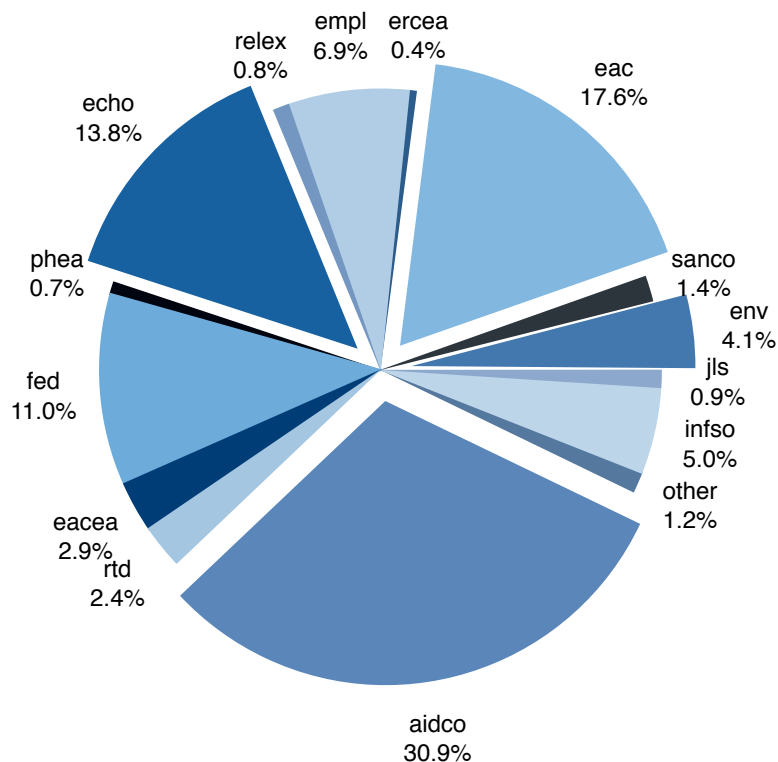
The following six case studies were conducted:

- Case study 1: NGO financing in an international organisation: WB
- Case study 2: NGO financing in the national context I: The Dutch Ministry of Foreign Affairs (DMFA)
- Case study 3: NGO financing in the national context II: Spain's Agency for International Development Cooperation (AECID)
- Case study 4: NGO financing in the EU context I - ENV
- Case study 5: NGO financing in the EU context II - EAC
- Case study 6: NGO financing in the EU context III - ECHO

The three EC services (ENV, EAC and ECHO) have mainly been selected in response to EP thematic interests. However, the volume of EC-NGO cooperation was also considered on the basis of EC data on the volume of EC funding for NGOs registered in the EC's RIR as shown in the figure below. The figure shows data from the EC RIR (listing of registered NGO-type organisations in 2008 and 2009; the total amount of registered payments amounts to €302.9 million).<sup>7</sup>

<sup>7</sup> Data was provided in an exchange of letters between the EC and the Chairman of the Budgetary Control Committee dated 8 March 2010.

**Figure 2 - EC funding in 2008 and 2009 for NGOs registered in the RIR, (%) by EC Service (and European Development Fund)<sup>8</sup>**



### 1.3 Report structure

Besides the present introduction (Section 1), the report comprises four main sections:

- Section 2 sets the context by reviewing the NGO definition, the EC strategy for NGO cooperation, and the volume of EC-NGO cooperation.
- Section 3 assesses the performance of EC-NGO cooperation.
- Section 4 reflects on the transparency of EC-NGO cooperation.
- Section 5 presents the assessment's overall conclusions and recommendations.

<sup>8</sup> aidco: EC DG EuropeAid, eac: EC DG Education and Culture, eacea: Education, Audiovisual and Culture Executive Agency, echo: EC Humanitarian Aid, eml: EC DG Employment and Social Affairs, env: EC DG Environment, ercea: European Research Council Executive Agency, fed: European Development Fund, infso: EC DG Information Society and Media, jls: EC DG Justice Freedom and Security, phea: Executive Agency for Health and Consumers, relex: EC DG External Relations, rtd: , EC DG Research, sanco: EC DG Health and Consumers

# Section 2 - The context

This section briefly explores a series of introductory issues, namely the discussion on the definition of the concept of 'NGO' (section 2.1), the wider framework for EC-NGO cooperation (section 2.2), and the scope of EC-NGO cooperation (financial volume of cooperation) (section 2.3).

## 2.1 The NGO definition

Further to reviewing the NGO definitions used by the EC, the Council of Europe (CoE) and the WB (section 2.1.1) this section presents the NGO definition used for the purpose of the present study (section 2.1.2). In the words of Commissioner Šefčovič, there is no '*agreed definition at EU level of an NGO*',<sup>9</sup> and indeed, before launching research on EC-NGO cooperation, it is first necessary to define what is meant by the term NGO.

### 2.1.1 NGO definitions in the EC, CoE and WB

In January 2000, the EC presented a paper on its partnership with NGOs: '*initial basic statement of the Commission's long-term principles and commitment towards the NGO sector*'.<sup>10</sup>

Whilst the EC's paper considers that the term NGO can not be defined in legal terms (due to the wide variety of legal forms in the Member States), the document presents a series of common characteristics that NGOs tend to comply with (see figure 3 below). The common characteristics emphasise the essentially not for profit nature of NGOs, their voluntary feature, legal status and independence from government.

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<sup>9</sup> Maroš Šefčovič, Vice-President of the European Commission letter to Mr De Magistris, Chairman, Budgetary Control Committee, 2010

<sup>10</sup> EC, The Commission and Non-Governmental Organisations: Building a Stronger Partnership, Commission Discussion Paper, presented by President Prodi and Vice-President Kinnock, Brussels, 2000, page 3

**Figure 3** - The EC's approach to an NGO definition in 2000<sup>11</sup>

- *NGOs are not created to generate personal profit. Although they may have paid employees and engage in revenue-generating activities they do not distribute profits or surpluses to members or management;*
- *NGOs are voluntary. This means that they are formed voluntarily and that there is usually an element of voluntary participation in the organisation;*
- *NGOs are distinguished from informal or ad hoc groups by having some degree of formal or institutional existence. Usually, NGOs have formal statutes or other governing document setting out their mission, objectives and scope. They are accountable to their members and donors;*
- *NGOs are independent, in particular of government and other public authorities and of political parties or commercial organisations;*
- *NGOs are not self-serving in aims and related values. Their aim is to act in the public arena at large, on concerns and issues related to the well being of people, specific groups of people or society as a whole. They are not pursuing the commercial or professional interests of their members.*

The following paragraphs present the NGO definitions used by a selection of EC Services. Figure 6 below presents an overview.

- The **ECHO** mandate uses the term NGO, and emphasises their not for profit nature: *'Non-governmental organizations eligible for Community financing for the implementation of operations under this Regulation must meet the following criteria: (a) be non-profit-making autonomous organizations in a Member State of the Community under the laws in force in that Member State; (b) have their main headquarters in a Member State of the Community or in the third countries in receipt of Community aid. This headquarters must be the effective decision-making centre for all operations financed under this Regulation. Exceptionally, the headquarters may be in a third donor country'*.<sup>12</sup>
- Similarly, **ENV** explicitly uses the term NGO: *'Such NGOs would need to be independent and non-profit-making and to pursue activities in at least three European countries, either alone or in the form of an association'*.<sup>13</sup>

<sup>11</sup> EC, The Commission and Non-Governmental Organisations, 2000, page 3

<sup>12</sup> Council Regulation 1257/96 of 20 June 1996 concerning humanitarian aid. Article 7

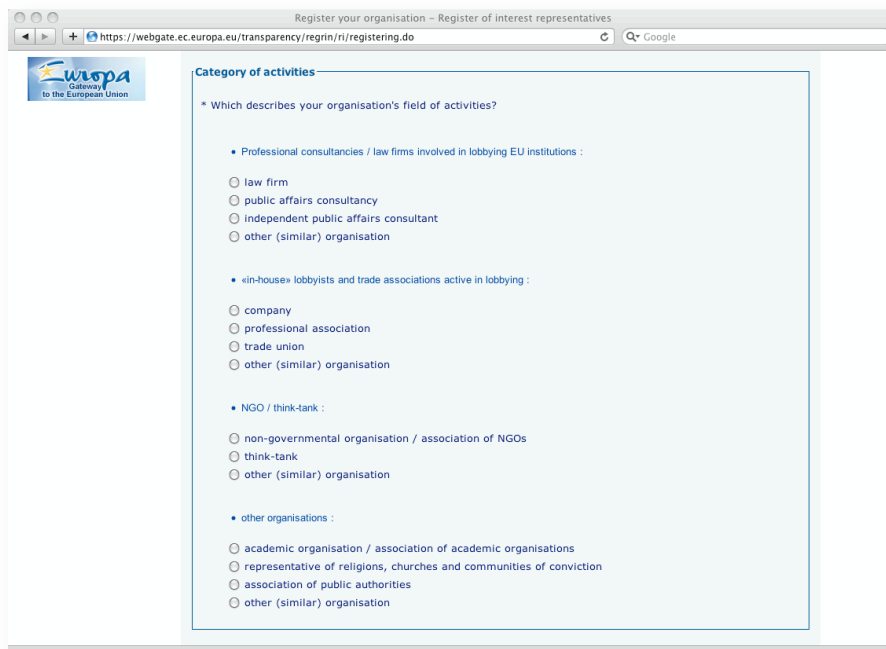
<sup>13</sup> Regulation 614/2007 of the European Parliament and the Council of 23 May 2007 concerning the Financial Instrument for the Environment (Life +), introductory consideration 12

☪ **DG Justice, Freedom and Security** (since July 2010, DG Justice and DG Home) uses the term NGO in the context of some of its funding programmes, e.g. the Civil Justice programme, and also refers to their not for profit character.<sup>14</sup>

☪ The **EC Register of Interest Representatives (RIR)** allows for different types of organisations to register, and one of the four main categories is noted as ‘*NGO / think-tank*’. However, the RIR does not elaborate on this category apart from specifying that it includes three sub-categories, namely: (a) ‘*non-governmental organisation / association of NGOs*’, (b) ‘*think-tank*’ and (c) ‘*other (similar) organisation*’.

Whilst there is no detailed information on what the category of ‘*NGO / think-tank*’ covers (no definition), there is some information on what it does not cover, e.g. ‘*academic organisation*’, ‘*representative of religion, churches and communities of conviction*’. These RIR sub-categories are not organised under the category ‘*NGO / think-tank*’. Similarly, organisations representing private sector or employee / employer interests are not covered, since these are included under the RIR category ‘*in house lobbyists and trade associations active in lobbying*’.

**Figure 4 - Register of Interest Representatives**<sup>15</sup>



<sup>14</sup> Decision 1149/2007 of the European Parliament and of the Council of 25 September 2007 establishing for the period 2007-2013 the Specific Programme ‘Civil Justice’ as part of the General Programme ‘Fundamental Rights and Justice’, Article 7

<sup>15</sup> RIR screenshot, <https://webgate.ec.europa.eu/transparency/regrin/ri/registering.do>, 24 June 2010

- However, the EC does not exclusively refer to the category of ‘NGO’. For example, the **Instrument for Development Cooperation** uses the wider term ‘Non-State Actors’ (NSAs), encompassing a series of other organisations, e.g. the social partners or churches.<sup>16</sup> The European Court of Auditors (ECA) considers that this wider term of NSA is appropriate considering the objectives in the specific policy area of development cooperation.<sup>17</sup>
- The **WB** also uses an NGO definition: ‘*The term "NGO" refers to a myriad of different types of organizations. At its broadest, it includes all groupings of individuals that fall outside the public and for-profit sectors, whether legally constituted or informal, established or transient.*’<sup>18</sup> However, the WB has recently changed to referring to “Civil Society Organisations”. NGOs are referred to as a component of civil society, however there are no policies or funds that are exclusively for NGOs. The WB’s Civil Society Team website provides a definition of Civil Society Organisations, which emphasises that they are non-profit, and non-governmental, and includes labour unions, faith-based groups, professional associations, indigenous groups and other charitable organisations or foundations. This definition does not form a mandatory policy for the World Bank, it is rather intended as a guideline or best practice.<sup>19</sup>
- The **CoE** cooperates extensively with NGOs. In 2007, the CoE adopted a recommendation on the legal status of non-governmental organisations in Europe, emphasising the not for profit objectives of NGOs:

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<sup>16</sup> ‘*The non-State, non-profit making actors eligible for financial support under this Regulation operating on an independent and accountable basis include: non governmental organisations, organisations representing indigenous peoples, organisations representing national and/or ethnic minorities, local traders' associations and citizens' groups, cooperatives, trade unions, organisations representing economic and social interests, organisations fighting corruption and fraud and promoting good governance, civil rights organisations and organisations combating discrimination, local organisations (including networks) involved in decentralised regional cooperation and integration, consumer organisations, women's and youth organisations, teaching, cultural, research and scientific organisations, universities, churches and religious associations and communities, the media and any non governmental associations and independent foundations, including independent political foundations, likely to contribute to the implementation of the objectives of this Regulation*’. Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, Article 24(2)

<sup>17</sup> ECA, The Commission’s management of non-state actors’ involvement in EC development cooperation, Special Report No 4, 2009

<sup>18</sup> WB Operations Manual, Good Practices 14.70, July 1998

<sup>19</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,pagePK:220469~theSitePK:228717,00.html> (accessed on 21 September 2010)



**Figure 5 - CoE NGO definition<sup>20</sup>**

- ☉ *For the purpose of this recommendation, NGOs are voluntary self-governing bodies or organisations established to pursue the essentially non-profit-making objectives of their founders or members. They do not include political parties.*
- ☉ *NGOs encompass bodies or organisations established both by individual persons (natural or legal) and by groups of such persons. They can be either membership or non-membership based.*
- ☉ *NGOs can be either informal bodies or organisations or ones which have legal personality.*
- ☉ *NGOs can be national or international in their composition and sphere of operation.*
- ☉ *NGOs should enjoy the right to freedom of expression and all other universally and regionally guaranteed rights and freedoms applicable to them.*
- ☉ *NGOs should not be subject to direction by public authorities.*
- ☉ *NGOs with legal personality should have the same capacities as are generally enjoyed by other legal persons and should be subject to the administrative, civil and criminal law obligations and sanctions generally applicable to those legal persons.*
- ☉ *The legal and fiscal framework applicable to NGOs should encourage their establishment and continued operation.*
- ☉ *NGOs should not distribute any profits which might arise from their activities to their members or founders but can use them for the pursuit of their objectives.*
- ☉ *Acts or omissions by public authorities affecting an NGO should be subject to administrative review and be open to challenge by the NGO in an independent and impartial court with full jurisdiction.*

<sup>20</sup> Recommendation CM/Rec(2007)14 of the Committee of Ministers to member states on the legal status of non-governmental organisations in Europe, adopted on 10 October 2007

The following figure presents an overview of NGO definitions in different EC Services, the CoE and the WB.

**Figure 6 - NGO definitions**

Organisation	NGO definition	Non for profit	Source
EC DG ECHO	✓	✓	Council Regulation (EC) 1257/96 of 20 June 1996 concerning humanitarian aid, article 7
EC DG EAC	✓	✓	Citizenship Programme 2007-2013 Programme Guide, page 53
EC DG ENV	✓	✓	Regulation (EC) 614/2007 of the European Parliament and of the Council of 23 May 2007 concerning the Financial Instrument for the Environment (LIFE+), Annex 1 and <a href="http://ec.europa.eu/environment/ngos/index_en.htm">http://ec.europa.eu/environment/ngos/index_en.htm</a>
EC DG EuropeAid	uses a wider concept, namely Non-State Actors	✓	Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, Article 24 (2)
EC DG Health and Consumers	✓	✓	Decision 1350/2007/EC of the European Parliament and of the Council of 23 October 2007 establishing a second programme of Community action in the field of health (2008-13), Article 4
EC DG Justice and Home Affairs (2 DGs)	✓	✓	Annual Work Programme 2010 Prevention of and fight against crime, page 5 Commission Decision C (2010) 051 of 22 January 2010 on the adoption of the annual work programme for 2010 for the "Criminal Justice" specific programme as part of the General Programme "Fundamental Rights and Justice", page 19
CoE	✓	✓	Recommendation CM/Rec(2007)14 of the Committee of Ministers to member states on the legal status of non-governmental organisations in Europe, adopted on 10 October 2007
WB	✓	✓	World Bank Operations Manual, Good Practices 14.70, July 1998

Before presenting the NGO definition adopted for the present assignment, it is worth noting that the NGO definitions avoid referring to any specific legal form. Whilst legal personality is usually required, it is recognised that NGOs can adopt different legal forms depending on the Member States where they are registered.

