



# *IOB Evaluation*

## **Useful Patchwork**

*Direct Funding of Local NGOs by Netherlands Embassies  
2006-2012*

March 2014



## Foreword

Support for civil society has been a key element in Dutch development cooperation for a long time, because it was considered that change and development are the joint responsibility of governments together with civil society actors and the private sector, supported by international donors. In the past, the funding of Civil Society Organisations (CSOs) in the South by the Ministry of Foreign Affairs was mainly supported by subsidising Dutch co-financing agencies. In turn, these agencies – also using their own funds – provided support to Southern CSOs for a wide variety of development programmes.

Since the devolution of budget responsibilities from the Ministry in The Hague to the embassies in the mid-1990s, the latter have increased their direct funding to CSOs in response to the embassies' desire to support activities complementing other elements of their country programmes and because direct funding enabled them to be in contact with partners at the local level. The fact that local CSOs had become stronger over the years contributed to the confidence of embassies in the implementing capacities of these organisations.

Although direct funding of CSOs involves a substantial percentage of decentralised expenditure and a considerable amount of money, little is known about the use of this funding modality. Have these funds been properly spent? For what purposes have they been used? Who were the partners? What were their motives? How should direct funding be valued? These were among the questions raised after 2009 when it was decided to increase the volume of direct funding. In this study, some of these questions are addressed. The analysis is restricted to Non-Governmental Organisations (NGOs) active in the South and pays special attention to Local NGOs (LNGOs).

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The study finds that between 2006 and 2012, 24 percent (EUR 950 million) of decentralised funds of Netherlands embassies in 18 countries was spent by NGOs and about 9 percent (EUR 350 million) by LNGOs in particular. There is little central direct funding policy except for the obligation to spend the funds exclusively on thematic spearheads. This has given embassies great freedom to make their own choices. The embassies qualified direct funding as a valuable instrument because it is helpful in achieving the objectives of their country programmes. However, their contributions are not strongly strategically oriented towards the development of civil society. The LNGOs appreciate direct funding because it has strengthened their position in society. Although embassies and other donors do meet occasionally, they do not have a systematic approach to ensure complementarity in their funding of NGOs.

The study has been conducted by IOB inspector Floris Blankenberg together with Aline van Veen, IOB researcher. The country studies in Benin, Ethiopia, Mozambique and Sudan were carried out by Berenschot Group Ltd. The research team consisted of Fons de Zeeuw (team leader), Marjolein Lem, Claudia Schlangen and Nora El Maanni. They were supported by local consultants Moussiliou Alidou (Benin), Akalewold Bantirgu (Ethiopia), Zuber Ahmed (Mozambique) and Sahar El Faki (Sudan).

IOB inspectors Piet de Lange and Nico van Niekerk acted as internal co-readers. Henri Jorritsma (until his retirement in autumn 2013) and Geert Geut, Deputy Directors of IOB, were responsible for overall supervision of the study. The members of the external reference group, Nadia Molenaers (IOB, Antwerp), Jean Bossuyt (ECDPM, Maastricht), Lau Schulpen (CIDIN, Nijmegen) and Loes Lammerts (Ministry of Foreign Affairs, DSO) provided useful comments. A special word of thanks goes to them for their thoughtful contributions.

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## List of acronyms and abbreviations

AAAD	Abridged Activity Appraisal Document
AGIR	<i>Programa de Acções para uma Governação Inclusiva e Responsável</i>
AIV	Advisory Council on International Affairs ( <i>Adviesraad Internationale Vraagstukken</i> )
ANFEAE	Adult and Non-Formal Education Association in Ethiopia
AP	Annual Plan
BEA	Basic Education Association
BEMO	Activity Appraisal Document ( <i>BeoordelingsMemorandum</i> )
BTI	Bertelsmann Stiftung's Transformation Index
Ch or So	Ethiopian Charities or Societies
CIDIN	Centre for International Development Issues Nijmegen
CIP	<i>Centro de Integridade Pública</i>
COCA	Checklist Organisational Capacity Assessment
CORHA	Consortium of Reproductive Health Associations
CPSC	<i>Centre de Promotion de la Société Civile</i>
CSA	Charities and Societies Agency
CSF	Civil Society Fund
CSO	Civil Society Organisation
CSP	Charities and Societies Proclamation (Ethiopia)
CSP	Civil Society Platform (Mozambique)
CSSP	Civil Society Support Programme
Danida	Denmark's international development cooperation agency
DGIS	Directorate General of International Cooperation of the Netherlands Ministry of Foreign Affairs ( <i>Directoraat-Generaal Internationale Samenwerking</i> )
DSO	Social Development Department of the Netherlands Ministry of Foreign Affairs ( <i>Directie Sociale Ontwikkeling</i> )
ECDPM	European Centre for Development Policy Management
EEA	Ethiopian Economic Association
EHRCO	Ethiopian Human Rights Council
EIDHR	European Initiative for Democracy and Human Rights
ESAP	Ethiopia Social Accountability Program
EU	European Union
EWLA	Ethiopian Women Lawyers Association
FGAE	Family Guidance Association of Ethiopia
FLOW	Funding Leadership and Opportunities for Women
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
HAC	Humanitarian Affairs Commission
HDI	Human Development Index
HGIS	Homogenous Budget for International Cooperation ( <i>Homogene Groep Internationale Samenwerking</i> )
HIV/aids	Human immunodeficiency virus infection / acquired immunodeficiency syndrome
HOS	Head of Development Cooperation ( <i>Hoofd Ontwikkelingssamenwerking</i> )

ICNL	International Centre for Not-for-profit Law
ICT	Information and Communication Technology
INGO	International Non-Governmental Organisation
IOB	Policy and Operations Evaluation Department of the Netherlands Ministry of Foreign Affairs ( <i>Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie</i> )
IPRSP	Interim Poverty Reduction Strategy Plan
LGBT	Lesbian, Gay, Bisexual, Transgender
LNGO	Local Non-Governmental Organisation
M&E	Monitoring and Evaluation
MASC	<i>Mechanismo de Apoio à Sociedade Civil</i>
MASP	Multi-Annual Strategic Plan
MDG	Millennium Development Goal
MFS	Co-financing System for development aid of the Netherlands Ministry of Foreign Affairs ( <i>Medefinancieringsstelsel</i> )
MSC	<i>Maison de la Société Civile</i>
NGO	Non-Governmental Organisation
NNGO	Northern Non-Governmental Organisation
ODA	Official Development Aid
OESO/DAC	Organisation for Economic Co-operation and Development ( <i>Organisatie voor Economische Samenwerking en Ontwikkeling</i> ) / Development Assistance Committee
ORAM	<i>Associação Rural de Ajuda Mútua</i>
PARC	Palestinian Agricultural Relief Committees
PRSP	Poverty Reduction Strategy Paper
PSCC	<i>Programme Société Civile et Culture</i>
RNO	Netherlands Representative Office
SALIN	Strategic Alliances with International NGOs
SAP	Small Activities Programme
SIDA	Swedish International Development Cooperation Agency
SMART	Specific Measurable Acceptable Realistic Time-bound
SNGO	Southern Non-Governmental Organisation
SNV	Netherlands Development Organisation
SRHR	Sexual and Reproductive Health and Rights
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VMP	Trade Union Co-financing Programme ( <i>Vakbondsmedefinancieringsprogramma</i> )
VNG	Association of Netherlands Municipalities ( <i>Vereniging Nederlandse Gemeenten</i> )
WB	World Bank





# Main findings and considerations

## Introduction

Netherlands embassies in developing countries rely on a number of modalities and funding channels including direct funding of NGOs<sup>1</sup> for the execution of their cooperation programmes. In the mid-1990s, the devolution of budget responsibilities from the ministry to the embassies increased. Delegated budgets are used to finance, among other things, programmes and projects<sup>2</sup> of governments, multilateral institutions and CSOs, including NGOs.<sup>3</sup> The increase in delegated budgets was accompanied by an increase in the share of direct funding, that is the allocation of means by embassies to CSOs/NGOs without the involvement of intermediary organisations. More than 80 embassies use part of their delegated budgets to directly support CSO/NGO activities.

In this evaluation the landscape of direct funding is described and questions about why and how NGOs have been directly funded and what have been the intermediate (process) results are answered. The evaluation period is 2006-2012 and the focus is on LNGOs. Information on direct funding was collected for 18 countries (15 partner countries and three transition countries) and in-depth studies were carried out in four of these countries: Benin, Ethiopia, Mozambique and Sudan.

## Main findings

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1. *Central policy intentions: There is little deliberate central policy on the use of direct funding; the policy indication to spend the funds exclusively on thematic spearhead activities was implemented according to plan. In accordance with the policy intention, the volume of direct funding increased between 2006-2012.*

There are no policy guidelines on when and how to use direct funding except for the obligation to spend the funds exclusively on thematic spearhead activities and the goals of the instrument are nowhere formulated. However, there have been some policy intentions, such as the appeal from The Hague asking embassies to increase the volume of direct funding and to achieve more complementarity with the strategies and programmes of other donors. Neither is there much documented direct funding policy at embassy level. In the absence of formal policy guidelines, embassies have considerable freedom to make their own choices and they have made full use of this to help achieve their objectives, with the result that the landscape of direct funding is very varied and that embassies consider such

<sup>1</sup> NGOs refers to International NGOs (INGOs), Northern NGOs (NNGOs) and Local NGO (LNGOs) active in the South. In this study, NNGO refers mainly to Dutch donor NGOs, although donor NGOs from other European countries incidentally receive direct funding from Netherlands embassies. In this report the terms 'Southern NGOs' (SNGO) and 'Local NGOs' are used interchangeably.

<sup>2</sup> In this report the term 'projects' and 'programmes' are used interchangeably to refer to directly supported activities of NGOs.

<sup>3</sup> The concept of CSO includes a much wider array of organisations than the concept of NGO. Examples are: community groups, labour unions, indigenous groups, charitable organisations, faith-based organisations, professional associations and foundations and NGOs. Elements of the World Bank definition for CSOs are used.

funding to be a useful instrument. Therefore, direct funding can be characterised as ‘useful patchwork’.

In absolute amounts, direct funding increased in the period 2006-2012, although it declined between 2009 and 2011. 24 percent (EUR 950 million) of decentralised funds of Netherlands embassies in 18 countries was spent by NGOs and about 9 percent (EUR 350 million) by LNGOs in particular.<sup>4</sup> Direct funding as a percentage of decentralised expenditure increased from 2008 onwards. Trends in the amounts and percentages of direct funding over the years differed greatly between countries. There is no clear relationship between the volume of direct funding on the one hand and, on the other hand, the recipient country’s socio-economic context and the room for civil society in that country.

*2. Complementarity: Most direct funding programmes are consistent with embassies’ bilateral country programmes and serve its objectives. There is no systematic approach within embassies and other bilateral funding agencies towards complementarity and the creation of synergies in funding CSOs/NGOs. Complementarity between embassies and Dutch Co-financing (MFS) organisations is limited and they rarely fund the same LNGOs.*

The lack of central steering has not resulted in the country programmes of embassies losing coherence. Most of the directly funded LNGO projects serve the country programme objectives. They complement other, often larger, bilateral or multilateral programmes, and they contribute to achieving synergy in the country programmes of the embassies. The activities serve particular goals, such as adding specific expertise and local knowledge, or they fill the need for critical observers of the programmes. Apart from this, a number of *ad hoc* activities are supported. This combination is relevant, as it strengthens the core programmes and responds to the need to fund windows of opportunity that are not necessarily related to the core programmes.

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Different bilateral donors sometimes meet and agree to coordinate their efforts, but usually a shared vision on the role of civil society in development and a joint approach towards supporting civil society are lacking. They rather pursue their own goals without noticeable division of tasks. They all wish to identify stronger partners with good implementing capacity to help them achieve their goals. Sometimes this results in ineffectiveness and inefficiency. The emergence of multi-donor funds may contribute to more donor coordination. However, this type of cooperation is still limited in scope, does not yet occur everywhere and often leads to the loss of the highly valued direct relationships between donors and CSOs/NGOs.

Between embassies and MFS organisations there is also no systematic approach towards complementarity and they do not often fund the same LNGOs. Embassies usually fund short- or medium-term activities (about four years) of stronger LNGOs, sometimes of an *ad hoc* nature, which support their objectives and complement other activities of their country programmes. MFS organisations seem to tend to support less-developed LNGOs in

<sup>4</sup> For an overview of direct funding (2006-2012) of the embassies in the 18 countries see Annex 10.

the context of longer-term civil society development goals; such LNGOs may also require substantial capacity development support. The relationships between directly funded LNGOs and MFS-supported LNGOs are largely of a non-competitive nature.

*3. Appreciation: Embassies find direct funding of LNGOs a valuable instrument for achieving their goals. LNGOs find direct funding a valuable instrument because it has strengthened their position in society.*

Embassies apply the instrument of direct funding in a way they consider most worthwhile. It helps them to achieve their goals and it offers them opportunities to support the critical role of LNGOs in society, to keep in touch with the local level and to be informed about local institutions and civil society; this helps them to feed the policy dialogue with the governments. The lack of central steering enables embassies to make their own pragmatic choices, for example about the types of activities and organisations to be supported, the size and the duration of the contributions and the nature of the relations with the partners. Embassies appreciate the innovative capacity and the ability of LNGOs to contribute to strengthening the enabling environment in which the activities are carried out.

The direct relations of LNGOs with embassies have contributed to their credibility in society and to improved access to other donors. They became part of the networks of the embassies and their activities were often complementary to those of other partners of the embassies. This has helped the LNGOs to position themselves in a broader country-specific context. LNGOs appreciate the flexibility of the application of the direct funding instrument. They may informally be invited by embassies to submit project proposals, or they may do so proactively, and they welcome this; open calls for proposals are rare. Embassies are in a position to accede to proposals concerning a variety of topics, whether relating to service delivery, civil society building, or otherwise. Often, LNGOs and embassies together refine the proposals in a process of co-creation. The LNGOs appreciate the personal relations with the embassies and the embassies' role during project implementation, which is often characterised by support rather than by control.

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*4. Capacity development support: This is not a priority of embassies but it is still required for a number of LNGOs that are directly funded.*

On average, strong LNGOs supported by embassies do not require much capacity development support, although embassies sometimes help them to strengthen their programme management skills. But for certain other LNGOs, capacity development support is still required. Although capacity development support is not a priority of embassies, they nonetheless sometimes fund such organisations because these have something special to offer; the organisation's institutional strength is therefore not always a decisive selection criterion. The limited staff capacity of the embassies does not allow them to provide intensive capacity development support themselves. They overcome this problem by hiring consultants or by working through multi-donor funds or intermediary organisations, and they also limit the number of funded small activities.

*5. Strategic approach: Contributions of embassies to LNGOs are not strongly strategically oriented towards civil society development.*

The focus of embassies was mostly on concrete activities rather than on strategic use of direct funding to address broader questions about the role of civil society in development and about how LNGOs and donors could both possibly contribute to this. More strategic use would focus on development of countervailing power and of an enabling environment for pro-poor development and would require approaches different from the ones used in supporting civil society activities. The role and importance of CSOs in development processes was acknowledged in documents issued at the central level, but no strategies and policy guidelines to be implemented by embassies concerning positioning of civil society development in a broader and longer-term context were ever formulated. Neither has such a strategic orientation been a policy intention of embassies.

## Considerations

*1. There are still some weaknesses in the direct funding instrument that require strengthening, but the absence of a central and strictly formulated steering policy should be seen as a strength.*

Current direct funding is strongly aligned with the bilateral spearheads. Checks and balances built into the selection process and in financial and progress monitoring guarantee careful use of Dutch aid resources. Both LNGOs and embassies are positive about direct funding. There is therefore no reason to develop a strict direct funding policy; rather, the positive features of the present practice, such as flexibility, dialogue with partners and co-creation of projects are worth preserving. Despite this, some elements in the current management of direct funding could be improved: the depth of analysis of civil society and its actors as basis for partner selection, the search for promising LNGOs outside the usual networks of embassies, the attention for systematically learning from evaluations and possible complementarities with other donors. Pooled funding, for example in multi-donor funds, is a serious option for enhancing complementarity. However, the risks of using such funds are that valuable personal contacts and substantial flexibility in resource use may be lost and that bureaucracy for surveillance may increase. Such risks should be addressed.

*2. Funding a number of ad hoc civil society activities is not the same as civil society development; the latter is a much broader and longer-term process which requires more thorough analyses and different support.*

Development actors agree about the important role of civil society in development, but there is no shared vision on what exactly that means in practice. The result is that donors fund a variety of civil society activities, all of which may be useful as such, but the ultimate goal of direct funding in relation to civil society development is hardly addressed. Embassies, in collaboration with Southern CSOs, governments of partner counties, Dutch NGOs and other actors, should jointly analyse the role of civil society in development, its situation and political space and the possible contributions of CSOs in strengthening civil society, and they should gain insight into where support is desirable and feasible. The outcomes of such analyses should be reflected in the embassies' Multi Annual Strategic Plans (MASP) or in country analyses. The ongoing discussion about the 'Accountability

Fund' for capacity development for lobby and advocacy activities of LNGOs<sup>5</sup> offers unique opportunities to contribute to a basic intervention philosophy and more strategic use of direct funding for civil society development.

3. *Flexibility is one of the most important features of direct funding; this should be preserved in the policy framework for the Accountability Fund; its goals and intended results should be strategically and broadly formulated.*

While formulating the policy framework for the Accountability Fund, the design could profit from the positive experiences with the flexible application of direct funding. To preserve this element, both the ministry and the embassies are best served by a policy framework for the Accountability Fund that consists of strategically and broadly formulated development goals and intended results. To take full advantage of the positive features of direct funding, staff capacity of embassies is critical. Minister Ploumen made a well-considered reference to this aspect in her recent letter '*Cooperation with civil society in a new context*'.<sup>6</sup>

<sup>5</sup> Ministry of Foreign Affairs: '*Cooperation with civil society in a new context*', letter from Minister Ploumen to Parliament, 9 October 2013.

<sup>6</sup> *Ibid*, p.11.



1

# Introduction

## 1.1 Background

For many years, a large number of Netherlands embassies have been allocating part of their decentralised budgets directly to a variety of CSOs, including NGOs.<sup>7</sup> Direct funding by embassies is important because substantial sums of money are allocated through this instrument and because successive ministers have argued for an increase in its volume. Nevertheless, relatively little is known about the destinations and efficacy of this funding.

The evaluation presented here is included in the 2010-2015 evaluation programme of the Ministry of Foreign Affairs, under Policy article 5: 'Promoting human and social development', Operational objective 2: 'Strengthening civil society in developing countries': Direct funding of LNGOs.<sup>8</sup> Inclusion in the evaluation programme followed a resolution of the House of Representatives in June 2009.<sup>9</sup> The Terms of Reference (ToR) for this evaluation were adopted by the director of IOB in March 2013.<sup>10</sup>

## 1.2 Scope and limitations

### Scope

In this evaluation landscape, the motives and use of direct funding in the period 2006-2012 have been reviewed. Although the evaluation was not specifically of the effects of directly funded programmes, intermediate effects have been reviewed. Intermediate effects are process outcomes that manifest themselves in the programme environment as a result of programme implementation. Examples are increased synergy in the embassies' programmes, stronger relations between embassies and NGOs, and more credibility of NGOs. The evaluation does not compare direct funding by embassies with indirect funding by MFS organisations. Nevertheless, in certain cases, reference is made to MFS organisations.

The focus of this evaluation is on NGOs, although other types of CSOs are also funded directly by embassies. This demarcation was chosen in order to limit the scope of the evaluation. Inclusion of other CSOs would have considerably increased the number and nature of directly funded activities. For the purpose of this evaluation, the concept of NGO

<sup>7</sup> For the purpose of this study, direct funding refers to all direct allocations of embassies to NGOs that are active in the South. These may include INGOs, NNGOs and LNGOs. Such allocations are qualified as direct funding in the Piramide financial administration system of the Ministry of Foreign Affairs. In their turn, INGOs and NNGOs sometimes use direct funding from embassies to fund projects of LNGOs or other CSOs. For this reason, in other studies the term direct funding is sometimes reserved for embassy allocations that are exclusively intended for implementing CSOs/NGOs and not for intermediary organisations.

<sup>8</sup> Ministry of Foreign Affairs, *Evaluation programme 2013 budget: 2010-2015. Summary of evaluations of policy efficiency and effectiveness: a question of accounting and learning*, p. 12.

<sup>9</sup> Resolution of Kathleen Ferrier, Member of the House of Representatives, on the role of CSOs in development cooperation. Parliamentary document 31 933, resolution No. 8, 18 June 2009.

<sup>10</sup> For a summary of the ToR, see Annex 2.

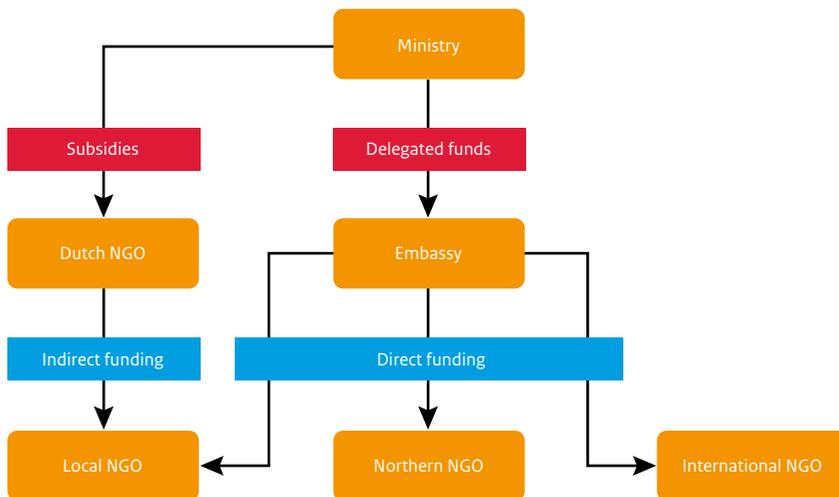
refers to non-profit organisations engaged in development work and civil society development activities and operating on the national, regional or local level. NGOs may be International NGOs (INGOs), National NGOs (NNGOs) or LNGOs, all active in the South. In the evaluation, reference is made to all three types of NGO, but the focus is on LNGOs. This choice was made because it was expected that in future this type of funding would become more prominent than other funding modalities.

An LNGO is defined as an NGO that:

- has its roots in the country of operation
- is led by local staff, without external influences such as a foreign-based Supervisory Board
- has few, if any, staff members with a Western nationality; the core staff are local
- possibly operates in neighbouring countries, but has no office in the North
- may be an umbrella organisation, platform or forum with non-NGO participants

The simplified structure of NGO funding by the Netherlands Ministry of Foreign Affairs is as follows:

Figure 1.1 *The simplified structure of NGO funding by the Netherlands Ministry of Foreign Affairs*



Direct funding of NGOs is only one of the channels used by the Ministry of Foreign Affairs to support civil society. Other major sources of funding are subsidies for MFS organisations and CSOs with special grant frameworks<sup>11</sup> to be allocated for civil society development. In

<sup>11</sup> For example: Netherlands Development Organisation (SNV), Dutch Trade Unions (VMP programme) and Association of Netherlands Municipalities (VNG International).

addition, thematic funds are available for Dutch organisations to support CSOs in specific fields.<sup>12</sup> The ministry also contributes substantially to programmes of multilateral agencies.<sup>13</sup> Some of these contributions are allocated to civil society development.

In the period 2007-2010, about EUR 890 million was contributed annually to Dutch CSOs and a number of INGOs, to be used for civil society development worldwide.<sup>14</sup> This sum excludes contributions to multilateral agencies. Altogether, the amount of money involved is considerable. By comparison, direct funding of NGOs was about EUR 135 million per year (2006-2012). However, those funds were spent in only 18 countries.

Eighteen countries were selected for the analysis that formed part of the evaluation described here. They are the current partner countries plus the three transition countries.<sup>15</sup> On the basis of a set of criteria, four countries were selected for in-depth study: Benin, Ethiopia, Mozambique and Sudan. The selection criteria were: partner or transition country; substantial expenditure on directly funded activities and large number of such activities; representative of a particular type of public administration; and representative of a particular strength of civil society. It was assumed that this mix of characteristics would shed light on differences in the funding patterns. In the analysis a distinction was made between three categories of directly funded programmes: service delivery, civil society building<sup>16</sup> and others. This was done to be able to distinguish various approaches for funding in different categories of programme. The categories are not always mutually exclusive, however: for example, service delivery may concern tangibles (wells), intangibles (training events) or may even be combined with lobbying activities and building countervailing power.

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### Limitations

The analysis and conclusions reflect primarily the findings of the in-depth research on the four countries. The research on the other 14 countries was limited to a study of documents and figures and a questionnaire completed by the embassies. Therefore, the reflections on the findings in those countries are more limited in scope.

<sup>12</sup> For example: Sexual and Reproductive Health and Rights fund (SRHR), Rehabilitation and Development in Post-Conflict Countries fund, Funding Leadership and Opportunities for Women fund (FLOW) and Human Rights fund.

<sup>13</sup> For example: European Union (EU), United Nations Development Fund (UNDP), World Bank (WB), Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM).

<sup>14</sup> Ministry of Foreign Affairs: Policy Memorandum on Civil Society Organisations: 'Cooperation, Customisation and Added Value', 14 April 2009, pp. 13-14.

<sup>15</sup> Partner countries: Afghanistan, Bangladesh, Benin, Burundi, Ethiopia, Ghana, Indonesia, Kenya, Mali, Mozambique, Palestinian Territories, Rwanda, Sudan, Uganda and Yemen. Transition countries: South Africa, Colombia and Vietnam.

<sup>16</sup> The international (OESO/DAC) CRS coding system to specify the purposes of aid was used to specify the categories of service delivery and civil society building. For the purpose of this evaluation the category service delivery includes: water, education, health, rehabilitation and social/welfare services. The category civil society development includes: democratic participation and civil society, human rights, legal and judicial development, legislation and political parties, media and free flow of information, women's equality, elections, civilian peace building, conflict prevention and security.

Direct funding is provided by Netherlands embassies in more than 80 countries around the world. Many of these countries are not developing countries, whereas the 18 selected countries are all partner or transition countries. Therefore, the study can be considered to be representative only for the portfolio of directly funded programmes in partner and transition countries.

When selecting case study countries, it was decided to focus on Africa rather than to aim for coverage of more continents. With the limited number of country cases this would not have added to the representativeness of the sample. The advantage of the focus on Africa is that the outcomes tell more about the situation concerning direct funding in that continent.

Many embassies can make use of a direct funding modality called ‘Small Activities Programme’ (SAP). Under this programme, a limited budget is available for small-scale and short-term projects that do not always have to meet very specific criteria and that do not necessarily have to comply with the thematic spearhead policy. NGOs funded from the SAP have not been included in this evaluation because of their small scale and short duration.

## 1.3 Goals of the evaluation

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- To contribute to accounting for expenditure of decentralised funds of embassies by providing insight into the implementation of the direct funding policy
- To contribute to decision making on future policies by drawing lessons from the experience gained from direct funding

## 1.4 Central evaluation questions

- *What?* To what extent was there direct funding between 2006 and 2012 and what did the landscape look like?
- *Why?* Why were LNGOs directly funded?
- *How?* How were LNGOs directly funded and how were results reported?
- *How well?* What were the intermediate results of direct funding?

To guide the process of answering these questions, a number of sub-questions for the in-depth country studies were formulated.<sup>17</sup> In addition, an assessment of the implementation of four key policy intentions contributed particularly to addressing the why and how questions. These policy intentions were:

- More direct funding
- Focus on thematic spearheads
- Complementarity with other donors, including Dutch NGOs
- Capacity development support

<sup>17</sup> See Annex 2: Terms of Reference (summary).

## 1.5 Approach and data collection methods

Phase	Sources
Reconstruction of central policy and debate	• Documents and letters to parliament by ministers
	• Research papers and articles in professional journals
	• Interviews with stakeholders
	• Questionnaire completed by embassies in 2010
Identification of landscape and policy in the 18 countries	• Piramide financial administration system of the Ministry of Foreign Affairs
	• Internet search and cross-checks with embassies <sup>18</sup>
	• Documents on socio-economic and political situation and position of civil society <sup>19</sup>
	• Questionnaire completed by embassies in 2013 <sup>20</sup>
Identification of landscape, policy, implementation and intermediate results in four countries	• In-depth country studies carried out by Berenschot Group Ltd
	• Three analytical frameworks <sup>21</sup>
	• Inception report as guideline for the field studies <sup>22</sup>
	• Documents on socio-economic and political situation and position of civil society
	• Comments on draft country reports by four embassies

## 1.6 Outline of the study

In chapter 2 the development of direct funding policy is described, followed by a review of the debate about this subject. The chapter concludes with a summary of key issues of policy and debate. In chapter 3 the findings of the research concerning the 18 countries are presented. This involves a reflection on facts and figures and on the embassies' direct funding policies. Chapter 4 goes into the details of the research in the four case study countries. After a description of the socio-economic and political situation, the role of civil

<sup>18</sup> Piramide does not specify the data for INGOs, NNGOs and LNGOs because it collects information for the OESO/DAC system in which no distinction is made at the level of actors. Consequently, most of this work had to be done manually.

<sup>19</sup> Key documents used: BTI Transformation Indices 2012, publications of the International Centre for Not-for-profit Law (ICNL) and MASPs of embassies covering 2004-2015.

<sup>20</sup> See Annex 3: Questionnaire for embassies.

<sup>21</sup> For research methods and analytical frameworks used by Berenschot Group Ltd., see Annex 4.

<sup>22</sup> Berenschot Group Ltd.: Country studies in the context of an evaluation of direct funding of LNGOs by Netherlands embassies; Inception report, final version, May 2013. It includes an evaluation matrix with a detailed overview of research questions, indicators, analytical frameworks, information sources and research methods.

society in addressing society's needs is outlined, the NGO sector is briefly described and the direct funding landscape of the embassies is presented. That section is followed by a description of how the instrument of direct funding is used by the embassies. Issues brought up are: motivation for direct funding, response strategy, decision-making process, the project cycle and the capacity of embassy staff to manage the direct funding portfolio. Summaries of the country case studies are appended as Annexes 6-9. In chapter 5, an analysis of the key issues of chapters 2, 3 and 4 is presented. The chapter ends with a reflection on the question 'What value should be attached to the instrument of direct funding?' The observations in chapter 5 feed the section on main findings and considerations.





