

**Evaluation of co-financing operations with European  
non-governmental development organisations (NGOs)  
Budget line B7-6000**

Phase 3

**Final Report**

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**Submitted by the Consortium composed of:**  
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The authors accept sole responsibility for this report, drawn up on behalf of the  
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The report does not necessarily reflect the views of the Commission.

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## PREFACE

This Final REPORT present the major findings, conclusions and recommendations of the evaluation of Ecs co-financing operations with European NGO's (budgetline B 7-6000).

It is one of the several reports that were completed during the evaluation. These include: (a) Report of Phase 1 Desk Study, (b) Six Country Studies (Bolivia, Brazil, Cuba, India, Kenya and Senegal) and a (c) The final report (including an executive summary). Readers should refer to the relevant report for more detailed information on any aspect of the overall evaluation of B7-6000.

The Evaluation of EU Budgetline B7-6000 was completed between February – September 2000 by a Core Team of northern consultants from five European development agencies that made up the Consortium that undertook the task. At the different stages of the evaluation other northern and southern consultants were also employed. The following is a list of the Core Team and other Southern and Northern Consultants who undertook the overall Evaluation:

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# EXECUTIVE SUMMARY

## 1. INTRODUCTION

The overall Evaluation of EU Budgetline B7-6000 was commissioned by the EU in late 1999 with the broad purpose of assessing the **performance** of the budgetline to date against a number of key variables. The evaluation was essentially divided into **three phases**. The first phase consisted mainly of a detailed review and analysis of the framework and mechanisms of the B7-6000 budgetline and was completed in Europe. The second phase has involved a number of limited field studies of 40 development projects co-financed by the EU in six countries: Bolivia, Brazil, Cuba, India, Kenya and Senegal. The third phase was an exercise of consolidating the findings of the overall study.

There were a number of considerations that the EU took into account when commissioning this evaluation. In the first instance, the **place** and **role** of NGOs in development co-operation have become increasingly critical in recent decades. NGOs are increasingly included in EU external co-operation programmes, either via specific mechanisms designed for NGO involvement such as budgetline B7-6000, or by contracting NGOs to provide particular services within the framework of other EU programmes. Second, the B7-6000 budgetline has grown considerably over time: in 1998 € 200 million was earmarked for co-financing, as compared with 2.5 million in its first year in 1976. This growth implies that responsibility to account for the use of the funds and to adapt procedures and mechanisms to the changing circumstances of NGO development practice have also increased. In these respects it would appear that the evaluation of B7-6000 had become a matter of some urgency, particularly since the Council Regulation governing the budgetline will be revised in 2001.

The overall **approach** and **methodology** of the evaluation were based on a series of **key principles** that sought to ensure that it was grounded upon the authentic assessment of key stakeholders at the different stages of the management and operationalisation of B7-6000 co-financed projects.

## 2. EU BUDGETLINE B7-6000

### 2. 1. *Background and Purpose*

The EU B7-6000 budgetline is now in its 25<sup>th</sup> year of existence. It was launched in 1976 with the aim of adding an additional dimension to EU development policy and has grown consistently since that year, largely as a result of the active support of the European Parliament. Up until and including 1997, approximately 700 European NGOs (ENGOS) have received co-financing from B7-6000 for 8,022 development projects carried out in 132 countries. The distinctive feature

of B7-6000 is that it is largely **demand driven** as opposed to many of the other lines that are essentially means whereby the EU is able to contract services to undertake a particular task. Furthermore B7-6000 is **entirely targeted at ENGOs** and constitutes a source of funds that all development NGOs in Member States can draw upon to support their development activities in Less Developed Countries (LDC). EU Council Regulation 1658/98 constitutes the legal basis for the B7-6000 budgetline. Similar to other budgetlines, it was adopted only in 1998, which means that the **General Conditions** were, for a long time, the only major guideline for the management of B7-6000. The period under study in this evaluation is, therefore, entirely governed by the General Conditions of 1988. Both the Council Regulation and the General Conditions define the **eligibility criteria** for ENGOs in terms of access to B7-6000. The General Conditions specify that development projects in LDCs submitted for funding should aim broadly at **poverty alleviation** and – as was added later by the Council Regulation – at the **strengthening of democracy and human rights**. Furthermore the General Conditions also emphasise the **strengthening of local institutional capacity** in LDCs as another major objective.

## **2.2. Principal Characteristics of B7-6000 during period 1994-99**

During the period (1994-99) some 525 ENGOs had access to the budgetline and on average got one project financed every year. While the **distribution** of B7-6000 funds among EU members appears unbalanced in real terms, when population figures are taken into account, it is less so. Several factors appear to influence access and distribution including the proximity of a country to EU headquarters and the existence of generous national direct NGO funding systems, as is the case in Scandinavia.

Apart from those ENGOs that have their own constituencies and supporter groups, many ENGOs depend heavily on public funding. Based on our sample survey we have estimated that on average up to 69 % of ENGO budgets comes from public sources. B7-6000 is, however, largely a secondary source of public income for ENGOs; on average it provides just less than 14 % of their total annual income. We should also note a high degree of **disparity** in the level of access to and use of B7-6000 by individual ENGOs. It would appear that B7-6000 could constitute a substantial percentage of the annual income of a large number of smaller ENGOs. On the other hand, clearly it is a much smaller percentage of the total annual incomes of the larger ENGOs who have either access to substantial public money or income from their own constituents.

We should also note the **distribution** of B7-6000 funds among **recipient** countries. In this respect we found a skewed distribution. In the period 1994-99 the ten major beneficiary countries (out of a total of 103) received more than 40 % of the funds and 15 countries used up more than half of the entire fund; the poorest countries are not figuring prominently among the major beneficiaries of the line. Considering that poverty alleviation is a major policy objective of the line,

he distribution of B7-6000 co-financing funds to recipient countries is a **critical issue** and yet we could find little evidence of a **coherent policy** in this respect.

### **2.3. The Management of B7-6000: 1994-99**

Project proposals for funding under B7-6000 can be presented by ENGOs in any one of the official languages of the EU. The **appraisal** of project proposals was often lengthy – on average just over a year during the period of study - and could be fraught with long and inadapted procedures of a strong administrative and technical nature. According to estimates of EC staff, around 25-30 % of all project applications is **rejected**. Overall the appraisal of projects seem to have left a considerable margin for manoeuvre for EC officers. However, in terms of the rejection of projects, procedures were more rigorously pursued and formally approved by the Head of Unit.

We should note three further points. **First**, an unfortunate **backlog** in the appraisal of proposals that gradually developed in the period under study 1994-99. **Second**, the **institutional reform** of mid-1998 has constituted an additional challenge, in the sense that the staff of the previous NGO-unit are now divided into two new units and each has developed its own working methods. This has inevitably resulted in additional work and a split of valuable expertise over two units that, furthermore, are housed in different locations. **Third**, inevitably **'turn-over' pressure** contributed greatly to management difficulties as, each year, Unit staff were under considerable pressure to spend the allocated budget. In such circumstances the need to spend takes precedence over quality control.

