



CARNEGIE CONSULT



Efficiency appraisal Dutch NGOs within
MFSII and TUCP funding

*Final report
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List of abbreviations

IOB	Policy and Operations Evaluation Department
MFSII	Dutch Co-financing System II 2011 – 2015
MoFA	Ministry of Foreign Affairs of the Netherlands
NGO	Non-Governmental Organization
RJ650	Richtlijn voor de Jaarverslaggeving 650
TUCP	Trade Union Cofinancing Programme



Preamble

In early 2016, the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs of the Netherlands (“MoFA”) retained the services of Carnegie Consult to conduct an appraisal on the efficiency of Dutch NGOs within the context of the policy review “Support to Civil Society in developing countries for sustainable development through Dutch NGOs”. The mandate of the appraisal of Carnegie Consult was limited to the analysis of selected historic financial data and a qualitative analysis into the awareness of Dutch NGOs on efficiency, thereby abstaining from achievements of the analyzed Dutch NGOs in terms of outcome. In this report we present our findings and provide answers, to the extent possible, on the questions posed in the terms of reference.

We would like to take the opportunity to thank all who contributed to our appraisal. Firstly we would like to thank the staff of the IOB for freeing up time to provide information and contacts. We furthermore owe much thanks to the financial departments of the analyzed Dutch NGOs who, within a strict time frame and given the reporting season, provided us with an open-minded view of their internal organizations and numeric inputs. Without the support of all parties, we would not have been able to conduct our analysis properly.

The appraisal was conducted under the supervision of a team within IOB, who have been closely involved in the design and set-up of the appraisal, the applied methodologies, and the selection of NGOs. Furthermore, their organization and contributions in the provided workshops strongly contributed to the successful process. We therefore would like extend a token of gratitude to the IOB team for their guidance and support over the past few months.

We believe that the results provide a good cross-section on the funds provided by MoFA to Dutch NGOs under the Policy Framework Dutch Co-financing System II 2011 – 2015 (“MFSII”) and display a true view on the financial efficiency of the researched organizations. We hope our analyses provide a positive contribution to MoFA on how to view the efficiency of NGOs for the coming years.

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Maarssen, July 2016



Management summary

In the first half of 2016, Carnegie Consult conducted an analysis of the efficiency of Dutch NGOs within the MFSII context. Six alliances have been selected within MFSII. Within each selected alliance, the alliance leader and two randomly selected alliance partners were drawn to be part of the sample. Additionally, FNV Mondiaal and CNV Internationaal were analyzed separately, as they received funding to contribute to the achievement of policy objective 3.3 as well.

The research focused on the following two main questions:

1. How efficient have Dutch NGOs performed in terms of their indirect costs expressed by: 'inputs provided to southern NGOs' (outputs) / grants received from the ministry' (input) ratio'?
2. How aware have Dutch NGOs been on efficiency management and how have they managed their efficiency?

Efficiency of MFSII and TUCP funding by Dutch NGOs

MFSII funding has been a very significant funding source for Dutch NGOs though has decreased over time. The announced budget cuts in 2012 were not equally borne by all alliance partners, with the largest Dutch NGOs generally absorbing the brunt of the budget cut. The lion's share of MFSII funding has been channeled directly to Southern NGOs, on average 74%.

If the costs incurred at local offices of Dutch NGOs are incorporated, on average 80% of MFSII funds was spent in Southern countries. Therefore, activities of local offices account on average for 6% of MFSII funds (as can be deduced from Figure 1). The "Large" recipients of MFSII funds spend a larger proportion of MFSII funding outside of the Netherlands than "Small" recipients of MFSII funding, when taking the cost of own local activities into account and with the exception of 2014.

On average, indirect costs account for 13% of MFSII funds, which is significantly lower than other operations of Dutch NGOs. Part of the difference can be explained by the cost of fundraising, which is not incorporated as cost under MFSII but is categorized as indirect cost under non-MFSII related expenses. In addition, the amount of indirect costs that could be charged to MFSII has been limited, as this was agreed upon ex-ante to the MFSII period. "Facilitating" and "Small" organizations show lower indirect costs than "Mixed" or "Large" organizations. This could be explained by the "focus" of smaller organizations and the control mechanisms of larger organizations.



Figure 1: breakdown of average spend during investigated period



Dutch NGOs consistently channel a higher portion of funds to partners under MFSII than under other activities. This difference is most pronounced for “Facilitating” organizations and “Small” recipients.

An overall conclusion can be drawn that Dutch NGOs have spent more of the MFSII funds in Southern countries than in non-MFSII activities, whilst incorporating lower indirect charges.

TUCP organizations spend around three quarters of all expenditure to projects implemented by partners abroad. This is comparable to MFSII organizations. The indirect costs under the TUCP program are slightly higher compared to the NGOs under MFSII, which mainly is caused by a different labelling and administration of the cost items.

Awareness and management of efficiency management by Dutch NGOs

Many donors limit their contribution to the organizations’ indirect costs. Dutch NGOs seek a degree of core funding to cover for non-aid related activities or non-financial support such as organizational and development costs. Explicit fundraising campaigns and lobbying for non-earmarked funds from donors are major sources of funding to cover for such activities. Containment of indirect costs is frequently managed using internal policies and time sheet registration. Awareness of financial efficiency within Dutch NGOs generally limited to top management and the financial department.

Cost effectiveness of Southern NGOs is agreed upon ex-ante to funds disbursement but often difficult to manage in reality due to high costs of monitoring.

In terms of efficiency management, TUCP organizations do not differ much from MFS-II organizations. Not all organizations within the TUCP program use time sheets internally, however they monitor their partners’ direct and indirect costs systematically and even invest in partners’ capacity building to increase financial management skills.



Background

In 2016 the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs of the Netherlands (MoFA) is to carry out a policy review “Support to Civil Society in developing countries for sustainable development through Dutch NGOs”.

The main purpose of the policy review is to account for the budget spent under policy objective 3.3 of the Explanatory Note to the 2016 Budget. Another purpose of the review is to research a number of assumptions about the role of civil society in developing countries and about the supporting role of Dutch NGOs towards Southern NGOs. This last research is expected to provide lessons that may contribute to the enhancement of the effectiveness of sustainable development efforts of Dutch NGOs, if translated in policies and strategies.

The two overall questions for the policy review are:

- What are the insights regarding levels of effectiveness of support provided by the MFA under policy objective 3.3 through Dutch NGOs?
- How can the MFA and Dutch NGOs increase the effectiveness of their support to NGOs and civil society in the South?

The evaluation in principle is to cover the duration of the MFSII program.

Based on available previous evaluation reports, MoFA established that in many cases, no conclusions can be drawn on cost effectiveness in terms of the ratio between the value of the outcome achieved and inputs provided. Therefore, the policy review is to abstain from answering efficiency questions at that level. Instead the evaluation is to make efforts to answer the following questions:

1. How efficient have Dutch NGOs performed in terms of their indirect costs¹ expressed by: ‘inputs provided to southern NGOs’ (outputs) / grants received from the ministry’ (input) ratio’?
2. How aware have Dutch NGOs been on efficiency management and how have they managed their efficiency?

More specifically, the efficiency study is expected to provide insight into:

- How Dutch NGOs’ indirect costs are defined (regional, country offices)
- How additional non-aid related costs of Dutch NGOs are financed (decentralizations of offices, reorganizations)
- How non-financial support of Dutch NGOs is financed (TA, implementation costs)
- Costs of indirect costs in case Northern, Southern intermediary organizations are involved.
- Levels of organizational efficiency: input to ultimate Southern NGO/ input Ministry’s funding
- How Dutch NGOs manage their efficiency (cost effectiveness)

¹ Originally, overhead costs were part of the ToR, however it has been changed to indirect costs the assignment.



