

Donor relationships with development CSOs at a cross-roads?

A COMPARATIVE STUDY OF CHANGING FUNDING REALITIES IN 6 EUROPEAN COUNTRIES

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KU LEUVEN

HIVA

RESEARCH INSTITUTE FOR
WORK AND SOCIETY

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Research commissioned by NGO-federatie, Belgium

This research was commissioned by NGO-federatie, the professional association of all Flemish NGOs for development cooperation. Ngo-federatie represents 55 members, 39 of whom are accredited by the Belgian government as non-governmental organizations for development cooperation. The work of NGO-federatie consists in defending the interests of its member organizations towards subsidizing governments and in supporting its members to continuously improve their strategies and practices both in the North and in the South.

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Executive summary

This study aims to explore key trends in government funding of Civil Society Organizations (CSOs) involved in development cooperation and humanitarian assistance, based on the situation in six countries: Belgium, France, the Netherlands, Germany, Sweden, and the UK. It is a follow-up to a study that was published by HIVA-KU Leuven in 2015, which observed that an overall increase in CSO funding was accompanied by a growing importance of thematic, geographical, and results-based conditionalities.

Since the publication of the previous study, important **changes have taken place in the international development arena** (section 1). These include (but are not limited to) a populist backlash and shrinking civil space; an increased emphasis on ‘development effectiveness’; the rise of migration on the political agenda; the growing importance of the SDGs; and increased attention for the role of the private sector in development.

An analysis of OECD-DAC data (section 2) reveals that **the upward trend in CSO funding that was observed in the previous study did not persist**. Instead, whereas absolute funding amounts have stagnated, the relative importance of CSO funding in the six countries included in this study has decreased from 12% of ODA in 2014, to approximately 10% in 2016. Meanwhile, funding through CSOs (earmarked funding) remains far more important than funding to CSOs (funding programmed by CSOs themselves). These broad trends mask important differences between countries, with the Netherlands in particular having witnessed the further continuation of a downward trend.

This diversity is also reflected in our country case studies (sections 3 and 4), which are summarized below. Overall, evidence in several of our case study countries (Sweden and to a lesser extent Germany are exceptions) suggests an **evolution towards a more unstable and more fragmented funding landscape**. In several cases, we are witnessing a proliferation of new and often smaller grant schemes with a narrower thematic/geographical focus. This also raises **concerns about CSO-autonomy**; concerns which are reinforced by a continued emphasis on funding through (rather than to) CSOs, and a strong orientation towards results-based management. Overall, our country case studies indicate that bigger and more established players benefit most from these changes in CSO funding.

These funding practices can be described as an instrumental or managerial approach to CSO support. On the other hand, donors such as Germany and Sweden have a tradition of rather stable funding frameworks, respecting CSO autonomy to a large degree, and leaving sufficient space and flexibility so they can play out their political role. The Netherlands is experimenting with a social transformation approach to CSO funding, explicitly supporting the political role of CSOs and minimising bureaucracy.

Finally (section 5), we critically assess three sets of strategies that CSOs (and umbrella federations) can rely on to confront these changing funding realities: diversification of income sources; internal restructuring; and collaboration with other players. While each of these strategies creates opportunities for CSOs, they also present them with new challenges, which are particularly pressing for newer and smaller organizations.

Country case studies: key findings

- **United Kingdom:** End of program funding coincides with proliferation of other grant schemes that tend to have a more explicit thematic/geographical focus, and stimulate collaboration with private sector. Overall high degree of fragmentation and blurring of boundaries between CSOs and private sector. Increased reliance on commercial contractors.
- **Netherlands:** Governmental funding for CSOs decreased drastically in the period under review, and there is fragmentation in the number CSO funding channels. The main funding co-financing mechanism, Dialogue & Dissent only supports lobby and advocacy interventions are supported. The ministry is trying to move away from a 'managerial' approach in its relation with development CSOs.
- **France:** Despite modest increases, CSO funding remains very low. Alongside increase in more traditional grant schemes, there is a proliferation of more competitive project grants that reflect French and EU foreign policy objectives.
- **Belgium:** Fairly generous system of program funding is increasingly complemented with a growing number of competitive project grants with a more explicit thematic/geographical focus. General sense that government-CSO relations are at a turning point.
- **Germany:** CSO funding chiefly takes the form of block grants to political foundations and religious networks, while only a limited share is reserved for 'ordinary' CSOs. CSOs retaining comparatively high degree of autonomy, despite increased emphasis on results and growing importance of special CSO funding initiatives with a specific thematic/geographical focus.
- **Sweden:** Generous system of program funding based on multi-year framework agreements with large CSOs. Smaller and newer CSOs can access government funding through several of these framework partners (prime amongst which is Forum Syd), who are sub-granting funding.

Introduction

This study looks at trends in government funding of development Civil Society Organizations (CSOs) and CSO-donor relations in six European donor countries. It is a follow-up to a 2015 study, which was similarly commissioned by the Belgian NGO-federation, and executed by HIVA-KU Leuven. The 2015 study took stock of changing donor policies and practices against the background of a number of important societal changes, such as the continued impact of the global financial crisis, the rise of the emerging economies, the start of the unfolding migration crisis, but also the conception of the new 2030 Agenda framework. Box 1 summarizes the key findings of the 2015 study on CSO funding.

Box 1: Key findings of the 2015 study by HIVA-KU Leuven

- For the period 2007-2013, we observed a notable increase in CSO funding, although there were important differences between countries. For example, while funding by the UK government more than doubled, the Dutch government significantly reduced its CSO-funding.
- The lion's share of CSO funding takes the form of funding through CSOs (funding to implement donor-initiated projects), rather than funding to CSOs (funding that is programmed by CSOs themselves). The increasing share of the latter raises concerns over a possible instrumentalization of CSOs.
- CSOs are confronted with a growing number of conditionalities. These may be geographical or thematic, but they may also take the form of requirements in the field of accountability and transparency. The growing number of conditionalities raises again concerns over CSO-autonomy.
- There was evidence of a gradual diversification of beneficiaries, beyond traditional NGOs based in donor countries, towards a range of other organizations. Prime examples include diaspora organizations, social entrepreneurs, trade unions, private foundations, and in some cases also private companies.

Since the publication of the previous study, important changes have taken place in the international arena. Security concerns and migration have moved to the top of the political agenda, and populism is on the rise. Trust in public institutions has decreased substantially, and CSOs have not been insulated from this trend. Across the globe, governments are imposing tough requirements on civil society, which raises concerns about 'shrinking civil space'. This study aims to identify and assess key trends in CSO funding against the background of these broader changes. Compared with the 2015 study, this study will take a more detailed look at CSO funding trends in six countries with a longstanding tradition in development cooperation, but also with distinct traditions in terms of government-CSO relations: Belgium, the Netherlands, the United Kingdom, Sweden, France, and Germany.

The remainder of this paper is organized into 5 sections. Section 1 lays out the context, by zooming in on a number of key trends in international development. Section 2 looks at overarching trends in funding levels, through an analysis of OECD-DAC data. Section 3 presents the country case studies, each of which contains a more general overview of trends in CSO funding, and a more detailed assessment of specific funding mechanisms. Section 4 transcends the level of specific countries, by presenting a cross-country analysis of broad changes in CSO funding. Finally, section 5 presents a critical discussion of strategies that CSOs can deploy to deal with these changes.

1 | Setting the context

In this first section, we present a brief overview of selected trends in the international development arena, and how these are affecting the work of both donor agencies and CSOs. While some of the trends have manifested themselves rather suddenly since the publication of the previous study (e.g. the rise of migration on the political agenda), others have been apparent for a longer time, but have become more pronounced in recent years (e.g. private sector involvement and shrinking civil space)¹. As will be demonstrated in the country case studies in section 3, the impact of these trends varies substantially between countries, and shifts in policy discourse do not necessarily translate into practice.

Before proceeding, a couple of words about terminology: while the term CSO is often used interchangeably with the term NGO (including in the OECD's own reporting²), the term CSO encompasses a wider range of organizations, and also includes social organisations (trade unions, cooperatives, ...), social movements (women movement, activists, ...), and religious and nationalist groups³. Although hybrid forms of CSOs exist, the organisations described above differentiate themselves from NGOs in terms of mission, types of activities, social composition and forms of organisation. The extent to which these other organizations are eligible for governmental development funding (ODA) - and are included in CSO funding figures - varies between countries. In our discussion of specific funding mechanisms in section 2, we will try to specify wherever possible what types of organizations that are eligible for funding.

1.1 Towards a post-aid world?

Against the background of broader shifts in the global and domestic (see below) power balance, the relevance of ODA as a mechanism to bring about sustainable development is increasingly being called into question. According to several key observers, we are even witnessing a transition towards a 'post-aid world'. What is certain is that particularly since the fourth high-level forum on aid effectiveness in Busan (Korea), an alternative paradigm has been gaining ground. This paradigm revolves around 'development effectiveness' and multi-stakeholder partnerships, and is characterized by (amongst others) a renewed focus on economic growth - rather than poverty reduction per se - as the prime engine for development. It also has growing attention for the role of the private sector (see 1.3); and an emphasis on the need to bridge the gap between development cooperation and other policy domains, such as trade or defence⁴. Indeed, a growing number of donors are now spending part of their ODA budgets in new ways (e.g. commercial contracts) and for other policy priorities (e.g. migration management), which has raised concern amongst observers about a possible

¹ This section is partly based on a report by the Overseas Development Institute: Kharas, H., & Rogerson, A. (2017). *Global development trends and challenges: Horizon 2025 revisited*. London: Overseas Development Institute (ODI). Retrieved online from <https://www.odi.org/publications/10940-global-development-trends-and-challenges-horizon-2025-revisited>

² OECD-DAC (2018). *Aid for Civil Society Organisations. Statistics based on DAC Members' reporting to the Creditor Reporting System database (CRS), 2015-2016*. Retrieved online from <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Aid-for-Civil-Society-Organisations-2015-2016.pdf>

³ Kaldor, M. (2003). Civil Society and Accountability. *Journal of Human Development*, 4(1)

⁴ Mawdsley, E., Savage, L., & Kim, S. M. (2014). A 'post-aid world'? Paradigm shift in foreign aid and development cooperation at the 2011 Busan High Level Forum. *The Geographical Journal*, 180(1), 27-38.

instrumentalization of aid⁵. This trend has also stimulated debate within and between OECD-DAC countries about what can and cannot be counted as ODA. The 'beyond aid' agenda also found its way into the SDGs, with a lot of references to the role of the private sector, financing for development, and economic growth as key mechanisms for sustainable development.

1.2 The populist backlash and shrinking civil space

Meanwhile many countries have seen the emergence of broad and diverse populist movements that militate against politics as usual. The rise of populism is posing important challenges to the international development sector, and the values underpinning it⁶. In line with declining trust in government institutions, public trust in NGOs has declined dramatically. According to the Edelman trust barometer, an annual online survey of trust, while NGOs are still seen as more trustworthy than governments, the number of respondents that perceive them as trustworthy has declined from 66% in 2014 to 53% in 2017⁷. Trust in NGOs has been dealt a further blow in 2018 by a series of scandals related to organizational ethics towards vulnerable groups, prime amongst which the Oxfam scandal in the UK. These scandals have raised questions about core principles and values underpinning the NGO sector.

In an attempt to respond to this mounting societal criticism, OECD-DAC donors are increasingly marrying ODA with national political and economic interests. A clear example is the UK government's aid strategy, which is aptly entitled 'UK aid: tackling global challenges in the national interest'. In many instances, this translates into the promotion of the private sector, or migration management.

This increased scepticism of the development sector also contributes to, and is simultaneously being reinforced by, a trend towards 'shrinking civil space'. This shrinking of civil space is a broad term used to describe a variety of strategies deployed by governments and other societal actors to suppress (specific forms of) civil society activism⁸. It is typically associated with developing country governments that are trying to restrict the work of CSOs through various forms of regulation (e.g. restrictions on foreign funding) or even through outright repression⁹. Throughout the research, examples were provided of how governments are increasingly creating a hostile environment for the operations of CSOs, either directly, for example by arresting CSO staff or cutting the possibility of receiving foreign funding, or more indirectly through for example social media taxes.

In addition, there is a growing concern that this trend towards shrinking civil space can also be observed in OECD-DAC countries, where CSOs are facing a growing number of regulations and restrictions that complicate their work, and might even impinge on their autonomy. In some cases, these regulations and restrictions are the product of the results agenda and the associated drive for transparency and accountability. In other cases - the most infamous case being the UK Lobbying Act (see p. 27) - these restrictions are more far-reaching, and are clearly situated within the political domain.

5 Concord (2018). *Aidwatch 2018 Security Aid. Fostering development, or serving European donors' national interest?*

6 Derszi-Horváth, A. (2016). *Western populism is a fundamental threat to the humanitarian system*. Retrieved online from <https://www.theguardian.com/global-development-professionals-network/2016/nov/26/western-populism-is-a-fundamental-threat-to-the-humanitarian-system>

7 Comish, L. (2017). *In an era of declining trust, how can NGOs buck the trend?* Retrieved online from <https://www.devex.com/news/in-an-era-of-declining-trust-how-can-ngos-buck-the-trend-89648>

8 Transnational Institute – TNI (2017). *On "shrinking space", a framing paper*. Retrieved online from https://www.tni.org/files/publication-downloads/on_shrinking_space_2.pdf

9 Rutzen, D. (2015). *Civil society under assault*. *Journal of Democracy*, 26(4), 28-39.

1.3 The privatization of development?

A third trend that was already highlighted in the previous study, but has arguably become even more pronounced in recent years, is increased attention for the role of the private sector in development. Initiatives in the field of sustainable development are rapidly becoming part and parcel of core business strategies, and the sustainable development goals (SDGs) provide companies with a convenient framework for engaging in development work. Increased attention for the role of the private sector is also apparent in the growing importance of ‘innovative financing instruments’ like blended finance, and in the increased use of commercial contracts by big donors such as the US, the UK, and the EU (see box 1, p. 25-26). During the Addis Ababa conference on Financing For Development, donors committed to back more private sector involvement in development, amongst others through development finance institutions¹⁰.

While increased attention for the role of the private sector may well be the product of an ideological project, and is often presented as a response to ‘inefficient’ or even ‘undeserving’ NGOs, it may also offer a practical response to the increased workload facing development agencies. For example, in an attempt to deal with a combination of rising ODA-budgets and stagnating operational budgets, the British Department For International Development (DFID) is now outsourcing the management of entire funding schemes to private consultancies. As we will see throughout this report, these financial and administrative constraints emerging from austerity measures are a challenge for most if not all donor agencies in the countries under review.

1.4 The Sustainable Development Goals (SDGs)

Over the last few years international policy debates about global development have gradually been taken over by the 2030 Agenda, adopted by UN Member States in 2015. The SDG framework offers for the first time in history a global development agenda that transcends the aid sector and the traditional North-South paradigm. Both donors and development CSOs are increasingly framing their work around the SDGs¹¹. While the initial excitement still endures to a large degree, civil society organisations are starting to experience how specific principles underpinning the 2030 Agenda are used by powerful players to advocate for certain agendas or to limit the influence of other agendas. Firstly, the international rhetoric around the beyond-aid agenda has served part of the donor community to withdraw from existing ODA commitments (see also 1.1). In several OECD countries, including Belgium and the Netherlands, policy documents question for example the relevance of the 0,7% target, arguing that ODA quality is more important than quantity, and that other financing sources need to be mobilised. Secondly, several donors find support for their own policies in the SDG’s attention for the role of the private sector. Indirectly, this part of the SDG-agenda can be interpreted as an argument for a stronger focus on economic growth rather than redistribution or poverty reduction. This translates for example in shifts in funding priorities, in several countries CSO funding cuts went hand in hand with higher budgets for private sector programmes. Civil society concerns around the systematic privatisation of public services and the concentration of power in global supply chains tend to be brushed away by parts of the donor community as old-fashioned and not in line with the spirit of the SDGs. The strong focus on multi-stakeholder partnerships thirdly, is mostly attractive for the parts of civil society oriented towards collaboration with government and business. It emphasises managerial CSO roles, where CSOs are efficient and collaborative service-delivery agents of pre-designed plans of donors. The political role of civil society risks moving to the background. Finally, concerns have been raised over the SDG’s potential to fundamentally transform

¹⁰ Jakiela, P., & Kenny, C. (2018). *Is the Donor Agenda for the SDGs Making Aid a Tool of Inequity?* Retrieved online from <https://www.cgdev.org/blog/donor-agenda-sdgs-making-aid-tool-inequity#.W-7-jAsr32M.mailto>.

¹¹ Hege, E., & Demailly, D. (2018). *NGO mobilisation around the SDGs*. Paris: IDDRI. Retrieved online from https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20iddri/Etude/ST0118_EH%20DD_SDGs%20NGOs.pdf

the development industry, not least due to the sheer number of goals and targets, and the fact that many of these goals and targets remain ill-operationalized¹².

1.5 Tackling the root causes of migration and insecurity

The ‘migration crisis’ has led to the emergence of a powerful political narrative that treats ODA as an instrument for migration management. On the one hand, growing amounts of ODA are now being spent on strengthening the capacity for refugee reception inside donor countries (in-donor refugee costs). On the other hand, a growing number of development interventions abroad are being framed as part of a broader effort to tackle the root causes of migration, such as unemployment or instability. Indeed, together with migration, security concerns are increasingly interfering with the development agenda. This narrative that aid can tackle the root causes of migration is controversial as it is not supported by empirical evidence, and there is growing concern about the ‘instrumentalization of aid’ for migration and security purposes¹³.

1.6 Poverty and fragility

Thirdly, while global poverty has decreased substantially in recent years, it is increasingly concentrated in ‘fragile environments’ that are marked by weak state presence and/or by violent conflict. Both donors and development CSOs are increasingly directing their resources to these fragile settings, which raises questions about the plight of middle-income countries in the international development infrastructure¹⁴. While extreme poverty is decreasing around the globe, studies show that those escaping extreme poverty might get stuck in a fragile situation of near-poverty. In addition, extreme inequality is on the rise globally with increasing concentration of wealth at the top, going hand in hand with a trend of falling social mobility.

1.7 Digital development

Fourthly, the rise of digital technology is presenting development CSOs with challenges as well as opportunities. While new communications technology creates new opportunities for social mobilization, it has also led to the emergence of new forms of online activism that exist alongside or may even compete with traditional CSOs. One specific threat to Northern development CSOs is that digitalization may contribute to a further weakening of their role as intermediaries between donors and recipients in the south to new players. More broadly, digitalization is now an important theme on many donors’ agendas, and this seems to offer ample opportunities to new and innovative players.

