

**The European Community International Development Programme**  
**&**  
**Support to Civil Society Organisations**

*Notes on the Direct Funding of Southern NGOs*

**DISCUSSION PAPER**

**Introduction**

The European Community development cooperation budget has provided funding for development NGO projects for over 25 years. The most established channel for this funding has been to European NGOs through the NGO Co-financing Scheme which was created in 1974 with a budget of € 2 Million, but which for the past 5 years has been fixed at around € 200 Million per annum. Other budget lines which were not exclusively reserved for NGO projects, such as the Food Aid & Food Security budget lines or the Environment, Tropical Forests and Human Rights budget lines have also played a role in providing additional support for the work of European NGOs in the South. There has been some EC direct funding to Southern NGOs<sup>1</sup>, but most support to Southern civil society organisations has gone through EU NGOs.

Although the NGO Co-financing line has had a broader scope, support to Southern civil society organisations has long been one of its objectives and there are many good examples of long term partnerships between European NGOs and Southern CSOs that have had support from this line. The EC has in the past also had examples of budget lines, such as the former Special Programme for the Victims of Apartheid in South Africa, that have been explicitly oriented at supporting Southern civil society organisations with European NGOs acting as intermediaries. It is only in the past few years however, that the developmental and democratic value of a strong civil society has become widely accepted by development cooperation policy makers. Arising from this a specific interest in supporting and building the capacity of Southern civil society organisations has emerged as a key objective for the EC development programme in the same way as for many other official donors.

Clearly supporting the development of Southern civil society can be done in many ways, among which working with European NGOs as brokers and intermediaries is only one. Direct funding support is another path open to official donors. This draft discussion paper is intended to explore some of the policy and management issues associated with both these routes and derive some first recommendations for EC and NGO policy makers

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<sup>1</sup> This paper is principally concerned with Southern NGOs, the traditional partners to Northern NGOs, but it is recognised that NGOs are only a part of the potential development actors in Southern civil society. The arguments advanced in this paper would in most cases be applicable more broadly to relations with a variety of Southern civil society organisations (CSOs).

## **The Objective**

The overall objective of funding Southern NGOs should be to strengthen Southern civil society and its organisational capacity in order to :

- a. Increase participatory democracy in the South and popular involvement in development work and policy formulation (including dialogue between state and non-state actors),
- b. Encourage participatory approaches to human development programmes and projects, and
- c. Encourage the implementation of operational development work with a focus on poverty eradication.

## **Methodology for Providing Support**

While agreement between European state and non-state development actors on this objective is probably easily reached; there is less agreement on what is the most effective methodology for deploying European Community funds to reach this objective and provide the support Southern civil society organisations and NGOs require. Three paths are immediately apparent for providing this support:

1. *Via Southern governments* : this is the route chosen under the Cotonou Agreement which provides for EDF funds to be channeled to ACP civil society organisations by the NAO of the ACP government concerned with the of the EU Delegation
2. *Via EU NGOs* : this is the traditional route of the EC's NGO cofinancing budget line
3. *Direct funding to Southern NGOs* : the European Commission has some limited experience of this through the 'decentralised cooperation' budget line, the food security budget line, a few other sectoral budget lines and with past EDF microproject schemes.

Each of these routes has advantages and disadvantages. In the face of continuing serious capacity problems in the European Commission, the administrative resources to carry out the task adequately is probably the key concern. This is particularly so as EU NGO experience of funding Southern NGOs indicates that, to be done well, such work requires a high level of staff capacity and the ability to project that staff capacity into the field : meeting Southern NGO personnel regularly in their own working environment. While the current EC external assistance reforms aim to increase the capacity of EC delegations and enhance their decision making authority which should, in turn, improve their ability to work with Southern NGOs, it remains to be seen however, how far these changes will go to addressing these questions.