In this light, Carnegie Consult was retained to investigate these questions with a clearly defined yet limited scope.

The findings of Carnegie Consult are structured as follows. In the following Chapter, the scope, approach, information sources and limitations of the assignment will be detailed (Chapter 1). This will be followed by the actual findings of the conducted analysis (paragraph 2.1) in terms of financial analysis of (indirect costs) efficiency performance. Paragraph 2.2 depicts findings on the awareness of Dutch NGOs about efficiency and management of efficiency. In paragraph 2.3, a concise description is provided of the findings of the TUCP program.



1. Methodology

1.1. Scope

Over the past months, Carnegie Consult has conducted an analysis of the efficiency of Dutch NGOs in terms of cost structure with respect to funds received within the Policy Framework Dutch Cofinancing System II 2011 – 2015 (“MFSII”). This analysis was part of a broader policy review. The purpose of this broader review is to account for the budget spent under policy objective 3.3. of the Explanatory Note to the 2016 Budget. The aim of our (sub-)analyses was to examine which relationships could be established between the grants recorded under MFSII and the program expenses thereunder:

- Location where the work is performed;
- Nature of the fund recipient organization;
- Cost categorization;
- Cost allocation tools and awareness.

At the request of IOB, the Trade Union Cofinancing Programme (TUCP) additionally was incorporated in our analysis, as TUCP is also part of policy objective 3.3.. Through this program MoFA grants funding to the trade union federations FNV Mondiaal and CNV International.

The main equations selected to provide insight in the above are expressed as follows:

$$\frac{\text{inputs provided to Southern organizations}}{\text{grants received from the Ministry}}$$
$$\frac{\text{indirect expenditures}}{\text{total expenditures}}$$

The first equation seeks to provide insight in the percentage of MFSII funds that has been channeled to Southern organizations, thereby disregarding funds spent by Dutch NGOs directly in southern countries. The second equation seeks to provide insight in the percentage of MFSII funds spent that is labeled as “indirect expenditures”. Indirect expenditures can be defined as organizational costs incurred to enable a program, but cannot directly relate to achieving the program goals. Examples of indirect expenditures are the cost incurred to conduct a program evaluation or managerial expenses. Within the MFSII framework, examples of direct costs include program staff or international flights, as they directly link to achieving the goals of a program.

For MFSII organizations the expenditures of the investigated NGOs have been classified into several categories, in consultation with IOB and verified with officers of the investigated NGOs.

The expenditure categories are:

- Alliance partners: the funds channeled by MFSII alliance leaders to Dutch NGOs who partner within the alliance;



- Other partners: the funds channeled by Dutch NGOs to Southern NGOs;
- Personnel: staff and related costs, including salaries and allowances, pensions, and training;
- Housing: cost category that incorporates office rents and other infrastructural costs such as electricity and gas;
- Travel: cost category that relates to expenses incurred by staff for travel, both within and outside of the Netherlands;
- Fundraising: costs incurred to raise funds for programs;
- Office: cost category that relates to office and communication expenses; and
- Other: all other remaining cost categories.

Above-standing costs have been divided into several dimensions²:

- Direct Non-MFSII expenditures
- Indirect Non-MFSII expenditures
- Direct MFSII expenditures incurred at headquarters
- Indirect MFSII expenditures incurred at headquarters
- Direct MFSII expenditures incurred at local offices
- Indirect MFSII expenditures incurred at local offices

Collectively, the sum of all expenditures aligns with annual reports.

TUCP organizations are treated as a separate category in this report.

1.2. Approach

In our approach, we distinguished three phases:

1. Inception phase
2. Research phase
3. Feedback phase

Ad 1) Inception phase

The goal of the inception phase was to define the sample of MFSII beneficiaries to be analyzed and to clearly define the information required from these selected organizations. This was followed by an all-parties workshop, which allowed officers from the selected organizations to provide feedback on the proposed approach and information requested.

The *sample* of alliances was selected in close conjunction with IOB and constitutes a representative sample of MFSII beneficiaries. Within each alliance, three organizations were analyzed: each alliance leader and two randomly selected alliance partners. As mentioned in the introduction, the TUCP program additionally was incorporated in our analysis.

² A limited number of cost categories by definition cannot be split. Expenditure categories related to Alliance partners and Other partners are always direct costs. Fundraising costs are by definition classified as indirect costs. In addition, fundraising costs are not a cost category recognized under MFSII funding.



This selection of the MFSII funds resulted in the following selected alliances and parties, jointly representing well over 70% of the granted MFSII funds.

Figure 2 – Alliance leaders and partners in sample

Alliance leader	Selected partners	Others in consortium	Amount (€)
Oxfam Novib	SOMO, 1%club	Butterfly works, HIRDA	421,265,160
Cordaid	Both Ends, IKV Pax Christi	Impunity Watch, WEMOS, Nederlandse Rode Kruis, Mensen met een missie	402,374,345
ICCO	Prisma, Share people	EDUkans; PKN/Kerkinactie, Yente foundation, ZZg	382,538,991
HIVOS	Mama Cash, Press Now	IUCN	308,171,872
Rutgers WPF	AMREF, Dance4Life	Rutgers Nisso Groep, SIMAVI	50,681,531
Free Voice	Mensen met een missie, World Press Photo	EPD, European Journalism Center	21,816,220
Granted MFSII funds in sample			1,586,848,119
MFSII funds total			2,125,000,000
Sample as % of total			74.7%

In the study, we have made several cross-sections of the sample. The most notable split is in typology of Dutch NGOs: a number of Dutch NGOs can be classified as having primarily facilitating activities; i.e. are primarily involved in the coordination of channeling funds to local organizations (“Facilitating” organizations”). Other organizations have spent a significant portion of MFSII funds by directly implementing programs themselves and are thus categorized as such (“Mixed” organizations). These categories were verified with the NGOs themselves and are used throughout this report. Please note that this categorization relates to the allocation of funds within MFSII context only – for Non-MFSII funds the activities of the NGOs may very well be classified differently. A second notable breakdown has been made by splitting the sample into two groups based on the amount of funds received under MFSII excluding funds channeled directly to MFSII alliance partners (“Large” versus “Small” recipients). It should be noted that alliance leaders in general are characterized as both “Large” recipients of MFSII funds and “Mixed” organizations. The categorization leads to the below-standing subdivision.



Figure 3 – categorization of Dutch NGOs in sub-samples

	Alliance leader	Alliance partner	Facilitating	Mixed	Large recipients	Small recipients
Oxfam Novib	✓			✓	✓	
SOMO		✓	✓			✓
1% club		✓	✓			✓
Cordaid	✓			✓	✓	
Both ends		✓	✓			✓
IKV Pax Christi		✓	✓			✓
ICCO	✓			✓	✓	
Prisma		✓	✓			✓
Share people		✓	✓			✓
HIVOS	✓			✓	✓	
Mama cash		✓	✓			✓
Press Now		✓	✓			✓
Rutgers / WPF	✓		✓			✓
AMREF		✓		✓	✓	
Dance4Life		✓		✓		✓
Free Voice	✓		✓		✓	
Mensen met een missie		✓	✓			✓
World Press Photo		✓	✓			✓

After careful contemplation and given the time constraints of the participating NGOs, the *requested information* to the sample was selected to align with the Richtlijnen voor de Jaarverslaggeving 650 (“Richtlijn 650”) as much as possible. In doing so, the requested information could be traced back to the annual accounts at an aggregated level. Additionally, Richtlijn 650 governs consistent rules towards the recognition of costs to categories and in terms of direct versus indirect. As all parties investigated state in their annual accounts that Richtlijn 650 has been followed³, a strong indication of consistency in treatment of the received information was achieved. As final benefit, feedback from numerous NGOs was provided that the selected approach in general tied in well with financial systems and that the data query resulted in limited burden from their side.