Finally we should note the role of the ENGOs in the management of B7-6000. Essentially the Southern NGO partner is mainly responsible for project formulation and provides a major input into the narrative and financial reporting for which the ENGO is ultimately responsible. For many of the larger ENGOs B7-6000 is essentially seen as **a means of additional funding and diversification of their activities**.

## **3. MAIN FINDINGS OF THE EVALUATION OF B7-6000**

### **3.1. Focus and Purpose**

Budgetline B7-6000 is a small part of total EU aid but, for some ENGOs and many SNGOs, it is a critical input into the resources that they have available for promoting development and change. It is estimated that in 1998 B7-6000 accounted for 3% of total EU development aid. It was however only in 1998 that a Council Regulation gave legal status to B7-6000. Undoubtedly after 25 years of existence budgetline B7-6000 has arrived at a point when the issue of its **reform** is appropriately on the agenda. Given its distinctive **focus** on ENGOs, the notion

of 'co-financing' and the General Conditions that have governed its operations, B7-6000 has always had a distinctive **identity**. The question is 'how far is this still **relevant** today'? Inevitably the budgetline's growth from Euro 3 m. to 200 m. € raises the question whether the original premises on which it was set are still valid? The reality is that B7-6000 has become a **general fund** that ENGOs use for different reasons and that does not have a **strategic view of development** but has become a general *melee* of initiatives and projects that does not make a **distinctive** contribution to the EU's aid portfolio and does not contribute in any organised and planned way to meeting the objectives of the budgetline (see end of point 2.1)

B7-6000 is also largely **demand driven** and the EC has little influence other than ensuring that projects fulfil the broad criteria of its General Conditions. While the General Conditions are strong on administrative and procedural matters they are less useful as an instrument to give distinctive coherence to a development budgetline and demand a level of detail that is beyond the capacity of management to administer. Essentially the General Conditions do not add up to a coherent **development agenda**. Moreover, in the ever-changing development scenario there has been **no major evaluation from a strategic or development policy point of view of the budgetline in its 25 years of existence** and no major changes in its General Conditions in more than ten years. It is time for a fundamental assessment of the purpose of B7-6000.

In this assessment there will be a number of key issues on the agenda:

- **the right of initiative (ROI)** of ENGOs in terms of their access to and use of B7-6000 funds. This issue has been one of the more difficult to unravel in terms of the history of B7-6000. ROI in respect of B7-6000 has never been **defined or adjusted** in the light of, for example, the quite substantial changes in the ENGO sector in the past 20 years. Furthermore there is little apparent evidence that the ROI has given B7-6000 any distinctive edge or added value. We feel that this whole concept needs to be looked at again largely to reduce the widely scattered nature of B7-6000, its lack of internal coherence as a development fund, its largely demand driven nature and the resultant lack of management's ability itself to 'drive' B7-6000. However, we do **not** suggest that any changes in nature of the ENGO-ROI would imply that B7-6000 would become entirely EC driven.
- How could B7-6000 best be fitted into similar **co-financing schemes of member States**? Clearly there is a need to review the present situation and determine what is the most **appropriate role** for B7-6000 in relation to the other schemes.
- **Civil society** has moved on and NGOs are no longer necessarily its main actors or protagonists. In many cases it is increasingly difficult to argue that ENGOs have a comparative advantage in terms of skills, knowledge and experience over other development actors.

- How can B7-6000 rescue such key concepts as ‘**added value**’, ‘**comparative advantage**’ and ‘**innovation**’ that most strategic development funds seek to secure for their operations?

### **3.2. Administration, Management and Procedures**

The assessment of the administration, management and procedures of B7-6000 took place against not only the generally acknowledged management difficulties of the EU aid programme but also of some remedial action that has already been taken. Basically managerially and procedurally B7-6000 encountered great difficulties in the late 1990s and these were only partially overcome by the hard and committed work of EC staff of the Units with responsibility for the budgetline. The roots of these difficulties, however, lie not simply in management difficulties but in a EU political system that seems unable to rationalise its decision making in respect of the creation of budgetlines such as B7-6000. Political short-termism has played its part in bringing about the current critical imbalance between the number of budget heads and the human resources available to manage them. The roots, however, also lie in several procedures that appear not to have been adjusted in the light of changing circumstances and also the very nature of the budgetline.

**The Administration and Management of B7-6000:** The 1988 version and the new **General Conditions** (2000) are unexceptional in the sense that, apart from their detail, they are not dissimilar from the rules that govern most multi- and bilateral development funds. The exception, however, is the **unusual heterogeneity** of B7-6000’s recipients – the ENGOs. The new General Conditions, while clearly seeking to rationalise the budgetline’s administration and to give it greater focus, appear also to generally reinforce the already heavily bureaucratic nature of B7-6000. However, with their emphasis on programme funding, capacity building and support for longer-term funding, the new General Conditions could have a strategic effect on the budgetline.

In the face of the multiplicity of actors, the changing management structures and the sheer volume of turn-over, it is remarkable that B7-6000 has maintained a management structure. The overall management structure of a fund such as B7-6000 is far more complex than can be covered as one item in a multi-dimensional evaluation. But clearly things are far from right. The overwhelming comment from both ENGOs and SNGOs was of the long drawn out, tedious and bureaucratically rigid management of the budgetline. Essentially the management ethos appears to be one of ‘**ex-ante constraints**’ and ‘**ex-post financial control**’, which together severely limit the budgetline’s flexibility.

**Project Appraisal Process:** The lengthy project approval process (on average more than one year) lies at the heart of the complaints of both Northern and Southern NGOs. The length of the appraisal process cannot be explained simply because of the lack of personnel, nor as a result of the growth of B7-6000 since

growth has been consistent but not spectacular since 1976. Moreover, most proposals are fairly straightforward as development projects with acceptable levels of supporting technical information. We are not convinced that the current exacting process is necessary. Moreover, there are strong indications that the added value of the present appraisal process is limited; we even doubt whether an appraisal process oriented on projects can ever reach its intended aims.

**Project Monitoring and Reporting:** B7-6000 has suffered from the contradiction between stated purpose and objectives and reporting systems that are concerned exclusively with **results** and **financial** probity. Overall there is an urgent need for a better **balance** between assessment by documentation although it is not clear whether this can be accommodated within the present management system without making it even slower and more inflexible than it already is at the present moment. Essentially the basic reporting on B7-6000 does not go much beyond the factual and the quantitative. Most ENGO and SNGO staff do not monitor their B7-6000 projects in any broad sense of the term; they are more concerned to collect information to write the required reports, although regular visits are made and reported on by ENGO staff.

**Project Evaluation:** The emphasis in the project cycle is on **control** and this is made effective by tying the payment of further tranches to detailed accounts of project activities and finances. Few 'evaluations' in the true sense of the term – that is the 'measurement' of progress in key variables – have been undertaken of B7-6000 projects, particularly with reference to the supposed broader aims of the budgetline.

