
Official Agency Funding of NGOs in Seven Countries: Mechanisms, Trends and Implications

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Abstract

The mechanisms by which governments distribute official development assistance (ODA) to domestic non-governmental organisations (NGOs) through their official agencies (e.g. the UK Department for International Development [DFID] and the Swedish International Development Cooperation Agency [Sida]) are continually changing. These changes and the ways in which this funding is distributed to NGOs can have a variety of implications for NGOs, not only in terms of the amounts and sources of their income, but also on the ways in which they operate. The influence of such factors can extend far beyond simple reporting requirements, to even act upon the ways in which NGOs conceptualise and plan their work; for example, whether they work on a project or programmatic basis.

This paper charts and analyses the mechanisms by which the official agencies of seven major European countries — Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom (UK) — distribute ODA to domestic NGOs.¹ It provides details of historical developments of Official Aid funding of NGOs, overall trends and the implications of these funding mechanisms for NGOs and civil society. In addition, it outlines the influence of wider policy issues of official agencies, such as the emphasis on security and the aid harmonisation agenda. Overall, the paper contributes to the understanding of one aspect of NGO funding and aid architecture; namely, the mechanisms used by official agencies to fund NGOs and the changes that these mechanisms are undergoing.

¹ Since the mechanisms by which Governments distribute ODA to NGOs through their official agencies is continually changing, it is important to note that the information presented in this paper regarding these mechanisms refers to 2005/2006. It is likely that this information will become outdated the moment it is published due to adjustments to policies and guidelines which continuously occur. However, the main focus of this paper is not only to provide an overview of these mechanisms and the differences between different countries, but to look at the lessons to be learnt from taking different approaches.

Acknowledgements

This paper is based on various studies conducted by INTRAC which focus on the funding policies of European governments in relation to civil society and NGOs. The principal countries covered are Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom. It brings together analysis and experience from this work which includes: reviews of European government funding to NGOs as part of larger consultancy projects for the Finnish Ministry of Foreign Affairs and Irish Aid; a series of meetings facilitated by INTRAC for the civil society/NGO departments of official agencies (2001, 2002, 2003, 2005); and work carried out for Dublin City University funded by Development Cooperation Ireland (DCI).² INTRAC is grateful to these organisations for granting permission to use material from these various projects, enabling us to put together this valuable document.

We are also grateful to staff of official agencies who commented on an earlier draft of this paper (in May/June 2006) and updated and corrected information relating to their country's specific funding schemes and mechanisms. In particular, we are grateful to Matti Lahtinen (Ministry of Foreign Affairs Finland), Jens Kare Rasmussen (Danida), Aine Doody (Irish Aid), Ivar Evensmo (Norad) and Tomas Brundin (Sida) for their time and assistance.

² At the time of the consultancy (January–May 2005), Irish Aid was called Development Cooperation Ireland (DCI).

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Acronyms

BOND	British Overseas NGOs for Development
CFO	Co-financing organisations/agencies
CFP	Co-financing scheme
CHAD	Conflict and Humanitarian Affairs Department
CSCF	Civil Society Challenge Fund
CSF	Civil Society Fund
CSO	Civil Society Organisation
Danida	Danish International Development Assistance
DCI	Development Cooperation Ireland (recently renamed Irish Aid)
DFID	Department for International Development
EC	European Commission
EU	European Union
FIDIDA	Finnish Disabled People's International Development Association
GNP	Gross National Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HUM	Department for Humanitarian Assistance and NGO Cooperation
ICSD	Information and Civil Society Department
IMF	International Monetary Fund
INGO	International non-governmental organisation
INTRAC	International NGO Training and Research Centre
JFS	Joint Funding Scheme
KEPA	Service Centre for Development Cooperation
MAPS	Multi-Annual Programme Scheme
MDGs	Millennium Development Goals
MFA	Ministry for Foreign Affairs
MFP	Co-financing programme (the Netherlands)
MS	Mellemfolkeligt Samvirke (MS Denmark)
NGDO	Non-governmental development organisation
NGO	Non-governmental organisation
Norad	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
PAS	Project Advisory Service
PPA	Partnership Programme Agreements
PSO	Personnel Services Overseas
Sida	Swedish International Development Cooperation Agency
SWAPs	Sector-wide Approaches
TMF	Theme-based co-financing (the Netherlands)
UK	United Kingdom
USAID	United States Agency for International Development

1. Introduction

This paper reviews trends in the funding of relief and development non-governmental organisations (NGOs) by official agencies. Through a sample of seven major European donors we have analysed present trends, funding modalities and related issues. The paper is particularly important at the present time as there have been a number of recent changes in funding arrangements in specific countries.⁴ In addition, changes in development thinking have directly and indirectly affected the way in which the role of NGOs in development, and the way they are funded, are thought about. The paper does not, however, attempt to investigate all the effects of major policy changes such as the emphasis on security by some donors, changes to budgetary support, aid harmonisation and other recent policies of official agencies. Nevertheless, the paper contributes a modest understanding of one aspect of NGO funding and aid architecture; namely, the mechanisms used by official agencies to fund NGOs and the changes that these are undergoing.⁵

Sections 2–9 of this paper provide details and an analysis of official agency funding of NGOs and civil society groups, including:

- Section 2: A history and overview of the emergence of official agency funding of NGOs;
- Section 3: A discussion of issues relating to the management and administering of these funds to NGOs;
- Section 4: Issues relating to the competition between NGOs for official agency funding;
- Section 5: An analysis and classification of the current mechanisms used and differences between countries;
- Section 6: A discussion of issues regarding funding mechanisms, including the selection of which NGOs to fund and monitoring and evaluation of funding;
- Section 7: Potential concerns of official agencies regarding the funding of NGOs;
- Section 8: A brief overview of wider agendas; and
- Section 9: The future of official agency funding to NGOs.

Section 10 provides details of the NGO funding schemes of the seven European countries which were the principle focus of the consultancy projects forming the basis of this paper: Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom (UK). This section includes details of the amounts and proportion of ODA provided to NGOs; the various NGO funding schemes, application procedures, reporting and accounting procedures; and details of umbrella bodies. This section is designed to provide comprehensive stand-alone information regarding official agency funding to NGOs in each country.

1.1 Methodology

⁴ There have recently been major changes to the mechanisms by which official agencies in the Netherlands and Ireland fund NGOs; these are discussed in this paper.

⁵ For further information regarding why the debates please see the following INTRAC work and publications: Fowler, 2005 and *Ontrac* 33 May 2006.

This paper is based on a number of desk based studies conducted by INTRAC, including: reviews of European government funding to NGOs as part of larger consultancy projects for the Finnish Ministry of Foreign Affairs and Irish Aid (2005); a series of meetings facilitated by INTRAC for the civil society/NGO departments of official agencies (2001, 2002, 2003, 2005); and work carried out for Dublin City University funded by Development Cooperation Ireland (DCI). The data and information gathered was mainly compiled in March–May 2005 from a number of documents and sources,⁶ and for most countries it was subsequently updated through correspondence with staff at the official agencies involved in the study during June 2006.⁷ The study focuses principally on seven European countries: Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom (UK), although reference is made to a number of other countries where relevant (particularly in Sections 2–9). These seven countries were selected as they provide a good overview and selection of the different types of funding schemes and mechanisms operated by official agencies in Europe. They are also the most important bodies in terms of financial flows to NGOs and have some of the longest established NGO funding schemes.⁸

It is important to note that due to the use of a variety of different sources, spanning a number of years, there may be certain degree of inconsistency in the data between and within countries and over time. In addition, the ways in which percentages are calculated and the ways in which official agency assistance to NGOs is recorded and reported differs between countries; for example, figures for humanitarian assistance are explicitly reported for some countries but not others and some official agencies provide support for INGOs which is not part of the ‘NGO budget line’. Whilst, this lack of consistency means that direct comparisons are at times difficult to make, the information gained does provide a sound overview of the situation in each country and broad picture of some of the differences between them.

1.2 Terminology

The term ‘official agencies’ used within this paper refers to the government departments responsible for a country’s official ODA and funding, including the funding of NGOs and Civil Society Organisations (CSOs). These official agencies are the departments through which the majority of a country’s ODA is channelled and include, for example, the Danish International Development Assistance (Danida), the UK Department for International

⁶ The text and data provided in the overall comparison and individual country information presented in Section 10 was gathered from a number of sources including government documents and websites. Much of this is factual information was taken directly from the sources, either verbatim or in edited form. However, in order to maintain clarity and continuity, quotation marks have not been used in Section 10; instead specific sources have been provided in endnotes (see pages 56–60). It is therefore acknowledged that much of the information and text provided in Section 10 is not the words of the authors, but an amalgamation of information from other sources.

⁷ A draft of this paper was circulated to the seven official agencies concerned in May/June 2006 to provide them with the opportunity to update and correct information regarding their funding schemes. We are grateful to Matti Lahtinen (Ministry of Foreign Affairs Finland), Jens Kare Rasmussen (Danida), Aine Doody (Irish Aid), Ivar Evensmo (NORAD) and Tomas Brundin (Sida) for their input.

⁸ France and Japan also have large aid programmes but have never prioritised funding for NGOs. Indeed, France has continued to have a statist view of development (see Sorgenfrei, 2004). Germany does provide significant funds for its NGOs, but does this via channelling tax funds to churches that have developed their own aid programmes and there is no direct connection between official agency aid flows and German NGOs. The case of Spain is increasingly interesting and worthy of study given the growth of the Spanish aid programme, although any study would have to review funding from both central and provincial governments.

Development (DFID) and the Swedish International Development Cooperation Agency (Sida).

This paper focuses principally on what we have termed **large grant funding mechanisms and schemes** of official agencies (i.e. 'block grants', 'framework agreements' and 'partnership schemes'), although information on **smaller grant funding mechanisms** is provided in the country-specific information in Section 10, and are referred to, where relevant, in Sections 2–9, for example in relation to the management and administering of grants.

Various **large grant funding mechanisms** have been developed and are used by different countries, each with their own specific names. There are no standard terms used across countries for these mechanisms and official agencies may therefore use different names and terms for schemes which appear similar to those operated in other countries, or the same name for schemes which are quite different. For example, Denmark, Norway and Sweden all use the term '*Framework Agreements*'; however, the actual mechanisms are not necessarily the same. Other names used include *Partnership Agreements* (Finland), *Multi-Annual Programme Scheme (MAPS)* (Ireland), *Co-financing programme (MFP)* (the Netherlands) and *Partnership Programme Agreements (PPAs)* (UK). In an attempt to minimise confusion throughout this paper we have used the generic term '**large grant funding mechanisms**' to refer to all such schemes, although Section 5 does distinguish a number of types of such schemes and outlines the main characteristics of each. Where reference to specific schemes is made, the countries' official terms are cited in italics, for example DFID's *Partnership Programme Agreements (PPAs)* and Danida's *Framework Agreement*.

2. History and Overview of Official Agency Funding of NGOs

The funding of national NGOs by official agencies has evolved and changed significantly over the past 40 years, influenced by a variety of factors including, amongst others: changes in the international aid system and official aid trends (e.g. policy shifts on support for civil society to sector-wide approaches and budgetary support, amongst other approaches to tackling poverty); changes in the role of donor governments in overseas development; and trends in the funding sources of NGOs. In addition to changes over time there are significant differences in the ways in which different countries fund their domestic NGOs and the ways in which NGOs within and between countries are funded.

Many European NGOs pre-date the major post-colonial official aid programmes that operate through the official agencies and therefore often tend to benefit from their own sources of funding and traditional independence. The advent of official agency funding for NGOs however, led to the growth in the numbers of NGOs across Europe, and official agency funding changed over time in some countries from being a marginal contribution to NGOs based in their own countries, to being a principal source of funding for some of them. Those NGOs in Europe who have their own constituencies which continue to support and fund them have, to a large extent, the ability to continue their work irrespective of the funding decisions made by official agencies. Nonetheless, many NGOs have become dependent upon official agency funding, and for these in particular, debates and changes within official agencies regarding funding mechanisms may be crucial to their futures.

There are concerns that the bulk of official agency funding for NGOs still goes to organisations from the donor country and that this can be considered as a form of tied aid. Whereas many countries now operate on an open market principle regarding contracts,

grants for NGOs are still limited to national organisations and are thereby, in effect, tied to certain national interests. For instance, some smaller official agencies still tie most of their NGO funding to sending nationals as volunteers for flag flying (i.e. Italy).

In some European countries the NGO sector is dominated by a small number of very large NGOs (some quite old, others the products of government funding), whereas elsewhere, there are a large number of small NGOs, many of which are dependent on official agencies for their funding. The polarisation of NGOs by size is getting more acute and the gap in size between large and small NGOs is widening, partly as a result of changes in funding from official agencies, as described below; partly owing to increased international competition. Some forms of large grant funding mechanisms are more likely to be given to large NGOs, whereas individual project funding through small grant funding schemes tends to go to smaller ones. This situation is often further exacerbated by the market domination of very large transnational NGOs such as Plan, World Vision, Care, Oxfam and Save the Children Alliances (see Section 4 for more details).

2.1 Why Official Agencies Fund NGOs

There are a number of reasons why official agencies fund national development NGOs. These vary from country to country, but common reasons include:

- to channel resources directly to poor people through civil society rather than through the State;
- to fund personnel sending organisations (volunteers);
- to provide support to publicly popular NGOs;
- to gain public support for the overall aid budget, through development education undertaken by NGOs in the donor country, aligning official agency and NGO interests and ensuring NGOs lobby for more aid (e.g. the campaigns for governments to achieve a target of 0.7% of national wealth [Gross National Product] for ODA);
- to support the development of vibrant civil societies in the South, which can represent the interests of poor groups towards the State and market;
- to promote the interests and a positive image of the donor country.

These reasons are not mutually exclusive and it is often difficult to determine the specific rationale behind a country's motivation to fund national development NGOs — to distinguish, for example, between political motivation (flying the flag, getting support from the electorate for aid budgets, etc.) and developmental criteria (in order to support civil society strengthening, the delivery of services to poor people etc.). In addition, although several official agencies are concerned about the roles of their national NGOs within the international development sector, many are still wedded to the concept of their own civil society supporting overseas development, and argue that their NGOs play a crucial role in development education, linkages with civil society in other countries, and arguing for public support for the overall aid programme.