12 Kharas, H., & Rogerson, A. (2017). *Global development trends and challenges: Horizon 2025 revisited*. London: Overseas Development Institute (ODI). Retrieved online from <https://www.odi.org/publications/10940-global-development-trends-and-challenges-horizon-2025-revisited>

13 Concord (2018). *Aidwatch 2018 Security Aid. Fostering development, or serving European donors' national interest?*

14 Economist (March 16, 2017). *The very poor are now concentrated in violent countries. Aid policy must evolve*. Retrieved online from <https://www.economist.com/news/leaders/21718911-world-bank-right-send-development-economists-conflict-zones-very-poor-are-now>

2 | CSO funding at a glance

Key takeaways

- ✓ While the total CSO funding in the six donor countries has continued to increase in absolute terms since 2015, its relative importance (as a share of total ODA) is decreasing.
- ✓ ODA funding channelled through CSOs (i.e. funding that is programmed by the donor government) remains far more important in volumes than ODA channelled directly to CSOs (which is programmed by CSOs themselves).
- ✓ There are important differences between countries. CSO funding has notably increased in absolute terms over the last 5 years in Germany and the UK (although declining after peaking in 2015), and to a lesser extent in France (where CSO-funding remains extremely low), and Sweden. The Netherlands has seen the continuation of a downward trend, although CSO funding remains relatively high compared to most other donor countries. In Belgium there is a gradual erosion of CSO funding.

2.1 Methodological note

In this section, we aim to assess general trends in CSO funding levels, relying on OECD-DAC data¹⁵. A word of caution is appropriate here. The lack of consistency of this data has been reported in other studies, although this has improved since 2013-2014 when reporting procedures were fine-tuned. Respondents contacted for this study also highlighted problems with OECD-DAC data, which were mainly related to differences in national accounting procedures, and in national definitions of the type of organizations that qualify as CSOs. Another problem is the artificial distinction between aid to and aid through CSOs. In general, ‘aid to CSOs’ is understood as funding that is programmed by CSOs themselves, whereas ‘aid through CSOs’ are earmarked funds that are channelled through CSOs to implement donor-initiated projects¹⁶. In practice, however, the distinction is often difficult to make, and there exist important differences between countries in terms of what is counted as funding to or through CSOs. Together, these different observations mean that we should exercise a degree of caution when using OECD-DAC data as a basis for evaluation trends in CSO funding. Germany is a case in point: until 2014, it reported all CSO funding as ‘aid through CSOs’. Yet from 2015 onwards, over 50% was suddenly reported as ‘aid to CSOs’.

Despite these caveats, we are convinced that an analysis of OECD-DAC data can provide us with a broad overview of key trends in CSO funding levels in the different countries included in this study. Given its growing importance as a donor, as well as the fact that all six countries are (at least for the time being) EU member states, we have also included data from EU institutions. Based on the findings of a similar exercise that was undertaken as part of the 2015 study, we were particularly keen to find out whether the upward trend observed for the period 2007-2013 has persisted.

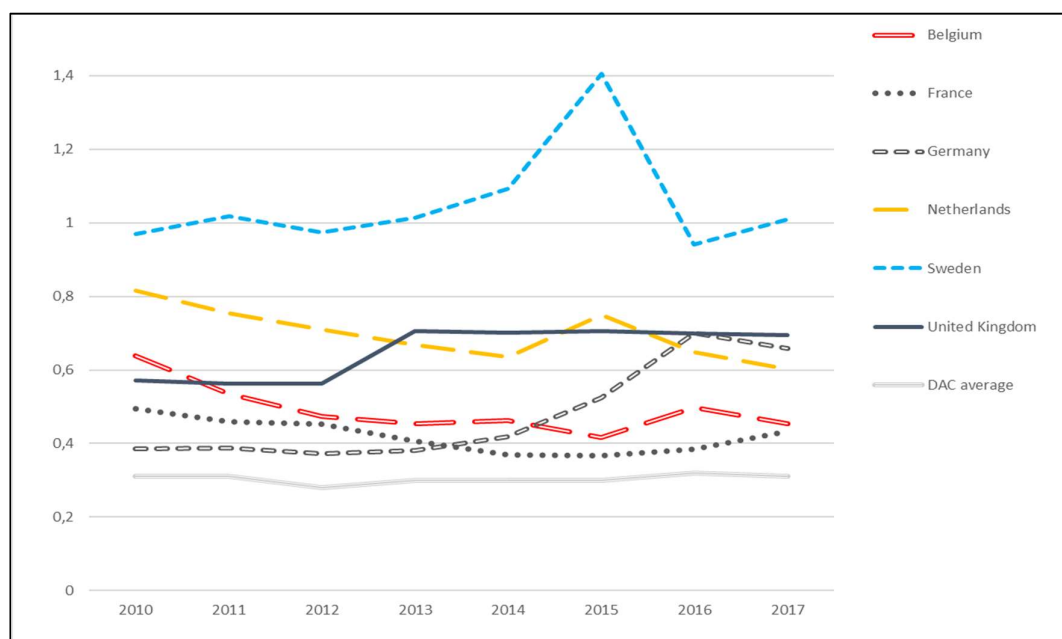
¹⁵ We relied on a recent report published by the OECD-DAC, complemented (where necessary) by raw data from the OECD-DAC website. See OECD-DAC (2018). *Aid for Civil Society Organisations. Statistics based on DAC Members' reporting to the Creditor Reporting System database (CRS), 2015-2016*. Retrieved online from <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Aid-for-Civil-Society-Organisations-2015-2016.pdf>

¹⁶ Ibid.

2.2 ODA withstanding the populist tide?

When looking at overall trends in ODA-spending, one can conclude that it seems to have largely survived austerity measures and the populist backlash - although only two countries (Sweden and the UK) currently achieve the 0.7% target. There is significant variation between countries: while the downward trend in Dutch ODA-spending has continued, Germany has seen a notable increase in its ODA-spending since 2013. Another observation is the peak in ODA spending in 2015-2016 in Germany, the Netherlands, and Sweden. This peak is primarily related to a temporary increase in in-donor refugee costs, part of which were included as ODA spending - a trend that is worrying international NGOs¹⁷.

Figure 2.1 ODA (as % of GNI)



Source Data retrieved from OECD-DAC website (where?)

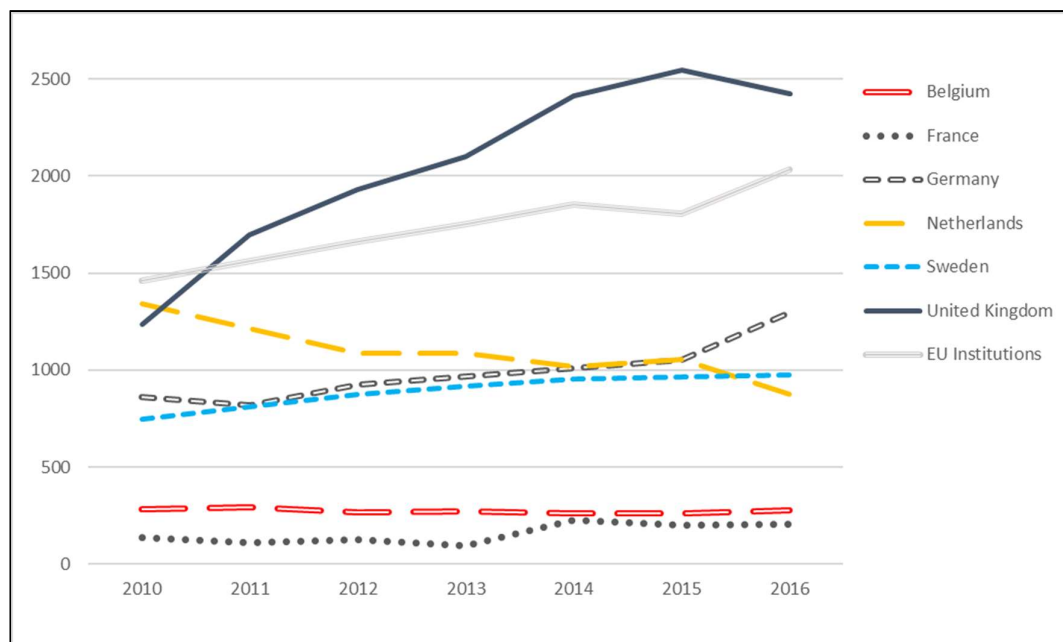
2.3 CSO funding under threat?

When taking a closer look at absolute CSO funding levels (figure 2.2), the UK and EU are spending the largest amounts of ODA to and through CSOs. In terms of the relative importance of CSO funding as a share of ODA (figure 2.3), the Netherlands has been overtaken by Sweden, which now spends around one fifth of its ODA to and through CSOs. CSO funding in the Netherlands has decreased further since the publication of the previous study, both in absolute and in relative terms. In most other countries (France, Germany, Sweden, UK) and at the EU level, CSO funding has increased slightly in absolute terms.

However, trends in absolute funding levels do not necessarily reflect trends in ODA spending as a whole. Instead, with the exception of Sweden, the relative weight of CSO funding in ODA-budgets has either stagnated (France, and arguably also Belgium, the EU and the UK) or decreased (Germany, Netherlands, EU, UK), stagnated (France) or slightly decreased (Germany).

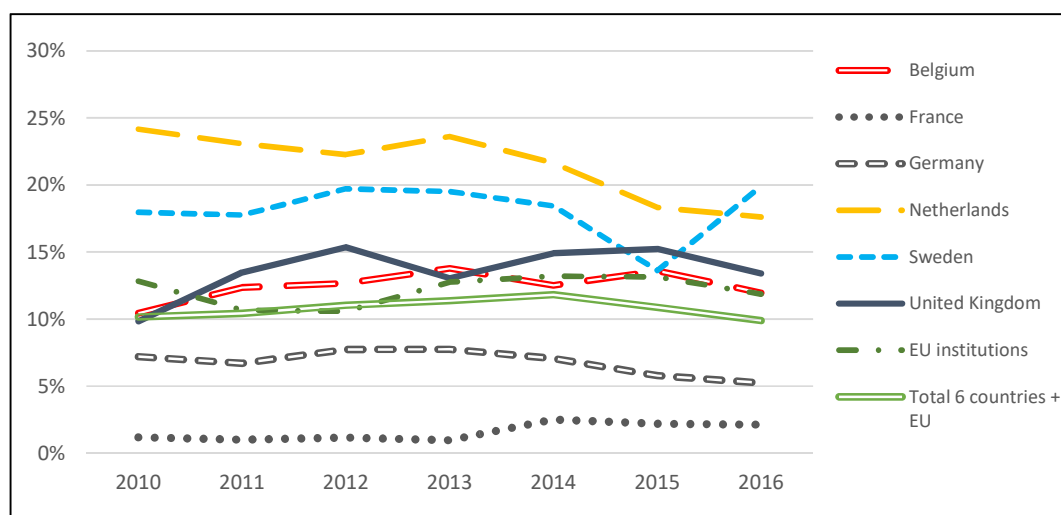
¹⁷ Concord Aidwatch (2017): https://concordeurope.org/wp-content/uploads/2017/10/CONCORD_AidWatch_Report_2017_web.pdf

Figure 2.2 ODA channelled to and through CSOs (in million USD, constant 2015 prices)



Source OECD-DAC (2018)

Figure 2.3 ODA channelled to and through CSOs (as % of ODA)



Source OECD-DAC (2018); data retrieved from OECD-DAC website

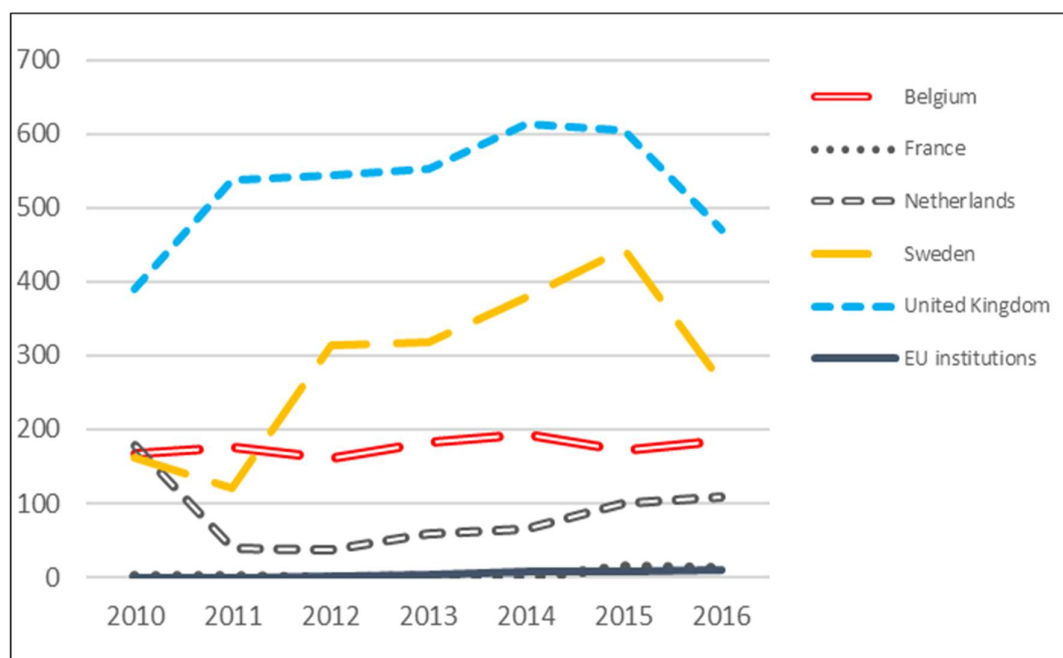
2.4 Changes in funding to/through CSOs

When distinguishing between ODA that is channelled to and through CSOs (figures 2.4 and 2.5), a stagnation of support ‘to CSOs’ can be observed in most countries (Belgium, Netherlands and France), or a reduction (UK and Sweden). The data for Germany was removed because its coding of aid to and through CSOs was changed after 2014.

Two countries (UK, Sweden) have seen a strong decrease in funding to CSOs in 2015-2016, going hand in hand with an increase in funding through CSOs. In the Netherlands, funding to CSOs slightly

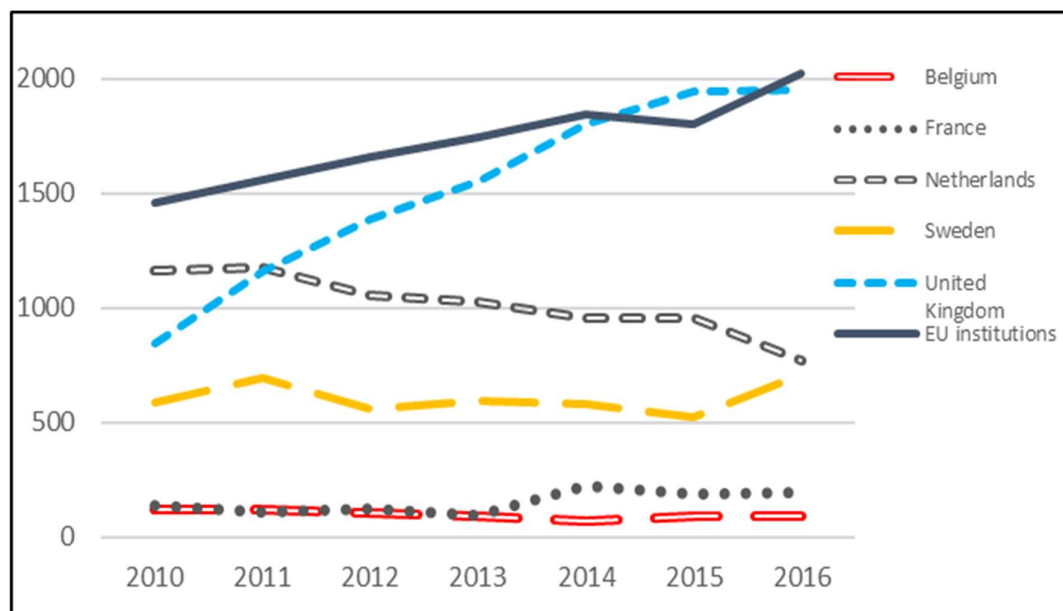
picked up after reaching an all-time low in 2011, while funding through CSOs has continued to decrease. Data for Belgium reveal a picture of stagnation for funding to- as well as through CSOs. Finally, while the amount of EU and French ODA that is channelled directly to NGOs remains negligible, both have seen an increase in funding through CSOs.

Figure 2.4 ODA channelled to CSOs, excluding Germany (in million USD, constant 2015 prices)



Source OECD-DAC (2018)

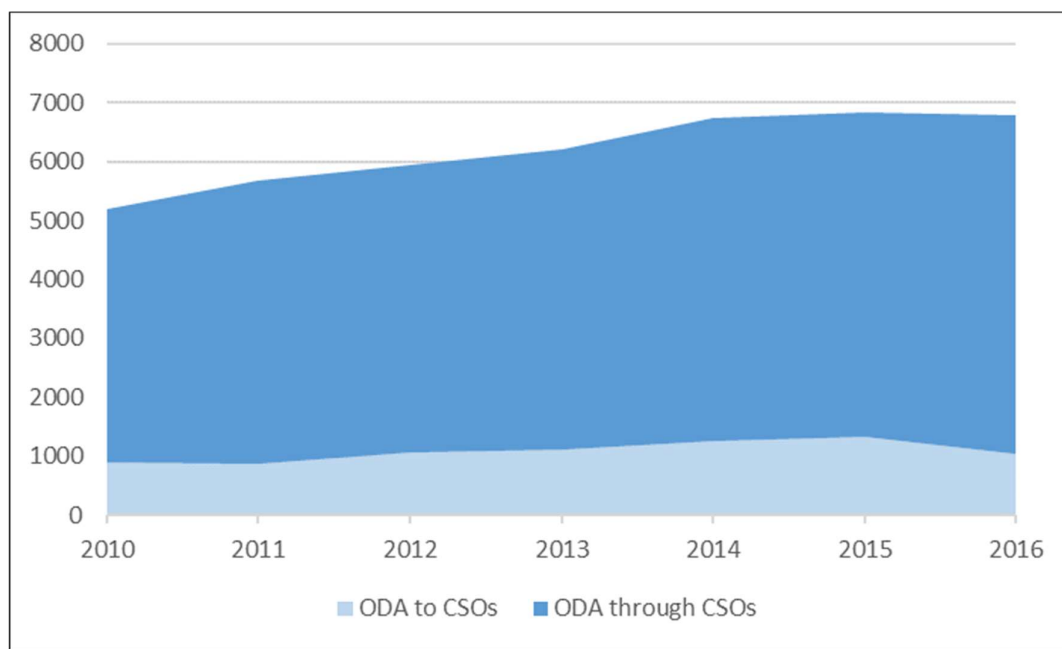
Figure 2.5 ODA channelled through CSOs, excluding Germany (in million USD, constant 2015 prices)



Source OECD-DAC (2018)

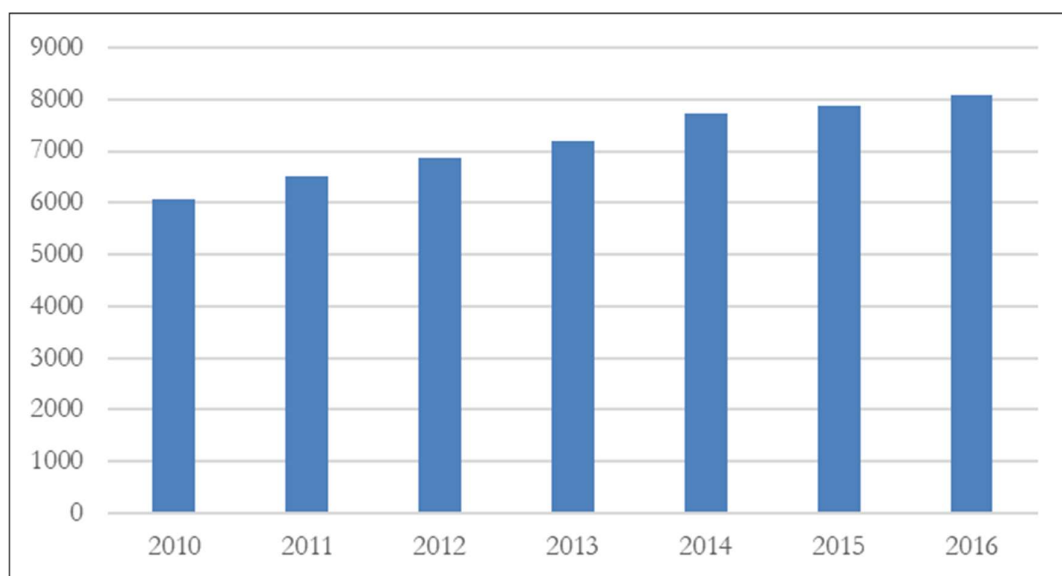
Overall, funding through CSOs clearly remains far more important than funding to CSOs. While figures 2.6 (which presents the aggregated data for five countries included in this study, so excluding the EU and Germany¹⁸, in absolute terms) seem to suggest that the divide has widened further.