### **3.3. Performance of B7-6000 and Co-Financed Development Projects in relation to Key Variables**

Most of the evidence in relation to the key evaluation criteria was obtained during Phase 2 of this evaluation. We should point out that each of the six countries selected for Phase 2 has a **strong NGO sector** with considerable experience and maturity in the management of development projects. As such, our findings are therefor **illustrative** and not necessarily fully representative of B7-6000 projects.

**Relevance:** B7-6000 is not a mechanism that allows the EC to be **proactive** in promoting a particular development approach or strategy. Its demand driven nature and the powerful legacy of the ENGOs 'right of initiative' make it difficult to forge a distinctive purpose for the budgetline. There would appear to be an **imbalance** between a largely reactive management and proactive ENGOs, many of whom access B7-6000 for very different reasons Furthermore it is difficult to relate the output of B7-6000 over the past 25 years with the 'strengthening of

ENGOS' in the broadest sense; the unquestioned 'faith' in northern NGOs is somewhat outdated in the light of recent research and evaluation outcomes.<sup>1</sup>

The budgetline has been a lifeline on different occasions to several groups of national NGO – for example, Italy and the UK – and it has probably made the difference and secured an active role for many smaller ENGOS. But we suspect that for many of the more established ENGOS, B7-6000 serves as a 'buffer' when times are lean or as a last resort.

We also examined the notion of '**relevance**' in the context of the 40 **development projects** studied in six countries. Overall we found that most of the projects were **relevant** in the sense of meeting a clearly identifiable local and, in some cases, national need. Furthermore there was evidence that the projects generally targeted marginal and poor groups – but not necessarily the poorest - within the local context and beneficiaries largely confirmed the usefulness of the projects to their lives.

**Effectiveness:** This relates to the performance of B7-6000, and the projects that it funds, in terms of their ability to achieve certain **broad strategic objectives** and at the same time to deliver their expected **output** on the basis of agreed objectives. In the former respect we found the ENGOS 'right of initiative' has ensured that the fund has been broadly scattered and has not concentrated on those parts of the world where absolute poverty is widespread, even accepting the difficulties of defining this term. The lengthy and often much delayed project approval process has clearly reduced the effectiveness of some of the projects funded by B7-6000. Finally there is a lack of clarity of several of the key terms associated with the EC's view on effectiveness – 'the poorest', 'poverty alleviation', 'participation', 'promotion of human rights'. This has resulted in project texts that are strong on description, but generally weak on how the project might deliver on some of the quite fundamental strategic objectives of B7-6000.

At the more limited and discrete project level, however, the study of the 40 illustrative projects presents a more encouraging picture. One of the main reasons for this is highly competent and committed SNGOs who are directly responsible for project implementation. In each of the six countries we conclude that to a large extent the projects have been effective in **delivering acceptable output in relation to stated project objectives**. In most cases this output was tangible, evident and immediately useable. On the other hand, however, we found that the projects had been less effective – or concerned – in terms of some of the broader development objectives or changes that equally they were expected to bring about – for example, organizational development, strengthening of women's position or capacity building.

**Efficiency:** Given the almost total lack, in the documentation that we consulted, of any analysis, or even discussion, of the concept of 'efficiency' in relation to the

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<sup>1</sup> See, among others, Riddell, R. C., a.o. *Searching for Impact and Methods : NGO Evaluation Synthesis Study. A Report Prepared for the OECD/Dag*, Helsinki May 1997

budgetline and the projects that it co-finances,<sup>2</sup> we were not expecting to find much evidence of performance in relation to this concept. Overall the General Conditions (GC) of **B7-6000** would appear to be a largely **benign** - if extremely thorough – instrument to govern the overall process of the budgetline throughout the project cycle. We have noted several reasons for this situation;

- the poor balance between the demands of the GC and the human resources available to manage the budgetline
- the **project proposal form** that is unnecessarily excessive in its demands and that overwhelms with facts and figures and not key analytical insights
- the lack of differentiation in the process between bigger and small ENGOs
- the lack of an adequate initial **filtering system**;
- a **screening stage** that involves too many actors;
- the submission of proposals in any of the EU's **official languages**;
- a **reporting system** that is over-demanding and based on **volume** rather than **quality** of data and information in relation to broader development objectives.

Once, however, the above hurdles have been surmounted and the co-funded projects begin to function, then the situation changes to the better. The country studies concluded that generally at the project level there was a **satisfactory relation** between **costs** and **output**. Most of the SNGOs used their resources adequately within the limits of their immediate context. Furthermore we found little evidence of any extravagant use of resources.

**Impact:** On most of the projects there was clear visible evidence of **immediate and tangible impact** and how this had affected the lives of the beneficiaries. On the other hand few of the projects - except in those instances of projects as part of a longer-term programme - had any view on the possible **longer-term impact**, even taking into account the difficulties of attributing impact and change to a single intervention in a context in which multiple factors can influence change.

**Sustainability:** For many of the projects, B7-6000 funds are a one-off injection of resources into an issue or problem that will already have a long history and an uncertain future. In this respect the lack of long-term commitment in EC co-financing makes it oblivious to the issue of sustainability and indeed leaves in doubt whether it is reasonable for the EC to demand sustainability on the basis of limited support.

In terms of the projects studied we found a mixed bag of potential and expectations. Many of the larger projects are managed by experienced NGOs who have the issue of the sustainability of their work firmly within their sights and on their development agendas. For some, B7-6000 is a timely injection of funds that will certainly strengthen the programme or project but is not fundamental to its overall momentum. For others, however, B7-6000 funds have been used to

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<sup>2</sup> By the term "efficiency" we mean the extent to which a development agency or project is able to maximise the use and potential of its resources and thus optimise their impact.

open up a new line of activity or to extend an existing one, which clearly will lose all momentum once these funds run out.

**Gender:** Very few of the projects studied included a **gender assessment** as part of their contextual analysis. In this respect it has to be said that B7-6000 management does not appear to insist on a gender analysis in project proposals or to ensure that the NGOs involved have a clearly stated gender policy. Understandably it is difficult to assess impact on gender if we have no clear gender analysis before the project begins and no internal, albeit limited, monitoring of this potential impact. However, we can report that in the projects studied women were highly visible both as professional project staff and as 'beneficiaries'.

**Democratization and Strengthening of Civil Society:** The B7-6000 projects studied were largely technical, which did not create much opportunity to examine these more qualitative processes. In most of the projects there appeared a high degree of physical involvement and consultation with intended beneficiaries. This is often referred to as 'participatory development'. Many of the SNGO recipients of B7-6000 support are already established actors in their own national development debates and have effective and active roles in broader movements of civil society. In this respect it is difficult to argue that B7-6000 funds have had a significant impact on these roles. Certainly B7-6000 funds have not weakened civil society organisations, but we must be cautious in attributing too much influence to the budgetline in this respect.