Different studies have recently looked into the legal status of NGOs,<sup>21</sup> and confirmed the variety of legal approaches. More specifically, the difference between common law (UK and Ireland) and civil law systems (most other EU Member States) is noted: whilst common law focuses on the organisation's activity, civil law focuses on its legal form. Some Member States do not require registration to establish legal personality.<sup>22</sup> Whilst EU-level approaches are being discussed (e.g. the discussions on the European Foundation status), it is generally considered that legal harmonisation would be ill suited to address the Member States' different stages of development with regard to civil society in general, and NGOs more specifically. Therefore, across the EU, it appears that self-regulation is gaining momentum.<sup>23</sup>

Survey feedback (NGOs working with ECHO, EAC and ENV) confirms the variety of legal forms that NGOs can adopt, i.e. in one Member State, there might be different legal forms for an NGO to operate under. However, survey feedback shows that in most Member States, NGOs operate under only one, and at the most two, legal forms, for example:

- ☉ Belgium: the AISBL or ASBL
- ☉ Czech Republic: the Public Benefit Association (O.P.S.)
- ☉ France: the Association in line with the 1901 Association Law
- ☉ Germany: the registered Association (eingetragener Verein)
- ☉ the Netherlands: the Stichting
- ☉ the UK: the registered Charity or the company limited by guarantee

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<sup>21</sup> For example, the EC DG Internal Market has conducted research in relation to the plans for a European Foundation Statute (University of Heidelberg, Max Planck Institute for Comparative and International Private Law, Centre for Social Investment, for the European Commission Directorate General Internal Market, Feasibility Study on a European Foundation Statute, 2009). Similarly, former EC DG Justice and Home Affairs has looked at the legal forms of NGOs: European Centre for Not-For-Profit Law, for the European Commission Directorate General Justice, Freedom and Security, Study on Recent Public and Self-Regulatory Initiatives Improving Transparency and Accountability of Non-Profit Organisations in the European Union, April 2009

<sup>22</sup> European Centre for Not-For-Profit Law, for the European Commission Directorate General Justice, Freedom and Security, Study on Recent Public and Self-Regulatory Initiatives Improving Transparency and Accountability of Non-Profit Organisations in the European Union, April 2009, page 12

<sup>23</sup> Ibid, page 17

## 2.1.2 The NGO definition used for the present study

A review of the definitions used by the different EC services involved in NGO financing shows that whilst there is no common legal definition (due to the different legal forms that NGOs can adopt in the Member States), there appears to be a common understanding with regard to the organisational characteristics, in particular, the not for profit nature of NGOs.

For the purpose of the present study the focus is on financing for not for profit NGOs.<sup>24</sup> This is also in line with the recent EP discharge decision: *'Invites the Commission to establish a public register of NGO-type bodies funded by Commission services, to harmonise its various databases on beneficiaries receiving funds from the EU budget or the European Development Fund, to indicate in its accounting system the **'not-for-profit'** nature of the beneficiary entities and to look into the possibility of expanding the register of interest representatives by including information about their funding received from the EU.*<sup>25</sup>

Moreover, the 'not for profit' nature is interpreted in a narrow sense, i.e. excluding NGOs that whilst themselves not engaged in for-profit activity represent members with for-profit interests.<sup>26</sup> This follows the 'architecture' of the EC Register of Interest Representatives, that organises professional organisations (and the social partners) in separate categories.

Finally, it is also proposed not to use the wider concept of Non-State Actors. The Development Cooperation Regulation uses this concept, covering not only NGOs but also other organisations.<sup>27</sup> However, as noted by the ECA,<sup>28</sup> this concept is of relevance to a specific policy area, namely development cooperation, where EC

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<sup>24</sup> A recent EC study uses a similar definition (though using the term Non-Profit Organisation instead of NGO): *'an association, society, foundation, charity, non-profit corporation, or other type of legal entity that is not regarded under the particular legal system as part of the state sector and that is not operated for profit (...)* It does not include trade unions, political parties, cooperative, or religious organisations devoted primarily to religious worship'. European Centre for Not-For-Profit Law, for the European Commission Directorate General Justice, Freedom and Security, Study on Recent Public and Self-Regulatory Initiatives Improving Transparency and Accountability of Non-Profit Organisations in the European Union, April 2009, page 10

<sup>25</sup> EP decision of 5 May 2010 on discharge in respect of the implementation of the European Union general budget for the financial year 2008, Section III – Commission, (SEC (2009) 1089 – C7-0172/2009 – 2009/2068(DEC)), Point 248 (bold font by the author of this report)

<sup>26</sup> Note that this does not mean that an NGO is excluded from consideration if it receives private sector funding (e.g. donations). The emphasis is on the non-for profit nature of the interests that the NGO pursues.

<sup>27</sup> Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, Article 24(2)

<sup>28</sup> ECA, The Commission's management of non-state actors' involvement in EC development cooperation, Special Report No 4, 2009, page 8

cooperation intends to go beyond NGO cooperation by also involving other segments of the developing countries' civil society such as the social partners, business organisations, universities or churches.

## 2.2 The framework for EC-NGO cooperation

This section looks at the strategic framework for EC-NGO cooperation (section 2.2.1). Moreover, two specific issues are addressed: the debate over the legitimacy of the EC providing funding for NGOs that are critical of EC policy positions (section 2.2.2), and the independence of NGOs receiving EC funding (section 2.2.3). Indeed, whilst in general terms it appears widely accepted that NGOs receive public funding,<sup>29</sup> there has been criticism over NGOs benefiting of EC grants and subsequently developing advocacy against EC policies, or that develop a dependency on EC funding.

### 2.2.1 The wider strategy for EC-NGO cooperation

Why does the EC cooperate with NGOs? In January 2000, the EC presented a paper on its partnership with NGOs (discussion paper).<sup>30</sup> According to EC Secretariat General interview feedback in June 2010, this discussion paper remains the only document that sets out wider objectives with regard to NGO cooperation for the EC as a whole, and whilst to some extent no longer up-to-date, still reflects the overall EC position with regard to NGOs.

The discussion paper '*addresses the question of how best to organise EU funding for NGO-managed activities, and suggests ways of providing a more coherent Commission-wide framework for co-operation that has hitherto been organised on a sector-by-sector basis*'.<sup>31</sup> NGO survey feedback indicates that there has been no apparent follow-up on this, at least with regard to 'harmonised' NGO definitions, the publication of funding data, and the design and operation of NGO funding programmes.

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<sup>29</sup> For example the CoE specifically recommends public support for NGOs: '*NGOs should be assisted in the pursuit of their objectives through public funding and other forms of support, such as exemption from income and other taxes or duties on membership fees, funds and goods received from donors or governmental and international agencies...*' Recommendation CM/Rec(2007)14 of the Committee of Ministers to member states on the legal status of non-governmental organisations in Europe, adopted on 10 October 2007, point 57

<sup>30</sup> EC, The Commission and Non-Governmental Organisations, 2000

<sup>31</sup> Ibid, page 3

The discussion paper notes a series of EC motivations for cooperating with NGOs. In more general terms, NGO cooperation is supported with a view to fostering participatory democracy, and more specifically, NGOs are seen to contribute at the policy design stage (consultation of NGOs: *'act as a balance to the activities and opinions of other interests in society.'*), and at the operational level (via involvement in project management).<sup>32</sup>

### 2.2.2 EC funding for NGOs that are critical of EC policy positions

A specific issue that has been noted in relation to EC-NGO cooperation, is the possibility of an NGO receiving EC support, and later developing advocacy activity against EC positions. Note that EC-NGO cooperation is motivated by the wish to be able to consult all stakeholder positions. However, whilst industry / business interests are generally well organised, this is not the case for civil society interests - mainly due to a lack of funding. The EC addresses this gap by providing funding for civil society organisations including NGOs. This is also in line with a recent initiative by a group of Members of the European Parliament calling for stronger civil society organisation in relation to financial market regulation: *'There is nothing extraordinary if these companies make their point of view known and have discussions on a regular basis with legislators. But it seems to us that the asymmetry between the power of this lobbying activity and the lack of counter-expertise poses a danger to democracy. Indeed, this lobbying activity should be balanced by that of others. When it comes to the environment or to public health, non-governmental organizations (NGOs) have developed a counter-expertise which reports a different point of view compared to the one of corporations. The same happens when it comes to social policies and industrial relations, where the voice of employers is balanced by the one of trade unions. These disputes allow elected officials to hear opposite points of reasoning. But when it comes to finance, this is not the case. Neither trade unions nor NGOs have developed an expertise capable of countering the banks expertise.'*<sup>33</sup>

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<sup>32</sup> Ibid, page 5

<sup>33</sup> <http://www.finance-watch.org/>. The initiative was launched on the internet in June 2010 by 22 Members of the European Parliament. See also <http://www.dradio.de/dlf/sendungen/hintergrundpolitik/1240469/>, 4 August 2010

**Case study - ENV**

Advocacy is considered an important mechanism by which ENV maintains awareness of ongoing activities in the environmental sphere. From the NGO point of view, Life+ funding is considered an effective way for larger environmental NGOs to establish permanent representation offices in Brussels, and the interviews confirm a clear correlation between EU funding levels and capacity for environmental NGO's to engage in advocacy. ENV rejects the idea that NGOs should not be overly engaged in lobbying activities. Instead, it claims that advocacy is an important function, in order to ensure that ENV is capable of maintaining a strong line of communication with funding beneficiaries throughout the Member States. However, its encouragement of NGOs' advocacy activities through EU funding could be questioned. While on the one hand these advocacy activities may be useful to promote the EU's environmental policy objectives, on the other hand it is questionable whether the EU budget should be used to fund activities destined to influence Member States' national policies. There is no clear answer to this issue, but it could benefit from further debate at EU level.

**2.2.3 The independence of NGOs receiving EC funding**

It is noteworthy that EC-NGO cooperation has been the subject of some criticism.<sup>34</sup> Indeed criticism has been voiced of EC funding for NGOs threatening the independence of NGOs: if an NGO depends on EC funding (i.e. EC funding accounts for a substantial percentage of the NGO's budget), then it might be questioned whether the NGO is still in a position to establish independent policy positions. Indeed it could be assumed that the NGO is inclined to align itself with EC policy positions in order not to upset its 'benefactor'. However, such an alignment would undermine the EC's rationale for funding NGOs, i.e. supporting the development of independent policy positions.

The NGO Survey conducted for this study indicates that only 24% of the survey respondents have adopted funding limits (i.e. maintaining EC funding under specific thresholds) to address this threat to their independence.

Looking at the survey responses by EC Service (i.e. the DG that the NGO works with: EAC, ECHO or ENV) shows that EC funding limits are most present in NGOs working

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<sup>34</sup> See for example: Caroline Boin and Andrea Marchesetti for the International Policy Network, Friends of the EU - The costs of a taxpayer-funded green lobby, March 2010. The authors of the present study (NGO financing from the EU budget) consider that this criticism is not based on objective and balanced research.

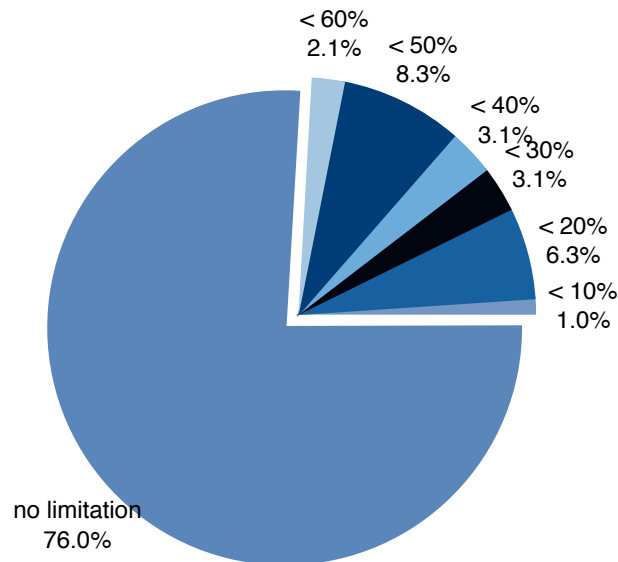
with ENV (39% of NGOs working with ENV have adopted a funding limit), and less present in NGOs working with EAC (27%) or ECHO (21%).

Survey respondents have indicated that they are aware of this possible dependency and implied risks, and several NGOs note that they are aiming at more diversity in their funding sources. Survey respondents also indicate that this is a difficult task considering the scarcity of national funds in the background of the economic crisis.

However, there are examples of NGOs that have adopted more stringent EC funding limits: *'Greenpeace European Unit is funded by Greenpeace International. Globally Greenpeace relies wholly on the voluntary donations of 2.9 million individual supporters (98.9 % of total income in 2007) and on grant support from foundations (1.1% of total income in 2007). Greenpeace does not seek or accept donations from governments (including the EU institutions), corporations or political parties'*.<sup>35</sup>

DG Communication feedback on the draft version of this report notes, however, that *'setting funding limits might damage the sustainability of some EU level organisations (...). Other means should be envisaged, for example, inserting in grant agreements a provision guaranteeing the operational independence of beneficiaries of EU funds, despite their financial dependency'*.

**Figure 7 - NGO survey results - % of NGOs operating EC funding limits (total of 96 responses; '< x%' means a limitation of EC funding out of total NGO income under x%)**



<sup>35</sup> <http://www.greenpeace.org/eu-unit/about/summary-of-finances> as accessed on 6 September 2010



**Case study - WB**

The WB's motivation for cooperating with NGOs is similar to the EC's: *'In encouraging collaboration with NGOs, the Bank seeks to (...) broaden input into Bank policies, analyses, and country strategies'* (WB Operations Manual, Good Practices 14.70, July 1998). However, the position on advocacy is different. The WB is lobbied by a number of organisations, who are listed on the Civil Society Team website. However, questions about advocacy groups receiving funding from the WB were met with surprise. As far as Northern advocacy organisations are concerned, there is a consensus that receiving funding from the WB would undermine their credibility, and it is therefore not something that they would want. The NGO platform InterAction confirms that most civil society organisations usually either advocate with the WB or seek funding: there is generally little overlap.

The WB does provide funding to a few Southern CSOs to travel to Washington in order to engage in WB policy meetings about civil society, so that discussions are globally representative. There is some resistance amongst Southern governments, and some WB staff, to bringing Southern advocacy groups to Washington. However, The Civil Society Team believe it is important for the WB's work to be scrutinised, and to encourage free speech.

**2.3 The volume of EC-NGO cooperation**

According to the EC's NGO discussion paper, *'it is estimated that over €1 billion a year is allocated to NGO projects directly by the Commission'*.<sup>36</sup> According to this document, funding relates mainly to the policy areas of *'external relations for development co-operation, human rights, democracy programmes, and, in particular, humanitarian aid'*; further important policy areas include social, education and environment policy.<sup>37</sup> NGO funding in the area of humanitarian aid is estimated at €400 million (in 2000).

However, overall, it is difficult to establish an estimate of the financial volume of EC-NGO funding since there is no comprehensive and up-to-date data covering all EC services (financial data exists, however, this does not systematically differentiate by

<sup>36</sup> EC, The Commission and Non-Governmental Organisations: Building a Stronger Partnership, Commission Discussion Paper, presented by President Prodi and Vice-President Kinnock, Brussels, 2000, page 2

<sup>37</sup> Ibid

type of beneficiary, i.e. no clear identification of NGO beneficiaries). A recent ECA assessment confirms the absence of comprehensive data with regard to EC cooperation with Non-State Actors in the area of development cooperation: *'there is at present no readily available source of data in EuropeAid concerning NSA funding in the field of development cooperation. The data in the Common RELEX Information System (CRIS) is incomplete and the identification of operators unreliable'*.<sup>38</sup>

This section provides detail on the financial volume of EC-NGO cooperation. The first sub-section presents the scope of the analysis and discusses a series of caveats (section 2.3.1). This is followed by a detailed analysis, including by EC Service, beneficiary NGO, NGO nationality etc. (section 2.3.2).

### 2.3.1 Scope of analysis

This analysis focuses on grants awarded to NGOs in 2008 and 2009 by the four following DGs:

- EuropeAid co-operation Office (EuropeAid) (<http://ec.europa.eu/europeaid/work/funding/beneficiaries>)
- ECHO ([http://ec.europa.eu/echo/funding/grants\\_contracts/agreements\\_en.htm](http://ec.europa.eu/echo/funding/grants_contracts/agreements_en.htm))
- ENV ([http://ec.europa.eu/environment/ngos/list\\_ngos97\\_07.htm](http://ec.europa.eu/environment/ngos/list_ngos97_07.htm))
- EAC (Europe for Citizens programme Action 2, Measures 2 and 3 only) ([http://eacea.ec.europa.eu/citizenship/results\\_compendia/results\\_en.php](http://eacea.ec.europa.eu/citizenship/results_compendia/results_en.php))

Grants awarded by the following DGs were also reviewed but are not included in this analysis.