Figure 2.6 ODA channelled to and through CSOs, aggregate of five countries and EU (in million USD, constant 2015 prices), excluding Germany



Source OECD-DAC (2018)

Figure 2.7 ODA channelled to and through CSOs, aggregate of six countries and EU in million USD, constant 2015 prices), including Germany



Source OECD-DAC (2018); data retrieved from OECD-DAC website

¹⁸ The data for Germany was removed because its coding of aid to and through CSOs was changed after 2014

Returning to the main question of this chapter (has the upward trend in CSO funding observed in the previous study persisted), figure 2.7 reveals that for the six countries in this study and the EU, absolute amounts of CSO funding have stagnated since 2014. Arguably more important is the observation (see figure 2.3) that the relative importance CSO funding has decreased from 12% of ODA in 2014, to approximately 10% in 2016. A third important observation is the continued dominance of funding through CSOs over funding to CSO's, although this observation disguises important differences between countries.

3 | Country case studies

3.1 Methodological note

The country case studies presented in this section are based on a review of available evidence (including academic literature, reports from think tanks, news reports, studies and reports from CSOs, and various policy documents) as well as key informant interviews with respondents from government agencies, academia, and civil society (see appendix 1). This initial analysis was then refined through a sense-making workshop that was organized in Brussels on September 20, 2018, and a presentation of the preliminary findings during a Concord event on October 9, 2018. Rather than aiming for an exhaustive analysis of the CSO funding landscape in each of the countries, our aim was to tease out a number of overarching trends, similarities and differences, which are brought together in our cross-country analysis in section 4.

Inevitably, the level of detail achieved by these case studies varies depending on the availability of respondents and existing evidence. At the very least, each of the case studies contains a more general overview of changes in CSO (funding) policies, as well as an overview of the key CSO funding channels for development cooperation and for humanitarian assistance. In addition, each of the case studies contains a more in-depth analysis of one (Sweden), two (UK, Germany, Netherlands) or three (Belgium, France) funding mechanisms. Aside from documenting their main features, the schemes were assessed according to the degree of competition they envisage, their accessibility (particularly for newer and smaller CSOs), respect for CSO-autonomy, and degree of political interference.

3.2 The United Kingdom

Key takeaways

- ✓ With the Civil Society Partnership Review (2016), DFID put an end to program funding, in the form of the Programme Partnership Agreements (PPAs).
- ✓ The end of program funding coincided with a proliferation of new funding schemes, which tend to have a more explicit thematic and/or geographical focus, and tend to stimulate some form of collaboration with the private sector. Many are also managed by private consultancy firms. As a result, the UK now has a fragmented and highly competitive funding landscape.
- ✓ While DFID has been trying to diversify the range of funding beneficiaries, there are important indications that CSO funding continues to privilege bigger and more established players.
- ✓ The private sector is increasingly leaving its mark on CSO funding, as epitomized by (1) the emphasis on collaboration between CSOs and the private sector; (2) the role of consultancy firms in managing CSO funding; and (3) the growing importance of commercial contracts.

3.2.1 Setting the context

The development sector in the UK has not been insulated from the political instability and populist backlash that hit the country in recent years. Amidst political uncertainty, the relevance of the Department for International Development (DFID) and even of ODA itself, has repeatedly been called into question by nationalist forces within the conservative party, who believe that charity ‘starts at home’¹⁹. In November 2015, the UK government published a new aid strategy: ‘UK aid: tackling global challenges in the national interest’. With this strategy, it seeks to respond to mounting societal criticism²⁰, by explicitly marrying aid spending to national economic and political interests. Despite this upheaval, the UK is now one of the few countries that reaches the UN development spending target of 0.7% of GNI – a commitment that is enshrined in law.

A substantial share (13-15% in recent years) of this ODA-budget is being channelled ‘to’ and particularly ‘through’ CSOs (see also section 2.4). This observation is reflected in a recent study which was published by Bond (the umbrella organization for development CSOs in the UK) in October 2018, as follow-up of a 2016 study which analysed the income sources of 305 of its 393 members. In the period 2006-2016, the overall income of this group of NGOs went up from 2,5 billion to almost 4 billion British pounds. From this, government funding represented the most important source of income (around 33%), followed by individual giving (31%). However, the increased funding volumes have been almost fully absorbed by a small group of large NGOs (with annual budgets of over 40 million pounds). Two-thirds of the income is going to only 25 NGOs. According to the same report, medium-size and smaller CSOs are losing out, and do not or hardly benefit from higher governmental funding levels²¹. Another study was conducted by researchers from the universities of Sheffield and Manchester, who analysed the income sources of 898 development NGOs, including many smaller organizations that are not Bond-members. The picture that emerges from their study is more positive for medium and smaller CSOs: the development sector is thriving, with both the number of organizations and overall expenditures on the rise. The most important source of funding for the NGOs included in this study is not government funding, but income from the public, which accounts for roughly 40% of all income. At the same time, this report confirms the high concentration of income, with 8% of organizations controlling 88% of total expenditure²².

Before zooming in on these changes, two important caveats are in place. First, a substantial part of DFID’s CSO funding is being distributed in a decentralized way, through its country offices. However, funding practices vary widely between country offices and it is challenging to obtain accurate data. For this reason, with the exception of humanitarian funding through DFID’s country offices, this decentralised types of funding will not be discussed further in this paper. Secondly, arguably the most important trend in terms of development spending by the UK government is DFID’s increased reliance on commercial contracts. It is crucial to note that although CSOs can apply for commercial contracts, they operate according to a different logic than grants (see table 3.1). For this reason, while commercial contracts are discussed separately (in box 1), the remainder of this section is devoted to more traditional grant schemes.

19 Bloomfield, S. (2017). *The war on aid: the hidden battle inside Priti Patel's own department*. Retrieved online from <https://www.prospectmagazine.co.uk/politics/the-war-on-aid-the-hidden-battle-inside-priti-patels-own-department>

20 A new Eurodad report calculates that around 90% of UK aid can be labeled as tied aid: Development, untied: Unleashing the catalytic power of Official Development Assistance through renewed action on unttying (Eurodad, Sept 2018)

21 Bond (2018). *Financial trends for UK-based INGOs An analysis of Bond members' income between 2006 and 2016*. Retrieved online from www.bond.org.uk/sites/default/files/resource-documents/financial_trends_for_uk-based_ingos.pdf

22 Brockington, D., & Banks, N. (2017). *Changes in Expenditure, Income, and Income Sources for development NGOs based in the UK* Report from University of Sheffield. Retrieved online from <https://www.sheffield.ac.uk/news/nr/development-ngos-charitable-expenditure-research-1.747024>

Table 3.1 Differences between grants and contracts

	Grants (for projects or programs)	Commercial contracts (through competitive tenders)
Key characteristics	Direct financial contributions to organizations or projects	Mutual agreement for the delivery of specific goods or services
Eligibility	Strong focus on not-for-profit organizations, although private sector may be eligible	Strong focus on private sector, although not-for-profit organizations may be eligible
Legal matters	Not subject to the rules of procurement	Subject to rules of procurement
Funding modalities	<ul style="list-style-type: none"> - Typically awarded through (more or less) competitive CfPs - Reimbursement of (part of) eligible costs 	<ul style="list-style-type: none"> - Awarded through strict tendering procedures - Amounts correspond to agreed-upon price, which may include a profit margin - Ex ante payment by results: risks incurred by the contractor
Autonomy?	Substantial, within the limits set by policy strategies and by the specific conditions of the grant agreement	Limited due to strong focus on results delivery

Source https://ec.europa.eu/europeaid/about-funding_en

Box 1: The rise of the contractors

In recent years, major donors like the US, the UK, and the EU have been spending growing amounts of ODA through commercial contracts. These contracts differ from more traditional grants for projects and programs (such as those discussed throughout this paper) in a number of ways. Most importantly, while grants still leave (to varying extents) room for autonomy on the part of the beneficiary, contracts are explicitly oriented towards the delivery of specific goods or services. This distinction is in line with the financial logic behind contracts. Contracts are granted on the basis of tendering procedures and procurement regulation, which is used when a government is looking for a contractor that executes a service that it cannot deliver itself. This often translates into a form of ex-ante payment by results, which shifts the burden of risk to the contractor. Contrary to traditional CSO grants/program funding, these type of schemes are often accessible and attractive to commercial actors, such as consultancy bureaus or other business players. In practice, the distinction between grants and contracts is actually fading: while grants increasingly come with strings attached, contracts are being awarded for an increasingly wide range of tasks, some of which move to the heart of CSO development cooperation. At least five factors are contributing to the rise of commercial contracts²³. One is the changing nature of development cooperation of these donors, which increasingly takes the form of (purportedly) technical forms of assistance, such as strengthening a country's tax code. A second factor is lacking capacity on the part of donor agencies which creates incentives to outsource. Thirdly, contracts provide a convenient response to demands in the field of accountability and efficiency. Fourthly, private contractors provide an alternative for a weak state or civil society in 'fragile environments'. And finally, the hype in the donor community around the private sector, also pushed by conservative governments across Europe, has facilitated the design of new or tweaking of existing funding channels to improve private sector access.

In the specific case of the UK, while DFID has been using commercial contracts since the 1990s, they became particularly widespread under the conservative government of David Cameron (2012-2016)²⁴. Large consultancy bureaus have been very successful in accessing contract funding in the UK, US and at EU level. By 2016-2017, DFID was spending £1.4 billion, or 14% of its budget, through private sector contracts²⁵. To manage this growing number of contracts, DFID introduced framework agreements: multi-year contracts under which a number of consortia become preferred suppliers within a specific area of expertise. While some of these framework agreements focus on technical questions such as M&E or the provision of goods and equipment, others have a broader scope. One example is the 'Economic Development Framework' (which replaced the 'Wealth Creation Framework'), which aims to "deliver economic development and poverty

23 Economist (2017). *A growing share of aid is spent by private firms not charities*. Retrieved from <https://www.economist.com/international/2017/05/06/a-growing-share-of-aid-is-spent-by-private-firms-not-charities>

24 Valters, C., & Whitty, B. (2017). *The Politics of the Results Agenda in DFID 1997-2017*. London: Overseas Development Institute.

25 ICAI - Independent Commission for Aid Impact (2017). *Achieving value for money through procurement – Part 1: DFID's approach to its supplier market*. Retrieved from <https://icai.independent.gov.uk/html-report/achieving-value-money-procurement-part-1-dfid-approach-supplier-market/>

reduction outcomes for the UK's development operations"²⁶. Moreover, in an attempt to deal with a growing workload, DFID has also been outsourcing the management of entire funding schemes - including CSO funding schemes such as UK Aid Direct and UK Aid Match - to private consultancies.

In recent years, criticism of these contracts has grown, not only on the part of CSOs that decry the 'privatization of aid'²⁷, but also from within the government²⁸ and parliament²⁹. Broadly speaking, this criticism has revolved around two issues. One is the exclusionary character of the contracts. The demanding nature of the tendering process and the practice of payment-by-results make bidding for contracts not only time- and resource-consuming, but also very risky. As a result, contracts are mostly awarded to a small number of specialized companies, such as PWC and Adam Smith International. For the period 2010-2016, no CSOs ranked among DFID's top-10 contractors³⁰. Instead, CSOs are often degraded to 'bid candy', used to strengthen consortia bids but dropped once the bid is won³¹. A second strand of criticism has broadly focused on ethics, exposing instances of mistreatment of sub-contractors (often local NGOs) by lead contractors. This is related to a broader concern about a lack of oversight on the part of DFID over its supply chains.

In response to these criticisms, DFID launched its supplier review, which was meant to stamp out unethical behaviour and diversify DFID's supplier base. Amongst others, DFID pledged to cut red tape, and break down tender sizes in an attempt to encourage bids from smaller organizations. At the same time, it imposed even tougher requirements in the field of transparency and accountability. Many worry that these measures have increased entry barriers for (smaller) CSOs even further³². On the positive side, there are initial indications that at least some of the bigger CSOs are gradually adapting to the new funding reality, and are becoming more successful at bidding for DFID-contracts³³.

3.2.2 Shifting funding policies

In November 2016, DFID published its Civil Society Partnership Review. With this review, DFID put an end to program funding in the form of the Programme Partnership Arrangements (PPAs). These PPAs were seen by some as a catalyst for innovation in the development sector, because they provided selected CSOs with a strategic and long-term source of programme funding³⁴. Yet over the years, criticism of the PPAs has grown. Amongst others, critics lamented the risk of complacency and the lack of innovation under the PPA-framework.

Instead, and leaving aside the disparate funding practices by DFID's country offices, CSO funding is now channelled through four 'funding pots' that were either newly created, or significantly expanded with the Civil Society Partnership Review³⁵. In general, when compared with the PPAs, these funding pots represent more short-term funding opportunities with stricter thematic and/or geographical conditionalities:

- 26 For more information see <https://supplierportal.dfid.gov.uk/selfservice/pages/public/supplier/publicbulletin/viewPublicNotice.cmd?bm90aWNISWQ9Njc0NjA%3D>
- 27 Global Justice Now (2016). *The Privatization of UK Aid: How Adam Smith International is profiting from the aid budget*. Retrieved from https://www.globaljustice.org.uk/sites/default/files/files/resources/the_privatisation_of_uk_aid.pdf
- 28 Prime examples include DFID's own supplier review and ICAI (2017). *Achieving value for money through procurement – Part 1: DFID's approach to its supplier market*. Retrieved from <https://icai.independent.gov.uk/html-report/achieving-value-money-procurement-part-1-dfid-approach-supplier-market/>
- 29 House of Commons International Development Committee (2017). *Eighth report of session 2016-2017: DFID's use of private contractors*.
- 30 ICAI, 2017.
- 31 Anders, M. (2017). *DFID cracks down on contractors*. Retrieved from <https://www.devex.com/news/dfid-cracks-down-on-contractors-91180>
- 32 Abrahamson, Z. (2018). *DFID must do more to encourage greater participation in contracts*. Retrieved online from <https://www.bond.org.uk/news/2018/06/dfid-must-do-more-to-encourage-greater-participation-in-contracts>
- 33 Dar, H. (2016). *Move over private sector, NGOs are taking over commercial contracts*. Retrieved from <https://www.bond.org.uk/news/2016/07/move-over-private-sector-ngos-are-taking-over-commercial-contracts>
- 34 The Guardian (2016). *Secret aid worker: the UK NGO sector is facing a funding crisis*. Retrieved online from <https://www.theguardian.com/global-development-professionals-network/2016/aug/02/secret-aid-worker-projectitis-dfid-civil-society>
- 35 Anders, M. (2016). *DFID explains future of NGO funding*. Retrieved online from <https://www.devex.com/news/dfid-explains-future-of-ngo-funding-89114>; <http://siid.group.shef.ac.uk/blog/civil-society-nership-review/>

- UK Aid Direct is the most important funding channel for small- and medium-sized CSOs. It encourages competitive bids for project grants of varying sizes, and with varying degrees of thematic and geographic specificity (see table 3.1);
- UK Aid volunteers is aimed specifically at supporting volunteers;
- UK Aid Match aims to give the British public a greater say in CSO funding, by matching charity appeals with public funding (DFID matches every pound spent for the selected projects);
- UK Aid Connect (which is still in an early phase of implementation) was designed specifically to stimulate coalition-building between public, private, and not-for-profit organizations.

Table 3.2 UK Aid Direct³⁶

Key features	<ul style="list-style-type: none"> - Different types of project grants for small- and medium sized CSOs - Should broadly contribute to achieving DFID's strategic goal of 'poverty reduction through the achievement of the SDGs' - Managed by Mannion Daniels (a consultancy firm)
Funding modalities	Project duration 2-5 years for amounts from below £50,000 up to £4 million.
Eligibility	<ul style="list-style-type: none"> - CSOs (not-for-profit organizations) that meet certain eligibility criteria (including a due diligence assessment of their organizational capacity) - Some grants are open to CSOs from developing countries, others are open exclusively for UK-based CSOs
Private sector	No
Application and selection	<ul style="list-style-type: none"> - Online application portal - Two selection rounds: concept note and full proposal - Proposals are evaluated on the basis of 11 criteria
Reporting and evaluation	<ul style="list-style-type: none"> - Strong focus on M&E throughout project cycle - Value for money integrated into application and evaluation process - Mandatory IATI-reporting for all grant types except small charities challenge fund
Level of competition (++)	Highly competitive due to limited budget and high number of CSOs
Accessibility (+-)	Different grants for different types/sizes of CSOs. However, important entry barriers due to eligibility- and M&E requirements.
Right of initiative (+)	CSOs can develop their own proposals. Different grant types may have different thematic and/or geographical focus, and projects that address certain themes are strongly encouraged (e.g. last funding round focus on nutrition, family planning, modern slavery).
Level of political influence (+-)	Development secretary has strong influence over the geographic and/or thematic focus of funding rounds.