**The Clients - ENGOs and SNGOs:** Apart from some cases, generally we found that most SNGOs were **ill informed** on the nature, conditions and purpose of B7-6000. This is an unfortunate situation given that SNGOs are major stakeholders. Essentially ENGOs control the process and the finances while the SNGOs take responsibility for implementation. However, most SNGOs were quite at ease with this situation. Indeed, given the persistent delays and uncertainties, several had become quite sceptical about B7-6000 funding and do not build up their expectations.

**Building SNGO – ENGO Partnership:** It is difficult to argue that there is a strong correlation between B7-6000 and the promotion of effective '**partnership**' between Southern and Northern NGOs. In general we found **three types** of SNGO-ENGO relationships at the project level:

- several long-standing 'partnerships' that had begun before B7-6000 funding and which presumably will continue afterwards
- mainly good, supportive operational relations built around the implementation of the project and sustained by periodic visits
- a small number of relations that appeared to suggest a strong element of control on the part of the ENGO.

#### 4. RECOMMENDATIONS

Essentially this evaluation has sought to answer several questions such as: ‘**what has budgetline B7-6000 become and achieved?**’, ‘**what should it be doing?**’ and ‘**is the model still relevant in 2000?** While we found plenty of information on what B7-6000 projects have become, there was less on what it had achieved in terms of its overall purpose and its future direction. But we recognize that management has in the past few years begun to review the future direction of the budgetline. However, B7-6000 has been in crisis mode for the past two years. In its present form B7-6000 is basically **unmanageable** and we do not feel that the new General Conditions will radically alter this situation.

We are aware that an assessment of B7-6000 must be conscious of the political framework within which it was set up and has been sustained. The European Parliament has from the beginning fully endorsed the budgetline and has been a consistent supporter in its 25 years of existence. The ENGOs have been equally zealous guardians and have strategically sought the support of the Parliament to maintain the broad content, approach and principles of B7-6000. The recommendations that follow, therefore, are both **contextual** and **technical** and aimed at strengthening B7-6000 within overall EU aid policy.

In our view, the process of change in relation to the future of B7-6000 should consist of **two major steps**. The process can be stopped after the first step, which is however not what we propose, as will be explained hereafter.

- The **first step** consists of establishing procedures that deal with the current problems of management and ensure appropriate assessment of development and change at the project level. This step can be conceived in **two different ways**, either (a) by relatively minor changes in procedures and especially a substantial increase of human resources, either (b) by drastically reducing the number of ENGOs that can access it, or by reducing the number of beneficiary country, sectors or type of activities that can be funded, or by a combination of these measures.

If it is decided to limit the reform process to this first step, we strongly recommend the second scenario, because we doubt the feasibility of scenario (a) as the “normalisation” of the management of B7-6000 will quickly attract new demands and lead to problems that will be very similar to those presently encountered.

- The **second step** is based on the recognition that, after 24 years, the budgetline needs a major conceptual and operational **re-think**; the basic characteristic of B7-6000 as a co-financing scheme essentially for the non-government sector would be maintained, but key issues such as ‘**purpose**’, ‘**focus**’, ‘**access**’ and ‘**management system**’ would be re-assessed in order to ensure that the budgetline is a relevant and effective mechanism to support efforts at poverty alleviation – if this is to maintain its central purpose - and community empowerment in the poorest countries of the world.

In our view, it is not ineffective management that lies at the heart of current problems, but its lack of a **coherent strategy**. It is therefore critical that the EC, the European Parliament and the NGOs look beyond the management issues and accept the need for a **fundamental re-think** of the budgetline in terms of focus, access and management.

While we recognise the acceptable project practise undertaken with B7-6000 - but noting the chronic inability of current systems to move far beyond input and output - we do not see this as sufficient argument for continuing current practice. B7-6000 has allowed many ENGOs to engage in development activities and it has clearly brought benefits in recipient countries. But what much more could B7-6000 do if it had a clearer strategic focus? Furthermore, what is the 'next ambition' for the budgetline? Both the EC and the ENGOs would be wrong if they felt that the current unwieldy, difficult-to-manage and largely quantitative fund constitutes 'good practice' in development. We cannot agree that such an open, unlimited and unfocused development fund is the best use of the funds available. Last but not least, we feel that the only reasonable way to implement the second scenario for step (1), is to develop a strategic view on B7-6000, which brings us very close to the second step we recommend strongly.

Hence, we think it is imperative to **include the second step** in the efforts to solve the present problems. With this in mind we have formulated a small number of **key recommendations** that we hope will help to refocus and reshape the budgetline.

1. Begin a **process of consultation including a broad range of stakeholders** to reassess and formulate a clear strategic role for B7-6000 within the framework of EU aid policy and paying particular attention to the purpose, aims and broad objectives of the budgetline.
2. Within the framework of that consultation process, **assess and define more clearly the key characteristics and concepts** that currently establish the parameters of B7-6000. These include the ENGOs' right to autonomy, the issue of reserved access to the budgetline for ENGOs, the skewed distribution of B7-6000 and the resulting lack of priority given to the poorest countries, and a range of its supposed broader objectives such as democratisation, sustainability and institutional strengthening.
3. Give particular and detailed attention to the whole issue of **access** to the budgetline, taking into account the wide differentiation among ENGOs, the emergence of new development players and the urgent need to rationalise access to B7-6000.
4. The EC should commission a **detailed study of current monitoring and evaluation systems** of a representative sample of both ENGOs and SNGOs that have accessed B7-6000. The results of this study should provide the

detail and information for a reformulation of the reporting system that underpins B7-6000.

- (1) There is an important need to ensure that B7-6000 has **the appropriate mechanisms that would allow it to be continually assessed** against the background of often rapidly changing scenarios and development contexts. This function has been neglected in the past, and given the open nature of B7-6000, will be difficult to ensure without additional measures. It is recognised that appropriate monitoring and periodic evaluation by the EC are difficult to ensure given the wide variety of projects financed. Therefore an additional mechanism might be necessary to advise on changing situations and developments in the international context so that the budgetline's focus, purpose and mechanisms can adapt and respond to the needs of the poor countries and not simply to the demands of current stakeholders. The creation of an **Impartial Advisory Function** – advisory groups are quite common with development funds – can be considered in this regard. Such a function would help to maintain a useful balance between B7-6000 management, the ENGOS represented by CLONG and other Stakeholders.

In terms of immediate remedial action, we recommend among other things:

6. **Improving the administration of the appraisal process**; in this regard we refer to the lack of an effective initial filtering system, the excessive focus on ex-ante screening, the slow payment system, the use of too many languages and the over onerous reporting system.
7. Whatever the ultimate nature, approach and content of B7-6000, the Units responsible for it should be able to ensure that all proposals are effectively screened and the first tranche of money paid within six months as indeed stipulated in the 1998 Council Regulation.