**Figure 8 - EC DGs providing grants**

Employment	Grantees are not categorised by type. A review of available data indicates that grants are awarded primarily to organisations that do not fall within the definition of NGO adopted for the purposes of this study.	<a href="http://ec.europa.eu/social/main.jsp?catId=632&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=632&amp;langId=en</a>
Development	Grants are managed by EuropeAid	<a href="http://ec.europa.eu/development/procurements-grants_en.cfm">http://ec.europa.eu/development/procurements-grants_en.cfm</a>

<sup>38</sup> European Court of Auditors, The Commission's management of non-state actors' involvement in EC development cooperation, Special Report No 4, 2009, page 25 Note in this context, that EuropeAid has improved CRIS, and it is now possible to *'provide financial information including by type of non profit operator.'* EuropeAid feedback on the inception report, 16 July 2010

External Relations	Grants are managed by EuropeAid	<a href="http://ec.europa.eu/external_relations/grants_contracts/grants/awards/index_en.htm">http://ec.europa.eu/external_relations/grants_contracts/grants/awards/index_en.htm</a>
Health & Consumers	Grantees are not categorised by type. A review of available data indicates that grants are awarded primarily to organisations that do not fall within the definition of NGO adopted for the purposes of this study.	<a href="http://ec.europa.eu/eahc/health/funded_projects.html">http://ec.europa.eu/eahc/health/funded_projects.html</a>
Information Society and Media	There were numerous calls for proposals in 2008 and 2009 but information regarding grant awards does not differentiate by type of beneficiary.	<a href="http://ec.europa.eu/information_society/newsroom/cf/news.cfm?item_type=fo&amp;itemTime=past">http://ec.europa.eu/information_society/newsroom/cf/news.cfm?item_type=fo&amp;itemTime=past</a>
Justice Liberty and Security	Grantees are not categorised by type. A review of available data indicates that grants are awarded primarily to organisations that do not fall within the definition of NGO adopted for the purposes of this study.	<a href="http://ec.europa.eu/justice/funding/intro/funding_intro_en.htm">http://ec.europa.eu/justice/funding/intro/funding_intro_en.htm</a>
Research	Seventh Framework Programme. Grants are not directly provided by DG Research. Grantees are not categorised by type. A review of available data indicates that grants are awarded primarily to academic institutions, commercial organisations, and other research bodies and consortia that do not fall within the definition of NGO adopted for the purposes of this study.	<a href="http://ec.europa.eu/research/index.cfm?lg=en&amp;pg=who&amp;cat=n&amp;tips=on">http://ec.europa.eu/research/index.cfm?lg=en&amp;pg=who&amp;cat=n&amp;tips=on</a>

The analysis of the financial volume of EC-NGO cooperation is constrained by several issues, including the differences in the classification of grantees by type. There is no standard definition of NGO, and Europe-Aid does not use this term at all.

- ☉ EuropeAid has started reclassifying organisations that received grants in 2008 and 2009, but has not yet completed this classification. The new classification does not define organisations as NGOs, but defines a series of other categories.<sup>39</sup>
- ☉ ECHO classifications include NGOs (other categories are United Nations bodies or government).
- ☉ ENV classifies all LIFE+ (only NGO support programme) grantees as NGOs.

In order to carry out this analysis, it is necessary to eliminate grantees that are not covered by the definition of NGO adopted for the purposes of this study. Where the type of grantee was not explicitly given, this elimination was carried out by searching for key words in the name of the grantee.<sup>40</sup> Following this, the combined list of grantees

<sup>39</sup> University/ Education; Trade Union; Think Tank; Network/ Federation; Media; Institution of Research; Institute/ University; General Civil Society Organisation; Cultural Organisation

<sup>40</sup> Keywords included, for example: municipality; authority; university; school; research institute; think tank; trade union; chamber of commerce; etc.

was again reviewed to check that those receiving the largest amounts of grant funding fitted the definition of NGO used for this study. The resulting list includes approximately 3,000 organisations. It is likely that the final list includes some grantees that do not fit this definition, and that some that should be on the list have been eliminated. This is due to the fact that the grantee names are given in numerous languages, and it has not been possible to check for key words in all languages. Nevertheless, given that a relatively small number of NGOs account for a significant amount of grant funding, this analysis should provide a generally representative overview of the distribution of NGO grants by DG, by nationality of grantee, and by location of action.

All DGs appear to be using different systems, which means that there are differences, not only in the type of information collected, but also in how it is recorded. For example:

- ☪ There appear to be differences in the naming of grantees in different systems. This means that it is not possible, on the basis of the existing data, to identify the total grants awarded by all DGs to specific grantees. There is no reliable means of harmonising grantee names, because (a) it is not clear if the differences are due to different naming conventions or to real differences between grantees with almost identical names, and (b) if the two different names refer to the same organisation, it is not clear which of the names is the correct one. Therefore no attempt has been made to harmonise the names, and it is likely that some organisations are listed as two, or more, separate organisations, where they have received funding from two or more different DGs.
- ☪ Country data is entered differently in different systems.<sup>41</sup> In some cases a three letter abbreviation is used, in others a two letter abbreviation, and in others the full country name. Even where the full country name is used, there are differences between the different systems. Unlike the differences in the names of the grantees, the different country naming conventions can be reliably harmonised, and this has been done for the purposes of this analysis.
- ☪ With the exception of EAC, information regarding categorisation of grants according to purpose (i.e. general operations, or specific project) is not available. Therefore analysis according to purpose of grant is limited to this DG.
- ☪ EuropeAid appears to be the only DG that categorise grants according to subject, and it utilises DAC categories.<sup>42</sup>

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<sup>41</sup> The nationality of the grantee, and the country of the action.

<sup>42</sup> [http://www.oecd.org/document/21/0,3343,en\\_2649\\_34447\\_1914325\\_1\\_1\\_1\\_1,00&en-USS\\_01DBC.html](http://www.oecd.org/document/21/0,3343,en_2649_34447_1914325_1_1_1_1,00&en-USS_01DBC.html)

EuropeAid publishes grant award information via a searchable online database. However, it is not possible to download data for analysis. While data can be copied directly from a web browser, this is a time-consuming task for large amounts of data and increases the possibility of error. Other DGs covered by this analysis publish grant award information in the form of downloadable PDF documents. In some cases, this information can be copied directly to a spreadsheet for further analysis. However, in many cases, this is possible only after the relevant PDF documents have been converted into spreadsheets using specialised software.

### 2.3.2 Analysis

As mentioned above, due to the difficulty in developing a list that includes only NGOs, and all NGOs, this analysis has to be viewed as an approximation. Please note that all data in this section only refers to the four DGs included in the analysis (EuropeAid, ECHO, ENV and EAC).

**Overall analysis:** During 2008 and 2009, the four DGs covered by this analysis awarded some 5,000 grants to NGOs with funding amounting to approximately €2.5 billion, as indicated below.

**Figure 9** - NGO grants in EuropeAid, ECHO, ENV and EAC (2008 and 2009)

DG	2008		2009		Total	
	Count of grants	Value of grants €	Count of grants	Value of grants €	Count of grants	Value of grants €
EuropeAid	1,436	632,961,547	2,085	994,631,119	3,521	1,627,592,666
ECHO	638	380,684,391	583	373,466,544	1,221	754,150,935
ENV	30	8,174,454	29	8,418,965	59	16,593,419
EAC	152	6,214,179	128	5,867,455	280	12,081,634
<b>Total</b>	<b>2,256</b>	<b>1,028,034,571</b>	<b>2,825</b>	<b>1,382,384,083</b>	<b>5,081</b>	<b>2,410,418,654</b>

**Analysis by operator:** Grants were awarded to approximately 3,000 NGOs. The 10 organisations receiving most funds in this period are from five Member States (United Kingdom, France, Ireland, Spain, Germany). Between them, they were awarded 377 grants amounting to some €303.5 million (13% by value of all grants awarded).

**Figure 10** - The ten NGOs receiving most funds (2008 and 2009)

Operator		2008		2009		Total	
		Count of grants	Value of grants €	Count of grants	Value of grants €	Count of grants	Value of grants €
OXFAM - UK	UK	41	24,923,401	42	27,532,950	83	52,456,351
OXFAM GB LBG	UK	12	10,774,284	24	31,730,015	36	42,504,299
ACA - FRA	FR	32	21,105,663	24	18,285,941	56	39,391,604
SAVE THE CHILDREN FUND LBG	UK	15	12,257,509	16	15,681,788	31	27,939,297
CONCERN WORLDWIDE	IE	15	11,278,963	20	15,810,327	35	27,089,290
DEUTSCHE WELTHUNGERHILFE EV	DE	11	13,425,111	12	11,247,399	23	24,672,510
MERLIN	UK	10	10,898,689	11	12,636,452	21	23,535,141
MERCY CORPS SCOTLAND LBG	UK	10	6,537,459	15	16,363,713	25	22,901,172
ACH - ESP	ES	16	8,964,874	20	13,226,321	36	22,191,195
GERMAN AGRO ACTION	DE	18	11,999,394	13	8,757,626	31	20,757,020
Total	5	180	132,165,347	197	171,272,532	377	303,437,879

**Analysis by operator nationality:** There are some 150 operator nationalities. Overall, the top 10 operator nationalities in 2008 and 2009 by value of grants awarded were:

**Figure 11** - NGO nationality (all EC DGs)

Operator nationality	Total grants awarded €
United Kingdom	478,584,595
France	319,739,461
Germany	223,540,137
Netherlands	173,939,192
Italy	164,442,198
Belgium	95,512,861
Spain	94,507,981
Denmark	87,698,147
Switzerland	64,184,810
Austria	54,556,096
	1,756,705,477

This picture is generally reflected in the grants awarded by EuropeAid and ECHO. However the situation is different for ENV and EAC. In the case of ENV, the top 10 operator nationalities by value of grants awarded are:

**Figure 12 - NGO nationality (ENV)**

Operator nationality	Total grants awarded €	Count of grants awarded
Belgium	8,371,405	24
Netherlands	3,232,552	11
Czech Republic	1,199,263	4
Austria	938,912	4
Greece	767,373	2
Sweden	519,900	2
Latvia	360,000	1
Hungary	342,851	3
Germany	327,258	2
	16,059,514	53

In the case of EAC the top 10 operator nationalities by value of grants awarded are:

**Figure 13 - NGO nationality (EAC)**

Operator nationality	Total grants awarded €	Count of grants awarded
Germany	2,393,325	37
Belgium	2,207,964	34
France	1,832,453	34
Hungary	1,371,005	52
Italy	834,638	23
Austria	663,606	17
United Kingdom	474,088	11
Spain	451,321	4
Poland	272,850	11
	10,501,250	223

**Analysis by country of operation:** Only the data of EuropeAid and ECHO identify a country of operation. For 170 grants amounting to €154 million (all awarded by EuropeAid), the location given is “All Countries”. These are relatively small grants, with total awards to any one organisation ranging from approximately €4.5 million<sup>43</sup> to €18,000. The maximum number of grants awarded to any single organisation is three. A number of grants cover specific regions, and 346 grants amounting to approximately

<sup>43</sup> STICHTING OXFAM NOVIB, Netherlands. Three grants.

€30 million have no country or region of operation associated with them. The top 10 individual countries of operation are as follows:<sup>44</sup>

**Figure 14** - The ten countries receiving most funds (EuropeAid and ECHO, 2008 and 2009)

Country of operation	Total grants awarded €	Count of grants awarded	EuropeAid rank	ECHO rank
Afghanistan	121,405,970	112	1	5
Sudan	115,971,044	153	7	1
Congo, Democratic Republic of	86,904,275	110	3	4
Bangladesh	85,473,034	96	2	8
Somalia	82,246,200	71	5	3
Ethiopia	58,635,924	65	14	7
Kenya	58,271,246	62	18	6
Palestinian Territory, Occupied	55,580,855	85		2
Zimbabwe	52,463,427	73	12	9
Myanmar	44,988,279	57	23	10
	761,940,255	884		

For EuropeAid, the top 10 countries or regions of operation are as follows (excluding the “All Countries” grants mentioned above):

**Figure 15** - The ten countries receiving most funds (EuropeAid, 2008 and 2009)

Rank	Country of operation	Total grants awarded €	Count of grants awarded
1	Afghanistan	82,088,499	48
2	Bangladesh	54,988,019	39
3	Congo, Democratic Republic of	45,420,877	58
4	Latin America Countries	41,664,469	15
5	Somalia	39,160,282	28
6	Sri Lanka	30,407,503	26
7	Sudan	30,209,580	40
8	Cyprus	28,284,160	639
9	West Bank and Gaza Strip	26,706,234	62
10	ACP Countries	25,708,282	15
		404,637,905	970

<sup>44</sup> The rankings in the table refer to the value of grants awarded. This rankings take into account grants covering specific regions but ignore “All Countries” grants. In other words, for the purposes of this ranking, grants covering specific regions are treated the same as grants covering a specific country.



For ECHO the top 10 countries or regions of operation are as follows:

**Figure 16 - The ten countries receiving most funds (ECHO, 2008 and 2009)**

Rank	Country of operation	Total grants awarded €	Count of grants awarded
1	Sudan	85,761,464	113
2	Palestinian Territory, Occupied	55,580,855	85
3	Somalia	43,085,918	43
4	Congo, Democratic Republic of	41,483,398	52
5	Afghanistan	39,317,471	64
6	Kenya	38,135,978	37
7	Ethiopia	35,585,569	36
8	Bangladesh	30,485,015	57
9	Zimbabwe	28,694,332	46
10	Myanmar	27,636,954	39
		425,766,954	572

**Analysis by purpose of grant:** EuropeAid classifies grants as being for one of the following: Services, Supplies or Works. Information regarding grants awarded by ENV and EAC gives some indication as to whether grants are for specific actions, or to cover general operational costs.

**Figure 17 - NGO funding by purpose (specific actions versus operational costs)**

DG	Actions		Operation	
	Count of grants	Value of grants €	Count of grants	Value of grants €
ENV	0	0	59	16,593,419
EAC	233	7,448,839	47	4,632,795
Total	233	7,448,839	106	21,226,214

The available data covering the grants awarded by ECHO does not include any categorisation according grant purpose. This could be deduced from an analysis of the grant descriptions, but this is impractical, given the number of grants.

# Section 3 - Performance of EC-NGO cooperation

This section introduces the EC's approaches to NGO funding and coordination of EC-NGO cooperation (section 3.1), and provides feedback on the efficiency (section 3.2) and effectiveness (section 3.3) of EC-NGO cooperation.

## 3.1 Approaches to NGO funding and coordination

This section reviews approaches to EC-NGO cooperation, in terms of different funding arrangements (section 3.1.1), and co-ordination mechanisms (3.1.2). By reviewing evidence from the case studies it discusses the benefits and challenges of the different approaches used by the three case study DGs (EAC, ECHO and ENV).

### 3.1.1 Different funding arrangements

Evidence collected through the case studies highlights that there are a range of different approaches to the funding of NGOs. These have been grouped into two categories: project funding, and programme funding (see figure below).

Project funding encompasses relatively short-term grants, generally of one or two years, that are provided to an NGO to support a defined set of activities (e.g. tree planting in Northern Malawi).

Programme funding on the other hand tends to be allocated to a smaller number of NGOs, but is for larger amounts and longer periods of time, generally between three and five years.<sup>45</sup> This support, often referred to as Partnership Arrangements or Framework Agreements, may be tied to a specific thematic area an NGO is involved in (e.g. gender equality), or if the mission of an NGO is in line with donor priorities,

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<sup>45</sup> EC feedback on the draft version of this report highlights an important issue, namely different wording of types of funding arrangements in different DGs. For example, DG Communication does not use the term 'programme funding' but refers to 'structural support' or 'operating grants'. See for example their most recent call: [http://eacea.ec.europa.eu/citizenship/funding/2010/documents/call\\_2\\_1\\_12/call\\_eacea1109\\_en.pdf](http://eacea.ec.europa.eu/citizenship/funding/2010/documents/call_2_1_12/call_eacea1109_en.pdf)

support the organisation’s overall strategy. The following section explores the benefits and challenges of these two different approaches to NGO funding.

Note in this context that the wording chosen by the authors aims to allow the understanding of funding instruments without requiring a prior detailed knowledge of the EC and Member State programme-specific terminology.

**Figure 18 - Selection of NGO funding mechanisms**

	EAC	ECHO	ENV	WB	DMFA	AECID
Project Funding	Culture Programme: budget of around €4million for 2010-2013	Grant Facility: up to 2007 the GF has supported 50 projects of 36 organisations for around €5.4m  Framework Partnership Agreements: Varies between €100,000 and €18 million in 2009, to over 200 NGOs.	LIFE+: total budget of €2.143 billion for 2007-2013 (The figure refers to LIFE + as a whole, whereas the operating grants only accounts for a small share of the budget (approx. 3 %)	Many funding streams available to CSOs, from small grants of around \$7000 (Civil Society Fund) to large awards averaging \$1 million	SALIN: €28 million a year to 20 non-Dutch NGOs MDG3: €70 million over 4 years to 45 organisations	Project Based Cooperation: maximum support of €950,000 over two years
Programme Funding	Europe For Citizens: total budget (for the whole programme) of €215 million for 2007-2013. Funding for civil society organisations amounts to €17 million, and operating grants to €14 million (2008-09).				MFS 2007-10: €2.1 billion over 4 years to 74 organisations	Framework Agreement Cooperation (Convenio de Cooperación): NGO funding is limited to €5 million per year (with the exception of humanitarian aid)

 **Project-based funding:** As can be seen from the figure above, project funding is the dominant approach to NGO support among the three EC DGs. ECHO’s Grant Facility provides small grants to NGOs for training initiatives and capacity building in the humanitarian field, ENV’s Life+, although not solely for NGOs, provides

substantial funding to NGOs in support of nature and environmental conservation projects across the EU. EAC has both its Culture Programme, which supports projects by NGOs and other organisations, promotional activities and research in all branches of culture, and its Europe for Citizens programme which provides grants to NGOs and other organisations for projects that promote Europe's common values and history, foster a sense of ownership of the EU project among citizens, and develop ideas and activities with a European angle. The amount of money available to NGOs across the different funds varies considerably. For example, EAC's Culture Programme is endowed with €4 million, while its Europe for Citizens Programme makes €215 million available. Similarly, there is significant variety in the amount of funding that goes to NGOs within a particular funding stream. Grants from ENV's Life+ for example range from €933,119 to the European Environmental Bureau in 2005, to €8,058 to the European Water Association in 2006.