While the Civil Society Partnership Review thus represented an important shift in CSO funding modalities, it also confirmed a number of trends that were apparent for some time. Firstly, changes in CSO funding were clearly aimed at attracting a more diverse range of CSOs; including newer and smaller CSOs that often remained excluded from program funding (through UK Aid Direct), but also private players (through UK Aid Connect). While it is too early to draw conclusions, there are important indications that larger and more established CSOs continue to monopolize access to most funding³⁷. This is related to a second important observation, namely that all of the funding mechanisms discussed above are characterized by a strong emphasis on transparency, accountability, and value for money. After conducting a supplier review in 2016-2017, DFID imposed even tougher requirements on CSOs and commercial suppliers. This is particularly worrying for smaller CSOs, who typically have limited capacity for dealing with such requirements³⁸. Combined with new restrictions

³⁶ For more information see www.ukaidirect.org

³⁷ See, amongst others, Bond (2018). *Financial trends for UK-based INGOs An analysis of Bond members' income between 2006 and 2016*. Retrieved online from www.bond.org.uk/sites/default/files/resource-documents/financial_trends_for_uk-based_ingos.pdf

³⁸ Abrahamson, Z. (2018). *DFID must do more to encourage greater participation in contracts*. Retrieved online from <https://www.bond.org.uk/news/2018/06/dfid-must-do-more-to-encourage-greater-participation-in-contracts>

on political lobbying (the 2014 UK lobbying act³⁹) and requirements to declare overseas funding, these interventions are raising concerns over ‘closing civil society space at home’⁴⁰.

Very recently (August 2018), the British government published its new civil society strategy. While this new strategy recognizes the importance of a vibrant and independent civil society, it takes a rather controversial position by referring in their description of civil society actors to traditional CSOs and the private sector, without highlighting that the ‘for-profit’ element of the private sector requires a different approach and focus. The CSO umbrella structure Bond similarly raised a number of concerns in relation to the emphasis put on private sector involvement, and the lack of clarity on the implications of the anti-lobbying act⁴¹. With regards to CSO funding, while the civil society strategy contains a renewed commitment to grants, it wants to combine them with the “accountability and performance rigor of a contract”. This raises further concerns not only about the ability of smaller organizations to secure grant funding, but also about the autonomy of CSOs, who are increasingly seen as service deliverers.

3.2.3 Other grant schemes

In addition to the four funding pots that were established or reinforced as a result of the Civil Society Partnership Review, there has been a proliferation of other CSO grant schemes that are (partly) funded by DFID. While there exists substantial variation between these schemes, they tend to have a narrower thematic or geographical focus, and in many cases they aim to stimulate coalition-building between CSOs and the private sector. In addition, many of these grants are managed by consultancy firms. A good example is LEGEND, a competitive fund that focuses on land governance and is managed by KPMG. The fund is open for UK-based and foreign CSOs that enter into a partnership with private sector entities that have invested in one of the funds’ target countries⁴². Another example is the Girls’ Education Challenge, a £350 million fund that is managed by PWC, is broadly aimed at improving girls’ lives through education, and also fosters partnerships between CSOs and private companies⁴³. While technically speaking, these schemes still qualify as CSO grants, the progressive involvement of the private sector - both as fund manager and as recipient - and the introduction of contract-like features contributes to an increased blurring of the divide between more traditional grants and new innovative forms of funding, prime amongst which are the contracts.

3.2.4 Humanitarian funding

Humanitarian funding is made available in two ways. In the case of crisis situations that require a swift and efficient response, DFID allocates funding to recognized partners through the Rapid Response Facility (RRF). After discussing with its partners, DFID can decide to open the RRF, and invites proposals. Within 72 hours after activation, it will inform partners whether their proposal has been accepted. Aside from the RRF, DFID is funding longer-term humanitarian projects through its country offices (table 3.2).

39 The ‘Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act’ requires any organizations (including CSOs) that spend over £20,000 on any activities that could be “reasonably regarded” as intended to influence voters in the 12 months running up to an election to register with the electoral commission.

40 Doane, D. (2018). *Is the UK setting a bad example on civil society space?* Retrieved online from <https://www.bond.org.uk/news/2018/02/is-the-uk-setting-a-bad-example-on-civil-society-space>

41 Popplewell, R., & Abrahamson, Z. (2018). *The civil society strategy: what NGOs need to know*. Retrieved online from <https://www.bond.org.uk/news/2018/08/civil-society-strategy-what-ngos-need-to-know>.

42 For more information see <https://landportal.org/partners/legend/kpmg-challenge-fund/overview>

43 For more information see <https://www.gov.uk/guidance/girls-education-challenge>

Table 3.3 Humanitarian funding through DFID's country offices⁴⁴

Key features	Grants for humanitarian funding allocated by DFID's country offices
Funding modalities	<ul style="list-style-type: none"> - Project duration (45 days to multi-year funding) and amounts vary widely - No co-financing requirements
Eligibility	CSOs (not-for-profit organizations), including NGOs, academic institutions, international organizations, ...
Private sector	No
Application/selection procedure	No consistency across countries. In most cases a CfP is followed by one or two selection rounds.
Reporting and evaluation	<ul style="list-style-type: none"> - Strong emphasis on adaptive management - No standardized reporting formats - DFID asks partners to include Value for Money indicators within programme design, which are monitored throughout the project cycle.
Level of competition (++)	<ul style="list-style-type: none"> - Highly competitive funding - DFID encourages consortia bids to minimize workload and/or increase coordination
Accessibility (+-)	<ul style="list-style-type: none"> - Accessible and transparent, but inconsistent across countries - CfPs are widely distributed and open to a wide range of organizations - Various requirements in terms of accountability and reporting (cf. DFID's supplier code of conduct) are posing challenges to smaller organizations.
Right of initiative (-)	<ul style="list-style-type: none"> - Limited by specificity of crisis situation and country strategy - Budgetary constraints limit potential of adaptive management
Level of political influence (-)	Overall fairly independent and based on humanitarian needs, although political agendas and priorities always have an influence

3.3 Netherlands

Key takeaways

- ✓ Governmental funding for CSOs decreased drastically in the period under review.
- ✓ The main funding mechanism, Dialogue & Dissent, is characterised by an important thematic reorientation: only lobby and advocacy interventions are supported.
- ✓ The ministry is trying to move away from a 'managerial' approach in its relation with development CSOs, in an effort to create the necessary space and support for their political role.
- ✓ The simplified selection and reporting procedures and the flexibility in making changes to the theory of change, are expected to create more transformative interventions. However, there are indications that tighter audit and financial regulations, further re-enforced by risk avoidance strategies by Dutch CSOs, are creating new 'managerial' dynamics.
- ✓ At the same time, many other smaller CSO funding channels exist, resulting in a rather fragmented landscape with more CSOs receiving smaller pieces of funding.
- ✓ The Dutch humanitarian channel stands out compared with other countries in how 16 Dutch CSOs are working together through the Dutch Relief Alliance. The approach receives positive evaluations in terms of efficiency and creating a more collaborative environment.

Leaving aside a brief increase in 2015 (which was primarily due to an increase in-donor refugee costs), the Netherlands have seen further cuts in ODA-spending (figure 2.1). Moreover, under liberal Prime Minister Mark Rutte, ODA has become intimately linked with trade and investment. CSO funding has not been immune to austerity measures, and has steadily decreased since 2010 (see figure 2.2). This decrease is most clearly felt for program funding. More recently, a 'paradigm shift' seems to

⁴⁴ For more information see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/404342/Humanitarian-Response-Funding-Guidelines-2015.pdf

have taken place when Rutte's third cabinet assumed office in 2017⁴⁵: the private sector remains a preferential partner for this cabinet but, at the same time, there is a renewed commitment to increasing ODA-spending, while on the other hand, aid is increasingly framed as a mechanism for tackling the root causes of (perceived) threats such as migration and terrorism.

This rather instrumental view on the role of development cooperation is not really reflected in the CSO policies of the Dutch government. The Dutch ministry of foreign affairs has been at the forefront since 2014 in reflecting critically on the role of civil society in development and the added value of Dutch CSOs within that debate. More than any other country in this study it has been launching comprehensive reviews of the effectiveness of the CSO channel⁴⁶, and is commissioning new research⁴⁷ on the assumptions underpinning its civil society strategies. Since 2016, the 'Dialogue and Dissent' policy framework underpins the main funding scheme for CSOs. It forms a drastic departure from earlier funding schemes (Box 2 and next section). However, this is not the only CSO funding mechanism. Actually, looking back at several decades of CSO funding in the Netherlands, Schulpen⁴⁸ concludes that the picture looks increasingly fragmented with overall a smaller CSO budget being divided over an ever increasing number of schemes, resulting in smaller allocations per CSO.

Box 2: Dutch ministry endorses a 'social transformative' approach for the CSO channel

The 'Dialogue and Dissent' policy framework explicitly embraces the political role of CSOs, while other CSO roles are not supported within this funding channel. The underlying idea is that only through lobby and advocacy the root causes of poverty and (gender) inequality can be tackled, through what is described as a 'social transformative' approach⁴⁹. This approach acknowledges that "poverty, inequality and exclusion are caused by power asymmetries and that development is a complex, non-linear and political process". This is set against a 'managerial' approach which focuses on "linear development paths, technical top-down solutions and measurable performance indicators"⁵⁰. The ministry acknowledges that, currently, in reality both perspectives co-exist within and outside the ministry, therefore the 'Dialogue and Dissent' program somehow incorporates elements of both. The policy framework has been translated into a comprehensive theory of change (ToC), supported by a range of theoretical frameworks about the political role of CSOs, advocacy, and advocacy capacity. The approach is further informed by a number of core assumptions (see table below).

The ministry is self-critical about the ToC and has set out research to refine and test the core assumptions underpinning it. However, even at this stage it is **by far the best developed and most comprehensive CSO policy** of the five countries in the study. It builds on years of experience with CSO funding schemes and can be considered for several reasons innovative, as argued in the report⁵¹: (1) the explicit choice to exclusively support the advocacy role of CSOs poses opportunities but also risks; (2) the shift from detailed planning frameworks for CSOs to flexible theories of change; and (3) the attempt to move beyond contractual relations between CSO consortia and the Dutch ministry through a structured partnership approach. It is too early to assess the effectiveness of this financing instrument, but the fact that it is guided by relevant research and evaluation efforts in which the ministry and the CSOs are active partners, increases the chance that the instrument delivers beyond business-as-usual.

	Core assumptions
On development	<ul style="list-style-type: none"> • Poverty, (gender)inequality and exclusion are caused by power asymmetries • Development is a nonlinear political process aimed at changing power relations • Changing power relations often needs and/or breeds friction and conflict • Local ownership of development processes is crucial for inclusiveness, effectiveness and sustainability of development efforts

45 <http://hetnieuwe.viceversaonline.nl/nieuws/paradigmashift-nederlands-ontwikkelingsbeleid-handel-naar-migratie/#>

46 <https://english.iob-evaluatie.nl/publications/policy-review/2017/04/01/416-%E2%80%93-iob-%E2%80%93-policy-review-of-dutch-support-to-civil-society-development-%E2%80%93-shifting-interests-changing-relations-support-under-pressure>

47 <https://www.nwo.nl/en/research-and-results/programmes/assumptions>

48 Schulpen, L. (2016). The NGO funding game - the case of the Netherlands, Working Paper, CIDIN, Radboud University Nijmegen

49 Dutch Ministry of Foreign Affairs (2017). Dialogue and Dissent Theory of Change 2.0: Supporting civil society's political role

50 Ibid (p iii)

51 Ibid

On civil society's role	<ul style="list-style-type: none"> • CSOs play a crucial role in changing power relations • CSOs perform 4 types of political roles to change power relations: <ul style="list-style-type: none"> ◦ Educational (internal & external) ◦ Communicative (linking state & society) ◦ Representational (voice & resistance) ◦ Cooperative (subsidiarity & coordination) • Different roles require different organisational forms (i.e. formal/informal), capacities and different forms of legitimacy • When pressured, informed and/or persuaded by CSOs, states and companies change their policies and practices, and societal groups change their norms and practices to be more sustainable, equitable and inclusive • Assumption/precondition: CSOs need political space to perform political roles • Precondition: CSOs need to be locally rooted, strong, legitimate and autonomous to perform political roles
On donor support	<ul style="list-style-type: none"> • External aid by the Ministry and (mainly Northern) CSOs can strengthen CSOs in LLMICs in their political roles through capacity building and assistance in advocacy processes, including offering protection in hostile environments and lobbying for improved political space • CSOs are actors in their own right and not merely instrumental channels for aid delivery • Promoting civil society's political roles needs a long-term, context-specific approach, which incorporates mutual learning, trust and local ownership • Precondition: The design of the aid chain does not interfere with the aspects mentioned in the previous point

Program funding: Dialogue and Dissent 2016-2020

Until the 1990s the Netherlands had one major program funding scheme (Mede-Financierings Programma, MFP) that benefited four big NGOs (Oxfam Novib, ICCO, Hivos, Cordaid). Meanwhile hundreds of smaller CSOs received ad hoc funding from government departments and embassies. The last two rounds of the co-financing programme (MFS 1 and 2) improved access for other NGOs and CSOs, gradually eroding the exclusive position of the big four. As described in the previous paragraph, the biggest change came with the implementation of the Dialogue and Dissent framework in 2016, the follow-up scheme of MFS 2. This new scheme not only involved a drastic cut in overall CSO budgets (annual budget went down from 385 to 185 million Euro in between 2014-2016). It went hand in hand with substantial changes in the allocation of the funds, with on average much smaller budgets per CSO⁵². Some of the leading NGOs saw their budgets reduced with 70% to 90%. While the new scheme can still be considered as a type of program funding and CSO-autonomy is still largely respected, the ministry has been actively steering specific roles for CSOs. The scheme signalled a drastic shift from the long standing tradition of funding CSO service delivery roles, capacity development and community development, and lobby and advocacy work, to the exclusive focus on civil society's political role. As indicated, in this approach, the Dutch ministry is expected to take-up more than a transactional role. It is considered as an active stakeholder, inside the boundaries of the intervention rather than a distant funding body.

Aside from emphasising the political role of CSOs and creating more freedom for CSOs in determining how they work in developing countries, the move away from a 'managerial' approach also implies less focus on rigid, pre-defined planning documents with tangible indicators. This is expected to reduce the administrative workload for CSOs on the one hand, and to create an environment in which CSOs can be more responsive to changing needs of their partners and changes in the context. The impact of this reform on program management practices has not yet been mapped. At the same time, there are indications that other regulations and trends are taking away

⁵² In section 3.3.1, we explain that in parallel to this reform of the MFS 2 scheme, subsequent ministers of development cooperation also launched different types of smaller thematic funding schemes, adding to an overall fragmentation of the CSO funding landscape.

some of the gains made, possibly resulting in more contractual rather than transformative relationships between Dutch CSOs and their Southern partners. Firstly, there are stricter financial and audit requirements of the Dutch government which translate themselves into shorter contracts with more stop and go funding dynamics. Secondly, the Dialogue and Dissent programme is providing mainly ‘earmarked’ funding for lobby and advocacy activities rather than flexible institutional support, making it harder for Southern CSOs to cover overhead costs and unforeseen emerging costs. And finally, Dutch CSOs are becoming increasingly cautious in how they fund their partners due to the rather hostile political and media environment in the Netherlands in which a small scandal can cause a lot of damage to the organisation. This again translates in some cases into stricter funding procedures, shorter contracts and more red tape.

Another critique relates to the unbalance between ‘dissent’ and ‘collaborative’ components in the current set of CSO programmes⁵³. Many CSOs seem to have opted for more collaborative activities and relationships, rather than challenging the Dutch government on, for example, policy coherence. When the programmes do engage more critically with the Dutch government, several programmes indicate that the Dutch ministry staff in the Netherlands tend to be much more open and constructive towards criticism than embassy staff. The latter are perceived to be highly sensitive about, for example, the reputation of Dutch companies abroad. This raises questions about the extent to which the D&D programme has the same level of support in other ministry department compared to the Social Development Department (DSO) which is responsible for the management most of the CSO funding programmes.

53 Wessel et al. (2017) Mapping the Expectations of the Dutch Strategic Partnerships for Lobby and Advocacy, ISS, Wageningen University, Radboud University

Table 3.4 Dialogue & Dissent programme

Key features	Main funding channel for CSOs: focus on addressing the root causes of poverty by strengthening the political role of CSOs in the South and creating CSO space: strengthening lobby & advocacy capacities, and doing joint lobby & advocacy campaigns; Ministry in roles of funder, partner, learning facilitator, 'critical friend', and supporting an enabling CSO environment.
Funding modalities	Project duration of 5 years
Eligibility	Only CSOs may qualify for the roles of independent applicant, lead party and co-applicant. A CSO, as defined by article 4.1 of the Ministry of Foreign Affairs Grant Regulations 2006, is an organisation which is a legal person under civil law and which is not run for profit and not established by a government body. Under the policy framework there are three types of civil society organisation that may take part in a consortium (see ⁵⁴ for details), but only Dutch CSOs can be in the lead (Southern CSOs and INGOs can part of the consortium).
Private sector	For-profit organisations are ruled out for funding.
Application and selection	<ul style="list-style-type: none"> - Online submissions: focus on credible and evidence-based ToC - The programme needs to cover at least four countries - Co-financing of 25%
Reporting and evaluation	<ul style="list-style-type: none"> - Choice of Planning, Monitoring and Evaluation (PME) model is free as long as compatible with ToC approach - Need to incorporate organisational capacity model (e.g. 5C model) - Mid-term and final evaluation - Obligatory use of IATI reporting framework
Level of competition (+)	Only open to Dutch CSOs with track record in specific areas, so competition is but total budget is considerably lower than earlier calls (MFS 1 and 2)
Accessibility (+/-)	Less PME requirements than earlier calls, but expertise and track record in (1) lobby & advocacy and (2) capacity development for at least 3 years required
Right of initiative (+)	Yes, all proposals welcome as long as thematic focus fits within policy document 'A World to Gain'. In addition there is thematic restriction of lobby & advocacy programs
Level of political influence (+)	Ministry takes a learning-oriented approach, commissioning independent research to assess the added value of the channel.