We fully appreciate that budgetline B7-6000 is an extremely complex one both to steer and also to manage and we have noted the dedicated efforts of many EC and NGO staff to ensure a **quality** service for the beneficiaries in the South, it is supposed to serve. We cannot get away, however, from the fact that B7-6000 has never been strategically reviewed or assessed in its 24 years. The strains of this situation are now beginning to show. The potential is there to make B7-6000 a distinctive and innovative fund that would have a particular role to play within the framework of EU aid policy. But it must be 'opened-up' and involve a wider range of stakeholders. It must be seen as a **strategic fund** with a core purpose and aims. At this moment B7-6000 has none of these characteristics. It is time for some **radical change** if the budgetline is to become an effective and strategically coherent instrument of EU and ENGO development cooperation.

# 1. INTRODUCTION

## 1.1. Overview and Terms of Reference

This is the Synthesis Report of the overall Evaluation Study of EU Budgetline B7-6000 that was undertaken by a consortium of independent European development agencies between February-September 2000. The evaluation was commissioned by the EU in late 1999 with the broad purpose of assessing the **performance** of the budgetline to date against a number of key variables. The evaluation was essentially divided into **three phases**. The first phase consisted mainly of a detailed review and analysis of the framework and mechanisms of the B7-6000 budgetline and was completed in Europe. The second phase has involved a number of limited field studies of 40 development projects co-financed by the EU in six countries: Bolivia, Brazil, Cuba, India, Kenya and Senegal. The third phase was an exercise of consolidating the findings of the overall study.

It would appear that there were a number of considerations that the EU took into account when commissioning this evaluation. In the first instance, the place and role of NGOs<sup>3</sup> in development co-operation has become increasingly critical in recent decades. Development NGOs are now recognised as important development actors in most of the EU member States. The EU also believes that strengthening its relationship with NGOs will help both parties to achieve their mutual goals. NGOs, therefore, are increasingly included in EU external co-operation programmes, both via specific mechanisms designed for NGO involvement such as budgetline B7-6000, and also by contracting NGOs to provide particular services within the framework of other EU programmes. However, even as they have achieved a critical role in development co-operation, NGOs have also been more **critically assessed** in terms of their supposed comparative advantages.

Second, the B7-6000 budgetline has itself grown considerably over time: in 1998 € 200 million was earmarked for co-financing, as compared with 2.5 million in its first year in 1976. Overall B7-6000 grew consistently in total € terms in both the 1980s and the 1990s: up to the end of 1998, 8,597 development projects were co-financed for a total EC contribution of approximately 1,533 million €. This growth implies that responsibility to account for the use of the funds and to adapt procedures and mechanisms to the changing circumstances of NGO development practice have also increased. In these respects it would appear that

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<sup>3</sup> In this report, three abbreviations will be used as far as non-governmental organisations are concerned. In case the abbreviation "NGO(s)" is used, we refer at the NGO community at large, i.e. NGOs both in the North and the South. The abbreviation "ENGO(s)" refers to the *European* NGOs that have had access to the budgetline, while the abbreviation "SNGO(s)" relates to the Southern NGOs that, in most cases, will have benefited from the budgetline. Note that this last abbreviation covers a broad variety of local institutions ranging from intermediary NGOs over church related organisations to community based organisations and apex structures.

the evaluation of B7-6000 had become a matter of some urgency. This is particularly the case since the evaluation comes at an important time: **the present Council Regulations governing the budgetline will be revised in 2001** and its General Conditions have been recently reformulated in a manner that could potentially increase its role in both ENGO and SNGO development practice.

As stated in the Terms of Reference of this study (Annex 1), the **major objective** of the evaluation of B7-6000 was to provide the evidence for an improvement of the **mechanisms, practices and procedures** of the budgetline. This was done against a background of periodic severe human resource limitations, in relation to the management of B7-6000, at the level of both the Commission and the NGOs. The scope of the evaluation of B7-6000 has included:

- **an overall assessment of co-financing operations** under budgetline B7-6000 that relate to development projects – but *not* public awareness or information operations – financed during the period 1994-99
- an assessment of the **relevance, efficiency, effectiveness, impact and sustainability** of the budgetline and its implementation both at the level of management in the EC and also at the project level. Furthermore the evaluation focused on improving mechanisms and ultimately the quality of the co-financed activities, rather than producing new insights on impact
- a further assessment of projects co-funded by B7-6000 in relation to several other broader variables on which they could have an impact: **gender relations, poverty, democratization/emerging civil society and ENGO-SNGO relations.**

The first phase of the evaluation of B7-6000 was undertaken between February – May 2000 and a draft report submitted in June. The second phase began in July and was completed by the end of September. The final Overview Report on the evaluation of B7-6000 was submitted in October 2000.

## **1.2. Approach and Methodology**

The overall approach of the evaluation was based on a series of **key principles** that sought to ensure that it was based on the authentic assessment of key stakeholders at the different stages of the management and operationalisation of B7-6000 co-financed projects. These key principles included: (a) the integration of all institutional stakeholders, (b) beneficiary assessment of B7-6000 operations at the project level, (c) the inclusion of both northern and southern perspectives and (d) a capacity-building approach to the evaluation exercise. On balance we feel that we were able to include principles (a), (b) and (c) but that (d) was more elusive due to time constraints.

During the **first phase** the methodology was based on a **desk study** that included:

- a review of the existing procedures and mechanisms of EC-NGO co-operation within the framework of budgetline B7-6000
- a study of four NGO co-financing schemes of EU member states (Belgium, Italy, Netherlands, United Kingdom), including direct discussions with ENGOs
- a document based assessment of 100 projects financed, against the major objectives and regulations of the budgetline
- a survey among ENGOs that have had access to the budgetline during the period under study
- the preparation, by southern consultants, of short country profiles on five of the countries included in Phase 2
- the definition of the evaluation framework for Phase 2.

A varied set of methods and techniques were used during this first phase. They are presented in the desk phase report, submitted in June 2000, which summarises the results of this first phase.

In view of the **second phase** and after extensive discussions with the Commission's services, forty (40) projects in six countries (Bolivia, Brazil, Cuba, India, Kenya, Senegal) were selected as *illustrative* of the kinds of projects co-financed by B7-6000. The selection of the projects was undertaken on the basis of a number of **criteria**: type of project, size, duration, geographical location, development sector and a balanced representation of development NGOs from each of the EU member States. Furthermore for each of the six countries a specific **sector** was chosen as the focus of the projects to be studied and country profiles have been drafted that focus on a limited number of relevant issues. The tables below present some basic details of projects studied during Phase 2.

Table 1: Countries and Projects included in phase 2 of the Evaluation

Country	No. of projects	No. of Block Grants	Country of ENGOs involved (1)	Total B7-6000 Funds 1994-99 (€) (2)	B7-6000 Funds in 1994-99 (%)	Project Sector
Bolivia	3	1	B,N,S,UK	26.679.283	3.6	Socio-Economic
Brazil	6	2	B,F,G,I,N,UK	76.627.687	10.3	Human Res. Developm.
Cuba	5	1	F,G,I,S,	9.166.969	1.2	Socio-Economic
India	6	2	DK,F,G,N,UK	41.972.987	5.7	Multisectoral
Kenya	5	2	I,G,N,S,UK	23.406.960	3.1	Human Res. Developm.
Senegal	5	2	A,B,F,I	13.966.502	1.9	Institutional Developm.