There are a number of advantages to project funding, which may explain its prevalence among the EC DGs. Firstly, project funding supports a greater level of donor oversight. Because funding is allocated to a specific set of activities the donor can agree with the NGO a set of outputs, outcomes, and indicators and can keep close control over how the funds are spent. Secondly, it is easier for donors to identify the specific results achieved as a result of project funding (as will be discussed later, attribution becomes significantly more problematic with programme funding). This in turn allows the donor to report back on the impact that public funding is having. Thirdly, the generally shorter-term nature of project funding means NGOs need to regularly re-apply for funding and demonstrate their effectiveness. ENV, which only offers project based funding, argues that the competition that comes with regularly having to reapply for funding prevents complacency and in turn spurs innovation.

While project funding may provide donors with a greater level of accountability for the use of funds, there are also disadvantages to this approach. Firstly, the process of frequently reapplying for funding places a high administrative burden on NGOs. As will be discussed later, even small EC project grants can involve lengthy and complex application processes.<sup>46</sup> Secondly, project funding generates high administrative demands for the donor. Processing a high number of applications and project progress reports increases the transaction costs associated with administering a fund. Interestingly, the DMFA has sought to reduce the transaction costs associated with one of its project funds, MDG3, by using Price Waterhouse Coopers (PWC) to administer it. PWC receive and

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<sup>46</sup> Because project grants can only be used for specific activities, the administrative cost of the application process cannot be covered by the received funding.

assess all funding proposals, and conduct monitoring and evaluation, including field assessments of projects. The UK's Department for International Development (DFID) uses a similar approach in the selection of NGOs to fund through its Civil Society Challenge Fund. Although, after the grant decision is made, staff at DFID carry out all subsequent grant management in-house.<sup>47</sup> The final challenge with project funding is that funding individual projects can undermine the potential for long-term, sustainable change.<sup>48</sup> If funding is only for a few years, there is a danger that the project activities will collapse once the funding is withdrawn. It can also lead to 'stand-alone' projects.

 **Programme funding:**<sup>49</sup> As the figure above indicates, programme funding is less common among the EC DGs. Although, as part of its ongoing efforts to identify the best and most efficient ways of collaborating with NGOs, ENV is considering piloting framework contracts in the near future. Both the DMFA and AECID provide similar long term strategic funding to NGOs.

Programme funding has several benefits for both NGOs and donors. Firstly, it provides greater support to the overall organisational development of an NGO. Programme funding often comes in the form of core budget support, which means it can be used to cover an NGO's core costs, such as overheads, or support internal organisational strengthening, such as staff training. A number of NGOs that responded to the survey highlighted that programme funding was more common among national donors than the EC and was a major advantage of working with the former. Secondly, because grants are generally for between three to five years, and renewal rates are high, programme funding can support longer term planning for NGOs and provide them with the flexibility to respond to changing circumstances or emerging opportunities. Thirdly, providing larger grants to fewer NGOs reduces the transaction costs associated with administering a fund. A recent study into the changing funding patterns of donors in the field of international development found that this was a key reason why

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<sup>47</sup> Brian Pratt et al Official Agency Funding of NGOs in Seven Countries: Mechanisms, Trends and Implications INTRAC, 2006, pages 13-14

<sup>48</sup> PARTICIP, Evaluation of EC Aid Delivery through Civil Society Organisations, 2008, page 25

<sup>49</sup> EC DG Budget feedback on the draft version of this report provides additional clarification concerning EC terminology: 'Programme funding' as opposed to 'project funding', and referring notably to 'core budget support', corresponds to what EC DG Budget calls 'structural support' or 'operating grants' (the latter is the term used in the Financial Regulation). Please see DG BUDG webpage [http://www.cc.cec/budg/imp/grants/imp-090\\_grants\\_en.html](http://www.cc.cec/budg/imp/grants/imp-090_grants_en.html): Two categories are differentiated, i.e. grants for actions that finance actions intended to help to achieve an objective that forms part of an Union policy, and operating grants that finance the operating expenditure of a body pursuing an aim of general European interest or an objective that forms part of a Union policy.

fundes were disbursing a higher proportion of their funds to NGOs through programme funding arrangements.<sup>50</sup>

Despite these advantages, programme funding can also be problematic. Firstly, programme funding can discriminate against smaller NGOs. Given the significant funds that are available, the application process is often detailed and lengthy: smaller organisations frequently lack the fundraising experience and capacity to compete against larger NGOs.<sup>51</sup> The large sums of money involved can also involve financial checks and safeguards from the donors, such as bank guarantees, which smaller NGOs often struggle to meet. Secondly, programme funding is often a contribution to an NGO's overall budget so it can be hard to attribute specific impact to the funds of a specific funder. This is less attractive to donors that need to account to their stakeholders on the impact that is being achieved through its funding. Thirdly, in some cases, programme funding can generate complacency among recipient NGOs, which in turn can stifle innovation. This is most likely when there is a long history of strategic funding between a donor and an NGO and the grant is seen as virtually guaranteed, or when grants are renewed without thorough evaluation of past performance or an open application process.

The DMFA for example, recognised that this was a problem with its programmatic, co-financing scheme. Previously, the co-financing scheme was the source of guaranteed government funding for a club of the four biggest Dutch NGOs. From 2003 however, the Ministry replaced the co-financing scheme with a new programme, which was open to all Dutch NGOs, and introduced a rigorous application procedure, which required applicants to demonstrate innovation, learning and effectiveness.<sup>52</sup>

An inherent tension in programmatic funding is that while on the one hand it provides much needed long term strategic funding to NGOs which not only supports activities but also organisational development, on the other, because of its very nature, it is more difficult for the donor to control and track how it is used. Therefore, at the heart of any successful programmatic funding relationship there has to be trust. There needs to be trust from the side of the donor that the NGO

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<sup>50</sup> Brian Pratt et al Official Agency Funding of NGOs in Seven Countries: Mechanisms, Trends and Implications INTRAC, 2006, page 12

<sup>51</sup> One way around this problem is for a fund to require applications from networks or coalitions of NGOs. This allows smaller NGOs to be a party to a funding bid, but perhaps not be the lead member. Recent revisions to the Dutch Ministry of Foreign Affairs MFS funding guidelines, has introduced this stipulation.

<sup>52</sup> Ruben, R. & Schulpen, L (2010) 'How to allocate public funding to Nongovernmental Development Organisations: a critical assessment of the Dutch cofinancing system', *Non-profit and Voluntary Sector Quarterly*, Vol 38:2, 2009, pages 287-306

is using their funding responsibly and effectively. There are of course no easy ways to build and sustain trust, but looking at other donors it is possible to identify some possible steps. The DMFA has developed a rigorous application process which requires applicants to demonstrate effectiveness; Spain’s AECID uses an extensive monitoring and evaluation system.

The lynchpin to any trusting relationship, however, is ongoing communication and dialogue. Regular meetings between donor and NGO can be used to discuss progress, allow any problems to be raised and discussed, and to share learning. As will be discussed later, it is notable that the Spanish and Dutch donor agencies, which both disburse a majority of their funds to NGOs through their programme funding streams, require regular one to one meetings with grantees.

### 3.1.2 Coordination of EC-NGO cooperation

Our research found that there are three different ways in which EC DGs co-ordinate with NGOs: one to one meetings between individual NGOs and the donor agency; meetings with a group of NGOs that receive funding from the donor agency, either in the form of open conferences where all grantees are invited, or closed meetings with a select number of NGO grantees; and co-ordination between the EC DG and an NGO membership body that represents its members’ interests. A summary of this information can be found in the figure below.

**Figure 19 - Co-ordination mechanisms used by donor agencies**

	EAC	ECHO	ENV	WB	DMFA	AECID
One to one meetings with NGOs	NGOs can request ad hoc meetings, but these are not a grant requirement	NGOs can request ad hoc meetings, but these are not a grant requirement	NGOs can request ad hoc meetings, but these are not a grant requirement	Depends on individual grant	MFS funded NGOs are required to meet yearly with the Ministry to discuss annual reports	Framework Agreement funded NGOs are required to meet yearly with the Agency

	EAC	ECHO	ENV	WB	DMFA	AECID
Group meetings with NGOs: conferences	Regular conferences between the EC and beneficiaries are organised to coincide with project life-cycle and the closing of annual programme priorities.	A conference for all partners is organised by DG ECHO on an annual basis.	An annual information meeting open to applicants at the launch of each annual call for proposals	Depends on individual grant	Mechanism not used	
Groups meetings with NGOs: select groups	Active European Citizenship Group: main tool for dialogue with NGOs participating in the Europe for Citizens Programme	A “strategic dialogue meeting” is organised each year, between ECHO officials and its main partners.	no information available	World Bank’s Civil Society Team organises policy meetings with CSOs Other co-ordination depends on individual grant eg: CSF organises bi-annual teleconferences with country offices and select recipient NGOs.		
Coordination through NGO membership bodies	Euclid Network chairs the Civil Society Working Group on EU financial support.	Working groups of ECHO partners organised through umbrella group NGO Voice	no information available		Umbrella group PATROS meets with the Ministry to represent member NGOs interests	Regular co-ordination between the Agency and NGOs through the umbrella group CONDE

☉ **One to one meetings with NGOs:** One to one meetings offer the opportunity for NGOs to meet directly with representatives of the donor to discuss progress, and any problems that they may be experiencing. Of the three EC DGs reviewed, all offer NGOs the opportunity to request one to one meetings, however these are voluntary. In contrast, the DMFA and AECID require annual one to one meetings with all NGOs that receive long term programme funding. Both agencies see these meetings as important opportunities to monitor progress. In addition to one to one meetings AECID also forms a monitoring committee composed of AECID and NGO staff, for each of the Framework Agreements it has with NGOs. These discuss monitoring reports, analyse evaluation findings, and provide ongoing oversight of the agreement.

Despite the benefits of mandatory one to one meetings, they can be difficult to organise, particularly if there are a large number of NGOs receiving funds. The



DMFA for example, holds annual meetings with each of the 74 NGOs that receive funding through the MFS. However all of the recipients of MFS funding are based in the Netherlands, which makes the logistics easier.

• **NGO conferences:** Another coordination mechanism used by the EC DGs is to host conferences with NGO grantees. DG EAC organizes regular conferences with NGO grantees to coincide with the project life-cycle and the closing of annual programme priorities. These events are used to both showcase projects and to disseminate project results and good practices. Likewise, ECHO and ENV hold annual meetings for NGOs that receive funding. Both see these as providing useful opportunities to disseminate information about funding, and for NGOs to meet with peers and share experiences. Because of the number of NGOs present at such meetings, however, they provide limited scope for NGOs to discuss grant specific issues with the DGs.

• **Meetings with select NGOs:** In addition to yearly conferences, ECHO and EAC also organise ad hoc meetings with select NGOs. EAC recently established structured dialogue groups to exchange views with NGOs on a number of programmes. These gather NGOs and key stakeholders to discuss programme content, and also technical and financial issues. Similarly, ECHO organises a “strategic dialogue meeting” each year, where ECHO officials meet with its main partners. These smaller meetings offer good opportunities for discussion and feedback. The WB Civil Society Fund similarly organises yearly video-conferences with a selection of its beneficiaries and representatives in its country offices. It has found these a useful way of sharing learning about the benefits and challenges of grants.

Smaller meetings also offer important opportunities for NGOs to be involved in discussions around policy, which is not necessarily possible in larger conferences. The EAC structured dialogue groups provide the opportunity for NGOs to discuss issues linked to the political agenda,<sup>53</sup> and the ECHO meetings discuss the future strategic orientation of humanitarian aid. The results from the survey of NGOs indicated that the opportunity to be involved in discussions with donors about policy is highly valued among NGOs and an area where organisations thought the cooperation with the EC could improve. Survey respondents noted consistently their desire to move beyond a relationship with the EC based solely on funding and towards relationships grounded in partnership in areas of mutual interest.

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<sup>53</sup> DG Communication feedback on the draft version of this report notes: ‘The **structured dialogue** put in place by DG EAC and now carried out by DG COMM as regards the “Europe for Citizens” programme is broader than “group meetings with select NGOs”; it is not restricted to beneficiaries of the Programme.

**NGO membership bodies:** Another way in which both EAC and ECHO coordinate with NGOs is by engaging with NGO membership bodies; these are groups, which represent the interests of the NGO sector, or sub sector. Working through such bodies can be a useful way for a donor to communicate with a large / diverse number of NGOs. It also provides NGOs with a platform on which to develop common positions that the membership body can then represent.

The network of Humanitarian NGOs, NGO VOICE, is a key interlocutor for ECHO. VOICE ensures relevant information is shared with members on EU context and trends, and engages in regular dialogue with ECHO to promote NGO positions. VOICE has also formed a working group specifically to monitor ECHO's Framework Partnership Agreement (FPA), which is open to all NGOs that receive FPA funding, and represents their interests with ECHO. VOICE also facilitates the collective influence of its members on EU-humanitarian aid-related policies by developing advocacy strategies and policy positions. Because the remit of EAC is broader than ECHO – education and culture in comparison to humanitarian aid – there is no single NGO membership body that it can engage with, however, it works with different membership bodies on an issue-by-issue basis. For example, the Euclid Network (a network of European civil society leaders) chairs the Civil Society Working Group, which sits within EAC, and explores the ways in which EU funding could be improved to better work for the NGO sector. AECID and DMFA coordinate with their grantees in a similar way.

#### **Case Study - WB Civil Society Fund meetings**

The WB's Civil Society Fund supports numerous small scale or grassroots civil society organisations (CSOs) around the world, which presents a challenge to co-ordination. In order to hear from the recipients of its funding, the CSF organises yearly video conferences with select recipient CSOs and representatives of the WB country offices. They have found that this can be a very useful way of sharing learning about the challenges and benefits of CSF grants. For example, country offices recently shared their experience of improving monitoring and evaluation on a small budget by using youth volunteers to visit projects and record their progress.

## 3.2 Efficiency

This following section focuses on the efficiency of EC-NGO cooperation, i.e. how funding to NGOs is administered. It starts with an analysis of how the three EC DGs reviewed for the study assess the efficiency of their cooperation with NGOs (section 3.2.1). Following this, it explores some of the challenges and weaknesses in the efficiency of current EC-NGO cooperation, drawing on the results from the survey of NGOs and secondary literature (section 3.2.2).

### 3.2.1 Approaches to assessing efficiency

The research identified two main ways in which the EC DGs assess the efficiency of their cooperation with NGOs. Firstly, reviews may be undertaken on an ad hoc basis which include an assessment of efficiency. These may be general evaluations, such as the European Court of Auditors report into the Commission's management of non-state actors in EC development cooperation,<sup>54</sup> or specific to individual grants, such as the evaluation of ENV's Community Action Programme.<sup>55</sup> The majority of grant evaluations reviewed for this research, however, made no distinction between the efficiency of cooperation with NGOs in particular, and cooperation with all grantees (which can include government, and commercial organisations). Whilst such reports therefore may offer useful recommendations as to the general management of the funding streams, they do not consider the particular administrative technicalities of NGO cooperation.

The second way in which EC DGs assess the efficiency of NGO cooperation is through working groups of NGOs. This constitutes a more systematic approach to assessing efficiency. The Civil Society Working group, which sits within EAC, for example, brings together EC funded NGOs to explore ways in which EU funding could be improved to better work for the sector. The working group's recommendations have been submitted to the EC's public consultation on the review of financial regulation. NGO VOICE's FPA Watch Group monitors the implementation of ECHO's FPA and raises NGO concerns with DG ECHO in order to improve operations in the field. The Watch Group for example, has published its findings on the efficiency of the FPA, which includes feedback from NGOs and suggestions on how to improve the administration of the fund.<sup>56</sup> No evidence was found of a similar working group for ENV.