2

## Direct funding: policy and debate

## 2.1. Dutch policy on direct funding

### Support for civil society development

In 2009 the then Minister for Development Cooperation Bert Koenders wrote that *'civil society has long been one of the principal channels of Dutch development assistance'*.<sup>23</sup> Koenders noted that the aim of this channel is, through Dutch CSOs, to help build a strong and diverse civil society that is tailored to the local situation in the Southern country in question and that capacity development of Southern CSOs is an aim in itself.<sup>24</sup> He also said that Dutch CSOs are rooted in Dutch society, have extensive networks of partner organisations in the South and are able to work close to the ground, to enable the voice of the poor to be heard.<sup>25</sup> In the period 2007-2010, the Ministry of Foreign Affairs would contribute about EUR 865 million annually to a number of Dutch organisations for use to support Southern CSOs.<sup>26</sup> According to Minister Koenders, the work of Dutch organisations had contributed to a stronger civil society in the South. He added that one of the effects of this had been that Southern CSOs were now better able to relate to potential sources of funding such as embassies and that Netherlands embassies were in a better position to help them by giving direct funding.<sup>27</sup> In 2010, the then Secretary of State for Foreign Affairs Ben Knapen endorsed the viewpoint of his predecessor Minister Koenders, that civil society is very important for development; he pointed especially to the role of CSOs as watchdogs of governments, enterprises and institutions. Although subsidies for Dutch CSOs continued, he warned of the risk of too much financial dependency on the Netherlands government and urged them to strengthen their support base in the Netherlands and to establish alliances and networks. Partly as a result of this, but also as a result of spending cuts, the Dutch government substantially reduced the subsidies given to CSOs to support their work in the South.<sup>28</sup>

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### Policy document 'Cooperation, Customisation and Added Value', 2009

Direct funding is not a new instrument, but in 2009 it was given a boost when in his policy note on CSOs 'Cooperation, Customisation and Added Value' Minister Koenders wrote that he intended to increase the significance and volume of direct funding to Southern NGOs. An increase of 10-15 percent annually was anticipated. The arguments for more direct funding were that it offers opportunities to reach agreements on the spot with all parties involved, such as civil society, central and local authorities, the business community and other funding agencies. This would create opportunities for positioning the function of CSOs in a broader, country-specific context. It was also argued that direct funding makes relationships

<sup>23</sup> Ministry of Foreign Affairs, Policy Memorandum on Civil Society Organisations: 'Cooperation, Customisation and Added Value', 14 April 2009, p. 3.

<sup>24</sup> Ibid., p. 6 and p. 15.

<sup>25</sup> Ibid., p. 15.

<sup>26</sup> Ibid., pp. 13-14. This concerned MFS organisations such as Cordaid, ICCO, Oxfam Novib and Hivos and specialized organisations such as VMP organisations, SNV and VNG. In addition, 20 international organisations under the SALIN programme would be subsidised with EUR 28 million per year.

<sup>27</sup> Ibid., p. 24.

<sup>28</sup> Ministry of Foreign Affairs, Basisbrief Ontwikkelingssamenwerking, 26 November 2010, p. 10.

at local level more open and transparent and that it stimulates cooperation between different CSOs. In the note, various available modalities for direct funding were mentioned: strategic partnerships with a limited number of organisations, joint funding by various donors and support to local organisations via local umbrella organisations.<sup>29</sup>

### Vision paper 2010

In 2010 a new directorate, the Social Development Department (DSO), was created at the ministry in The Hague. Its responsibilities include civil society policy and the relationships with Dutch CSOs. The vision paper that was written at the start of DSO's operations reiterated Minister Koenders' intention to increase the volume of direct funding.<sup>30</sup> In the same year, DSO commissioned a paper on direct funding, in which lessons learnt and possible future directions were to be presented. The most important recommendation in that paper was to formulate a specific policy for direct funding for a selection of partner countries.<sup>31</sup> So far, this has not happened because DSO is of the opinion that the embassies are responsible for strategy and policy regarding direct funding.<sup>32</sup> DSO sees its own role as primarily one of stimulating the debate about the significance of civil society and of different funding modalities, and believes it is crucial that the efforts of embassies and Dutch NGOs are complementarity.<sup>33</sup>

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### Letters to Parliament 2010-2011

The Rutte I coalition government that came into office on 14 October 2010 wrote two letters to parliament concerning development cooperation: the 'Basisbrief', 26 November 2010<sup>34</sup> and the 'Focusbrief', 18 March 2011.<sup>35</sup> The intention to focus on four thematic spearheads (Security and Justice, Food Security, Water, and Sexual and Reproductive Health and Rights) was expressed in the 'Basisbrief' and elaborated in the 'Focusbrief'. In these letters it was announced that the thematic spearheads would guide bilateral and multilateral cooperation, but nothing was said about how the spearheads relate to cooperation with civil society via direct funding from embassies to NGOs active in the South. However, at a meeting with the Heads of Development Cooperation in The Hague in November 2010, it was made clear that the focus on thematic spearheads would also apply to direct funding of NGOs active in the South.

### Paper 'Contribution to discussion Foreign Affairs', 2012

In the paper 'Contribution to discussion Foreign Affairs', January 2012, Secretary of State Knapen wrote that strong CSOs had emerged in many developing countries, partly thanks to

<sup>29</sup> Ministry of Foreign Affairs, Policy Memorandum on Civil Society Organisations: 'Cooperation, Customisation and Added Value', 14 April 2009, pp. 24-25 and p. 29. In the current evaluation, joint funding by various donors is considered not to be direct funding, but to be indirect funding.

<sup>30</sup> Ministry of Foreign Affairs, DSO Startnotitie, 8 January 2010.

<sup>31</sup> Ministry of Foreign Affairs/CIDIN, *Direct Support to Southern Civil Society Organisations in Partner Countries: Lessons Learned and Ways Forward*. By Jisse Kranen, DSO, 2010.

<sup>32</sup> Interview with Loes Lammerts (DSO), 23 October 2012.

<sup>33</sup> Ibid.

<sup>34</sup> Ministry of Foreign Affairs, *Basisbrief Ontwikkelingssamenwerking*, 26 November 2010.

<sup>35</sup> Ministry of Foreign Affairs, *Focusbrief Ontwikkelingssamenwerking*, 18 March 2011.

support from Western NGOs. He stated that as a result, there was no longer an obvious need for Western NGOs to be present in these countries. He wondered in what way the rise of local organisations would affect the role and operations of Dutch development agencies and whether Southern NGOs (SNGOs) could be directly funded more often.<sup>36</sup> On 22 October 2012, Knapen sent a letter to parliament to report on the results of a discussion with Dutch CSOs involved in international cooperation. In the letter, the Secretary of State did not unfold his own vision or plans; instead, he reported the opinions of a variety of civil society actors about the role of civil society in international cooperation. The only reference to direct funding was that local organisations advocate 'direct funding where possible, and indirect funding where more suitable'. The main criteria to apply in order to do so would be the capacity and political space of local CSOs.<sup>37</sup> The Secretary of State was not in a position to give follow-up to this letter, as he (and the other members of the Cabinet) resigned on 5 November 2012.

### Policy document 'A World to Gain' and letter 'Cooperation with civil society in a new context', 2013

In April 2013 the new Minister for Foreign Trade and Development Cooperation Lillianne Ploumen, who took office in November 2012, published the policy document 'A World to Gain. A New Agenda for Aid, Trade and Investment'.<sup>38</sup> In the document it was stated that the ministry would work together with CSOs in strategic partnerships, to seek forms of cooperation between organisations both in the Netherlands and in developing countries. On 9 October 2013, the minister sent a letter to parliament on cooperation with civil society in a new context, in which she recognised the role of CSOs in raising subjects of general interest at local, national and international level, thereby contributing to more inclusive and sustainable growth. The budget available would be used to support civil society in low and middle income countries to strengthen their lobbying and advocacy capacity. One element in this new policy would be direct funding of local CSOs by embassies through a so-called 'Accountability Fund' of (tentatively) EUR 15 million annually, to be spent in the 15 partner countries and possibly in a number of other countries. Were the political space of CSOs to come under pressure, this type of direct funding of international political support would have the advantage that embassies would more quickly be able to recognise and raise such issues with the government concerned. In the letter it was stated that direct funding also has advantages for the embassies: they would be able to collect information about local processes that could be of interest to other parties and for further development of Dutch policy. Additionally, bureaucracy and overhead costs would be minimised. It was acknowledged that direct funding requires extra capacity of the embassies and that it is not advisable in all countries and all cases because the authorities could see it as interference in internal matters. In some cases, local organisations prefer support from INGOs or NNGOs, because that would offer more protection.<sup>39</sup>

<sup>36</sup> Ministry of Foreign Affairs, Paper 'Contribution to discussion Foreign Affairs', January 2012.

<sup>37</sup> Ministry of Foreign Affairs, Letter of Secretary of State Knapen to Parliament, 22 October 2012.

<sup>38</sup> Ministry of Foreign Affairs, 'A World to Gain: A New Agenda for Aid, Trade and Investment', April 2013.

<sup>39</sup> Ministry of Foreign Affairs, 'Cooperation with civil society in a new context', Letter of Minister Ploumen to Parliament, 9 October 2013, p. 11.

## Summary

The Netherlands Ministry of Foreign Affairs has supported civil society development in the South for many years. An important instrument in this has long been the subsidising of Dutch CSOs. In recent years, successive ministers have stressed the importance and potential of direct funding of Southern CSOs by embassies. However, only a couple of policy intentions have been laid down in policy papers or guidelines. The embassies have the freedom to give shape to direct funding within the flexible framework of delegated funds, bounded by the four thematic spearheads.

## 2.2. The debate on direct funding

### Introduction

The debate about the role of local CSOs in development cooperation and on how they can best be supported has been going on for many years. It has been conducted by representatives of governmental and non-governmental donor agencies, and by civil society watchers and researchers. However, the voice of the South, in particular of LNGOs, has hardly been heard in this debate. Below is an outline of the most prominent issues in this discussion on the task division between Northern donor NGOs and bilateral donors.

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In the Netherlands, the debate centres on the question of whether Dutch NGOs or Dutch embassies are best placed to fund LNGOs and to maintain relationships with them. The following account of the debate on direct funding, with arguments for or against this instrument, is based on a review of the literature and on interviews with Dutch NGOs and surveys of Dutch embassies. In chapter 5 we will comment on some of the key issues.

### Increased capacity of LNGOs

Secretary of State Knapen was not the only one to contend that there was no longer an obvious need for Western NGOs to be present in developing countries: various authors and embassies surveyed stated that without involvement of third parties, LNGOs would be better able than previously to design, implement and monitor programmes and projects effectively and efficiently, and would be better placed to meet the procedural requirements concerning allocation, acquisition, purchase, and independent audit. It used to be believed that LNGOs had often become professional institutions, and had gained self-confidence. One way this was manifested was by their increasing cooperation with more partners and diversification of funding sources.<sup>40</sup> There was thus widespread belief that Southern organisations had become stronger, but there were also observers who held that LNGOs still lacked the capacity to cooperate directly with embassies because they did not yet meet quality criteria such as rigorous M&E procedures and programme management capacities.<sup>41</sup> Embassies themselves have pointed to further capacity development of NGOs as an

<sup>40</sup> Ruben *et al.*, 2008: 15; Kranen, 2009, p. 1 and p. 49 (refers only to Indonesia); Tandon, 2008, p. 2, cited in Schulpen *et al.*, 2011, p. 15; Ministry of Foreign Affairs, 14 April 2009, p.19; DSO survey of 25 embassies, 2010.

<sup>41</sup> E.g. Kranen, 2009, p.45.

important motive for direct funding.<sup>42</sup> In a report published in 2011, IOB concluded that Dutch capacity development support had indeed contributed to positive changes in core capabilities of Southern organisations, but it added that *'contextual factors and circumstances specific to the internal operation of organisations were frequently more responsible for changes in capacity than was the provision of Dutch support'*.<sup>43</sup>

### Arguments in favour of direct funding

From the literature and our study, it is clear that embassies consider LNGOs suitable partners to help achieve a number of embassy goals. They are often called in to implement service delivery activities in the field of water, health and education because the embassies feel that target groups are better served by LNGOs than by other actors such as public institutions. Local organisations have easier access to the poor: this helps the embassies to contribute to direct poverty alleviation. It also offers opportunities to spend decentralised funds effectively in the priority sectors of the development cooperation policy.<sup>44</sup> Embassies do not always consider that the government is the most suitable partner to cooperate with, preferring instead to cooperate with LNGOs to realise their objectives. Direct funding of LNGOs is therefore considered the preferred channel in countries and situations in which democratic, political and administrative circumstances are less than ideal, as well as in the case of the occurrence of corruption.<sup>45</sup> This is supported by an observation of Ruben and Schulpen that *'More reliance on direct funding occurs under conditions of political instability and deficiencies in maintaining rule of law....'*<sup>46</sup> Mercer and Anheier both use the term 'subcontractors' to define the position of LNGOs; they note that such a position may adversely affect their autonomy as independent organisations. However, Gruiters believes that the role of subcontractor is a realistic option for LNGOs.<sup>47</sup>

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Gruiters is among the many who have argued that efficiency is an advantage of direct funding because it eliminates the involvement and subsequent transaction costs of Northern donor agencies such as Dutch co-financing agencies. On the other hand, Bebbington and Riddell fear that direct funding is more costly.<sup>48</sup> It is not always clear, however, on what evidence such remarks are based. A second argument for the efficiency of direct funding concerns the physical presence of donors in the neighbourhood of funded LNGOs.<sup>49</sup> These LNGOs would prefer such presence because it offers opportunities for intensive consultation and cooperation between them and the donors. While this argument

<sup>42</sup> DSO survey of 25 embassies, 2010.

<sup>43</sup> IOB, *Facilitating resourcefulness: Synthesis report of the evaluation of Dutch support to capacity development*, April 2011, p. 17.

<sup>44</sup> DSO survey of 25 embassies, 2010; Ruben & Schulpen, 2008, p. 4; oral information Reynout van Dijk, IOB, January 2013.

<sup>45</sup> Ministry of Foreign Affairs, 14 April 2009, p.24; DSO survey of 25 embassies, 2010; Schulpen *et al.*, 2011, p. 11.

<sup>46</sup> Ruben & Schulpen, 2008, p. 9.

<sup>47</sup> Mercer, 2002; Anheier, 2007, in Schulpen *et al.*, 2011, p. 11; Gruiters, J. (IKV Pax Christi), 16 December 2011.

<sup>48</sup> Gruiters, J. (IKV Pax Christi), 16 December 2011; Bebbington & Riddell, 1995, in Schulpen *et al.*, 2011, p. 15.

<sup>49</sup> INTRAC, 1996, in Schulpen *et al.*, 2011, p. 15.

may apply to all sorts of donors, including Dutch NGOs, it is irrelevant for embassies, as these are, by definition, present in the country. However, though Dutch NGOs used to have very limited presence, over the last couple of years some of them have increased the number of country offices and field representatives, whereas meanwhile the staffing of the embassies has been considerably reduced.

One of the arguments often heard in favour of direct funding is complementarity with other funding models and channels. In this context Ruben and Schulpen wrote: *'The likelihood for reinforcing development programmes by dovetailing different activity components in space and time can substantially improve the success rate or reduce the risks of failure'*.<sup>50</sup> Embassies themselves indicate that NGOs are able to contribute something to the country programme that other parties cannot deliver. By combining the inputs of a variety of actors, the programme becomes more balanced and more public support is created.<sup>51</sup>

In countries where both embassies and Dutch NGOs have a presence, the relationships between them are good. Nowadays, their staffs meet and exchange information more often than in the past. One factor that has contributed to this change is the presence of more Dutch NGOs in the South, and our interviews and survey elicited comments that there is now more mutual trust and respect between them. As a rule, visiting Dutch NGO staff also meets with embassy staff. However, Ruben and Schulpen observed that direct funding seems to be primarily motivated by operational considerations and that it is still rare to find that the outcome of more complementarity is effective political synergy.<sup>52</sup> This was confirmed by a survey in 2010, in which embassies reported that due to lack of information about the activities of Southern partners of Dutch NGOs, financing by such NGOs was hardly integrated in the embassies' policies and therefore did not contribute much to effective policy implementation.<sup>53</sup>

### Criticism of direct funding by embassies

Embassies may also cooperate with LNGOs in realising other goals, such as strengthening civil society, particularly support for building up countervailing power, contributions to political lobbying and advocacy activities, democratisation, rule of law, governance, human rights and strengthening of government public accountability.<sup>54</sup> Box 2.1 gives an example of this kind of support. Support to such activities is, however, controversial. Gruiters labels NGOs that engage in such activities as 'political change agents'. Both he and the Advisory Council on International Affairs (AIV) view direct support to such organisations from embassies as not sensible because it could be interpreted by the governments of host countries as interference in internal affairs. This would therefore make embassies more susceptible to pressure from governments who consider the funding of critical NGOs as an

<sup>50</sup> Ruben & Schulpen, 2008, p. 6.

<sup>51</sup> Kranen, 2009, p. 10; Ministry of Foreign Affairs, 14 April 2009, p. 25; DSO survey of 25 embassies, 2010.

<sup>52</sup> Ruben & Schulpen, 2008, p. 14.

<sup>53</sup> DSO survey of 25 embassies, 2010.

<sup>54</sup> DSO survey of 25 embassies, 2010; Ministry of Foreign Affairs: *'A World to Gain: A New Agenda for Aid, Trade and Investment'*, April 2013, p. 53.

unfriendly action. As a result, there might be less opportunity to support the political role of NGOs.<sup>55</sup> Northern donor NGOs consider themselves as less vulnerable to political pressure from governments of recipient countries than embassies.<sup>56</sup>

**Box 2.1** *Embassies may support LNGOs to help them achieve a contribution to political lobbying*

The Ghanaian government tended to focus on technical assistance from abroad in revising its health policy, leaving Ghanaian knowledge institutions underutilized. The embassy in Accra developed a project to involve local civil society in the process and recruited technical experts from Ghanaian knowledge institutions such as The Integrated Social Development Centre. In this way, the capacity of Ghanaian stakeholders to participate in the health sector dialogue increased.

Some analysts and Dutch NGOs doubt the capacity of embassies to select and guide directly funded LNGOs. They also argue that embassies lack knowledge of intervention strategies and thematic spearheads.<sup>57</sup> The Directorate General for International Cooperation (DGIS) of the Ministry of Foreign Affairs is, however, of the opinion that embassies are pre-eminently in a good position to make relationships at the local level more open and transparent and to stimulate cooperation with different CSOs.<sup>58</sup> Using information collected in our 2013 survey, Box 2.2 gives a typical example of how an embassy perceives how it has learnt from its relationships with LNGOs: its understanding of the local context has improved and it can contribute to the LNGO's policy formulation and dialogue. For embassies, direct funding is also an instrument that enables them to stay in touch with the grassroots now that fewer funds are being allocated by the Dutch government for project support for governments.<sup>59</sup>

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**Box 2.2** *LNGOs provide embassies with information*

The embassy in Bogota consults NGOs when preparing political dialogue at every level. When an NGO flags a specific issue to the embassy, this can be a reason for the embassy to take action. And when delegations from the Netherlands visit, the embassy often invites LNGOs to the discussions, on account of their specific knowledge.

Many comments on direct funding of LNGOs refer to the possibility of the autonomy of LNGOs being compromised as a result of direct funding by embassies, particularly in relation to how this might affect their ability to continue to play a critical role in relation to

<sup>55</sup> Ruben et al., 2008, p. 16; AIV, 2010, in Schulpen et al., 2011, p. 15; Gruiters, J. (IKV Pax Christi), 16 December 2011.

<sup>56</sup> Ruben & Schulpen, 2008, p. 13.

<sup>57</sup> Kranen, 2009, p. 45. Nys & Renard: 2009, Meereboer: 2008 and AIV, 2010, all in Schulpen et al., 2011, p. 15.

<sup>58</sup> Ministry of Foreign Affairs, 14 April 2009, p. 25.

<sup>59</sup> Ministry of Foreign Affairs, 14 April 2009, p. 24; DSO survey of 25 embassies, 2010.

the country government. Direct funding could also mean that LNGOs would adjust their agendas in order to meet the wishes and goals of donors. This could lead to attention shifting from target groups to donors, with the result that there is less downward accountability to target groups and more upward accountability to donors. Not only could this affect their autonomy, it would also make them vulnerable for external attacks. It has even been suggested that LNGOs are primarily interested in the funds of the embassies rather than in providing solutions for development problems.<sup>60</sup> In this context, the concepts of 'intrinsic' and 'extrinsic' motives are sometimes used to indicate the extent to which LNGOs are either dedicated to tackling particular development problems or are driven more by external factors such as access to resources, employment opportunities for staff members, good salaries and benefits.<sup>61</sup> This argument may also be used against funding by Dutch NGOs: after all, they are also donors for whom LNGOs may adjust their agendas.

### Capacity development support by donor NGOs

During the interviews carried out for this report, there was discussion not only about the capacity of LNGOs, but also on the most suitable actor to develop their capacity. All the Dutch NGOs interviewed stated that they were engaged in capacity development of their partners. This involves a large variety of issues: strengthening the capacity to develop a vision, strategies or programmes, transfer of specialist thematic, management or financial knowledge, lobbying, advocacy and networking skills, etc. Financing LNGOs is the main goal for most of the Dutch NGOs interviewed. But for others, more important goals are giving guidance on strategy formulation, capacity development and improving access to networks (international and otherwise) and information. This approach entails linking LNGOs to other donors and providing small amounts of 'seed money'. Many Dutch NGOs work in remote areas, some of them also in fragile states. Collaboration with small, weak and young LNGOs is not unusual, although big, strong and established LNGOs are also supported.

Indeed, various sources report that LNGOs owe their improved capacity to the support they received from Northern donor NGOs, including Dutch NGOs. LNGOs in Uganda, Burundi, Bangladesh, Benin, Ethiopia and South Sudan have themselves emphasised the importance of the capacity development support they had received from funding NGOs.<sup>62</sup> In this context, in 2012 Secretary of State Knapen noted that LNGOs in Uganda, Burundi and Bangladesh referred in particular to Dutch NGOs: according to them, these NGOs have a special eye for capacity development of local organisations that responds to local needs. The political and moral support by donor NGOs was also mentioned; without that support, some of them, e.g. organisations of marginalised groups such as Lesbian, Gay, Bisexual and Transgender (LGBT) and prostitutes, would have been unable to survive. Finally, LNGOs in Uganda, Burundi and Bangladesh appreciated the contribution of donor NGOs to linking

<sup>60</sup> Edwards, 2009, p. 6; Bebbington & Riddell, 1995; Sobhan, 1997; Manji, 1997, all in Schulpen *et al.*, 2011, p. 11 and p. 15; Vincent, 2006, in Ruben & Schulpen, 2008, p. 13.

<sup>61</sup> Berenschot, Country Report Benin, 2013.

<sup>62</sup> Ministry of Foreign Affairs, 14 April 2009, pp. 19-20 and p. 24; Bosker, 2013, p. 43.

local problems to the international agendas and their role as broker for national and international partnerships.<sup>63</sup>

In 2011 IOB evaluated the contributions of six Dutch NGOs to capacity development of their Southern partners more critically. It was concluded that most of them had no clear theory of change regarding capacity and that for this reason it was not clear how they expected their support for capacity development to contribute to their development objectives. As their Southern partners often lacked theories of change and were unclear about their outcomes, for the authors of the report the question remained: capacity development for what?<sup>64</sup>

### Partnership

The relationships between Dutch NGOs and LNGOs are often expressed in terms of 'partnership'. Partnership refers to sharing the vision on change and development: striving for similar goals and for close and long-lasting relationships based not only on mutual respect and trust, but also on a critical and open attitude towards each other. Our respondents acknowledged that the roles of donor and (equal) partner may sometimes clash. However, the Dutch NGOs interviewed for this report mostly argued that they respect the autonomy of their partners to decide about strategy, programme formulation and implementation. Some of these Dutch NGOs participate in such processes and refer to 'co-creation' to describe the relationship. Northern donor NGOs share strategies, policies and problems with Southern partners because, according to them, they are like-minded, both being part of civil society.<sup>65</sup> Bilateral donors are not expected to have that affinity since they have many other responsibilities as well (diplomatic, economic); their dialogue with LNGOs is limited.<sup>66</sup>

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The relationship between Dutch NGOs and LNGOs has also been described as characterised by attention to longer-term capacity development, technical and networking support for LNGOs, whereas bilateral donors prefer direct funding of short-term projects that are able to achieve concrete results in the short term.<sup>67</sup> However, a survey among 25 Dutch embassies in 2010 revealed that only 11 embassies expressed preference for project funding, whereas 14 embassies preferred either core- or programme funding.<sup>68</sup>

Dutch NGOs clearly defend their role as capacity builders in the South; when doing so they also point to the embassies' lack of ability to do this. Some of the Dutch NGOs surveyed believe, for example, that embassies generally do not have much affinity with civil society and therefore their knowledge of civil society is often limited. However, our research has

<sup>63</sup> Ministry of Foreign Affairs, Letter of Secretary of State Knapen to Parliament, 22 October 2012, p. 2.

<sup>64</sup> IOB: *Facilitating resourcefulness: Synthesis report of the evaluation of Dutch support to capacity development*, April 2011, pp. 61-62.

<sup>65</sup> In the literature, this claim is sometimes challenged as being too pretentious; the connections between NGOs and civil society are not always considered particularly strong.

<sup>66</sup> Kranen, 2009: p. 53 and p. 55.

<sup>67</sup> Sasse, 2008; MDF, 2008; Meereboer, 2008; all in Ruben et al., 2008, p. 16; Kranen, 2009, p. 8 and p. 55.

<sup>68</sup> DSO Survey of 25 embassies, 2010.

also revealed that Dutch NGOs stress that affinity and knowledge vary among individuals and that therefore the personal interests and motivations of particular embassy staff members are key. According to these Dutch NGOs, the periodic rotation of embassy staff leads to loss of knowledge, experience and networks.

### Larger/smaller NGOs

The AIV has reported that embassies sometimes prefer funding larger and established NGOs, whether INGOs, NNGOs or LNGOs. This choice would enable them to spend larger amounts with the limited capacity available at the embassies.<sup>69</sup> Nijs and Renard noted that smaller NGOs lack the capacity for interaction with bilateral donors and that direct funding of smaller NGOs could lead to administrative overburdening of embassies.<sup>70</sup> Other analysts have stated that support to bigger NGOs leads to exclusion of smaller NGOs and to increasing competition with Northern donor NGOs. Reference is also made to this danger in the recent policy note 'A World to Gain'.<sup>71</sup>

### Measuring results

Larger NGOs have argued that bilateral donors make more funds available than Northern donor NGOs and that they do not impose strict conditions e.g. concerning reporting requirements.<sup>72</sup> On the other hand, Nijs and Renard pointed to the potential danger of an increased focus on the effectiveness of the embassies, arguing that too much emphasis on results and measuring/reporting results would lead to unreasonable, time-consuming demands being made of NGOs. This would distract these NGOs from the social and political tasks that are, after all, their core business.<sup>73</sup>

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### Sensitive issues

Finally, the Dutch NGOs canvassed for this report claim that their support might protect those LNGOs that are engaged in sensitive issues such as human rights, demanding public accountability and rule of law, free and fair elections and therefore risk being repressed by the authorities. A relationship with foreign donors may afford LNGOs some protection, as local authorities would proceed more cautiously in order to avoid adverse publicity. This argument could equally well apply to support from embassies, however. The Dutch NGOs also run risks themselves as a consequence of their support of critical LNGOs, but they believe that as long as they follow the administrative regulations and remain transparent, the risk is not serious. Nevertheless, there are known cases of INGOs being expelled from a country because of their support to critical LNGOs.<sup>74</sup> This shows that such risks should not be underestimated.

<sup>69</sup> AIV, 2010, p.18.

<sup>70</sup> Nijs & Renard, 2009; cited in Schulpen *et al.*, 2011, p.15.

<sup>71</sup> INTRAC, 1998, in Ruben & Schulpen, 2008, p. 2.; Pratt *et al.*, 2006, p. 11, in Schulpen *et al.*, 2011: p. 15; Kranen, 2009, p. 11; AIV, 2010, p. 18; Ministry of Foreign Affairs, 'A World to Gain', 2013, p. 53.

<sup>72</sup> Kranen, 2009, p. 47.

<sup>73</sup> Nijs & Renard, 2009, p. 21.

<sup>74</sup> For example: 13 INGOs such as Oxfam and Care International were expelled from Sudan in 2009.

## 2.3. Summary of key issues

- Successive Ministers for Development Cooperation have argued for increasing the significance and volume of direct funding to NGOs. This would create possibilities to position CSOs in a broader country-specific context, make their relationships at the local level more open and enhancing their learning.
- The Ministry of Foreign Affairs in The Hague decided that there should be a focus on thematic spearheads guiding the resource allocations to NGOs, but that embassies be held responsible for country-specific strategies and policies; our research revealed that this gave the embassies ample freedom to operate.
- The ministry is in favour of complementarity of the efforts of embassies and Dutch donor NGOs to support LNGOs.
- However, a number of surveyed embassies were not even aware of the activities of Dutch NGOs. As a result, complementarity of policies of both parties was not common. Ruben and Schulpen noted in 2008 that direct funding seems to be motivated primarily by operational motives while effective political synergy as outcome of complementarity is still scarce.<sup>75</sup> Our research confirms this conclusion.
- Secretary of State Knapen, a number of embassies and several authors have argued that the presence of Northern donor NGOs (including Dutch co-financing organisations) is no longer a matter of course because, thanks to the capacity development support of Northern donor NGOs, LNGOs are now strong enough to implement and monitor their programmes without external support. Knapen raised the question of whether, as a result of this, LNGOs could more often be funded directly by embassies.
- Despite their improved capacity, a number of embassies surveyed in 2013 pointed to further capacity development as an important motive for direct funding. Most of the Dutch NGOs that were interviewed in the context of this study are engaged in longer-term capacity development support; they hold that embassies lack the ability to provide such support and defend their own role as capacity builders.

<sup>75</sup> Ruben & Schulpen, 2008, p. 14.