(1) A: Austria, B: Belgium, DK: Denmark, F: France, G: Germany, I: Italy, N: Netherlands, S: Spain, UK: United Kingdom.

(2) Block grants not included.

The final part of the preparation of the second phase was a one-week workshop with the northern and southern consultants who were involved in the field evaluation. In that forum, participants discussed the major conclusions emerging from the preliminary first phase results, consulted a few key stakeholders and defined the methodology for phase II, which was written down in an “Approach and Methodology paper” that served as a guideline for the field evaluators <sup>4</sup>.

A member of the northern Core Team and a southern consultant undertook the evaluation in each country at the project level. In each country – except Bolivia and India – the study began and concluded with a meeting with the national NGOs who were implementing the co-financed projects. At the project level emphasis was put on meetings with project staff and beneficiaries. Finally meetings were also held with EU and ENGO staff where they were resident in the country or easily accessible in terms of distance. Otherwise the views of the ENGOs were obtained by telephone or by a telephone questionnaire. Table 2 presents an overview of of the different Stakeholders met during the Country Studies:

Table 2: Summary of Stakeholders Met during the Country Studies

Country	EU Officials (2)	SNGO Staff	Beneficiaries (1)	Key Informants	ENGO
Bolivia	1	9	32M – 11F	6	0
Brazil	1	35	79M – 184 F	0	1
Cuba	0	17	63M – 18F	11	3
India	0	62	73M – 174F	13	1
Kenya	1	42	78M - 56F	10	4
Senegal	3	56	63M – 99 F	13	4

- (1) The counting of the numbers of beneficiaries whom the consultants met varies from country to country according to the size of general meetings. For example, in India more than 1000 beneficiaries attended general meetings. These numbers, therefore, are meant to illustrate broadly the level of beneficiary participation.
- (2) The EU does not have a representative office in Cuba and, given the location of the study, it was not possible to visit the EU office in India.

The third phase started with a two-day workshop to compare and analyse the findings of the field studies and to identify the major outcomes of the evaluation. By the end of September 2000, draft reports were submitted for comments to the major stakeholders. Debriefing workshops were held in October and the report was finalised by the end of November.

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<sup>4</sup> This paper is attached to each of the country reports.

### **1.3 Structure of this Report**

The structure of this report is guided by the standard format recommended by the EC for evaluations, but differs from it on a number of points because of the particular nature of this evaluation.

Chapter two shortly presents the background, purpose and major characteristics of budgetline B7-6000. Further, it describes the management of the budgetline, both at the level of the EC and the NGOs.

Chapter three presents our assessment of the budgetline and its implementation. In this chapter, the budgetline is assessed against some of the major evaluation criteria such as relevance, effectiveness and efficiency and other broader variables on which it could have an impact: gender relations, poverty, democratisation and civil society, and ENGO-SNGO relations.

Chapter four presents the conclusions and recommendations of our study.

This report is completed by an important number of annexes, which provide additional information for the readers who want more in-depth information on the outcomes of our study. Among others, these annexes present an overview of the European Community External Co-operation programmes and provide an historical overview and a detailed analysis of the legal framework and the management of B7-6000.

## 2. EU BUDGETLINE B7-6000

This chapter aims to provide some basic information on the budgetline, which will serve as a background to our assessment presented in chapter three.

The budgetline is a small part (around 3 %) of the European Community external co-operation programme, which has grown considerably over the last decade. In the 1990s, the EC became the world's fifth largest donor; taken together, aid from the EC and the European Union Member States accounted for more than 55 % of world aid in 1997. Aid to NGOs, both by co-financing and contracting, is one of the five major instruments of EC aid. Annexe 2 provides some detailed information on the EC's co-operation programme and EC-NGO co-operation.

### 2.1. BACKGROUND AND PURPOSE

The EU B7-6000 budgetline is now in its 25<sup>th</sup> year of existence. It was launched in 1976 with the aim of adding an additional dimension to EU development policy and has grown consistently since that year, largely as a result of the active support of the European Parliament. By 1997, approximately 775 ENGOs had been co-financed for 8,141 development projects, which were carried out in 132 countries<sup>5</sup>. B7-6000 is part of the EU practice of creating budget lines as a means of targeting EU aid either at a particular sector, country or activity (e.g. emergency aid) or at a particular group of development actors, such as the ENGOs. To date there are some 33 budgetlines that ENGOs can access in order to secure funds for their development activities. However, the distinctive feature of B7-6000 is that it is entirely **demand driven** as opposed to many of the other lines that are essentially means whereby the EU is able to contract services to undertake a particular task. Furthermore B7-6000 is entirely targeted at ENGOs and constitutes a source of funds that all development NGOs in member States can draw upon to support their development activities in Less Developed Countries (LDC). The growth of B7-6000 over the past two decades is consistent with a broader phenomenon of the increasing recognition of NGOs as major actors in international development. In this respect it would appear that the European Parliament (EP) has been particularly active in promoting a greater role for ENGOs in EU aid as a means presumably of ensuring that the aid directly benefited the poorest and was administered in an effective manner. Furthermore it would appear that the ENGOs have been consistently successful in their lobbying of the European Parliament in terms of their access to B7-6000 – for example, 'the right of initiative' as enshrined in B7-6000. The next table presents the evolution of the commitments of the budgetline in the period 1976 – 2000.

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<sup>5</sup> Commission Report on co-operation with European non-governmental development organisations (NGDOs) in those fields of importance to developing countries (1997 financial year), p. 7.

Table 3: Evolution of the commitments for the budgetline <sup>6</sup> in the period 1976-2000

Year	Commitments (m€)	Year	Commitments (m€)	Year	Commitments (m€)
1976	2.5	1985	35	1993	135
1977	4	1986	45	1994	145
1978	12	1987	62	1995	157
1979	12	1988	80	1996	175
1980	14	1989	80	1997	170
1981	14	1990	90	1998	200
1982	28	1991	104	1999	200
1983	31	1992	110	2000	200
1984	35				

**EU Council Regulation 1658/98** constitutes the legal basis for the B7-6000 budgetline. It was adopted only in 1998, which means that the **General Conditions** were, for a long time, the only major guideline for the management of B7-6000. The period under study in this evaluation is, therefore, entirely governed by the General Conditions of 1988. Both the Council Regulation and the General Conditions define the **eligibility criteria** for ENGOs in terms of access to B7-6000. These are quite broad and clearly aim to fund a range of development activities in LDCs by an equally broad range of European Development NGOs who have been formally recognised by their own member governments. The General Conditions specify that development projects in LDCs submitted for funding should aim broadly at **poverty alleviation** and – as was added later by the Council Regulation – at the **strengthening of democracy and human rights**. Furthermore the General Conditions also emphasise the **strengthening of local institutional capacity** in LDCs as another major objective. Under the 1988 General Conditions B7-6000 is used to fund three different types of development instruments or projects:

- Sector based development projects, including awareness raising education in Europe
- Projects that support the activities of grassroots organisations in LDCs; the so called Chapter XII projects
- Block Grants

Sector based development projects are by far the biggest category, followed by block grants. Projects can be implemented by a single ENGO or by consortia. and can be funded for up to 5 years with the EU contribution at no more than 50% and that of the ENGO 15% minimum, up to a maximum EU contribution of € 500,000. Block grants are approved with a more simplified procedure and meant to fund small development initiatives in LDCs. Blocks Grants can be up to €

<sup>6</sup> Note that these figures also include the co-financing of so-called education projects aiming at information and awareness raising on development issues in the EC countries. In the past, these projects have roughly counted for about 10 % of the commitments. They are however not included in this evaluation.