It could be argued that some donors regard support to their domestic NGOs primarily as a way to encourage development education. For example, both in Switzerland and Austria two very different types of NGOs have evolved. The first are primarily concerned with development education and advocacy at home, with few direct contacts or 'projects' in the developing world. On the other hand, a separate group of NGOs run development and other programmes overseas, often on a contract basis from their governments. Indeed some of these 'operational' organisations were virtually set up by the aid ministries, and as such their independence is often questioned.

There have been some attempts to open NGO funding beyond the home-based NGOs, but there is still very little such 'international' funding available. One example is the recent Dutch *Theme-based co-financing (TMF)* which was opened to non-Dutch NGOs,⁹ although political controversy about this scheme led it to be curtailed, with funds being redirected to Dutch NGOs. Sida in Sweden also has some specialised International Non-Governmental Organisation (INGO) funding (e.g. Human Rights funding), as do several other European donors, and in theory other European Union (EU)-based NGOs can apply to DFID for funds from the United Kingdom (and some do get funding). It remains to be seen whether, in future, the open market philosophy is applied to grant funding for development NGOs, or whether the continued move towards contracting makes the grant funding approach less important.

2.2 What Official Agencies are Trying to Achieve by Funding NGOs

By comparing the different official agencies, it is possible to see how different perspectives have affected their own organisational development and policies. These perspectives are based in part on their own culture, theories of society, historical experiences and debates that have informed the origin of their development programmes and perspectives, and in turn clearly impact how they fund their national NGOs.

2.2.1 Support for Civil Society: Means Versus Ends

A major difference exists between those official agencies who see support to civil society as a means to the end of development interventions, and those who see it as an end *in itself*. The proponents of the latter view tend to argue that such support will reinforce democracy and social and political pluralism, and that the existence of a large number of CSOs will, by default, help counter dictatorial forms of political structure and contribute to the strengthening of social capital etc. This, it is argued, will engender other benefits, including a reduction in poverty and an increase in pro-poor government policies, although these are secondary to the aim of creating a strong civil society and are thus not always specified in initial programme plans, being assumed rather than specified goals.

On the other hand, for those who regard support for civil society as a *means* to achieving a specific result (for example an explicit poverty reduction focus), the outcomes are often very different. We still witness a great deal of 'instrumentalism', whereby donors regard CSOs as vehicles for achieving their aims, either directly tied to specific objectives (delivery of a service or subcontract) or indirectly through frameworks which steer CSOs towards service provision or filling in gaps in services. This more instrumental view of civil society is one of the reasons that for many official agencies, NGOs *are* treated as civil society, because they meet the requirements as subcontractors, whereas many other forms of civil society (i.e. social movements) are rather less 'convenient' as deliverers of predetermined service packages. INTRAC's recent work on social movements, for example, illustrates how membership organisations may have very different perspectives and priorities depending on their member interests and the socio-political context in which they work.¹⁰

Thus, whilst official agencies look for modern managerial structures by which to deliver services (i.e. through more formal NGOs), social movements are less suited to this contract-

⁹ For example INTRAC received TMF funding for its Praxis programme

¹⁰ Pratt & Earle, ongoing work on social movements to be published by INTRAC, late 2006.

based way of working, often tending to be more responsive to changing environments and the needs of those whom they represent. Similarly, many other forms of CSO tend to be rather less organised in form and structure and less focused on the needs of the aid industry than NGOs, which increasingly seem to place managerial efficiency above achieving their values and having an impact on the poor. As a result, in funding terms, social movements are often marginalised by 'professional NGOs', resulting in a reduction in the radical or analytical nature of civil society.

2.2.2 Funding to Civil Society Versus NGOs

The trend towards official agencies funding NGOs as opposed to other forms of civil society has been potentially detrimental for a number of reasons:

- it abnegates the developmental advantages of working with others CSOs;
- it creates an imbalance whereby NGOs dominate resources to the detriment of other CSOs;
- it sometimes leads to feelings of resentment from CSOs towards NGOs (e.g. Islamic groups against the big NGOs in Bangladesh etc.);
- it supports 'professionally' run and directed NGOs as opposed to more democratic, participatory forms of civil society;
- it does not support a popular engagement in governance at a grass roots level.

Whilst donors complain about the lack of constituency or legitimacy of NGOs, they often do not recognise that it is their own procedures and policies that have reinforced these trends. Furthermore, there is evidence that the exclusive funding of NGOs has undermined the development of social movements, and as a result, the traditionally strong working relationship between NGOs and social movements that was once one of the comparative advantages of NGOs has been eroded.¹¹

2.3 History and Development of Official Agency Funding of NGOs

There have been two major approaches to funding of NGOs by official agencies through large grant funding mechanisms. The first is based on a system of co-funding (which has changed slowly over the years) described in detail below, whilst the second is based on varying concepts of partnership between NGOs and official agencies. The oldest partnership type programme is arguably the Canadian system, in which the original concept was to develop partnerships between segments of Canadian society and similar groups in developing countries. Hence, besides many smaller initiatives, there was a growth in Canadian Universities Overseas (CUSO) and many similar organisations.¹² The Dutch and Scandinavian schemes also grew out of ideas around linking civil society groups or communities in their own countries with groups in the developing world.¹³

¹¹ Pratt & Earle, *ibid.* As part of a current research project INTRAC has visited a number of social movements. Many of these are reacting to dynamic situations that often lead them to undertake activities that are not easily logframed and cannot be reported on in terms of the type of plans and budgets originally set. Consequently, they invariably fail to get the support they deserve and need.

¹² CUSO soon grew away from the universities, but the intention had been clear in its origins to be a link between two university communities: those of Canada and developing countries.

¹³ The origins of the work of IBIS in Denmark (originally World University Service) with the exiled Namibian groups would be a good example, as would the many small links made by Danish and Swedish civil society groups with similar small groups.

The vast majority of official agency large grant funding schemes, however, started by providing grants for specific NGO projects on a co-funded basis. Co-funding often meant a funding split between the official agency and an NGO (sometimes literally 50:50; others with larger or smaller contributions from either side), and since the oldest NGOs already had their own fundraising mechanisms this was highly feasible. Over time, some co-funding ratios became easier to meet — 90:10 for example made it easier for new NGO entrants to obtain official agency money. Gradually, these schemes grew in terms of the numbers of NGOs applying and receiving funds, and as a consequence the total turnover of funding steadily increased. It was, and remains, a cumbersome system whereby relatively small proposals were being prepared in some detail by the proposing NGOs, which were then reviewed by often expensive professionals/civil servants, resulting in a high administrative burden to manage. It was not surprising then that co-funding started to give way to other forms of large grant funding schemes, the most common being some form of block grant or framework agreement funding (see Section 5 for a typology of these mechanisms).¹⁴

The commitment of official agencies to funding through national NGOs weakened during the 1990s, as many of the official agencies moved towards directly funding Southern (and Eastern) NGOs through their own embassies/missions in a country. For a while this was by far the largest growth of funding from official agencies to NGOs generally.¹⁵ However, because of the way these funds passed from the bilateral programme to local NGOs, it was often very difficult to calculate the degree to which individual official agencies engaged in this form of direct funding,¹⁶ although research undertaken by INTRAC found that significant resources were involved in direct funding schemes; at least one donor was providing more funds directly to NGOs in Bangladesh than through their whole 'co-funding' scheme in Europe.¹⁷

There was concern amongst many Northern NGOs that this trend in the 1990s of official agencies funding Southern NGOs directly would weaken their position and lead to the eventual loss of their official agency funding. That this does not appear to have happened perhaps underlines the domestic 'political' rather than 'developmental' reasons why funding continues, in that the pressure to maintain funding through domestic NGOs comes from the need for a local constituency. In this case, the political need to be seen to be supporting national NGOs may override issues around quality control, and other debates about the most appropriate nature of supporting international development. Nonetheless, there is still a significant amount of direct funding to Southern NGOs from many official agencies, and there is an array of small grant funding schemes (micro-projects) available, as well as funds linked to structural adjustment and emergencies, and subcontracted service delivery through the bilateral aid programme.

In many countries there has been a general tendency to stabilise the level of funding from official agencies to NGOs over the years, although some increases in funds for NGOs are planned in Ireland and Finland, due to increases in ODA budgets. In Denmark (and earlier in Canada), however, there has been some pressure to reduce NGO funding as a result of changes in national politics, a pattern which could be repeated elsewhere given the political

¹⁴ Sometimes there was an intermediary stage whereby a group of 'projects' were brought together for 'programme funding'. For example, in this fashion, several small water schemes in a specific country became a programme.

¹⁵ INTRAC, 1998.

¹⁶ Few official agencies kept a record of funds from the bilateral programmes that were directed specifically to NGOs. See INTRAC, 1998.

¹⁷ Sobhan, 1997.

changes that may occur in the near future. Fears of such cuts in the Netherlands have so far not materialised, although the big four NGOs¹⁸ did proportionally lose ground with the decision in 2003 to spread the funding to two other large NGOs (see Section 10.6 for further details). The privileged position of the larger Dutch NGOs is being further challenged by the introduction of a single set of rules for applicants which in theory is supposed to provide a 'level playing field' for all applicants, both large and small. At the time of writing (April 2006) the first round of applications from around 116 NGOs had been prepared in the Netherlands. This change may be detrimental to many other donors in that it will undoubtedly increase the administrative burden on those processing this many applications. The question of concern for the larger NGOs is whether they will find their financial support reduced, whereas, by contrast, many smaller NGOs are planning for an increased income, but whether or not the profile of funding will, in reality, change is yet to be seen.

There has also been a concern that with the expansion of the European Community, European Commission (EC) NGO funding would either be cut or spread between larger numbers of organisations from the new member countries. However, current uncertainties about structure, budgets and policies in the EC make any forecast difficult. One interpretation is that EC *co-funding* will no longer be available from within Europe and that all funds will only be available from EC in-country delegations, where proposals will have to sit within the host country's development strategy. Under this scenario there would be fewer budget lines overall and all applications for funding of programmes in a specific country would go through the EC delegation in that country. Only a reduced fund with an emphasis on cross-border thematic programmes would survive. As yet, what this means for NGO funding is still to be clearly defined.¹⁹

3. Transaction Costs and Management of Official Agency Funds to NGOs

Across Europe, government departments are trying to save on costs through an overall reduction of staff numbers, leading to many development ministries/departments being obliged to reduce or cap their staff numbers. This has, in turn, led to civil servants trying to find ways of reducing their transaction costs regarding grant management procedures and models in relation to funding provided to NGOs. The two principal ways that this is being achieved is through a) larger grants to individual NGOs (through some form of large grant funding mechanism); and b) subcontracting out some of the work to private contractors or membership/umbrella groups. Each of these is discussed below in further detail.

3.1 The Concentration of Grants

In addition to, and reinforcing, the concentration of NGO funding into a smaller number of NGOs, there has been a tendency by many official agencies to reduce their transaction costs by giving larger grants to fewer NGOs. Sometimes the administrative costs are also passed to the recipient NGOs, for example through the use of umbrella groups to undertake the initial funding application assessments. In addition, savings on transactions through simplified procedures can be passed on to recipients through the large grant funding

¹⁸ The original four NGOs were Novib, Hivos, Cordaid and ICCO, later joined by Plan and Terre des Hommes.

¹⁹ See Giffen, in *Ontrac* 33, May 2006.

mechanisms; thus, the tendency of donors to provide more fungible funding through schemes such as *MAPS* in Ireland and *PPAs* in the UK is, in part, driven by the need to reduce the costs of managing NGO funding incurred by the official agencies. Indeed, almost all of the changes in funding models designed to reduce donor transaction costs and resolve administrative problems would appear to be poor compromises over quality, accountability and engagement of the official agency with development issues. Given that the drive to reduce public sector administrative costs is common internationally, there seems little point in arguing for more administrative resources to be placed in official agencies. Rather, the debate has instead had to focus on the pros and cons of the alternative schemes being introduced by donors.

In many countries a small number of large NGOs are receiving a considerable proportion of available funds. For example, in Norway, 59.1% of all official agency NGO funding went to five NGOs in 2004 (through *framework agreements*), in Denmark, 66% of official agency NGO funding was provided to six NGOs with *framework agreements* in 2003, in the Netherlands, approximately 11% of the total aid budget (around half of all ODA to NGOs) goes to six NGOs through the *MFP* and in Ireland, 86% of official agency NGO funds were channelled to five NGOs with *MAPS* agreements in 2005 (see Table 1, Section 5 for further details). In many cases this choice of NGOs and concentration of funding has not necessarily been due to market selection or an adherence to quality or other criteria. Mostly, the choice has been based on historical factors and precedents, and thus often lacks transparency. This process has been criticised by many official agencies themselves, as it has led to the freezing of NGOs in time, inhibiting innovation and risk. However, in many cases this concentration of resources on a small number of major recipient NGOs is often counterbalanced by a large number of small NGOs receiving modest amounts in the form of project funding.

3.2 Contracting Out

As mentioned, many official agencies are being obliged to reduce their numbers of staff and/or costs, or find that they are expected to run growing programmes with the same number of staff. One response to this has been for official agencies to contract out certain aspects of grant management. This is being done in a number of different ways, described below.

3.2.1 Private Contractors

Private contractors are used by several countries to carry out the grant management of funds to NGOs, though this is primarily for individual project funding within small grant schemes rather than large grant funding mechanisms. Interestingly, this is probably more commonly undertaken outside the donor country, with many official agencies using such mechanisms to run small grant schemes in developing and transitional countries. (This method is undertaken specifically by the EC, United States Agency for International Development [USAID] and DFID to name a few.)

For example, DFID have contracted a commercial consultancy firm to appraise new proposals to the Civil Society Challenge Fund (CSCF); this is the small grant scheme which responds to individual programme or project requests from NGOs operating outside the *PPA* scheme (DFID's large grant funding mechanism). DFID set the basic criteria against which proposals should be judged and the consultancy firm have the ability to cross-question the NGOs presenting proposals, before presenting a series of recommendations to DFID who

make the final decisions regarding the allocation of grants. Subsequent grant management is then carried out in-house by DFID staff.