For the TUCP organizations, no reference was made to Richtlijn 650 in the annual reports.

³ As the Dutch NGOs all indicate that Richtlijn 650 was followed, the research question defined in the Terms of Reference on the of the definition of indirect costs of Dutch NGOs is answered by default and is not investigated further in this report. However, this report will investigate how much indirect costs exist at headquarters and how much at local offices.



Richtlijn voor de Jaarverslaggeving 650 (“Richtlijn 650”)

No legal basis exists with regard to the reporting requirements of fundraising organisations. Richtlijn 650 was designed to ensure civil trust in the reporting of fundraising organisations. The reporting requirements of MFSII align with the requirements as set out in Richtlijn 650. Main elements included in Richtlijn 650 are the financial position of the organisation, the amount of expenditures related to the program goal divided by the total income and fundraising activities.

Under Richtlijn 650, costs are allocated based on the program goal, fundraising activities and management and administration costs. It is indicated under the guidelines that cost allocation is important, since costs are an important driver for donors. All costs that aim to persuade people to donate funds for a program goal, are classified as fundraising costs. In case activities are “mixed”, the costs can be split amongst several categories as well. Costs related to management and administration are costs that an organization makes related to (internal) control and (financial) reporting. Those costs cannot be allocated to programs or goals or fundraising. Organizations need to use a consistent method in relation to these costs and provide an explanation in the annual reports.

The inception phase was concluded by an *all-parties workshop*, in which the selected NGOs were able to provide feedback on the approach, the feasibility of the timelines requested, and feedback on the proposed definitions of program expenditures (“direct”) and non-program expenditures (“indirect”). The workshop provided the research team with valuable insights related to the reporting of MFS-organizations. On the basis of this feedback, the template was further optimized. Also, one of the main outcomes was that we were able to further align the template with the reporting as already used by the organizations. Furthermore, all the organizations that submitted a template were interviewed, and during these interviews feedback on the template was requested and, if relevant, taken into account when aggregating the data.

Related to the comment above, the evaluation team made a limited number of adjustments to the received templates, in order to ensure consistency between all organizations. The main adjustments were:

- Funds disbursed to alliance partners disregarded (to prevent “double counting”);
- Funds disbursed to other partners by alliance leaders (within MFSII) reclassified to “direct local costs”;
- All fundraising expenses reclassified as indirect expenditure.

Ad 2) Research phase

The research phase took place at several levels: at MoFA, an analysis was conducted on the available information in the archives of the Ministry. The overwhelming majority of the available information with MoFA proved to be consolidated at alliance level, rather than at the level of individual partners. For the individual NGOs, published annual reports were reviewed and analyzed on their MFSII reporting.



A crucial part of the required information was received from the NGOs themselves, by filling in a pre-defined excel template. Based on these information sources, the income and costs of MFSII funds were mapped, analyzed and traced over the relevant period from individual and collective viewpoints. The template was aligned to the reporting as already used by the MFSII organizations (to the extent possible), in order to minimize the effort required by the financial departments of the organizations in the sample. The template as sent to the organizations in the sample is included in annex 1 of this report, while in annex 2 the main guidance to the organizations is included, as a summary of questions & answers in dialogue with the financial departments.

After mentioned desk research, clarifying interviews were held with the financial officers of the respective NGOs. The interviews proved valuable to gain a better understanding of the activities of the individual NGO (both within and outside of MFSII) as well as a further detailing of costs and allocations. Crucially, the interviews provided the input for the awareness of efficiency and the management thereof.

Ad 3) Feedback phase

The findings from the research phase were first presented in a verification workshop, in which all parties were invited to participate. The provided feedback is incorporated in the overall conclusions and findings as presented in this report.

Please note that all findings presented are either on aggregate or on sub-group basis. Of the selected sample, 2 organizations no longer exist and 2 organizations have not submitted fully completed templates. Variances between individual organizations are large, given the activities, roles and sheer amount of MFSII funding provided to each organization. In the remainder of this analysis, MFSII funding is defined as the funding the NGO received within the selected alliance (and excludes the funding the NGO received from other alliances in which they participated but were not the alliance leader)⁴.

1.3. Information sources

For this analysis, the main information sources were:

- MFSII alliance budgets and reports as provided by the alliance leader to the Ministry and stored on the Ministry's digital archives ("Sophia");
- Annual reports of the individual NGOs, as published;
- Financial templates as submitted by the individual NGOs;
- Interviews with officers of the Ministry and Dutch NGOs.

The investigated time frame for recipients of MFSII funding was 2011 – 2014, as 2015 accounts were not yet prepared at the time of the study. For TUCP the period was 2013 – 2014.

⁴ Several organizations in the sample were leader in one MFSII alliance and a MFSII-partner in another (or multiple) alliance. Where NGOs were part of multiple alliances, the numbers included in the analysis represent the funds from the alliance in which they were alliance leader. As a result, the depicted MFSII funding represents by far the lion's share of the MFSII funding received by an NGO active in multiple alliances.



1.4. Limitations

This study has limited research scope and focuses exclusively on the cost of the implementation of the policy and not on the results achieved. This is therefore a limited analysis and explicitly does not address the effectiveness of the NGOs' use of the MFSII funds. The overall policy review as conducted by IOB should provide a more holistic picture.

The main limitations of this study are:

1. Limited ability to break down the costs associated with clearly formulated objectives;
2. Limited ability to independently validate submitted cost allocation of the NGOs;
3. No evidence-based insight in the cost structure of the Southern partners of the Dutch NGOs;
4. No complete insight in the full MFSII time frame.

Ad 1)

As the boundaries of an individual program are not always evident, it at times proved challenging for NGOs to break down costs in direct and indirect costs. The more clearly defined the objectives of the program are defined, the easier it becomes to make a clear distinction between spending and program implementation. In addition, various programs within one single organization may serve similar objectives, thereby blurring the ability to strictly allocate costs to one specific program or donor. However, all organizations analyzed confirmed that double funding is never permitted. Finally, indirect costs are defined in line with RJ650. Therefore the suggested indirect costs categories in the ToR (regional, country offices) are not used in this report.

Ad 2)

A great deal of the information submitted by the NGOs could not be validated at line item level within the scope of the undertaken assignment, as the line items requested do not trace back precisely to annual accounts. A major mitigating factor is that the NGOs all report in alignment with Richtlijn 650, thereby (at least on formal basis) following consistent allocation principles. Our working assumption was that the information provided to us by the NGOs indeed was based on a consistent basis.

The typical cross-check of build-up and trends within a single organization was not always possible. For instance, in several instances an NGO's internal organization was transformed during the MFSII period, resulting in an overnight change in cost allocation. Furthermore, reorganizations within the NGOs themselves were conducted during the course of the MFSII period (amongst others following the MFSII budget cuts as announced in 2012), thereby leading to breaches in trends or different expenditure patterns. The comprehension of the data was therefore only feasible after the clarifying interviews.

Ad 3)

Although not part of the research carried out, we would like to address a major point of concern being the cost structure of the Southern partners of the Dutch NGOs. For all of the organizations investigated, the Dutch NGOs made use of Southern partners to implement the programs. In fact, the overwhelming majority of MFSII funds in the sample were channeled directly to Southern



partners. The efficiency of the funds to Southern partners has not been investigated, though qualitative feedback of Dutch NGOs on the monitoring of these funds is incorporated in paragraph 2.2.

Ad 4)

During the study period, the financial accounts for calendar year 2015 were still being drawn up. Therefore, this study limits itself to the first four years of the MFSII program, i.e. 2011 - 2014. For TUCP we investigated the second program which commenced in 2013 and will run up to and including 2016.