3

Direct funding in partner  
and transition countries

## 3.1 Introduction

The overview of facts and figures in the 18 countries presented in this chapter shows that there are large differences between the countries in the volume and use of the instrument of direct funding. To identify possible rationales for trends, the countries were analysed as four country groups: MDG countries, conflict countries, emerging countries and transition countries and attempts were made to establish relevant correlations.<sup>76</sup>

This chapter starts with facts and figures on direct funding in the 15 current partner countries and the three transition countries. In the second part of the chapter the direct funding policies of the embassies in these countries are reviewed. It is revealed that, despite the differences in figures, many similarities can be identified in the policy considerations of the embassies in the various countries.

## 3.2 Facts and figures

### Absolute amounts

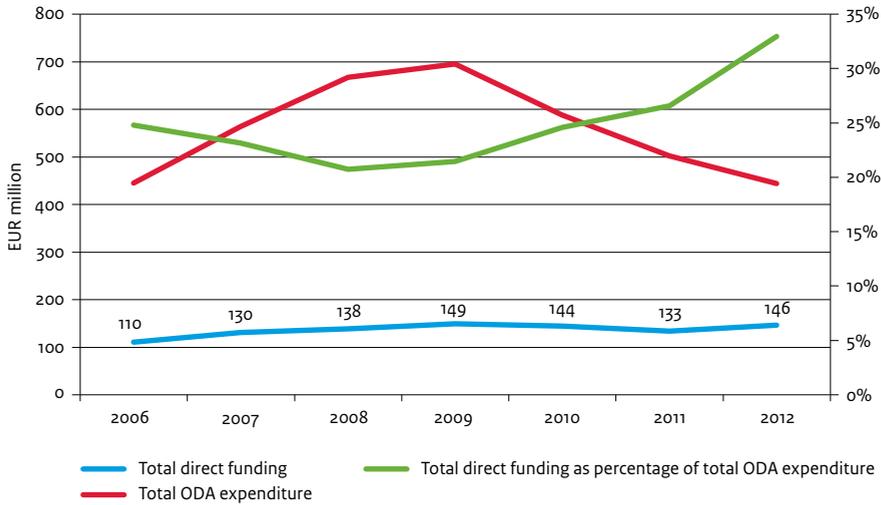
Figure 3.1 shows that total direct funding was higher in 2012 than in 2006, having risen to its highest in 2009 and then declining before upturning again. Relative to the ODA expenditure by the embassies it increased markedly after 2009, the year in which there was a sharp drop in ODA expenditure by the embassies.

<sup>76</sup> Three country groups were introduced by the Minister for Development Cooperation in 2007: MDG countries, conflict countries and emerging countries, together called 'partner countries'. The main criteria for MDG countries were: low-income, fragility not a dominant problem and government structures offering enough potential to work with; criteria for conflict countries were: fragility or major inequality blocking poverty reduction; criteria for emerging countries were: actual or prospective middle-income, and fragility not a dominant problem.

In 2010 the group of transition countries was added; these were countries in which Dutch aid was to be phased out. The number of partner and transition countries was reduced to 18.

MDG countries are: Benin, Ethiopia, Mali, Mozambique, Rwanda and Uganda. Conflict countries are: Afghanistan, Burundi, the Palestinian Territories, Sudan and Yemen. Emerging countries are: Bangladesh, Ghana, Indonesia and Kenya. Transition countries are: Colombia, South Africa and Vietnam.

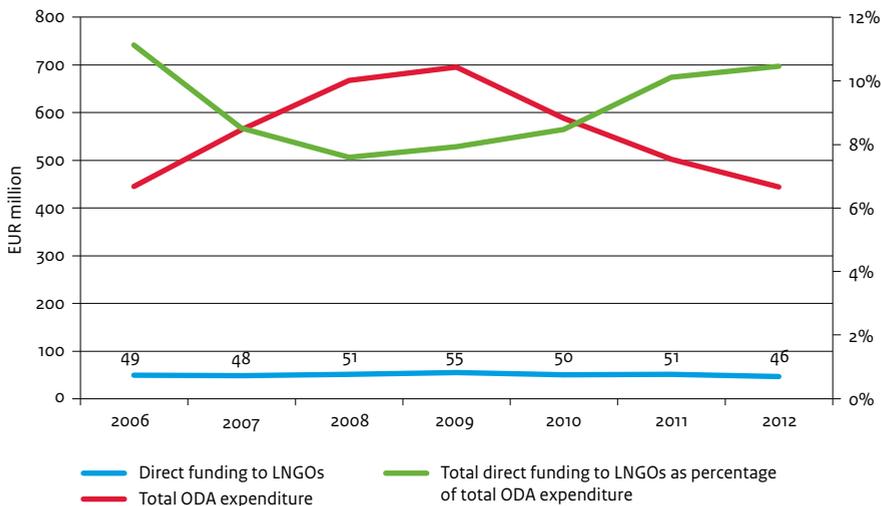
**Figure 3.1** Total ODA expenditure and direct funding (total and as percentage of total ODA expenditure) for the 18 embassies 2006-2012



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Figure 3.2 shows that direct funding to LNGOs stayed more or less stable in absolute terms, but that its percentage share of the embassies' ODA expenditure declined until 2008 and then rose. However, unlike total direct funding, by the end of 2012 the percentage was still appreciably lower than in 2006.

**Figure 3.2** Total ODA expenditure and direct funding to LNGOs (total and as percentage of the total ODA expenditure) for the 18 embassies 2006-2012



In the period 2006-2012, the embassies channelled 24 percent of their decentralised expenditure through NGOs and 9 percent through LNGOs in particular. INGOs received 49 percent of direct funding; a further 14 percent went to NNGOs and 37 percent to LNGOs. There are no clear trends in the direct funding as a percentage of total decentralised expenditure. In some countries this percentage remained stable from 2006 to 2012, whereas in other countries there are large differences. There are also big differences between countries in the percentage of total embassy expenditure that is direct funding to LNGOs. There is no correlation between particular country groups<sup>77</sup> and the percentage of direct funding to NGOs or specifically to LNGOs.

Between 2006 and 2012 the embassies in the 18 partner countries spent more than EUR 950 million on direct funding of NGOs: on average EUR 7.5 million per country per year. During the seven-year period, however, there are enormous differences between the countries in the total expenditure on direct funding: the range is from EUR 193 million in Bangladesh to only EUR 9 million in Vietnam. Direct funding specifically for LNGOs was EUR 350 million, on average about EUR 2.8 million per country per year. Here too there are huge differences: in South Africa the embassy spent EUR 97 million from 2006 to 2012 on projects carried out by LNGOs, compared with only EUR 0.16 million spent by the embassy in Vietnam during that period.

### **Funding of service delivery, civil society development and other activities**

Direct funding was provided to NGOs working in different fields. As the two examples presented in Box 3.1 show, the fields are not completely separated. Nevertheless, the activities can be roughly divided into service delivery activities, activities for civil society development and other activities.<sup>78</sup> As figure 3.3 shows, the largest proportion of expenditure by directly funded NGOs in the 18 countries went on service delivery projects, followed by the category other activities and with civil society building in third place. In each country the division is different, however: in Bangladesh 94 percent of total direct funding went to service delivery projects; in Uganda 69 percent went to civil society building projects; and in Rwanda 93 percent went to other projects. The differences within the categories of countries are sometimes bigger than the differences between the categories.

<sup>77</sup> In Figure 3.4 the facts will be presented per country group (first the six MDG countries, followed by the five conflict countries, the four emerging countries and the transition countries).

<sup>78</sup> The international (OESO/DAC) CRS coding system to specify the purposes of aid was used to specify the categories of service delivery and civil society building. For the purpose of this evaluation the category service delivery includes water, education, health, rehabilitation and social/welfare services. The category civil society development includes democratic participation and civil society, human rights, legal and judicial development, legislation and political parties, media and free flow of information, women's equality, elections, civilian peace building, conflict prevention and security.

**Box 3.1** *The division between service delivery and civil society building is not always clear-cut***Vocational training in Afghanistan**

The LNGO Accessibility Organisation for Afghan Disabled (AOAD) is funded by the embassy in Kabul for activities delivering 'hardware', such as access ramps in public buildings, and also for organizing awareness-raising workshops for the family and community members of disabled people. AOAD is also active in lobbying and advocacy: one of its great successes was lobbying the Ministry to pass a law requiring all newly constructed school buildings to be accessible for children with disabilities.

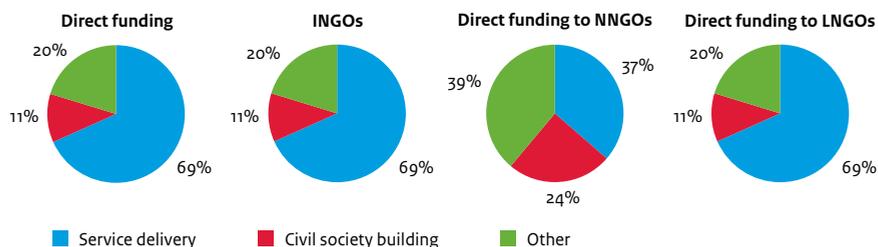
**Water supply and sanitation in Indonesia**

After the tsunami in December 2004, a number of Dutch water-related organisations collected funds for assistance relating to drinking water supply. The first assistance provided by the resulting project was oriented towards emergency aspects: during the rehabilitation phase about 21,000 new domestic connections to mains water were created. Capacity building in general has been a major point of attention over the years, however. In addition to institutional, technical and infrastructural outcomes, the project envisaged outcomes such as availability of drinking water to citizens and wise usage of this resource.

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Figure 3.3 also shows that INGOs received most direct funding for projects on service delivery, and that about one quarter of the direct funding received by NNGOs was for civil society building. Slightly less (22 percent) of direct funding to LNGOs was spent on civil society building. The latter category accounts for an average of about EUR 11 million per year per country. This figure is biased by the transition countries – especially South Africa. For the remaining 15 countries the average annual amount given directly to LNGOs to civil society building was EUR 7.8 million.

**Figure 3.3** *Proportion of total direct funding and direct funding for INGOs, NNGOs and LNGOs spent on service delivery, civil society building and other activities*



### Number of funded projects

Table 3.1 shows the number of directly funded projects. In the years under evaluation, 712 of the projects funded were single-NGO projects. Of these, INGOs implemented 196 projects, NNGOs 120 and LNGOs 396. Here too, there are many differences between countries. In Ethiopia, 26 projects of INGOs were funded, compared with only three in Ghana. In South Africa, 54 projects of LNGOs received funding, versus only three in Vietnam (all of which were carried out by the same LNGO). In the transition countries, projects of INGOs were funded less often (24 times), most of them in 2006-2007. In all country groups, NNGOs were the least funded type of NGO. The one exception is Sudan, where 19 projects of NNGOs were funded. The most funded type of NGO, especially in the transition countries Colombia and South Africa, was LNGO.

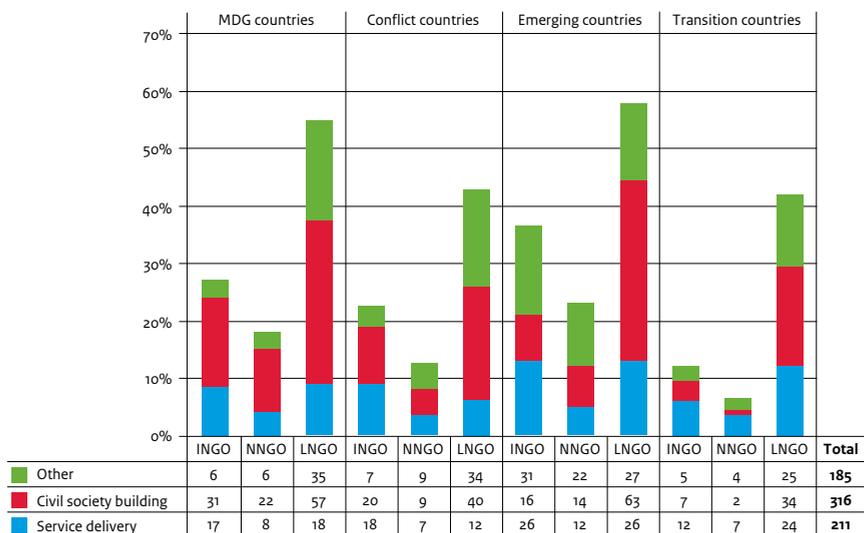
	INGO	NNGO	LNGO	Total
Conflict countries	54	36	110	<b>200</b>
Emerging countries	45	25	86	<b>156</b>
MDG countries	73	46	116	<b>235</b>
Transition countries	24	13	84	<b>121</b>
<b>Total</b>	<b>196</b>	<b>120</b>	<b>396</b>	<b>712</b>

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### Number of funded projects, per theme

Figure 3.4 shows that of the 712 projects, 211 were carried out in service delivery, 316 in civil society building and 185 in other categories. Few LNGOs were funded in Burundi, Vietnam, Sudan and Yemen. In Burundi this had to do with the fact that the newly opened embassy did not start direct funding until 2009. The main reason for the low number of directly funded projects in Vietnam was strong state control, in Sudan it was the restrictions on the operations of NGOs, and in Yemen it was the lack of capacity of NGOs.

In all country groups, embassies funded LNGOs mostly for civil society building. Countries where many LNGO projects were funded for civil society building were the Palestinian Territories (30), Uganda (21), Kenya (19), Colombia and South Africa (both 17), Ethiopia (16) and Afghanistan (15). While the socio-economic contexts in these countries differ, there are some similarities in the space for civil society and the possibilities for funding. In six of these seven countries, legislation relating to NGOs was more supportive than restrictive and there were no legal barriers to foreign funding of NGOs. Overall, embassies had sufficient possibilities to fund LNGOs and they used them. This would suggest that LNGOs were most often funded in countries with ample room for civil society. But there is an exception: in Ethiopia, foreign donors are hampered from funding LNGOs working in lobbying and advocacy. The embassy nevertheless still managed to fund some projects in this field, even after the introduction of the restrictive NGO legislation of 2009. Is this the exception that proves the rule?

**Figure 3.4** Number of single-NGO projects, per country group

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### Project budgets<sup>79</sup>

It thus appears that embassies supported many more LINGOs than INGOs or NNGOs, and that nearly 45 percent of the projects that were funded were civil society building projects. The largest amount of direct funding was, however, neither for LINGOs nor for civil society building. This is because, as is shown in Table 3.2, the budgets of projects with LINGOs were much smaller than those for projects with other NGOs. LINGO projects in civil society building in particular had small budgets. The projects directly funded by the embassies lasted on average 45 months (3 years and 9 months).<sup>80</sup>

**Table 3.2** Average annual budgets of projects with INGOs, NNGOs and LINGOs in service delivery, civil society building and other activities

	Service delivery	Civil society building	Other	Average for all categories
INGO	1,330	271	866	<b>831</b>
NNGO	586	325	576	<b>493</b>
LNGO	656	147	326	<b>313</b>
<b>Average for single-NGO projects</b>	<b>912</b>	<b>203</b>	<b>518</b>	<b>496</b>

x EUR 1,000,-

<sup>79</sup> Comments on project budgets are not on expenditure, but on the agreed contributions of the embassies to activities of partners.

<sup>80</sup> Projects carried out in the conflict countries had a much shorter duration than those in other country groups; in the emerging countries in particular they had a longer duration.

The smallest average annual budgets were for LNGO civil society projects in the MDG countries: (EUR 350,000). LNGO projects in conflict countries had slightly bigger budgets: EUR 420,000 for service delivery and EUR 450,000 for civil society building. LNGO budgets for other activities in conflict countries were on average larger than those in other country groups. The reason is the large number of projects (20) of the Palestinian Agricultural Relief Committees (PARC), which had an average budget of EUR 2.2 million. In conflict countries, INGOs had the smallest budgets: in particular, the budget for civil society building projects in those countries was small.

### Projects carried out by more than one NGO

Apart from the 712 single-NGO projects, there were 50 projects carried out by more than one NGO – whether an INGO, NNGO or LNGO. LNGOs participated in most of such ‘multiple-NGO projects’ and in 29 cases INGOs, NNGOs and LNGOs participated together. Compared with the average for all 762 projects, average budgets for service delivery projects were larger, but those in the two other project categories were smaller (see Table 3.3).

	Service delivery	Civil society building	Other	Average for all categories
Multiple-NGO projects	2,212	162	401	<b>615</b>
Average all projects	962	201	509	<b>504</b>

x EUR 1,000,-

## 3.3 Direct funding policies

### Implementation of embassy goals

In all countries, embassies try to identify partners that can help them to achieve their goals. Most embassies see their principal task as working from government to government, but since in the 18 countries governments are often underperforming and/or there is a high risk of corruption, the alternative is to work via other partners. Those can be UN organisations, social enterprises, knowledge institutes, or NGOs. As the embassy in Benin has put it: ‘working with (L)NGOs is not an ideological but a pragmatic choice’. In Yemen for example, after the embassy’s strong alignment agenda failed due to the weakness of the government, the embassy decided to focus more on non-state actors, with the result that expenditure on direct funding increased considerably. Sometimes, as in Bangladesh, the embassy works mainly with NGOs in order to achieve the objectives as described in the MASP. No less than 94 percent of that embassy’s direct funding was intended for service delivery. This has to do with the extensive needs in this sector and the weak implementing capacity of public institutions. The embassy is aware of the danger of creating parallel structures of NGOs next to the government, but made the deliberate policy choice to work with a variety of actors to spread the risks.

**Box 3.2** *Embassies work with LNGOs as a result of differences of opinion with government*

In its focal point HIV/Aids prevention the embassy in Pretoria works with NGOs, since during the evaluated period the South African government's policy reflected denial of the HIV/Aids pandemic.

Box 3.2 gives an example of how sometimes the impossibility of working with the government is not a result of underperformance, but of differences of opinion. The fact that in South Africa civil society is mature and the government has sufficient budget even led to the embassy putting forward another reason for working with LNGOs. In the embassy's words: 'The added value lies in solutions developed by NGOs which – after having proven their success in practice – may be up-scaled by the government'.

As mentioned, directly funded activities are aligned with the priorities in the MASPs of embassies. The embassies thus mostly cooperate with LNGOs that work in their priority areas. In Ethiopia, for example, one of the priorities has been Sexual and Reproductive Health and Rights (SRHR): 73 percent of direct funding to LNGOs went to projects in this specific priority area. In Uganda the priority was Security and Rule of Law. In that country, 57 percent of direct funding to LNGOs was spent on projects working on good governance, human rights, etc. The embassies' goals determine the themes for which they allocate direct funding. That the direct funding modality is not considered an end in itself but rather a means is illustrated in the case of Ghana. Although LNGOs in Ghana are free to operate, the embassy does not often fund them. Only in cases in which the embassy in Accra shares objectives with an NGO and the NGO is efficient and effective to work with will it cooperate with that NGO. While most embassies mentioned strengthening of civil society as reason for funding LNGOs, that motive also underlies the goals of the embassy itself. As the embassy in Bogota puts it: 'Funding of LNGOs is limited to strengthening civil society in the priority areas of the embassy'.

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**Added quality to results and complementarity**

Embassies prefer to work with LNGOs because their special features and expertise make them better capable of implementing activities more effectively than other actors. Often they have excellent knowledge of local institutions and policies and sometimes their capacities are good. Several embassies, such as those in Mali, Rwanda and Bangladesh, realise that in order to give added quality to results, direct funding should be complementary to government funding and that they should work with both government and LNGOs. As the embassy in Bangladesh stated: 'Working with both government and NGOs must contribute to the achievement of quality results.'

There are also other benefits of working with LNGOs. The embassy in South Africa explicitly preferred funding LNGOs over funding INGOs or NNGOs because channelling funds through foreign NGOs could be perceived as meddling in internal affairs. The embassy in Kenya stated that funding of sensitive activities is best done through LNGOs. The embassy also supports LNGOs by attending events and taking up issues in political forums. Funding them

offers also opportunities to show support to LNGOs that are under subjected to pressure from the government. As well as funding LNGOs, embassies also engage in dialogue and exchange of knowledge with them. NGOs give access to information, which is why direct contact with them is highly appreciated by the embassies. For the embassy in Afghanistan and the Netherlands Representative Office (RNO) in the Palestinian Territories, the fact that the costs of LNGOs are relatively low is also a point of consideration. The cost to value ratio is also mentioned by the embassy in Ghana. Box 3.3 shows that the flexibility of the instrument is also highly valued by embassies.

**Box 3.3** *Embassies highly value the flexibility of direct funding*

After the coup in Mali in March 2012, the embassy was not allowed to work directly through the government. Therefore, the embassy more than doubled its direct funding. It funded education and health programmes of LNGOs and INGOs. This embassy in particular sees direct funding as a tool that can be used to facilitate the right initiatives at the right time.

The insurgency and the subsequent closure of the embassy in Sana'a in April 2011 made it clear to the embassy that a flexible approach towards projects and programmes is required in order to adapt to an increasingly instable situation.

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Three main reasons embassies in the conflict countries gave for preferring to work with LNGOs are:

- LNGOs have a lower incidence of security issues and have access to areas where INGOs cannot work;
- The embassies have more confidence in the sustainability of the programmes;
- Supporting them is also part of strengthening the civil society sector.

Sometimes embassies fund LNGOs that are in need of protection.

Funding LNGOs because they are the most suitable executors of their policies is not the only reason given by the embassies: in addition to that pragmatic choice they also point to their belief that funding of LNGOs builds up countervailing power in their countries of operation. The embassy in Kenya, for example, stated that it prefers funding LNGOs because this helps strengthen local civil society. This accounts for the relatively high percentage (41 percent) of direct funding channelled through LNGOs in Kenya. In Uganda too, half of the direct funding to LNGOs went to projects in civil society building. This corresponds with the motivation given by the embassy in Kampala for direct funding: to strengthen civil society and to build up countervailing power.<sup>81</sup>

<sup>81</sup> IOB Survey, Kampala embassy, April 2013.

### Capacity of LNGOs

Notwithstanding the other arguments to support LNGOs, the crucial factor in funding decisions is their implementing capacity. Often, weaker LNGOs are not funded because the embassies are not convinced of their implementing capacity or because they cannot comply with the requirements stipulated by the embassies, or both. This made embassies often opt for larger, well-established NGOs: the 'usual suspects'. This was, for example, the case in Colombia, South Africa, Ethiopia and Benin. In other cases, embassies ensured that weaker LNGOs were professionally supported by INGOs or NNGOs, as happened in Mali and Rwanda. In Rwanda this proved a great success: after three years the NGO was strong enough to continue without the support of the NNGO and its strength exceeded all expectations. The embassy in Sudan mainly cooperates with INGOs and UN organisations in relief and rehabilitation activities, and with LNGOs in activities relating to human rights and capacity strengthening. Although the advantages of working through LNGOs are recognised, the embassy prefers to work with INGOs, more specifically, *through* them, as they have the manpower and the means to strengthen LNGOs.<sup>82</sup> The Partnership for Government Reform in Indonesia was managed by UNDP and was only directly funded by the embassy after the local partners had improved their internal procedures and management and were considered strong enough. In Kenya, the embassy sometimes engages only with stronger areas of an LNGO, not with the weaker areas. In some cases, strengthening of weaknesses is part of the programme, particularly when the weaknesses are administrative in nature. In Bangladesh, when an LNGO appears to be too weak the embassy seeks alternative partnerships to reach its objectives.

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### Capacity of embassies and multi-donor funds

While most embassies mentioned building countervailing power as one of the reasons for working with LNGOs, they were not often engaged in capacity development support of LNGOs themselves. This has to do with the limited staff capacity of the embassies. Despite this, some embassies try to support LNGOs in capacity development, as well as in other ways. Box 3.4 gives an example of another kind of support.

#### Box 3.4 Embassies may provide NGOs with kinds of support other than capacity development

Despite their limited capacity, some embassies try to support LNGOs, as is the case in Ramallah, where the RNO provides assistance to its partners: for example, helping them to obtain travel permits from Israeli authorities.

Due to capacity constraints, some embassies, such as those in Kenya and Indonesia, engaged intermediary organisations for administrative tasks. Some embassies are unable to meet regularly with the NGOs and to visit their activities, due to a lack of staff capacity.

<sup>82</sup> Country report Sudan.

**Box 3.5** *In some broader funding mechanisms, direct contact with LNGOs can be preserved*

The embassy in Jakarta funds the Partnership for Government Reform, in which civil society groups and government are brought together. The advantage of direct funding, namely to be in contact with local partners, is also reflected in this model of working with civil society. It provided the embassy with an extensive network in the area of governance.

To solve the problem of limited staff capacity of the embassies, LNGOs are also supported by using funding modalities other than direct funding. In Ghana, Ethiopia, Mozambique, Yemen and Uganda, part of the funds is channelled through multi-donor funds.

The disadvantages of funding LNGOs through these kinds of funds are that embassies tend to lose touch with the organisations (although Box 3.5 shows an exception) and that they miss out on opportunities to be informed about what is going on in civil society. Such information is important for the policy dialogue with governments. Advantages of funding LNGOs directly rather than via multi-donor funds are that embassies have a greater flexibility to adjust to changing circumstances and that support to LNGOs can be better tuned to support the embassy's programme.

## 3.4 Conclusions

On direct funding to NGOs in general:

- In the period 2006-2012 the embassies in the partner countries granted EUR 950 million to NGOs, representing 24 percent of their ODA budget. The amount increased from EUR 110 million in 2006 to EUR 146 million in 2012.
- Direct funding as a proportion of the embassies' total ODA budget increased after 2008: from 21 percent to 33 percent.
- Amounts and percentages of direct funding differed greatly between countries. There are no evident general relations between the amount of direct funding and the socio-economic context and the room for civil society in a country.
- The bulk of direct funding was spent on service delivery (56 percent) and the least went to civil society building (17 percent).

On direct funding to LNGOs:

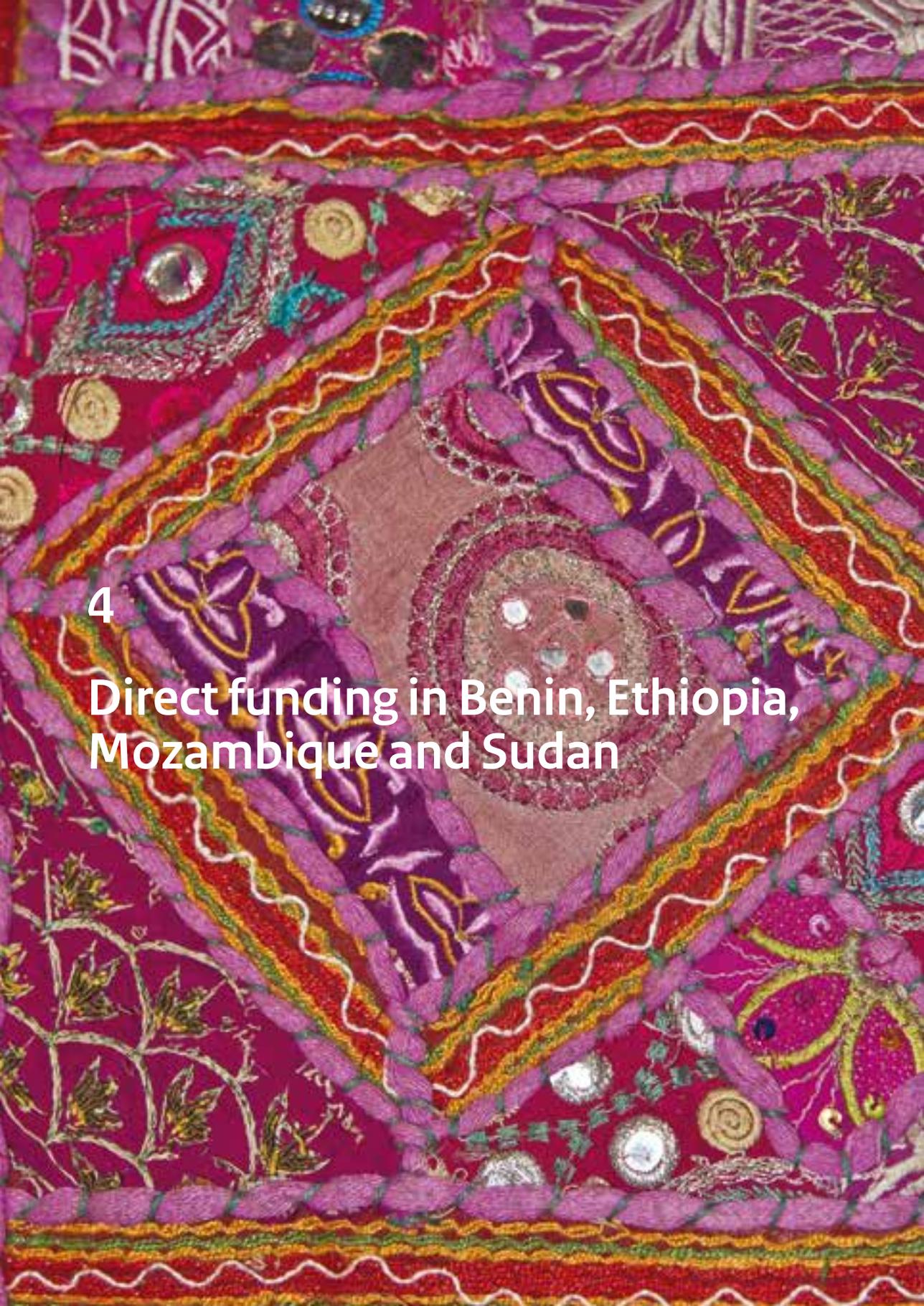
- The embassies in the partner countries granted EUR 350 million (9 percent of their ODA budget) to LNGOs. This is on average EUR 50 million per year and about EUR 2.8 million per embassy. Direct funding to LNGOs as part of total direct funding decreased.
- Projects with LNGOs have smaller budgets than those with other NGOs. LNGOs were the most often funded type of NGO.
- The impression is that LNGOs are most often funded in countries with ample room for civil society, although there are exceptions.

- Of the total grants made available to LNGOs, on average EUR 7.8 million per year was made available for projects in civil society building. The picture differed from country to country, however.
- Projects in the field of civil society building had smaller budgets than others, especially when carried out by an LNGO. While the share of funding for civil society purposes was the smallest, it covered the largest number of projects.

Regarding policies of embassies:

- Embassies have four main motivations/considerations for directly funding NGOs: (i) national governments are not always able to provide the required services, (ii) there is a difference of opinion with the national government, (iii) (L)NGOs can add extra quality to results and make complementarity in the embassy's policies possible, (iv) funding of LNGOs builds up countervailing power in their countries of operation.
- Regardless of the arguments in favour of funding LNGOs, the crucial factor in decisions to fund LNGOs is their implementing capacity. This has to do with the scarcity of embassy staff for capacity development support to weaker LNGOs.
- Because of their limited staff capacity, embassies restricted the number of projects they directly funded, or they used intermediary organisations. They also engaged in other funding mechanisms to support LNGOs, such as multi-donor funds.
- Multi-donor funds bring donors together, which may lead to complementarity between them. The resulting loss of direct contact with LNGOs has several disadvantages, however.