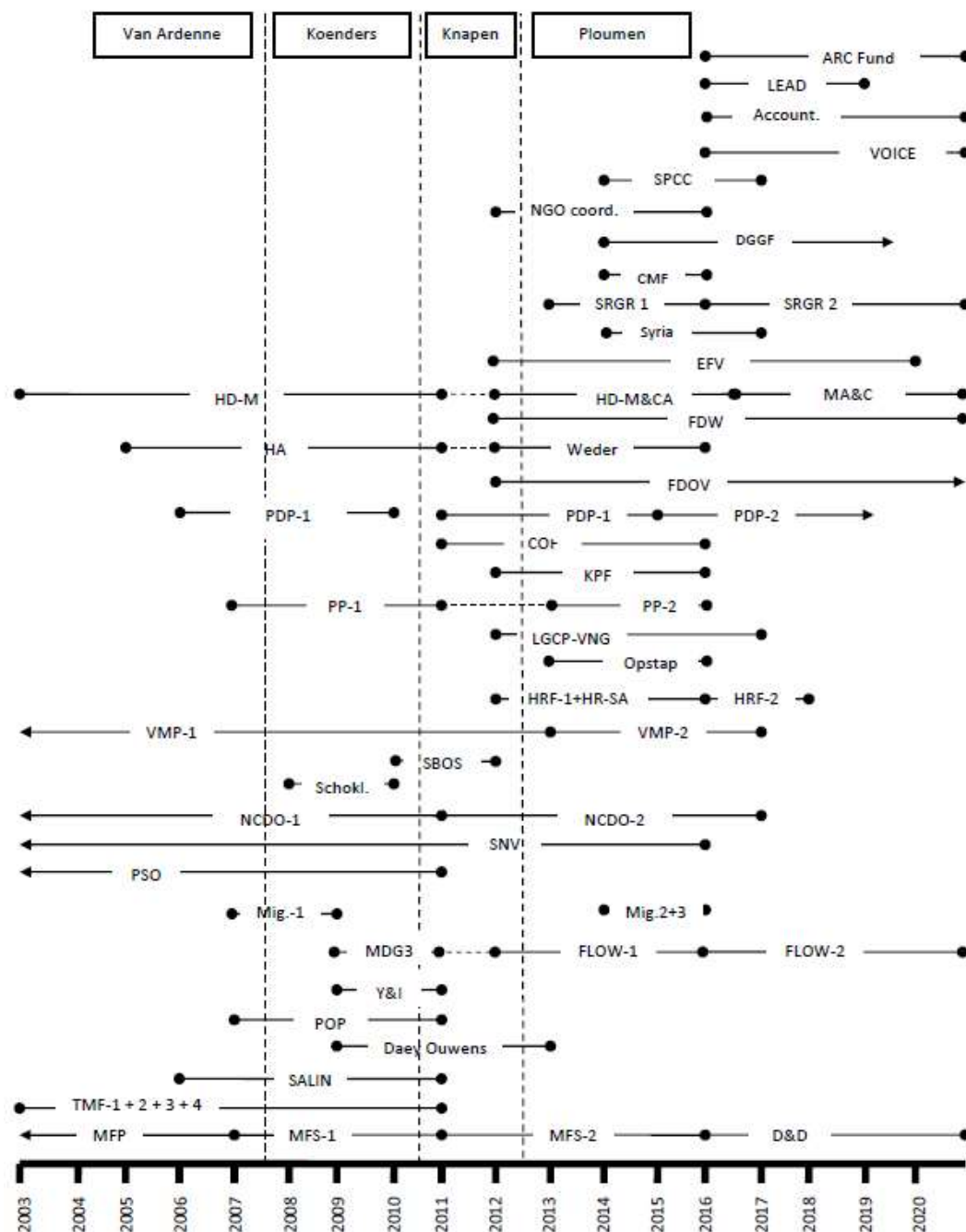
At the time of writing the report, the ministry was reviewing the D&D mechanism. The Dutch ministry indicated it is considering to improve the access of Southern CSOs, possibly also going hand in hand with a review of the role of Dutch CSOs within the aid chain.

A proliferation of smaller funding schemes

Together with the decreasing importance of core funding, there has been a proliferation of smaller funding schemes that more clearly reflect the thematic priorities of successive governments and development ministries. An increasing number of these schemes are being managed by ministries and agencies other than DGIS.

⁵⁴ Questions regarding the 'Dialogue and Dissent' policy framework: - Government.nl (May 2014)

Figure 3.1 Overview of 58 NGO subsidy schemes for the period 2003–2020⁵⁵



The combined result of these changes in CSO funding - some of which were ironically meant to reduce policy incoherence - is a highly fragmented funding landscape⁵⁶. According to some observers, shifts in CSO funding favour smaller CSOs over the bigger CSOs that have long occupied a privileged position in Dutch development cooperation. All of them are now forced to respond to this new reality. Ultimately, and leaving aside questions of CSO-autonomy, the proliferation of smaller funding

55 Schulpen, L. (2016). The NGO funding game - the case of the Netherlands, Working Paper, CIDIN, Radboud University Nijmegen

56 Schulpen, L. (2016). The NGO funding game - the case of the Netherlands, Working Paper, CIDIN, Radboud University Nijmegen

schemes did not compensate for the decrease in program funding. Moreover, while some of the new funding instruments are meant to stimulate collaboration between different CSOs, Schulpen⁵⁷ worries that increased competition for scarce resources (through competitive CfPs) may ultimately undermine the effectiveness of CSOs, who are spending more time on bureaucracy and proposal-writing than on the development of transformational interventions.

3.3.1 Humanitarian funding

Humanitarian aid takes a prominent position in the Dutch ODA landscape, something for which it was commended in the 2017 OECD-DAC peer review⁵⁸. The same peer review did point at the lack of an updated policy that provides a coherent policy framework around the new instruments, leaving it rather vulnerable to future political interference. The main funding mechanism is the Dutch Relief Fund which provides both flexible funding as well as multi-year funding (see table below). Quite specific is the way the CSO collaboration is organised within the Fund. 16 leading humanitarian CSOs are working together in the Dutch Relief Alliance (DRA), which was established in 2014 as a pilot mechanism to improve the delivery of aid for acute and chronic crisis. The set-up of this mechanism went hand in hand with a substantial increase in funding for humanitarian CSOs. In the period 2015-2017, more than 200 million Euro⁵⁹ was channelled in this way, covering multiple crisis situations across 18 countries. Aside from creating a responsive mechanism which allows the delivery of humanitarian aid in a ‘timely, appropriate, effective, and efficient manner’, the DRA has the explicit ambition to improve cooperation and generate synergies between DRA members, but also to ‘tackle bottlenecks in humanitarian practice through co-created innovation, learning, and research’⁶⁰. An overall evaluation of the 2015-2017 programme⁶¹ paints a positive picture of this ambitious funding mechanism. While the collaboration between DRA members did not yet lead to fully integrated joint programming interventions, there is substantial added value of the DRA both in how the programme was functioning in the Netherlands, but also increasingly through the improved collaboration among partners in the different countries. This is especially the case in a context of protracted crisis rather than in an acute crisis, due to the longer implementation periods. In terms of management, most benefits are experienced by the DRA members through the simplified award and reporting procedures in the Netherlands. For the ministry, DRA also means a significant decrease in the administrative burden of selecting and managing the funds as this is now largely outsourced to DRA members. While the Dutch Relief Fund is a multi-annual funding pool, the DRA programme 2015-2017 was mainly delivered through short-term projects (Joint Responses) of maximum one year, producing uncertainty about renewal. Up to now, the DRA has also not contributed much to improve the transition from humanitarian to structural development, in a way not surprising because of the specific focus on life-saving aid. However, the evaluation concludes that the DRA has really changed the Dutch humanitarian landscape⁶². A large majority of the stakeholders believe that it has contributed to improved collaboration in the sector and it reduced bureaucracy and duplication. The 2018-2021 DRA strategy brings continuity in the modalities, but sets out the ambition to move towards humanitarian interventions which are more led by Southern CSOs, the application of new technologies and innovative ways of delivering aid, with more agile and flexible programmes that are adaptive to quickly changing context and needs.

57 Ibid

58 <https://www.oecd.org/dac/peer-reviews/Main-findings-recommendations-Netherlands-2017-EN.pdf>

59 <http://www.dutchrelief.org/wp-content/uploads/2017/12/Dutch-Relief-Alliance-Strategy-2018-2021-Final-13-Oct-2017.pdf>

60 Evaluation of the Dutch Relief Alliance 2015-2017: Final Report (Ecas Consulting, 2017)

61 Ibid

62 Ibid

Table 3.5 Humanitarian funding for the Dutch Relief Alliance as part of the Dutch Relief Fund

Key features	Grants for humanitarian aid for chronic and acute crisis allocated through the 16 humanitarian CSOs of the Dutch Relief Alliance (DRA)
Funding modalities	<ul style="list-style-type: none"> - Project duration: on average between 6 months to one year. The 2018-2021 programme allows interventions of up to 4 years. - No co-financing requirements
Eligibility	16 CSOs which are part of the DRA: criteria to become a DRA member is to have a Dutch basis and to hold a Framework for Partnership Agreement (FPA)
Private sector	No (only when hired as experts by a DRA member)
Application/selection procedure	Rather light procedure. Open to individual DRA members or a consortium of DRA members. The application needs to pass a number of 'threshold' criteria, 'content' criteria and minimum organisational capacity requirements ⁶³ .
Reporting and evaluation	<ul style="list-style-type: none"> - Simplified award and reporting procedures compared with the past
Level of competition (+/-)	<ul style="list-style-type: none"> - Limited due to functioning of DRA with 16 CSOs
Accessibility (+/-)	<ul style="list-style-type: none"> - Limited number of humanitarian CSOs due to eligibility criteria - Ongoing debate on 'localization', i.e., policy objective to gradually put Southern CSOs in driving seat
Right of initiative (+)	<ul style="list-style-type: none"> - A limited number of 'content' criteria, depending also on the emergency - General sense of flexibility
Level of political influence (-)	Overall fairly independent and based on humanitarian needs (good international reputation), but not embedded or institutionalised in overall humanitarian policy

3.4 France

Key takeaways

- ✓ Despite modest increases, CSO funding in France remains at a very low level. Moreover, despite political commitments to further increases in ODA spending and CSO funding, a sense of uncertainty persists.
- ✓ Alongside an increase in more 'traditional' CSO funding that respects the right of initiative of CSOs, there is also a clear trend towards competitive CfPs that reflect the logic of French and EU foreign policy. This raises concerns over a possible instrumentalization of CSOs.
- ✓ Humanitarian funding, while flexible, is allocated mostly through bilateral negotiations rather than standardized funding modalities.
- ✓ Overall, (changes in) the French funding landscape are perceived by respondents as privileging bigger and established players, to the detriment of smaller and newer CSOs.

3.4.1 Setting the context

After a period of sustained decline, French ODA-budgets have slightly picked up in recent years (figure 2.1). Funding to and through CSOs has also increased, notably in 2015, under the presidency of Socialist president François Hollande (see figures 2.2 and 2.3). Between 2012 and 2016, the number of French CSOs that received funding through the Initiatives-OSC (the most important CSO funding channel) has nearly doubled, from 41 to 79⁶⁴. Still, CSO funding remains extremely low when compared to the other countries included in this study, and now sits at approximately 3% of ODA⁶⁵. At least in part, this can be explained by France's longstanding statist tradition, which privileges the

⁶³ <https://zoek.officielebekendmakingen.nl/stcrt-2017-70651.html>

⁶⁴ AFD (2016). *L'AFD et les organisations de la société civile. 2012-2016 un partenariat renforcé*.

⁶⁵ Jacquemot, P. (2018). *La rénovation de la politique française de développement, des orientations, des interrogations, et des lacunes*. Retrieved from <http://www.iris-france.org/107458-la-renovation-de-la-politique-francaise-de-developpement-des-orientations-des-interrogations-et-des-lacunes/>

delivery of aid directly to governments⁶⁶. In February 2018, president Macron committed to further increases in ODA-spending, and promised to double funding to CSOs. At the same time, concerns have been raised by observers over an increased politicization and recentralization of development aid⁶⁷. Furthermore, the Macron government has already made sudden and unexpected cuts in specific CSO-funding streams, which contributes to a sense of unease on the part of French CSOs⁶⁸.

In 2009, the responsibility for managing relations between the French government and CSOs was transferred to the Agence France Développement (AFD), which led to a gradual institutionalization of government-CSO relations. These relations are currently guided by AFD's strategy for partnership with CSOs (2018-2023)⁶⁹. Thematically, the strategy emphasizes climate, migration, gender, fragility, and the Sahel. Significantly, while it emphasizes the importance of support to Southern CSOs, it also underlines the importance of strengthening the influence of French CSOs abroad. Where it comes to CSO funding, this strategy re-iterates the government's commitment to increases in CSO funding. Moreover, it also discusses the possibility of opening up funding to southern CSOs. Table 3.4 lists the three major funding mechanisms in France, and the corresponding budgets in 2016. Below, we zoom in on each of these funding mechanisms, before having a brief look at humanitarian funding through the Fonds d'Urgence Humanitaire (FUH).

Table 3.6 Most important CSO funding mechanisms in France (2016 amounts)

Initiatives-OSC	€71,67 million
APCC (Appels à Projets OSC – Crise et Sortie de Crise)	€55,5 million
FISONG	€5 million

Source AFD (2016). *L'AFD et les organisations de la société civile. 2012-2016 un partenariat renforcé.*

3.4.2 The Initiatives OSC (I-OSC)

The most important funding channel are the different instruments under the broad banner of the Initiatives-OSC (I-OSC). Broadly speaking, the I-OSC respects the autonomy of CSOs, by co-financing a range of projects and programs in the field of development cooperation. In recent years, both the total amount of funding and the number of CSOs and projects financed through the I-OSC has increased considerably⁷⁰.

66 Dietrich, S. (2016). Donor political economies and the pursuit of aid effectiveness. *International Organization*, 70(1), 65-102.

67 Jacquemot, P. (2018). *La rénovation de la politique française de développement, des orientations, des interrogations, et des lacunes*. Retrieved from <http://www.iris-france.org/107458-la-renovation-de-la-politique-francaise-de-developpement-des-orientations-des-interrogations-et-des-lacunes/>

68 Interview with Coordination Sud.

69 See <https://www.afd.fr/sites/afd/files/2018-06-01-41-20/CIS-AFD-OSC.pdf>

70 AFD (2016). *L'AFD et les organisations de la société civile. 2012-2016 un partenariat renforcé.*

Table 3.7 The Initiatives OSC (I-OSC)

Key features	<ul style="list-style-type: none"> - Programme and project grants administered by Division Partenariat avec les OSC within AFD - Wide range of eligible activities, no clear thematic or geographical focus
Funding modalities	<ul style="list-style-type: none"> - Duration: 3-9 years - Amount: min. €300,000 (average of €570,000 in 2017) - Co-funding requirement of 25-50%
Eligibility	French CSOs (including NGOs, foundations and trade unions) involved in development cooperation that meet certain organizational and financial criteria (e.g. min. 3 years of experience)
Private sector	No
Application and selection	<ul style="list-style-type: none"> - 2 rounds: preproposal of 4 pages → accepted: full proposal - Seen as transparent but not very flexible
Reporting and evaluation	Results-based management is becoming increasingly important, but so far operationalization remains limited to logical framework and indicators
Level of competition (-)	Emphasis on collaboration between CSOs. AFD is also encouraging consortium bids to minimize workload.
Accessibility (-)	Eligibility criteria and funding modalities (min of €300,000, co-funding requirements) lead to exclusion of newer and smaller CSOs. Foreign CSOs not eligible.
Right of initiative (++)	Right of initiative lies with CSOs, no thematic or geographical conditionalities.
Level of political influence (+)	Administered by specialized division within AFD that operates fairly independently from the executive.

3.4.3 The growing importance of thematic CfPs

While the I-OSC remains the most important funding mechanism, in recent years there has been a clear trend towards project funding allocated through CfPs. A first example is FISONG, a funding mechanism that aims to foster innovation in development cooperation. Open to both French and foreign CSOs, CfPs under FISONG are launched twice a year, addressing topics and themes that are decided jointly by AFD and civil society. However, in terms of funding amounts, FISONG is of minor importance.

More significant - both in financial and political terms - are the growing number of CfPs that are launched under the broad banner of ‘vulnerability, crisis and post-crisis’, which include (but are not limited to) the APCC mentioned in table 3.4. These CfPs clearly reflect the logic of French and EU foreign policy, by focusing on questions such as stability in the Sahel, and migration. This should not come as a complete surprise when considering that several of these CfPs are financed from EU trust funds, which were created in response to the migration crisis in 2015. Due to its historical role in the Sahel, France plays an important role in the implementation of these trust funds⁷¹.

⁷¹ Concord (2018). *Partnership or conditionality? Monitoring the migration compact and EU trust fund for Africa*. Retrieved from https://concordeurope.org/wp-content/uploads/2018/01/CONCORD_EUTrustFundReport_2018_online.pdf?86d384&86d384

Table 3.8 CFPs in the field of (post-) crisis and resilience

Key features	<ul style="list-style-type: none"> - Project grants administered by Cellule Vulnérabilité, Crises et Post- Crise within AFD - Thematic/geographical focus varies, but usually within broad theme of (post-) crisis and resilience
Funding modalities	<ul style="list-style-type: none"> - Duration: 2-3 years - Amount: €1-5 Mio (avg. around €4 Mio)
Eligibility	French and foreign CSOs, although some CFPs exclusively target French CSOs
Private sector	No
Application and selection	<ul style="list-style-type: none"> - Lack of transparency: CSOs are often unaware of CFPs, particularly when these are funded from EU trust funds - Seen as administratively demanding due to combination of French and EU procedures
Reporting and evaluation	Stronger focus on accountability and reporting, particularly in the case of CFPs funded from EU trust funds
Level of competition (++)	While collaboration is one of the criteria, these are seen as highly competitive mechanisms
Accessibility (-)	Privileges established players, also due to opaque application and selection procedures
Right of initiative (-)	Limited to operational level, geographical and thematic focus is established by AFD/ministry
Level of political influence (++)	Strongly influenced by EU and French foreign policy. Cellule vulnérabilité, crises, et post-crise is facing significant political pressures, which is seen to affect both the dialogue with CSOs as well as project implementation.

3.4.4 Humanitarian funding

French CSOs can apply for humanitarian funding through the Fonds d'Urgence Humanitaire (FUH, Humanitarian Emergency Fund). Humanitarian aid is becoming increasingly important, both in political terms as well as in terms of funding amounts. For example, the budget for the FUH increased from €27 million in 2016, to €37 million in 2017⁷². While the FUH is seen as reasonably flexible and accessible, the allocation of funding takes place through bilateral negotiations, and is perceived as rather opaque. More broadly, a report published by VOICE in 2015 indicated that dialogue between the French government and humanitarian CSOs is mostly ad hoc, and informed by particular crises rather than a more overarching dialogue about humanitarian funding strategies⁷³.

⁷² Personal communication with Coordination Sud.