Despite the relatively short time frame in which the analysis was conducted, most but not all NGOs were able to provide the requested data in a structured and timely fashion. Where possible, financial officers having sufficient institutional memory of the MFSII time frame made time available for a clarifying interview.



2. Efficiency of Dutch NGOs

2.1. Efficiency

The following paragraph is structured to answer the first main question in the Terms of Reference (ToR): How efficient have Dutch NGOs performed in terms of their indirect costs expressed by: 'inputs provided to southern NGOs' (outputs) / grants received from the ministry' (input) ratio'?

1. Levels of organizational efficiency: input to ultimate Southern NGO/ input ministry's funding.
2. Indirect costs in case Northern, Southern intermediary organizations are involved.
3. How Dutch NGOs' indirect costs are defined (regional, country offices).

In this subsection, first the annual income of the NGOs will be analyzed (both total income as well as MFSII income). Sub-samples will be presented according to the amount of received MFSII funds (large / small) and typology (facilitating / mixed) of the NGO. In the second part of the section, the expenditures will be analyzed, and the same sub-samples will be used.

Overall income and importance of MFSII

In the period 2011-2014, the total income (including MFSII funding) increased for the selected sample, except for the 2014 financial year. Total income increased in 2012 (weighted average: 21%) and 2013 (23%), and remained equal in 2014 (0%).

The pattern of MFSII funding was slightly different, as MFSII income increased by 8%, 10% and 4% in 2012, 2013 and 2014, respectively. According to several organizations, the year-on-year change for the largest part has to do with the way the MFSII programs were structured, as first a ramp-up period was required.

Table 4 below shows the total amounts of MFSII and other funding received by the organizations in the sample:

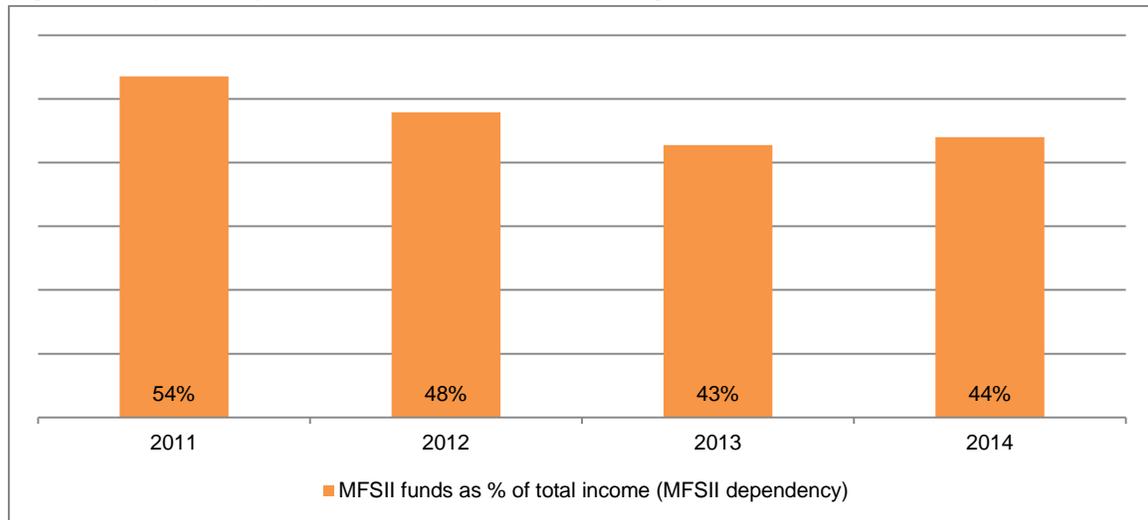


Figure 4: split in funding sources Dutch NGOs

(in EUR million)	2011	2012	2013	2014
Total funding	453	546	675	675
<i>y-o-y change</i>		21%	23%	0%
MFSII funding	242	262	288	299
<i>y-o-y change (%)</i>		8%	10%	4%
Other funding	210	285	386	376
<i>y-o-y change (%)</i>		35%	36%	-3%

MFSII funding has been a very significant funding source for all NGOs investigated, on average representing 47% of total income. In 2011, the weighted average⁵ percentage of MFSII funds related to total income amounted to 54%, and this decreased to 44% in 2014 (see Figure 5). We note that major differences exist between organizations. Some organizations only depend for approximately 10% on MFSII funding, while others were close to 90% MFSII dependency in 2012⁶. Over time, MFSII funding in general has become relatively less important for the organizations in the sample. This likely relates to the announcement of the termination of MFSII, which effectively required organizations to identify other sources of funding and / or undergo significant internal reorganizations.

Figure 5: Dependency of Dutch NGOs on MFSII funding



The dependency on MFSII funding proves to be significantly higher for the “Mixed” organizations and “Large” recipients than for “Facilitating” organizations and “Small” recipients (Figure 6). We

⁵ Weighted average is an average in which each quantity to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average.

⁶ At least 25% of the funding of organisations benefiting from MFSII needs to come from other sources than MFSII. However, this is measured on alliance level, and not per individual organisation. Therefore, some organizations reported percentages higher than 75% dependency on MFSII funding. This applies specifically to alliance partners receiving a smaller portion of the MFSII funds.



have not encountered any specific cause to explain this phenomenon, neither based on interviews or on the data provided.

Several organizations have mentioned that aforementioned budget cuts were disproportionately absorbed by the “Mixed” organizations and “Large” recipients, as many large sub-programs were scaled down whereas smaller sub-programs were not. This comment is indirectly supported by the data, where it can be seen that the largest decrease in MFSII dependency is found with “Mixed” organizations and “Large” recipients.

Figure 6: break-down of MFSII dependency by sub-sample

% MFSII dependency	2011	2012	2013	2014
Total sample	54%	48%	43%	44%
“Facilitating” organizations	31%	25%	23%	21%
“Mixed” organizations	56%	50%	44%	46%
“Large” recipients	57%	51%	45%	46%
“Small” recipients	28%	23%	23%	22%

Conclusion

MFSII funding has been a very significant funding source for Dutch NGOs though has on the whole decreased over time. The MFSII budgets cuts were not equally borne by all alliance partners, with the largest Dutch NGOs seemingly absorbing the brunt of the budget cuts.

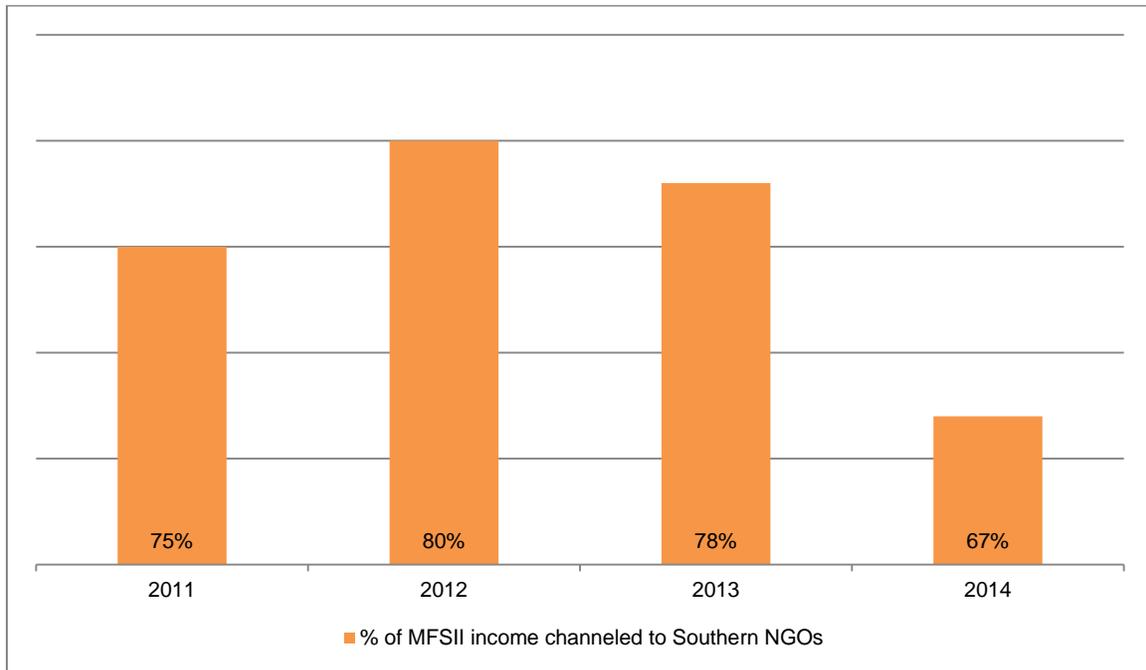
MFSII funds spent channeled to Southern NGOs⁷