4

# Direct funding in Benin, Ethiopia, Mozambique and Sudan

## 4.1 Introduction

Chapter 3 focused on facts, figures and policies of direct funding in the partner and transition countries considered for this evaluation. The descriptions were based on a study of documents, figures from Piramide and a questionnaire completed by the embassies. In this chapter, a more detailed description is presented of direct funding in four of the partner countries (Benin, Ethiopia, Mozambique and Sudan),<sup>83</sup> aimed at deepening the understanding of the magnitude, nature and use of the instrument. The information presented in this chapter is based on study of documents and on field research in the four countries. First, the institutional environment in which direct funding takes place is described and the position and role of civil society/NGOs are reviewed to better understand the context in which the direct funding policies are implemented. Next, detailed figures on the direct funding landscape are presented. This section is followed by a description of the motivation and strategy of direct funding, which leads in to an overview of the implementation process. The descriptions presented in chapters 3 and 4 feed the analysis in chapter 5.

## 4.2. Institutional environment and position of the NGO sector

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### **Political and socio-economic situation/role and position of NGOs**

The capacity of the state bureaucracy is extremely limited in Mozambique and Sudan; in Ethiopia and Benin it is functional, but incompetent and non-responsive. In all four countries the socio-economic conditions limit the effective functioning of civil society. The NGOs in these countries consider it their role to contribute to strengthening democracy and citizens' participation, to hold governments accountable, to strengthen the rule of law and governance and to stimulate the enabling environment for peace and stability. In Sudan, Benin and Ethiopia they also see a role for themselves in service delivery, complementing the work of governments or filling gaps where governments fail. In both Sudan and Ethiopia there are severe restrictions on political rights and civil liberties: political space for civil society in the fields of building democracy, advocacy, human rights and governance is seriously limited. The Ethiopian government does not approve of the role of INGOs and NNGOs in this; only LNGOs and subdivisions of the ruling party are allowed to engage to a limited extent in democracy building and promoting citizens' participation. The government of Sudan does not refer to the role of NGOs at all in its Interim Poverty Reduction Strategy Plan (IPRSP) of 2012. In that country many NGOs have shifted their focus to less controversial service delivery programmes. The role of NGOs in civil society building is acknowledged by the governments of Benin and Mozambique. In Benin NGOs are largely free to operate. The legislation in Mozambique guarantees free operations of NGOs, but in practice there are various factors that hinder this.

<sup>83</sup> Summaries of the country studies are attached as Annexes 6-9 to this report.

### Landscape of the NGO sector

In all four countries, there are thousands of CSOs/NGOs, but accurate figures are not available. In these countries there has been a long history of informal self-help groups or other forms of social organisation, but the NGO sector did not start to develop until the 1990s. In none of the countries is there a strong NGO movement, although there are several strong NGOs. Most of the NGOs are based in the capital cities but many programmes are carried out in the regions. NGOs based in capital cities sometimes lack roots in the regions. Many NGOs are struggling to show their added value and to obtain support from civilians. In some cases (Mozambique, Ethiopia) there is little tradition of active engagement in public affairs; otherwise (as in Sudan and Benin) NGOs focus more on donor priorities than on the needs of the population. Apart from that, several civil society watchers often doubt the quality of NGOs because their internal democracy and transparency are limited. There are several examples of umbrella organisations and of cases of cooperation between NGOs in all countries but often the NGOs work in isolation. The NGO landscape is highly fragmented. Most of the NGOs focus on service delivery; a minority focus on civil society building and advocacy.

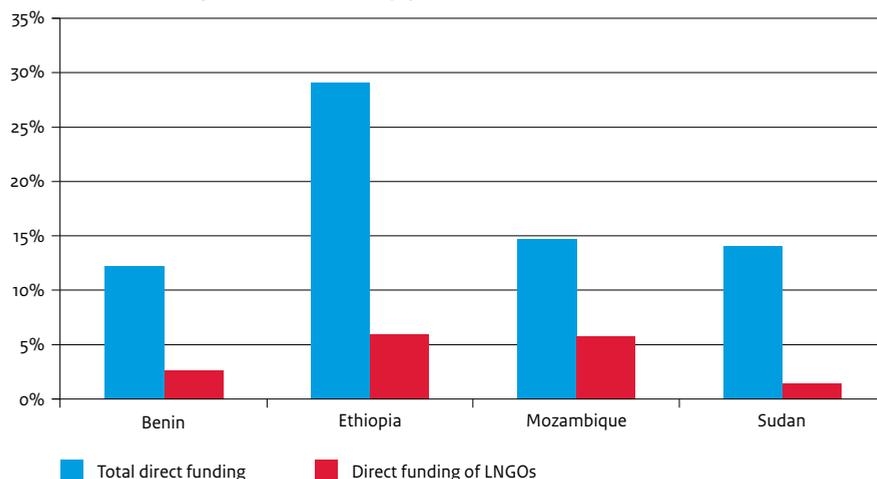
## 4.3. Direct funding landscape of embassies, in figures

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### Share of direct funding

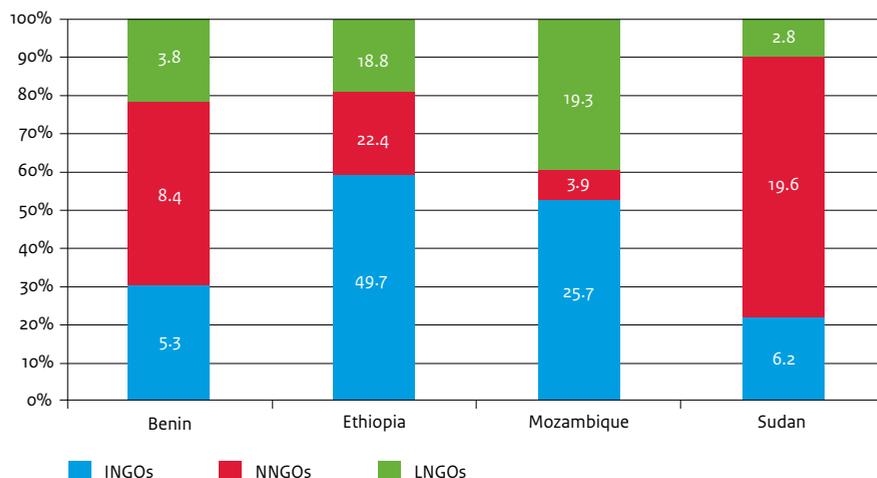
Figure 4.1 demonstrates that only in Ethiopia total direct funding as a percentage of decentralised ODA expenditure was more or less in line with the average percentage for the 18 countries: 29 percent versus 24 percent. In the other three countries it was much lower. The percentages of direct funding of LNGOs are all far below the average for the 18 countries (which is 9 percent).

**Figure 4.1** *Direct funding (total and of LNGOs), per case study country, as percentage of decentralised ODA expenditure in that country, for 2006-2012*



As Figure 4.2 shows, Ethiopia is a big country in terms of direct funding (EUR 90.9 million), followed by Mozambique (EUR 48.9 million). In both countries, most of the funds go to INGOs. In the other two countries the amounts of direct funding are lower: Benin EUR 17.5 million and Sudan EUR 28.6 million and most of the funds go to NNGOs. In Mozambique, a larger share of expenditure of NGOs (39 percent) goes to LNGOs than in the other countries. In Sudan this is only 10 percent.

**Figure 4.2** Amounts (in EUR million) and percentages of total direct funding 2006-2012 in the four case study countries: breakdown by type of NGO



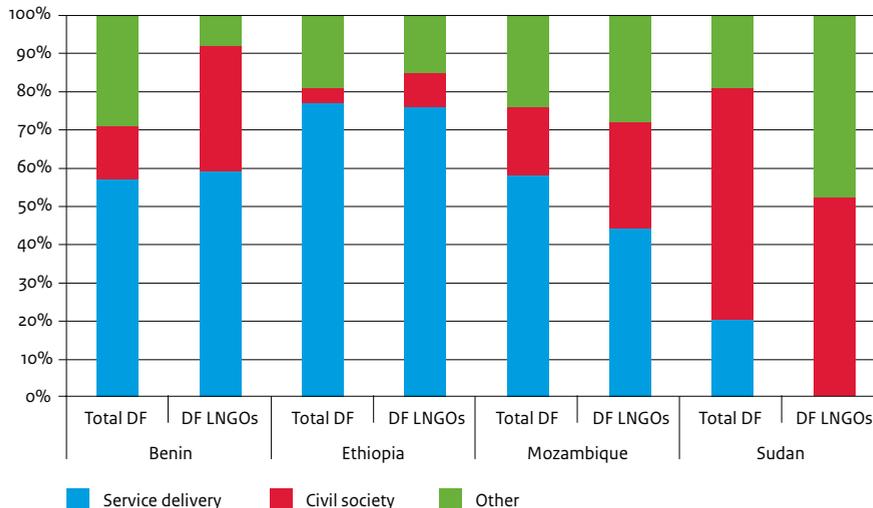
### Annual expenditure on projects carried out by LNGOs 2006-2012

In the period 2006-2012 the expenditure on LNGOs in Benin and Sudan was small, but increased slowly; in Ethiopia there were considerable differences between the years and in Mozambique the expenditure declined after 2009. Expenditure on LNGOs as percentage of total decentralised expenditure increased in Benin and Sudan (from 2007 onwards). In Mozambique it declined and in Ethiopia it fluctuated. The share of total direct funding to projects of LNGOs varied substantially over the years in Ethiopia; in Benin it remained more or less stable, except for 2008; in Sudan it rose after 2006 and in Mozambique there was a clear downward trend.

### Division of direct funding over different areas of attention

Figure 4.3 illustrates that in three countries the largest percentage of direct funding of both NGOs and LNGOs – especially the latter – was allocated to service delivery activities and only a small percentage went to civil society building. The exception was Sudan: here most of the funds went to civil society building and there was no direct funding of service delivery programmes of LNGOs. This figure confirms the finding reported in chapter 3 that average expenditure on civil society building was higher for LNGOs than for NGOs (except in Sudan).  
Number of funded NGOs

**Figure 4.3** *Direct funding (total and to LNGOs) 2006-2012: breakdown (percentages) into funding of service delivery, strengthening civil society and other activities*

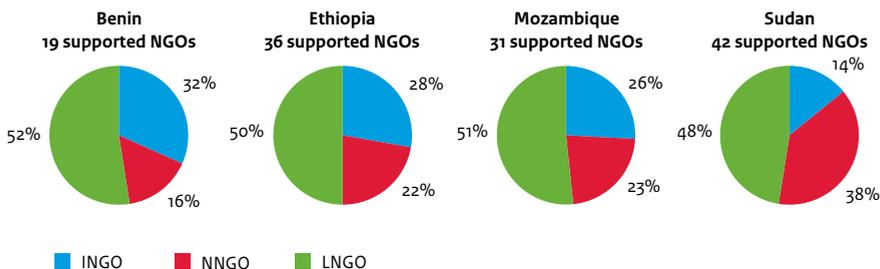


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### Number of funded NGOs

As Figure 4.4 demonstrates, in all countries most of the directly funded NGOs were LNGOs. Sometimes different NGOs contributed jointly to a project, sometimes NGOs carried out different projects. The number of directly funded projects implemented by NGOs was 29 in Benin, 68 in Ethiopia, 51 in Mozambique and 55 in Sudan.

**Figure 4.4** *Directly funded NGOs in the four case study countries: total number and breakdown (in percentages) per type of NGO*



### Project budgets per type of NGO

Project budgets differed between the three types of NGO. In Benin, Ethiopia and Sudan projects of LNGOs had smaller budgets than those of INGOs and NNGOs. This shows the smaller absorption capacity of LNGOs and it confirms the findings presented in chapter 3.

## 4.4. Embassies' use of the instrument of direct funding

### Motivation for direct funding of LNGOs

#### Context

The context in which the embassies had to operate in the period under review was fairly unstable. There were country-specific circumstances that influenced this context: the secession of South Sudan, the end of budget support in Benin, Ethiopia and Mozambique, the limited space for NGOs in Sudan and Ethiopia. Such factors compelled the embassies periodically to reorient themselves strategically. During the period 2006-2012 there were also policy changes in the Netherlands, inspired by four different members of cabinet. After 2010, embassies were required to focus on the thematic spearheads of Water, Food Security, SRHR, and Security and Justice. This focus also applied to direct funding of NGOs and it compelled the embassies to reconsider their portfolios. The embassies in Ethiopia and Mozambique felt somewhat frustrated about this. Furthermore, the embassies were asked to concentrate on fewer and more strategic interventions and to increase direct funding of LNGOs (in 2009, an increase of 10-15 percent annually was anticipated).<sup>84</sup> In Mozambique, Ethiopia and Sudan, decentralised expenditure fluctuated considerably and the staffing of the four embassies decreased.<sup>85</sup> Despite all this, the embassies retained considerable autonomy in deciding how to implement the direct funding strategy. This offered them ample scope to decide on the types of organisations to be supported and budgets to be allocated. In chapter 2 we have seen that the standpoint of DSO was that embassies are responsible for strategy and policy regarding direct funding.<sup>86</sup>

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#### Problem analysis

In the MASPs and in Annual Plans (AP) of the embassies, the role and position of civil society is briefly mentioned, and it is revealed in which cases the embassies will cooperate with CSOs. However, there are no thorough analyses of the challenges, problems and needs of civil society for Benin, Ethiopia and Sudan. In the MASPs and APs of the Mozambique embassy the analysis has been more thorough. Mention of the partner country's policy objectives in the area of civil society occurs only in the documents of the embassy in Ethiopia and in one MASP of the embassy in Mozambique. There is no reference to Dutch policy regarding civil society in general and direct funding in particular. The embassies' documents make no explicit reference to direct funding, or, more specifically, to direct funding of LNGOs. There is no evidence that when formulating MASPs, the embassies had analysed earlier experiences and lessons learnt from funding NGOs. Similarly, in the process of strategy formulation, there have been hardly any formal consultations with public and non-governmental partners to inform the embassies about the insights of such stakeholders. However, regular informal meetings and consultations with various actors not specifically related to the MASP formulation process that provided indirect inputs were common.

<sup>84</sup> Ministry of Foreign Affairs, Policy Memorandum on Civil Society Organisations: 'Cooperation, Customisation and Added Value', 14 April 2009, pp. 24-25 and p. 29.

<sup>85</sup> In Benin, the staff was reinforced again by two expatriate thematic experts in 2012-2013.

<sup>86</sup> DSO Startnotitie, 8 January 2010.

## Response strategy

### *Intervention strategy: answer to challenges?*

In all four countries, the support is given to NGOs that are in a position to achieve results in areas that are important for the embassies and that are also relevant in the context of the problems and needs in the countries. In Benin the interventions in the context of service delivery are in line with the challenges as expressed in the Poverty Reduction Strategy Paper (PRSP); on the other hand, there is also a need to develop capacity of NGOs, but this has low priority for the embassy. In Sudan, human rights, peace building and strengthening civil society are all important. In Ethiopia, there is a real need to improve service delivery: the embassy contributes to this through direct funding of NGOs, including LNGOs. Good governance and observance of human rights are challenges too, but the options for the embassy to support such areas are limited. Therefore, in 2008 the embassy in Ethiopia decided to channel more funds for these areas through the multi-donor fund Civil Society Support Programme (CSSP), but this fund did not become operational until 2011. In Mozambique, governance is a relevant area that used to be supported through direct funding of LNGOs. Since 2010, when the embassy had to switch to focusing on the spearhead sectors, it has no longer been possible to fund projects related to governance. In response to this, in 2012 the embassy decided to participate in the multi-donor fund *Programa de Ações para uma Governação Inclusiva e Responsável (AGIR)*, which created the opportunity to fund ex-partners indirectly. In addition, the embassies in Mozambique and Ethiopia continue to fund some strategic partners directly.

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### **Box 4.1** *Donors sometimes make agreements in order to achieve complementarity in their efforts*

FGAE received considerable funding from the Dutch embassy in Addis Ababa for the implementation of its strategic multiannual plan. Different donors agreed on and contributed to the plan and therefore they agreed that no attempt should be made to attribute specific results to specific donors

### *Complementarity*

Complementarity of efforts of various donors to support civil society has not been a deliberate aim of international donors and Dutch co-financing organisations. Although in Mozambique and Ethiopia there were regular meetings to exchange information, no formal consultations took place in which the proposed response strategies of the embassies and possible complementarity were discussed. Box 4.1, however, gives examples of how donors work together in a particular situation. In most cases the embassies opted for LNGOs that were strong and professional and that would be able to contribute to the achievement of the embassy's goals. LNGOs that fit that profile were also supported by other (sometimes many) donors. As to internal complementarity of direct funding of LNGOs with other possible funding modalities available for the embassies: all the embassies deliberately chose to support LNGOs in order to supplement support given to governments, INGOs, NNGOs and other funding channels.

### *Considerations for selection of LNGOs*

The embassies were also clear about the preferred funding channels. In Benin, Mozambique and Ethiopia, in principle government-to-government collaboration was preferred. The embassy in Ethiopia argued that in a large country with nationwide challenges, high-level interventions with high-level impact are needed, and to achieve this there must be collaboration with the government.<sup>87</sup> However, arguments were also brought forward to prefer other channels. In Sudan, the government is ineffective and human rights are violated. Therefore, the embassy preferred to channel its funds mainly through multi-donor trust funds managed by UNDP, UN agencies, the World Bank and INGOs and NNGOs. LNGOs were selected to implement human rights, peace building and NGO capacity building programmes. In Benin, LNGOs were involved mainly to achieve concrete results in service delivery programmes as alternative channel for the weakly performing government.<sup>88</sup> And in both Ethiopia and Mozambique, additional funding of LNGOs was considered important. Arguments were given to illustrate this: LNGOs are relevant actors for achieving certain concrete objectives; LNGOs are best placed to achieve these objectives; there is a need for countervailing power in the countries; because LNGOs are rooted in society they can inform the embassy about issues to raise in policy discussions with the government; and LNGOs are innovative. The example in Box 4.2 shows how LNGOs, even those working in service delivery, can fulfil a role in the positioning of civil society. Although embassies as a rule preferred strong and professional LNGOs that do not need much capacity building support and that are able to contribute to embassy goals, some LNGOs were also supported for other reasons: for example, because they were innovative.

### **Box 4.2** *LNGOs are relevant actors for achieving certain concrete objectives and for representing civil society*

In Ethiopia, FGAE works on family planning, amongst others through improving access to comprehensive SRHR services such as abortion care and better access to contraception. In addition, FGAE raises public awareness about the need for and availability of SRHR services. The organisation – which is well known for its reliability and quality services – has also assisted the government in formulating its population policy.

### *Considerations for selection of funding modalities*

In Ethiopia and Mozambique, core funding was considered the most suitable modality (less administrative burden, partners better able to pursue their own agenda); in Sudan and Benin, project funding was preferred (less expensive, less dependency of NGOs on external funding, specified goals, limited involvement). In Ethiopia, Mozambique and Sudan, the embassy's political room to manoeuvre was taken into account while formulating the

<sup>87</sup> Despite this, only 6 percent of the decentralised expenditure of the embassy between 2006–2012 was spent by the Government of Ethiopia (Source: Piramide).

<sup>88</sup> Despite this, more than 65 percent of the decentralised expenditure of the embassy between 2006–2012 was spent by the Central Government of Benin, although in 2011 and 2012 this figure fell to 46 percent (Source: Piramide).

strategy. In Ethiopia, an important factor that contributed to the decision to channel more funds through multi-donor funds was the limited political space; in Mozambique, the key factor was the prohibition to fund particular NGOs. In Sudan, there were sometimes good reasons for indirect funding, but sometimes direct funding was desirable, as this expressed support of critical NGOs.

## Deciding which NGOs to support

### *Procedures*

In none of the countries do the embassies issue open calls for proposals.<sup>89</sup> NGOs are either directly invited to submit proposals or they take the initiative to apply for funding themselves. The NGOs invited are mostly known from the networks of the embassies. In most cases, interested NGOs submit their applications after they have had one or more intake meetings at the embassy. In several cases (e.g. in Sudan and Mozambique), the embassies themselves took the initiative to invite NGOs to intake meetings. During such meetings, the application procedures are further explained and the contours of the proposals are discussed. The NGOs applying are free to decide about the format of their formal application, because none of the embassies have standard application forms. Neither do the embassies have formal selection criteria that are communicated to actual or potential applicants. The embassies also discuss the submitted applications with the NGOs. Sometimes the outcome is only fine-tuning, sometimes both parties work together on the project formulation, a process also referred to as 'co-creation'.

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### *Selection criteria*

Although selection criteria may not always be formalised, documented and communicated, all embassies do have certain selection criteria. The most important are that the NGO should have sufficient capacity to implement the project and be able to deliver results that the embassy considers important. Furthermore, the NGO should have a good reputation and a strong track record, should be efficient, committed and have organisational strength. Thematic orientation and expertise are also important. Most of the NGOs supported have offices in the capital cities. However, despite the fact that the proximity of an NGO's office is considered an advantage from a practical point of view<sup>90</sup>, for the embassies this is not a decisive factor in the selection of partners.<sup>91</sup> More important are the NGO's reputation, capacity, approach and policy priorities. Many city-based NGOs that are supported by the embassies also implement their programmes outside the capital cities. The embassies use standard assessment documents such as the Activity Appraisal Document (BEMO) and Abridged Activity Appraisal Document (AAAD) to assess the relevance and feasibility of the proposals; in the case of bigger projects, the Organisational Capacity Assessment list (COCA)

<sup>89</sup> Only in Sudan has the embassy recently posted on its website a few basic grounds for exclusion and minimal criteria for proposals to be eligible for funding by the Small Activities Programme (max. EUR 25,000 and project duration up to 12 months).

<sup>90</sup> It facilitates monitoring, and for meetings the travel time required is limited.

<sup>91</sup> In Sudan the situation is different: due to travel restrictions imposed by the government, the embassy is forced to work only with NGOs that are based in Khartoum.

has to be filled in to assess the NGO's organisational strength.<sup>92</sup> Usually no specific criteria are applied for the assessment of the efficiency of the projects. Instead, efficiency is assessed with the 'rapid expert's eye' of the financial officers. This often leads to serious negotiations and to the embassy stipulating budget revisions. The proposals are discussed in staff meetings; the final decision about whether to provide funds is made by the Head of Development Cooperation (HOS) or (in the case of large projects) by the Ambassador.

## Project cycle

### *Problem analysis*

Problem analyses are part of most of the project proposals; they are mostly descriptive and they vary widely in quality. Worked-through theories of change, in which the projects are situated in wider development contexts and relationships between input, output, outcome and impact and the influence of external variables are explicated are lacking, except in Mozambique. In Benin, Ethiopia and Mozambique, logical frameworks were developed for the projects: they contained output and effect indicators that are mostly not easy to measure. In Sudan, log frames are generally absent or are of low quality. Only in Mozambique did LNGOs collect baseline information prior to the implementation of their projects.

### *M&E procedures*

Agreements on monitoring and evaluation (M&E) procedures and audits are specified in the Contributions Agreements ('contracts') between the embassies and the NGOs. The NGOs are required to submit narrative and financial progress reports every six months; annual external audits are required too. In most of the M&E agreements, no reference is made to baseline studies, and result-oriented indicators are lacking or of varying quality. However, output and outcome indicators are included in the project proposals. Very few agreements on external evaluations are included in the contracts.

### *M&E practice*

The NGOs adhere to the stipulations imposed on the submission of the reports and the embassies conscientiously check whether reporting requirements have been met. The quality of progress reports varies. Often the narrative reports are mainly descriptive rather than analytical; they hardly refer back to baselines or pre-defined result indicators, because that information was not collected. The financial reports are particularly thoroughly checked by the financial officers of the embassies and partners are sometimes requested to provide clarifications or to modify the reports. In Mozambique, Ethiopia and Benin, embassy staff visit partner NGOs either in the capital cities or elsewhere; in Sudan, such visits are rare. One of the purposes of the visits is to give informal feedback on the supported projects. Few visit reports were found in the files. Not many external evaluations

<sup>92</sup> Among the factors the COCA list appraises are the NGOs' track record, reputation and legitimacy; also reviewed are the risks of embarking on a funding relationship with the NGO, and earlier experiences (if any) of the embassy and of other donors with the NGO in question.

were undertaken, except in Mozambique. The embassies rarely stipulated that NGOs or projects be evaluated and were not greatly involved in any evaluations that did take place. The LNGOs themselves did not often take initiatives to arrange external evaluations: any evaluations they did conduct were usually done at the request of donors. Sometimes these evaluations were jointly funded by several donors.

### *Learning*

There is little evidence that embassies have systematically learnt from their experiences with direct funding of NGOs. As mentioned, very few evaluations were carried out and there was no policy to document lessons learnt from monitoring reports or visits to NGOs. There are some exceptions (in Benin and in Mozambique) where reports were on the agenda and discussed by the embassy staff, but in these countries too, the implications of the outcomes of these discussions on policy making were not systematically documented.

### *Embassy support during project cycle*

All the embassies are involved in the formulation of the project proposals. In Sudan, Benin and Ethiopia the concept of 'co-creation' is used to typify the interactive nature of this process. During implementation, the embassies give feedback on monitoring reports. They react to the financial reports by posing questions to elicit clarifications and by suggesting modifications. Advice is also given during meetings and field visits. Sometimes, external experts are engaged to advise the LNGOs. External evaluations are not common, and the embassies were not greatly involved in any that did occur. There is little discussion between LNGOs and embassies about the outcomes of evaluations.

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## **Capacity of the embassies**

### *Task division/staffing*

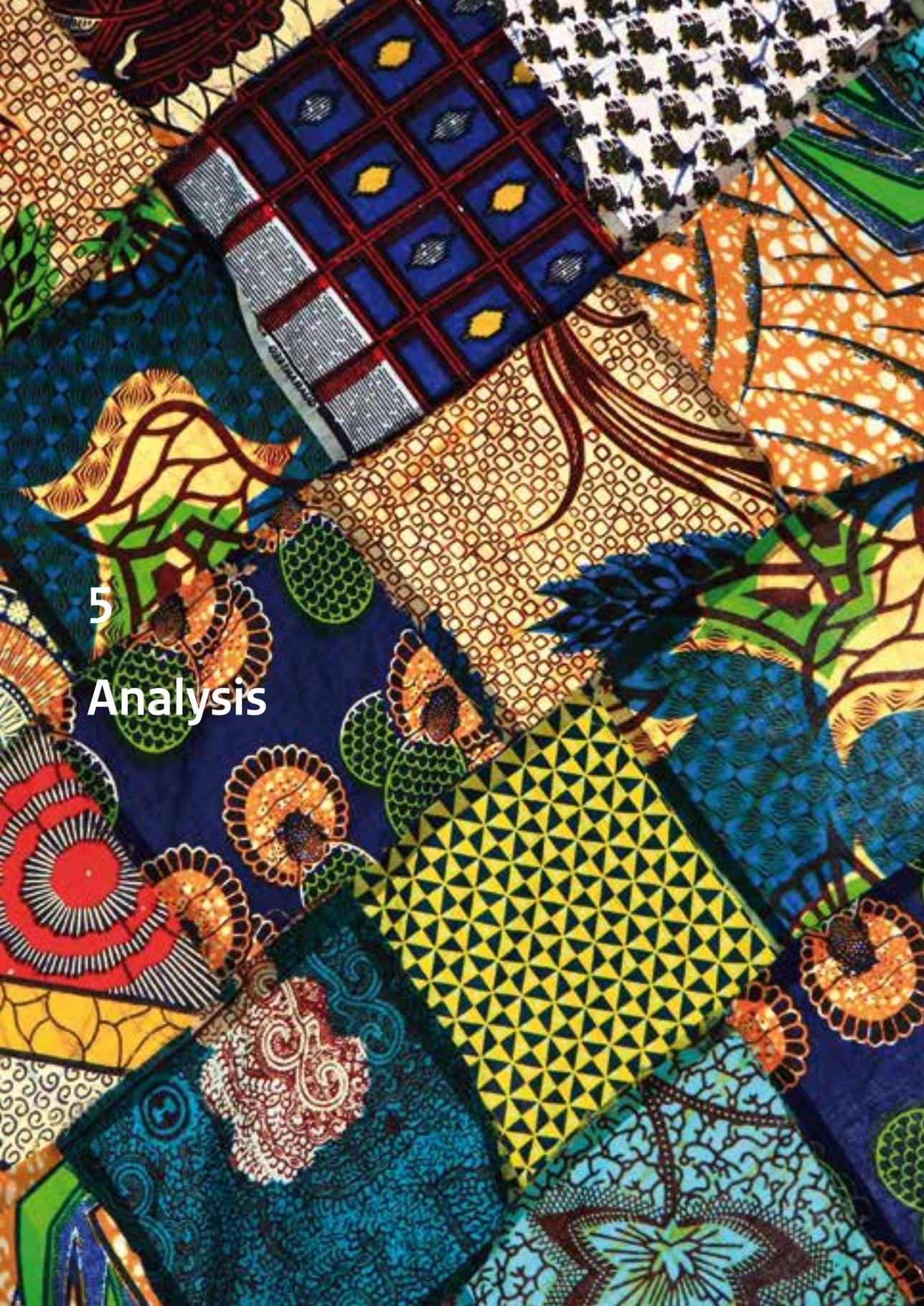
In the four countries, all policy officers/thematic experts take on their share of the tasks related to the portfolio of directly funded projects of LNGOs. The financial officers also play an important role. There is a task division between policy officers and financial officers: the former are responsible for content, the latter for finances. Also involved are support staff (such as archivists and budget administrators), as well as the HOS and – in the case of large projects – the Ambassador.

### *Knowledge*

In general, the supported NGOs are positive about the knowledge of the embassy staff, although the only capacity development support the embassies provide directly to NGOs is in financial and project management. The embassies prefer to link the NGOs to external expertise. The embassies participate in donor networks and platforms in which experiences and lessons learnt are exchanged, although in Benin this participation is not systematic.