⁷³ Voice (2016). *Exploring EU Humanitarian Donors' funding and conditions for working with NGOs, Building Evidence for simplification*. Retrieved from <https://ngovoice.org/publications?string=Exploring+EU+Humanitarian+donors%27+funding+and+conditions+for+working+with+NGOs%2C+Building+evidence+for+Simplification>

Table 3.9 The Fonds d'Urgence Humanitaire (FUH)⁷⁴

Key features	<ul style="list-style-type: none"> - Programme funding for humanitarian/emergency interventions administered by division within French Ministry of Europe and Foreign Affairs (Centre de Crise et de Soutien) - Funding awarded through bilateral negotiations rather than CfPs - Thematic/geographical focus depends upon specific emergency
Funding modalities	<ul style="list-style-type: none"> - Duration: max. 1 year - Amount: €25,000-500,000 - Co-financing and full financing available
Eligibility	French CSOs
Private sector	No
Application and selection	<ul style="list-style-type: none"> - CSOs can submit funding request at any time using a simple form, only one selection round - Seen as flexible and accessible, but not very transparent: importance of informal negotiations
Reporting and evaluation	No emphasis yet, but expected to become more important
Level of competition (+)	Competition for limited budget. Consortia bids are not encouraged due to limited availability of funds.
Accessibility (-)	Privileges established CSOs with strong and visible presence on the ground. Exclusion of foreign CSOs.
Right of initiative (+-)	While CSOs can apply freely, they are bound by specific emergencies and French policy priorities
Level of political influence (++)	Focus changes every year due to changes in crisis situations, but is also determined by French foreign policy.

3.5 Belgium

Key takeaways

- ✓ Belgium has a fairly generous system of program funding (NGO Co-financing Program) that respects CSO's right of initiative.
- ✓ At the same time, there is a sense that CSOs are becoming less central to the policies⁷⁵ of the ministry of development cooperation, and there are more instrumental views about the role and position of CSOs. This also contributes to a growing unease about the future of program funding, further re-enforced by gradual but substantial budget cuts. The 'fit for purpose' agenda also translates into new administrative conditions to access funding.
- ✓ The private sector on the other hand is high on the policy agenda, as reflected in both the policy discourse and the launch of new private sector projects and the expansion of the mandate of existing private sector initiatives (BIO, ...).
- ✓ CfPs for shorter-term project grants only cover a small part of the overall CSO funding, but are gradually gaining ground. These calls typically have a more specific thematic and/or geographical focus (e.g. transitional development), which is determined unilaterally by the administration or the ministry. This raises concerns over a possible instrumentalization of CSOs, who risk being reduced to implementers of government policy.
- ✓ It is interesting to note that the Belgian government provides both project- and program funding for humanitarian assistance, although this funding mechanism is only accessible for a small number of CSOs.

⁷⁴ Ibid., complemented with personal communication with Coordination Sud/

⁷⁵ At the time of writing a new law on development cooperation was being negotiated. The draft law does not point towards significant changes in the CSO funding channels. The explicit references to the use of ODA for migration management could over time possibly impact CSO funding policies.

3.5.1 Setting the context

Belgian ODA-spending has decreased from 0.64% of GNI in 2010 to 0.45% in 2017 (figure 2.1), and is expected to decrease further in the coming years⁷⁶. CSO funding levels went down in absolute figures together with the overall ODA cuts, fluctuating between 12 and 14% of ODA (see figure 2.3). The lion's share of this funding is channelled to 74 accredited CSOs⁷⁷, 9 accredited institutional actors (IAs) and their partner organizations through the so-called Co-financing Program. Aside from this funding line, which represents a reasonably predictable source of program funding, there is also a clear trend towards competitive CfPs with a narrower geographical or thematic focus.

When looking at broad changes in development policy, the current administration is paying central attention to fragile countries and regions, gender, digitalisation and the role of the private sector in development. It is also a strong advocate of a 'comprehensive approach' that aims for more coherence between, in first instance, foreign policy, diplomacy, and defence, but also with other policy domains⁷⁸. There was a concern on part of several respondents that this comprehensive approach may conflict with some of the principles and objectives of both development cooperation and humanitarian aid, and may lead to an instrumentalization of CSOs. These concerns are reinforced by the fact that Belgium has no explicit strategy for government-CSO relations. Instead, the most important policy document in relation to government-CSO relations is the royal decree on non-governmental cooperation of 11 September 2016, which sets the criteria that organizations have to meet in order to be recognized as an accredited CSO entitled to program funding. These concerns about a looming instrumentalization of CSOs are reinforced further by the emphasis put by the cabinet on the idea that development actors need to be 'fit for purpose'. While policy documents like the Belgian Policy Note on International Development (October 2017) define fit for purpose mostly in terms of managerial capacity and integrity, important questions can be raised about what exactly constitutes the 'purpose', and what this implies for CSO-autonomy.

3.5.2 Program funding through the joint strategic frameworks (JSF)

The current co-financing channel is the result of a compromise after lengthy negotiations between the Minister for Development Co-operation and the federations of CSOs and IA. At that time, the minister of development cooperation wanted CSOs to align more closely with the bilateral channel under the so-called 'integrated policy', but this was resisted as it was perceived to be driven by an instrumentalisation agenda. The negotiations finally settled with an agreement on improved collaboration of Belgian CSOs in the partner countries, which could then form the basis to explore possible synergies with other channels. The outcome of the negotiations, with its strong focus on improving coherence amongst Belgian CSOs at partner country level, was received with mixed feelings. The royal decree on non-governmental cooperation now specifies that Belgian CSOs have to align their work around joint strategic frameworks (Gemeenschappelijke Strategische Kaders; Cadres Stratégiques Commun). The JSFs aim at improving dialogue and coordination, with the aim of achieving more complementarity and synergies amongst Belgian CSOs. Aside from this, they are expected to support collective learning, and form the basis for a strategic dialogue with the Belgian government. A prior approval of these JSFs is a necessary condition for access to the Co-financing Program, and in that way serves as a basis for the allocation of program funding. These frameworks

76 11.11.11. (2018). *Wereldwijd lichte daling van de hulp met 0,6%, België daalt met 8,2%*. Retrieved from <https://www.11.be/artikels/item/wereldwijd-lichte-daling-van-hulp>

77 One can only apply for program financing if one is accredited. The accreditation entails a screening process on 10 domains of organisation management, and is applicable for 10 years.

78 For the policy strategy outlining the comprehensive approach see https://diplomatie.belgium.be/sites/default/files/downloads/strategienota_comprehensive_approach.pdf

are developed jointly by CSOs for 31 countries⁷⁹. In addition, there is one thematic JSF with all trade union solidarity partners and labour CSOs on the topic of decent work, and a separate JSF for Belgium.

While the Co-financing Program provides accredited CSOs with a stable income source, the current administration has ‘skimmed off’ parts of the budget for program funding in line with overall ODA budget cuts. This ‘skimming off’ has taken place yearly since the start of the last 5-year programmes in 2017. Both in 2017 and in 2018 an extra 1,3% has been subtracted from the overall reduced budget that was foreseen for the five year programs. As such it undermines the 5 year logic of the programme and has implications for the relations of Belgian CSOs with their partners. These budget cuts have so far been far less drastic than what happened for example in the Netherlands, and they are partially compensated for by an increase in project funding (see below). They nonetheless contribute to a growing sense of unease about the future of program funding.

Table 3.10 Co-financing Program

Key features	Program funding based on programs submitted by individual CSOs entailing different outcomes in different partner countries (referring to the respective country JSFs, thematic JSF or JSF for Belgium)
Funding modalities	<ul style="list-style-type: none"> - 5-year funding cycle - Co-funding requirements vary between different types of cost-categories
Eligibility	Open to accredited Belgian CSOs and ‘Institutional Actors’ ⁸⁰ that have passed a capacity screening (valid for 10 years). Latest screening conducted in 2016.
Private sector	Not yet, although the government is trying to modify legal frameworks
Application and selection	<ul style="list-style-type: none"> - Accredited CSOs submit proposals under one or several JSFs - Evaluation of proposal based on quality (e.g. relevance for JSF, effectiveness and efficiency, partnership, experience) and strategic (e.g. digitalization, rights-based approach, migration) criteria
Reporting and evaluation	<ul style="list-style-type: none"> - Transparency, accountability, and results-based management are important focus of screening and reporting procedures - Mandatory IATI-reporting - Narrative reporting replaced by system of performance scores - Mid-term & Final evaluation - Financial reporting- and control mechanisms were simplified
Level of competition (-)	<ul style="list-style-type: none"> - JSFs aim to stimulate collaboration between Belgian CSOs, and between Belgian CSOs and their local partners. Yet some respondents question their added value in terms of stimulating collaboration. - Competition limited due to smaller number of CSOs
Accessibility (-)	<ul style="list-style-type: none"> - Accessible only to accredited CSOs. - Eligibility screening creates entry barriers for smaller and new organizations
Right of initiative (+)	<ul style="list-style-type: none"> - Emphasis on right of initiative - Thematic and geographical scope defined by JSFs, but these are developed by CSOs themselves - Strategic policy priorities put forward by ministry are becoming increasingly important as a criterion for evaluating proposals
Level of political influence (-)	<ul style="list-style-type: none"> - Limited due to 5-year funding cycle - Strategic policy priorities becoming more important - Minister retains final decision over approval of country and thematic JSFs

⁷⁹ This is a reflexion of the country logic of the Belgian government. 90% of the co-financing had to correspond to these 33 JSF's. The list of 32 countries + thematic JSF entails the 14 partner countries of the Belgian development cooperation and 18 countries + 1 thematic JSF in which the Belgian CSOs collectively deploy the lion share of their interventions.

⁸⁰ These institutional actors are organizations involved in development cooperation that do not qualify as CSOs, but are nonetheless eligible for funding under the GSKs. Prime examples include the Flemish Association of Cities and Communes (VVSG), or the Flemish Inter-University Council for University Development cooperation (VLIR-UOS).

3.5.3 The growing importance of project funding allocated through CfPs

While the Co-financing Programs still account for the lion's share of CSO funding in Belgium, project funding allocated through competitive CfPs has clearly gained importance in recent years. These CfPs are issued either by divisions within the administration (the Directorate General for Development Cooperation and Humanitarian Aid), by Belgian embassies, or by the Belgian implementing Agency BTC/Enabel⁸¹. In terms of thematic and geographical focus, CfPs have already been issued in a wide range of domains. Themes that are currently high on the agenda are gender, digitalization, and 'transitional development and governance'. This latter theme is a product of the 'comprehensive approach', and straddles the border between security, humanitarian assistance, and development cooperation. Given this high degree of thematic variation and the fragmentation over different government agencies, departments, and embassies, it is impossible to provide an exhaustive overview of the CfPs within the framework of this study. Still, in an attempt to gauge the experiences of Belgian CSOs with CfPs, we launched a short survey (together with the NGO-federation) amongst the members of the NGO-federation⁸². While experiences are mixed, and reflect the diversity of the CfP-landscape, a few observations can be made.

- Most respondents agree that due to their geographical and/or thematic specificity, CSO-autonomy is by definition more limited when compared to program funding. Moreover, particularly in the case of CfPs launched by BTC/Enabel, CSOs are simply seen as implementers of government policy.
- Respondents experience significant entry barriers that prevent them from responding to CfPs. In addition to a possible thematic or geographical mismatch between the content of the CfP and the CSO's expertise, many CSOs simply do not have the financial and human resources needed to respond to CfPs, or to manage the workload that accompanies this type of funding. In addition to the short timeframe for responding, the administrative workload associated with CfPs is perceived as high to very high. For this same reason, CfPs are perceived by some as tailored to the needs of bigger organizations.
- While respondents agree that CfPs are by definition competitive instruments, it seems that the degree of competition varies between different calls. For example, while the older synergy grants were dominated by a few large consortia, CfPs with a popular thematic and/or geographical focus are perceived as more competitive.

While some of the calls still leave ample room for autonomy, in others (notably those issued by BTC/Enabel) CSO's right of initiative is limited, and they are seen more as service providers.

81 On January 1, 2018, the name of the Belgian implementing agency changed from BTC to Enabel.

82 We sent out a questionnaire about these CfPs to the members of the NGO-federation, and received 26 positive responses.

Table 3.11 CFPs issued by Belgian administration, embassies, and BTC/Enabel

Key features	<ul style="list-style-type: none"> - Project grants allocated through CFPs issued by administration, embassies, and BTC/Enabel - Thematic and geographical focus varies
Funding modalities	Amounts, funding cycle, and co-financing requirements vary, but typically short term (<2 years)
Eligibility	Open to all CSOs, including Belgian and international CSOs, but also multilateral agencies, and donor agencies. For the calls via Enabel there is a 'fit for purpose' check.
Private sector	No, but Belgium is trying to modify legal frameworks
Application and selection	<ul style="list-style-type: none"> - One (CFP issued by administration) or two (CFP issued by embassy) selection rounds. In the latter case, administration makes final decision. - Perceived as administratively demanding
Reporting and evaluation	<ul style="list-style-type: none"> - Strong results orientation - Mandatory reporting through standard procedures - Evaluation by specific department within administration
Level of competition (+)	<ul style="list-style-type: none"> - Collaboration is becoming increasingly important as a criterion for evaluating proposals - (Perceived) Level of competition varies per call - Increased competition from foreign CSOs.
Accessibility (+/-)	<ul style="list-style-type: none"> - Open to a wide range of actors, as long as they are fit for purpose. - At the same time: high entry barriers due to various administrative and M&E requirements
Right of initiative (-)	<ul style="list-style-type: none"> - Thematic/geographical focus and objectives are defined beforehand, but some calls still leave room for autonomy. - Particularly in case of CFPs launched by BTC/Enabel, CSOs are simply seen as implementers of government policy - In all cases: reasonable autonomy during project/program implementation
Level of political influence (++)	Strong political influence due to shorter funding cycle and specific thematic/geographical focus determined by administration

3.5.4 Humanitarian funding

Finally, a limited number of CSOs has access to humanitarian funding, which is similarly allocated through CFPs. While this type of funding traditionally took the form of shorter-term project grants, program funding was introduced more recently, in an attempt to improve the sustainability of Belgian humanitarian action. While humanitarian funding is in principle based on Belgium's strategy note on humanitarian assistance, some observers worry that the government's comprehensive approach may conflict with- and possibly even take precedence over this strategy, especially in contexts (e.g. Palestine) where commercial and/or diplomatic interests could at times be in conflict with humanitarian principles.

Table 3.12 Humanitarian funding issued by Belgian administration

Key features	<ul style="list-style-type: none"> - Project- and program funding awarded through CfPs - Allocated by division humanitarian aid (D5.1) within administration - Broadly based on strategy for humanitarian aid, thematic/geographical focus varies per call 	
Funding modalities	Projects: <ul style="list-style-type: none"> - 12 months (possible extension 6 months) - <€1 million - No co-financing requirements 	Programs <ul style="list-style-type: none"> - 24 months (possible extension 6 months) - €2-4 million - No co-financing requirements
Eligibility	<ul style="list-style-type: none"> - Specialized humanitarian CSOs that meet certain criteria - Eligibility of foreign/international CSOs varies per call 	
Private sector	Not yet, although the government is trying to modify legal frameworks	
Application and selection	<ul style="list-style-type: none"> - One selection round - Seen as flexible and accessible (uses same templates as EU), but not very transparent 	
Reporting and evaluation	<ul style="list-style-type: none"> - Results orientation - Administration and CSOs strive for coherence, but not always possible 	
Level of competition (+)	<ul style="list-style-type: none"> - Competitive CfPs, but high degree of coordination between Belgian CSOs to prevent efficiency losses. - Increased competition from foreign/international CSOs. 	
Accessibility (-)	<ul style="list-style-type: none"> - Limited number of humanitarian CSOs due to eligibility criteria - Gradually opening up to foreign/international CSOs - Ongoing debate on 'localization', i.e., opening up to local CSOs, but only as partners 	
Right of initiative (-)	<ul style="list-style-type: none"> - Thematic/geographical focus and objectives determined one-sidedly by administration and/or ministry - Substantial autonomy during project/program implementation 	
Level of political influence (+)	<ul style="list-style-type: none"> - Strong political influence over thematic/geographical focus - Growing sense that humanitarian assistance is politically instrumentalized - Overall high degree of consultation between government and humanitarian CSOs 	

3.6 Germany

Key takeaways

- ✓ The bulk of CSO funding takes the form of block grants to political foundations and faith-based networks. 'Ordinary' development CSOs are only entitled to a small share of CSO funding, although this share has grown in recent years.
- ✓ Historically, respect for CSO-autonomy has been a central feature of government-CSO relations in Germany. While German CSOs continue to enjoy a comparatively high degree of autonomy, we are seeing a growing influence of the aid effectiveness agenda, as well as a growing number of 'special initiatives' that allocate funding based on stricter geographical or thematic conditionalities.

3.6.1 Setting the context

German ODA has increased substantially in recent years, reaching an all-time high of €22 billion in 2016, before decreasing slightly in 2017. This increase in ODA is due to a combination of (1) the favourable economic situation in Germany; (2) an increase in in-donor refugee costs, and (3) an increase in ODA-funding allocated to tackling the root causes of migration. Overall, and in line with the situation in other countries, migration is increasingly leaving its mark on ODA-spending^{83,84}. According to OECD-DAC figures (see section 2), only a relatively small share (5-7% in recent years) of ODA is channelled to and through civil society. However, civil society observers have raised questioned these OECD-DAC figures, and suggest that the actual figures may be substantially higher⁸⁵. As will be discussed in more detail below, the lion's share of this funding is earmarked for the political foundations and faith-based organizations that have long dominated German civil society. Ultimately, the remaining 200-300 development CSOs receive only a relatively small amount of funding.

Historically, government-CSO relations in Germany were guided by the principles of subsidiarity (the idea that social questions should be dealt with at the lowest possible level) and respect for CSO-autonomy⁸⁶. This commitment to subsidiarity and CSO-autonomy is repeatedly confirmed in the German Ministry for Economic Cooperation and Development's (BMZ) latest strategy on government-CSO relations, which was published in 2014. At the same time, this strategy also demonstrates the growing importance of the aid effectiveness agenda, with an entire section being devoted to "enhancing transparency and effectiveness". Some observers have raised concerns over a looming instrumentalization of CSOs, as illustrated by, amongst others, the growing amount of CSO funding that is earmarked as 'special initiatives' that are meant to contribute to the achievement of specific policy goals set by BMZ⁸⁷. Finally, the German strategy emphasizes the importance of development education, and the role of German CSOs in capacity building for Southern CSOs.

3.6.2 Block grants for political foundations and faith-based networks

The most peculiar aspect of CSO-funding in Germany is undoubtedly the role played by political foundations and faith-based networks. Every political party that is represented in the Bundestag (the German parliament) has a foundation which is registered as an NGO, and receives handsome grants from BMZ (Förderung entwicklungswichtiger Vorhaben der politischen Stiftungen). Aside from the political foundations, there are two big church-based networks – a protestant one (EED) and a catholic one (Misereor) – that are entitled to large block grants from BMZ (Förderung entwicklungswichtiger Vorhaben der Kirchen). Together, the political foundations and faith-based networks account for the lion's share (€532 million in 2017) of CSO-funding in Germany.