To answer the sub question regarding the organizational efficiency, the MFSII funds channeled to Southern NGOs is the main indicator. The MFSII funds channeled to Southern NGOs have increased slightly after the ramp-up period in 2011 (Figure 7). On average, the funds spent outside the Netherlands range between 67% and 80%, with an average of 74%. In absolute terms, this equals EUR 182 million in 2011 up to EUR 200 million in 2014.

⁷ Country offices of the Dutch NGOs are not included in this amount.



Figure 7: Percentage of MFSII income channeled to Southern NGOs



Drilling down to the sub-samples (Figure 8 below), the percentages of “Mixed” organizations and “Large” recipients are nearly identical to the overall sample, given their overlap and weight in the overall sample. “Facilitating” organizations logically tend to channel a higher portion of the MFSII funds to Southern NGOs, as they do not run programs at local level themselves or require significant efforts to manage such programs (this is done by local partner organizations). No significant or systematic difference in percentage can be discerned between “Small” and “Large” recipients until 2014. In 2014, the “Large” and “Mixed” were permitted to use part of their MFSII funds to finance reorganizations of their operations. As a result, the percentage of funds transferred to Southern NGOs decreased.

Figure 8: break-down of MFSII income channeled to Southern NGOs by sub-sample

% MFSII funds channeled to Southern NGOs	2011	2012	2013	2014
Total sample	75%	80%	78%	67%
“Facilitating” organizations	76%	85%	86%	91%
“Mixed” organizations	75%	80%	77%	66%
“Large” recipients	75%	80%	78%	66%
“Small” recipients	71%	76%	78%	81%

Figure 8 however disregards the fact that a number of organizations partially implement programs locally themselves from their local offices. When incorporating costs of local offices, it can be concluded that the overall percentage of MFSII funds that contributes to the “South” increases to



76 – 84%, with an average of 80% (Figure 9). In absolute terms, this equals EUR 192 million in 2011 up to EUR 227 million in 2014. Put differently, local office costs accounted for under MFSII amount to EUR 10 – 26 million, respectively in 2011 and 2014. From this perspective, it can be concluded that “Large” recipients have spent a larger portion of their MFSII funding in Southern countries compared to “Small” Dutch recipients in the sample (until 2014). Taking local office costs into account and with the exception of 2011, it seems that “Facilitating” organizations spend slightly more of the MFSII funds outside of the Netherlands compared to “Mixed” organizations, thereby implying a tentative conclusion that “Mixed” organizations run part of the MFSII-related programs from headquarters, whereas “Facilitating” organizations in general see (nearly) all of the field activities managed by Southern partners.

Figure 9: break-down of MFSII income spent outside of the Netherlands by sub-sample

% MFSII funds spent outside of the Netherlands	2011	2012	2013	2014
Total sample	80%	84%	82%	76%
“Facilitating” organizations	76%	85%	86%	91%
“Mixed” organizations	80%	84%	82%	75%
“Large” recipients	80%	85%	83%	75%
“Small” recipients	71%	76%	78%	81%

Conclusion

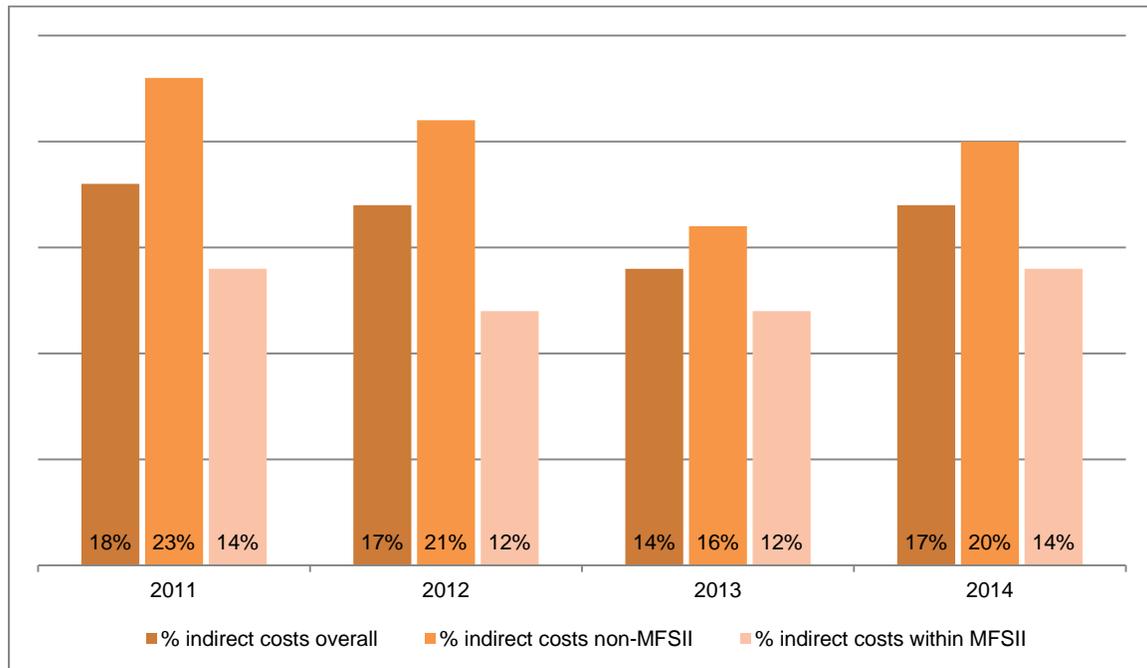
- The lion’s share of MFSII funding has been channelled directly to Southern NGOs, on average 74%. If the costs incurred at local offices of Dutch NGOs are incorporated, on average 80% of MFSII funds was spent in Southern countries. On average, Dutch NGOs channelled relatively more funds to partner organizations within MFSII programs than within other activities.
- Activities of local offices account on average for 6% of MFSII funds.
- The “Large” recipients of MFSII funds spend a larger proportion of MFSII funding outside of the Netherlands than “Small” recipients of MFSII funding, when taking costs of own local activities into account, with the exception of 2014. The discrepancy in 2014 is likely due to the allocation of MFSII funds towards reorganization of headquarter operations.

Indirect costs relative to overall spending

As indicated in paragraph 1.2 of this report, the indirect costs are classified according to RJ650 guidelines. On aggregate level, the overall indirect cost of Dutch NGOs, expressed as a percentage of income and including the indirect cost of local offices, ranges between 14 – 18% over the period 2011 – 2014. Within MFSII context, this percentage ranges between 12 – 14%, with an average of 13% (figure 10).