## 4.5 Summary of key issues

- The socio-economic and political situation in the four countries conditions the functioning of civil society; in Mozambique and Benin, CSOs (including NGOs) have more freedom than those in Ethiopia and Sudan.
- Embassies have much freedom to decide which NGO programmes should be funded directly since there is no central policy framework; the only exception is the compulsory focus on the thematic spearheads: this limited the embassies' freedom of movement, which was regretted by several embassies.
- As is the case in the other 14 countries, embassies provide direct funding to LNGOs when governments are unable to provide the required services, and this funding enables the embassies to contribute to building countervailing power. Furthermore, direct funding enhances the quality of the results, because the LNGOs are rooted in society and have innovative capacity. Most of the directly funded LNGO activities fit into the country programmes. They complemented other contributions, which were often to larger bilateral and multilateral programmes.
- There was not much complementarity of activities of the embassies with those of other donors, including Dutch NGOs. Embassies and other donors often funded the same LNGOs. This may lead to unnecessary overburdening of these LNGOs and inefficient and ineffective civil society support. This overlap in funding the same LNGOs did not apply to Dutch NGOs.
- Embassies in Benin, Ethiopia and Sudan did not make thorough analyses of civil society in order to guide their choices. The LNGOs to be supported were selected on the basis of common knowledge and informal criteria.
- Embassies preferred to support stronger LNGOs that did not require much capacity development support.
- Project proposals of LNGOs to be supported varied widely in quality: in three countries the embassies were involved in (re)formulation of proposals ('co-creation').
- The monitoring carried out shows considerable shortcomings, and evaluation and learning practices were not well developed.



5

# Analysis

## 5.1 Introduction

In this chapter some key issues of chapters 2, 3 and 4 are discussed and policies, debate about direct funding, and the research findings are reflected on. Some of the main policy intentions were to increase the volume of direct funding, allowing embassies freedom to give shape to direct funding, only bounded by the four thematic spearheads, and more complementarity between donors. A dominant theme in the debate was provision of capacity development support. The chapter presents an assessment of the extent to which these policy intentions and considerations were implemented and concludes by reflecting on what value should be attached to the instrument. In the course of the argument, some of the main issues regarding the evaluation questions ‘what, why, how and how well?’ are also addressed.

## 5.2 Increasing the volume of direct funding

In absolute amounts, direct funding increased in the period 2006-2012, though it declined between 2009 and 2011. As percentage of decentralised expenditure, direct funding increased after 2008. Central-level policy makers had argued that intensification of direct funding would help to position CSOs in a broader country-specific context, make the relations at local level more open and have positive effects on the learning of embassies. To what extent were these expectations fulfilled?

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The direct relations of LNGOs with embassies contributed to the credibility of the LNGOs in society and improved their access to other donors. They became part of the networks of the embassies and their activities were often complementary to those of other partners of the embassies. This helped the LNGOs to position themselves in a broader country-specific context.

More open interaction between embassies and local partners enhanced the knowledge of civil society of embassy staff, which was used to inform the policy dialogue with governments. In the late 1990s, the shift in bilateral policy from project-based funding to sectoral and general budget support had resulted in a reduction of the contacts between embassies and the grassroots, with the voices of the people on the ground also becoming less loudly heard.<sup>93</sup> The effect of this was that embassies became less well-informed about local civil society than they used to be. Direct funding helped to reverse that trend. However, systematic learning from experience through intensive dialogue between embassies and their partners and through evaluations was not well developed.

<sup>93</sup> Ministry of Foreign Affairs, Policy Memorandum on Civil Society Organisations: ‘Cooperation, Customisation and Added Value’, 14 April 2009, p. 24.

### 5.3 Freedom to shape direct funding bounded by thematic spearheads

The focus on the spearheads has actually led to a reorientation of the funding allocations. For example, in Mozambique, the embassy had to stop direct funding of LNGOs engaged in governance issues. Both in Mozambique and Ethiopia the embassies felt somewhat frustrated about the policy decision because it limited their freedom to support initiatives they considered most strategic given the country-specific situation. On the other hand, within the spearhead policy embassies also had much freedom to decide about the types of activity to be supported. Activities in the areas of SRHR, water and food security are not confined to introduction of ‘hardware’ such as clinics, drinking water facilities or agricultural production facilities but may also concern activities in their enabling environment aimed at equality of distribution and access, accountability of implementing agencies, or environmental issues. Activities of this type can be thought of as civil society building as part of service delivery programmes. LNGOs are the obvious choice to be engaged in such activities.

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The embassies have used the freedom of operation to undertake a rich variety of activities. For this reason, both embassies and their partners consider direct funding as a useful instrument. Embassies were in a position to realise their goals, sometimes playing the role of gap-filler where governments had failed, and to feed the policy dialogue with the country government. They were able to make use of specific characteristics of LNGOs contributing to complementarity and synergy of activities within the country programmes: LNGOs’ understanding of the local context, their knowledge of local institutions, their access to essential networks, their innovative capacity, their ability to contribute to strengthening the enabling environment of the activities and, sometimes, their contribution to building countervailing power. Direct funding improved the standing of LNGOs in society and their access to other donors. LNGOs also appreciated the flexibility of the application of the instrument, the limited bureaucracy involved and also the personal relations between them and the embassy staff. In this context, respect for the LNGO’s agenda and mission, the embassy’s readiness to fund sensitive themes, the process of co-creation and support (sometimes political) during project implementation were highlighted.

### 5.4 Complementarity between donors

Different (mainly bilateral) donors including Netherlands embassies sometimes meet together and agree to coordinate their efforts. But often they do not share a vision on the role of civil society in development or a structural approach towards complementary and the creation of synergies in funding CSOs. Instead, they attempt to find their own ways without much coordination or division of tasks. Often they have similar goals and they try to identify stronger NGOs with good implementing capacity to help them achieve these goals. Sometimes this results in overlap in funding the same NGOs, which may lead to

inefficiency and ineffectiveness, although this does not necessarily have to be the case.<sup>94</sup> On the other hand, particular areas of operation or themes may lack funding, as donors focus primarily on a limited number of (popular) intervention areas. The introduction of multi-donor funds may have positive effects in this context, contributing to coverage of a broader variety of NGOs and themes and to more donor coordination. However, this type of cooperation is still limited in scope, does not yet occur everywhere and also has disadvantages, the most important being the loss of direct relationships between donors and NGOs. Apart from that, NGOs also fear less flexibility and more bureaucracy. Ongoing direct collaboration with at least a limited number of strategic partners is a deliberate policy of the Netherlands embassies in order to keep in touch with civil society, as was also recommended by Minister Koenders in 2009.<sup>95</sup>

There is also no deliberate policy to achieve more complementarity between embassies and Dutch funding NGOs. Although the parties exchange information<sup>96</sup>, the activities of Dutch NGOs are not integrated in the embassies' strategies. Unlike bilateral donors, Dutch NGOs do not often fund the same LNGOs as the Netherlands embassy. At least, in the four country case studies only 6 percent of directly funded LNGOs also received support from Dutch co-financing organisations. One reason for this could be that Dutch NGOs more often than embassies aim to support LNGOs in the context of their broader and longer-term civil society development goals. Embassies more often fund short- to medium-term activities (about four years), sometimes of an *ad hoc* nature, that complement other activities of their country programmes. Dutch funding NGOs also more often fund less-developed LNGOs that require substantial capacity development support, whereas embassies generally prefer to support stronger LNGOs.

## 5.5 Capacity development support

One of the starting points in the central policy on direct funding was that thanks to the capacity development support they received from Northern donor NGOs, LNGOs had become strong enough to establish direct funding relationships with other donors, including Netherlands embassies. Indeed, a number of LNGOs that are actually funded directly by embassies no longer require noticeable capacity development support. Not all of them, however, were supported by Northern donor NGOs previously.

There is broad consensus among the embassies and in the documents reviewed for this study that LNGOs in the 18 countries became stronger over the years. However, a number of

<sup>94</sup> For funded NGOs to have more donors may even be an advantage, as different donors may offer specific advantages (for example: expertise, approaches) and because diversification of funding sources offers them more financial security.

<sup>95</sup> Ministry of Foreign Affairs, Policy Memorandum on Civil Society Organisations: 'Cooperation, Customisation and Added Value', 14 April 2009, p. 25.

<sup>96</sup> Most embassies have established annual NGO meetings with Dutch NGOs and local partners to exchange information on their work.

them still require capacity development support. According to Netherlands embassies this also applies to some of the LNGOs that they fund directly. Embassies support such LNGOs because they have something special to offer. In these cases, the institutional strength of the LNGO is not always a decisive selection criterion and additional capacity development support is provided – where required, in addition to financial support. This could be exchange of knowledge and expertise, institutional strengthening, monitoring programme implementation and follow-up. However, the capacity of the embassies to provide such intensive support is limited. In some cases they have dealt with this by hiring consultants, by working through multi-donor funds or intermediary organisations, or by limiting the number of small activities.<sup>97</sup> There is no evidence to support the assertion of some Dutch funding NGOs that embassies are less suitable than they are in order to provide capacity development support to partner LNGOs (no comparative assessment was done of the quality of capacity development support by Dutch donor NGOs and embassies). However, the fact that embassies have limited staff capacity and do not always aim to engage actively in capacity development of their partners does not make them necessarily less suitable capacity development supporters than Dutch NGOs.

## 5.6 What value should be attached to the instrument of direct funding?

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In line with the policy intentions, from 2006-2012 the volume of direct funding increased, which helped to position LNGOs in a broader country-specific context. More interaction between local partners and embassies supported the latter in their policy dialogue with governments, although systematic learning from experiences was unusual. Both embassies and their local partners considered direct funding as a useful instrument. The considerable freedom of embassies helped them to realise their goals, with contributions of LNGOs being complementary to other activities. LNGOs especially appreciated the credibility they gained and the flexibility of direct funding. Complementarity of directly funded activities with the development efforts of other donors, including Dutch funding NGOs, was limited. Intensive capacity development support was not a priority of the embassies.

Direct funding is primarily an informal, careful and pragmatic process of supporting LNGOs. The methods are informal, as the embassies use their networks to select suitable partners. With these partners they develop project proposals. This proved to be a useful approach, especially considering the limited budget and staff capacity available. Nevertheless, other, interesting yet unknown LNGOs could have been identified that might have been worth supporting. Contributions to multi-donor funds offered opportunities to reach out to such less well-known CSOs. In addition, the monitoring and interaction during the implementation of directly funded projects has been informal and personal, aimed at

<sup>97</sup> Sometimes embassies request INGOs or NNGOs to provide capacity development support to their partners.

supporting partners rather than controlling them. The procedures concerning approval and monitoring have been carefully observed, although progress reports are not always analytical in nature, focusing on outputs rather than on outcomes and impact. Evaluation and learning deserve more attention. Direct funding is used pragmatically because the choices are based on what the embassies wish to achieve and on what partners are able to deliver. These choices are generally not based on thoroughly worked out civil society analyses and strategies. This is logical, as long as direct funding is merely intended to be used as a means to achieve concrete results. By acting in this way, the embassies largely met the expectations of the policy makers in The Hague, who have not developed strategies and policy guidelines concerning the position of civil society in a broader and longer-term context, although the role and importance of CSOs in development processes has been acknowledged in policy documents. Such a strategic orientation has not been a policy intention of embassies either.

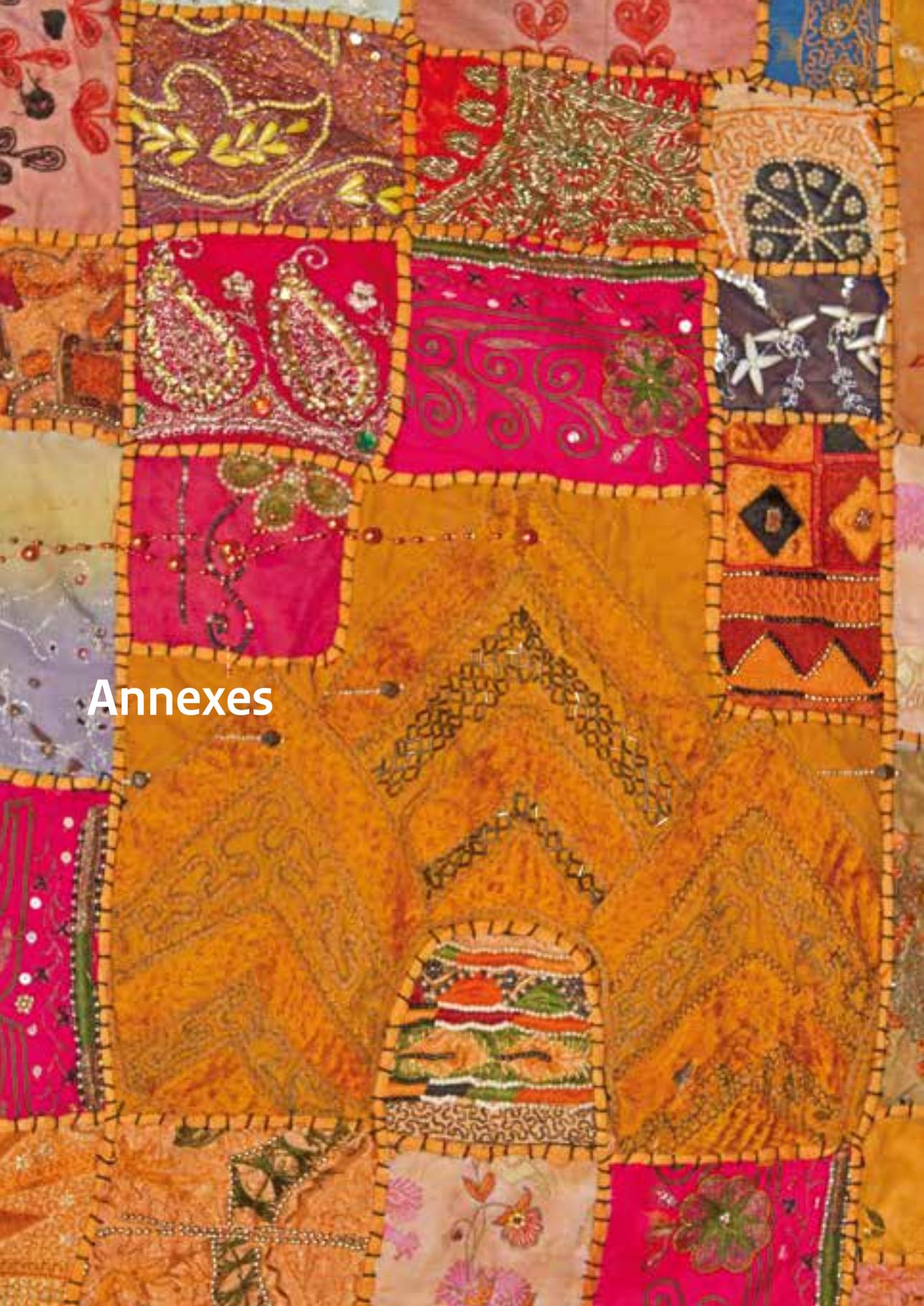
In the countries and period under review, the focus was thus mostly on funded activities and concrete results for the embassy, rather than on strategic use of direct funding to strengthen the role of civil society in development: these two are not the same. The latter would focus on development of countervailing power and of an environment enabling pro-poor development and would require different approaches from those used in supporting civil society activities. Such approaches would include giving attention to the strategic directions of LNGOs as part of civil society, the roles to be played and the types of activities to be undertaken, the possible consequences of the choices, the added value of being local actors, the capacity development needs, the funding strategies, the cooperation with other actors including the government, and the nature of the relations between LNGOs and donors. Therefore, if direct funding were to be used for civil society development in a broader and longer-term context, it would be necessary to more fundamentally analyse civil society, the role of CSOs and the possible support of donors. In such cases, policy makers at central level and embassies should obviously have the intention, ambition and means to use direct funding for that purpose.

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Direct funding of NGOs already represents a substantial share of decentralised expenditure and this is expected to grow if Minister Ploumen's 'Accountability Fund' is introduced.<sup>98</sup> This fund of EUR 15 million will be used for capacity development for lobbying and advocacy activities of LNGOs in a number of countries.<sup>99</sup> The introduction of the fund will offer opportunities for embassies and it will be a challenge for them to spend the money wisely. Given the worldwide shrinking political space for civil society, an approach to the direct funding of LNGOs that is more strategic than the current one may be required in order to do so.

<sup>98</sup> Ministry of Foreign Affairs, 'Cooperation with civil society in a new context'; letter of Minister Ploumen to Parliament, 9 October 2013, p. 11.

<sup>99</sup> In principle, the fund is to be spent in the 15 partner countries; however, it cannot be ruled out that embassies in other countries where direct funding could be a complementary instrument will also be given access to the fund.

A vibrant, multi-colored patchwork quilt with intricate embroidery and beadwork. The quilt features a variety of patterns and colors, including red, pink, orange, yellow, and purple. The patches are bordered with a yellow thread, and the entire piece is adorned with detailed embroidery, including floral motifs, geometric shapes, and beadwork. The quilt is displayed against a dark background.

Annexes

## Annex 1 About IOB

### Objectives

The remit of the Policy and Operations Evaluation Department (IOB) is to increase insight into the implementation and effects of Dutch foreign policy. IOB meets the need for the independent evaluation of policy and operations in all the policy fields of the Homogenous Budget for International Cooperation (HGIS). IOB also advises on the planning and implementation of evaluations that are the responsibility of policy departments of the Ministry of Foreign Affairs and embassies of the Kingdom of the Netherlands.

Its evaluations enable the Minister of Foreign Affairs and the Minister for Foreign Trade and Development Cooperation to account to parliament for policy and the allocation of resources. In addition, the evaluations aim to derive lessons for the future. To this end, efforts are made to incorporate the findings of evaluations of the Ministry of Foreign Affairs' policy cycle. Evaluation reports are used to provide targeted feedback, with a view to improving the formulation and implementation of policy. Insight into the outcomes of implemented policies allows policymakers to devise measures that are more effective and focused.

### Organisation and quality assurance

IOB has a staff of experienced evaluators and its own budget. When carrying out evaluations it calls on assistance from external experts with specialised knowledge of the topic under investigation. To monitor the quality of its evaluations IOB sets up a reference group for each evaluation, which includes not only external experts but also interested parties from within the ministry and other stakeholders. In addition, an Advisory Panel of four independent experts provides feedback and advice on the usefulness and use made of evaluations. The panel's reports are made publicly available and also address topics requested by the ministry or selected by the panel.

### Programming of evaluations

IOB consults with the policy departments to draw up a ministry-wide evaluation programme. This rolling multi-annual programme is adjusted annually and included in the Explanatory Memorandum to the ministry's budget. IOB bears final responsibility for the programming of evaluations in development cooperation and advises on the programming of foreign policy evaluations. The themes for evaluation are arrived at in response to requests from parliament and from the ministry, or are selected because they are issues of societal concern. IOB actively coordinates its evaluation programming with that of other donors and development organisations.

### Approach and methodology

Initially IOB's activities took the form of separate project evaluations for the Minister for Development Cooperation. Since 1985, evaluations have become more comprehensive, covering sectors, themes and countries. Moreover, since then, IOB's reports have been submitted to parliament, thus entering the public domain. The review of foreign policy and

a reorganisation of the Ministry of Foreign Affairs in 1996 resulted in IOB's remit being extended to cover the entire foreign policy of the Dutch government. In recent years it has extended its partnerships with similar departments in other countries, for instance through joint evaluations and evaluative activities undertaken under the auspices of the OECD-DAC Network on Development Evaluation.

IOB has continuously expanded its methodological repertoire. More emphasis is now given to robust impact evaluations implemented through an approach in which both quantitative and qualitative methods are applied. IOB also undertakes policy reviews as a type of evaluation. Finally, it conducts systematic reviews of available evaluative and research material relating to priority policy areas.

## Annex 2 Terms of Reference (summary)

### 1 Introduction

In 2013 the implementation of the policy of the Netherlands Ministry of Foreign Affairs regarding direct funding of LNGOs from 2006-2012 will be evaluated. The evaluation will be carried out under responsibility of IOB. Direct funding is defined as delegation of responsibilities for funding activities from the ministry in The Hague to embassies in host countries. Direct funding by Netherlands embassies is practice since many years. Embassies have freedom to fund activities of governments, multilateral organisations and NGOs. More than 80 embassies fund NGOs. The evaluation focuses on identification of the landscape of direct funding, review of policy considerations, the process of implementation, including reporting procedures, and on intermediate results or the process-outcomes. Part of the evaluation will be carried out in four fund-receiving countries: Benin, Ethiopia, Mozambique and Sudan.<sup>100</sup>

In the review of policy development and the debate on direct funding that followed, some key issues concerning direct funding were identified and formulated as hypotheses. These hypotheses will guide the formulation of research questions.<sup>101</sup>

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- Support of Northern donor NGOs to LNGOs is no longer required because they have now sufficient capacity to relate directly to embassies.
- Embassies are less suitable partners for LNGOs to provide capacity development support than Northern donor NGOs.
- Embassies' cooperation with LNGOs makes the relationships at the local level more open and it has positive effects on their learning.
- Direct funding of LNGOs by embassies may lead to infringement of the autonomy of LNGOs.
- Embassies prefer to support stronger LNGOs; this leads to exclusion of weaker NGOs and competition with Northern donor NGOs.
- Funding of LNGOs by embassies and Northern donor NGOs does not clash because both have different goals and approaches.
- Embassies focus too much on measuring results and upward accountability; this may distract LNGOs from their social and political tasks and thus reduce their downward accountability.
- Direct funding by embassies is more efficient than funding by Northern donor NGOs; physical presence of embassies enables efficient cooperation.

<sup>100</sup> Originally, it was planned to include South Sudan in the Sudan case study, too. This plan was dropped because of the virtual absence of direct funding in this new country.

<sup>101</sup> During the research it was concluded that testing of the hypotheses would not be feasible. The hypotheses have therefore been presented as statements in chapter 2 and in chapter 5 a reflection is presented on some of these statements.

- Direct funding of LNGOs by embassies is preferred in countries with weak governance and democracy, political instability and the occurrence of corruption.
- Embassies supporting sensitive issues of LNGOs make themselves vulnerable for accusations of interference in domestic affairs.

## 2 Goals of the evaluation

- To contribute to accounting for expenditure of decentralised funds of embassies by providing insight into the implementation of the direct funding policy
- To contribute to decision making concerning future policies by drawing lessons from the experiences with direct funding

## 3 Research questions

- To what extent has there been direct funding between 2006 and 2012 and how did the landscape look like?
- Why were LNGOs directly funded?
- How were LNGOs directly funded and how were results reported?
- What were the intermediate results of direct funding?

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## 4 Sub-questions

### Landscape

- In which countries, numbers, type and size recipient NGOs, expenditure, themes, funding modalities, percentage direct funding of country expenditure?
- What is the political and socio-economic profile of the countries; what is the position of the NGOs?

### Policy and implementation

- Does increased capacity of NGOs play a role in decisions to give more direct funding?
- Do embassies have sufficient capacity (manpower, knowledge, skills) to be able to select and guide projects directly to be funded?
- Which pros and cons of direct funding of social service delivery and strengthening civil society can be distinguished and do they play a role in decision making by embassies?
- Is there a relation between the quality of public governance and direct funding?
- Is there a relation between the strength and freedom of operation of NGOs and direct funding?
- Is there a relation between the status of countries as 'post-conflict country' and direct funding?
- Does the size of NGOs play a role in direct funding; what are advantages or disadvantages of big/small NGOs in this respect?

- Does complementarity play a role in direct funding; how is that designed; does it produce results?
- Do physical neighbourhood, intensity and quality of the dialogue and procedural requirements of embassies a role in the choice of NGOs for direct funding and does it produce results? How does that compare to indirect funding by Northern donor NGOs?
- Does the possibility to learn from NGOs and to utilise their contributions to policy formulation by embassies play a role in direct funding and does it produce results?
- How do transaction costs for direct funding by embassies compare to those for other funding modalities, e.g. indirect funding by Northern donor NGOs?
- Do personal considerations, characteristics and perceptions of embassy staff play a role in decision making about direct funding?
- Are potentially negative side-effects of direct funding such as more upward accountability, damage to ownership, loss of neutrality, top-heavy structures and central steering of NGOs considered in decision making of embassies and NGOs; do they actually occur? How does that compare to indirect funding by Northern donor NGOs?
- Does direct funding refer primarily to short-term projects with specific goals and short-term results? How does that compare to indirect funding by Northern donor NGOs?
- Are Northern donor NGOs less restrictive in granting overheads than embassies that allow a maximum of 10-15 percent?
- Which funding modalities (e.g.: project, core) do embassies prefer; what are the considerations for this preference; what are the results of the choices made?
- Do embassies that plan direct funding deliberately as part of a larger 'master plan' produce better results than embassies that select direct funding ad hoc to seize particular opportunities
- What is the division of roles between Department and embassies as to direct funding; what does the decision-making process look like; what are the considerations for the choices made and what are the results?
- How is supervision of directly funded NGOs by embassies organised (e.g. finances, dialogue, visits, etc.); what are the experiences of embassies and NGOs; what are the results?

### Reporting and results

- What are the agreements between embassies and NGOs as to monitoring and evaluation? Are they really observed? What are the results?
- In reports is attention given to the relationships between embassies and NGOs? Which conclusions are drawn?
- Are pros and cons of direct funding discussed in reports and are comparisons with other funding modalities drawn?
- In reports is insight given into the relation between direct funding and obtained results?
- Do embassies react to reports of NGOs and how do they do that?
- Do reports offer insight into obtained versus planned results? What results are actually being achieved?

## 5 Research approach

### Desk research in The Netherlands

Part of the information will be collected in the Netherlands by means of desk research. For the 15 partner countries and the three transition countries an analysis of the political and socio-economic situation and of the position of civil society, facts, figures and policies will be conducted. Out of these 18 countries, four are selected for further investigation.

### Country studies in Benin, Ethiopia, Mozambique and Sudan

Part of the information will be collected in four countries by means of interviews, study of documents and project files and project visits. The research will focus on a detailed description and analysis of the landscape of direct funding in the four countries, on the description and analysis of the policy and its implementation by the embassies and on the intermediary effects. Furthermore, the description of the political and socio-economic situation as well as a description of the position of civil society in the four selected countries as drafted by the inspector and the research assistant will be completed. The product of the country studies will be a report on each of the four countries. This part of the study will be carried out by external researchers.

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### Reporting

The end product of the study will be a report in which a description and analysis is presented of landscape and policy as well as an evaluation of policy implementation, intermediary effects and extent of reporting on results. The essence of the four country reports and of the research concerning the 18 countries will be incorporated in the evaluation report. The inspector will write the final report.

### Methods

In this evaluation mainly qualitative research methods are used. Data collection takes place on the basis of study of (project) files and other documents. Quantitative information on number, type and amount of directly funded programmes can be obtained from the Piramide system of the Ministry of Foreign Affairs. Wherever possible, existing evaluations studies and monitoring reports will be used. A questionnaire will be presented to 18 embassies (see for survey questions below). Furthermore, structured and semi-structured interviews will take place with representatives of involved parties such as embassies, NGOs, other CSOs and governments. Project visits are foreseen to complement and verify the information from documents and interviews.

## 6 Organisation

IOB is responsible for the evaluation report. Floris Blankenberg is the responsible inspector. Aline van Veen is the researcher. Piet de Lange and Nico van Niekerk are the internal co-readers. Furthermore, a reference group of external specialists and a representative from DSO will comment on the report. Members of the reference group are Nadia Molenaers (IOB, Antwerp), Jean Bossuyt (ECDPM, Maastricht), Lau Schulpen (CIDIN, Nijmegen) and Loes Lammerts (DSO). Chairman of the internal co-readers group and of the external reference group is Henri Jorritsma (deputy director IOB).<sup>102</sup> The research in the four case study countries will be carried out by external researchers, to be selected after a tender procedure. In each of the countries, the external researchers will be assisted by local researchers.

<sup>102</sup> After his retirement in October 2013, Henri Jorritsma was succeeded by Geert Geut.

## Annex 3 Survey questions embassies (2013)

- Does your embassy have a documented policy concerning direct funding of NGOs? Please describe in key words/add document as attachment.
- What are the embassy's goals of direct funding?
- Does the embassy plan to increase the amount of direct funding? Why?
- What is the added value of direct funding for the embassy?
- What is the evidence of this added value?
- To what extent does the strength/weakness of the government of the host country play a role in decisions concerning direct funding?
- What are the specific considerations to directly fund LNGOs versus INGOs or NNGOs?
- To what extent does the strength/weakness of the LNGOs play a role in decisions concerning direct funding?
- To what extent does the capacity of LNGOs play a role in decisions concerning direct funding?
- To what extent does the size of LNGO and/or the volume of the budget play a role in decisions concerning direct funding?
- To what extent are directly funded activities complementary to other activities funded by the embassy?
- To what extent are directly funded activities complementary to activities funded by other donors?
- How does the embassy support directly funded partners apart from funding?
- Does the embassy have sufficient capacity (staff/skills) to support directly funded partners? Please clarify.
- To what extent does funding 'sensitive' activities (such as human rights, building up countervailing power, etc.) of LNGOs affect the embassy's relation with the authorities?
- Additional comments?

## Annex 4 Research methods and analytical frameworks for country studies

### Research methods

- Desk research of independent resources concerning the socio-economic and political situation and the position of civil society;
- Desk research at embassy level concerning the direct funding landscape, embassies' motivation and strategies, decision making, monitoring and evaluation and financial information;
- E-mail survey to preselected LNGOs;
- Interviews with embassy staff, CSO/NGO experts, NNGO representatives and other donors;
- National level NGO workshops to validate the results from the e-mail survey and to discuss relevance and effectiveness of the direct funding instrument;
- Project assessments of funded LNGOs;
- Debriefing at embassies to validate preliminary research findings and conclusions.

The field studies lasted about ten days each and were carried out by two senior consultants of Berenschot Group Ltd. with contributions from local researchers in each of the four countries. IOB staff joined the evaluation teams for a couple of days in each country.

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The research involved cross-checking data for validity and reliability ('triangulation'). This was done by using a mix of research methods and involving a variety of actors with different backgrounds. In this way, possible bias in the collected information was prevented as much as possible.

### Analytical frameworks

Three existing analytical frameworks providing indicators and research questions were used, after being adapted to the subject to be evaluated:

- The EU Project Cycle Management Guidelines, in which for each of the four steps of the direct funding project cycle<sup>103</sup> key questions, decision options and key documents were worked out.
- The Civicus Methodology, developed by Johns Hopkins University as a means of researching and collecting data on the state of civil society, looking at structure, environment, values and impact.
- The Organisational Design Key Questions Framework, developed by Berenschot Group Ltd. to define to what extent operational model, management and organisational practices are in line with the tasks to be performed.