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<sup>54</sup> ECA, The Commission's management of non-state actors' involvement in EC development cooperation Special Report No 4, 2009

<sup>55</sup> Agra CEAS Consulting Ltd. for the European Commission, Final Report, Mid-term evaluation of the implementation of the Community action programme promoting NGOs primarily active in the field of environmental protection (Decision 466/2002/EC), 2005

<sup>56</sup> NGO VOICE One Year After the 2008 FPA: study implemented by the FPA watch group and presented to DG ECHO Unit B2, 2009

While no evidence of this practice was identified among the reviewed EC DGs (see the related study recommendations on evaluation), other donors commission independent evaluations that look specifically at the efficiency of NGO funding streams. For example, the WB's Civil Society Fund Secretariat commissions independent evaluations of the management of the CSF every three to five years. Likewise, the DMFA' Policy and Operations Evaluation Department (IOB) has evaluated the efficiency of specific aspects of the Ministry's funding for NGOs, for example the procedure for selecting NGOs for the MFS,<sup>57</sup> and the MFS customised monitoring system.<sup>58</sup>

Taking the time to conduct periodic assessments of how an NGO fund is being administered is important to the overall success of EC-NGO cooperation. As will be discussed below, when administrative burdens are too high or reporting requirements too onerous, this can put significant pressures on an NGO, which can in turn undermine the effectiveness of its work.

### 3.2.2 Evidence of the efficiency of EC-NGO cooperation

Evidence from the survey of NGOs who receive EC funding shows that while 38% of NGOs reported that they have had positive experiences with EC grant contracts, the majority reported that they had had minor (47%) or major (8%) difficulties with how the funds are administered. Yet, despite the overall lack of satisfaction with EC grant contracts, other donor bodies are not seen as much better. For example, opinions were fairly evenly split about whether national bodies are more or less efficient, and only 14% of respondents indicated that cooperating with other international organisations is more efficient than cooperating with the EC. With these results in mind, the following section explores the major themes that emerged from the NGO survey as they relate to the efficiency of EC funding. These have been grouped according to: the application/selection process, the financial management of the grants, the flexibility of the grants, and ensuring contract demands are proportional to grant size.

- 🔍 **Application & selection process:** A key theme to emerge from the survey was a concern with the efficiency of the application process. This was felt to be a particular problem among NGOs who received funding from ENV and ECHO. Interestingly, no NGOs that received funding from EAC raised this issue.

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<sup>57</sup> IOB Juist gemeten? - Evaluatie van het beoordelingstraject Medefinancieringsstelsel [Precisely measured? –Evaluation of the assessment process financing system (MFS)], 2008

<sup>58</sup> IOB Maatgesneden monitoring, beperkte beleidsdoorlichting MFS (A Limited Policy review of MFS Tailor-made Monitoring), 2009

A key point of contention was the complexity of the application forms. One respondent noted that staff should not have to be sent to training courses in Brussels in order to understand funding procedures: the application forms should be self-explanatory. Several respondents suggested simplifying the application procedure to consist of a short summary application at first, which could be expanded in consultation with EC representatives if the application passed through a preliminary round of assessment. This type of two-stage application process was reportedly introduced by the Commission in 2006/7,<sup>59</sup> however clearly it has yet to be implemented consistently across all EC DGs.

The complexity of the application process is a particular problem for small organisations that struggle to meet the administrative demands. Both a recent Euclid consultation on the European Financial Regulation review,<sup>60</sup> and the ECA's report on the EC's management of Non-State Actors,<sup>61</sup> raised this as a concern. The former suggested that the administrative demands of the application process may even discourage smaller NGOs from applying for funding.<sup>62</sup>

A recurring comment in the survey was that the EC application procedures are significantly more demanding than those of national donors such as DFID. This suggests that there may be scope for the EC to engage with national donors to better understand the strengths and weaknesses of their application processes.

 **Financial Management:** Another theme to emerge from the NGO survey was the problems many organisations are having with the financial administration of EC grants. Problems relate both to general EC requirements such as co-financing, and bank guarantees, and issues specific to the EC's grant management procedures.

There has been considerable discussion in the literature about the EC's co-financing requirements, whereby recipients of funding, in order to secure EC funds, must provide a proportion of the funding themselves. This is a common strategy amongst donor organisations, for example, the DMFA requires recipients of MFS funding to provide 25% from other sources. While this was not raised as a major issue by the NGOs surveyed for this report, a recent Euclid consultation found that many NGOs struggle to find match funding, especially as the EC does

<sup>59</sup> ECA, The Commission's management of non-state actors' involvement in EC development cooperation Special Report No 4, 2009, page 21

<sup>60</sup> Euclid Network Consultation on the European Financial Regulation Review, 2009, pages 14-16

<sup>61</sup> ECA, The Commission's management of non-state actors' involvement in EC development cooperation Special Report No 4, 2009, page 20

<sup>62</sup> Euclid Network Consultation on the European Financial Regulation Review, 2009, page 4

not allow contributions in kind or volunteers' time to count. The report recommended that the co-financing requirement be dropped, or made optional.<sup>63</sup> Note, however, that co-financing might be considered an element that supports an NGOs financial independence (as discussed in section 2.2.3).

Another reoccurring concern expressed in the survey was that NGOs that receive more than €1 million a year must provide bank guarantees against the amount of funding awarded. Respondents highlighted that it is particularly difficult for small NGOs to obtain such guarantees from their banks, which in most cases, prevents them from applying for larger funding amounts. The Euclid consultation also highlighted that obtaining bank guarantees is becoming harder in the current financial crisis, when financial institutions are becoming increasingly cautious.<sup>64</sup> Again, the requirement of a bank guarantee therefore seems to indirectly discriminate against smaller NGOs.

While surveyed NGOs recognised the need to ensure good financial accountability and management of projects, concerns were raised about the excessive auditing requirements associated with EC funding. These findings are supported by the outcomes of a recent NGO VOICE consultation with recipients of FPA funding, which found that the amount of detail required in financial reports to ECHO was unnecessary.<sup>65</sup> Of particular concern was that the depth and scope of audits are not proportional to the size of NGO, with small NGOs being unnecessarily burdened. Similarly, survey respondents noted that the detail and frequency of audits is not always in proportion to the size of the grant.

The time delay between the EC announcing the recipients of funding, and the money being received by the NGOs was another issue raised in the survey in particular by grantees of ECHO and ENV funding. Some respondents, for example, reported instances of ENV funds not being disbursed until half way through the grant period for which they are allocated. As a result they have had to cover project costs with loans. There is therefore clearly a need for ECHO and ENV to take further steps to improve this situation.

A further problem raised with the financial management of ENV grants in particular is that they are only for one year. A number of the survey respondents requested that ENV move towards multi-annual funding, in order to allow them greater security and to reduce the administrative burden of having to reapply for

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<sup>63</sup> Euclid Network Consultation on the European Financial Regulation Review, 2009, pages 16-18

<sup>64</sup> Ibid, page 24

<sup>65</sup> NGO VOICE One Year After the 2008 FPA: study implemented by the FPA watch group and presented to DG ECHO Unit B2, 2009

funding every year. As mentioned, ENV is considering offering longer term programme funding in the future. Extending the grant period for project funding under LIFE+ as well would potentially improve project efficiency by reducing the workload for both the NGOs and ENV staff.

- Flexibility:** A third theme emerging from the NGO survey responses related to the inflexibility of EC DGs, with regards to project design or budget modifications. Again, this was primarily a difficulty experienced by recipients of ENV and ECHO funding: only one recipient of EAC funding noted inflexibility as a problem. Survey responses noted that ECHO and ENV often demand a rigid adherence to the project plans outlined in the grant applications. Respondents stress that a degree of flexibility in the event of “out of the ordinary” events would allow them to respond to changing circumstances beyond their control, and therefore improve the project’s relevance and effectiveness. Other national and international donors such as the UN, DFID and SIDA, were cited as being more flexible about accepting changes to project plans. The DMFA believes that it is necessary to allow recipients of MFS funding to alter their programme details, if circumstances require, and have a process to ensure that the changes are necessary and well planned.

#### **Case Study - Flexibility of the Dutch Ministry of Foreign Affairs**

Following the award of funding, CSOs sign a contract with the DMFA which confirms that the project will be implemented as detailed in the proposal: in the case of the MFS this requires planning up to four years in advance. However, the Ministry does allow for a degree of flexibility around the programme details, in the event that changing conditions mean the original plans are no longer feasible or advisable. In this instance CSOs can submit a re-proposal, detailing the suggested changes (such as target country, project design), and the reason for the change. The re-proposal is then considered by staff at the Ministry, and either granted or rejected. Underpinning this approach is the Ministry trusting grantees to do the right thing, and having confidence in their professional judgement.

- Proportional contract arrangements:** A common theme emerging from the survey was that EC grant contract arrangements often do not take consideration of the size of the recipient NGO, and are frequently not proportional to the size of the grant being awarded. This can cause considerable problems with the efficiency of the grants, since NGOs may have to allocate disproportionate

amounts of resources simply to meet the grant requirements, drawing resources away from delivering activities. This problem can also be seen with the WB's Japan Social Development Fund (JSDF), which awards funding to both government bodies in developing countries, and NGOs. All recipients of funding are expected to comply with WB operational directives including their Guidelines for Procurement. These extensive directives are intended for country governments, however, NGO recipients of the JSDF are also expected to comply with them, which can be difficult and administratively burdensome for relatively small organisations. Spain's AECID addresses this problem by using staggered monitoring and evaluation requirements depending on the size of grant allocated and the length of time the grant is for.

#### **Case Study EAC** - The Education, Audiovisual and Culture Executive Agency

As has been noted above, very few NGOs surveyed expressed concerns with the administration of EAC grant contracts, it is therefore interesting to note that responsibility for managing these grants is taken by the Education, Audiovisual and Culture Executive Agency. The EACEA is responsible for the whole project life cycle of each grant, from dealing with grant applications, to monitoring and evaluation, to managing all financial transactions and on-the spot controls. The Agency has a single management chain, allowing Heads of Units to report directly to the Director of the Agency, which reduces delays and creates a problem-solving attitude. Specialised staff oversee project and financial management, and information can circulate faster in the EACEA than in the DGs, meaning that advice to beneficiaries is better and quicker. Although speculative, it does appear that the management systems of the EACEA contribute to the efficiency of EAC grants, and the level of satisfaction amongst their recipient NGOs. **The experiences of the EACEA may therefore offer some useful suggestions to improve the efficiency of other EC DG grant contracts.**



### 3.3 Effectiveness

This section looks at the effectiveness of EC-NGO cooperation, including an analysis of the EC's approaches to assessing effectiveness (section 3.3.1), and presenting feedback on the evidence of effectiveness (section 3.3.2).

#### 3.3.1 Approaches to assessing the effectiveness of EC-NGO cooperation

The following section looks at the different approaches used by the reviewed EC DGs to monitor and evaluate the effectiveness of their cooperation with NGOs. This includes the different approaches and methods that are used to review and evaluate the effectiveness of bilateral EC-NGO relations; and the approaches that are used to assess the overall effectiveness of EC-NGO relations.

All three of the EC DGs require their grantees to monitor and evaluate the effectiveness of their funding. The figure below provides a comparison of the different monitoring, evaluation and reporting requirements associated with receiving funding from the three case study DGs and the three external case studies.

**Figure 20 - Donor agency monitoring and evaluation requirements<sup>66</sup>**

		EAC	ECHO	ENV	WB	DMFA	AECID
Self assessment	Interim progress reports	✓	✓		✓	✓	✓
	Final progress reports	✓	✓	✓	✓	✓	✓
	External review of progress reports			✓		✓	
Independent evaluations	Commissioned by funder on an ad hoc basis	✓	✓			✓	
	Mandatory for all grantees					✓	✓

<sup>66</sup> There are numerous CSO funding streams in the WB, and this study only looked at two in detail, therefore this summary of monitoring and evaluation requirements reflects only those that are in place for the JSDF and the Civil Society Fund.

**Self-assessment:** A common minimum requirement is that NGOs that receive EC funding provide reports to the donor on progress against stated objectives. In the case of EACEA and ECHO both interim and final reports need to be produced.<sup>67</sup> The former are used to report progress against objectives; the latter to assess the overall level of achievement.<sup>68</sup> Grantees of ENV funds only need to submit final reports because NGOs need to reapply for funding annually. Interestingly, in the case of the WB's JSDF, the level of detail required in the final report is dependent on size of grant. For grants over US\$1 million, an Implementation Completion Memorandum needs to be completed that documents the cumulative inputs, outputs and outcomes through the grant implementation period. For grants under US\$1 million, however, only a final Grant Status Report needs to be completed, which is the equivalent of a final interim report detailing activity in the last grant period.<sup>69</sup>

There are challenges to using self-assessment as the primary means of evaluating outcomes. A recent ECA report found that the progress and final reports NGOs produce tend to underemphasise the most challenging issues and focus on positive achievements.<sup>70</sup> Interviews with NGOs confirmed this: one organisation noted that growing pressure to convey success to their donor has created strong incentives to paper over weaknesses. The ECA report also found that of the projects audited 13 out of 16 failed to provide a direct comparison between expected and achieved results using the logical framework.<sup>71</sup>

While these findings certainly raise questions about the quality of NGO self-reporting, they should also be viewed in the context of the growing debate about

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<sup>67</sup> ECHO feedback on the draft version of this report, notes its extensive monitoring work to complement the self-assessments.

<sup>68</sup> General Conditions [http://ec.europa.eu/echo/files/about/actors/fpa/2010/annex\\_III\\_general\\_conditions\\_en.pdf](http://ec.europa.eu/echo/files/about/actors/fpa/2010/annex_III_general_conditions_en.pdf)

<sup>69</sup> JSDF Policy Guidelines <http://siteresources.worldbank.org/EXTJSDF/Resources/JSDFAnnualPolicyDocumentFY07.pdf>

<sup>70</sup> European Court of Auditors, The Commission's management of non-state actors' involvement in EC development cooperation Special Report No 4, 2009, page 25

<sup>71</sup> ECA, The Commission's management of non-state actors' involvement in EC development cooperation Special Report No 4, 2009, page 25. The Logical Framework Approach and Logical Framework Matrix (the Logframe) are analytical and management tools widely used in development cooperation by donors and partner governments. The typical design of a Logframe involves tasks such as formulating SMART indicators (Specific, Measurable, Achievable, Relevant and Timed), identifying adequate sources of verification, setting realistic targets for each indicator, and collecting baseline values for later measurement of progress and results achieved. An adequate performance-monitoring system would therefore include regular collection of data on the actual results. NSAs are sometimes also asked to collect data and report not only on inputs, processes and outputs, but also on mid-term outcomes and long-term impacts.

the utility of the log frame as a management tool.<sup>72</sup> A 2007 review of the quality of DFID evaluation reports for example found that the majority of grantees failed to use the log frames properly, while recent research into performance management by NGOs found that once implementation starts, log frames frequently fail to support the ongoing management of a project.<sup>73</sup> Part of the reason for the poor quality of NGO self-reporting may therefore be linked to the fact that the logical framework, in many contexts, is an inappropriate tool for managing projects.<sup>74</sup>

🔊 **External reviews:** One way in which ENV has sought to overcome the problems inherent in self-assessment is to use an independent consultant to review the final reports of NGOs to assess if money has been spent effectively. The DMFA uses a similar method for its funding programme: alongside annual progress reports, at the end of a four year grant period, all grantees are required to conduct evaluations of 50% of the projects funded through the fund. The quality of the evaluations (i.e. the projects' logic, evaluation methodologies, indicators etc) are then reviewed by the Ministry's Policy and Operations Evaluation Department: it does not make a judgement on the results themselves.

🔊 **External evaluations:** External evaluations are another means of overcoming the limitations of self-assessments. There are two different approaches: they can be commissioned on an ad hoc basis by the funder, or be a mandatory funding requirement.

Both ECHO and EACEA, for example, state in their funding guidelines that they have the right to commission an external evaluation at any time during the grant period. Article 5 of ECHO's General Conditions for the Framework Partnership agreement stipulates that ECHO 'might' commission external evaluations but they need to share the terms of reference and the final report with the NGO. EACEA's approach is more systematic; it conducts field visits of a selection of its projects each year and provides feedback on strengths and areas for improvement. The results of these reviews are then published as best practice guides which help inform all participating NGOs about the most effective activities in the field of citizenship and culture.

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<sup>72</sup> Gasper, D.R. Logical Frameworks: Problems and Potentials (Teaching material for ISS participants) (2000); Agulhas Assessing the Quality of DfID's Project Reviews, 2007

<sup>73</sup> Tina Wallace et al, The Aid Chain: Coercion and Commitment in Development NGOs ITDG Publishing, 2006

<sup>74</sup> In the study team's experience, people tend to concentrate on filling in the boxes of the logframe rather than really thinking about what effects the project will have and how this will be assessed. The same applies to the people who have to review the applications. So, actually, the logframe may detract from the quality of the project design and may, in practice be irrelevant from the outset. Decision makers often seem to view the logframe as an administrative task.

### Case Study: AECID's use of monitoring commissions

As well as project based cooperation with NGOs, AECID has Framework Agreements that provide long term strategic support to a limited number of NGOs. Organisations can receive up to €20 million over 6 years from the fund. In order to effectively oversee long term cooperation and to encourage mutual dialogue and learning, each framework agreement has a monitoring commission composed of three staff from the Agency and up to three staff from the NGO. This body is tasked with reviewing the annual reports the NGO produces and the results of any external evaluations

None of the reviewed EC DGs mandate external evaluations of the NGO projects they fund. This is contrast to other donors such AECID which requires external evaluations for any project over €350,000. The results of the evaluations are then discussed alongside the self-assessments during the monitoring commission.