With some developing country small grant funding mechanisms, the whole process (including, grant decision-making approvals, grant management, payments, monitoring and other follow-up) is contracted out to companies chosen by tender. This system at least assumes some basic professional criteria are used and takes away decisions from those with either a vested or conflicting interest, or from local and other political interference.

3.2.2 Resource Centres

A compromise from contracting out the whole process is to contract out some aspects of the grant review and management system. This is a limited form of contracting out with decision making still retained in-house, for example, through the use of 'resource centres', whereby a university or company review and comment on proposals in their area of expertise. This was the approach taken by DFID a few years ago. The EC used this mechanism until it was deemed to be illegal (under their own rules) because it was seen as a mechanism to recruit extra staff outside of the agreed staffing numbers through thinly veiled 'subcontracting'.

3.2.3 Individual Consultants

The use of individual consultants to monitor or accompany an NGO that is funded through a large grant funding mechanism can be useful, although there is a danger that the consultant becomes part of the furniture, and therefore dependent upon the continued funding from the official agency for their own next contract. Circulation and renewal of consultants is important, therefore, especially where the pool of available consultants is quite small. In a small country, for example, Ireland, the advantage of resource centres is that they can encourage and promote the development of such a consultancy pool, although a disadvantage is that the pool can become incestuous.

3.2.4 Umbrella/Membership Organisations

In several countries official agency funding is now 'contracted out' to membership or umbrella bodies. The most developed system of this type is in Sweden, where six of the 14 *framework* funded organisations are umbrella bodies, who, as well as their own activities, administer funds to their member NGOs via *programme agreements*, reviewing and carrying out proposal management and follow-up on behalf of Sida. Most of these are membership groups based around a common interest (e.g. church, trade union etc.) which pass on funds to their members. One of these *framework organisations*, Forum Syd, also provides funds to a large number of smaller NGOs who are not members of one of the other umbrella organisations.

One of the problems with this system is quality control and reporting. It is not really possible for the intermediary body to follow up, evaluate or monitor the funds they pass to members or small organisations as they have no field staff of their own and are not geared around cross-checking their own membership. It would be possible in theory to introduce such systems but this has not been done. Therefore the whole system relies on trust, and past Sida evaluations have shown that this is not always sufficient to guarantee quality.²⁰

²⁰ Similar problems have arisen in the UK, for example, with the work of the Disasters Emergencies Committee (DEC), which provides funds to members for humanitarian work. Members have often resisted DEC monitoring and evaluation work.

Other donors have rejected the use of umbrella bodies as a channel of funds to members because of a possible conflict of interest between grant managers and their own membership (something which almost destroyed many African umbrella groups which were sought out by external donors as channels of funds to local NGOs). In some cases, the system can also backfire and the umbrella organisation is seen to be in competition for funds with its own members.²¹

4. Competition between NGOs for Official Agency Funding

Underlying some of the debates on funding for NGOs is an awareness of an internationalising of competition between NGOs for official agency funds. Certain countries such as the UK have always had a competitive environment for fundraising, in part due to the high number and size of NGOs, the low level of available official agency funds and a major tradition of public giving for which NGOs compete. On the other hand, other countries have for many years had considerable government funding for their own national NGOs, especially in the Nordic area, and there has thus been less competition between NGOs for resources. The competitive nature of the Anglo-Saxon world has led many NGOs to seek entry into other funding markets outside of their home base, either through directly going to other official agencies or by setting up local offices/franchises in other countries with the aim of raising both public and official funding. Several official agencies are finding it difficult to know how to deal with the new invasion of groups seeking their support.

Some official agencies are still arguing that their original concept of funding NGOs was a reflection of their simultaneous support for their own civil society as well as that in developing/transition countries, and argue that for this reason they only fund NGOs which can adequately demonstrate a membership base in their own country. However, some Nordic donors have agreed that this line of argument looks less convincing as fewer of the new generation tend to join organisations within their own society; thus the membership base of NGOs is often minimal or falling.

When comparing a small local voluntary NGO (with a handful of members) to a perceived 'interloper' from abroad (possibly with thousands of 'child sponsors'), it is difficult to argue that the former reflects local civil society and the latter does not. Thus, many official agencies are under pressure to open their schemes to these new NGOs from outside the country. This expansion of these so-called 'transnational NGOs'²² who raise funds and support (at times aggressively) in new countries and then claim the right of access to official agency funding (hitherto blocked to them) presents a challenge to the established funding distribution policies of official agencies. Many of these transnational NGOs claim far more popular support than the traditional home-grown NGOs and therefore argue for a greater right to funding support from official agencies.

For example, in the Netherlands, the country office of Plan joined the original four *co-financed (MFP)* NGOs based, in part, on the massive success of its fundraising through child sponsorship, and is now claiming access to official agency funds in Sweden. Similarly, Care

²¹ There are examples of this from Belgium, UK, Finland and the Netherlands, where the confused role of bodies providing grants became worse when they started making grants to themselves for their own programmes. This has also caused problems in umbrella organisations elsewhere. Confidentiality makes it difficult to go into more detail.

²² For further information regarding transnational NGOs see Chapter 11 'Act globally: the rise of the transnational NGO' in Smillie, 1995.

is now a major player in Denmark and has a *Framework agreement*, and in Ireland there is a list of such organisations awaiting increased *MAPS* funding (e.g. Oxfam, Action Aid and World Vision, among others).

There is a perceived, sometimes covert and sometimes overt, competition across Europe between home-grown NGOs and these transnational NGOs (such as Oxfam, Plan, World Vision, Save the Children etc.). The fear is that the transnational NGOs will, in business terms, destroy national NGOs through 'unfair' competition, for example, through their ability and willingness to use the media more blatantly for marketing rather than just for advocacy or worthy messages. Furthermore, transnational NGOs are able to use their branding and size to ensure high levels of coverage for their local affiliate. For example, when in an emergency people see the OXFAM, Save the Children, Care or other transnationally recognisable logos on television coverage of an emergency they do not distinguish whether this was due to the local Save the Children in Denmark or one of the other larger members of the Alliance.

Some national NGOs have realised that survival, by protecting themselves from predatory fundraising, will probably only come through them joining one of the transnational NGOs. Indeed, this is becoming a distinct possibility since several of the larger transnational NGOs feel that there is still scope for them to expand in parts of Europe, especially areas characterised by a relatively small number of locally grown NGOs.²³ The issue of the transnational NGOs is important as it will not only challenge local NGOs, but also official agencies who will find themselves under siege from these NGOs wanting to access their funds and who will be looking for ways around some of the 'restrictive practices' intended to protect the existing list of local NGOs with privileged access to funding.

If, however, an official agency merely wants to move more money, then time after time the transnational NGOs are more likely to be able to deliver, which is perhaps why they are more popular with official agencies than with other NGOs. Although many of the models and methods used by transnational NGOs have never been put to the test of stringent evaluation, they often speak the language of donors and, as such, may reflect both their strengths and weaknesses.

4.1 Official Agency Funding of Operational NGOs

One continuing area of concern, and sometimes dispute, is whether official agencies should continue to fund operational NGOs.²⁴ Several official agencies have decided only to fund NGOs working through partnerships with local organisations in developing countries (USAID's NGO Unit, DFID, Sida and the Dutch Foreign Ministry for example), whilst others are ambiguous or claim to be phasing out operational funding. It should be noted that some of these same official agencies do, however, actually support direct-service delivery but through contracts awarded on competitive tender, through their bilateral programmes rather than through funding provided from their NGO or civil society funds.²⁵ That said, these

²³ Chapter 11 'Act globally: the rise of the transnational NGO', in Smillie, 1995, gives some examples of rapid growth by certain transnational NGOs, in particular those in Australasia.

²⁴ 'Operational' here implies the direct delivery of services by an NGO foreign to the country in which the service is delivered: i.e. external NGOs running development or relief programmes rather than funding or supporting local organisations to do this. This is clearly a debate in Ireland.

²⁵ Although many donors have in theory made a decision to move from funding operational work through the NGO funding windows, they still maintain that it is necessary to issue contracts for certain

contracts tend to favour the larger NGOs who are able to maintain a permanent presence in a developing country, thereby allowing them to access such bilateral funds.²⁶

However, it can be argued that it is neither sustainable, nor good developmental or capacity-building practice, for INGOs to directly engage in development programmes rather than support local CSOs to take on this role. Nevertheless, a number of NGOs are eager to be directly involved in development activities rather than engaging with development at one or more steps removed from work with poor people.

5. Types of Funding: Mechanisms, Patterns and Comparisons

Official agencies fund domestic NGOs through a number of different funding mechanisms, from large multi-annual grant funding schemes (large grant funding mechanisms) that provide support to an NGO's overall programme, to smaller project-based grant funding mechanisms (smaller grant funding schemes). Table 1 (below) outlines the different official agency NGO funding mechanisms available in the seven European countries focused on within this paper (detailing the specific names used for these schemes, and the proportion of funds provided through these different schemes, where known). Further details of these mechanisms are detailed in Section 10 of this paper.

service-delivery programmes which they argue are required for short/medium-term needs, whilst local capacity catches up.

²⁶ The EU, for example, has introduced a rule that certain funds can only go to INGOs with a permanent office in the country where the funding is to be spent. This also works against local NGOs choosing their own partners based on quality rather than size!

Table 1: Mechanisms for official agency funding to NGOs in seven European countries

Funding mechanisms	Denmark	Finland	Ireland	The Netherlands	Norway	Sweden	United Kingdom (UK)
Large grant funding mechanisms	<i>Framework Agreements</i> (2003, 66% of NGO funds channelled through <i>Framework Agreements</i>)	<i>Partnership Agreements</i>	<i>Multi-Annual Programme Scheme (MAPS)</i> (55%)	<i>Co-financing programme (MFP)</i> (this accounts for half of the ODA which is channelled to NGOs) <i>Theme-based co-financing (TMF)</i> 4% of ODA	<i>Framework Agreements</i> (2004, five NGOs received 59.1% of the total support provided to Norwegian NGOs in <i>Framework Agreements</i>)	<i>Framework Agreements</i>	<i>Partnership Programme Agreement (PPA)</i> (26%)
Project-based funding grants (small grant funding mechanisms)	<i>Mini-Programme Agreements</i> <i>Single Projects</i>	<i>Support to individual NGOs</i>	Civil Society Fund (<i>CSF</i>) (18%) <i>In-country Micro-Projects</i> (3%) <i>Micro-projects scheme</i> (new fund) Other individual funding schemes (24%)	Remainder provided via <i>project level funds</i>	<i>Individual Agreements</i> administered through NGOs with <i>Framework Agreements</i>	<i>Programme Agreements</i> , administered to NGOs through framework organisations Direct funding within a cooperation strategy	Civil Society Challenge Fund (<i>CSCF</i>) (4%) Humanitarian assistance (42%) Country programmes (26%)
Details of large grant funding mechanisms and schemes	Six NGOs, four-year rolling <i>Framework Agreements</i>	Ten NGOs, three-year agreements	Five NGOs, three-year agreements	Six NGOs, four-year agreements	Approximately 30 NGOs; long-term agreements for several programmes, for up to five years	14 frame organisations (six Umbrellas undertake own activities & administer funds to other NGOs, eight undertake own activities only) five to six-year agreements and funding for one to three years	18 NGOs with <i>PPAs</i> , three — five-year strategic agreements
Key principals regarding large grant funding mechanisms	For targeted development activities based on programmes and thematic strategies. NGOs have autonomy to implement activities	Based on broadly defined, flexible strategic programmes	Programmatic multi-annual funds for overall programme.	Organisational support in the form of core funding	Funding is provided for specific projects/ programmes rather than for core organisational support	Project grants provided as a contribution to an NGO's own specific development programme	Long-term funding around a shared strategic vision. Funds not tied to specific projects

In relation to the large multi-annual grant funding mechanisms (large grant funding mechanisms), there are several types of scheme used by official agencies, which have changed over the years, and differ between various countries. Despite the use of different names and terms by different countries (as highlighted in the terminology section, and illustrated in Table 1, above), the schemes can be broadly categorised into three main types: block grants, framework agreements and partnership schemes. The characteristics of each of these are summarised in the following paragraphs.

5.1 Block Grants

Block grants generally refer to a single payment of funding agreed for a set period, for which specific projects are reported on within this overall sum; a single payment covering a range of projects. Sometimes a report is prepared on a regular basis, listing projects supported by the NGO that is block-funded, and often individual reports for each project are still required by such schemes, whilst in others a consolidated report is sufficient. This system tended to be aimed at those NGOs primarily providing grants to local NGOs and others, although in some cases, funding is provided for the overall work of a more 'operational' NGO. However, the use of block funds for operational organisations clashes with the ideological basis of NGOs working in partnership with local organisations (detailed in Section 4.1 above).

5.2 Framework Agreements

Framework agreement refers to funding which includes a general agreement to fund an NGO or group of NGOs. Framework agreements are general support to an NGO based on an overall organisational assessment and sometimes specific agreed outcomes. The level of negotiation over these types of support varies greatly from:

- formalised reviews of lists of projects;
- agreeing country priorities;
- thematic considerations;
- past performance or track record;
- numbers of domestic members; and
- formal evaluation procedures, etc.

Of framework agreements, the DFID *PPA* probably impose the least onerous requirements in terms of control, with reporting based on general outcomes which would be set in general strategic terms. The following example is from Christian Aid: *'Through capacity building, focusing on empowering civil society to lobby national governments to have a strong poverty reduction focus and provide a means to keep governments accountable'*.

Such a scheme is, in reality, a general contribution to the overall work of the NGO with minimal conditions upon the funding. Whilst annual reports submitted may refer to the specified 'outcomes' or 'strategic objectives', strictly speaking they do not directly correlate to them to the degree that one would expect in, for example, a normal logframe. Neither could an accountant trace *PPA* funding back to specific activities or sub grants. In many ways, *PPAs* are a general contribution to a group of NGOs with whom the official agency, in this case DFID, has had relationships often for as long as 20 years or more. It is for this reason that DFID, in this case, needs to have trust and confidence in the funded NGOs. Thus most *PPAs* have gone to NGOs who have consistently received DFID funding under previous schemes.