Figure 10: Split of indirect costs overall and within MFSII



When analyzing the indirect costs (as percentage of income), we note indirect costs in general are considerably lower within the MFSII program, compared to non-MFSII. Several causes contribute to this observation:

- Under MFSII, fundraising is not explicitly considered (nor permitted as) a cost category. For Non-MFSII activities, fundraising is very much considered as activity and administered as either direct or indirect costs. Over the investigated time frame, fundraising expenses represent some 3% of overall income of the Dutch NGOs. Therefore, a significant part of the discrepancy in indirect costs can be attributed to fundraising activities.
- In addition, according to several organizations interviewed, the chosen methodology within MFSII has a major impact, whereby Dutch NGOs had to estimate the expected indirect costs ex-ante, and could not exceed this amount during the subsidy period. After awarding of the MFSII funds, the NGOs were hence guaranteed to have covered part but not all of their organizational cost per se. The remainder of the indirect costs were therefore burdened on other programs or covered by other sources (e.g. individual donations or non-earmarked funds such as Postcode Loterij donations). One might therefore conclude that part such “other” sources did not directly benefit program goals but were used to cover indirect costs as management, finance departments or business development activities. Put reciprocally, one could argue that MoFA did not cover its pro rata share in indirect costs, thereby enjoying “free rider” benefits.



By taking a more detailed view of the sub-sample (as set out Figure 11), several notable observations can be made:

- For all sub-samples, the percentage indirect costs under MFSII are lower than the percentage indirect costs for other funding. The main contributors for this finding is consistent with the previous paragraphs.
- As one would expect, the indirect costs of “Facilitating” organizations are significantly and systematically lower than the indirect costs of “Mixed” organizations. The main explanation is that organizations with substantial own field activities require significantly higher organizational and operational capacity versus those organizations that focus predominantly on facilitation of local activities, where a major part of indirect burden is borne by partners. As previously mentioned, this is also depicted by the percentage of funds that is channeled to partner organizations. Unfortunately, a further analysis of the cost effectiveness of local partners is not part of this study and therefore it is impossible to assess which method is the most cost efficient, let alone effective.
- “Small” recipients have relatively small indirect costs compared to “Large” recipients, both within MFSII funding and in general. In general, it may be assumed that larger organizations have larger program development activities and require more elaborate control mechanisms. As a result, larger organizations may possibly be considered as having more bureaucratic business model within large organizations. Furthermore, smaller organizations often have more “focus” and are therefore able to work more efficiently towards their goals. Additionally, they frequently can “piggyback” as subcontractor on programs developed by larger organizations, thereby (to a large extent) foregoing long, intensive and expensive tender processes.
- One caveat should be made, however, as both the “Mixed” organizations and “Large” recipients are in general alliance leaders. As a result, they have a coordinating role within “their” alliance, resulting in a limited higher indirect cost. On average, alliance leaders had an indirect cost level that was 5% points higher than that of the other investigated members of their alliance.
- In addition, MFSII organizations were permitted to reallocate part of their budgets in 2014 towards reorganization of headquarters, most prominently with “Large” and “Mixed” organizations. These costs have been labelled as indirect costs, resulting in higher indirect cost percentages in 2014.



Figure 11: Break-down of indirect costs by sub-sample

% indirect costs	2011	2012	2013	2014
Total sample				
- MFSII funding	14%	12%	12%	14%
- Other funding	23%	21%	16%	20%
“Facilitating” organizations				
- MFSII funding	8%	8%	7%	8%
- Other funding	14%	12%	12%	12%
“Mixed” organizations				
- MFSII funding	14%	12%	12%	14%
- Other funding	24%	23%	17%	20%
“Large” recipients				
- MFSII funding	14%	12%	12%	14%
- Other funding	25%	23%	17%	21%
“Small” recipients				
- MFSII funding	8%	9%	8%	9%
- Other funding	13%	11%	11%	11%

Conclusion

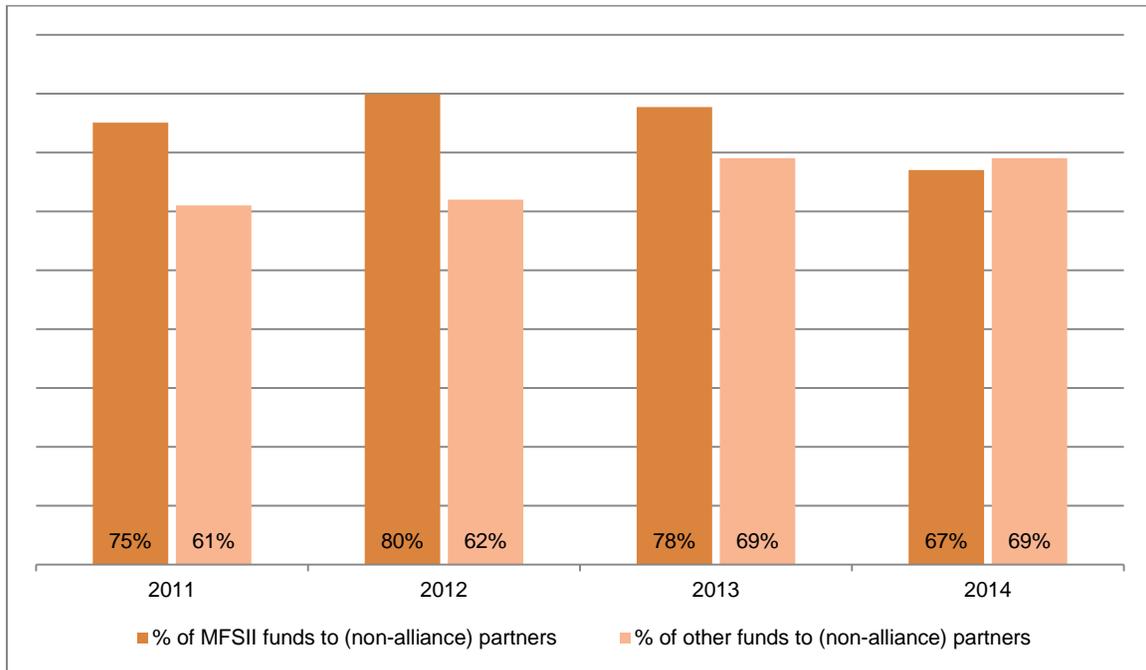
- On average, indirect costs account for 13% of MFSII funds, which is significantly lower than other operations of Dutch NGOs.
- Part of the difference can be explained by the cost of fundraising, which is not incorporated as cost under MFSII but is categorized as indirect cost under non-MFSII related expenses. In addition, the amount of indirect costs that could be charged to MFSII has been limited to a certain amount, as this was agreed upon ex-ante to the MFSII period.
- “Facilitating” organizations show lower indirect costs than “Mixed” organizations.
- “Small” recipients have significantly lower indirect costs than “Large” recipients.

Disbursements to local partners

Non-MFSII funds disbursed to partner organizations increased in the period 2011-2014. The relative peak of the MFSII funds channeled to partners was in 2013. One explanation could be that at the start of the MFSII-period (2011), partnerships needed to be effectuated and arrangements needed to be made in order to start projects. With the exception of 2014, the MFSII funds are channeled to partner organizations at a significantly higher level than those of other funding sources (Figure 12), thereby indicating that MFSII has successfully enabled the degree of facilitation of the organizations in the sample. These findings are consistent for all sub-samples (Figure 13).



Figure 12: Disbursements of funds to non-alliance partners



As can be concluded from Figure 13, this phenomenon can be witnessed in all sub-samples. It is interesting to notice that the relative percentage of funds disbursed to partner organizations for non-MFSII funding is relatively consistent for all sub-samples, though no clear explanation can be provided.