<sup>103</sup> Programming/identification, formulation, implementation and evaluation.

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### Interviews

Interviewees included embassy and ministry staff, representatives of funded LNGOs and other CSOs, civil society experts, representatives of donor organisations, representatives of Dutch MFS organisations.

## Annex 6 Country study Benin (summary)

### 1 Institutional environment

#### 1.1 Political and socio-economic situation and its impact on civil society

Of the four case study countries, Benin has the most conducive political and socio-economic climate for NGOs. It is followed by Mozambique, while Ethiopia and Sudan come far behind. Beninese NGOs are able to perform both functions of civil society building and service delivery and are actively encouraged in this by the government. The political situation in Benin is characterised by a high degree of freedom to exercise political rights. There are numerous political parties but they are weakly institutionalised. Civil liberties, including the right of association and assembly, are enshrined in law and generally guaranteed in practice. Overall, the democratic institutions in the country perform their functions. Their capacity to provide social services is weak, however, particularly at the lower levels of government. Poverty in Benin is widespread and corruption endemic. Nevertheless, the country scores better on these aspects than Ethiopia, Mozambique and Sudan.<sup>104</sup> The state regards NGOs as complementary actors in the development process. As a result, the operating space for NGOs is large, including enhancement of social service delivery, strengthening human capital and the quality of governance, including political governance and human rights.

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#### 1.2 Landscape of NGOs

NGOs have fared well in the relatively favourable political and socio-economic context of Benin since its transition to democracy in 1990. The registration process for NGOs is straightforward and relatively quick and cheap. A registration can be obtained at *préfecture* (department) level at the cost of EUR 76 and will generally take a few weeks. Today, there are over 12,000 registered NGOs. An estimated 10 percent of these are active in the area of civil society building; the remaining 90 percent are engaged in service delivery.

NGOs in Benin fully depend on foreign donors for their funding. Given the high rate of unemployment and the unfavourable business climate in the country, many NGOs are wholly or partly motivated by economic motives. Good labour conditions and a favourable tax regime make the NGO sector attractive to work in. This gives rise to concerns about the legitimacy of their operations. Their concentration in the urban areas – more than 40% of NGOs are based in or around Cotonou – can largely be explained by the population density (an estimated 32% of the population lives in the urban areas in and around Cotonou).

<sup>104</sup> UNDP HDI score 2012 for Benin = 166/187, cf. 171 for Sudan, 173 for Ethiopia and 185 for Mozambique. Corruption perception index score for Benin = 94/182, compared to 173 for Sudan, 113 for Ethiopia and 123 for Mozambique.

The country-wide occurrence of corruption and clientelism affects NGOs as well. A lack of transparency in the management of financial resources is very common among NGOs. The Charter of Civil Society provides guidance for NGOs to practise internal democracy, although it is rarely adhered to.

There is one prominent NGO umbrella organisation – the *Maison de la Société Civile (MSC)* – that makes serious efforts to develop the capacities of NGOs, to improve their position and to speak to the public authorities on behalf of the NGO community. In addition, the government-established *Centre de Promotion de la Société Civile (CPSC)* focuses on the promotion of good governance and accountability in NGOs. Several NGO alliances exist around different themes or activity areas. Their main purposes are twofold: to achieve economies of scale by conducting joint activities and to strengthen the common negotiation position.

NGOs operate freely and are permitted to engage in advocacy and criticism of the government. In public discussions and in radio and television broadcasts, citizens openly criticise the president's policies without fear of reprisals. At the same time, however, the independence of NGOs is questioned. Most civil society leaders are associated with political parties. Several prominent civil society leaders have been co-opted onto the cabinet. This has had a negative effect on the watchdog reputation of CSOs.

### 1.3 Landscape of embassy's direct funding of NGOs

#### *Breakdown of direct funding of (L)NGOs*

In the period 2006-2012, the embassy invested a total of EUR 3.8 million in direct funding of LNGOs, equivalent on average to 2.6 percent of the embassy's total expenditure.

The total amount of direct funding to NGOs was EUR 17.5. INGOs received EUR 5.3 million (30 percent), NNGOs EUR 8.4 million (48 percent), and LNGOs EUR 3.8 million (22 percent). (See Table Annex 6.1 on the next page)

#### *(L)NGO activities funded: breakdown into service delivery, civil society building and other activities*

Of the total amount of direct funding, 57 percent was spent on service delivery, 14 percent on civil society building and 29 percent on other activities. LNGOs spent 59 percent on service delivery, 33 percent on civil society building and 8 percent on other activities. (See Table Annex 6.2 on the next page)

Table Annex 6.1 Embassy's direct funding of NGOs and LNGOs 2006-2012 in Benin (in EUR million)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	EUR	%	EUR	%												
Total NLs expenditure	17.7	100	25.0	100	23.9	100	28.2	100	23.7	100	20.1	100	16.1	100	154.6	100
Total NLs embassy expenditure	7.6	43	25.0	100	23.9	100	27.7	100	23.6	100	20.0	99	16.1	100	143.9	93
Total direct funding of NGOs	0.3	4	1.9	8	1.5	6	3.0	11	2.6	11	2.8	14	5.4	34	17.5	12
Total direct funding of LNGOs	0.05	16	0.4	23	0.7	47	0.5	18	0.5	18	0.5	18	1.1	20	3.8	22
Percentage direct funding to LNGOs of total embassy expenditure	0.7		1.8		2.9		2.0		2.1		2.4		6.8		2.6	

Table Annex 6.2 LNGO expenditure on service delivery, civil society building and other activities 2006-2012 in Benin (in EUR thousand)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	EUR	%	EUR	%	EUR	%	EUR	%	EUR	%	EUR	%	EUR	%	EUR	%
Service delivery	43.5	81	369.6	84	460.3	66	475.5	87	237.1	49	332.1	68	306.4	28	2,224.6	59
Civil society building	0.0	0	70.4	16	232.7	34	68.9	13	251.6	51	155.9	32	485.4	45	1,264.9	33
Other	10.3	19	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	295.3	27	305.6	8
<b>Total LNGOs</b>	<b>53.9</b>	<b>100</b>	<b>440.0</b>	<b>100</b>	<b>693.0</b>	<b>100</b>	<b>544.4</b>	<b>100</b>	<b>488.7</b>	<b>100</b>	<b>488.0</b>	<b>100</b>	<b>1,087.1</b>	<b>100</b>	<b>3,795.1</b>	<b>100</b>

Direct funding was channelled to 10 LNGOs, through 13 contracts. The average expenditure per LNGO during the period 2006-2012 was EUR 380,000 and the average contract size was EUR 745,000. One organisation received more than EUR 1 million.

The LNGOs supported by the embassy were small-to medium-sized (< 100 employees). The embassy mostly provided project funding, although occasionally capacity strengthening components were added to the project budget.

Although most of the NGOs supported through direct funding are based in Cotonou, project activities were mostly outside Cotonou.

The supported NGOs received funding from a number of other sources (INGOs and bilateral and multilateral donors) in 2012. One NGO had as many as 10 other donors, others had 5-6. One of the most prominent donors funding Beninese NGOs is the EU Delegation, via its *Programme Société Civile et Culture (PSCC)*. In the period 2010-2012, the EU supported a total of 103 projects with over EUR 9 million. The rationale behind the PSCC is the belief that the position of NGOs in Benin as contributors to national and local development should be further strengthened. The programme is interested both in the results achieved by the NGOs in specific areas and in strengthening the NGOs' capacity. Other significant donors providing support to Beninese NGOs were USAID, the French International Cooperation and the Danish embassy.<sup>105</sup> Multi-donor funds targeting NGOs do not exist in Benin.

## 2 Embassy's use of the instrument

### 2.1 Motivation and strategy

Within its delegated budget, the embassy has the liberty to decide which programmes, projects or organisations to fund. It has enjoyed a high degree of autonomy in applying the instrument of direct funding to LNGOs. The embassy's motivations and intervention strategies for direct funding of LNGOs are not officially laid out on paper, for various reasons. In the evaluation period, the embassy's average annual decentralised expenditure was around EUR 20 million. Direct funding to LNGOs, accounting for 2.6 percent of this expenditure, was a relatively marginal part of the embassy's work. A Dutch policy which could have given some guidance for direct funding to LNGOs does not exist. The Ministry in The Hague has never requested the embassy to explicate its motivations or strategies for direct funding of LNGOs. The format for the embassy's principal strategic document – the MASP, which is used around the world – does not include a special section on civil society.

Despite the lack of a formalised policy, the embassy does have a clear vision on why and how it wants to fund LNGOs. Its motivation is more pragmatic than ideological: the embassy regards direct funding as an instrument to achieve concrete results in its priority

<sup>105</sup> Danish aid will be phased out as a result of focusing development aid on other countries.

areas. Given the weak performance of public institutions, NGOs are considered as an alternative channel to achieve results in certain thematic areas. These thematic areas are determined by the policies of the Ministry of Foreign Affairs in The Hague and are largely in line with some of the needs as described in Benin's PRSP.

Given its emphasis on achieving results in its priority areas, the embassy prefers to work with strong and professional organisations. Most NGOs that it selects are supported by other donors as well. Capacity development is of secondary importance. Such elements can be added to the project if they contribute to better achievement of results. Project funding is preferred over core funding, since this allows the embassy to better align the scope of supported projects with its own objectives. In short, supporting civil society is a means rather than a goal. Direct funding is steered principally by embassy's objectives rather than by a policy that aims to strengthen Beninese civil society. This strategy is adequate for the challenges and needs of the embassy.

## 2.2 Decision-making process

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The process of selecting an LNGO for direct funding is organised in line with the underlying motivation. Pragmatism prevails. The embassy does not organise public calls for proposals. Instead, it directly invites LNGOs to submit a proposal. There are no standard application forms, and selection criteria are not available in writing. The choice of LNGOs to be invited is based on the professional networks of the embassy and the instincts of the staff involved. After a project proposal has been submitted, the NGO can be subjected to an organisational capacity assessment (COCA). The decision to support an LNGO is based on the LNGO's capacity, reputation and track record. Since the embassy focuses on achieving concrete results in the priority sectors and themes, it prefers strong organisations that are able to deliver.

Funding proposals are developed in a process of co-creation between the LNGO and the embassy. The project files show evidence of an effective interactive process. The BEMO and the AAAD, which were in all project files, summarise the project proposals and provide recommendations. A good and close relationship between LNGO and embassy is an essential element in the decision-making process.

Most of the LNGOs that received funding from the Netherlands embassy in the period 2006-2012 are based in Cotonou. Although proximity is convenient for the process of co-creation, it is not a selection criterion. The embassy regards the capacity of an LNGO to achieve results in certain sectors as much more important than the location of its home base. Moreover, the selected Cotonou-based NGOs implement activities outside of the capital too.

## 2.3 Monitoring, evaluation and learning

The Contribution Agreement (contract) between embassy and LNGO specifies the M&E requirements. LNGOs must deliver six-monthly narrative and financial reports and an

annual external financial audit. In some cases, additional conditions are formulated. There are no documented requirements as to the quality of M&E such as baseline, results chain, Specific Measurable Acceptable Realistic Time-bound indicators (SMART) etc. Monitoring is done through formal or informal meetings and field visits. The embassy is scrupulous in checking that reporting requirements have been observed. Financial reporting usually provides sufficient information on expenditure. Narrative reporting is often comprehensive but more descriptive than evidence-based and strongly focused on output level. The embassy does not systematically document lessons learnt in such a way that these are easily accessible for embassy staff and applicants for project funding. There was only one case of an external evaluation being implemented.

## 2.4 Embassy capacity for direct funding

The staff capacity of the embassy determines how much time is invested in direct funding of LNGOs. In the period 2006-2012, the embassy had sufficient capacity to financially and administratively support a select number of well-established LNGOs, thus allowing the accomplishment of the primary task of supporting NGOs in service delivery. Five to seven policy officers devoted part of their time to direct funding of LNGOs. In addition, two senior financial-administrative officers, one financial officer and one archivist were involved. The tasks were clearly divided: policy officers assessed the relevance and feasibility of the proposals: they drafted the BEMO, monitored progress and provided project management support and advice. The financial-administrative officers assessed the efficiency of the proposals, monitored financial progress and provided financial management support and advice. This produced an effective system of checks and balances.

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## 3 Perspectives of supported LNGOs on direct funding

### 3.1 Motivation and strategy

The LNGOs that were funded by the embassies in the period 2006-2012 maintain that their added value was in (a) filling the gaps that public authorities had left by not providing the necessary services and infrastructure and (b) demanding good governance (for example: the right of interpellation). The typical roles that LNGOs mentioned they fulfilled were in reducing unemployment, violence against women and children, corruption and clientelism, and also improving public governance, food security and access to water, health care and education services.

For LNGOs, obtaining funding for their projects and/or institutional costs is challenging. Direct funding by the Netherlands embassy is regarded as a highly welcome source of income. But access to financial resources is not the only motivation for LNGOs to apply for direct funding. According to the supported LNGOs, funding by the embassy had added value in terms of increasing their visibility and credibility vis-à-vis the government and NGO networks. A contract with the embassy also has a so-called 'catalyst' effect on other donors. Furthermore, the embassy's non-financial support during the project formulation phase

(co-creation process) and implementation (monitoring and reporting) helped to increase their capacities in lobbying and advocacy, financial management and project management. Examples of such support include the recommendation to contract another audit firm, to evaluate the communication strategy, to interview implementing partners, to modify the internal operations manual etc. The costs related to the implementation of such recommendations could generally be incorporated into the project budgets, which makes this type of support practical and effective.

The Netherlands embassy is not the only donor to the LNGOs. In 2012, those that were supported by the embassy received funds from various other sources as well. Some had many donors. Donor diversification is not so much a strategy but rather a result of the fact that a donor such as the Netherlands embassy does not provide core funding. Once funded projects have ended, the LNGOs always need more and new financiers.

Compared to other donors, the Netherlands embassy stands out in various ways. LNGOs appreciate that the embassy considers their ideas and not the conditions of a call for proposals as a starting point. They positively appraise the interactive, direct and personal relations with the embassy, the visits, the not-too-demanding reporting requirements, the flexible attitude of the embassy during the implementation of the project and the fact that payments tend to be on time and consistent.

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As weaknesses they mentioned that the embassy lacks a vision on what it wishes to achieve with the support in the long term and the fact that direct funding focuses on service delivery rather than on developing the capacity of LNGOs. One related suggestion for improvement is that LNGOs would like to receive broader and longer-term financial support in order to strengthen their organisational and administrative capacity not directly related to the projects they implement. The only negative effect of direct funding reported is the fact that after a project has ended, volunteers and employees find it difficult to return to voluntary work or low salaries after having received regular salaries during project implementation.

### 3.2 Quality of the project management cycle

Supported LNGOs tend to use a project cycle to formulate, implement and evaluate their activities. Their strategic and analytical capacities as well as the quality of these procedures are, however, limited. A problem analysis (often of a descriptive nature) and a basic logical framework (more or less structured) is part of most funding proposals. Most logical frameworks contain output and effect indicators, but these are often not measurable.

The six-monthly narrative and financial monitoring reports submitted by the LNGOs describe the activities undertaken and the results achieved. However, the former are often of a descriptive nature, with a strong focus on outputs. The absence of a results chain or theory of change – in which the relationship between input, output, outcome and impact variables is analysed – hampers the ability to draw lessons from monitoring and evaluations. This makes it difficult for both the LNGOs and the embassy to prove the effectiveness and relevance of the supported interventions.

## 4 Conclusions

### 4.1 Key figures

- From 2006-2012, the total amount of direct funding of NGOs was EUR 17.5 million; this represents 12.2 percent of the decentralised expenditure.
- Of the total amount of direct funding, INGOs received EUR 5.3 million (30 percent), NNGOs EUR 8.4 million (48 percent), and LNGOs EUR 3.8 million (22 percent). This amount of EUR 3.8 million represents 2.6 percent of the total decentralised expenditures.
- Of the total amount of direct funding, 57 percent was spent on service delivery, 14 percent on civil society building and 29 percent on other activities.
- LNGOs spent 59 percent on service delivery, 33 percent on civil society building and 8 percent on other activities.

### 4.2 Key findings

In Benin, NGOs are regarded as valuable partners in development. The operating space for civil society is large, stretching from service provision at the local level to advocacy for better governance at the national level. The Netherlands embassy considers LNGOs as useful partners that can contribute to the realisation of the embassy's objectives in selected policy areas. Disappointing achievements of general budget support, in combination with increasing opposition in The Hague against it, resulted in this modality being ended in December 2010. Instead, the embassy currently finances a number of thematic programmes in collaboration with the government, for example in the water sector. In other sectors, the embassy mainly works through INGOs and LNGOs. Donors have not aligned their approaches for direct funding to LNGOs; there are no multi-donor trust funds specifically targeting LNGOs.

The embassy deals with LNGOs in a pragmatic, informal manner. There is neither an explicit strategy, nor a master plan. Direct funding focuses on the service delivery function of LNGOs. Capacity development may be part of direct funding but is certainly not the primary aim. Owing to the large political and legal freedom enjoyed by Beninese civil society actors, the cooperation of the embassy with LNGOs has not led to confrontation or harmed the position of LNGOs.

In line with its decision to use direct funding of LNGOs to achieve concrete results in its thematic priority areas, the embassy provides project funding and interacts intensively with the LNGOs in the phase of project formulation only. This process of 'co-creation' ensures that the projects are relevant to both LNGO and embassy. The criteria for mobilisation of proposals and selection of organisations for direct funding are not explicated on paper. The embassy prefers to work with relatively strong and professional LNGOs. Most of them are based in Cotonou but also implement their projects in the regions. The size of the LNGOs is not important, but their capacity to achieve results is.

The form the direct funding of LNGOs takes is determined by the availability of financial and human resources at the embassy. The embassy has sufficient professional capacity to select and guide LNGOs in the current set-up of the instrument.

Although the LNGOs are pragmatic and search for funding, most of those surveyed did express preference for direct funding by the Netherlands embassy over indirect funding by NNGOs. The support of the embassy is appreciated by the LNGOs because of its relative flexibility, the fact that the embassy considers the ideas of the LNGOs as a starting point, and the reasonable reporting requirements.

The relationships with the embassy have had non-financial effects as well, such as increased visibility and credibility, the catalyst effect on other funding sources, and enhanced skills in project and financial management, lobbying and advocacy. Nevertheless, LNGOs also pointed out that they would have preferred core funding and that they missed a vision of the embassy on long-term partnerships.

## Annex 7 Country study Ethiopia (summary)

### 1 Institutional environment

#### 1.1 Political and socio-economic situation and its impact on civil society

The political and socio-economic landscape in Ethiopia is characterised by a strong one-party-dominated state and an ineffective rule of law. There is a lack of checks and balances between the executive, judiciary and legislative powers, as well as between key social actors. Restrictions of political rights and violations of civil liberties are severe and frequent. The Ethiopian state is powerful and relatively able to fulfil its defined functions, although there is much criticism of its lack of progress in combating poverty and its lack of responsiveness. Political leadership discourages civil society participation in any role other than as an extension of the state in social service provision. These factors negatively impact the functioning of civil society, decreasing its already small space and thereby curtailing its purpose, namely to monitor government effectiveness, pilot new approaches and promote alternatives to policy. The widespread poverty hampers the possibilities of mobilising local funding, which, by law, Ethiopian charities are required to do. Illiteracy and a general lack of education contribute to the persistence of the weak civic culture in Ethiopia, which hampers the development of a genuine civil society of engaged citizens. The weak ICT infrastructure limits NGOs in searching for objective information and disseminating it and in mobilising people to achieve their goals.

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#### 1.2 Landscape of NGOs

For long, there was no comprehensive legislation governing CSOs. Partly with the objective of filling the vacuum in the regulatory framework, in February 2009 the Ethiopian parliament adopted a far-reaching law governing the registration and regulation of CSOs: the Charities and Societies Proclamation (CSP). An important category in the CSP is the Ethiopian Charities or Societies (Ch or So). These are NGOs formed under Ethiopian law, in which all members are Ethiopian and control is entirely by Ethiopians. Only Ethiopian Ch or So are allowed to work on activities related to human and democratic rights, gender equality, rights of children and disabled persons, conflict resolution and support to the judiciary. However, they cannot receive and use more than 10 percent of their funds from foreign sources. Resident Ch or So which are formed under Ethiopian law and Foreign Ch or So which are formed under foreign law are allowed to receive more than 10 percent of their funds from abroad, but may participate only in socio-economic development and relief efforts.

The CSP has widely been criticised, for three reasons. Firstly, in a country where close to 80 percent of the population lives on less than two dollars a day and the culture of voluntarism is not deeply rooted, it is hard to imagine Ethiopian CSOs being able to locally raise 90 percent of the funds needed for significant work on issues of human rights and governance. Many believe that the real purpose of the law was to silence NGOs that were too critical of

the government. Secondly, CSOs are not allowed to allocate less than 70 percent of their expenditure in one budget year for operational purposes and no more than 30 percent for administrative activities. While the 70/30 ratio is reasonable in principle, its implementation by the Charities and Societies Agency (CSA) is troublesome. CSA guidelines on the 70/30 rule are anything but clear and this distracts the attention of many NGOs from issues that really matter. Thirdly, the implementing agency CSA has been granted wide discretionary powers to control the registration, operation, suspension and closure of CSOs, without proper checks and balances. The law excludes the possibility of judicial review of the decisions of the Agency on some types of charities and societies.

The result of the strict enforcement of the CSP has been that since 2009 the space for civil society has decreased. The uneven and often rigid interpretation of the law by the CSA enforcement agency has led to self-censorship and caution among NGOs. The focus of civil society has shifted back to social service delivery in areas such as health care and education. Few NGOs working on more political issues such as human rights, domestic accountability and voters' education remain. Most NGOs avoid using terminology related to rights-based approaches or advocacy. Furthermore, in an effort to minimise the administrative costs of aligning with the 70/30 rule, NGOs are shifting their areas of operation to less remote areas and are compromising on the quality of project implementation (M&E, etc.).

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Before the CSP, NGOs in Ethiopia had relative freedom to be critical of the government. But even in 2006 the government considered NGOs engaged in advocacy and rights issues as burdensome rivals and allies of the opposition.<sup>106</sup> Today, only a few organisations, including those that are closely affiliated with the government, are able to undertake some advocacy activities.

Today, there are nearly 3000 registered Ch or So, of which 50-60 percent are believed to be operational. A small number are trying to provide civic education or address governance, human rights or environmental issues. However, the large majority of organisations currently engage in service delivery, and this group is growing because the climate for organisations engaged in civil society building is deteriorating. About 33 percent of the NGOs have operations in or around Addis Ababa. There are 52 registered consortia of Ch or So at the federal level, about a third of which are associations of persons living with HIV/AIDS. The relevance and viability of these joint structures is challenged by CSA guidelines on the 70/30 rule for consortia. While in general there is more competition than cooperation between Ethiopian NGOs, there are examples of successful concerted action.

Finally, civil society continues to struggle with weak internal democracy, lack of legitimacy and instances of financial mismanagement. NGOs have a major challenge to prove their relevance, effectiveness and efficiency to their members and beneficiaries, as well as to the government and donors. Most have failed to do so in the past. As long as they are unable to

<sup>106</sup> Christian Relief and Development Association 2006, in: Yeshanew 2012, p. 380.

show results and prove their added value, the government will find its justification for keeping a firm grip on civil society.

### 1.3 Landscape of embassy's direct funding of NGOs

#### *Breakdown of direct funding to (L)NGOs*

In the period 2006-2012, the embassy spent EUR 1.8 million - EUR 3.4 million annually (i.e. in total EUR 18.8 million) on direct funding of LNGOs. This corresponded to on average 5.8 percent of the embassy's total decentralised expenditure. The relative importance of direct funding of LNGOs in the embassy's expenditure decreased in this period: from 7.3 percent in 2006 to 4.5 percent in 2012.

The total amount of direct funding of NGOs was EUR 90.9 million. INGOs received EUR 49.7 million (54 percent), NNGOs EUR 22.4 million (25 percent), and LNGOs EUR 18.8 million (21 percent).

*(See Table Annex 7.1 on the next page)*

#### *(L)NGO activities funded: breakdown into service delivery, civil society building and other activities*

Of the total amount of direct funding 77 percent was spent on service delivery, 4 percent on civil society building and 19 percent on other activities. LNGOs spent 76 percent on service delivery, 9 percent on civil society building and 15 percent on other activities.

*(See Table Annex 7.2 on the next page)*

From 2006-2012 the embassy entered into 31 contracts with 18 NGOs. The most were with Justice for All (eight contracts in total), followed by the Family Guidance Association of Ethiopia (FGAE) with three contracts. The average contract was for EUR 845,000. The average expenditure per LNGO was about EUR 1 million. In terms of number of projects, most of the LNGO projects (55 percent) were in civil society building, but in terms of expenditure, 76 percent went to social service delivery. This is the result of the relatively high expenditure on reproductive health care via FGAE, which alone received over EUR 13 million in the seven years.

The embassy used project and core funding modalities to support LNGOs. The Adult and Non-Formal Education Association in Ethiopia (ANFEAE) and Basic Education Association (BEA), for instance, received project funding only. The Ethiopian Human Rights Council (EHRCO) received both project and core funding. The Ethiopian Women Lawyers Association (EWLA) received core funding only.

The size of the organisations funded by the embassy in the period under investigation ranged from small to very large. All supported organisations have an office in Addis Ababa; some have regional offices around the country as well. None of the LNGOs supported are exclusively regionally or locally based.

The embassy-supported LNGOs were also funded by other donors. Some of them had as many as 11 donors; others had six or less. Three received support from a Dutch MFS

Table Annex 7.1 Embassy's direct funding of NGOs and LNGOs 2006-2012 in Ethiopia (in EUR million)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Total NLs expenditure	39.2	100	39.2	100	81.8	100	60.6	100	47.4	100	49.1	100	64.7	100	382.1	100
Total NLs embassy expenditure	33.2	85	35.7	91	59.4	73	48.2	80	40.0	84	41.8	85	64.6	100	323.1	85
Total direct funding of NGOs	14.0	42	14.7	41	14.6	24	13.3	28	10.3	26	12.0	29	12.1	19	90.9	28
Total direct funding of LNGOs	2.4	17	3.0	20	2.0	14	3.4	26	3.4	33	1.8	15	2.8	23	18.8	21
Percentage direct funding to LNGOs of total embassy expenditure	6.1		7.6		2.5		5.6		7.1		3.8		4.3		5.8	

Table Annex 7.2 LNGO expenditure on service delivery, civil society building and other activities 2006-2012 in Ethiopia (in EUR thousand)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Service delivery	1.8	77	2.2	72	1.3	64	2.0	60	2.6	77	1.7	93	2.6	92	14.2	76
Civil society building	0.3	12	0.4	15	0.4	19	0.1	2	0.2	7	0.1	7	0.2	8	1.8	9
Other	0.3	11	0.4	13	0.3	17	1.3	38	0.5	16	0.0	0	0.0	0	2.8	15
<b>Total LNGOs</b>	<b>2.4</b>	<b>100</b>	<b>3.0</b>	<b>100</b>	<b>2.0</b>	<b>100</b>	<b>3.4</b>	<b>100</b>	<b>3.4</b>	<b>100</b>	<b>1.8</b>	<b>100</b>	<b>2.8</b>	<b>100</b>	<b>18.8</b>	<b>100</b>

organisation. Direct funding to LNGOs is known to be provided by the embassies or bilateral development agencies from the US, Canada, UK, Ireland, Norway, Sweden, Finland and Denmark. In the light of the international Aid Effectiveness agenda and the shrinking space for civil society development in Ethiopia, various donors have recently opted to pool their funds. So has the Netherlands embassy. There are currently three large donor funds supporting Ethiopian NGOs:

- The Civil Society Support Programme (CSSP) funded by Irish Aid, Norwegian embassy, SIDA, DIRECT FUNDINGID, Danida and the Netherlands embassy;
- The Civil Society Fund (CSF) of the European Commission;
- The Ethiopia Social Accountability Program (ESAP) of the World Bank.

The embassy has participated in the CSSP since its launch in 2011, contributing about EUR 800,000 annually.

## 2 Embassy's use of the instrument

### 2.1 Motivation and strategy

In the period 2006-2012, the embassy's delegated expenditure nearly doubled, while the number of staff was considerably reduced. Various international positions were terminated or downgraded. Furthermore, there was pressure on the embassy to engage in fewer and more strategic development interventions (amongst others as a result of the Paris Declaration).

The embassy has no explicit strategy for direct funding of LNGOs. Comprising only 5.9 percent of the annual decentralised expenditure, direct funding of LNGOs has never been a priority or a substantial part of the embassy's work. Its principal task was and still is to work from government to government. In a large country with so many nationwide challenges, high-level interventions with high-level impact are needed. However, the embassy recognises the need to help create a level playing field for government and non-governmental societal actors. Given the weak performance of public institutions, it considers (L)NGOs as alternative channels for achieving specific results in priority sectors and themes. Moreover, working with LNGOs in particular is a way for the embassy to show commitment to civil society and to obtain insights into and information on what happens on the ground.

Cooperation objectives or guidelines for support to civil society have not been centrally formulated and could therefore not be used by the embassy in Ethiopia. The embassy's support to LNGOs has been driven by pragmatic rather than ideological motives. For the embassy, direct funding is an instrument for achieving concrete results in its priority areas. It is felt that support to LNGOs is intensive and is accompanied by a greater administrative burden than other forms of budget allocation such as joining World Bank projects. This is reflected in the selection of LNGOs. There is a preference for relatively strong and

professional LNGOs with sufficient absorption capacity. In most cases these LNGOs are already supported by other donors as well.

The embassy's political room for manoeuvre within the country has influenced its approach to direct funding. The law forbids foreign donors to fund advocacy and policy-oriented LNGOs for more than 10 percent of their budget. Already in 2008, the embassy decided that the multi-donor fund CSSP would be its main channel for support to LNGOs. The embassy participates in the CSSP (which became operational in 2011) because it believes that a coordinated approach to civil society development is preferable in the socio-legal context for CSOs in Ethiopia. CSSP aims to gradually enlarge the space for civil society engagement by means of 'constructive engagement' with the government and the CSA. Furthermore, its management agency has considerably more resources than the embassy for capacity development of supported LNGOs. Finally, participation in CSSP helps to reduce the administrative burden of embassy staff considerably.