83 Cheney, C. (2017). *German Foreign Aid is at a record high and rising: here is how it works*. Retrieved from <https://www.devex.com/news/german-foreign-aid-is-at-a-record-high-and-rising-here-is-how-it-works-89366>.

84 OECD-DAC (2018). *Development aid stable in 2017 with more sent to the poorest countries*. Retrieved from <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2017-detailed-summary.pdf>

85 Interview with Jana Rosenboom, Venro.

86 Engel, S. (2017). *Germany's Government-Civil Society Development Cooperation Strategy: the dangers of the middle of the road*. *Cosmopolitan Civil Societies: an Interdisciplinary Journal*, 9(1).

87 Ibid.

Table 3.13 Most important CSO funding mechanisms in Germany (2017 amounts)

Political foundation (7, best known are FES & KAS)	€271 million
Christian networks (EED & Misereor)	€261 million
Development NGOs (members of VENRO umbrella structure)	€100 million (€120 million in 2018)

Source Data received from Venro

3.6.3 Support for development NGOs

The most important funding mechanism for German development NGOs engaged in development cooperation is the Förderung entwicklungswichtiger Vorhaben privater deutscher Träger. This funding mechanism is managed by Engagement Global (EG), a not-for-profit and public company that is responsible for managing relations between BMZ and development CSOs. While total funding allocated under this mechanism is still significantly lower than the block grants for church- or party-based organizations, it has grown substantially in recent years, and has more than doubled between 2010 (€58 million) and 2018 (€120 million). Overall, while BMZ and EG pay increasing importance to results and accountability⁸⁸, the right of initiative continues to lie with CSOs.

Table 3.14 Funding of projects of importance to development under the responsibility of private German executing agencies

Key features	<ul style="list-style-type: none"> - Project funding that conforms to the German government's development aims and civil society strategy (which emphasizes support through CSOs and rights-based approach) - Funding managed by Engagement Global (EG)
Funding modalities	<ul style="list-style-type: none"> - Funding amounts between €50000 - €500000 - Co-funding requirement of (at least) 25% - Project duration max. 4 years (although extension is possible)
Eligibility	German not-for-profit organizations with min. 3 years of experience working with southern partners
Private sector	No
Application and selection	<ul style="list-style-type: none"> - No CfPs, funding applications can be submitted to EG anytime - Informal negotiations between EG and CSOs prior to submission - EG conducts eligibility check and provides recommendation to BMZ - BMZ, together with other ministries, decides if funding is granted
Reporting and evaluation	Quality control becoming more important, but initiative for reporting and evaluation continues to lie with CSOs
Level of competition (-)	Despite limited funding, not perceived as very competitive
Accessibility (+/-)	Funding modalities (particularly co-funding) posing problems for smaller organizations
Right of initiative (+)	Substantial, although there is a sense that BMZ is increasingly trying to steer CSOs into particular geographical or thematic directions
Level of political influence (+/-)	EG operating relatively independent from BMZ, although the influence of German foreign policy seems to be increasing

Source Personal communication

⁸⁸ Engel, S. (2017). *Germany's Government-Civil Society Development Cooperation Strategy: the dangers of the middle of the road. Cosmopolitan Civil Societies: an Interdisciplinary Journal*, 9(1).

In addition to this more standardized funding mechanism, recent years have seen a growing importance of ‘special initiatives’ whereby CSO funding is earmarked for particular purposes⁸⁹. Examples include NGO facilities for Afghanistan, human rights, or climate and biodiversity. Funding under these facilities is typically awarded through more competitive CfPs.

3.6.4 Humanitarian funding

A number of recognized CSOs can access humanitarian funding under the Federal Foreign Office Strategy for Humanitarian Aid Abroad. Dialogue CSOs and the German Foreign ministry is formalized in the Humanitarian Aid Coordination Committee, which regularly convenes representatives from civil society and from the government. Overall, CSOs feel that through this structured dialogue, they can actually influence CSO funding policies⁹⁰. In addition, humanitarian funding is seen as fairly flexible and efficient.

Table 3.15 Humanitarian funding in Germany

Key features	Project grants managed by humanitarian assistance desk within Foreign Affairs department
Funding modalities	<ul style="list-style-type: none"> - Funding cycle 6-36 months - Full funding possible, but usually at least 10% own contribution
Eligibility	<ul style="list-style-type: none"> - Recognized partners, i.e., CSOs that have passed a partner capacity assessment (Qualitätsprofil) - Recognition can be fast-tracked if you are an ECHO-FPA partner - Non-partners can apply if they have specific expertise on a topic/region
Private sector	No
Application and selection	<ul style="list-style-type: none"> - Priorities determined through regular consultations between government and CSOs - Partners can submit concept notes after meetings. After approval they submit a full proposal. - Country team evaluates and approves proposal - Process is perceived as flexible, but also quite opaque
Reporting and evaluation	<ul style="list-style-type: none"> - Regular reporting required - Evaluation encouraged, but initiative continues to lie with CSOs
Level of competition (+/-)	<ul style="list-style-type: none"> - Overall high degree of coordination between CSOs - Competition higher for project regions with lower implementation risks - Consortia bids encouraged but uncommon - Increased competition expected from international NGOs that are opening chapters in Germany
Accessibility (-)	<ul style="list-style-type: none"> - Eligibility requirements are strict, there are currently about 30 partners and this group has been quite stable over time. - Non-partners can apply in exceptional cases
Right of initiative (+/-)	Substantial, partners can propose their own projects, although priorities are determined by specific crises and by negotiations between CSOs and Foreign Office
Level of political influence (-)	Germany has been a driving force behind the European Consensus on Humanitarian Aid, and the humanitarian assistance desk functions independently. At the same time, CSOs experience growing pressures to focus on specific crises (Syria and migration).

Source Communication with Dutch ministry of foreign affairs, Voice report

89 Engel, S. (2017). *Germany's Government-Civil Society Development Cooperation Strategy: the dangers of the middle of the road. Cosmopolitan Civil Societies: an Interdisciplinary Journal*, 9(1).

90 Voice (2016). *Exploring EU Humanitarian Donors' funding and conditions for working with NGOs, Building Evidence for simplification*. Retrieved from <https://ngovoice.org/publications?string=Exploring+EU+Humanitarian+donors%27+funding+and+conditions+for+working+with+NGOs%2C+Building+evidence+for+Simplification>

3.7 Sweden

Key takeaways

- ✓ Sweden has a generous system of CSO funding that revolves around multi-year framework agreements, which provide a small number of large framework organizations with program funding. The overarching CSO-strategy guiding these agreements emphasizes support to Southern CSOs (via Swedish CSOs).
- ✓ While the system of framework agreements is inaccessible to smaller and newer CSOs, a number of framework organizations (prime amongst which Forum Syd) are sub-granting funding to smaller Swedish CSOs.
- ✓ Humanitarian funding similarly revolves around multi-year agreements with strategic partners, although in this case there is no way in which non-partners can gain access to funding.

3.7.1 Setting the context

Despite a notable reduction in ODA-spending in 2016 –which was mainly due to a decrease in in-donor refugee costs, which had previously ballooned in 2015⁹¹– Sweden remains one of the most generous DAC donors, with levels of ODA-spending that are consistently above the 0.7% target (see figure 2.1). There seems to exist a fairly broad consensus about the relevance of development cooperation and the role of CSOs⁹². Swedish CSOs were involved in development cooperation from its early beginnings in the post-war period, to the extent that Sida (the Swedish development agency) actually began as a coalition of CSOs. Even under center-right rule between 2006 and 2014, while there was a notable decrease in funding for development education, no major cutbacks were made in CSO funding. Still, Swedish respondents raised concerns over the recent changing political climate in Sweden, and how this may affect the future of CSO funding in Sweden.

3.7.2 Framework agreements

The lion's share of CSO funding in Sweden is being channelled through framework agreements that emphasize the centrality of long-term program funding, and respect the right of initiative of CSOs. Still, framework organizations have to adhere to the strategic goals set by the government's 'strategy for support via Swedish CSOs 2016-2022'. This strategy was developed in close consultation with Swedish CSOs, and puts central emphasis on strengthening the capacity of CSOs in developing countries. For this reason, it prioritizes funding through Swedish CSOs, to their partners in developing countries. For quite some time, this system of framework agreements was managed in an informal manner, with both the selection of partners and the allocation of funding occurring on the basis of tradition and custom. However, since the early 2000s, there has been a clear process of professionalization, including the development of a more stringent selection process⁹³. As of June 2018, there were 15 framework organizations.

91 OECD-DAC (2018). *Development aid stable in 2017 with more sent to the poorest countries*. Retrieved from <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2017-detailed-summary.pdf>

92 Interview with Asa Thomasson, Concord Sweden.

93 Sida (2011). *Criteria for civil society organizations to qualify as framework organization or strategic partner*, unofficial translation.

Table 3.16 The Swedish framework agreements

Key features	Multi-year framework agreements between Sida (managed by CIVSAM, a specific division within Sida) and 'framework organizations' based on "Strategy for support via Swedish CSOs 2016-2022"
Funding modalities	<ul style="list-style-type: none"> - 5-year agreements - Own contribution of 10%
Eligibility	Swedish (coalitions of) CSOs that meet a number of requirements (e.g. min. 5 years of experience, partners in developing countries, proven fund-raising capacity)
Private sector	No
Application and selection	<ul style="list-style-type: none"> - Irregular selection of framework organizations. Last round of selections (2011-2014) was conducted with the help of an external consultant. - No standard template for applications, although Sida does provide guidelines. - Two selection rounds: initial assessment based on absolute requirements → qualitative assessment of organization's relevance for CSO-strategy, its internal organization, etc.
Reporting and evaluation	No standard operating procedures or templates, although Sida does provide guidelines. The initiative lies with CSOs, who can develop procedures tailored to their own needs and concerns.
Level of competition (-)	More rigid selection process has led to increased competition, but overall the group of framework organizations remains fairly stable, and there exists a clear-cut division of labour between the different CSOs (each CSO has its own specialty, focus, or religious/political background)
Accessibility (-)	More rigid selection process make it difficult for smaller and newer CSOs to be recognized as a framework organization. However, funding can be accessed through some of the existing framework organizations (see below).
Right of initiative (++)	CSOs can develop their own programs within the broad framework of the CSO-strategy, although Sida does encourage work in certain broad thematic areas, such as democracy and human rights, environment and climate, conflict, and gender.
Level of political influence (--)	Limited. Framework agreements emphasize the autonomy of CSOs, within the boundaries set by the CSO-strategy (which was developed jointly with the CSOs).

While this system of framework agreements is very difficult to break into for smaller or newer organizations, they can access framework funding indirectly, through one of the framework organizations. More precisely, when the framework system started in the 1970s, the Swedish government, together with civil society partners, was looking for ways to also support smaller CSOs. For capacity reasons, rather than directly supporting smaller Swedish CSOs, the government gradually decentralized control over funding decisions to some of its framework partners. Today, four out of 15 framework organizations are sub-granting funding to other Swedish CSOs: the Swedish Mission Council, the Olaf Palme International Center, Union to Union, and Forum Syd. Whereas the first three organizations are primarily diverting funds to their own partners inside Sweden, Forum Syd makes funding available for all Swedish CSOs that are not affiliated with one of the other framework organizations.

Sub-granting by Forum Syd

Forum Syd is a civil society platform whose members primarily consist of smaller Swedish CSOs that are active in the field of development cooperation. It does not have its own program, but instead supports projects set up by other Swedish CSOs, who may but need not be members. Specifically, Forum Syd has set up a number of grant schemes for funding 'development cooperation projects'. While level 1 (up to SEK 270000 or €25777) and level 2 (SEK 500000/€47737) grants can be applied for twice a year, level 3 (SEK 1000000/€95473) and level 4 grants (over SEK 1000000) are made available once a year. A number of eligibility requirements should guarantee the institutional capacity and democratic management of applicants. Moreover, organizations that apply for the first time can only apply for level 1 funding. Only when they have successfully completed a project funded by a level 1 grant can they apply for level 2 grants, and so forth. In addition, for level 4 grants, there are more stringent organizational requirements and assessments. Notwithstanding these safeguards, it was indicated by Forum Syd that they are trying hard to minimize entry barriers in order to facilitate the entry of smaller and newer organizations.

In terms of thematic focus, the sub-granting system leaves ample room for autonomy on the part of funding beneficiaries. The only real condition is that project grants should broadly be in line with Sida's civil society strategy, which emphasizes support for capacity building of Southern CSOs. In terms of geographical focus, funding can be provided for projects in all countries that are listed as DAC ODA recipients. Where it comes to requirements in the field of M&E and reporting, Forum Syd is obliged to follow the rules set by the framework agreements, which have become much stricter in recent years. For this reason, Forum Syd devotes a lot of attention to capacity-building amongst its beneficiaries (both members and non-members), in order to enable them to meet these requirements.

When asked about the advantages of putting civil society in charge of government funding, a representative from Forum Syd indicated that this system can be seen as more cost-effective and more democratic than a system that is managed exclusively by government officials and/or consultants. Firstly, based on its extensive experience as a civil society platform, Forum Syd is better placed to assess the merits and shortcomings of particular projects. Secondly, due to its first-hand understanding of the challenges facing smaller CSOs, Forum Syd is able to provide them with targeted support. At the same time, the sub-granting system comes with its own challenges, particularly in the field of accountability and reporting. More precisely, Forum Syd is supporting a wide range of projects in over 70 countries, and it was admitted that compiling these diverse experiences, and reporting them to Sida in a more or less coherent way, presents Forum Syd with a major challenge. More broadly, concerns were raised about the political sustainability of this system, which ultimately hinges on the availability of significant government resources.

3.7.3 Humanitarian funding⁹⁴

Since 2011, CSO funding in the framework of humanitarian assistance is organized in a way that is very similar to the framework agreements discussed above, in the sense that Sida's humanitarian unit works through multi-year strategic partnerships. A key difference with the framework agreements is that there is no way in which organizations that are not recognized as strategic partners can access humanitarian funding. Every four years, Sida launches a new strategy period, providing prospective strategic partners with the opportunity to apply for eligibility. In order to become eligible, an organization must meet certain criteria related to organizational and humanitarian capacity. Once they get recognized as a strategic partner, CSOs can submit proposals for funding, which usually takes the form of 12-month project grants, although multi-year projects are also considered in the case of protracted emergencies. In addition, there is a Rapid Response Mechanism (RRM) that is more flexible, and allows strategic partners to apply for funding for immediate interventions whenever a crisis occurs.

⁹⁴ For more information see <https://www.sida.se/English/partners/our-partners/Civil-society-organisations/About-cooperation-with-civil-society/Support-to-humanitarian-aid-through-civil-society/>. See also Sida (2015) <https://ihs.missioncouncil.se/documents/E65F3755-9974-457F-9F4C-2426FEE98254/Guidelines%20for%20Sida%20support%20for%20humanitarian%20action.pdf>

4 | Cross-country analysis

4.1 Is donor funding for CSOs under threat?

In several of the countries included in this study (Belgium, France, Netherlands), there is a sense that the ‘golden years’ of CSO funding are coming to an end. To some extent, this was confirmed by our analysis of CSO funding levels in section 2, which indicates that the clear upward trend in CSO funding that was observed in the previous study did not persist. While so far, there has been no substantial decrease in absolute funding amounts, the relative importance of CSO funding (as a share of total ODA) is decreasing, which essentially means that overall increases in ODA funding are not always matched by a parallel increase in CSO funding. At least in part, these observations can be related to the growing amounts of ODA that are earmarked for migration management.

It is important to note the differences between countries. On one side of the spectrum we find Germany and Sweden, where a gradual increase in CSO funding leads to (cautious) optimism on the part of observers. In both countries, this resilience of CSO funding seems to stem from a broader societal consensus about the role of civil society - a consensus that may be coming under threat from broader political shifts. Also the UK has seen higher funding volumes for development CSOs, but these budgets increasingly come with strings attached, and only the largest CSOs are benefiting from additional donor funding. On the other side of the spectrum we find the Netherlands, which has seen a continuation of the downward trend which was already observed in the previous study. Somewhere in between we find Belgium and France. In both countries overall CSO funding levels have remained relatively constant, but we have seen a gradual erosion of budgets in specific funding schemes.

4.2 Towards a more unstable and more fragmented funding landscape?

Arguably even more important than concerns about changes in funding levels - which, with the exception of the Netherlands, remain limited - are changes in the way this funding is allocated. The most drastic changes have taken place in the UK, where the end of program funding (the PPAs) has coincided with a proliferation of smaller and typically more short-term project grants, which are allocated through competitive CfPs. This trend towards a more fragmented funding landscape with a growing number of smaller, short-term funding mechanisms was also observed (to varying extents) in the Netherlands and France, and to a lesser extent Belgium. This is not only contributing to a fragmentation of the CSO funding landscape, but it also leads to concerns about CSO-autonomy (see below). At least some of these new funding mechanisms are not only accessible to domestic CSOs, but also to foreign and international CSOs, donor agencies, and/or the private sector.

In contrast, the funding landscape in Germany and Sweden is for the time being characterized by a relatively high degree of stability. In Germany, the bulk of CSO funding continues to be channelled towards political foundations and church-based networks, whereas development CSOs can apply for funding under one particular scheme which emphasizes CSO-autonomy. Yet even Germany has seen the ascendance of special initiatives that award funding through competitive CfPs with a stricter thematic or geographical focus. Finally, in Sweden, stability is guaranteed through the multi-year framework agreements between Sida and a select number of big framework organizations, some of which are sub-granting funds to other (Swedish and southern) CSOs.

4.3 What role for civil society strategies?

With the notable exception of Belgium, all countries surveyed in this study now have an explicit civil society strategy and/or policy documents that guide relations between the government and CSOs. These documents vary substantially in length and their degree of sophistication. While the German and Swedish civil society are rather short and read as a more general overview of government-CSO relations, the Dutch government has published a very elaborate strategy to accompany its Dialogue and Dissent program. This strategy is not only based on a broad reading of academic research, but outlines a nuanced view on the role that Dutch CSOs and their Southern partners can play in social transformation (see also 4.6). Indeed, while the strategies may set different priorities, all of them emphasize the primacy of support for domestic CSOs, who then channel funding to southern CSO-partners⁹⁵.

The failure of successive Belgian governments to come up with an explicit civil society strategy, meanwhile, raises concerns on the part of the Belgian NGO-federation. Whether a civil society strategy can indeed contribute to safeguarding the role of development CSOs is not an easy question, and depends on a range of factors, including issues related to content (what CSO roles are supported in the policy?); ownership (are CSOs involved in drafting the strategy?); but also the broader institutional set-up and intra-governmental dynamics. Of particular importance is whether the existence of a civil society strategy goes hand in hand with the necessary institutional capacity on the donor side, in the form of a CSO department, desk or agency that is tasked specifically with government-CSO relations, and can operate with a reasonable degree of independence. Whereas CIVSAM (Sweden) and Engagement Global (Germany) probably qualify as good examples, Belgium stands out as the only country in the study where CSO-relations are no longer managed by a specific governmental unit.