Figure 13: break-down of disbursements to non-alliance partners by sub-sample

% disbursements to (non-alliance) partners	2011	2012	2013	2014
Total sample				
- MFSII funding	75%	80%	78%	67%
- Other funding	61%	62%	69%	69%
“Facilitating” organizations				
- MFSII funding	76%	85%	86%	91%
- Other funding	67%	66%	70%	63%
“Mixed” organizations				
- MFSII funding	75%	80%	77%	66%
- Other funding	59%	62%	69%	69%
“Large” recipients				
- MFSII funding	75%	80%	78%	66%
- Other funding	59%	61%	69%	69%
“Small” recipients				
- MFSII funding	71%	76%	78%	81%
- Other funding	68%	68%	71%	65%

Conclusion

- Dutch NGOs channelled a higher portion of funds to partners under MFSII than under other activities, with the exception of 2014 for “Large” and “Mixed” organizations. The main explanation lies in the fact that these organizations were permitted to allocate part of the overall MFSII budget to finance reorganizations.
- This difference is most pronounced for “Facilitating” organizations and “Small” recipients, though no clear explanation can be provided.



2.2. Awareness

The following paragraph is structured to answer the second main question in the Terms of Reference (ToR): How aware have Dutch NGOs been on efficiency management and how have they managed their efficiency?

1. How additional non-aid related costs of Dutch NGOs are financed (decentralizations of offices, reorganizations).
2. How non-financial support of Dutch NGOs is financed (TA, implementation costs).
3. How Dutch NGOs manage their efficiency (cost effectiveness).

Funding sources

The Dutch NGOs are in general funded by a number of donors, ranging from international donor organizations and government programs to smaller (individual) donors and estates. Large donors (and governments) generally fund programs and allow a surcharge to cover for organization costs. For these donors, the surcharge may be allocated as the NGO sees fit, i.e. to non-program activities, technical assistance, implementation costs, or other (re-)organizational costs.

A number of organizations that benefited from MFSII funding indicated that the amount of indirect costs that can be covered in a particular program is often driven by the room allowed by the donor. In case (donor) funding is earmarked, the amount of indirect cost that can be allocated is often dictated by a maximum percentage as demanded by the donor or, should the donor agree to all-in rates, a full-cost rate for staff. In the latter case, employees record their hours on both external and internal projects, and organizational costs are added to the hourly rates on external projects to get to the all-in rates.

Funds that are not specifically tied to program deliverables so-called “non-earmarked” or “core” funding, are highly sought among NGOs, as they are permitted to spend such funds as they see fit. Typical examples for Dutch NGOs are the Postcode Loterij and household donations. Next to program expenses, these funds are frequently applied for developing business concepts, tender activities to specific program funding and the covering of a part of the organizational cost (such as local offices). In general it is fair to say that NGOs require a certain amount of core funding, as large donors increasingly are unwilling to support strict program goals. The fundraising activities are treated as a separate “program” by a number of NGOs and are even mentioned as such in annual reports.

Financial efficiency management of Dutch NGOs

When analyzing the cost efficiency awareness of Dutch NGOs, it comes to light that large differences exist between the analyzed organizations. The interviewed staff of NGOs are all very aware of and active in efficiency management. In general it should be mentioned that the interviewed staff may not necessarily be representative for the full organization: financial efficiency management frequently is limited to the financial and (top) managerial domains.



In their efforts to maintain a grasp on efficiency, the majority of the selected organizations have “time sheet” mechanisms in place, whereby quite detailed splits can be made between program related (direct) personnel expenses and non-program related (indirect) personnel expenses. This allows for enhanced capacity planning of staff and greater insight in direct versus indirect costs. Those organizations that do not work with time sheets are only able to indicate in broad terms how program and non-program personnel expenditures are divided. In addition, no objective measure can be made of workload or output of staff members in relation to the time spent on activities.

Non-program costs and the organizations’ costs coverage are intensely monitored, providing frequent inputs for internal discussions and actions on efficiency and budgeting. Even though the used sample was small, a variety of mechanisms is used to control indirect expenses. We note however that these choices are not only made by the NGOs themselves, since each donor has its own demands. In the case of MFSII funding, NGOs committed themselves to a specific percentage of indirect costs (ex ante) and needed to make sure they kept within the agreed ranges. Another donor, on the other hand, does for example not accept all-in rates, and the indirect costs need to be shown separately. In order to make meaningful comparisons and to allow a more in-depth study of the indirect cost, it would be helpful (though wishful thinking) if donors align their policies in relation to reporting on indirect costs.

NGOs often have policies to control certain costs, such as expense/reimbursement policies, travel expense policies, office procurement costs, communication expenses, etcetera. In addition, we find it noteworthy and commendable that numerous NGOs have active monitoring on non-financial controls, extending to sanction, anti-corruption and anti-bribery policies.

Financial efficiency management of Southern partner organizations ex-ante

As can be derived from paragraph 2.1 above, the majority of MFSII funds were channeled directly to local partners. It was beyond the scope of this study to investigate the efficiency awareness on the level of the local partner. However, a number of Dutch based NGOs indicated that an independent audit is required if the sum of funds provided to the local partners exceeded EUR 50,000 per annum. Furthermore, local partners provide the Dutch based organizations with reports. Their reports show how the funds have been used and therefore provide accountability to donors. However, as these reports are sent on a project basis and not on an aggregate basis, often there is no insight in the total expenditures or efficiency at a local partner level (i.e. only at a project level).

Local partners typically submit a budget to the Dutch partner. Usually, the Dutch NGO will mainly assess whether the goals of the local partner fit within their own goals. Furthermore, a reasonability test will ex ante be carried out in relation to indirect costs, and as indicated above, eventually combined with an audit. In some cases, the quotient of indirect to direct costs is taken as criteria to determine if the proposed budget is reasonable and in other cases, the Dutch NGO’s staff (somewhat subjectively) concludes whether the proposed budget of the Southern NGO is reasonable. However, especially in case the projects as proposed by the local partner are



relatively small, a check of the financial organization is often too costly compared to the total project size. It was indicated by one NGO that partner organizations sometimes receive core funding from donors, and subsequently “forget” to charge indirect costs to other donors.

Financial efficiency management of Southern partner organizations ex-post

In most cases, the Dutch NGOs have strict reporting requirements for local partners, often requiring an independent audit if the sum provided to the local partners exceeded a specific threshold. For example, several organizations follow an internal policy to subject partner NGOs to an independent audit if channeled funds exceed EUR 50,000 per annum. However, the majority of local partners do not systematically undergo independent audits primarily due to two factors. Firstly, the sheer number of local partners with which Dutch NGOs work with is too large; one organization mentioned collaboration with hundreds of local partners for MFSII funds only. Secondly, the cost of audits in relation to the funds channeled to an individual local partner is frequently disproportionate and thereby a deterrent.

As a result, the actual reporting of the cost is often sketchy and divisions in the mentioned cost categories are difficult or impossible to make. The investigated Dutch NGOs are well aware of this fact and indicate preferring to monitor goals achieved compared to the baseline indicators at inception of a program rather than on how indirect costs are allocated. A further analysis of how the funds channeled to these partners were spent in direct and indirect costs certainly would provide valuable insight, yet would be extremely time consuming (several of the Dutch NGOs collaborate with hundreds of local implementing partners).

Conclusion

- Many donors limit their contribution to the organizations’ indirect costs. Dutch NGOs seek a degree of core funding to cover for non-aid related activities or non-financial support such as organizational and development costs.
- Explicit fundraising campaigns and lobbying for non-earmarked funds from donors are major sources of funding to cover for such activities.
- Awareness of financial efficiency within Dutch NGOs generally limited to top management and the financial department.
- Containment of indirect costs is frequently managed using internal policies and time sheet registration.
- Cost effectiveness of Southern NGOs is agreed upon ex-ante to funds disbursement but often difficult to manage in reality due to high costs of monitoring.