## 2.2 Decision-making process

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Either the embassy invites an LNGO, or an LNGO approaches the embassy, after which the LNGO submits a project proposal which – if not rejected – is discussed and further fine-tuned in an interactive process in which both LNGO representatives and embassy officers participate. There are no standard application forms, and application guidelines and selection criteria are not available in writing.

For the appraisal of applications, the standard documents BEMO, AAADs and COCA are used. The most important assessment criterion is relevance. The activities of the LNGO to be funded should first and foremost align with the priority themes of the embassy and the government of the Netherlands. Feasibility, efficiency and organisational capacity are other assessment criteria, though of somewhat lesser importance. In a highly politicised development context such as in Ethiopia, the embassy is happy when it finds partners that seem reliable and capable of achieving. The 'Northern way of thinking' of first determining objectives, next results, activities and means (instruments, partners/implementers, budget) often does not work in Ethiopia.

Political arguments play a role in the selection process. Continued support to Justice for All, for instance, is justified because of the organisation's accessibility to the Ethiopian police, which makes it more likely that it will be able to achieve results. This relationship also offers the embassy a good source of information about developments within the government. This outweighs the risks related to the organisation's financial administration and planning, and to its monitoring and reporting system.

Physical proximity of the LNGOs is not a selection criterion and does not play an important role in funding decisions. In practice, however, this is hardly an issue, since most LNGOs have representations in the capital, which facilitates reporting to the CSA.

### 2.3 Monitoring, evaluation and learning

Six-monthly narrative and financial reports of the LNGOs to the embassy are the norm. Annual external financial audits are required as well. Monitoring is usually done on the basis of output and effect indicators that are presented in the project plans. The indicators are not always measurable and are frequently descriptive in nature. Informal reviews take place in the form of discussions about reports and visits by embassy staff.

External evaluations are sometimes carried out at the request of several donors. The embassy has no structured approach towards learning from experience on the basis of reports or other monitoring information. However, the embassy uses monitoring information. For instance, it has repeatedly used reports of the Ethiopian Economic Association (EEA), a former partner, to formulate its multi-annual strategy.

The embassy is strict on checking whether reporting requirements are observed. Sometimes reports are rejected and required to be improved before approval. Review of the project files revealed that financial reporting usually provides sufficient information about expenditure and about the implementation of activities. Reporting on outputs, and even more on effects, is often comprehensive but in many cases remains descriptive (not measurable). LNGOs confirm that the embassy provides adequate feedback on M&E reports. The feedback is related to financial issues and also to more strategic issues. The LNGOs appreciate that the feedback is not to criticise the NGO but is to allow it to learn from experience so as to increase the chances of success of the project.

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### 2.4 Embassy capacity for direct funding

Capacity is a serious constraint at the embassy in Addis Ababa. There is a strong belief in the embassy that there is insufficient capacity to develop a proper strategy for direct funding of LNGOs, provide thorough capacity development support, and systematically collect and use lessons learnt. Various staff positions have been eliminated in recent years and yet the workload of embassy staff has increased. Sometimes this has come at the cost of monitoring activities.

Within the agreed MASP, the embassy has much autonomy and flexibility to decide about direct funding of LNGOs. There have never been any difficulties regarding the choice of funding channels. Difficulties arise only if the embassy wishes to start or continue funding organisations that are working in sectors or themes that no longer have priority. In those cases, the embassy has little room for manoeuvre.

In the embassy, responsibilities for projects are divided among the staff members on the basis of their portfolios. There was a clear task division between policy officers and financial-administrative officers. The policy officers assessed the relevance and feasibility of the proposals, monitored progress and provided project management support and advice. The financial-administrative officers assessed the efficiency of proposals, monitored

financial progress and provided financial management support and advice. Sufficient checks and balances were built into the control system.

## 3 Perspectives of supported LNGOs on direct funding

### 3.1 Motivation and strategy

On the basis of the responses on motivation and strategy, three categories of LNGOs can be distinguished:

- Organisations that used to implement programmes along the rights-based approach but have re-registered as ‘resident’ charities; these are currently operating in survival mode, implementing community-level service delivery projects and hoping that the law will be relaxed and that they will be allowed to resume their earlier missions
- Organisations that run projects and activities with limited advocacy components; they desire to have more resources to expand their service delivery activities in areas considered to be gaps left by the government
- Organisations (a minority) that have decided to remain ‘Ethiopian’ and hence are mandated to participate in the human rights and advocacy areas; they demonstrate dedication to continue promoting these activities, despite the challenges of the operational environment

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The shortage of funds is a major challenge for LNGOs. In the past, LNGOs applied for direct funding at the embassy as they were looking for financial support and saw a match between their mission and the embassy’s objectives. Today, LNGOs interpret the embassy’s participation in CSSP as a signal that it no longer engages in direct funding. Although both embassy and LNGOs agree that there can also be effective collaboration without a financial relationship, they acknowledge that in practice this is hard to realise. Without a financial relationship, attention is easily diverted to other obligations.

The LNGOs that were supported maintain that their organisation has gained credibility. Receiving funds from an embassy is regarded as an endorsement of quality, which helps them gain access to relevant institutions. Many pointed out that they have developed more cordial relations and collaboration with sector ministries and bureaus.

Most LNGOs agree that their institutional, project and financial management capacity has increased as a result of embassy support, and substantiated this with examples. Various stakeholders such as the Technical Assistant Unit of the EU Civil Society Fund however, argue the opposite. In their view, organisations that are funded by the Netherlands embassy are donor darlings that have been selected for strategic reasons rather than for the strength of their organisations or the quality proposals. Recent experiences with open funding competitions show that organisations that have been supported for a prolonged period by bilateral donors such as the Netherlands embassy have difficulty developing winning proposals.

Suggestions by LNGOs for improvements in the relationships between donor and recipient concern the duration of funding. Many LNGOs prefer to receive broader and longer-term financial support (core or otherwise). There were frequent references to the need for additional staff, equipment and office space not exclusively related to the projects financed by the embassy. It was also mentioned that communication about the implications of policy changes on the funding relation with the LNGO could be improved.

Although most LNGOs are rather indiscriminate about their funding sources, the majority of the surveyed LNGOs prefer funding by a bilateral donor over funding by an INGO or multilateral organisation. According to them, the embassy is more flexible in developing and adjusting project proposals and does not reject them upfront. Moreover, it provides professional financial and project management advice when needed, has staff that is more approachable and personally engaged, requires less demanding or less frequent reporting than INGOs, and generally pays on time and without raising difficulties.

### 3.2 Quality of the project management cycle

Most funding proposals contain a problem analysis (often descriptive of nature) and a logical framework (more or less structured). Most log frames contain output and effect indicators, although there are not always measurable indicators and there is limited appreciation of a theory of change.

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The embassy is often involved in the formulation of the projects by the LNGOs. It sometimes provides detailed comments on proposals and facilitates an interactive discussion. It refers to this process as 'co-creation'. During implementation, the embassy provides feedback on reports and advices during meetings and visits. The embassy is little involved in evaluation, which reduces the possibilities for learning. This is related to the capacity issue described earlier.

## 4 Conclusions

### 4.1 Key figures

- The total amount of direct funding of NGOs in the evaluation period was EUR 84.0; this represents 26 percent of the total decentralised expenditure.
- INGOs received EUR 49.6 million (59 percent), NNGOs EUR 15.6 million (19 percent), and local NGOs EUR 18.8 million (22 percent). This amount of EUR 18.8 million represents 5.9 percent of the total decentralised expenditure.
- Of the total amount of direct funding 77 percent was spent on service delivery, 4 percent on civil society building and 19 percent on other activities.
- LNGOs spent 76 percent on service delivery, 9 percent on civil society building and 15 percent on other activities.

## 4.2 Key findings

In a context in which funding of NGOs is regarded with suspicion by the government and the organisations that are too critical of the state have been closed down or are threatened with closure, the embassy has also had to operate within limited boundaries. Rather than trying to increase the space for civil society, it has focused on maximising the use of available space. Visions on direct funding differed between embassy staff. Some found that direct funding had been applied on an ad hoc basis, while others maintained that strategic long-term partnerships had been developed. Arguments for direct funding ranged from pragmatic (LNGOs are an appropriate channel to spend money on and they contribute to achievement of the embassy's goals) to ideological (there is a need to ensure checks and balances). In practice, the implementation of direct support to LNGOs has been experience-based and rather ad hoc.

In the perception of the embassy respondents, the transaction costs of engaging directly with LNGOs are very high. Since capacity is a serious constraint at the embassy, larger contributions to larger LNGOs are preferred.

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As early as 2008, the embassy decided that the CSSP would be its main channel for support to LNGOs, but it would take until 2011 for the CSSP to be operational. In 2013, various LNGOs that had previously been directly funded by the embassy were funded through CSSP. The embassy is one of the few organisations to have retained a direct funding relationship with important strategic partners for SRHR as well as Security and Justice spearheads. This is not primarily an answer to the challenges and needs of Ethiopian civil society, but rather a strategy to enable the embassy to realise its objectives and maintain contact with what happens on the ground, so as to be able to hold informed discussions with the government.

By selecting the CSSP as its main channel, the embassy has opted for a strategy that keeps the flame of a civil society alive, constructively engages with the CSA and the government, reaches a much larger number of LNGOs than the embassy was able to do previously, uses different instruments to respond to civil society needs and is implemented professionally and consistently. However, it is also a strategy that does not openly aim to create a countervailing power in civil society, does not aim to achieve short-term changes in the civil society policy environment, does not support Ethiopian Ch or So and makes the embassy's engagement with civil society more indirect and distant.

It is difficult to say whether the direct funding support has been effective. Since the CSP came into effect, the climate for civil society support has changed considerably. Rights-based organisations that were long supported by the embassy are barely functional today. LNGOs supported by the embassy in the past claim that their project and financial management capacities have improved. But the implementing agencies of multi-donor support funds do not necessarily agree with that. Moreover, the high turnover of LNGO staff in recent years and the tendency towards self-censorship cast doubt on the validity of such claims.

The supported LNGOs prefer funding by bilateral donors over other funding mechanisms. The embassy's physical proximity gives it a major advantage over donors without an office in Ethiopia. Direct funding by the Netherlands embassy is appreciated by the LNGOs because of its relative flexibility, the fact that the embassy considers the ideas of the LNGOs as starting points, the moderate reporting requirements and relatively high degree of autonomy.

There are indications that the embassy in turn benefits from its direct relationships with LNGOs. The embassy occasionally uses information obtained from LNGOs in policy discussions with the government. This is an important argument for retaining direct funding relationships with certain strategically important partners, as is currently the case with FGAE, Justice for All and Consortium of Reproductive Health Associations (CORHA). The benefit could be larger, however, if information and lessons learnt were more systematically documented and shared within the embassy.

## Annex 8 Country study Mozambique (summary)

### 1 Institutional environment

#### 1.1 Political and socio-economic situation and its impact on civil society

The political situation in Mozambique is characterised by a fair degree of freedom and choice to exercise political rights. Civil liberties are widely ensured by law. The differences between law and practice in Mozambique can, however, be stark, which is why Freedom House classifies the country 'partly free'. Associational and organisational rights are broadly guaranteed, but with substantial regulations and some infringements in practice. Mozambique has one of the lowest Human Development Index (HDI) scores in the world. Poverty is widespread and so is corruption, which is more problematic than in Benin and Ethiopia. A hot topic of debate is how the country will deal with the natural resources boom that is attracting immense amounts of foreign direct investments. Thus far, economic growth has not been paired with social growth. Deteriorating living conditions, particularly in urban areas, have been a source of conflict since 2008. These factors have created a need for NGOs to perform a monitoring or watchdog role next to their traditional role of providing social services in areas where the state has limited or no outreach. The space for civil society is relatively large. There are more restrictions than in Benin, but there is considerably more freedom than in Ethiopia and Sudan. Since the early 2000s, after years of mistrust and accusations of operating as political opposition, the state has acknowledged that civil society has a critical role to play in the process of governance. While the majority of NGOs operate without state interference, more outspoken organisations working on sensitive issues (natural resource extraction, human rights etc.) complain that the political environment is becoming increasingly hostile and intimidating.

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#### 1.2 Landscape of NGOs

NGOs are allowed by law to engage in advocacy activities. There are various examples of strong advocacy organisations that are allowed to criticise the government without much state interference. In the last few years, leading CSOs and international donors have argued that today's mix of severe poverty, economic growth and a natural resource boom requires a different role for NGOs. But although civil society participation is both increasing in amount and improving in its capacity to stimulate or lead social change, it has not yet reached the level required to ensure a strong demand-side pressure for accountability. Furthermore, whereas the state accepts the existence of an independent civil society, NGOs remain subject to occasional unwarranted government interference.

The CSO landscape of Mozambique is heterogeneous, consisting of four general groups. Most organisations are small, working only at provincial and district level. They are engaged in service delivery and often have no proper constituency. There is also a considerable group of medium-sized organisations, many of which are demand- or opportunity-driven. Their

agendas are determined by donor priorities. Often, their main objective is service delivery, but elements of advocacy and defending of specific rights issues are also on the agenda. In many cases these organisations have no constituency and run the risk of becoming personalised through their leaders. The third group is the smallest and most influential. It consists of an elite of individuals and platform organisations capable of participating in and interacting with state institutions and invited to do so. Their comments on the activities of these institutions are welcomed. They are mainly based in Maputo and typically are well-funded, as their level of performance has attracted donors. It is this group that has received direct funding support from the Netherlands embassy. A fourth cohort is composed of informal, unorganised spontaneous movements such as those behind the 2010 ‘bread riots’.

The Mozambican legislation governing associations is outdated. It no longer matches the dynamics of the growing civil society in terms of registration, types of CSOs and taxation. As a consequence, it is not possible to obtain reliable figures about the number of registered NGOs. There are thousands of legally recognised non-state and not-for-profit institutions in Mozambique and equally many that are unregistered. The number of genuinely independent, member-based organisations is estimated at less than 100. The registration process for CSOs is cumbersome. Each organisation should obtain a government authorisation from the Ministry of Justice in Maputo and the NGO must submit a statement of criminal record for at least ten of its members: this documentation is difficult to obtain. Registration often involves repeated long-distance travel to district or provincial capitals and dealing with poorly informed civil servants.

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In the past decade, Mozambican CSOs have sought stronger unification, cooperation and joint coordination of activities through different kinds of thematic networks. Several NGO networks have effectively introduced innovations and improved policies. An example is the introduction of the Civil Society Platform (CSP) in Nampula. Despite the emergence of these networks, civil society is much diversified, specialised and is coordinated to only a limited extent. There are still vast thematic and geographical areas where cooperation between CSOs is weak or non-existent. NGOs work in relative isolation. There are no movements, i.e. coalitions of NGOs effectively advocating for one cause. Finally, civil society continues to struggle with weak internal democracy, lack of legitimacy and instances of corruption.

### 1.3 Landscape of embassy’s direct funding of NGOs

#### *Share of direct funding to (L)NGOs*

The embassy invested EUR 19.3 million in direct funding of LNGOs. This corresponded with on average 5.5 percent of the embassy’s total decentralised expenditure. Until 2011, the lion’s share of expenditure consisted of general and sectoral (i.e. education) budget support.

The total amount of direct funding to NGOs was EUR 48.9. INGOs received EUR 25.7 million (53 percent), NNGOs EUR 3.9 million (8 percent), and LNGOs EUR 19.3 million (39 percent). (See Table Annex 8.1 on the next page)

Table Annex 8.1 Embassy's direct funding of NGOs and LNGOs 2006-2012 in Mozambique (in EUR million)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Total NLs expenditure	42.9	100	58.9	100	74.5	100	71.1	100	64.0	100	55.1	100	43.0	100	409.5	100
Total NLs embassy expenditure	26.9	63	40.1	68	55.7	75	71.1	100	62.1	97	51.7	94	40.9	95	348.5	85
Total direct funding of NGOs	5.3	20	5.3	13	6.3	11	7.5	10	7.8	13	8.6	17	8.1	20	48.9	14
Total direct funding of LNGOs	2.7	51	2.1	39	3.2	51	3.8	51	3.5	45	2.4	28	1.5	19	19.3	39
Percentage direct funding to LNGOs of total embassy expenditure	10.0		5.2		5.8		5.3		5.7		4.7		3.8		5.5	

Table Annex 8.2 LNGO expenditure on service delivery, civil society building and other activities 2006-2012 in Mozambique (in EUR thousand)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Service delivery	2.2	82	1.2	58	1.3	40	1.8	48	1.4	40	0.5	19	0.0	0	8.4	44
Civil society building	0.3	11	0.6	29	0.6	19	0.9	24	1.2	33	0.7	30	1.1	73	5.4	28
Other	0.2	7	0.3	13	1.3	41	1.1	28	0.9	27	1.3	52	0.4	27	5.5	28
<b>Total LNGOs</b>	<b>2.7</b>	<b>100</b>	<b>2.1</b>	<b>100</b>	<b>3.2</b>	<b>100</b>	<b>3.8</b>	<b>100</b>	<b>3.5</b>	<b>100</b>	<b>2.4</b>	<b>100</b>	<b>1.5</b>	<b>100</b>	<b>19.3</b>	<b>100</b>

*(L)NGO activities funded: breakdown into service delivery, civil society building and other activities*

Of the total amount of direct funding, 58 percent was spent on service delivery, 18 percent on civil society building and 24 percent on other activities. LNGOs spent 44 percent on service delivery, 28 percent on civil society building and 28 percent on other activities.

*(See Table Annex 8.2 on the previous page)*

Direct funding was channelled to 16 LNGOs, through 27 contracts. The average expenditure per LNGO during the period 2006-2012 was EUR 1.2 million and the average contract size was EUR 1.1 million. Five organisations received more than EUR 1 million.

The LNGOs supported by the embassy were small to medium in size (< 100 employees). The embassy used both project and core funding modalities to contract LNGOs. It preferred core funding, because of the better alignment with the principles of donor coordination and ownership expressed in the Paris Declaration. Core funding encourages organisations to pursue their own agenda and develop interventions that are relevant to a rapidly changing context.

Most of the supported LNGOs are based in Maputo and work mainly from there. LNGOs in the Nampula and Gaza provinces, respectively 2000 and 200 km from the capital city were also supported.

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The supported LNGOs received funding from various other sources in 2012, some of them having 4-7 other donors. Direct funding to LNGOs is known to be provided by the embassies or bilateral development agencies of Denmark, Norway and the United Kingdom. The European Commission also has a fund for civil society development.

In Mozambique, there is a strong trend towards more donor coordination. Bilateral donors are increasingly opting to support civil society development through multi-donor funds, the largest of which are AGIR and the *Mechanismo de Apoio à Sociedade Civil (MASC)*. Since 2012, support by the Netherlands embassy to LNGOs has been provided principally through AGIR instead of by direct contracts.

There are other joint initiatives benefiting LNGOs which the embassy co-funds. For instance, the Community Land Use Fund supports NGOs to deliver services to communities on the basis of calls for proposals.

In addition to LNGOs, the embassy has also supported various INGOs based in Mozambique, as well as NNGOs (MFS organisations).

## 2 Embassy's use of the instrument

### 2.1 Motivation and strategy

In the evaluation period, the embassy's total annual expenditure on direct funding of LNGOs accounted for a marginal share of the embassy's total decentralised expenditure (5.7 percent). There is no Dutch policy on support to local NGOs, nor does the multi-annual strategic planning process require the embassy to develop such a vision or objectives specifically related to civil society. As a result of these combined factors, the embassy's motivations and intervention strategy for directly funding of LNGOs are not officially laid down in writing. Nevertheless, the embassy does have a clear vision on why and how it wants to fund LNGOs. In its view, stronger civil society involvement in policy development, implementation and monitoring is essential for development in Mozambique. LNGOs can assist in the realisation of development objectives, can call the government to account and test innovative approaches. Next to government-to-government collaboration, which remains its primary intervention strategy, the embassy thus considers it very important to support LNGOs. Relevance is a key word in the embassy's motivation and strategy towards direct funding of LNGOs. For the embassy, direct funding should be in the interest of both parties. LNGOs benefit from the embassy's support, as it enables them to implement programmes and try out new approaches. It gives them credibility and protection from government interference. For the embassy, working with civil society yields valuable information which can be used in policy dialogues and to demonstrate Dutch commitment to certain themes or approaches.

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In the context described in the paragraphs above, the embassy regards good governance, domestic accountability and citizen participation in the decentralisation process as the issues where civil society can have most added value. It prefers to fund LNGOs that are able to achieve results in these areas. As a matter of principle, it does not wish to fund LNGOs that work as an extended arm of the government, providing social services in its place. For many years, the embassy has provided long-term core funding to a limited number of strategically chosen LNGOs. Organisations such as *Akilizetho*, *Centro de Integridade Pública (CIP)* and *Associação Rural de Ajuda Mútua (ORAM)* have been supported, almost continuously, since the late 1990s, with core support as the preferred modality. This strategy is alleged to have been effective. The embassy is widely acclaimed for having contributed to a stronger civil society platform and thematic networks in the province of Nampula. Several of the LNGOs that now make up the elite of Mozambican civil society have been supported by the Netherlands from the outset.

Recently, this approach has come under pressure. In 2010-2011, the Ministry in The Hague instructed the embassy to select a maximum of three sectors to be its focus areas. Outside these sectors ('thematic spearheads'), no interventions were allowed. Governance, which had always been a cross-cutting theme, was not considered a sector and could as such no longer be funded. This meant in particular that contracts with LNGOs whose work could not be directly related to a selected sector had to be phased out. This applied to most of the LNGOs with which the embassy had a direct funding relationship. In the new spearhead

sectors SRHR, Water and Food Security, reliable and effective LNGOs are not directly available. The LNGOs active in these sectors are typically service-delivery-oriented organisations that in the eyes of the embassy have less potential to make a difference.

Participation in the multi-donor fund *AGIR* since 2012 has enabled the embassy to continue funding the LNGOs that it used to support directly. Today, the only one of its former strategic partners in governance issues it still funds directly is *CIP*. The embassy has entered into some smaller project-based contracts with LNGOs in the spearhead sectors, but also continues to support a number of LNGOs engaged in civil society building (democratic participation and civil society and women's equality). The embassy feels that the termination of many of its direct funding relationships has negatively impacted its credibility as a donor and its influence in policy discussions with the government.

## 2.2 Decision-making process

The embassy mainly works with established LNGOs from its direct network and directly invites them to apply for funding. Organisations are free to decide in what form they present their proposals. The application generally follows an intake meeting between the LNGO and one or more embassy staff, often at the initiative of the embassy. Specific criteria related to funding LNGOs are neither defined nor formally communicated. During the intake meeting, the policy officer explains the procedures for direct funding.

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The embassy uses the standard assessment documents BEMO and AAAD. It has not additionally formulated specific appraisal criteria. Embassy staff agrees that the most important criteria for funding are the ability of an LNGO to speak frankly to government, to demonstrate a proper track record, to have sufficient organisational strength and to show commitment to achieving results. It is furthermore essential that an LNGO works on strengthening governance and civil society. Pure service delivery is not supported. Another consideration is continuity of support to strategic partners. There are various examples of LNGOs that were initially established or funded by an NNGO and were then 'adopted' by the embassy to be recently 'transferred' to *AGIR*.

Most of the supported LNGOs are based in Maputo and work on nationwide issues. Their vicinity is practical for both the organisation and the embassy. However, proximity is certainly not a decisive factor, as evidenced by the support to LNGOs based in Nampula and Gaza.

## 2.3 Monitoring, evaluation and learning

M&E agreements are specified in the Contribution Agreement (contract) between embassy and LNGO. Standard requirements are six-monthly narrative and financial reports, and a final report. Annual audits are required for larger projects. The embassy does not provide templates or written instructions for the reports, leaving LNGOs free to decide in what form to account for their achievements and expenditure. Our study revealed that the quality of

M&E procedures is sufficient. Where possible, the embassy tries to increase the efficiency of operations (e.g. 'one plan, one report system').

According to embassy policy officers, the reporting discipline and quality of the supported LNGOs is high. Compared to government programmes, projects with LNGOs are much easier to monitor. The embassy has good and personal relationships with most organisations. Monitoring is not confined to formal moments; both parties meet regularly at occasions such as conferences and meetings of donor and civil society platform. The embassy conducts monitoring visits to LNGOs in Maputo and in the regions (Gaza, Nampula).

Baseline surveys are sometimes undertaken by LNGOs, but not at the request of the embassy. In the case of core funding, the LNGO usually plans mid-term and/or end-term evaluations; the embassy encourages this. The embassy regards an evaluation first and foremost as an instrument of learning for the LNGO itself. The monitoring information obtained from LNGOs may, however, be used by the embassy for policy making and other projects.

#### 2.4 Embassy capacity for direct funding

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In June 2013, there were seven international and six local senior policy officers at the embassy. About half are occasionally involved in direct funding activities. In addition, various staff members are indirectly involved, such as the archivist, accountant and financial controller. The task division and responsibilities are clear for everyone involved, and checks and balances are ensured.

The embassy has sufficient capacity to monitor the current portfolio of direct funding of LNGOs. However, the embassy feels that there are not enough staff to maintain relations with LNGOs that used to be directly funded but are now supported by *AGIR*. Both policy officers and financial administrators find that working with LNGOs is much less time-consuming and more rewarding than working with the government.

Within the agreed MASP, the embassy has much autonomy and flexibility to decide about direct funding of LNGOs, but is restricted to investing in the spearhead themes chosen by the ministry. In cases that the embassy wants to fund activities in other themes, there is little room for manoeuvre, no matter how strong the argument for funding may be. This is sometimes felt as frustrating, because the embassy considers itself better placed to determine what is relevant and feasible in the local context. The guidelines from The Hague are perceived as restrictive by the embassy because of the limitation to maximally three sectors and the requirement to reduce cross-cutting issues. The ministry also urges the embassy to be more efficient, for example by reducing the number of supported partners.

## 3 Perspectives of supported LNGOs on direct funding

### 3.1 Motivation and strategy

The supported LNGOs maintain that their particular added value is in educating citizens about their rights to demand services and effectively participate in governance, and in changing certain beliefs and cultural practices, such as early age marriage and child abuse. Rights-based approaches are central in the development strategies of the consulted LNGOs.

The LNGOs are very satisfied with both the financial and non-financial support from the Netherlands embassy. During the evaluation period, the latter typically comprised project management and financial management assistance. These forms of capacity development support were either delivered by embassy staff themselves, or by contracted experts, or were included in the project plans as suggested by the embassy. The embassy also provided non-financial support by connecting organisations with each other and referring to the achievements of LNGOs in policy discussions with the Government of Mozambique.

Competition for funds has increased in recent years. According to some LNGOs, direct funding by the Netherlands embassy is absolutely preferable to multi-donor funds such as *AGIR* or *MASC* or bilateral donors such as USAID. The support of the embassy is considered to be more effective and longer lasting, and the procedures are not much stricter. Direct funding by the Netherlands embassy is considered to be one of the best funding sources these organisations have ever had.

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Obviously, from the perspective of an LNGO, direct negotiation on the basis of cordial relations is preferable to competing in tough calls for proposals. However, being mostly donor darlings, these LNGOs are in the position to compare. Whereas various international donor NGOs and institutions require their partners to display their names and logos prominently at all times, the embassy makes no such demands. The embassy's modesty is appreciated and also unlike some INGOs or NNGOs it does not extensively interfere in internal matters.

Embassy-supported LNGOs maintain that modalities of funding through third parties are much more complicated and bureaucratic. They find that some intermediary organisations behave as 'mini-donors' bringing in extra management, but no innovation and having procedures that are often lengthy and require approval from various actors and layers. Finally, LNGOs claim that pooled funding decreases their financial sustainability, as once they have decided to participate in a joint fund, donors no longer fund directly.

There are no indications that the embassy's direct funding has seriously impacted the neutrality, legitimacy and ownership of the supported organisations negatively. Smaller and younger LNGOs receiving their first subsidy from *MASC* or *AGIR* tend to be very happy with the support they receive through these mechanisms.

### 3.2 Quality of the project management cycle

Most embassy support to LNGOs in the period 2006-2012 was provided in the form of core support. The funding relationships were based on LNGOs' multi-annual plans, generally containing problem analyses and intervention strategies that were translated into high-level objectives. The funding arrangement with the embassy was sufficiently flexible to allow activities and objectives to be adjusted during implementation if necessary. Progress reports reveal that intervention logics are applied to define outcomes and outputs, which are monitored on the basis of indicators.

The BEMO or AAAD presents project objectives, expected results and the activities required to achieve the results. The six-monthly reports by the LNGOs refer to results achieved and activities undertaken. The information is often discussed during monitoring visits and in meetings with other donors funding the same LNGO. The quality of reports by the supported LNGOs in Mozambique is generally high. Organisations such as *CIP*, *Akilizheto*, *N'Weti*, *ORAM* and others provide the embassy with reliable information.

## 4 Conclusions

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### 4.1 Figures

- The total amount of direct funding to NGOs was EUR 48.9 million; this represents 14.6 percent of total decentralised expenditure.
- Of the total amount of direct funding, INGOs received EUR 25.7 million (53 percent), NNGOs EUR 3.9 million (8 percent), and LNGOs EUR 19.3 million (39 percent). This amount of EUR 19.3 million represents 5.7 percent of total decentralised expenditure.
- Of the total amount of direct funding, 58 percent was spent on service delivery, 18 percent on civil society building and 24 percent on other activities.
- LNGOs spent 44 percent on service delivery, 28 percent on civil society building and 28 percent on other activities.

### 4.2 Key findings

In Mozambique, NGOs are regarded as valuable partners in development. The operating space for civil society is large, although critics claim that the space has recently been shrinking. While the legal and institutional framework is favourable for NGOs, the registration process is cumbersome and the idea of civil society engagement is often expressed more in words than in deeds. NGOs occasionally experience that state interference hampers their work.

The Netherlands embassy considers LNGOs as very useful partners. Although it principally works from government to government, it prefers to collaborate with strong, professional LNGOs that can assist it to achieve its objectives. The relevance, efficiency and effectiveness

of direct support to LNGOs are considered high by both embassies and the supported LNGOs.

The embassy finds it important to strategically support a few organisations, in the interest of both parties. In this light, core funding is preferred, as it encourages organisations to pursue their own agenda and develop interventions that are relevant to a changing context. Core funding is typically provided to institutionally stronger LNGOs.