250,000 and are made available to ENGOs that are judged to have co-operated satisfactorily with the EU aid programme for a number of years.

**New General Conditions** were issued in January 2000 after a long consultation process. These contain a number of important changes. Although their introduction falls outside the study period, we consider it worthwhile to describe briefly the major changes, as these may have an impact on the recommendations this evaluation is supposed to provide. Most importantly and in line with the evolutions in some member states, the new General Conditions introduce a new co-financing instrument, the so-called "Programmes". The eligibility criteria for ENGOs and projects remain broadly the same, but specific criteria are applied to ENGOs submitting a request for a programme contract. Proposals can be introduced by ENGOs, consortia (already eligible under the previous conditions) and networks. The increased focus on networks and consortia can be explained by the desire to promote the European dimension of the EC ENGO co-financing scheme.

Comparing, on the one hand, the old General Conditions and the Council Regulation and, on the other hand, the new General Conditions, it is obvious that the changes can be considered as a first step towards a change in the nature of the budgetline and its management. They announce a shift in focus to institutional dialogue and reflection on broader objectives rather than on appraisal of projects. As such, they may imply a more strategic approach to development, focusing on the process, and an increased emphasis on capacity building of local partners. These changes are the outcome of a tedious process that covers the entire period under study. This does however not imply that the reflection on new General Conditions has dominated the EC-ENGO dialogue in that period. On the contrary, discussions between ENGOs and the EC have focused to a major extent on the operational aspects of the budgetline and not on its broader objectives and relevance in both the North and the South in view of recent developments in the field and in Europe.

The fact that no more fundamental discussion on the basic premises of the budgetline was held might have in our view two major explanations. First, all major stakeholders involved might have been basically satisfied with the global set-up budgetline and/or have had no immediate interest in engaging in more fundamental discussions. Second, most ENGOs were certainly preoccupied by the administrative shortcomings of B7-6000 (see below), which often produced disastrous effects on their work and, hence, were considered as a priority in the dialogue with the EC.

A more detailed analysis on the old and new General Conditions and the Council Regulation 1658/98 is presented in annexe 3.

## 2.2. PRINCIPAL CHARACTERISTICS OF B7-6000 DURING PERIOD 1994-1999

The tables below present the principal characteristics of B7-6000 during the period covered by this evaluation. During that period some 525 ENGOs had access to the budgetline and on average got one project financed every year. The average EC contribution amounted to 287,719 € per “ordinary” project and 146,871 per block grant. While the **distribution** of B7-6000 funds among EU members appears unbalanced in real terms, when population figures are taken into account, it is less so. Several factors appear to influence access and distribution including the proximity of a country to EU headquarters and the existence of generous national direct NGO funding systems, as is the case in Scandinavia. Finally, an important new phenomenon is the increasing number of co-financed projects managed by consortia of ENGOs: in 1999, 20 % of the funds went to consortia-projects, compared to 9 % in 1994-95. It is expected that this form of co-operation will become even more important in the future, the more because it is actively promoted by the new General Conditions.

Apart from those ENGOs that have their own constituencies and supporter groups, most ENGOs depend heavily on public funding. Based on our sample survey we have estimated that on average up to 69 % of ENGO budgets comes from public sources. B7-6000 is, however, largely a secondary source of public income; on average it provides just less than 14 % of their total annual income. However we should note a high degree of **disparity** in the level of access to and use of B7-6000 by individual ENGOs. While we do not have overall detailed figures, it would appear that B7-6000 could constitute a substantial percentage of the annual income of a large number of smaller ENGOs, many of them from Italy where the national co-financing system went through a serious crisis. On the other hand, clearly it is a much smaller percentage of the total annual incomes of the larger ENGOs who have either access to substantial public money or income from their own constituents. For example, the ten biggest ENGO recipients are responsible for 13 % of the projects and receive 14 % of the funds. This disparity inevitably reflects the composition of the ENGO community that ranges from very big to very small organisations. Most ENGOs already accessed the budgetline more than 10 years ago but on average they access B7-6000 no more than once a year. This means that most of them are not very experienced in its procedures, and this can be a factor in the budgetline’s management. The tables below present the main characteristics of B7-6000 in relation to its use by EU members.

**Table 3: Principal Characteristics of B7-6000 in relation to ENGOs: 1994-99**

Country	Number of NGOs with access to B7-6000	Total number (*) of projects	Average number of projects (*) per ENGO	EU cofinancing x1,000,000 €	Share € as % of total	Population as % of EU
Austria	12	78	6.50	16.7	1.88	2.2
Belgium	42	311	7.40	67.2	7.57	2.8
Denmark	8	24	3.00	6.6	0.74	1.5
Finland	7	21	3.00	4.8	0.54	1.3
France	112	548	4.89	125.7	14.15	15.1
Germany	81	652	8.05	171.8	19.34	22.5
Greece	5	23	4.60	4.4	0.50	2.6
Ireland	9	68	7.56	16.0	1.80	0.9
Italy	98	664	6.78	168.3	18.95	15.9
Luxembourg	13	105	8.08	9.9	1.11	0.1
Netherlands	13	199	15.31	61.3	6.90	3.9
Portugal	6	26	4.33	7.1	0.80	2.6
Spain	26	193	7.42	55.4	6.24	10.2
Sweden	6	23	3.83	5.9	0.66	2.3
United Kingd.	87	637	7.32	167.0	18.80	16.1
TOTAL	525	3,572	6.80	887.1	100.00	100.0

(\*) Block grants included

As can be seen, there is a noticeable symmetry between the population size of the EU member, the number of nationally recognised NGOs and the percentage access to B7-6000. Only a few countries stand out in terms of a greater percentage access to B7-6000 in relation to their relative population size. Also several countries with generous national co-financing systems during the period under study, had less access than the average. In all B7-6000 is a successful political balancing act.

Finally we should note the **distribution** of B7-6000 funds among **recipient** LDCs. In this respect we also found a skewed distribution. In the period 1994-99 the ten major beneficiary countries (out of a total of 103) received more than 40 % of the funds and 15 countries used up more than half of the entire fund. The distribution of B7-6000 co-financing funds to LDCs would appear to us to be a **critical issue** and yet we could find little evidence of a **coherent policy** in this respect. The table below shows the distribution of B7-6000 funds to the ten major beneficiary countries and the two countries included in the field study that are not among this top ten group.