- Basing funding decisions on demonstrable results:** An increasingly common trend among donors is to base funding decisions on an NGO's past performance. ENV feedback indicates that '*Previous achievements are taken into account for the assessment of the selection criteria (i.e. to assess whether an applicant has the technical capacity to carry out the work), but it is not part of the award criteria*'.<sup>75</sup> While in theory this approach can help drive effectiveness and ensure that the best performing organisations receive support, in practice it is more difficult to achieve. Notably, in the absence of commonly agreed performance indicators for NGOs, it is difficult to benchmark organisations and judge if one NGO is a better performer than another. Moreover, the evidence that is used in making such decisions is often based on the NGOs' self-assessments. As noted by a number of NGOs interviewed for this study, knowing that progress reports will be used to inform future funding decisions creates incentives to gloss over mistakes. The experiences of the DMFA in using this approach are illustrative. In 2003 the Ministry decided to open up the MFS to all Dutch NGOs and introduced an objective set of selection criteria. A key criterion was demonstrable effectiveness. In using evidence of previous achievements to decide future

<sup>75</sup> ENV feedback on the draft version of this report.

funding the Ministry felt it was unfair to only consider DMFA projects, and therefore allowed NGOs to provide evidence from any project within its portfolio. However in doing so the DMFA had no way of verifying the results that were presented. As a result, it has found that over time, using demonstrable past performance as a selection criterion has been reduced to a 'tick-box' exercise where applicants simply describe three projects which they feel have been successful. While greater evidenced based funding decisions are certainly needed among the EC and other donors, the methodological challenges associated with measuring and benchmarking performance among NGOs continue to pose a significant barrier.

- Tailoring monitoring and evaluation requirements to the size of the organisation:** Smaller organisations can struggle with substantial monitoring and evaluation procedures. Several donors therefore shape reporting requirements in line with the amount of funds being allocated. For example, the WB Civil Society Fund awards small grants, averaging \$7,000, to grassroots NGOs. It feels that the small grants do not require extensive monitoring and evaluation, and so only asks for basic financial and narrative reports. Similarly, AECID requires an intermediate and final progress report for projects longer than 15 months, a final progress report for projects under 15 months, and only for projects over €350,000 does it require an external evaluation.
- Measuring longer term impacts:** Monitoring and evaluation systems play an important role in demonstrating the effectiveness of funding to NGOs. However, several studies have noted that the systems implemented by the EC DGs often fail to capture the longer-term impacts of individual grants to NGOs.<sup>76</sup> The ECA suggests that this is either because the project objectives are expressed in such broad terms that they cannot be associated with measurable indicators of impact, or because the means of verification are too costly or inadequate.<sup>77</sup> The findings from our survey of NGOs confirm this lack of focus on impacts: of the NGOs surveyed, 56% stated that they do not monitor and evaluate the long-term outcomes and impacts resulting from EC funding. While assessing the long-term impacts of EC-NGO funding would provide a more accurate picture of the EC's achievements, and allow a better understanding of where and how the funding is most effective, measuring the impact of NGO work is an area where many donors struggle. The DMFA for example, rather than asking individual NGOs to report on impact, periodically assesses the aggregate impact of NGO funding in particular sectors or themes.

<sup>76</sup> ECA, The Commission's management of non-state actors' involvement in EC development cooperation Special Report No 4, 2009, page 27

<sup>77</sup> Ibid

**Assessing the effectiveness of aggregate EC-NGO funding:** While each of the EC DGs reviewed for this study produce reports which provide aggregate assessments of its funding, for example in a particular country or across a thematic area, rarely do such evaluations focus specifically on the effectiveness of EC-NGO cooperation. The only two evaluations identified that offer an aggregate evaluation of EC funding through NGOs was an evaluation of ENV's Community Action Programme,<sup>78</sup> and an evaluation of the delivery of aid by the EC through the CSO channel.<sup>79</sup>

**Case Study - The Japan Social Development Fund- reporting on individual grantee effectiveness**

The JSDF publishes a bi-annual assessment of projects which have recently come to an end, drawing on Grant Reporting and Monitoring reports at completion, and the Implementation Completion Memoranda. Each recipient's performance is assessed on a six point scale in terms of: how many of their Development Objectives they achieved and their overall Implementation Performance (how efficiently they achieved their major outputs) The assessment of each individual grant is provided in the Appendix of the report, along with their Grant Completion Report summaries, which detail the grants' Objectives, Outputs, Sustainability and Lessons Learnt.

The lack of evaluation of donor-NGO funding is also common among other donor agencies. The DMFA is the only donor reviewed for this study which has conducted evaluations specifically of working through NGOs. The Ministry's Evaluation Department (IOB) conducts specific thematic evaluations of NGO work, for example in the fields of education, microfinance or advocacy.<sup>80</sup> The Japan Social Development Fund publishes a bi-annual assessment of projects which have recently ended, which includes detailed individual reports on each NGO which received funding. However it does not explicitly evaluate the aggregate effectiveness of its NGO grantees, as separate from other grantees such as government bodies.

<sup>78</sup> Agra, Mid-term evaluation of the implementation of the Community action programme promoting NGOs primarily active in the field of environmental protection (Decision 466/2002/EC), 2005

<sup>79</sup> PARTICIP, Evaluation of EC Aid Delivery through Civil Society Organisations, 2008

<sup>80</sup> IOB, Chatting and Playing Chess with Policy Makers: Influencing policy via the Dutch co-financing programme, 2007

**Case study - DMFA monitoring and evaluation of NGO cooperation**

The DMFA has a dedicated evaluation department (the IOB), which assesses the policy and operations of the Ministry. The IOB evaluates CSO cooperation in the following ways:

- Assessment of the quality of the evaluation methods used by the larger CSOs in their reports.
- Specific thematic evaluations of CSO work in reducing poverty, for example in the fields of education, microfinance or advocacy.
- Evaluations of specific aspects of the Ministry's funding programmes, for example the application procedure for the MFS, or the MFS customised monitoring system.

In addition, monitoring and evaluation of CSO cooperation is conducted in the following ways:

- The Ministry's Department for Quality and Effectiveness publishes a bi-annual report 'Results in Development', which assesses the efforts of the Dutch government to achieve the Millennium development goals through their funding of country governments, civil society organisations, individuals and businesses.
- The Ministry's Operations Department may also commission external evaluations of a selection of individual CSOs, depending on their future funding requests.

**3.3.2 Evaluation evidence on the effectiveness of EC-NGO funding**

While many studies have noted the benefits that can come from working through NGOs,<sup>81</sup> as discussed above, none of the three EC DGs considered as part of this research conduct regular evaluations that assess the effectiveness of EC-NGO cooperation. We have only been able to identify two reports that specifically assess the effectiveness of EC-NGO funding: an evaluation of ENV's Community Action Programme,<sup>82</sup> and an evaluation of the EC's delivery of aid through civil society

<sup>81</sup> Advisory Group on Civil Society and Aid Effectiveness: Synthesis of Findings and Recommendations, OECD-DAC Working Party on Aid Effectiveness, 2009

<sup>82</sup> Agra, Mid-term evaluation of the implementation of the Community action programme promoting NGOs primarily active in the field of environmental protection (Decision 466/2002/EC), 2005

organisations. In this regard, this section can offer only a limited review of the effectiveness of EC-NGO cooperation. What follows therefore is a summary of the positive effects that working through NGOs can have (and the challenges) that emerged from both the evaluation of ENV's Community Action Programme,<sup>83</sup> and the evaluation of the EC's delivery of aid through the Civil Society channel.

Firstly, both reports found that providing funding to NGOs can be an effective means of engaging with, and strengthening civil society. For example, The Community Action Programme supported NGOs that were engaged in environmental policy at the EC level by increasing their organisational capacity and skills;<sup>84</sup> the Civil Society channel set up and supported local CSOs to act as conflict mediators and human rights monitors.<sup>85</sup>

Secondly, providing funding through NGOs can improve governance processes. The Community Action Fund increased the involvement and effectiveness of NGOs in EU environmental policy and legislation: all of the grantees interviewed in the report were able to provide examples of at least one 'proven difference' they have made to EU policy development/implementation. Likewise, the Civil Society channel has supported projects that improved citizens' participation in local governance structures, such as initiating a participatory approach to strengthening local government capacity in Benin and encouraging vulnerable groups to participate in governance and policy discussions in Cambodia, Georgia and Peru.<sup>86</sup>

Thirdly, working through NGOs can provide much needed assistance to communities in situations where there is no functioning government. As the Community Action Fund was only for NGOs engaged in policy work with the EC, this was clearly outside its scope. However the Civil Society channel supported CSOs in crisis situations such as Afghanistan, to provide temporary basic services in health, education, water and sanitation.<sup>87</sup>

However, both reports also highlight problems with the sustainability of funding activities through NGOs. Ideally, funding should act as a catalyst, to facilitate and support the initial stages of a project or activity, which can then be continued once funding is withdrawn. Otherwise the achievements of projects disappear once funding ends, or NGOs become dependent on donors, and drain resources. However, sustainability of NGO projects is very hard to achieve. The evaluation of the

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<sup>83</sup> Ibid

<sup>84</sup> Ibid, page 50

<sup>85</sup> PARTICIP, Evaluation of EC Aid Delivery through Civil Society Organisations, 2008, page 36

<sup>86</sup> Ibid, page 33

<sup>87</sup> Ibid, page 36



Community Action Fund notes that the NGOs would be unable to continue most of their policy work without continued funding from the EC or other donors.<sup>88</sup> This is because policy work cannot generate any income for NGOs. However, this means that grantees must be dependent on the EC or find other donors. The Civil Society channel report also found that many of the projects did not continue once funding ended. It identifies several possible reasons for the lack of sustainability, including: the predominance of short term approaches by the EC in the allocation of funding; the lack of a clear strategy from NGOs to turn the short term results of projects into sustainable processes; and monitoring and evaluation systems are output based, which means that the focus is on short term project results rather than establishing long term impact.<sup>89</sup> Without a focus on sustainability, the positive effects of NGO funding disappear once the grants comes to an end.

Both evaluations therefore present mixed findings regarding the effectiveness of EC funding of NGOs: it can bring about positive effects. However, there is a clear problem with the sustainable impact of NGO funding, especially when donors encourage short term projects. Further research would ascertain whether these benefits and challenges are common to NGO work funded by the EC in general.

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<sup>88</sup> Agra, Mid-term evaluation of the implementation of the Community action programme promoting NGOs primarily active in the field of environmental protection (Decision 466/2002/EC), 2005, page 68

<sup>89</sup> PARTICIP, Evaluation of EC Aid Delivery through Civil Society Organisations, 2008, page 32

# Section 4 - Transparency of EC-NGO cooperation

The framework for transparency of EC action in general, and including EC-NGO cooperation, is set out in the European Transparency Initiative (ETI) as launched in 2005.<sup>90</sup> In 2006, the EC's Green Paper *'European Transparency Initiative'* notes *'The need for a more structured framework for the activities of interest representatives'*,<sup>91</sup> and in 2007, the EC's follow-up on the Green Paper announces the establishment of a Register of Interest Representatives (RIR) and further reform with regard to ensuring the publication of beneficiaries of EU funds.<sup>92</sup> Both the RIR and the Financial Transparency System (FTS) became operational in 2008. The EC intends to ensure that the relation between an EC policy decision and possible NGO advocacy can be understood by any interested stakeholder, including the general public: *'European policy makers do not operate in isolation from the civil society's concerns and interests, but interact with them in an open and inclusive fashion, creating a level playing field for all categories of interests'*.<sup>93</sup>

This section reviews the transparency of EC-NGO cooperation, and includes two sub-sections: the EC's publication of NGO funding with a focus on the FTS (section 4.1) and the NGO use of the RIR (section 4.2).

## 4.1 Publication of NGO funding

The FTS was launched in 2008 and includes: *'The names of the beneficiaries of the €10 billion or so of grants and other forms of support, awarded (in budgetary terms:*

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<sup>90</sup> EC, Communication to the Commission, Preparing the launch of a European Transparency Initiative, SEC(2005)1300/5, 8 November 2005. See also the EC website on the European Transparency Initiative: [http://ec.europa.eu/transparency/eti/index\\_en.htm](http://ec.europa.eu/transparency/eti/index_en.htm)

<sup>91</sup> EC, Green Paper - European Transparency Initiative, COM(2006) 194 final, 3 March 2006, page 3

<sup>92</sup> EC, Communication from the Commission - Follow-up to the Green Paper 'European Transparency Initiative', COM(2007)127 final, 21 March 2007

<sup>93</sup> EC, Communication from the Commission to the European Parliament and the Council, European Transparency Initiative: the Register of Interest Representatives, one year after, COM(2009) 612 final, 28 October 2009, page 2

"committed") by the Commission every year, either directly or through "executive agencies" set up to help it run EU funded programmes. The site also contains certain procurement contracts, excluding for the moment those linked to administrative expenditure of the Commission'.<sup>94</sup>

The possibility of using FTS data to establish the volume of EC funding allocated to NGOs was explored. This also aimed to avoid using data sources from a series of different EC services (researching data separately for every EC service involved in NGO financing).

However, the FTS does not differentiate beneficiary data in terms of the type of organisation (i.e. NGO): *'The Commission limits the type of information it collects from beneficiaries to what is necessary to carry out the required payments and other financial operations. When beneficiaries register with the Commission in the accounting system, they are therefore not obliged to indicate which type of organisation they are, only as to whether they represent an individual (private person) or an organisation. It is therefore not possible to search the FTS database on this criterion.'*<sup>95</sup>

Feedback from DG Budget confirmed that there are no plans to introduce a search function by type of organisation: *'The first and foremost reason for this is that this information does not currently exist in the accounting system in a comprehensive and coherent form.'*<sup>96</sup> It was also pointed out that the Financial Regulation does not require the publication of beneficiary data by type of organisation.<sup>97</sup> Note however, that during the presentation of this study to the EP, DG Budget indicated its intention to provide this functionality in 2011 (differentiation of the not for profit nature of a beneficiary).<sup>98</sup>

Considering that information by type of beneficiary is currently not available from the FTS, the authors of this assessment looked at how a selection of individual DGs publish NGO funding data. The following figure presents an overview.

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<sup>94</sup> [http://ec.europa.eu/beneficiaries/fts/find\\_en.htm](http://ec.europa.eu/beneficiaries/fts/find_en.htm)

<sup>95</sup> [http://ec.europa.eu/beneficiaries/fts/faq\\_en.htm](http://ec.europa.eu/beneficiaries/fts/faq_en.htm)

<sup>96</sup> EC DG Budget feedback on the interim report, 9 July 2010

<sup>97</sup> *'The Commission shall make available, in an appropriate manner, information on the beneficiaries of funds deriving from the budget held by it when the budget is implemented on a centralised basis and directly by its departments, and information on the beneficiaries of funds as provided by the entities to which budget implementation tasks are delegated under other modes of management'* Article 30, Council Regulation 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities

<sup>98</sup> Committee on Budgetary Control meeting, 15 November 2010: <http://www.europarl.europa.eu/wps-europarl-internet/frd/vod/player?eventCode=20101115-1500-COMMITTEE-CONT&language=en&byLeftMenu=researchcommittee&category=COMMITTEE&format=wmv#anchor1>

**Figure 21 - EC publication of beneficiary funding<sup>99</sup>**

EC Service (DG)	Publication of funding beneficiaries	Differentiation of NGOs	Source
ECHO	✓	✓	<a href="http://ec.europa.eu/echo/funding/grants_contracts/agreements_en.htm">http://ec.europa.eu/echo/funding/grants_contracts/agreements_en.htm</a>
EAC	✓	✓	<a href="http://eacea.ec.europa.eu/citizenship/index_en.php">http://eacea.ec.europa.eu/citizenship/index_en.php</a>
Enterprise and Industry	✓	no	<a href="http://ec.europa.eu/enterprise/contracts-grants/calls-for-proposals/grants-awarded/index_en.htm">http://ec.europa.eu/enterprise/contracts-grants/calls-for-proposals/grants-awarded/index_en.htm</a>
Employment	✓	no	<a href="http://ec.europa.eu/social/main.jsp?catId=632&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=632&amp;langId=en</a>
ENV	✓	✓	<a href="http://ec.europa.eu/environment/ngos/list_ngos97_07.htm">http://ec.europa.eu/environment/ngos/list_ngos97_07.htm</a>
EuropeAid	✓	no	<a href="http://ec.europa.eu/europeaid/work/funding/beneficiaries">http://ec.europa.eu/europeaid/work/funding/beneficiaries</a>
Health and Consumers	✓	no	<a href="http://ec.europa.eu/health/ph_programme/awarding_decisions_en.htm">http://ec.europa.eu/health/ph_programme/awarding_decisions_en.htm</a>
Justice and Home Affairs	✓	no	<a href="http://ec.europa.eu/justice/funding/intro/funding_intro_en.htm">http://ec.europa.eu/justice/funding/intro/funding_intro_en.htm</a>
Research	✓	no	<a href="http://ec.europa.eu/research/index.cfm?lg=en&amp;pg=who&amp;cat=n&amp;tips=on">http://ec.europa.eu/research/index.cfm?lg=en&amp;pg=who&amp;cat=n&amp;tips=on</a>
Information Society and Media	✓	no	<a href="http://ec.europa.eu/information_society/newsroom/cf/news.cfm?item_type=fo&amp;itemTime=past">http://ec.europa.eu/information_society/newsroom/cf/news.cfm?item_type=fo&amp;itemTime=past</a>

- ☉ All analysed DGs publish information on the grants they provide, however, every DG provides information in a different format, and the visibility of the information also varies (in some cases funding information is visible directly on the website entry page, e.g. ECHO, ENV, EuropeAid, DG Health and Consumers).
- ☉ However, most DGs do not differentiate by type of grantee. Only EAC, ECHO, and ENV funding information allows for the clear identification of NGO beneficiaries. Other DGs such as DG Research, DG Justice Liberty and Security (now DG Justice and DG Home), DG Health and Consumers, DG Information Society and Media or DG Employment do not differentiate by type of beneficiary.