It is not possible under this type of scheme to relate specific project work, expenditures or outputs to the external funds provided in this manner, and as such the funding is entirely fungible. Therefore, experience would indicate that the use of such funds does not encourage the 'mainstreaming' of priority themes, geographic focus or issues. Experience from other official agency schemes highlights that if it is necessary to mainstream issues (such as gender, Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome [HIV/AIDS] or the environment) then it is essential that the NGOs funded incorporate those issues as specific priority areas with their own sets of outcomes and strategic objectives.

5.2.1 Adaptations of Framework Agreements

Variations on the conventional framework agreements are common in Sweden and Denmark. The Danish scheme seems to entail a great deal of detailed discussion on renewal, and in recent years, the Danish government has tried to exert pressure on the framework agreement NGOs to, for example, reduce the number of countries in which they work, or to focus on the strategic objectives of the Foreign Ministry. In Sweden, six of the *framework* organisations are in fact umbrellas (see below) whereby grants are distributed by these umbrella organisations to their members.

5.3 Partnership Schemes

Institutional Funding Agreements²⁷ One of the original partnership schemes, which has since been reviewed, is that run in the Netherlands, whereby originally four and now six major Dutch NGOs received significant institutional funding through the *MFP*. The systems upon which these were based have evolved since the early 1980s, but some have argued that this funding virtually created the original four NGOs. An overall budget was agreed by Parliament and then divided between the *co-financed* NGOs on a proportional basis. The proportion awarded to the different NGOs changed, often depending on decisions based on national political trends. In future, an independent commission will take over the role of appraising the budgets for the NGOs under this scheme, advising the minister on the percentages to be assigned. This should make it more independent of political pressure and will open up the scheme to more NGOs. However, there is some concern amongst NGOs about the criteria to be used by the commission, and some in the Ministry are apprehensive about whether they may lose control over the scheme and hence their ability to be responsible for the funds utilised by it. One innovation introduced by the Dutch and already piloted makes the distinction between 'institutional funding' (through the *MFP* — closer perhaps to *PPAs* and *MAPS*) and 'thematic funding' (through *TMF*) of NGOs offering specialised services and programmes (these funding schemes are both outlined in Table 1, above).

5.3.1 Adaptations of Partnership Schemes

Some schemes seem to be adaptations of the basic partnership approach; for instance, the Irish *MAPS* is closer to the UK *PPA* to in the sense that funding goes to a small number of NGOs, although they still publish a list of projects funded by the Government *MAPS* money, and reports seem to reflect this focus. Meanwhile, in Ireland another group still get '*block funds*' based on the earlier scheme predating *MAPS*. The main difference between the *Block Grants* and *MAPS* are that the latter are multi-annual and have a programmatic focus.

²⁷ Institutional funding agreements were different to framework agreements in that they were simple mechanisms to support organisations and did not have a detailed structure of application and reporting procedures.

6. Issues Arising Regarding Funding Mechanisms

6.1 Criteria that Determine Choice of NGOs to Fund

A controversial issue in most of these schemes concerns the selection of NGOs for special treatment, which is implicit in the choice of who should be included and excluded. In some cases, the deciding factor seems to be historical record (for example in the UK), whilst in others, early political decisions are significant (for example in the Netherlands), but regardless of the histories of individual schemes, they are all accused of a lack of transparency and a failure to set clear criteria for who should be included or excluded. A common criterion for inclusion is 'track record' or previous involvement in other official agency schemes, for example, in Ireland the involvement of NGOs in the previously run *Block Grant* funding scheme was a criterion for consideration for *MAPS* funding.

The confusion or lack of clarity over the criteria for access to, and involvement in, different funding schemes can lead to them becoming 'frozen in time', with the same NGOs being supported year-on-year, whilst those outside aspire to join. This lack of criteria is not only an issue regarding the choice of NGOs, but also presents problems for those in receipt of such funding: those funded through these large grant funding schemes can be as uncertain as anyone else about the basis on which they should report.

6.2 Monitoring and Evaluation of Funding

The issue of monitoring and evaluation of the various funding schemes has been fraught with difficulties. The Dutch developed a system of programme evaluations which took key themes and then identified geographic areas to investigate the way in which the *co-financed* NGOs worked in those thematic areas. Sida, however, have found it difficult to evaluate their support for NGO work, as they have created too many links in the chain with their system of umbrella organisations. This makes it virtually impossible to evaluate impact, because of the proxy system operating from Sida to Swedish frame organisations, from the frame organisations to their individual Swedish-based member NGOs and from these NGOs to local development partners overseas.

A more recent proposal, now under consideration by DFID, involves an evaluation function being built into the *PPAs*, whereby representatives of the particular NGO, staff of the official agency and an external representative would jointly evaluate the quality of an NGO's use of DFID funding against outcomes. The results of this evaluation would then help when making decisions regarding future submissions for funding by NGOs.

Lastly, it is worth mentioning that the lack of real performance assessment of large grant funding mechanisms has led to them being criticised for becoming slow to change or innovate. Clearly, those NGOs outside the schemes feel they lose out most through such schemes, as it is hard to break into an NGO architecture established many years ago and possibly in a very different world.²⁸ Thus, funding tends to continue year-on-year with little

²⁸ For example, the continued size of the 'volunteer sending agencies' in many parts of Europe long after the developmental value of these has been consistently questioned.

scope for change unless some forms of performance assessment are introduced.²⁹ Some European NGO sectors are already in danger of being not only left behind by contemporary experience and best practice, but run the risk of actually hindering rather than promoting improved development.³⁰

7. Concerns of Official Agencies Regarding the Funding of NGOs

Official agencies are as concerned as NGOs about issues regarding relationships and partnerships both with Southern and Northern NGOs.³¹ They are aware that there is the potential for their funding to warp the development of civil society not only by creating dependency but also by reducing the autonomy of NGOs. These concerns have led some official agencies to question their funding relationships with NGOs, and discuss whether non-funding strategic alliances with some civil society groups would perhaps provide a more appropriate form of support.

7.1 Is there a Good Practice Model for Official Agency Funding of NGOs?

The breadth of approaches and reasons given for these show that there is no 'single' good practice model regarding mechanisms by which official agencies can provide funding to NGOs. However, certain principles emerge which can then be placed against the political and fiscal realities faced by donors. The most important constraint at the moment is probably the restrictions faced by most official agencies in expanding their own capacity through more staff. Therefore we should probably assume that although an ideal model might require more staff, in many official agencies this is not a viable option at the present time. Given this constraint, the choice of funding mechanisms should take into account the following considerations:

- **Clarity in the criteria** used to determine funding decisions and to choose NGOs for large grant funding schemes.
- **The need for an organisational assessment:** making a commitment to a specific large grant funding mechanism requires a degree of organisational assessment not, at present, witnessed in most of the schemes reviewed in this paper. Without such an assessment it is difficult to judge the decisions made to include or exclude specific NGOs from funding schemes.
- **The mechanism(s) chosen need to allow for changes in the choice of the NGOs funded** to avoid a freezing of historical allocations which may become out-of-date

²⁹ See Robinson, *ud.*, who argues this point and shows that it would be difficult for DFID to have grounds for either increasing or decreasing their contributions under the *PPA* scheme, unless improved monitoring and evaluation were introduced. By contrast, in the Netherlands, there seems to have been more of a commitment to looking at quality and performance and this seems to be set to increase.

³⁰ Several senior staff from official agencies have told us in person that they feel that their NGO's sectors are a decade or more behind international thinking and practice. This resistance to change is understandable, given the fact that they enjoy guaranteed funding and little attempt by donors or anyone else to evaluate the impact of their work. Some NGOs may take the view that it would be inconceivable for their Ministry to reduce or cut funding regardless of the lack of quality of their work because of the government fear of a backlash from their political supporters.

³¹ See Brehm et al, 2004.

and constrain new entrants and make it difficult to reduce funding to less relevant NGOs.

- **Rationalisations of budget lines:** Too many budget lines can be confusing, expensive to administer and counterproductive. Too few lines may exclude new ideas and groups and may make it difficult to mainstream priorities (such as gender and the environment).
- **Contracting out of grant management** can work, if the criteria for the contractors to use are clear, and where the lines of accountability from contractor to donor are well established.
- Other forms of advice from **resource centres/consultants** may complement a core group of civil servants and make good capacity constraints due to staffing cuts or restrictions.
- **Umbrella-type funding mechanisms** can embody more negatives than positives (conflicts of interest, long chain of proxy, failure to evaluate etc.) and thus should only be employed if they can be shown to be effective.
- **Clear indicators of success** are needed within the large grant funding mechanisms. If these are around an NGO's overall performance, there needs to be clarity regarding how this will be measured. If they are around specific outcomes, these need to be specific enough to be identified for the purposes of monitoring and evaluation.
- **Appropriate and effective monitoring and evaluation systems:** Several existing large grant funding schemes seem to have sacrificed quality monitoring and evaluation (which of course are all interrelated) in the face of the pressure to reduce transaction costs as well as to ensure a certain political profile for funding. This is a short-term saving as future investigators will query why some decisions were made on the basis of such a weak assessment of an NGO's capacity and the impact of their work.

Overall it has been found that the better schemes have managed to ensure clarity over the choices of NGOs to allocate funds; have shown a commitment to quality through participatory development, monitoring and evaluation; and have maintained a focus on strategic goals which are relevant to the needs of poor people in developing countries.

8. Wider Agendas

8.1 Paris Declaration and Aid Harmonisation

The present move to harmonise official aid may well have positive elements that are beyond the scope of this paper; however, the advantages for civil society are far from clear. Most of the reports on the Paris Declaration are thin on detail regarding how this will affect civil society in general and NGO roles specifically, and many official agencies have not as yet had an internal debate as to how the Declaration may affect their own civil society funding. The impression gained so far is that official agency civil society units are as much in the dark as civil society groups and NGOs themselves. From what has been discussed publicly thus far, it would appear that the Paris Declaration, by stressing harmonised international aid dedicated to supporting locally evolved national development plans, leaves little space for civil society, especially where it is pursuing a different agenda or focus. A core assumption of the Declaration is that national development plans are evolved through a democratic process to which local civil society groups have contributed and feel ownership of, rather than representing plans drawn up by central government.

Secondly, there is an underlying assumption that civil society (including both foreign and local civil society groups) should adhere, and contribute, to these national plans rather than work on their own priorities and/or be contractors to central government/donors in delivering this plan. What seems to have been lost is any concept of strength through diversity, or independence of the sector to make its own development/resource decisions, or that of solidarity or bridging between civil societies internationally which may well not reflect the focus of official agencies and national governments. It is possible that civil society funding and other forms of support may still occur in countries in which even the most myopic donor has agreed that the government/State is not democratic; however, this could lead to a polarisation of official aid channelled to 'good governments', or to civil society where there is a 'poor government'. The countries, regions and poor populations lying in the massive grey areas between these extremes could be ignored or abandoned.³²

8.2 Budgetary Support and Sector-Wide Approaches (SWAPs)

Many official agencies are still vague when it comes to assessing how the move to budget and other forms of support sits with support for civil society and NGOs (regardless of whether support for civil society is through bilateral aid programmes or via INGOs). Some official agencies merely ignore the issue and continue to fund their own national NGOs as they did before whilst possibly cutting back on local micro-grants (via embassies and missions), or by ensuring budget support comes with some form of conditionality to ensure some contracting out of services to private for- or not-for-profit groups. In some ways, there is a similar argument regarding the Millennium Development Goals (MDGs), with some official agencies feeling that it should be incumbent on NGOs they support to show how they are contributing towards the MDGs, whilst other NGOs feel that it should be their decision whether they want to support the specific MDGs or not. This argument goes back to the issue of whether NGOs and other CSOs should be regarded as autonomous independent actors or whether they should integrate themselves into a State-led development plan (whether led by official agencies or host national governments).

8.3 Geopolitical: the Geography of Aid

There have been many attempts by official agencies to get their NGO support aligned with their priority country funding, including the restriction of funding to specific countries (Denmark, the Netherlands) or specific goals such as the MDGs. Most have not really worked, although it may have provided some constraints for some NGOs wishing to work outside of these priority countries. However, NGO funding tied to the bilateral programmes is far more vulnerable to changes in policies regarding the focus of aid. One of the major recent changes has been a move of funding towards areas regarded as security risks (Middle East, Afghanistan, etc.) and away from relatively stable middle-income countries (in South America, South East Asia, excepting security 'black spots' such as Cambodia, Haiti etc.). One only has to look at the funds available for civil society work in Iraq and other areas of political concern, to see the overtly political way funds are now being directed. It has been argued that the reabsorption of aid departments into Ministries of Foreign Affairs is a further re-establishment of the primacy of the political over development needs.³³ Behind the geopolitical changes is an assumption being made by some donors that civil society development is a part of the political armoury of their programmes. This is perhaps opposed

³² For further discussion see *Ontrac* 33, May 2006.

³³ See Fowler, 2005.

to the concept of civil society having its own autonomous aims and objectives, whether from the donor country civil society on one hand or the recipient/host civil society on the other.

9. Conclusion: The Future of Official Agency Funding to NGOs

Some official agencies will continue to fund national NGOs through a combination of large and small grant schemes and funding mechanisms, as the political pressure to support their own domestic NGOs is too great for any major changes to be conceivable. However, others who may be less convinced by the developmental value of funding NGOs, will, where they can, look for ways of reducing their exposure to NGO work through allowing the proportion, if not the total amount, allocated to NGOs to fall over time.

For the medium term at least, it appears that there will be a continued move towards the contract culture for both Northern and Southern NGOs, and an erosion of the grant culture. Contracting will be one of the mechanisms to ensure that NGOs engage with major processes identified as priorities by the official agencies and national governments. Also, the new orthodoxy holds that the sustainability of Southern/Eastern civil society/NGOs will lie in their being funded in the future by their own governments rather than international donors. This model is purportedly based on the history of civil society in developed societies. However, this model is flawed as it totally underestimates the role of public rather than government giving in the creation and maintenance of NGOs, charities and civil society throughout the developed world. In other words, the plan should be to replace international donors with local philanthropy rather than tax-based funding to a greater or lesser degree.

In certain cultures there will unfortunately be a continued reaction from other sections of civil society against NGOs and this will probably lead to a review by both civil society and government of the roles of developmental NGOs.