The embassy's support to LNGOs has been somewhat strategic and long-term oriented, though not formalised on paper. It has created some reliable institutions that now serve as role models in Mozambique in terms of autonomy, sustainability and internal governance. Organisations such as *Akilizheto* and *Facilidade* have greatly benefited from the long-term engagement of the Netherlands embassy. Both have been supported since the 1990s, either indirectly or directly. It is widely recognised that the embassy and its partners have contributed to a stronger civil society platform and thematic networks in the province of Nampula.

Having a good relationship with the embassy is important, given the nature of mobilisation of funding proposals (direct invitation). The decision to fund is generally well-informed by the results of the assessment of relevance, feasibility, efficiency and organisational strength, with the first two criteria being most important.

Since 2011, the decision to channel funds for civil society development principally through *AGIR* has effectively meant a shift towards indirect funding. Many direct funding relations have been ended and replaced by contracts with one of the four intermediary organisations implementing *AGIR*. The first results of working via *AGIR* reveal that information and influence by the embassy has been lost and that various LNGOs are dissatisfied, mainly because the relations with the embassy have become more distant and because the new donors tend to meddle too much in their internal affairs. The embassy is therefore currently exploring possibilities to retain direct support to a number of strategic partners.

## Annex 9 Country study Sudan (summary)

### 1 Institutional environment

#### 1.1 Political and socio-economic situation and its impact on civil society

The political and socio-economic landscape in Sudan is characterised by an authoritarian Islamist government and ineffective rule of law. There is a total lack of checks and balances between the executive, judiciary and legislative powers, as well as between the key social actors. The political rights of citizens and internationally recognised civil liberties such as freedom of assembly and freedom of expression are systematically violated. The capacity of the Sudanese state to fulfil its functions is very limited. Social services provided by the state are limited in even the most administered areas, and poor to non-existent elsewhere. Moreover, the government is perceived as highly corrupt. State control of the NGO sector obstructs the work of independent NGOs. Civil society participation in any role other than as an extension of the state in social service provision is prohibited. Political opponents, politically active students and representatives of independent newspapers or human rights NGOs are regularly confronted with different forms of serious harassment. Sudan suffers from widespread poverty, ethnic and religious armed conflicts, and an economic crisis. These factors contribute to the persistence of weak public political awareness and hamper the development of the civil society. Weak ICT infrastructure along with government control on the internet limits NGOs in their search for and dissemination of objective information and their mobilisation of people to achieve their goals.

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#### 1.2 Landscape of NGOs

Civil society in Sudan is polarised between pro-government charities and independent NGOs. Independent NGOs have been in conflict with the government since the 1989 coup. For this reason, the Sudanese government has promoted its own favoured Islamist NGOs. Independent NGOs are subject to legal restrictions and procedural obstructions to control their activities. The state even intervenes in the operations of INGOs, as demonstrated in 2009 by the expulsion of Oxfam, Care International and 11 others.

In the period 2006-2012, the space for civil society engagement decreased. Working on civil society building activities such as advocacy, human rights and peace building has become increasingly difficult. The wide discretionary powers of the Humanitarian Affairs Commission (HAC) – the government body for regulating humanitarian aid – obstructs the work of NGOs and has led to caution and self-censorship. At the same time, since 2009, an increase has been observed in the number of NGOs registering.

The most important legislation for NGOs is the 'Organisation of Voluntary and Humanitarian Work Act' (2006). This revised Act is fiercely criticised for the wide degree of discretion accorded to the government in the registration and regulation of NGOs. Amongst others, the Act requires the Ministry of Humanitarian Affairs to approve all NGO proposals

before they are submitted to donors for funding. INGOs must sign Technical Agreements with LNGOs, which have to be approved by the HAC.

Nearly 4000 CSOs are currently registered in Sudan. These can be divided into four groups:

- Issue-oriented NGOs, which are Sudan's most important advocates for democracy, women's equality, human rights, political pluralism and the environment. They are essential for preserving political space in Sudan, though their capacities are often extremely limited.
- Professional associations and labour unions that were forcefully been co-opted by the state in the 1990s.
- Faith-based charities of diverse origin with some capacity to deliver social services.
- Other CSOs, mostly non-registered community-based and regional organisations and tribal associations. While very important in daily life of many people, these CSOs hardly play a political role.

The formalised NGO sector is highly urbanised and largely based in Khartoum. Most NGOs are engaged in service delivery provision. A minority are active in civil society and peace building. These NGOs are strongly and intrinsically motivated, as working in these areas in Sudan is extremely difficult and dangerous.

Civil society in Sudan is highly fragmented and diverse, representing Islamist, liberal and regional strands. Cooperation between NGOs on issues of common concern is rare. Over the last decade, rising numbers of NGO networks have been established, most focused on Khartoum. In 2007, some 25 national NGO networks and nine international and regional networks were active. These networks were formed not only to carry out advocacy campaigns but also to improve the fund-raising and programming capacity of coalitions of small NGOs. The HAC has been extremely reluctant to permit the formation of networks.

NGOs in Sudan are perceived as lacking transparency and accountability both to their members and donors. Organisations are mostly personality-led and lack broad staff capacity. Furthermore, they often suffer from weak internal governance. Oversight mechanisms are either non-existent or not implemented. The NGOs funded by the Netherlands embassy to some extent practise internal democracy.

### 1.3 Landscape of embassy's direct funding of NGOs

#### *Breakdown of direct funding to (L)NGOs*

The total amount of direct funding to NGOs was EUR 28.6. INGOs received EUR 6.2 million (22 percent), NNGOs EUR 19.6 million (68 percent), and LNGOs EUR 2.8 million (10 percent). This EUR 2.8 accounted for 1.4 percent of the embassy's total decentralised expenditure. (See Table Annex 9.1 on the next page)

Table Annex 9.1 Embassy's direct funding of NGOs and LNGOs 2006-2012 in Sudan (in EUR million)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Total NLs expenditure	99.6	100	143.1	100	107.1	100	70.8	100	65.6	100	52.1	100	48.6	100	586.9	100
Total NLs embassy expenditure	4.9	5	42.2	30	36.3	34	32.5	46	43.3	66	29.1	56	17.1	36	205.8	35
Total direct funding of NGOs (North)	0.9	1	3.9	3	6.1	6	2.9	4	6.8	16	4.6	16	3.5	23	28.6	14
Total direct funding of NGOs (South)									0.1		0.1		0.5		0.7	
Total direct funding of LNGOs (North)	0.2	27	0.2	4	0.2	4	0.3	11	0.7	11	0.7	16	0.4	11	2.8	10
Total direct funding of LNGOs (South)									0.0		0.0		0.0		0.0	
Percentage direct funding to LNGOs of total embassy expenditure	5.0		0.4		0.6		1.0		1.7		2.6		2.6		1.4	

Table Annex 9.2 LNGO expenditure on service delivery, civil society building and other activities 2006-2012 in Sudan (in EUR thousand)																
	2006		2007		2008		2009		2010		2011		2012		Total	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Service delivery	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Civil society building	0.3	100	168.4	100	221.7	100	316.5	100	330.7	45	104.1	14	137.8	31		53
Other	0.0	0	0.0	0	0.0	0	0.0	0	396.2	55	639.6	86	306.9	69		47
<b>Total LNGOs</b>	<b>246.5</b>	<b>100</b>	<b>168.4</b>	<b>100</b>	<b>221.7</b>	<b>100</b>	<b>316.5</b>	<b>100</b>	<b>726.9</b>	<b>100</b>	<b>743.7</b>	<b>100</b>	<b>444.8</b>	<b>100</b>	<b></b>	<b>100</b>

*(L)NGO activities funded: breakdown into service delivery, civil society building and other activities*

Of the total amount of direct funding, 20 percent was spent on service delivery, 61 percent on civil society building and 19 percent on other activities. LNGOs spent 0 percent on service delivery, 52 percent on civil society building and 48 percent on other activities. Expenditure of LNGOs for civil society building was mainly on women's equality and human rights. Other activities were supported in the livestock sector and in the area of multi-sector aid. (See Table Annex 9.2 on the previous page)

Direct funding was channelled to 20 LNGOs, through 23 contracts. During the period 2006-2012 the average expenditure per LNGO was EUR 141,000 and the contract size was EUR 395,000 on average. Two organisations received more than EUR 1 million.

The embassy mainly provided project funding. The overhead costs for small LNGOs could be covered up to approximately 10 percent of the project budget.

LNGOs receiving direct funding from the embassy implement activities in and around Khartoum as well as in other areas (some of which are conflict areas). All funded LNGOs are small. The largest, Vet Care, has 24 permanent staff, 30 volunteers and an annual budget of EUR 1.4 million.

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In the light of the difficult situation for donors in Sudan, various donors have opted to pool their funds. In contrast to Ethiopia and Mozambique, there are however, no multi-donor funds for direct funding to LNGOs. One of the most prominent donors funding LNGOs is the EU Delegation: its European Initiative for Democracy and Human Rights (EIDHR) allocated EUR 1.5 million annually to LNGOs in both Sudan and South Sudan. Important bilateral donors providing support to LNGOs are the embassy of the United Kingdom and USAID.

The LNGOs that were supported by the Netherlands embassy received funding from other sources as well, such as bilateral and multilateral donors and NGOs. Two LNGOs also received contributions from MFS organisation Cordaid. Some LNGOs have as many as 5-8 other donors.

## 2 Embassy's use of the instrument

### 2.1 Motivation and strategy

The period 2006-2012 was turbulent for the embassy in Khartoum. Government restrictions on aid made working on development very difficult. In July 2011, South Sudan became an independent country. The partnership relation between the Netherlands and Sudanese government was ended and transferred to South Sudan. In 2012, the Netherlands government decided to close the embassy, but later retracted this decision. The embassy's delegated expenditure remained high but the number of staff decreased from 11 policy officers in 2006 to four in 2012.

Operating in a context where no real policy and political dialogue is possible with the government and where the NGO sector is weak, hardly independent, and extremely vulnerable to security forces, the embassy has chosen to focus its direct funding activities mainly on human rights, peace building and civil society building. These areas were defined on the basis of a context analysis preceding the formulation of the MASP, although that analysis gave limited attention to the role of civil society and of LNGOs in particular.

The Netherlands is perceived as a strong and outspoken player in the field of human rights, which explains the focus on issues of press freedom, women's rights and freedom of religion. The embassy finds it important to support the few existing independent LNGOs that can offer some countervailing power to state-dominated organisations. Also, it prefers to fund LNGOs that are in need of protection. At the same time, the embassy wants to avoid that LNGOs are harassed as a result of receiving funding, and thus when it wanted to support LNGOs that the government of Sudan sees as 'controversial', it looked for tailor-made funding modalities. When it was risky for an LNGO to be directly funded, or when an LNGO's absorption capacity was too low, the embassy funded the LNGO indirectly through an INGO.

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The embassy deliberately chose to work with institutionally stronger LNGOs because it did not have sufficient capacity to support capacity development of weaker NGOs. The embassy believed that this task should be left to INGOs. If more INGOs had been active in Sudan, more financial support to Sudanese civil society would have gone through them.

Project funding is the preferred funding modality because it is less expensive and creates less dependency of the LNGO on external financing. Overhead costs can to a certain extent be included in the budget.

## 2.2 Decision-making process

The embassy mainly works with established LNGOs from its direct network. It directly invites LNGOs to apply for funding. There are no open calls for proposals. This selection method allows the embassy to exclude government-affiliated LNGOs from direct funding. Organisations are free to decide in what form they present their proposals. The application generally follows an intake meeting between the LNGO and one or more embassy staff members, often upon the initiative of the embassy. Specific criteria related to funding to local NGOs are not defined nor are they formally communicated.<sup>107</sup> During the intake meeting, the policy officers explain the procedures for direct funding. Formalised assessment guidelines for all direct funding applications are available and used by the Embassy. It concerns BEMO, AAAD and COCA. In these documents, relevance, feasibility, efficiency, organisational capacity and risks are assessed. The final go / no go decision is

<sup>107</sup> However, recently on its website the embassy has posted a few basic grounds for exclusion, and also the minimal criteria proposals must meet to be eligible for funding under the SAP (in Sudan called: 'Small Embassy Grants Programme'). This programme has a budget of max. EUR 25,000 annually; the duration of projects should not exceed 12 months.

based on these criteria. Given the informal nature of proposal mobilisation, personal considerations may play a role in the selection of LNGOs to be funded. There are, however, sufficient checks and balances in place to prevent subjectivity or favouritism. Most of the selected LNGOs are Khartoum-based. Given government-imposed travel restrictions, the embassy is restricted to working with LNGOs that have a representation in Khartoum.

### 2.3 Monitoring, evaluation and learning

Monitoring, reporting and evaluation requirements are included in the financing agreement with LNGOs. These requirements are quantitative rather than qualitative. As regards financial monitoring, large projects are subjected to an external audit. External evaluations are not required.

In general, M&E agreements are observed, and the six-monthly financial and narrative progress reports are submitted on time. The financial reports are thoroughly checked by the embassy, since their quality is in many cases insufficient. The narrative reports are descriptive rather than analytical in nature, which is the result of the absence of a structured approach to M&E in which the design of a results chain, related indicators, and a baseline assessment should ideally take place. This makes it difficult to measure the effectiveness of supported interventions.

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The embassy has no systematic policy of documenting lessons learnt from directly funded projects. M&E conducted by the embassy staff remains a paper exercise. LNGOs indicated that field visits are rare or non-existent, even in Khartoum. During the period evaluated, two projects were externally evaluated. Nevertheless, there are indications that the embassy learns from its direct relations with LNGOs, through which staff acquire sound knowledge of the political and social context in which LNGOs operate as well as to follow the developments taking place in civil society (which organisations are linked to the government, for example).

### 2.4 Embassy capacity for direct funding

Embassy staffing was drastically downsized in the evaluation period. There is no clear division of tasks relating to direct funding, so in practice, each staff member monitors a number of projects. The embassy has an internal system of checks and balances in which different policy and financial officers play a role. The ministry in The Hague is not involved in the selection and guidance of directly funded projects. This enables the embassy staff to take decisions autonomously and to be flexible regarding opportunities and unforeseen events. However, the funded projects have to be in line with the spearhead themes agreed upon in the MASP or AP.

The transaction costs of engaging directly with LNGOs are considered high by the embassy. Given the reduction in manpower, it is improbable that the embassy could cope with channelling more direct funding.

Regarding knowledge and skills, the embassy's policy makers have good knowledge and understanding of the political and social context in which LNGOs operate and have a broad network among different donors and INGOs.

## 3 Perspectives of supported LNGOs on direct funding

### 3.1 Motivation and strategy

LNGOs operating independently from the government have become more active in the past years in the field of advocacy and in the monitoring of state actions. Advocacy efforts aimed at legislation reform and creating public awareness have grown substantially in the last five years. Moreover, LNGOs aspire to play a more important role in service delivery provision, especially in humanitarian aid. The relief sector in Sudan has to date been mainly in the hands of UN agencies and INGOs. LNGOs claim that their interventions are more sustainable since by comparison with INGOs, LNGOs are more strongly linked to society and have a longer-term commitment to societal transformation than INGOs.

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At the same time, LNGOs face multiple constraints. They are generally very weak and lack knowledge and training in international standards and procedures. This limits their capacity to deal with complex emergency programming and to achieve the desired results. Furthermore, in the last decade donors have shifted from core strategic funding to activity or project funding. As a result, weaker LNGOs that have the potential to grow and could benefit from capacity development have problems meeting donors' requirements and thus cannot develop their capacity. Finally, although the number of LNGOs has been growing since 2009, the funds available for such organisations have decreased, as most funds were diverted to South Sudan after its secession. Consequently, it has become increasingly difficult for LNGOs to acquire resources on a regular basis.

LNGOs apply for funding at the Netherlands embassy principally because they are seeking financial support and secondly because they see a match between the embassy's policy priorities and their activities. Most of the funded LNGOs are active in civil society building and peace building. As these activities are not favoured by the government, the only sources of funding for these LNGOs are INGOs or Western embassies ('like-minded' donors).

For the supported LNGOs, the added value of direct funding by the Netherlands embassy lies mainly in the credibility it has given them. Another important added value of direct funding is that it has allowed LNGOs to work on areas that are not priorities for the government of Sudan, such as SRHR and gender-based violence, or even 'forbidden issues' such as human rights and peace building. This confirms the image of the embassy being daring and progressive in its thematic choices.

The main recommendation of LNGOs to improve direct funding relates to the reinstatement of core funding. This would enable them to develop their organisational capacity and give them more financial security. Other recommendations refer to communication from the

embassy, which is sometimes delayed as a result of the high staff turnover, and to field visits, which rarely occur but might improve understanding of the LNGO's work.

### 3.2 Quality of the project management cycle

The M&E and reporting agreements between SNGOs and the embassy are largely observed. A problem analysis (often descriptive by nature) forms part of most funding proposals. Logical frameworks are typically missing or of low quality and contain mainly output indicators. Indicators are often not measurable and understanding of a theory of change is limited. The quality of narrative reports by the supported LNGOs is fair to good, but that of financial reports is poor. LNGOs appreciate the feedback given by the embassy, describing it as very helpful in developing their financial management capacity.

The embassy is often involved in project formulation: it gives comments and facilitates interactive discussions, thus achieving a process of co-creation. During project implementation, the embassy provides support mainly in setting up monitoring systems. Internal evaluation by the embassy is completed at the end of the projects, by means of standard completion documents. Evaluations are rarely carried out together with the supported LNGOs and other stakeholders for the purpose of drawing lessons.

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## 4 Conclusions

### 4.1 Key figures

- The total amount of direct funding of NGOs was EUR 28.6 million; this represents 14 percent of the total decentralised expenditure.
- Of the total amount of direct funding, INGOs received 22 percent, NNGOs 68 percent, and LNGOs 10 percent. Funding of LNGOs represents 1.4 percent of total decentralised expenditure.
- Of the total amount of direct funding, 20 percent was spent on service delivery, 61 percent on civil society building and 19 percent on other activities.
- LNGOs spent 0 percent on service delivery, 52 percent on civil society building and 48 percent on other activities.

### 4.2 Key findings

Sudan is one of the most restricted countries in the world as regards political and civil liberties: these are practically non-existent. There is no effective rule of law, state bureaucracy is extremely limited, there are armed conflicts and corruption is truly endemic. The government sees no role for an independent civil society. Only Islamic government-controlled NGOs can provide social services without being obstructed.

The embassy operates in a context where no real policy and political dialogue is possible with the government of Sudan and where the NGO sector is weak and extremely vulnerable to security forces. The embassy has identified stability, poverty reduction, peace and the humanitarian situation as the most pressing needs in Sudan. It finds it important to support the few existing independent (L)NGOs that can offer some countervailing power to all state-dominated organisations. The embassy has chosen to focus its direct funding activities mainly on peace building and civil society building activities, in particular on human rights and capacity development of LNGOs. Social service delivery is exclusively addressed via UN agencies and INGOs.

In 2006-2012, the embassy's intervention strategy towards LNGOs was one of direct funding combined with indirect funding through INGOs. When it is risky for an LNGO to be directly funded, or when its absorption capacity is too low, the embassy can decide to fund the LNGO indirectly. Since not many Dutch NGOs are physically represented in Sudan, the presence of the embassy and of staff in Sudan is an important argument in favour of retaining direct funding.

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Voicing criticism against the government by NGOs is dangerous and may have severe consequences, such as the closure of the NGO or to detention of its members. The embassy aims to select organisations that have the capacity to manoeuvre effectively within this environment. LNGOs have a long way to go in this regard, because of the restrictive legal framework in which they have to operate and also because of their limited capacities.

The embassy does not provide core funding as it has neither the financial means to support LNGOs for several years and nor the staff capacity to be involved in capacity development.

The process of selecting LNGO for funding is *ad hoc* and informal. Nevertheless, the appraisal process contains several checks and balances. According to the supported LNGOs, the criteria that are applied for the appraisal of applications are objective and transparent.

In the embassy, there is a strong shared belief that there is insufficient capacity to develop a proper strategy for direct funding of LNGOs, to provide thorough capacity development support and to systematically collect and use lessons learnt. Given the limited manpower, it is improbable that the embassy could deal with channelling more direct funding.

In short: for the embassy, direct funding of LNGOs is a valuable instrument that enables it to work on issues that it deems important in a very complex context. LNGOs greatly appreciate the availability of money, but are somewhat indifferent as to the source of funding. Many have had to compromise their mission and objectives before and they are prepared to do so again if that would help them to secure funding. The spin-offs of embassy support, such as increased credibility, protection and organisational strengthening, are nonetheless appreciated.

## Annex 10 Overview of direct funding of the embassies in the 18 countries per year (2006-2012)

Table Annex 10.1 Overview of direct funding of the embassies in the 18 countries per year (2006-2012) in EUR thousand								
	2006	2007	2008	2009	2010	2011	2012	Total
<b>Afghanistan</b>	<b>3,420</b>	<b>7,904</b>	<b>7,661</b>	<b>14,787</b>	<b>9,924</b>	<b>10,037</b>	<b>4,501</b>	<b>58,235</b>
INGO	1,520	3,244	3,322	9,851	7,109	7,707	3,420	<b>36,174</b>
NNGO	786	365	488	289	25	-	-	<b>1,952</b>
LNGO	1,114	4,295	3,850	4,647	2,790	2,330	1,081	<b>20,108</b>
<b>Bangladesh</b>	<b>15,956</b>	<b>22,440</b>	<b>30,687</b>	<b>27,696</b>	<b>32,741</b>	<b>32,188</b>	<b>31,288</b>	<b>192,996</b>
INGO	13,747	21,119	27,437	24,699	27,891	21,943	15,055	<b>151,892</b>
NNGO	-	-	43	-	-	-	3,365	<b>3,408</b>
LNGO	2,209	1,321	3,207	2,997	4,850	10,245	12,869	<b>37,697</b>
<b>Benin</b>	<b>331</b>	<b>1,880</b>	<b>1,486</b>	<b>2,958</b>	<b>2,644</b>	<b>2,750</b>	<b>5,431</b>	<b>17,480</b>
INGO	262	363	433	1,202	236	828	1,987	<b>5,311</b>
NNGO	15	1,077	360	1,211	1,919	1,435	2,357	<b>8,374</b>
LNGO	54	440	693	544	489	488	1,087	<b>3,795</b>
<b>Burundi</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>118</b>	<b>2,405</b>	<b>2,572</b>
INGO	-	-	-	-	-	-	903	<b>903</b>
NNGO	-	-	-	-	-	-	1,502	<b>1,502</b>
LNGO	-	-	-	50	-	118	-	<b>168</b>
<b>Colombia</b>	<b>6,398</b>	<b>5,660</b>	<b>3,193</b>	<b>3,977</b>	<b>4,431</b>	<b>4,298</b>	<b>3,711</b>	<b>31,668</b>
INGO	358	293	-	573	1,098	1,261	985	<b>4,569</b>
NNGO	1,536	-	-	-	-	-	393	<b>1,929</b>
LNGO	4,503	5,367	3,193	3,404	3,333	3,037	2,334	<b>25,171</b>
<b>Ethiopia</b>	<b>13,989</b>	<b>14,718</b>	<b>14,552</b>	<b>13,276</b>	<b>10,333</b>	<b>11,991</b>	<b>12,126</b>	<b>90,987</b>
INGO	7,595	7,995	9,777	6,170	4,749	8,294	5,167	<b>49,747</b>
NNGO	4,013	3,747	2,747	3,697	2,195	1,853	4,193	<b>22,445</b>
LNGO	2,381	2,976	2,029	3,410	3,389	1,845	2,765	<b>18,795</b>
<b>Ghana</b>	<b>742</b>	<b>1,160</b>	<b>2,605</b>	<b>1,738</b>	<b>654</b>	<b>303</b>	<b>2,866</b>	<b>10,068</b>
INGO	-	600	1,167	935	520	-	1,557	<b>4,779</b>
NNGO	261	-	5	-	-	24	8	<b>299</b>
LNGO	481	560	1,433	802	134	279	1,301	<b>4,990</b>

	2006	2007	2008	2009	2010	2011	2012	Total
<b>Indonesia</b>	<b>1,290</b>	<b>6,179</b>	<b>7,809</b>	<b>8,705</b>	<b>7,109</b>	<b>6,584</b>	<b>6,869</b>	<b>44,544</b>
INGO	1,200	1,529	4,104	1,761	1,082	494	602	<b>10,772</b>
NNGO	-	4,000	3,211	4,951	3,827	2,656	4,158	<b>22,802</b>
LNGO	91	649	494	1,993	2,200	3,433	2,110	<b>10,970</b>
<b>Kenya</b>	<b>1,919</b>	<b>4,951</b>	<b>4,920</b>	<b>5,859</b>	<b>6,251</b>	<b>4,484</b>	<b>10,817</b>	<b>39,202</b>
INGO	209	1,646	2,845	3,127	3,387	1,593	4,511	<b>17,317</b>
NNGO	648	450	310	682	626	1,049	2,124	<b>5,888</b>
LNGO	1,062	2,856	1,765	2,051	2,238	1,842	4,182	<b>15,996</b>
<b>Mali</b>	<b>1,368</b>	<b>954</b>	<b>1,775</b>	<b>2,430</b>	<b>4,144</b>	<b>5,359</b>	<b>15,386</b>	<b>31,416</b>
INGO	386	46	17	325	1,550	3,747	8,614	<b>14,685</b>
NNGO	690	502	600	546	887	720	3,542	<b>7,487</b>
LNGO	292	407	1,157	1,559	1,707	892	3,230	<b>9,245</b>
<b>Mozambique</b>	<b>5,274</b>	<b>5,313</b>	<b>6,348</b>	<b>7,461</b>	<b>7,793</b>	<b>8,605</b>	<b>8,125</b>	<b>48,919</b>
INGO	1,888	2,777	2,719	3,312	3,942	5,808	5,261	<b>25,707</b>
NNGO	711	451	396	354	308	360	1,330	<b>3,909</b>
LNGO	2,676	2,085	3,233	3,794	3,543	2,438	1,534	<b>19,303</b>
<b>Palestinian Territories</b>	<b>7,748</b>	<b>5,129</b>	<b>10,385</b>	<b>11,111</b>	<b>9,396</b>	<b>10,514</b>	<b>4,357</b>	<b>58,640</b>
INGO	177	3	201	62	-	-	-	<b>443</b>
NNGO	89	115	156	177	521	420	600	<b>2,079</b>
LNGO	7,481	5,011	10,028	10,872	8,875	10,094	3,757	<b>56,118</b>
<b>Rwanda</b>	<b>9,346</b>	<b>11,039</b>	<b>10,922</b>	<b>15,037</b>	<b>15,889</b>	<b>11,258</b>	<b>15,617</b>	<b>89,108</b>
INGO	2,124	4,030	4,981	10,038	11,425	8,192	8,646	<b>49,437</b>
NNGO	3,605	3,200	3,201	2,830	1,647	1,315	2,333	<b>18,130</b>
LNGO	3,617	3,809	2,739	2,169	2,818	1,751	4,638	<b>21,541</b>
<b>South Africa</b>	<b>30,898</b>	<b>26,212</b>	<b>22,015</b>	<b>26,002</b>	<b>18,950</b>	<b>16,914</b>	<b>10,151</b>	<b>151,143</b>
INGO	8,378	8,813	5,871	9,569	5,894	4,964	3,365	<b>46,853</b>
NNGO	230	759	677	671	1,350	1,437	2,083	<b>7,207</b>
LNGO	22,290	16,640	15,467	15,763	11,706	10,514	4,703	<b>97,083</b>
<b>Sudan / South Sudan</b>	<b>930</b>	<b>3,949</b>	<b>6,102</b>	<b>2,854</b>	<b>6,909</b>	<b>4,719</b>	<b>3,953</b>	<b>29,415</b>
INGO	493	694	1,247	902	2,049	372	614	<b>6,371</b>
NNGO	190	3,086	4,633	1,636	4,133	3,604	2,894	<b>20,176</b>
LNGO	246	168	222	317	727	744	445	<b>2,868</b>
<b>Uganda</b>	<b>4,375</b>	<b>4,179</b>	<b>3,062</b>	<b>2,488</b>	<b>896</b>	<b>862</b>	<b>3,011</b>	<b>18,874</b>
INGO	2,112	2,636	1,952	1,881	-	-	1,300	<b>9,881</b>
NNGO	1,355	283	68	-	-	151	1,333	<b>3,189</b>
LNGO	907	1,261	1,042	607	896	712	378	<b>5,804</b>

	2006	2007	2008	2009	2010	2011	2012	Total
<b>Vietnam</b>	<b>2,453</b>	<b>1,421</b>	<b>1,634</b>	<b>798</b>	<b>1,820</b>	<b>936</b>	<b>46</b>	<b>9,108</b>
INGO	2,153	1,222	1,207	401	1,238	-	-	6,220
NNGO	300	200	399	397	528	900	-	2,724
LNGO	-	-	28	-	54	37	46	164
<b>Yemen</b>	<b>3,639</b>	<b>7,272</b>	<b>3,070</b>	<b>1,711</b>	<b>4,308</b>	<b>1,328</b>	<b>5,561</b>	<b>26,889</b>
INGO	3,539	7,018	2,938	1,603	4,111	1,328	5,019	25,555
NNGO	18	47	43	18	125	-	541	792
LNGO	82	208	90	90	73	-	-	543
<b>Total</b>	<b>110,074</b>	<b>130,360</b>	<b>138,227</b>	<b>148,940</b>	<b>144,194</b>	<b>133,249</b>	<b>146,221</b>	<b>951,265</b>
INGO	48,146	66,033	72,226	78,422	78,292	68,542	69,019	466,616
NNGO	16,453	20,287	19,346	19,467	20,100	17,933	34,766	134,290
LNGO	51,493	50,060	52,679	57,078	51,832	52,807	48,472	350,358

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In this report the findings are presented of an evaluation of direct funding of Non-Governmental Organisations (NGOs) based in the South with special attention for Local NGOs (LNGOs) by Netherlands embassies in the period 2006-2012. The study has been conducted by the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs of the Netherlands. The report is based on case studies in four

countries (Benin, Ethiopia, Mozambique and Sudan), a literature review, interviews, a survey questionnaire and an analysis of figures. The evaluation shows that direct funding has helped to achieve the objectives of Netherlands embassies and that it contributed to the credibility of LNGOs in society. Direct funding is highly valued by both embassies and LNGOs.

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