<sup>99</sup> This table only includes EC Services that provide funding for NGOs (programmes that are open to NGOs just as to any legal person or programmes that exclusively focus on NGOs)

Looking in more detail at the Citizenship and Culture programmes operated by EAC and DG Communication (COMM) provides a series of interesting insights. Under the Culture programme, EAC is legally obliged to publish and advertise its programme strategies. Once calls for applications are closed, lists of supported projects per each programme activity along with the name of the beneficiaries and the funds awarded are published on the EAC website. Similarly, DG COMM's website contains selection results and statistics in the frame of the Citizenship programme. The DG COMM database contains information such as the organisations' names, the names of the projects and the budget granted. This information is updated on an annual basis and can also be found on the DG BUDGET website. Furthermore, all the beneficiaries of the Citizenship programme are published in the centralised financial transparency register of the EC (FTS). Nevertheless, it has been reported that very few people and even project beneficiaries are aware of the existence of the FTS, which means that its visibility needs to be improved. For both DG COMM and EAC, the lists of organisations taking part in the structured dialogue groups are made public. The structured dialogue groups bear witness to the fact that programme stakeholders express the desire to operate in a transparent way. Not only do civil society organisations and cultural NGOs want to be seen as operating transparently to be in line with their ideals, but also the Commission DGs want to ensure that programmes are funded and carried out transparently to end the perceived 'democratic deficit' of the EU. There is a common deontological approach between the DGs and NGOs which is to develop mutual trust.

**Case study: Publication of NGO funding in the AECID**

Since 2007, AECID publishes an annual financial report specifically focussing on its cooperation with NGOs, and presenting detailed financial information by NGO, thematic and geographic area of cooperation. This represents a user-friendly approach facilitating quick access to information on the volume of cooperation with NGOs (Agencia Española de Cooperación Internacional para el Desarrollo, Memoria ONGD 2009).

## 4.2 Register of Interest Representatives

The RIR was launched in the framework of the European Transparency Initiative (ETI) in June 2008, and aims to *'let citizens know which general or specific interests are influencing the decision-making process of the European Institutions and the resources mobilized to that end. Registrants have the opportunity to demonstrate their strong commitment to transparency and the full legitimacy of their activities'*.<sup>100</sup>

Stakeholders appear to agree that the RIR only addresses NGOs engaged in advocacy. Indeed, in general terms, it is possible to differentiate between two types of NGO activity, namely between advocacy and operational activity. In the EC-NGO cooperation context, advocacy implies the intention to influence EC decision making, whilst operational activity covers the delivery of specific services with EC funding, e.g. delivering humanitarian aid. Moreover, NGO representatives noted that the RIR is mainly used by European NGOs or NGOs with a representative office in Brussels and with a mission covering advocacy (e.g. VOICE, the representative organisation for Humanitarian Aid NGOs has registered, and also some of its member NGOs with a presence in Brussels). Other NGOs are often not aware of the existence of the RIR. Feedback from ENV indicates that NGOs that receive EC funding, and that are engaged in advocacy, were advised to register.<sup>101</sup>

This section focuses on NGO use of the RIR, presenting general data and survey feedback (section 4.2.1), and noting a series of deficiencies (4.2.2).

### 4.2.1 Data on NGO entries in the RIR

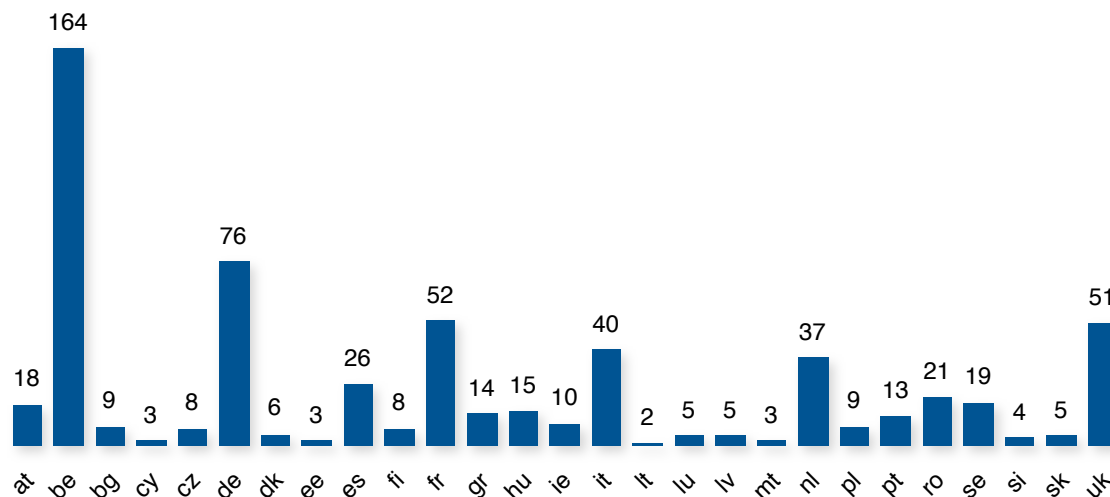
According to a recent EC press release, the RIR has reached the figure of 3000 entries in September 2010 (the RIR notes 3031 entries on 8 September 2010). This includes 908 entries under the category 'NGO/ think-tank' (about 30% of total entries): 698 NGOs or NGO associations, 99 think tanks and 111 'other (similar) organisations'.

The NGO 'share' of total entries in the RIR has steadily increased from about 26% at the end of 2008, to 29% at the end of 2009, to 30% in September 2010.<sup>102</sup> The following figure shows NGO registration by Member State (only sub-category NGOs or NGO associations):

<sup>100</sup> <https://webgate.ec.europa.eu/transparency/regrin/welcome.do?locale=en>

<sup>101</sup> Telephone conversation with E4, DG Environment, 19 July 2010

<sup>102</sup> Latest monthly statistics as shown on [http://ec.europa.eu/transparency/docs/reg/statistiques\\_en.pdf](http://ec.europa.eu/transparency/docs/reg/statistiques_en.pdf)

**Figure 22** - Registration of NGOs / NGO associations by Member State (number of entries)<sup>103</sup>

The NGO Survey conducted for this study indicates that some 53% of the survey respondents have registered on the RIR (37.1% are directly registered and 16.2% are registered via the networks that represent them in Brussels).

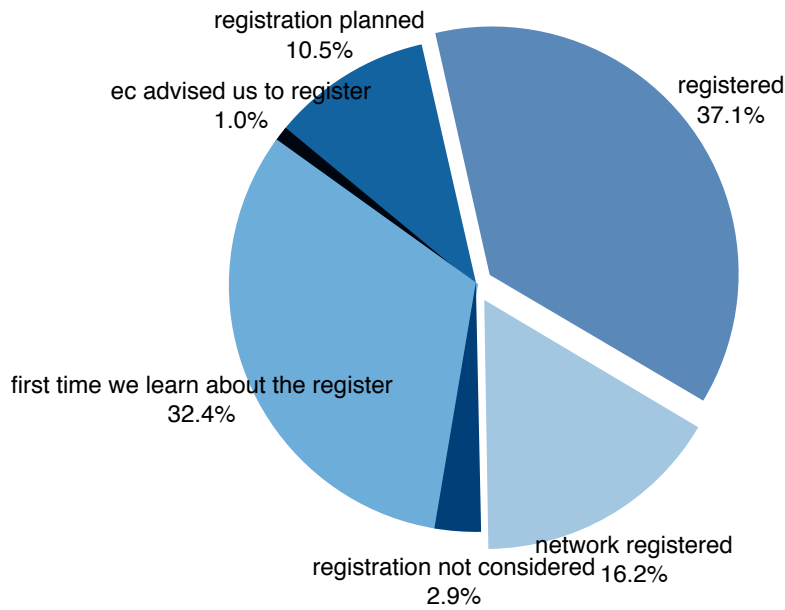
Looking at the survey responses by EC Service (i.e. the DG that the NGO works with: EAC, ECHO or ENV) shows that registration (direct or via a Brussels network) is most frequently noted by NGOs working with ENV (96.1% of respondents working with ENV), followed by EAC (73.9% of respondents working with EAC), and less common for NGOs working with ECHO (43.1% of respondents working with ECHO).

32.4% of survey respondents (34 NGOs) indicate that this is the first time that they learn about the register. It is interesting to note that this includes 17 NGOs that are a member of a Brussels-based network, and three NGOs that directly maintain an office in Brussels.

Survey respondents have not provided much feedback on their reasons for registering or not. However, feedback indicates that NGOs support mandatory registration and more comprehensive and detailed information (e.g. names of individual interest representatives and the specific issues on which interests are represented) as well as sanctions for infringing registration requirements. The following figure shows the general survey responses concerning the RIR:

<sup>103</sup> Entries on 8 September 2010

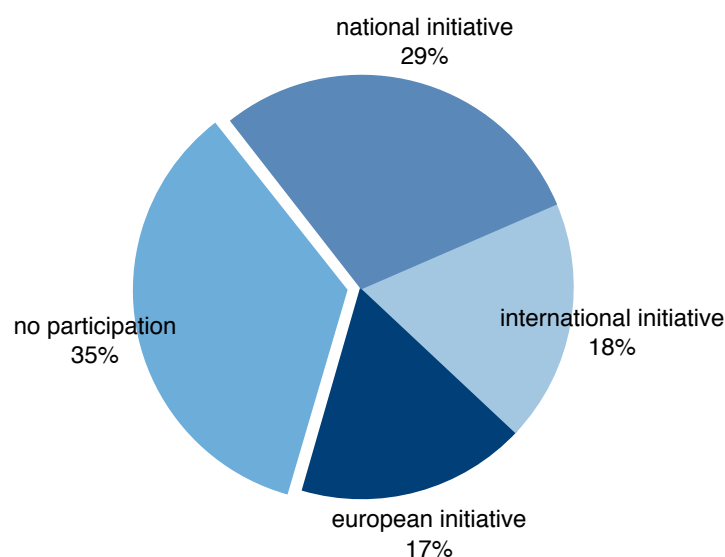
**Figure 23** - NGO survey results - NGOs and the RIR (% of responses, total of 97 responses)



The survey also asked NGOs to provide information on their engagement in other transparency initiatives. 65% of survey respondents note participation in a national (29.1%), European (17.5%) or international (18.4%) transparency initiative, whilst 35% note no participation. The most frequently noted initiatives include ALTER-EU, Pricewaterhouse Coopers transparency initiative, Transparency International, VENRO, CONCORD, International NGO accountability charter, and HAP certification.



**Figure 24 - NGO survey results - participation in other transparency initiatives** (% of responses, total of 84 responses)



#### **Case study: NGO cooperation in Spain**

Fundación Lealtad (Foundation Loyalty) was established in 2001 by private sector donors to improve access to information on NGOs with a view to facilitate NGO-private sector cooperation. This initiative addressed a constraint with regard to NGO-private sector cooperation, i.e. the absence of an NGO register allowing private sector donors to identify NGOs to cooperate with (existing registers were not considered very user friendly, since access to data on specific NGOs requires a motivated request and is subject to an administrative fee).

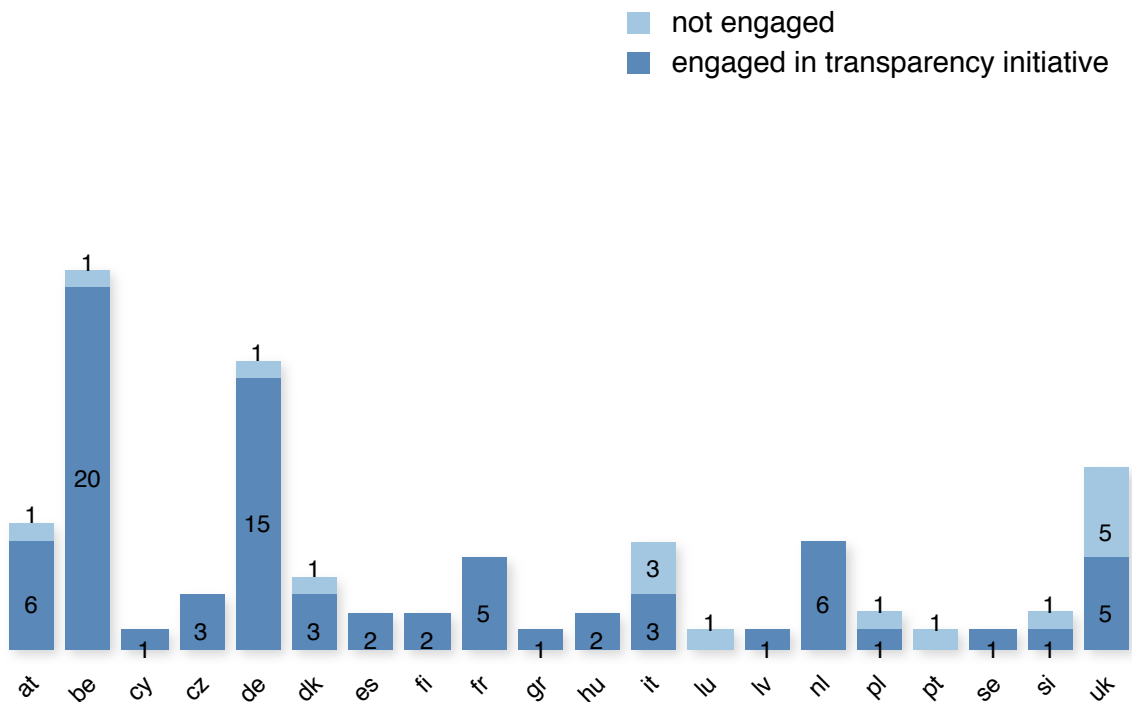
The foundation's main instrument to facilitate NGO-private sector cooperation is the analysis and publication of NGO transparency. The assessment is voluntary and covers nine parameters of transparency and good practice (supported by over 40 indicators). Assessment results are made public and reviewed every two years. Some 130 NGOs are currently registered.

The foundation's 2009 Annual report notes an 18 % increase in NGO-private sector cooperation activities in 2009 (118 cooperation activities, worth some €2.16 million, and this despite the current economic and financial crisis. Moreover, the transparency assessment has been effective in improving NGO governance, since NGOs have addressed identified weaknesses (e.g. via exchanges with other NGOs having gone through the assessment).

Finally, survey feedback indicates Member State differences with regard to NGO engagement in transparency initiatives. The following figure indicates whether a survey respondent is engaged in a transparency initiative (RIR or other transparency initiative) or not.

Overall, survey results are encouraging. The majority of the 96 survey respondents that have answered the questions on their engagement in different transparency initiatives is engaged in some kind of transparency initiative (82%). However, whilst the number of NGO responses for some Member States might be too small to be fully representative, it appears that there is still some scope for improvement in terms of further promoting transparency initiatives such as the RIR.