In the short to medium term the spread of corporate branding by the transnational NGOs will create new pressures and problems in both North and South, by leading to ever increased concentration and homogenisation of NGOs in the North, and through competition with local indigenous organisation in the South, thereby weakening local institutional capacity.

For the immediate future, the funding of NGOs by official agencies will continue, although the mechanisms, objectives and types of work supported may well change — sometimes faster than is always comfortable or prudent and sometimes slower than logic and experience would indicate is necessary.

10. Official Agency Funding to NGOs: Country Level Data and Information

This section provides country level data and information regarding the funding of NGOs by official agencies in Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the UK in 2005/2006. Table 2 (below) provides an overview and comparison of the mechanisms used within these countries. Following this are separate sections for each country, providing an overview table and more detailed narrative information. For details of the methodology used to gather data for this section please see section 1.1.³⁴

10.1 Overall Cross-Country Comparison

Table 1 provides summary information for each of the seven countries included in this study. The table provides details of the levels of ODA provided to NGOs, the funding mechanisms by which this is channelled, application procedures, key principles, reporting and accounting procedures, and details of umbrella bodies and the use of these for distributing funds. The information regarding funding mechanisms for each country applies to 2005/6. Further details regarding each of the topics covered in this table are provided in the more detailed individual country tables and narrative sections which follow.

³⁴ As detailed in section 1.1, the text and data provided in this section was gathered from a number of sources including government documents and websites. Much of this is factual information and has thus been taken directly from the sources, either verbatim or in edited form. However, in order to maintain clarity and continuity, quotation marks have not been used; instead specific sources have been provided in endnotes (see pages 56–60). It is therefore acknowledged that much of the information and text provided in this section is not the words of the authors, but an amalgamation of information from other sources.

Table 2: A comparison of government funding to NGOs in seven European countries (2005/2006)

Factors		Denmark	Finland	Ireland	The Netherlands	Norway	Sweden	United Kingdom (UK)
Official agency		Danish International Development Assistance (Danida)	Ministry for Foreign Affairs (MFA)	Irish Aid (previously named DCI)	Ministry of Foreign Affairs (MINBUZA-DGIS)	Norwegian Agency for Development Cooperation (Norad)	Swedish International Development Cooperation Agency (Sida)	Department for International Development (DFID)
ODA (total in US\$) 2002¹		US\$ 1,643m (12,956m Kroner)	US\$ 462m (€490m)	US\$ 398m (€422m)	US\$ 3,338m (€3,542m)	US\$ 1,696m (13,544m Kroner)	US\$ 1,1991m (19,354m Krona)	US\$ 4,924m (£3,382m)
ODA as % of national wealth 2002²		0.96%	0.35%	0.40%	0.81%	0.89%	0.83%	0.31%
% (amount) of ODA to NGOs						Annually around 3,000m Kroner to NGOs ³	In total around 27% of Sida's appropriation is channelled to NGOs. ⁴ Approx. 10% of Sida's appropriation to NGOs through the <i>Framework</i> system ⁵	
	2001	7.6% of ODA provided for NGO assistance ⁶ 15% <i>bilateral</i> assistance channelled through Danish NGOs ⁷						
	2002					22% ODA/37% Norad assistance to NGOs, ⁸ 80% to Norwegian NGOs ⁹		

Factors		Denmark	Finland	Ireland	The Netherlands	Norway	Sweden	United Kingdom (UK)
	2003	10.94% (1,143m Kroner) ODA channelled through Danish NGOs in development and humanitarian assistance ¹⁰	11% (€40.8m) ODA channelled through NGOs; €38.5m (8%) to Finnish NGOs and foundations ¹¹	15.6% (€37.4m) <i>bilateral</i> aid to NGOs ¹²	22% of ODA provided to NGOs (international and Dutch) ¹³	1,628m Kroner bilateral assistance provided by Norad through NGOs ¹⁴		5.5% (£220m) of DFID expenditure channelled to UK NGOs. ¹⁵ Funding to UK NGOs in 2005/6 will increase by 28% ¹⁶
	2004							
	2005	11.17% (1,313.5m Kroner) ODA channelled through Danish NGOs in development and humanitarian assistance ¹⁷	2006 €47m (13% of actual development cooperation ¹⁸) channelled through NGOs ¹⁹			ODA US\$2,730m (16,869, Kroner) 0.95% of national wealth ²⁰	1,200m Kronor allocated to around 300 Swedish NGOs through the <i>Framework</i> system ²¹	
Funding mechanisms (% of funds through mechanisms — where known)²²		<i>Framework Agreements, Mini-Programme Agreements, and Single Projects</i>	<i>Partnership Agreements and Support to individual NGOs</i>	Multi-Annual Programme Scheme (MAPS) (55%), Civil Society Fund (CSF) (18%), <i>In-country Micro Projects</i> (3%), <i>Micro-projects scheme</i> (new fund). Other individual funding schemes (24%)	<i>Co-financing programme (MFP)</i> , 11% of the total aid budget (of ODA to NGOs this accounts for half), <i>Theme-based co-financing (TMF)</i> 4% of ODA. Remainder provided via <i>project level funds</i>	<i>Framework Agreements and Individual Agreements</i>	Frame organisations (<i>Framework Agreements</i>) and <i>Programme Agreements</i> Direct funding through thematic or regional desks at Sida HQ and embassies in cooperation countries ²³	<i>Partnership Programme Agreement (PPA)</i> (26%); Civil Society Challenge Fund (CSCF) (4%); Humanitarian assistance (42%); Country programmes (26%)

Factors	Denmark	Finland	Ireland	The Netherlands	Norway	Sweden	United Kingdom (UK)
Large grant funding mechanisms	<i>Framework Agreements</i> : Six NGOs, four-year rolling plans with one-year appropriations appearing directly in the Budget and indicative planning figures of the subsequent three years. 2003, 66% of NGO funds channelled through <i>Framework Agreements</i> ²⁴	<i>Partnership Agreements</i> : Ten NGOs, three-year agreements	MAPS: Five NGOs, three-year agreements, 55% of civil society funds in 2006. Funds for overall programme	<i>Co-financing programme</i> : Six NGOs, Four-year agreements, around 50% of ODA channelled through NGOs (11% of the total aid budget) Funds for overall programme	<i>Framework Agreements</i> : Over 30 NGOs, long-term agreements that include several programmes, for up to five years. (2003, five NGOs received 44% of total support provided to Norwegian NGOs)	<i>Framework Agreements</i> : 14 frame organisations, multi-year (five- to six-year) agreements, and funding for one to three years: six umbrella frame organisations (own activities & administer funds to other NGOs, via <i>Programme Agreements</i>) and eight frame organisations (own activities only)	<i>Partnership Programme Agreements</i> : 18 NGOs with <i>PPAs</i> , three- to five-year strategic agreements of blocks of funding. 2002/3, 26% of DFID NGO funding
Application procedures	Direct to Danida for all funding mechanisms	Direct to MFA	Direct to Irish Aid <i>In-country Micro Projects</i> — applications to Irish embassies	Direct to MFA from 2005 initial assessment contracted out	Direct to Norad (development grant) and MFA (humanitarian assistance grant)	Framework system: Frame organisations direct to Sida. Other NGOs apply through an umbrella frame organisation	Direct to DFID (<i>PPA</i>), country offices (Country Programmes) and Conflict and Humanitarian Affairs Department (CHAD) (humanitarian assistance). CSCF initial assessment contracted out
Key principles	<i>Framework Agreements</i> are for targeted development activities based on programmes and thematic strategies, in which the NGOs have autonomy to implement activities ²⁵	<i>Partnership Agreements</i> based on broadly defined strategic programmes, which are flexible, but in accordance with the Development Policy	Programmatic multi-annual funds for overall programme.	Organisational support in the form of core funding, believes that project-based funding is not conducive to social development	Funding provided for specific projects/programmes rather than for core funding or for overall programmes	Project grants provided as a contribution to an NGO's own specific development programme	DFID does not believe in tying funds to specific projects, instead arguing the benefits of long-term funding around a shared strategic vision

Factors	Denmark	Finland	Ireland	The Netherlands	Norway	Sweden	United Kingdom (UK)
Basis for reporting/ accounting	Activities implemented within <i>Framework Agreements</i> are regularly evaluated by the MFA. ²⁶ Annual reports are submitted to Danida for framework activities.	Annual project reports submitted to the MFA ²⁷	Programmatic focus. Annual reports submitted to Irish Aid	<i>TMF</i> — Annual reports submitted to the MFA outlining effectiveness and efficiency, and external evaluations undertaken every four years ²⁸	Annual reports submitted to Norad describing the contribution of the activities to the broader national development perspective. ²⁹	Annual reports and financial accounts submitted to Sida by umbrella and frame organisations for own and other NGOs' <i>Programme Agreements</i> . Sida system audits every five to six years for all framework NGOs.	Previous annual reviews were not performance related or linked explicitly to overall objectives of <i>PPA</i> . DFID currently establishing teams to undertake annual performance-based reviews of each NGO with <i>PPA</i> .
Umbrella organisations/ schemes	Yes Danish Youth Council, the Danish Council of Organisations of Disabled People and the Danish Missionary Council's Development Department	Yes KEPA (Service Centre for Development Cooperation) — 260 member organisations. Offers a range of services to members FIDIDA (Finnish Disabled People's International Development Association) umbrella of seven disabled people's organisations — expert support to MFA in disability issues	Yes Dóchas — 32 members. Provides forum for consultation and cooperation	No No overall umbrella body. PSO (Personnel Services Overseas) — Provides technical assistance for around 30 NGO sending agencies	No No umbrella organisations or schemes	Yes Six main umbrella organisations	Yes British Overseas NGOs for Development (BOND) — network of UK NGOs, undertakes a range of training sessions for members.

Factors	Denmark	Finland	Ireland	The Netherlands	Norway	Sweden	United Kingdom (UK)
Funding through umbrella bodies	<p>Yes</p> <p>A number of informal networks but not one specific umbrella body. Three umbrella organisations: Danish Youth Council, the Danish Council of Organisations of Disabled People and the Danish Missionary Council's Development Department</p>	<p>Yes</p> <p>2003, KEPA involved in assessments of 30 NGO funding applications to the MFA</p> <p>2004–2006 pilot scheme in which FIDIDA assessed applications, monitored disability projects, especially from disability relevance point of view, training and advice to NGOs; MFA making final decisions</p>	<p>No</p> <p>Dóchas is not a funding agency and is not involved in assessing applications or distributing Irish Aid funding</p>	<p>No</p> <p>Funding is not channelled through umbrella organisations</p>	<p>No</p> <p>Funding is not channelled through umbrella organisations</p>	<p>Yes</p> <p>Six umbrella frame organisations distribute Sida funding to over 200 NGOs. In each case, except Forum Syd, to their member NGOs</p>	<p>No</p> <p>Funding is not provided through umbrella organisations</p>

10.2 Denmark's Official Agency Funding Mechanisms and Procedures 2005/6

Table 3: Summary of Denmark's official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms ³⁰	Application procedures	Umbrella schemes and organisations' functions, and interaction with government
<p>Total ODA in 2002, US\$1,643m (0.96% of national wealth)³¹</p> <p>Total ODA in 2005, 11,606m Kroner³²</p> <p>Approximately 15% <i>bilateral</i> assistance channelled through Danish NGOs³³</p> <p>2005 11.17% (1,313.5m Kroner) ODA channelled through Danish NGOs in development and humanitarian assistance³⁶</p> <p>Around 90 NGOs receive Danida support.³⁷</p>	<p><i>Framework Agreements</i> are for targeted development activities based on programmes and thematic strategies, in which the NGOs have autonomy to implement activities³⁸</p>	<p><i>Framework Agreements</i>: six NGOs, four-year rolling plans with one-year appropriations appearing directly in the Budget and indicative planning figures of the subsequent three years. In 2003 around 66% of funds to NGOs went to these organisations³⁹</p> <p><i>Mini-Programme Agreements</i>: One organisation has a <i>Mini-Programme Agreement</i></p> <p><i>Single Projects</i></p>	<p>Applications for each of the three types of funds are made directly to Danida and are assessed and managed by Danida</p>	<p>A number of informal networks but not one specific umbrella body.⁴⁰ Three umbrella organisations: Danish Youth Council, the Danish Council of Organisations of Disabled People and the Danish Missionary Council's Development Department</p>

Support to civil society in developing countries and cooperation with Danish NGOs is provided through the Department for Humanitarian Assistance and NGO Cooperation (HUM) and funding is distributed through three mechanisms: *Framework Agreements*; *Mini-Programme Agreements*; and *Single Projects*.⁴¹

Framework Agreements (four-year rolling agreements with the MFA) began in 1991–2 and were aimed at enabling NGOs to take a programmatic approach to their work, provide them with flexibility in programme implementation, and reducing administrative burdens on both NGOs and Danida, enabling Danida to devote more time to working with other NGOs.⁴² There are currently six organisations with frame agreements: the Danish Association for International Cooperation (MS Denmark), DanChurchAid, Danish Red Cross, Ibis, Care Denmark, and Save the Children Denmark. In addition, humanitarian cooperation is provided through the Danish Refugee Council.⁴³ These organisations have considerable autonomy to implement targeted development activities within the general constraints of the framework agreement.⁴⁴ In 2003, approximately two-thirds of assistance channelled to NGOs went to the frame organisations.⁴⁵ The activities implemented are regularly evaluated by the MFA.⁴⁶

A requirement of own financing has been introduced in 2006 for the six framework organisations. The own financing requirement will amount to 5% in 2006 and increase to 10% in 2007. Most of the *framework organisations* in 2006 already more than meet the requirement for own financing, and according to Danida, none have expressed concern about meeting the own financing requirement in 2006. Only MS and Ibis have expressed concern about raising the required own financing in 2007.⁴⁷

In 2003, a third of NGO funding was provided to a broad and varied group of approximately 70 organisations through mini-programmes and single project funding.⁴⁸

Historically, NGOs have received a high proportion of their funding from Danida and relatively little from traditional fund-raising sources and much of Danida's assistance has been channelled through a small group of large NGOs (the frame organisations); however, the government has recently decided to address these issues and redistribute funding to more of the smaller NGOs. Therefore, in 2004, assistance to the larger NGOs was reduced by 5% with the excess funds redistributed to smaller organisations.⁴⁹ A planned redistribution of an additional 5% has been cancelled.⁵⁰