Over the last few years there have been a number of evaluations and studies done of official donor agencies choosing a direct funding route and seeking to finance Southern NGOs on their own without using a Northern NGO as an intermediary. The EC has two long standing funding programmes accessible directly to Southern CSOs, the EDF Microprojects and the small Decentralised Cooperation budget line, both of which have been the subject of evaluations. Key conclusions of some of these studies should be noted :

- *EC and EDF microprojects programmes (MPPs) administered by EC Delegations* – a general finding of a number of EC evaluation reports on MPPs in different countries has been that their effectiveness has often suffered from a lack of donor guidance and institutional support. The evaluation reports also question the viability of the programmes in many cases and point to a general lack of capacity building and institutional support in MPPs. Instead MPPs have tended to focus more on social infrastructure. Lack of staff capacity in EC Delegations to handle MPPs and inflexible procedures are identified as key limiting factors hampering MPPs at all stages of planning and implementation. Results have generally been better where support units have been established or intermediary bodies utilised.
- *The Decentralised Cooperation Budget Line* – The recent evaluation of the decentralised cooperation budget line has also referred to the problems caused by excessively complex procedures and the lack of personnel in both the EC Delegations and Brussels to administer the line. Slow payments and lack of continuity in funding have posed particular problems for Southern NGOs where these have been funded directly. Where European NGOs have been involved as intermediaries these have acted as buffers protecting the Southern NGOs from administrative problems and providing a certain fluidity in funding which has been appreciated by the Southern organisations.

The main difficulties with official donors funding Southern civil society organisations directly can be summarised as :

- a. The labour intensive nature of the work due to the need to usually work with small grants in order to avoid CSO overstretching absorption capacities
- b. The difference in organisational culture (including in time horizons, procedures, administrative requirements and styles of work) that exists between state and non-state organisations which comes on top of other differences
- c. The need to provide a stable and sustained relationship over time : while Northern official donors are willing to maintain such a relationship with Southern governments they do not feel the same pressure to maintain long-term stable funding relationships with Southern NGOs
- d. The imbalance in the partnership when one party is both the recipient and a small Southern NGO while the other is the donor and a rich, official organisation

- e. The lack of any form of real accountability mechanism from the foreign official donor to the Southern NGO in case the latter feels unfairly treated

The larger a Southern NGO is, of course, the less these factors are a problem, but the vast bulk of Southern NGOs are small organisations. In such circumstances European NGOs are in a much better position than EU governments or the European Commission to provide adequate responses to all of these problems, thereby making the partnership between donor and recipient considerably more balanced than is possible for an official donor.

In the long term the sustainability of the Southern NGO is a key consideration to ensure that it can carry out development work adequately over time. For this a number of key principles need to be adhered to :

- Southern civil society organisations should be independent and autonomous, in particular they need to be able to organise themselves in their own ways,
- External support to Southern CSOs must be sustained over time and sensitively handled and adapted to their needs,
- The donor organisation providing the support must have adequate human resources to handle this,
- The needs of Southern CSOs are however varied and greater effectiveness can be achieved if support is provided in as tailor-made a way as possible to each organisation, and
- Donors, state or non-state, must seek therefore to provide a variety of different forms of support and cannot afford to ignore any one methodology.

### **The Additional Value of Working with European NGOs**

European NGOs can act as intermediaries for official donors, providing them with one route through which they can work with Southern civil society. But there are additional benefits for donors and the EC among them to continue to involve Northern NGOs in the process of providing support to Southern CSOs . While many of these points are well known it is nevertheless useful to list them again :

- *Harnessing additional financial resources* : EU NGOs spend something like € 3 billion annually on work in development cooperation and humanitarian aid. The OECD Development Centre has estimated that less than half of this comes from official donors. Co-financing is therefore a reality in terms of mobilising additional resources, not just for NGOs but for the EC as well : both parties gain from working together
- *EU NGOs also represent a huge force in terms of human resources* and, as effective participatory development is highly labour intensive, these NGO human resources are therefore an important asset that should be made use of in international cooperation work

- *Local knowledge of civil society* : European NGOs have networks of field offices or work through an extensive range of local organisations in many cases built up over years. These contacts give them access to detailed information and grass roots knowledge of the civil society organisations in any one country and help them to make difficult judgements about capacity, competence and legitimacy.
- *Track record* – many European NGOs have been working with Southern CSOs for years during which they have supported their institutional development, this track record can be built on and utilised in taking capacity building further
- *The development expertise of Northern NGOs* and their ability to identify and support innovative thinking has become widely recognised
- *Policy debate* – engagement between donors and NGOs on project or programme funding often also leads to involvement in policy debate which has an enriching effect for both parties
- *Work in politically sensitive circumstances* – It is also recognised that NGOs can often work in places and contexts where governments cannot go
- *Development education & public support* – European NGOs are one of the most effective actors in awareness raising work in Europe : building public support in the EU for EC development cooperation
- *Accountability* – European NGOs rooted as they are in European civil society with access to democratic accountability mechanisms such as the European Parliament have a much more balanced relationship with the Commission than is ever possible for Southern NGOs ; they are furthermore able to use this access on behalf of the interests of their Southern CSO partners.