**Figure 25 - NGO engagement in transparency initiatives by Member State (number of responses, total of 96 survey responses)**



#### 4.2.2 RIR deficiencies?

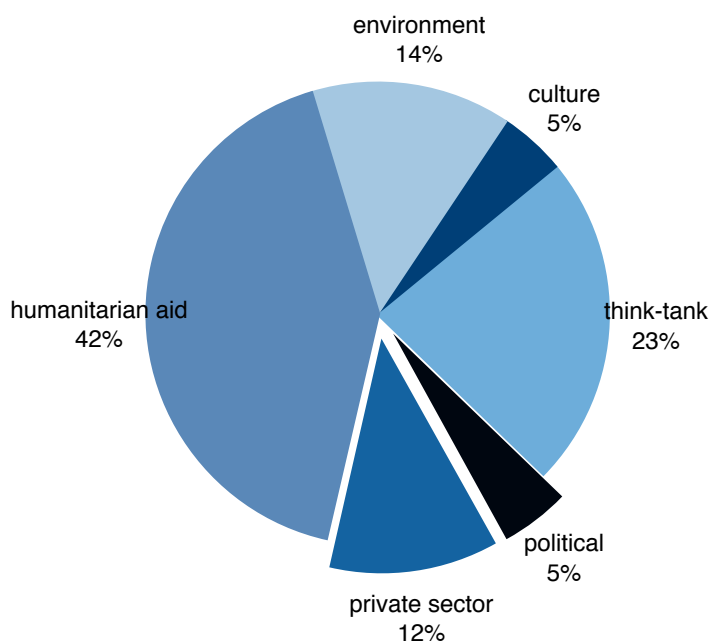
Finally, concerning the quality of NGO data in the RIR, some of the stakeholders voiced criticism over the quality of the RIR entries, noting the absence of any systematic control of the data entered in the RIR. For example, in its assessment of the RIR, the Alliance for Lobbying Transparency and Ethics Regulation (ALTER-EU) reports that the

NGO category includes organisations representing for-profit interests (business associations) that would be more appropriately registered under a different category.<sup>104</sup>

A review of entries under the RIR’s ‘NGO / think-tank’ category on 8 September 2010 shows entries that would fit better under the sub-categories ‘professional association’ or ‘professional consultancies’ (e.g. the German Association of Political Consultants). Coincidentally, when viewing NGO entries in the context of this assignment, other less serious quality deficiencies became apparent. For example, simple entry mistakes, such as when searching for NGOs in Poland, a Dutch NGO appears that mistakenly noted its country as Poland.

The following figure presents an analysis of the 43 Spanish entries under the RIR’s ‘NGO / think-tank’ category on 21 September 2010 (the analysis has been limited to one Member State, since this is only included as illustration; analysing all Member States would have been very time consuming since the analysis requires a one by one review of the organisation’s objectives). The fact that 12% of the Spanish NGO entries are related to the private sector indicates difficulties over the clarity of the RIR categories.

**Figure 26 - Spanish RIR entries** (% of entries, total of 43 entries)



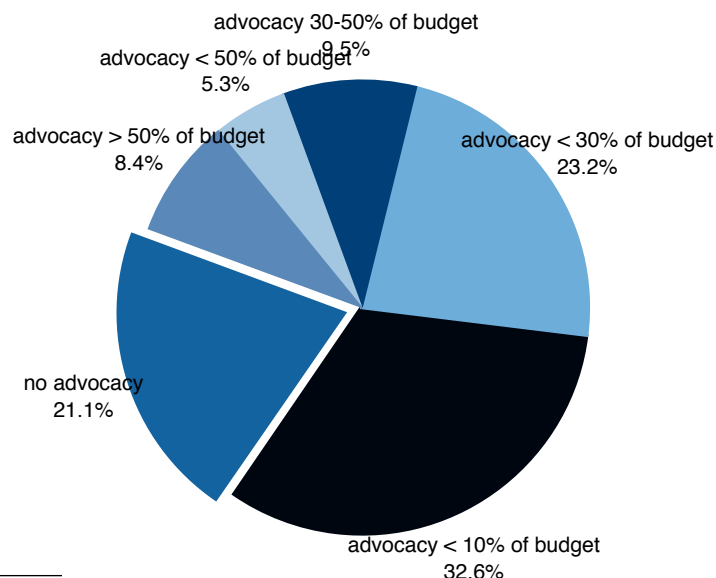
<sup>104</sup> Alliance for Lobbying Transparency and Ethics Regulation (ALTER-EU), The Commission’s Lobby Register One Year On: Success or Failure? June 2009, page 18

Criticism has also been voiced over NGOs that are engaged in advocacy at the EU level, but that have failed to register.<sup>105</sup> Considering the survey figures on registration for NGOs engaged in advocacy (43% for ECHO, 74% for EAC, 96% for ENV) there must be doubts over the completeness of EC data from the RIR, as provided to the EP in March 2010 (see section 1.2, figure 2), in particular with regard to EAC and ENV beneficiaries. Note however, that the RIR only requires registration if an NGO is engaged in interest representation with the EC.

Research on the 258 NGOs covered by the NGO survey shows that 77 NGOs engaged in advocacy work (e.g. NGOs with a specific advocacy department or referring to advocacy work on their website) have not registered (about 30%).<sup>106</sup>

The NGO survey feedback confirms this for a smaller number of cases (note that a total of 95 responses has been received with regard to questions on EC advocacy: 75 responses confirm EC advocacy whilst 20 responses indicate no advocacy). 24 NGOs note that they are engaged in EC advocacy whilst not having registered (neither directly nor via any network). Within this group, 10 are not participating in any transparency initiative whilst 14 are participating in a national, European or international transparency initiative.

**Figure 27** - NGO survey results - EC advocacy in relation to NGO budget (% of responses, total of 95 responses)



<sup>105</sup> This is noted with regard to the Pesticide Action Network. Note, however, that a search on the RIR on 6 September 2010 shows that this NGO has registered on 21 April 2010. See Caroline Boin and Andrea Marchesetti for the International Policy Network, Friends of the EU - The costs of a taxpayer-funded green lobby, March 2010, page 9

<sup>106</sup> However, this might include NGOs that only develop advocacy activity at the local or national level, and therefore do not fall under the RIR advocacy definition that focuses on advocacy vis-a-vis the EC.

## Section 5 - Conclusions and recommendations

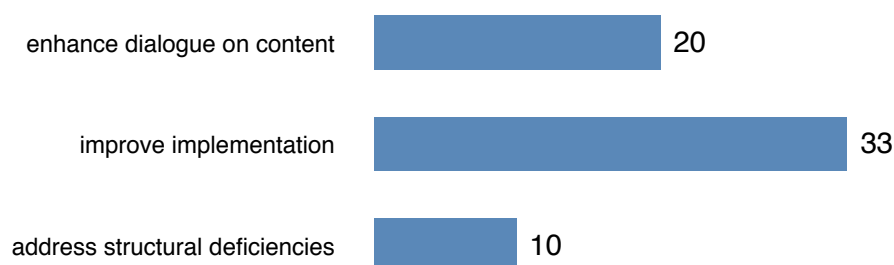
This final section presents the report's conclusions and recommendations. The presentation of conclusions and recommendations follows the report's structure, addressing possible ways to enhance the overall framework for EC-NGO cooperation, the performance and transparency of this cooperation.

Before noting the final conclusions and recommendations it is worth briefly presenting the recommendations from the NGO survey.

Most NGO recommendations focus on improving the implementation of EC-NGO cooperation (e.g. more flexible contractual arrangements, proportional control and reporting requirements), followed by recommendations on an enhanced dialogue between the EC and NGOs on the content of cooperation (e.g. establishing a more balanced partnership), and recommendations aiming to address structural deficiencies of EC-NGO cooperation (e.g. proposing multi-annual funding).

**Figure 28** - NGO survey (number of NGOs supporting the following recommendations)

<sup>107</sup>



<sup>107</sup> Please note that not all NGOs made use of the possibility to provide recommendations.

The following paragraphs present the study's main findings and related recommendations:

**Reviewing the wider framework of EC-NGO cooperation:** Most EC Services engaged in NGO cooperation essentially coincide on the definition of the term NGO (not for profit nature of NGOs, their voluntary feature, legal status and government independence). The EC should consider the establishment of a standard definition / wording to be used by all DGs in order to enhance the clarity of its funding programmes (eligibility criteria). This should be addressed in the context of an updated strategy document on EC-NGO cooperation, taking into account developments since the last strategy document was issued back in the year 2000. An updated strategy document should also consider a more harmonised design and operation of NGO funding programmes. Back in 2000, the EC noted the need for '*a more coherent Commission-wide framework for co-operation that has hitherto been organised on a sector-by-sector basis*',<sup>108</sup> however, NGO feedback on their experience with different funding programmes indicates that this deficiency remains to be addressed. Moreover, a revised strategy could address the issue of NGO financial independence, including a consideration to establish more stringent funding limits (e.g. in terms of the % of the EC contribution of an NGO's total budget).

**Publication of NGO funding:** Whilst financial data on the EC's funding programmes is available on the DG websites, this information is not presented in a uniform way, the degree of visibility of this information varies from DG to DG, and funding data (including in the central Financial Transparency System) generally does not differentiate by type of organisation (i.e. no clear identification of NGOs). Several steps should be taken to significantly enhance strategic oversight and transparency of NGO grants awarded by the EU. These include:

- ☉ Use of a single, standard system of classification covering: Type of grantee (e.g. non for profit); Type of funding (project, operational costs, and different types of contracts to for-profit enterprises); Subject/ theme.
- ☉ Implementation of an EC-wide relational database into which basic grantee information would be entered only once. This should include a unique identification number for each organisation. Each grant contract could then be linked to the relevant organisation by means of the relational structure of the database. This would provide the EC with clear and unambiguous means of understanding which organisations are receiving grants from different DGs, the value and number of grants, and subjects covered, the type of funding (e.g. for specific actions or for operational purposes), and the locations, etc. The Financial

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<sup>108</sup> Ibid, page 3

Transparency System might provide a basis for the development of such a system.

- Ability to search the database online and to download data in PDF and spreadsheet format for easy analysis.
- Use by all DGs of this single, centralised system (i.e. elimination of parallel systems by individual DGs).

**Consider a wider use of programme funding:** While short term funding is useful for small NGOs, or to support short term pilot projects, long term programmatic funding through arrangements such as Framework Agreements provide much needed strategic support to NGOs, and flexibility to respond to emerging opportunities. Programme funding also allows NGOs to improve their organisational development, which in turn improves their operations. The EC should consider using this approach to NGO funding more widely. However, there are challenges with programme funding that the EC needs to be aware of. Programme funding requires a high level of trust between donor and NGO; also, under the wrong conditions it can lead to complacency among NGOs. These challenges can be addressed through rigorous application procedures, monitoring and evaluation requirements, and regular communication between the EC DGs and NGO grantees.

**EC-NGO dialogue via NGO umbrella organisations:** The survey responses highlight that NGOs particularly value the opportunity to be involved in policy dialogue with the EC. This creates a sense of partnership between the NGO community and the EC, where the NGO is valued as an important, and equal player, rather than just a recipient of funding. NGOs can have valuable perspectives on areas of interest to the EC, and regular policy dialogues would enable these views to be shared. One way in which the EC might want to facilitate such policy dialogue is by working through sectoral umbrella groups, which can co-ordinate with their NGO members, and represent their views in discussions with the EC.

**Systematic monitoring of efficiency:** The efficiency of EC-NGO cooperation can have a significant impact on the effectiveness of an NGOs' work: overly burdensome grant administration can divert limited resources away from project delivery. The EC should therefore consider conducting regular, systematic assessments of the efficiency of its funding schemes, in order to identify ways of improving efficiency. Other donor organisations, such as the WB and DMFA, have experience conducting evaluations of the efficiency of NGO cooperation: the EC DGs could draw useful lessons from these approaches.

**Enhancing the efficiency of EC funding:** The EC has made considerable efforts in recent years to address problems with the administration of its funding to NGOs, for example through its Financial Regulation Review. However, despite these efforts, the survey responses demonstrate that many NGOs are still struggling with the administrative burden of EC grants, particularly small NGOs. The EC should help reduce this burden by simplifying the application procedures, improving the provision of funding, lessening financial requirements such as audits and bank guarantees, and allowing flexibility in the case of changing circumstances. Most importantly, the EC should consider making application and reporting requirements proportional to the size of the NGO, and the size of the grant. This is particularly important as excessive administration demands can fundamentally impact on the effectiveness of a small NGO's work, or discourage NGOs from even applying.

**Evaluating effectiveness:** The EC monitoring and evaluation systems rely heavily on NGO self-reporting;<sup>109</sup> this can cause problems with the verification of results. In order to address this, the EC should consider increasing the number of external evaluations they commission, as an additional monitoring and evaluation requirement. This would be more costly, and would need to be covered in the grant, however, it would allow for verification of the effectiveness of EC-NGO cooperation. Given the large sums distributed to NGOs, there would be value in conducting regular, specific evaluations of the effectiveness of EC-NGO cooperation. By commissioning and collating such evaluations, the EC would be able to better appreciate the distinctive value of funding NGOs. Given the diverse nature of NGO grantees, the EC should consider conducting thematic evaluations of NGO effectiveness.

**Strengthening and promoting the Register of Interest Representatives:** The EC is currently working with the EP to set up a joint register, and this reform might provide the opportunity to address the identified deficiencies (e.g. absence of a clear definition of organisational categories, no quality control of RIR entries).<sup>110</sup> More specifically, the EC should consider establishing clear definitions for the different categories of organisations. RIR entries should also be subject to a minimum EC quality control to ensure that organisations register under the appropriate category of organisation and provide coherent information. Finally, the visibility of the RIR might benefit from targeted promotion via NGO representative organisations in Brussels.

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<sup>109</sup> ECHO feedback on the draft version of this report challenges this conclusion with regard to ECHO, noting its extensive monitoring work.

<sup>110</sup> <http://europa.eu/rapid/showInformation.do?pageName=middayExpress>, 6 September 2010



# Annex 1 - Stakeholders

The following list notes stakeholders consulted (in alphabetical order):

Filippo Addarii, EUCLID network

Adrian Aupperle, Transparency International

Angelo Baglio, Head of Unit, Relations with civil society, central management of thematic budget lines NSA-LA under DCI and coordination, Directorate F Thematic Operations, EuropeAid, European Commission

Luc Bagur, Head of Unit, Organisation strategies, Aid effectiveness and relations with bilateral donors, Director General, EuropeAid, European Commission

Mags Bird, Programme Coordinator, Voluntary Organisations in Cooperation in Emergencies (VOICE)

Carlos Cabo González, Spokesperson for European Affairs, Coordinadora ONG para el desarrollo España (NGDO Spanish National Platform)

Kury Cobham, Operations Officer: Social Development Civil Society Fund, The World Bank

Jenna Collins - EUCLID network

Phil Compernelle, Evaluator, Policy and Operations Evaluation Department, Ministry of Foreign Affairs, The Netherlands

Piet de Lange, Evaluator, Policy and Operations Evaluation Department, Ministry of Foreign Affairs, The Netherlands

Harry Derksen, Projectleader Cooperative and Business Plan, ICCO

Patricia de Roda Garcia, Directora General, Fundación Lealtad

Heidrun Fammler - Baltic Environmental Forum Group, Director

Christofer Fjellner, Member of the European Parliament

John Garrison, Senior Civil Society Specialist, The World Bank

Petr Hlobil – Bankwatch, Network Executive Director

Carolina Jimenez Garcia, Directora de Analisis, Fundación Lealtad

Vessela Karloukovska, Stakeholder Dialogue Group, Institutional relations and Communication, Directorate A General Affairs, Health and Consumers Directorate General, European Commission

Peter Konijn, Manager Policy and Evaluation, Cordaid

Cecile Le Clercq – European Commission, Policy Officer - "Europe for Citizens"  
Programme Manager : civil society, DG COMM, Directorate C, Unit 2

Gérard Legris, Head of Unit, Transparency, relations with interest groups and external organisations, Directorate E Better Regulation and institutional matters, Secretariat General, European Commission

Cristina Linaje Hervás, Senior Programme Officer, Spanish Presidency of the EU Project, Coordinadora ONG para el desarrollo España (NGDO Spanish National Platform)

Christian Linder, Member of Cabinet, European Commission, Cabinet of Vice President Maroš Šefčovič, Interinstitutional Relations and Administration

Eric Mamer, Head of Unit, Information and Communication, Directorate Resources, Directorate General for Budget, European Commission

Henri Mosselmans – European Commission, Head of Unit, DG ECHO, Unit B2

Amaya Perez de Albeniz - Education, Audiovisual and Culture Executive Agency (EACEA), Citizenship Unit

Ben Rattenbury, EUCLID network

Daniel Ritchie, Secretary, Partnership for Transparency

Guadalupe Rubio Pinillos, Head of NGO Department, Spanish Agency for International Development Cooperation (Agencia Española de Cooperación Internacional para el Desarrollo ), Ministry of Foreign Affairs and Cooperation

John Ruthrauff, Director of Member Advocacy, InterAction

Haroon Saad - Director of QeC-ERAN

Kathrin Schick, Director, Voluntary Organisations in Cooperation in Emergencies (VOICE)

Bo Jonas Sigedal, Political Advisor, Office of Christofer Fjellner, MEP

Katharina Spens, NGO funding Desk Officer, Unit E.4 - LIFE Environment and eco-innovation, Directorate E International Affairs and Life, Directorate General Environment, European Commission

Alessandro Senesi – European Commission, Deputy Head of Unit - General coordination of the Culture Programme, DG EAC, Directorate D, Unit 2

Ana Sentís, Director of Planning, Quality and Social Responsibility, Intermón Oxfam - Member of Oxfam International

Laetitia Van Asch, Senior Policy Advisor, Ministry of Foreign Affairs, The Netherlands

Dirk van der Schiren – European Commission, Policy Officer, Unit B2

Stefan Welin – European Commission, NGO funding Desk Officer DG Environment, Unit E.4

José Zarzoso Farinos, Head of Section, Relations with Civil Society, Centralised Management of the thematic programme ANE-AL under ICD and coordination, EuropeAid, European Commission

## Annex 2 - References

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