2.3. Findings TUCP program

Through the Trade Union Cofinancing Programme (TUCP), MoFA grants funding to the trade union federations FNV Mondiaal and CNV International. The current trade union co-financing program started in 2013 and is a follow up to the co-financing program of 2009-2012. The program's goal is to improve the quality of work and life for employees in developing countries by promoting dialogue and negotiation through support to partner unions in Africa, Latin America, Asia and Eastern Europe. This is done with financial support, advice but also by giving access to knowledge and relevant networks.

FNV Mondiaal is to receive EUR 31.7 million and CNV Internationaal EUR 17.3 million from the current TUCP program over a duration of four years (2013 – 2016). Both organizations have a limited number of partners and no local offices.

Our analysis is based on the years 2013 and 2014. Below we have summarized the main conclusions:

- The activities of both organizations are funded by the TUCP program for 80-85%, the rest is funded by own contributions and other subsidy programs;
- Ca. 75% of all TUCP expenditure relates to projects implemented by partners abroad;
- Between 17% and 25% of TUCP expenditure relates to indirect costs made in the Netherlands, more than half of which is accounted for by personnel costs. It should be noted that all salary costs of the organizations are labelled as indirect costs, although staff regularly conduct training and advisory services and activities in the program countries and participate in program activity meetings. Any remaining TUCP expenditure is categorized as other direct costs and consists of a myriad of campaigning costs, promotional activities and consultants;
- The difference to non-TUCP costs is minor. In one case the TUCP expenditure shows slightly higher indirect costs than non-TUCP expenditure, vice versa in the other case;
- It is not possible to identify which direct expenditure is made in the Netherlands and which costs are made abroad as costs are administered to projects instead of locations.

Efficiency management

One of the organizations uses a time sheet mechanism to register hours worked on specific projects, the other does not. In the former case the indirect costs are no longer charged as a flat fee, but on the basis of hours worked on the TUCP program.

Strategic partners draw up individual annual or multi-annual project proposals including budgets. Before approval, these budgets are internally analyzed on aspects like relevance, cost-effectiveness and organizational capacity. One organization pointed out that partners need to identify the amount of indirect costs in their proposals, and a maximum of 15-25% indirect costs is acceptable. Audited annual statements are provided by the partners to account for the funds received. At the same time the organizations invest in financial capacity development of their partners, because many are still suffering from inadequate financial and administrative management systems.



Annex 1: Used template

Organisation name

Template instructions

- Please fill in the template below, based on historic full year actuals
- All total numbers (columns O through Q) should add up to the numbers as can be traced into your annual reports
- Input cells are colored light grey
- Any additional commentary or notes on allocation keys can be provided in column S
- For your convenience, a quick navigation pane is provided on the right
- We would greatly appreciate to receive your completed template per email by Friday March 11th 2016
- Should you have any questions, please do not hesitate to contact Carnegie Consult at +31 (0)346 29 07 45 or toon.luttikhuis@carnegieconsult.nl / ren.strooman@carnegieconsult.nl

Navigate	
2011	2013
2012	2014

	NON-MFS II RELATED			MFS II RELATED			TOTAL			COMMENTARY / NOTES / ALLOCATION KEYS
				Headquarters			Local offices			
	direct	indirect	total	direct	indirect	total	direct	indirect	total	
(€ x thousands)										
INCOME / CONTRIBUTIONS			0			0			0	
EXPENDITURE										
To alliance partners	0	0	0	0	0	0	0	0	0	0
To other partners	0	0	0	0	0	0	0	0	0	0
Personnel	0	0	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0
Fundraising	0	0	0	0	0	0	0	0	0	0
Office	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other...	0	0	0	0	0	0	0	0	0	0

	NON-MFS II RELATED			MFS II RELATED			TOTAL			COMMENTARY / NOTES / ALLOCATION KEYS
				Headquarters			Local offices			
	direct	indirect	total	direct	indirect	total	direct	indirect	total	
(€ x thousands)										
INCOME / CONTRIBUTIONS			0			0			0	
EXPENDITURE										
To alliance partners	0	0	0	0	0	0	0	0	0	0
To other partners	0	0	0	0	0	0	0	0	0	0
Personnel	0	0	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0
Fundraising	0	0	0	0	0	0	0	0	0	0
Office	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other...	0	0	0	0	0	0	0	0	0	0

	NON-MFS II RELATED			MFS II RELATED			TOTAL			COMMENTARY / NOTES / ALLOCATION KEYS
				Headquarters			Local offices			
	direct	indirect	total	direct	indirect	total	direct	indirect	total	
(€ x thousands)										
INCOME / CONTRIBUTIONS			0			0			0	
EXPENDITURE										
To alliance partners	0	0	0	0	0	0	0	0	0	0
To other partners	0	0	0	0	0	0	0	0	0	0
Personnel	0	0	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0
Fundraising	0	0	0	0	0	0	0	0	0	0
Office	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other...	0	0	0	0	0	0	0	0	0	0

	NON-MFS II RELATED			MFS II RELATED			TOTAL			COMMENTARY / NOTES / ALLOCATION KEYS
				Headquarters			Local offices			
	direct	indirect	total	direct	indirect	total	direct	indirect	total	
(€ x thousands)										
INCOME / CONTRIBUTIONS			0			0			0	
EXPENDITURE										
To alliance partners	0	0	0	0	0	0	0	0	0	0
To other partners	0	0	0	0	0	0	0	0	0	0
Personnel	0	0	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0
Fundraising	0	0	0	0	0	0	0	0	0	0
Office	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other... [please specify]	0	0	0	0	0	0	0	0	0	0
Other...	0	0	0	0	0	0	0	0	0	0



Annex 2: Narrative to the used template

In this section, the main “guidance” as communicated to the organizations in the sample has been summarized.

General

- All requested amounts are to be interpreted as drawn up in the annual accounts of the respective NGOs
- In the template, we distinguish between MFSII income and expenses and Non MFSII income and expenses
- The breakdown of income and expenses in relation to MFSII funds should *only be viewed in lieu of the alliance selected in the sample*. Should an organization be involved in multiple MFSII alliances, the “other” MFSII income and expenditures are to be listed as “non-MFSII” funds
- The total amounts in column Q should add up to the amounts as presented in annual accounts
- Furthermore, we distinguish between direct costs and indirect costs, in line with Guideline 650 for fund raising institutions of the Dutch Council for Annual Reporting “Richtlijn 650”
- The information is requested for each of the book years 2011, 2012, 2013 and 2014. Should an NGO have book years that do not coincide with calendar years, we kindly request the organization to notify Carnegie

Income

- The MFSII funds should be split, where relevant, into income allocated at headquarter level and income at local offices
- To avoid confusion in terminology, the term “income” here is defined as “gerealiseerde baten MFSII subsidie” (i.e. in line with annual reports)

Expenditures

- *To alliance partners*. Should an organization be leader in an MFSII alliance, please label the amount channeled to alliance partners in any book year as “headquarters – direct” (Column G)
- *To other partners*. For MFSII funds, please indicate the amount channeled to partner organizations (other than MFSII alliance partners of the alliance in the sample) in column K (direct local)
- *Personnel*. Personnel expenses relate to all staff expenses as depicted in annual reports, split into direct expenses (those that can directly be linked to program goals) and indirect expenses (particularly M&A “beheer en administratie” activities). Please incorporate fundraising-related staff costs under “fundraising”
- *Housing*. Housing costs relate directly to staff working facilities (“huisvesting”) such as rent. Where housing expenses can directly be tied to programs, they may be labeled as “direct”



- *Travel.* Travel expenses (flights, fuel, accommodation, per diems) linked to (MFSII) programs should be classified as direct expenses
- *Fundraising.* Fundraising costs should incorporate staff expenses related to this activity. By definition, they are considered indirect.
- *Office.* Office expenses to be incorporated include network & IT. Where office expenses can directly be tied to programs, they may be labeled as “direct”
- *Other.* Should other cost categories be relevant, please depict them as such