10.2.1 Details Regarding NGO Umbrella Organisations in Denmark

There are a number of informal networks of NGOs around specific issues, but no single umbrella body that coordinates NGOs.⁵² However, there are three umbrella organisations: Danish Youth Council, the Danish Council of Organisations of Disabled People and the Danish Missionary Council's Development Department. In addition, the Project Advisory Service (PAS), which is a semi-umbrella organisation for small NGOs, undertakes the assessment of funding applications and the distribution of Danida funding for grants of less than 3 million Krone to NGOs without Framework Agreements, and in addition provides advisory services for small NGOs.⁵³

10.3 Finland's Official Agency Funding Mechanisms and Procedures

Table 4: Summary of Finland's official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms	Application procedures	Umbrella schemes and organisations' functions, and interaction with government
<p>ODA in 2002: US\$462m (0.35% of national wealth)⁵⁴</p> <p>Total ODA in 2003: €494m⁵⁵</p> <p>Intention to increase ODA to 0.44% of GNI by 2007 and to 0.7% by 2010⁵⁶</p> <p>2003, €40.8m (11% of ODA) channelled through NGOs, of which €38.5m (8%) was provided to Finnish NGOs and foundations⁵⁷</p> <p>2005, support was granted to nearly 200 Finnish NGOs, with a total of 500 projects in 70 countries⁵⁸</p> <p>Total ODA in 2006: €671m (0.42% of GNI)⁵⁹</p> <p>Intention to increase ODA to 0.43% of GNI by 2007 and to 0.51% by 2010⁶⁰</p> <p>2006, €66.8m (13% of actual development cooperation⁶¹) channelled through NGOs⁶²</p>	<p><i>Partnership Agreements</i> based on broadly defined strategic programmes, which are flexible</p>	<p><i>Partnership Agreements</i>: three-year agreements with ten organisations (2006)</p> <p><i>Support to individual NGOs</i>: Support for individual projects</p>	<p>Currently applications are made to the MFA. However, in 2003 there was a pilot scheme in which KEPA made an initial assessment of applications with the MFA making final decisions</p> <p>2004–2006 pilot scheme in which FIDIDA assessed applications, monitored disability projects, especially from disability relevance point of view, training and advice to NGOs; MFA making final decisions</p>	<p>KEPA: membership of 260 organisations.</p> <p>Offers a range of services to members for strengthening the quality of their activities.</p> <p>In 2003, was involved in the assessment of NGO funding applications made to the MFA</p> <p>FIDIDA umbrella of seven disabled people's organisations — expert support to MFA in disability issues</p>

The government channelled €66.8m (13% of actual development cooperation⁶³) to NGOs in 2006.⁶⁴ There are two main mechanisms for support and funding to NGOs: *Partnership Agreements* and *support to individual NGOs*. The partnership agreement system was introduced in 2003 for major organisations and replaces the former *framework agreement* system that was set up in 1993 with large and experienced NGOs. The *framework agreements* defined the principles as well as project-specific frames for a four-year period at a time, with NGOs having the ability to transfer funds between projects within the approved overall frame, providing more flexibility in their operations.⁶⁵ The new *Partnership Agreements* have increased the NGOs' independence to decide on how to use support provided from the Ministry.⁶⁶ €51m was reserved for the new *Partnership Agreements* for 2004 to 2006, and in December 2003, three-year *Partnership Agreements* were signed with eight organisations.⁶⁷ In 2006, *Partnership Agreements* were signed with ten organisations, including: Fida International ry; Frikyrklig Samverkan (Free Church Aid); Kansainvälinen solidaarisuussäätiö (International Solidarity Foundation); Kirkon Ulkomaanapu (FinnChurchAid); Pelastakaa Lapset (Save the Children Finland); Plan Suomi säätiö (Plan Finland foundation); Punainen Risti (The Finnish Red Cross); Suomen Ammattiliittojen Solidaarisuuskeskus (Trade Union Solidarity Centre of Finland); Suomen Lähetysseura (Finnish Evangelical Lutheran Mission); and Suomen World Vision (World Vision Finland).⁶⁸

Support is also provided to individual Finnish NGOs for projects that are carried out in developing countries, for which there is an annual application schedule. Applications are completed by the NGOs and submitted to the Unit for Non-Governmental Organisations of the MFA's Department for Development Policy.⁶⁹ This support is provided only for specific projects, which have clearly stated plans, objectives work plans and time schedules, and does not provide funds for general activities or for permanent cooperation between Finnish and developing country NGOs. Support to NGOs is provided on an annual basis, with budget allocations able to be made for the following two years, and only in exceptional cases will government funding for support from a Finnish NGO to a developing country NGO be allowed to exceed a period of six years for the same project.⁷⁰

Although applications for both funding schemes are currently made to and assessed by the MFA, in 2003 a pilot scheme was implemented in which 30 NGO funding applications were submitted to the Service Centre for Development Cooperation (KEPA) for development policy related expert opinion. The final decisions were made by the NGO Unit, with the aim of enhancing project support administration and to transfer more of the decision-making powers and responsibilities to NGOs.⁷¹

In 2004 to 2006 a similar pilot scheme was carried out with disability specific applications. The Finnish Disabled People's International Development Association (FIDIDA) assessed all project applications aiming at supporting disabled persons especially from the disability relevance point of view. FIDIDA also did monitoring and checked the annual reports of the projects. Final decisions remained at the MFA.⁷²

For both funding schemes, in 2005 NGOs had to cover at least 20% of the project's total costs though self-financing, of which a minimum of 10% has to be provided in cash and must originate from Finnish sources. Voluntary work and contributions in kind may also be regarded as self-financing, but their share may not exceed 10% of the project's total costs. However, where a project aims at supporting disabled persons, the self-financing share may be reduced to 10%, although this contribution must be entirely in cash.⁷³ However, in 2005 the decision was made by the Ministry to decrease the percentage excess of NGO's to 15% (7.5% in the case of projects for the disabled).⁷⁴

There are specific narrative and financial reporting requirements for NGOs receiving support through either of the two funding schemes. Individual progress and financial reports (including audits) for each funded project are required to be submitted by the NGO to the MFA on an annual basis. These reports, based in the Project Plan, must focus on objectives, impact and results of the projects and include a written cooperation contract between the Finnish and local NGOs. In addition, organisations with *Partnership Agreements* meet with the MFA once or twice a year to discuss progress and plan revisions.⁷⁵ Administrative costs funded through the MFA may not exceed 10% of a project's total costs.⁷⁶

10.3.1 Details Regarding NGO Umbrella Organisations in Finland

KEPA, a service base for Finnish NGOs interested in development work and global issues, was established in 1985 to act as an NGO umbrella organisation and forum for NGOs, and to implement the government-funded volunteer programme.⁷⁷ KEPA is an NGO membership organisation, with a membership of over 260 organisations, which acts as trustee and spokesperson for member organisations and operates with funding from the MFA.⁷⁸

KEPA offers services to members to strengthen the quality of their activities — including training and advice on development issues, policy work and campaigning, NGO advocacy, advice and monitoring in the South, dissemination of information, and supporting NGO operations in developing countries. KEPA publishes magazines, bulletins and reports, maintains a website and library, undertakes development education work, and has resource centres in Helsinki and Lusaka and an overseas programme, with field offices in Nicaragua, Zambia and Mozambique, and staff working in Tanzania, Thailand and Indonesia.⁷⁹ KEPA is responsible for a volunteer programme for youth (ETVO), which provides approximately 100 young people annually with the opportunity to participate in voluntary service overseas.⁸⁰

10.4 Ireland's Official Agency Funding Mechanisms and Procedures

Table 5: Summary of Ireland's official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms	Application procedures	Umbrella schemes and organisations' functions, and interaction with government
<p>2003, ODA €445.705m, 0.40% of Gross National Product (GNP)</p> <p>2002, ODA US\$398m (€422m), 0.40% national wealth</p> <p>2003, €37,389,861 (15.6% of bilateral aid) provided to NGOs</p> <p>75% of Irish Aid funds for NGOs are provided to Irish NGOs</p> <p>2002: funding from the government provided 35% of the income of NGOs based in Ireland</p> <p>2006 civil society budget: €98.10m</p>	<p><i>MAPS</i> funds are provided for overall programme funds, rather than for individual projects</p>	<p><i>MAPS</i>: Five NGOs, three-year agreements. Funds for overall programme. (<i>MAPS</i> II will provide funding for 5 years)</p> <p><i>CSF</i>: New scheme, multi-annual funding. Funds for large- and small-scale initiatives</p> <p><i>In-Country Micro-Projects</i>: Support for local grass roots initiatives and indigenous NGOs in developing countries</p> <p><i>Micro-projects</i>: New scheme to support small projects in developing world implemented by Irish organisations or their partners</p> <p>Other individual schemes listed below in narrative</p>	<p>All applications for funding are made to Irish Aid, except In-Country Micro-Projects, which are funded by Irish embassies</p>	<p>Dóchas: umbrella organisation with 32 members</p> <p>Provides forum for consultation and cooperation. Activities include: policy analysis and advocacy; lobbying of governments and international organisations; promoting interests of Irish NGOs; promoting development education; and networking and information sharing</p> <p>Dóchas is not a funding agency and is not involved in assessing applications or distributing Irish Aid funding</p>

Irish Aid's Civil Society Section funding comprises 12 elements overall, four of which are types of funding mechanisms: the *Multi-Annual Programme Scheme (MAPS)*, the *Civil Society Fund (CSF)*, the *In-Country Micro Projects Scheme* and a new *Micro-Project Scheme*; the remainder can be grouped under the heading of Volunteerism and Personnel Co-funding (see below for further details).⁸¹

Irish Aid's Civil Society budget for 2006 is €98.10m. The *MAPS*, the *CSF* and the *In-Country Micro Projects Scheme* utilise 76% of all civil society funding, as follows: *MAPS* (€54m); *CSF* (€17.7m); and *In-country Micro Projects* (€2.5m).⁸²

Civil society funds are increasingly orientated towards the funding of larger-scale interventions, on a multi-annual and programmatic basis, by major Irish NGOs, which have clearly demonstrated proven capacity to use this type of funding effectively. This type of funding arrangement is established through the flagship NGO co-financing mechanism *MAPS*. In recognition, however, that not all NGOs are at *MAPS* level and that funding suitable for their needs should be made available, the new *CSF*, which occupies the middle tier of civil society funding, provides for a continuum of funding possibilities from large-scale multi-annual multi-project funding to one-off small-scale funding.⁸³

MAPS was established with a small number of DCI's core NGO partners, with the aim of strengthening strategic and programmatic cooperation, and providing a more flexible and predictable funding framework in which the NGOs can operate. *MAPS* is designed to enhance the focus on outcomes and longer-term impacts of development programmes.⁸⁴ Grants are given based on a programme document submitted by the NGO, which sets out the overall objectives, outputs and strategies of the organisation.⁸⁵ NGOs are required to submit annual reports.⁸⁶ Four per cent of the total *MAP* can be used in respect of Head office costs.⁸⁷ Five NGOs, with which Irish Aid had long-established relationships and which had an excellent track record under the former Block Grant Scheme, were invited to participate in the first phase of *MAPS*, 2003–5.⁸⁸ These participating NGOs and breakdown of funding for the 2003–5 funding period were as follows: Concern €39.4 million; Trócaire €34.3 million; Goal €32.1 million; Christian Aid €6.9 million; Self Help Development International €4.5 million.⁸⁹

MAPS was evaluated during the first half of 2005 (reports from this evaluation are available at <http://www.dci.gov.ie/article.asp?article=631>) and recommendations have been integrated into the development of '*MAPS II*'. *MAPS II* should further consolidate the funding relationships which Irish Aid has with each of these NGOs, bringing together, under one heading, programme funding which has previously been paid through a variety of mechanisms, including *MAPS*, *HIV/AIDS funding*, *Personnel Co-funding* and *Organisational Development*.⁹⁰

MAPS has the ability to deliver cost-effective, and greatly increased, funding to a small number of Irish development NGOs — which, in turn, allows them to design and implement long-term and sustainable development programmes. It is, therefore, expected that *MAPS* will continue to be the principal conduit for NGO funding, that it will absorb an increased share of Irish Aid's Civil Society funding into the future and that it will receive substantial year-on-year increases within the framework of the bilateral agreements to be concluded with the NGOs concerned and in line with government commitments.⁹¹

Whilst the administration of *MAPS* is efficient in respect of the utilisation of staff resources, there is a concomitant requirement for staff-time to be made available to monitor these increased expenditures. *MAPS II* will, therefore, propose strengthened arrangements for

monitoring expenditure, both at headquarters and in the field.⁹²

The *CSF* is a new scheme, the first round of which is currently being implemented. A comprehensive review of the various funding mechanisms operated by Civil Society Section, and of the Organisational Development Scheme, was undertaken in 2005. The purpose was to achieve a rationalisation of the multitude of existing specific schemes, with a view to simplifying the administration of such funding, to provide a better service to our clients and to improve the overall quality of the development cooperation aid, which Irish Aid provides. The *CSF* scheme will complement the establishment of MAPS II.⁹³

The *CSF* should enable these agencies to operate in a more coherent, planned and strategic way, by means of access to multi-annual funding, where appropriate, and to a more comprehensive, integrated funding package which better reflects a holistic approach to development practice. At the same time, the framework will be sufficiently flexible to allow for smaller-scale initiatives to be supported. The budget for 2006 is €17.7 million. An important outcome should be the explicit integration of work in relation to the crosscutting issues, HIV/AIDS and Human Rights, into the scheme.⁹⁴

Under the *In-Country Micro Projects Scheme*, embassies in a number of countries are allocated funds with which to assist local civil society activities. These funds have proved particularly effective in funding micro-projects in the poorest of communities, particularly due to the precise targeting of these funds. Embassies are able to carefully monitor local project activities. The maximum grant available under this scheme is €26,000.⁹⁵

A comprehensive review of the *In-Country Micro Projects Scheme* was undertaken in 2002 and revised guidelines were issued at the beginning of 2003. In priority countries, the scheme is absorbed through the elaboration of a civil society strategy within the overall country strategy. The countries which it is proposed will be included in the scheme in 2006 are: Bangladesh, Brazil, China, Egypt, Ghana, India, Jordan, Nigeria and Vietnam. The budget for 2006 is €2.5 million.⁹⁶

The *Micro-projects scheme* is a new scheme to be launched shortly in Irish Aid's head office. The aim of the scheme will be to provide support to small projects in the developing world that are being implemented by Irish organisations or their partners.⁹⁷

As well as the above schemes, up until 2006 much of the remainder was grouped under the heading of Volunteerism and Personnel Co-funding, including:

- provision for the proposed One-Stop Shop/Irish Aid information Centre: €1m;
- Comhlámh/ Returned Development Workers (RDW): €0.45m;
- United Nations Volunteers (UNV): €0.9m;
- SSO (Specialist Service Overseas): €0.4m;
- IMRS (Irish Missionary Resource Service): €14m;
- the residual commitments for 2006 for the Human Rights & Democratisation Scheme (as this relates to support for International Organisations): €1m;
- funding for Dóchas: €0.2m;
- election monitoring: €0.45m;
- the Central America Fund: €4.5m.