### **Mechanisms for EC collaboration with European NGOs**

EC support to EU NGOs must also be carefully planned and implemented. Certain approaches work better than others. There is a balance to be achieved in ensuring close monitoring and accountability for funds on the one hand and allowing scope for initiative and innovation on the other. NGOs can in certain circumstances be contractors for official donors, but if the balance tips too far and NGOs become purely instruments for the execution of an official programme this can also endanger their identity and reduce their ability to capitalise on some of the advantages they have as NGOs.

It is therefore appropriate to have several instruments adapted to different needs and circumstances. Funding instruments can be designed in different ways with guidelines and procedures that bring out and emphasise best what policy makers seek to achieve. One can imagine for instance the creation of specific instruments

1. That emphasise a particular *priority sector* such as health, education, the environment or humanitarian aid,
2. Others that ensure a given *policy* is pursued effectively : eg. facilitating the proper linking of relief, rehabilitation and development programmes

3. A third group of instruments that are *country specific* where the government of the country is a major player, but local civil society can also play its part, and
4. Equally funding instruments can be suited to the needs of *particular actors* whose work the donor feels it is important to encourage, in this case NGOs.

While the Commission clearly has an interest in avoiding too great a multiplicity of budget lines, reducing the number too far carries with it a danger of a lack of flexibility. Thus if it becomes a common occurrence that certain types of project the Commission feels it is important to fund have to be 'shoehorned' into unsuitable funding instruments which were not created with this purpose in mind, then the process of rationalisation of budget lines has been carried too far.

For example seeking to fund Southern NGOs directly from a budget line which was set up to *co-finance* European NGOs from Brussels will never succeed unless the way the line is administered is completely changed. In so doing the original purpose will in all likelihood be lost. The evaluation of the Decentralised Cooperation line should provide sufficient warning of the dangers of funding Southern NGOs from Brussels to make that clear.

If the Commission is seeking to have the right tools to work with EU NGOs in a flexible fashion it probably needs to have at its disposal the following range of funding instruments :

1. A set of policy budget lines where the Commission has identified a policy it is seeking to implement and where EU NGOs can be one useful actor among several to whom the Commission can turn for implementation: in such circumstances the NGO will largely be a contractor, though hopefully a contractor which will bring a particular NGO approach and style to the project.
2. Country specific budgets where the prime actors and implementors are the governments and local civil society organisations ; EU NGOs would then have a role either as support organisations to the local actors or possibly as intermediaries to administer some aspect of the funds if the EC Delegation in country has insufficient appropriate capacity to do the work effectively.
3. A line specifically to support the work of European NGOs (currently B7-6000) when it is of a type and quality that is of interest to the Commission. The emphasis here should be on supporting good quality work by NGOs, innovative approaches, flexibility to adapt to new ideas and ways of working. The fewer policy constraints one seeks to impose on such a line the more flexible it will remain and the better able it will be to concentrate on its core mission which is to support innovative and quality work being done by EU NGOs and around which they are prepared to mobilise their own resources as well.

## **Recommendations for Support to Southern NGOs**

It is important therefore for the European Commission not to concentrate all its efforts on only one form of support to Southern NGOs, but as far as possible keep open all the three options or routes identified above :

1. To work directly with some Southern NGOs : these are likely to be larger, institutionalised and professionalised NGOs of which there will only be a few and in many countries probably none at all . Funding for this could probably come from either policy specific or country specific budget lines
2. Work with Southern governments to support Southern NGOs : this has the important advantage of supporting the building up of a key relationship (that between state and non-state actors in a country) which holds out the prospect of long-term future support, thereby providing the stability and security Southern NGOs need which in turn are key ingredients for sustainability ; supporting the actual dialogue process in this key relationship can also usefully be done with the Decentralised Cooperation line ;
3. To work through EU NGOs who will manage the day to day relationship with the Southern NGO and in doing so provide the more sensitive support and stability required for the Southern NGO to build up its own capacities and flourish

Each of these forms of support have their specificity and value and all three are required if an integrated approach to supporting Southern civil society organisations is to be provided.

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