4.4 Government responses to increased workload

Across our sample, government agencies responsible for managing CSO funding are facing increased pressures due to a combination of a high workload (due to additional administrative requirements and procedures and increases in CSO funding) and a lack of human and financial resources (due to a stagnation or decrease in working budgets). There are several ways in which they are trying to deal with these pressures. In the UK, DFID is increasingly relying on commercial contractors to manage CSO funding schemes. Aid agencies in France and Germany are stimulating consortia bids in an attempt to minimize their workload, albeit so far with limited success. In Belgium, the ministry of development cooperation has de facto shifted from a thematic to a geographical focus for managing relations with CSOs, a move that allows them to pool the staff that follow up different aid channels. Finally, the Swedish practice of sub-granting by framework organizations provides an interesting alternative: rather than outsourcing the management of funding schemes to private sector contractors or stimulating consortia bids, Sida is relying on a number of its framework partners to sub-grant funding to other Swedish CSOs.

4.5 Whither CSO-autonomy?

So what do these broad changes in the CSO funding landscape imply for the autonomy of development CSOs? A first important observation is that civil society strategies invariably emphasize the key role that domestic CSOs play in providing support to southern CSOs. The Dutch dialogue and dissent program is a good example: while it is explicitly aimed at strengthening the advocacy

⁹⁵ The Dutch government is currently reconsidering this strategy, possibly easing direct access for Southern CSOs in the future.

capacity of southern CSOs, it recognizes the fact that in diverse societies with diverse challenges, there are variegated ways to achieve this overarching objective.

A second observation is the widely shared sentiment that the results-based management (RBM) agenda is now deeply embedded in CSO funding policies in all six countries. In addition to increasing the administrative workload for both CSOs⁹⁶ and governments (in terms of monitoring, evaluation, and various quality control mechanisms), the RBM-focus may at times restrict the autonomy of CSOs. Here, the question becomes who defines the results that should be achieved, and does the government recognise that relevant outcomes of social change might be less tangible and therefore difficult to measure.

This brings us to a third observation: many of the new funding mechanisms described throughout this paper are characterized by a narrower thematic and/or geographical focus and other types of conditionalities. Due to their generally shorter funding cycle, these mechanisms are also more sensitive to political interference, and often reflect the strategic and political priorities of (successive) development ministers and/or government agencies. The risk of instrumentalization is especially real in the case of the commercial contracts that are used by DFID. While commercial contracts are admittedly distinct from more traditional grant funding, several of the new funding mechanisms embody contract-like features, including their explicit orientation towards tangible short-term results.

Fourthly, there is the question of how government-CSO relations, as a part of development cooperation, relate to broader foreign policy objectives. In countries such as France, there is a distinct feeling that CSOs are to some extent being instrumentalized in France's efforts to re-establish its influence across the globe. In Belgium, CSOs are worried about the government's push for a 'comprehensive approach' to foreign policy, and how this might affect the CSO space over time.

4.6 The preponderance of managerial approaches to civil society?

Summarizing the above, it is useful to distinguish between two broad policy logics that governments can adopt to manage their relationship with CSOs: a managerial logic and a social transformation logic⁹⁷. Broadly speaking, while the former treats CSOs mainly as collaborative and efficient implementers of government policies to achieve specific development goals, often leading to service-delivery roles (or ODA 'through CSOs' in the OECD-DAC language); the latter sees them as incubators of social and political transformation that should receive enough autonomy to fulfil this role. Table 4.1 provides an overview of the main differences between the two approaches.

⁹⁶ The Dutch government has explicitly attempted to decrease the administrative workload of the Dialogue and Dissent framework by working with flexible theories change, rather than detailed planning documents with logical frameworks. No study has been done to measure the actual workload of the new system. In Belgium, monitoring & evaluation procedures were made more flexible and lighter in the last round of programme support, but other additional conditions were introduced which created administrative pressure (the joint strategic frameworks, new certification procedures including for evaluation, etc.).

⁹⁷ Dialogue and Dissent: Theory of Change 2.0 (Dutch ministry of foreign affairs)

Table 4.1 Social transformation logic vs. managerial logic

Social transformation logic	Managerial logic
<ul style="list-style-type: none"> - CSOs need to be autonomous to contribute to development - CSOs' value is expressed in terms of their intrinsic value and diversity - Besides service delivery, CSOs have a clear political role to play. - Citizens are rights holders who use CSOs to claim their rights - Relations with civil society organizations are both a means and an end - Southern CSOs should be in the lead 	<ul style="list-style-type: none"> - CSOs are complementary to the state and donors in achieving development - CSOs value is expressed in terms of value for money - CSOs are mainly effective and efficient service providers - Citizens are customers who use performance indicators to hold CSOs and government accountable - Relations with CSOs are a means to an end - Southern CSOs can play a role if they are efficient providers of services

Source Adapted from Dialogue and Dissent: Theory of Change 2.0 (Dutch ministry of foreign affairs)

In reality, government-CSO relations in all six countries embody elements of both logics, at the same time, there are clear differences. On one side of the spectrum we find Sweden, a country where civil society has historically played a leading role in development cooperation. Here, CSO funding continues to be based on a privileged partnership between Sida and a select number of large CSOs that retain a substantial degree of autonomy. In Germany as well, CSO-autonomy is still highly valued, although some observers discern a shift towards a more instrumental view on CSOs. Still, in both countries, a managerial logic is gradually pervading CSO funding, primarily in the form of a more explicit focus on results monitoring. In Belgium, while the CSO co-financing program is still to some extent based on a social transformation logic which values the role of CSOs as autonomous actors in development, there is a clear shift in policy discourse and to some extent in funding practices towards a more managerial logic. This managerial logic is embodied in the idea that development actors need to be 'fit for purpose'. The situation in France is more difficult to assess: while the more traditional CSO funding mechanisms still recognize the different roles that CSOs can play in development, there is a strong sense that CSOs (and especially humanitarian CSOs) are treated by the government as complements in their push to re-establish French influence across the globe. The managerial logic is arguably most pronounced in the case of the UK, where the focus on results and value-for-money is now deeply engrained not only in DFID's relations with CSOs, but even in its internal machinations. Another illustration of DFID's managerial logic is its increased reliance on contracts, and the observation that many of its grant schemes now have contract-like features.

While the 2015 study concluded that the peak of the RBM agenda might have been reached, this study concludes that it is still thriving in at least two countries (UK and Belgium), and gradually finding its way in three more countries (France, Sweden and Germany) This part of the managerial logic is clearly related to broader shifts in the development arena, ongoing privatisation pressures, and the rise of an aid paradigm that privileges 'development effectiveness'. Moreover, a managerial logic can also be seen as one response of governments to growing societal demands for accountability. A notable exception to this trend is the Netherlands which, for many years, had also been evolving towards a more managerial logic. Yet with its Dialogue and Dissent program, the government explicitly recognizes the shortcomings of a managerial logic in complex contexts, where development processes are uncertain, and which therefore require a differentiated approach on the part of CSOs. This translates into, amongst others, emphasising the political role of CSOs, more freedom for CSOs in determining how they work in developing countries, and less focus on rigid pre-defined planning documents with tangible indicators. Whether this leads to more transformational programmes has not yet been mapped. There are indications that other regulations and trends are possibly taking away some of the gains made. This is due to new financial and audit requirements; the fact that the Dialogue & Dissent programme provides 'earmarked' funding rather than flexible institutional support; and

the tendency of Dutch CSOs to be cautious in how they fund their partners due to a rather hostile political and media environment.

4.7 What thematic trends?

In terms of thematic trends, while there exists significant variation between and within countries, three overarching trends could be identified. Firstly, in all six countries there is increased attention for the SDGs as a guiding framework for development cooperation. At the same time, we found little evidence that the SDGs are having significant impact on CSO funding mechanisms and corresponding modalities, beyond initial efforts to reconfigure monitoring and evaluation guidelines to make it possible to report against the SDG framework. In the introductory chapter, we argued that some of the principles underpinning the 2030 Agenda are used by powerful players to advocate for less ODA; a larger focus on economic growth rather than redistribution; and the promotion of ‘tamed’ CSO roles through multi-stakeholder collaborations with state and business actors rather than as political agents. CSOs are faced with the challenge of turning the 2030 Agenda into a social transformative agenda⁹⁸, in which poverty, inequality and exclusion are addressed by tackling power asymmetries and empowering those that are stuck in despair.

Secondly, in line with the findings of our 2015 study, greater involvement of the private sector remains high on the agenda. So far, however, political commitments to increase the role of the private sector in development have not yet translated into substantial changes in CSO funding. At this stage, the influence of private sector thinking on CSO funding practices is especially tangible in the management instruments that are promoted (RBM, ...); the increased use of competitive calls; and the use of consultancy groups to manage funding channels. In the Netherlands cuts in CSO budgets went hand in hand with increases in budgets for private sector-related channels and projects. In addition, confronted with budget cuts and a pro-business atmosphere, several CSOs in the two countries have been actively exploring the possibility of collaborating with the private sector, especially with the aim of attracting additional funding. Some started experimenting with social entrepreneurship and social economy models.

Of all the countries included in this study, the UK has undoubtedly gone the furthest: in addition to its increased reliance on commercial contractors (including for the management of CSO funding schemes), DFID has set up a number of funding mechanisms that explicitly aim to stimulate collaboration between CSOs and private companies.

The third and arguably most important trend is the growing importance of the nexus between poverty, instability, and migration. In addition to the fact that increasing amounts of ODA are being channelled towards migration management at home and abroad, the emphasis on poverty-instability-migration is increasingly being translated into CSO funding mechanisms that are managed by specific agencies or departments (D5.2 ‘Transitional Development’ in Belgium; ‘Cellule Vulnérabilité, Crises et Post- Crise’ in France, ...).

4.8 Who benefits, who loses?

This leaves us with the question as to who benefits and who loses from the changes in CSO funding. This is no easy question to answer, not least because the situation varies substantially between countries, and because there is a lack of systematic data about funding recipients. Still, some general observations are in place. One could argue that civil society as a whole loses diversity and civil space

⁹⁸ Dutch Ministry of Foreign Affairs (2017). *Dialogue & Dissent: Theory of Change 2.0*.

through the expanded use of different types of conditionalities in the provision of donor funding, especially in combination with more competitive funding mechanisms. This tends to benefit those parts of civil society with strong managerial capacities and interest in service delivery work. While at least some of the aforementioned changes in CSO funding (a prime example is the abolition of program funding in the UK) were meant to break the dominance of established players and diversify the range of funding beneficiaries, this objective is not easily attained. Instead, there are important indications that bigger and more established players are better equipped to deal with changes in the CSO funding landscape compared to smaller and newer organizations. More precisely, bigger organizations with more financial and human resources have a clear edge when it comes to applying for competitive grant funding, and in the case of DFID even for government contracts. Both the process of applying for grants/contracts, managing the funds, as well as meeting the stringent requirements in terms of monitoring, evaluation and reporting, require a substantial investment in terms of time and money. For this reason, smaller and newer organizations face numerous entry barriers when attempting to access government funding. In the meantime, the Netherlands has been experimenting with alternative forms of funding, for example, that support the political role of CSOs (Dialogue and Dissent programme); a fund that targets the most marginalised (Voice); and funds that support Southern CSOs directly (Leading from the South; Accountability Fund).

5 | CSO strategies for dealing with changes in CSO funding

Based on our cross-country analysis in section four, it is fair to conclude that CSOs are (to varying extents) confronted with an increasingly fragmented funding landscape that is characterized by a growing importance of smaller and more competitive funding schemes; and the dominance of a managerial logic which emphasizes results and effectiveness over CSO-autonomy. In this section, we will try to assess a number of strategies that CSOs and umbrella federations are deploying to confront this reality. A good starting point for this discussion is Appe's article on 'civil society organizations in a post-aid world'. In this article, she identifies three strategies that CSOs can use in the face of the increased uncertainty of donor funding (in this particular case in the Latin American context)⁹⁹. A first strategy is to look for alternative income sources. A second strategy is internal restructuring, by decentralizing or downsizing operations, or by specializing in particular themes. A third strategy is collaboration with other players, which may but need not be other CSOs. As will be demonstrated below, each of these strategies has strengths and drawbacks.

5.1 Diversification of income sources

The first and arguably most obvious strategy to respond to changing funding realities is to diversify income sources. In his study of the 'NGO funding game' in the Netherlands, Schulpen¹⁰⁰ notes how after the drastic cutbacks in CSO funding in 2011, the four leading Dutch co-financing organizations (Hivos, ICCO, Oxfam Novib, and Cordaid) were forced to tap into alternative income sources. Somewhat surprisingly, they continued to rely primarily on government funding, albeit increasingly from other governments. However, as Schulpen notes, most of this funding takes the form of the more competitive CfPs for shorter-term project funding that were described throughout this paper. Hence, important questions remain with regards to the sustainability of this strategy. Moreover, this strategy may be less realistic for smaller or newer organizations, who do not have the in-house capacity that is needed to respond to and manage these types of funding opportunities.

Another important piece of research is Brockington and Banks' 2017 report (see also section 3.2.1), in which they analyse the income sources of nearly 900 British development CSOs¹⁰¹. For the purposes of this section, it is worthwhile to highlight three of their main findings. First, this report confirms that for larger organizations (particularly in the £3 million to £100 million income bracket), income from government sources is more important than for smaller organizations. Secondly, for organizations in all income categories, income from the public (read: private donations) is the most important income source, representing on average 40 percent of total income. Thirdly, as the authors note themselves: *"Growth in public income is not rivalrous, i.e. organisations do not seem to be fighting for the same pound. Instead they are seeking and creating new sources. It is likely that growth in public income derives from high*

99 Appe, S. (2017). Civil Society Organizations in a Post-Aid World: New Trends and Observations from the Andean Region. Public Administration and Development, 37(2), 122-135.

100 Schulpen, L. (2016). The NGO funding game - the case of the Netherlands, Working Paper, CIDIN, Radboud University Nijmegen

101 Brockington, D., & Banks, N. (2017). Changes in Expenditure, Income, and Income Sources for development NGOs based in the UK Report from University of Sheffield. Retrieved online from <https://www.sheffield.ac.uk/news/nr/development-ngos-charitable-expenditure-research-1.747024>

net-worth individuals.” However, while private donations can partly compensate for uncertain government funding, it comes with its own challenges. In particular, private donations are often issue-based, targeting particular crises or problems in specific countries, and are therefore as uncertain or even more uncertain than government funding.

5.2 Internal renewal

The second strategy, internal renewal, refers to the different ways through which CSOs can change their organizational structures and activities, in order to better respond to changing funding realities and opportunities. We observe at least four different ‘coping’ responses. Arguably the most important trend in this regard is the decentralization of CSO-operations to low- and middle-income countries. Aside from being a response to ongoing critics about the centralised agenda-setting by Northern CSOs, decentralization also offers additional funding opportunities. On the one hand, bilateral donors are increasingly allocating funding at the country level, through embassies and local offices of executing agencies. On the other hand, many low- and middle income countries have a growing middle class that is also starting to donate to good causes. A second response is the development of in-house capacity to more effectively respond to calls and increase the managerial capacity of the CSO, by relying on external expertise (read: consultants), further professionalization, or thematic re-positioning in order to bring activities more in line with changing thematic agendas. These are all efforts to strengthen the CSO’s image of a professional and specialised project implementation agency. As indicated in earlier sections, a third and more drastic response has been to change the core model of the CSO by moving towards business-like modes of operations. This takes different forms. For example, in the Netherlands, in response to the drastic budget cuts, some NGOs changed the functioning of the different thematic groups in their organisation into self-financing units, which each had to develop business-plans and re-package their work into clear-cut products and services that can be offered to clients (donors). Others experiment with social entrepreneurship and social economy models, combining economic and social goals in attempt to bring together the best of both worlds. Strategy 2 and 3 also have their critics. The continued emphasis on pleasing new demands of governmental donors through processes¹⁰² of ‘marketization’, ‘managerialization’, ‘scientization’, and ‘standardization’ raises fundamental questions about CSO’s identity and independence, skilfully described in academic papers about the ‘too close for comfort’¹⁰³- debate. The fourth ‘coping’ response takes a different route. Here, CSOs become more selective in the type of funds they want to raise, especially when the conditionalities attached risk pushing the CSO away from its *raison d’être*. A funding ‘detox’ is preferred even if this means growing smaller. This response might go hand in hand with a thematic reorientation towards more political roles and strategies.

5.3 Collaboration and consortia building

A third strategy is collaboration with other CSOs or the private sector. In several of the countries included in this study, governments are explicitly (in the case of funding schemes such as UK Aid Connect) or implicitly (by including it as one of the evaluation criteria for funding proposals) encouraging consortia bids. While these efforts to stimulate collaboration may be informed by a deliberate policy choice, in many cases they are also a response to the ever-increasing workload facing government actors responsible for managing CSO funding. For many smaller and/or newer CSOs, meanwhile, it is often the most straightforward way to access government funding. While working

¹⁰² SIPU International (2014), Organisational Assessments of Civil Society Organisations (CSO) in view of possible qualification as Sida’s framework and/or strategic partner organisations: Experiences and lessons learned from the organisational assessment programme 2012-14, Sweden

¹⁰³ Banks, N., Hulme, D. & Edwards, M. (2014), “NGOs, States and Donors Revisited: Still Too Close for Comfort?” in *World Development*, Vol. 66, pp. 707-718

in consortia is likely to become even more important in the future, there are clear risks involved, particularly for smaller organizations. Firstly, consortia building in itself is time- and resource-consuming. Secondly, while it may provide smaller or newer organizations with opportunities for organizational learning, the case of the DFID-contracts demonstrated the risk that smaller organizations are reduced to 'bid candy'.

- APPENDICES -

appendix 1 List of respondents

Country	Respondents (affiliation)
United Kingdom	Zoe Abrahamson (Bond) Dan Brockington (University of Sheffield) Nicola Banks (University of Manchester) Sandy Biggar (Mercy Corps)
Belgium	Femmy Thewissen (NGO-federatie) Arnout Justaert (NGO-federatie) Koen van Acoleyen (DGD) Griet Ysewyn (11.11.11) Sylvie Graffe (ACODEV)
France	Jean-Luc Galbrun (Coordination Sud) Marion Disdier (Coordination Sud) Matthieu Moriamez (Coordination Sud)
Netherlands	Lau Schulpen (Radboud Universiteit Nijmegen) Koos De Bruijn (PARTOS)
Germany	Jana Rosenboom (Venro) Bodo von Borries (Venro) Michael Ahrens (Federal Foreign Office)
Sweden	Asa Thomasson (Concord Sweden) Stefan Nilsson (Forum Syd) Viveka Carlestam (Sida)
Other	Dania Tondini (AVSI)