However, from 2006 these funding schemes have been integrated into the three main schemes: MAPS, CSF, and micro-projects.

In addition, NGOs can receive funding through other sources, including Irish Aid's Emergency Humanitarian Assistance Fund, Recovery Assistance Fund, and funds for activities in Eastern Europe and for development education.⁹⁸

10.4.1 Details Regarding NGO Umbrella Organisations in Ireland

The Confederation of NGOs for Overseas Development (CONGOOD), founded in 1974, merged with the Irish National Assembly in 1994 to form Dóchas ('Hope'),⁹⁹ an umbrella organisation of Irish NGOs. Dóchas aims to provide a forum for consultation and cooperation between its members as well as to help them to speak with a single voice on development issues. It is a membership organisation open to Irish Non-governmental development organisations (NGDOs), with a current membership of 32 organisations.¹⁰⁰ Activities include: policy analysis and advocacy; lobbying of governments and international organisations; promoting interests of Irish NGOs; promoting development education, and networking and information sharing.¹⁰¹ It has three working groups: Development Education, HIV/AIDS, and ODA.¹⁰²

The most recent umbrella organisation is the IMRS (Catholic). The IMRS administers both the project (Missionary Development Fund) and the personnel co-financing scheme for these missionaries. In 2006, the grant to the IMRS will cover personnel co-financing, project co-financing, the costs of SSO personnel and an administration element. The budget for IMRS for 2006 is €14 million (13.7% of the total Irish Aid civil society budget). The IMRS' first three-year Strategic Plan was published in June 2005. It is intended to shift the focus from separate personnel and project funding towards sub-programme/programme funding. Working towards this, and subject to agreement with Irish Aid and other donors, the IMRS plans to commit a substantial portion of its funds to multi-annual projects/programmes, for up to three years. Priority is to be given to the continuing development of the capacity of the missionary organisations and their partners to respond to changing needs and opportunities and to build the sustainability of their work. Protestant missionary organisations would receive co-financing through the CSF.¹⁰³

Dóchas is not a funding agency and is not involved in overseas projects.¹⁰⁴

10.5 The Netherlands' Official Agency Funding Mechanisms and Procedures

Table 6: Summary of the Netherlands' official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms	Application procedures	Umbrella schemes and organisations' functions, and interaction with government
<p>ODA 2003: €3,800m (0.8% of GNP)¹⁰⁵</p> <p>ODA 2002: US\$3,338m (€3,542m)¹⁰⁶</p> <p>2002, 0.81% of national wealth in ODA¹⁰⁷</p> <p>20–25% of ODA provided to NGOs (international and Dutch).¹⁰⁸ 11% of ODA through the <i>Co-financing programme (MFP)</i> and 4% through <i>Theme-based co-financing (TMF)</i></p>	<p>Organisational support in the form of core funding. MINBUZA-DGIS believes that project-based funding is not conducive to social development</p> <p>NGOs are seen as an important channel of development assistance by the Dutch government</p>	<p><i>MFP: Co-financing programme.</i> 2003, six NGOs, receiving 11% of the total aid budget (of ODA channelled through NGOs, this account for around half). Funds provided on four year basis</p> <p><i>TMF: Theme-based co-financing:</i> Open to all NGOs (Dutch and international). <i>TMF</i> receives 4% of ODA</p> <p>The remainder of funding to NGOs is provided via individual <i>project level funds</i></p>	<p>Applications for both schemes were made directly to MFAs; however from 2005 for the <i>TMF</i> and 2007 for the combined <i>MFP</i> and <i>TMF</i> this will be contracted out to an independent advisory committee. The committee will make an initial assessment and advise the Ministry who will make final decisions and administer grants</p>	<p>No overall umbrella body</p> <p>PSO: Umbrella organisation providing technical assistance for around 30 NGO sending agencies, financed by the government under a programme similar to the co-financing organisations</p>

The Netherlands NGO funding system is currently undergoing a number of changes in relation to the procedures for funding NGOs and the mechanisms available. The Netherlands previously had a co-financing scheme (CFP), which was adopted in 1980, through which the government initially provided support to four NGOs, called co-financing organisations/agencies (CFOs). The choice of co-financing agencies was not carried out in a competitive process and around 10% of the bilateral aid budget was channelled through them, by which finance was provided to more than 6,000 NGO activities in developing countries.¹⁰⁹ However, in 2003 the *MFP* replaced the CFP, and the existing four CFOs had to apply in a competitive bidding process for entry into the scheme.¹¹⁰ As a result, in 2003 there were six CFOs, the original four (Novib, Cordaid, ICCO, HIVOS) and Plan and Terre des Hommes, which between them received 11% of the development budget.¹¹¹

The other current mechanism for NGO funding is the *TMF* which was introduced in 2002 in order to provide financing for smaller and more specialised organisations.¹¹² To gain *TMF* funding an organisation must convincingly demonstrate that its own financial contribution and/or funding by third parties amounts to at least 35% of their annual expenditure¹¹³ and *TMF* grants can be applied for a maximum period of four years. The minimum amount for applications for *TMF* is €100,000.¹¹⁴ The *TMF* receives 4% of the total aid budget and funds some 200 projects.¹¹⁵ Applications are undertaken annually on a competitive basis and funds were provided to Dutch and international NGOs.¹¹⁶ In the recent round, with a few exceptions, it was decided not to continue funding for international NGOs. *TMF* funding can be provided for both core funding (an overall contribution to an organisation to enable it to implement all of its planned activities) or for specific programme funding (to enable an NGO to implement part of its planned activities).¹¹⁷ Annual reports must be submitted by NGOs to the MFA, providing evidence of effectiveness and efficiency, and external evaluations are undertaken every four years.¹¹⁸

It is planned that the *MFP* and *TMF* will be merged from 2007, once the current *MFP* financing arrangement has expired,¹¹⁹ and the process of screening applications for funding will be contracted out and undertaken externally from 2005 for the *TMF* and from 2007 for the combined *TMF/MFP* scheme.¹²⁰ An independent advisory committee has been established to assess applications for *MFP* grants based on a set criterion of indicators. This committee will make an assessment and advise the minister; however the Ministry will administer the grants.¹²¹ No individual organisation can receive more than 25% of the funds allocated for distribution through the *MFP* programme and from 2007 onwards, money provided to CFOs by government will not be able to exceed 75% of their overall income, in an attempt to ensure that organisations are not as dependent upon the State.¹²² A few of the larger NGOs are concerned that they will have problems meeting the new co-funding targets.

The Netherlands provides organisational support to NGOs in the form of core funding, as it believes that project-based funding is not conducive to social development.¹²³ NGOs are seen as an important channel for the Dutch government, as they can fight poverty in countries where the Netherlands does not wish to work with the government.¹²⁴ Another advantage of working with NGOs is that they often collaborate with local partners, who know the needs of the local population and are familiar with their culture. This kind of expertise is essential if projects are to lead to a reduction in poverty in the long term.¹²⁵

10.5.1 Details Regarding NGO Umbrella Organisations in the Netherlands

There is no overall umbrella body for coordination and dialogue with government in the Netherlands; however there are a variety of networks and coalitions:¹²⁶

- GOM — (Gemenschappelijk Overleg Medefinanciering) Co-financing Consultative Body. GOM was given a block grant to allocate between the CFOs.¹²⁷
- NCDO — National Committee for International Cooperation and Sustainable Development — Coordination on matters of public awareness and support — board has 21 representatives from different sectors of civil society and independent experts.
- PSO — Umbrella body for around 30 NGOs involved in personnel assistance — covers NGOs sending out ‘experts’ and those providing training for workers operating in different cultural contexts. The government finances PSO under a programme similar to the co-financing organisations.
- VPO Platform — Food security matters.
- SHO (Samenwerkende Hulp Organisaties) — Ten NGOs involved in emergency aid.
- DRA — Disaster Relief Agency — Non-religious agencies organisation for emergency response.¹²⁸

10.6 Norway's Official Agency Funding Mechanisms and Procedures

Table 7: Summary of Norway's official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms	Application procedures	Umbrella organisations and schemes
<p>2005 ODA: US\$2,730m (16,869m Kroner) 0.95% of national wealth¹²⁹</p> <p>2006 proposal is ODA 0.96% of GNI, goal to increase to 1%¹³⁰</p> <p>In 2004, 34% of Norad's ODA was assistance to NGOs¹³¹</p> <p>77% of Norad's assistance for NGOs was channelled to Norwegian NGOs¹³²</p>	<p>Funding is provided for specific projects and programmes rather than for core organisational support¹³³</p>	<p><i>Framework Agreements:</i> Approximately 30 NGOs have long-term agreements for several programmes, up to five years. In 2004, five NGOs received 59.1% of the total support provided to Norwegian NGOs in <i>Framework Agreements</i>.</p> <p><i>Individual Agreements:</i> provided to small NGOs. Project level long term.</p>	<p>All long-term development grants made to and processed by Norad. Humanitarian assistance grant applications made to and assessed by MFA.</p> <p>MFA also provides non-application transitional development grants (GAP) to NGOs, according to invitations from the MFA</p>	<p>Four umbrella organisations (see below)</p>

Most assistance channelled through NGOs is provided to support the organisations' specific projects and programmes, aimed at developing civil society and reducing poverty,¹³⁴ and is provided on an individual project basis. Around 100 Norwegian NGOs receive support from Norwegian Agency for Development Cooperation (Norad) for long-term development work. Norad also supports international NGOs and networks, preferably with headquarters in the South, for the same purpose. MFA supports NGOs in the field of humanitarian work and transitional assistance (GAP) intended to bridge the gap between humanitarian and long-term development aid. In addition, Norwegian embassies have 'strategic partnerships' with Norwegian NGOs that have special advantages to assist in country programmes. Norway also provides support directly to a number of local civil society actors through embassies in various countries. However, this is rather limited, as it requires substantial administrative resources.¹³⁵ The division of NGO funding between MFA and Norad has remained more or less stable over the last five years on a 50:50 basis. In 2004, Norway spent 3.25 billion Kroner or approximately 34% of the total bilateral assistance on NGOs. Out of this total figure, Norwegian NGOs received 2,506 million Kroner, local NGOs 242 million Kroner, regional NGOs 60 million Kroner, international organisations 224 million Kroner and other types of NGOs 219 million Kroner.¹³⁶

Norad administers two different types of agreement with Norwegian NGOs: *multi-year cooperation agreements* (also known as *framework agreements*) and *individual agreements*. In 2006, 29 Norwegian NGOs have such *Framework agreements* with Norad.¹³⁷ These are long-term development cooperation agreements including several programmes, which can be provided for up to five years at a time, depending on the cooperation model and type of agreement.¹³⁸ In 2005, the five biggest organisations received 59.1% of the total support provided to Norwegian NGOs (or 76% if one counts the ten largest NGOs). Norwegian NGOs with *Framework agreements* altogether receive more than 90% of the total NGO budget.¹³⁹

Individual agreements are provided to small NGOs, which are project-level long-term agreements.¹⁴⁰ NGOs own funding must cover 10% of costs, unless the grant is for special prioritised policy areas like support to indigenous peoples, environment, female genital mutilation, and gender equality.¹⁴¹ MFA provides full financing for humanitarian work and GAP activities.¹⁴² Eight per cent of the allocations may be used to cover the administrative costs of individual organisations in Norway.¹⁴³ Annual reports must be submitted to Norad describing the contribution of the activities funded to the broader national development perspective.¹⁴⁴

In 2003, there was a major evaluation of development aid administration, which has led to the reorganisation of Norad and the MFA.¹⁴⁵ There were no dramatic changes made in relation to the funding mechanisms. However, a government appointed review committee of Norwegian development assistance through the NGO channel (Rattsøutvalget) is presenting its report shortly. The general expectation is that substantial changes will follow from the recommendation of this report.¹⁴⁶

10.6.1 Details Regarding NGO Umbrella Organisations in Norway

There are four NGO umbrella organisations in Norway. The Norwegian Missionary Council, with 17 member organisations is the biggest, with 140 million Kroner in Norad support in 2004, followed by the Atlas Alliance (several support organisations for disabled people) with 57 million Kroner, FOKUS (women organisations) with 16.5 million Kroner and the Dryland Coordination Group (working on biodiversity and related topics) with 5 million Kroner. Like almost all other Norwegian NGOs, these organisations that receive funds through umbrella

arrangements provide assistance through local partners, either as service delivery, capacity building or advocacy, increasingly in all areas at the same time.¹⁴⁷

10.7 Sweden's Official Agency Funding Mechanisms and Procedures

Table 8: Summary of Sweden's official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms	Application procedures	Umbrella organisations and schemes
<p>2002 ODA: US\$1,1991m (19,354m Kronor), 0.83% of national wealth¹⁴⁸</p> <p>Approximately 10% of Sida's appropriation is channelled to NGOs through the <i>Framework system</i>¹⁴⁹</p> <p>2005: 1,200m Krona allocated to around 300 Swedish NGOs through the <i>Framework system</i>¹⁵⁰</p> <p>2006: 1,329m Krona allocated to NGOs through the <i>Framework system</i>¹⁵¹</p> <p>In total, around 27% of Sida's appropriation is channelled through NGOs¹⁵²</p>	<p>Programme/ project grants provided as a contribution to an NGO's own specific development programme</p>	<p>14 frame organisations, multi-year (five- to six-year) agreements, and funding for one to three years:</p> <p>Six umbrella frame organisations implement their own activities with Sida funding and administer and assess applications for other NGOs, who have <i>Programme Agreements</i></p> <p>Eight other frame organisations with <i>Framework Agreements</i> covering several years for their own development programmes and activities</p>	<p>Frame organisations apply directly to Sida for frame agreements.</p> <p>Other NGOs apply for Sida funds either through the umbrella organisation of which they have membership or through Forum Syd.</p> <p>Umbrella organisations assess projects according to guidelines and criteria, and submit requests to Sida. The umbrella organisation is responsible for following up approved grants and reports to Sida, and ensuring audits</p>	<p>Six frame organisations distribute Sida funding to over 200 NGOs (in each case, except Forum Syd, to their member NGOs)</p> <p>Forum Syd distributes Sida funding, assists organisations applying for funds, and undertakes activities aimed at forming public opinion and influencing those in power</p>

Project grants are provided from Sida to Swedish NGOs, as a contribution to an organisation's own development projects, through the appropriation for Swedish Non-Governmental Organisations (appropriation item 8.1.2) and are channelled through framework organisations.¹⁵³ The *Framework Agreement* system was introduced in the early 1980s and there are currently agreements with 14 frame organisations and the Red Cross (which has a framework agreement under the humanitarian appropriation).¹⁵⁴

There are three types of cooperation provided to NGOs through the framework programme: umbrella frame organisations, organisations with *Programme Agreements* and frame organisations.¹⁵⁵ Umbrella frame organisations, of which there are six, have *Framework Agreements* with Sida and administer and assess applications, and present these to Sida for approval, for grants (from their own sub-organisations), which are channelled to more than 200 organisations. In addition, these organisations implement their own activities with Sida funding. The six umbrella frame organisations include: Swedish NGO Centre for Development Cooperation (Forum Syd); The aid board of LO-TCO Secretariat of International Trade Union Development Cooperation; Olof Palme International Center (Olof Palmes Internationella Centrum, OPIC); PMU InterLife; Swedish Organisations of Disabled Persons (Handikapporganisationernas Internationella Biståndsförening, SHIA); and Swedish Mission Council (Svenska missionsrådet, SMR). In addition, Svenska Roda Korset (the Swedish Red Cross) has a *frame agreement* for humanitarian assistance. Sida Funds are provided through these umbrella *frame organisations* to other NGOs who have *Programme Agreements*.¹⁵⁶

There are eight organisations with *Framework Agreements* with Sida, covering several years, to run their own development programmes and activities. These frame organisations include: Plan Sweden; The Africa Groups in Sweden (AGIS); Diakonia; Swedish Cooperative Centre (SCC, or Utan Gränser, UG); Swedish Society for Nature Conservation (Svenska Naturskyddsföreningen, SNF); Save the Children Fund; Church of Sweden (Svenska kyrkan); and Training for Development Assistance Operations (Utbildning för Biståndsverksamhet, UBV).¹⁵⁷

In relation to *Framework* and *Programme Agreements*, Sida does not receive applications directly from individual organisations and societies. All *Framework* related applications from individual organisations are addressed to one of the six umbrella organisations, which are responsible for making an assessment of the application and submitting a request to Sida.¹⁵⁸ The frame organisations assess and examine projects proposed to Sida according to set guidelines and criteria, making an assessment of the partner, the project and the Swedish organisation applying for the grant, resulting in a comprehensive judgement of the project's relevance, feasibility and sustainability.¹⁵⁹ The umbrella organisation is responsible for following up approved grants and reports to Sida, and ensuring audits are performed. An organisation or society applies for a Sida grant to the umbrella organisation to which it belongs. Organisations that do not belong to an umbrella organisation apply for grants to Forum Syd. Each umbrella organisation has its own application procedures¹⁶⁰. The frame organisations are responsible for submitting annual reports as well as presentations of experience gained and financial accounts to Sida — which include the focus of operations, development activities and ongoing projects, finalised projects, volunteer and training activities, financial reports and statistical information containing breakdowns of disbursements.¹⁶¹ Sida makes system audits every five to six years for all framework NGOs. The system audit evaluates the fund management of the framework NGOs, their capacity, management systems and their communication with civil society.

According to Sida, the procedure of frame organisations assessing projects enables umbrella organisations, with their special subject knowledge, experience of development cooperation and knowledge of the organisation in question, to put their stamp of approval on each project when making its assessment.¹⁶² The framework agreement system was set up as a result of Sida's organisational needs, due to increases in appropriations, to facilitate the administration of support to NGOs.¹⁶³ The original selection of organisations and the allocation of funds were based on custom and tradition rather than a set criteria or analysis. The lack of criteria has led to two main problems — allocation of grants can appear to be arbitrary and new actors are excluded, thus Sida risks losing valuable experience. Therefore, a new selection method has recently been established, based on nine criteria.¹⁶⁴ Of funds provided to NGOs, they must contribute 10% of the total amount of the project from their own funds.¹⁶⁵

In addition to *Framework and Programme Agreements* Sida provides 100 % direct funding to Swedish, international, national or local CSOs via other appropriations, either through Swedish or international organisations, or directly to local organisations, through its thematic or regional desks at Sida headquarters and from the Swedish embassies in cooperation countries. These contributions are approved within the framework of country and regional cooperation strategies and are therefore subject to greater control by Sida.¹⁶⁶

10.7.1 Details Regarding NGO Umbrella Organisations in Sweden

As detailed above, there are six main umbrella organisations who assist Sida in the distribution of funds to other NGOs. Forum Syd is an Umbrella organisation with a membership of 211 Swedish development organisations (May 2005). About 50% of the member organisations are small organisations that apply for their funding through Forum Syd. It provides a meeting point and platform for cooperation for membership organisations; distributes Sida funding to organisations who are not members of Sida's other Framework organisations; assists organisations applying for funds with developing their work; works to form public opinion and influence those in power; monitors activities of international organisations i.e. World Bank, International Monetary Fund (IMF) and United Nations (UN); provides public education, training; and assists organisations with support services such as assistance with recruitment and administration of development personnel. Forum Syd has offices and development personnel in Cambodia, Tanzania, Nicaragua and Zambia, and undertakes its own programmes implemented in cooperation with the Swedish embassies.

Forum Syd has a framework agreement with Sida for approximately 160 million Kronor per year. Of this, 20 to 25 million kronor is used for Forum Syd's own programme, while the rest (135–140 million Kronor) is channelled to NGOs applying for funds. In addition, Sida provides funding for about 10 million Kronor for Forum Syd's funding to Eastern Europe, and another 10 million Kronor for a specific HIV programme. About 50% of applications to Forum Syd are approved. There are no major complaints on Forum Syd's funding role; both Sida and the members seem to be happy with the arrangement. There is a minor conflict in the approach: whereas Sida looks for professionalism, Forum Syd looks for wider cooperation at the grass-root level, civil society partnerships; but in general, there are no major conflicts between Sida and Forum Syd or between Forum Syd and its member organisations. Regarding project reporting, NGOs submit their (annual) reports to Forum Syd, and Forum Syd submits its own summary report to Sida, who occasionally make more detailed checks. There is regular dialogue between Forum Syd and Sida in the form of quarterly and annual meetings, as well as informal communication. Sida demands that Forum Syd makes evaluations on the projects funded through Forum Syd.

10.8 The United Kingdom's Official Agency Funding Mechanisms and Procedures

Table 9: Summary of the United Kingdom's official agency funding mechanisms and procedures

Budget (ODA funding)	Key principles	Funding mechanisms	Application procedures	Umbrella organisations
<p>2002 ODA: US\$4,924m (£3,282m). 0.31% of national wealth¹⁶⁷</p> <p>DFID programme expenditure 2003/04: £3,965m, of which £1,972m was bilateral assistance¹⁶⁸</p> <p>2003/04: 5.5% (£220m) of DFID expenditure channelled to UK NGOs¹⁶⁹</p>	<p>DFID does not believe in tying funds to specific projects, instead arguing the benefits of long-term funding around a shared strategic vision</p>	<p><i>PPAs</i> (26%): three- to five-year strategic agreements of blocks of funding.</p> <p>CSCF (4%): Project funding to NGOs</p> <p>Humanitarian assistance (42%): channelled through CHAD</p> <p>Country programmes (26%): channelled through country offices to Southern CSOs</p>	<p>Applications for <i>PPAs</i> are submitted to and assessed by DFID. Triple Line initially assesses applications for CSCF, and makes recommendations to DFID for final decision. Country programme grants are applied for through country offices, and applications for humanitarian assistance are made to and assessed by CHAD in DFID</p>	<p>BOND network of UK NGOs, established in 1993, currently 280 members. BOND provides a range of training for members.</p> <p>Funding is not provided through umbrella organisations</p>

DFID has four funding mechanisms for channelling money to NGOs: CSCF (which replaced the *Joint Funding Scheme* and the *Development Awareness Fund (DAF)*), *PPAs* (which replaced the *Block Grant Scheme*) channelled through the Information and Civil Society Department (ICSD), funding for emergencies channelled through the Conflict and Humanitarian Affairs Department (CHAD), and funding to civil society organisations in the South directly through country offices including the use of local *PPAs*.¹⁷⁰ In 2002/03 DFID expenditure through UK CSOs was £223 million, of this £94 million (42%) was channelled to humanitarian assistance; £59 million (26%) through country programmes; £57 million (26%) through *PPAs*; £9 million (4%) through CSCF; and £4 million (2%) in outstanding commitments.¹⁷¹ In total, *PPAs* receive approximately 1% of the total aid budget.¹⁷² However, in 2005/6 *PPA* funding to UK NGOs will increase by 28% (from £62 million in 2004/5 to £79 million in 2005/06), and funding to the CSCF will increase by 40% (an extra £4 million).¹⁷³

PPAs are three- to five-year strategic level agreements with blocks of funding provided to organisations. They are based on an overall set of specific outcomes/strategic objectives¹⁷⁴ and areas of concern of an organisation (e.g. advocacy on disability and development) rather than based on specific detailed projects and/or programmes with detailed budgets. The funds provided are a general donation to the work of the organisations, but could be based on a specific thematic/sectoral area or areas in which the organisation works. The amount of funds given to an organisation is based on the overall budget of the organisation and the *PPA* is a contribution towards this to enable the organisation to undertake its work¹⁷⁵. *PPAs* are operated in this way as DFID does not believe in tying funds to specific projects, instead arguing the benefits of long-term funding around a shared strategic vision.¹⁷⁶ There have been three phases of *PPAs*: the first in 2000/1 when *PPAs* were agreed with 11 NGOs, most of which previously held *Block Grants*; in 2002 four *PPAs* were approved from a list of 29 NGOs (principally volunteer sending agencies); and another four were approved when opened up to organisations with a long-term track record with Joint Funding Schemes (JFSs). A fourth wave of *PPAs* is planned that aims to be more transparent and competitive.¹⁷⁷ There are currently 18 UK NGOs who have *PPA* funding for 2005/6.¹⁷⁸

Until recently there has been little review of *PPAs* within annual reports and it has been suggested that there should be greater clarity and consistency regarding performance and selection criteria. Overall, there needs to be more done in relation to reviewing *PPAs* on a performance-based criterion¹⁷⁹ and the extent to which they stick to the aims and objectives of the *PPAs*. In light of this, DFID is planning to establish teams to review each NGO with a *PPA*.¹⁸⁰

The overall advantages of *PPAs* (as outlined by Robinson¹⁸¹) include: predictable, flexible and relatively unrestricted funding for NGOs, enabling 'strategic utilisation of funds for priority areas defined by each agency'¹⁸²; enabling NGOs to operate at a strategic rather than output/project level; low administration costs for CSOs and DFID; and improved partnerships between CSOs and DFID. Limitations include: the fact that they are administered by ICSD and are therefore not commonly understood in the rest of DFID; significant delays in feedback on annual reports from DFID, as comments have to be collected from across DFID; unclear expectations and one-way accountability requirements; and, an overall lack of clarity regarding the rationale for funding levels to different organisations.¹⁸³

CSCF provides project funding to NGOs on a competitive basis. An initial review of applications is undertaken by Triple Line (an independent consultancy firm to whom it has

been contracted by DFID), based on a basic criteria provided by DFID. However, DFID make the final decision regarding funding and manage the grant once it has been agreed.¹⁸⁴ The CSCF provides 100% of funding for the project and up to £500,000 for a maximum of five years.¹⁸⁵

10.8.1 Details Regarding NGO Umbrella Organisations in the UK

DFID does not provide funding through umbrella organisations, as it believes this would represent a conflict of interests — with umbrella organisations responsible for reviewing funding proposals of member organisations and distributing funds to them.¹⁸⁶ BOND is a network of UK NGOs working in international development. It was established in 1993 to act as a link between NGOs and the government¹⁸⁷ and currently has over 280 members.¹⁸⁸ BOND provides workshops and training sessions for members on a range of topics including funding, reporting, advocacy, and was involved in DFIDs' revision of its JFS.¹⁸⁹

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Section 10 Endnotes

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⁷ Danida, 2003b

⁸ Norwegian Ministry of Foreign Affairs, 2004:110; OECD/DAC 2005

⁹ Norad, 2003, 14; Norwegian Ministry of Foreign Affairs 2004:117

¹⁰ Figures provided by Jens Kare Rasmussen, Danida, email correspondence, 07/07/06

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¹² Development Cooperation Ireland, 2003b:3

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¹⁸ 'Actual development cooperation', from which the share of NGO funding is calculated refers to the proportion of the total development cooperation, excluding development cooperation administrative costs, costs incurred from refugee acceptance, share of the EU development budget, disbursements to other international organisations and other costs incurred as development cooperation, as well as EIT cooperation and operations of the Finnish Fund for Industrial Cooperation (FINNFUND) (Source: Ministry of Foreign Affairs of Finland, 2006: 20)

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²² The terminologies used here are those utilised by the official agencies for their funding systems.

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- ⁵⁵ Ministry for Foreign Affairs of Finland,2004a
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