**Table 4: Overview of beneficiary countries in terms of access to budgetline B7-6000:1994-99**

Rank	Country	Amount (€)	Share (in %)	Share (cumul. %)	HDI Index	HDI ranking
<b>1</b>	<b>Brazil</b>	<b>76,627,687</b>	<b>10.3</b>	<b>10.3</b>	<b>0.747</b>	<b>74</b>
<b>2</b>	<b>India</b>	<b>41,972,987</b>	<b>5.7</b>	<b>16.0</b>	<b>0.563</b>	<b>128</b>
3	Peru	34,548,806	4.7	20.7	0.737	80
<b>4</b>	<b>Bolivia</b>	<b>26,679,283</b>	<b>3.6</b>	<b>24.3</b>	<b>0.643</b>	<b>114</b>
5	Nicaragua	26,112,600	3.5	27.8	0.631	116
<b>6</b>	<b>Kenya</b>	<b>23,406,960</b>	<b>3.2</b>	<b>30.9</b>	<b>0.508</b>	<b>138</b>
7	Chile	18,724,558	2.5	33.5	0.826	38
8	Uganda	18,583,929	2.5	36.0	0.409	158
9	Ethiopia	18,483,522	2.5	38.5	0.309	171
10	Bangladesh	16,979,478	2.3	40.7	0.461	146
<b>16</b>	<b>Senegal</b>	<b>13,966,502</b>	<b>1.9</b>		<b>0.416</b>	<b>155</b>
<b>26</b>	<b>Cuba</b>	<b>9,166,969</b>	<b>1.2</b>		<b>0.783</b>	<b>56</b>

Source: Own calculations on the basis of EC data; UNDP Development Report 1999; the HDI ranking includes 174 countries in total.

The presence of some countries among the major recipients cannot be explained by their size or by criteria such as the level of poverty. Some of them are rather small and only three (Bangladesh, Uganda and Ethiopia) belong to countries with a low Human Development Index. This vividly illustrates the lack of **logic** or **focus** in terms of access to the budgetline. India has a population at least five times greater than Brazil and it has a much lower HDI. Yet Brazil receives twice the amount of B7-6000 than India. We can only assume that both political motives and an effective ENGO lobby are responsible for this gross imbalance. The political nature of the access can also be seen in the inclusion of Cuba with its relatively high HDI. On the positive side, given their collective high percentage of access to B7-6000, the six countries included in Phase 2 would appear highly representative of B7-6000 country level support. In terms of the above, we can note that they shared between them some 26% of B7-6000 funds during the period 1994-99. In development terms, however, the political nature of the budgetline is clear to be seen.

Annexe 4 presents a more detailed overview and some additional tables with regard to the use of the budgetline during period 1994-99.

## 2.3. THE MANAGEMENT OF THE BUDGETLINE <sup>7</sup>

In this chapter we will discuss the management of the budgetline, first at the level of the EC and then of the NGOs. Finally, brief details will be provided of the EC-NGO dialogue with regard to the budgetline.

The period of our analysis of the management of B7-6000 covers 1994-99. We are aware that since then several measures have been taken to tackle some of the issues that we raise. Changes that have occurred after 1999 will be shortly discussed.

Until 1998, the former DG VIII/B2 unit was responsible for the management of B7-6000 at EC-level. However, after a process of internal reform, two units became responsible: **DG DEV A/4** and **SCR C/5**. Unit DEV A/4 focuses on issues related to civil society, good governance, ENGOs and decentralised co-operation. As far as B7-6000 is concerned, it deals mainly with overall policy and the appraisal of projects. It has more than 20 staff members whose responsibilities are divided into geographical and specialist subject areas and are broader than the management of the budgetline. Unit SCR C/5 has responsibilities related to ENGOs, food aid, demography and AIDS. As far as B7-6000 is concerned, it deals with all activities from the moment of approval till the closing of a project. Presently (September 2000), four of its staff members deal with ENGO co-operation.

While logical, the division of responsibilities between DEV A/4 and SCR C/5 has its difficulties, which we shall discuss later. At present (September 2000) another management reform of EC aid is being finalised. It is understood that the present SCR unit will be responsible for the management of the entire project cycle. Policy making and the definition of the annual guidelines would remain under the authority of the DEV A/4 unit. Both units would jointly define the guidelines.

### 2.3.1. Management at EC-level

In the following paragraphs, we will first take a closer look at the management of the budgetline, following the different phases of the project cycle. Secondly we describe the effects of the recent institutional changes. Then follows a summary of the changes that will be introduced in the new General Conditions. Finally we formulate some preliminary conclusions.

#### **1. Management of the project cycle**

The description hereafter refers to “ordinary” development projects. Block grants will be discussed briefly at the end of this section. In general terms, the internal organisation of the Unit can be described as follows. Staff handling projects were under the authority of a senior staff member, a co-ordinating official of long

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<sup>7</sup> Under this heading, we refer only to the period under study, unless stated otherwise.

experience and the Head of Unit. The General Conditions were considered the main guideline throughout the entire project cycle. Important decisions related to the interpretation of the Conditions were not taken by the executing staff but by the Head of Unit on advice of the officers concerned.

Project proposals for funding under B7-6000 can be presented by ENGOs in any one of the 11 official languages of the EU<sup>8</sup>. Up until the 1998 reform an EC staff member was normally responsible for the projects submitted from one or more of the EU member states. Several staff interfered in **the intake and preliminary appraisal** process (see annexe 5 for a detailed overview of the management procedures). On receiving a proposal, the responsible officer carried out a first financial and administrative screening, using an internal administrative checklist drawn from the General Conditions. Both the two page summary (an obligatory document) and the full proposal submitted by the ENGO were used as the basis for this screening. This initial screening took only a few hours to complete. In some cases, however, the backlog of applications (see below), personal working methods<sup>9</sup> or the general shortage of resources could delay the process for a few months. At this stage (i. e. before proper appraisal), a project could already be rejected for reasons such as non-eligibility of the ENGO, excessive budget compared to the turnover of the ENGO and poor quality of the proposal.

When the file was considered complete and acceptable, the actual **appraisal** started. This was largely based on the General Conditions, which provided quite detailed guidelines. Various checklists existed to assist staff in interpreting these Conditions. The NGO Unit staff were responsible for appraising the eligibility of the ENGO and the project, the quality of presentation of the proposal and the assessment of the budgetary aspects. Their appraisal was complemented by the appraisal by EC Delegations, desks and technical services who have the technical expertise and country knowledge and were requested to provide their comments within six weeks. EC-delegations commented on the project proposal in most cases. The technical and geographic desks were less intensively involved. Apart from criteria related to eligibility, the quality of the proposal was obviously the main criterion. Unexpected situations also played a role. For instance, when a crisis in Italy brought national co-financing to a standstill, the EC accepted more Italian projects than before. As the appraisal process often stretched over more than one year, it is difficult to get precise figures on the number of applications finally accepted. According to estimates of EC officials, around 25-30 % of the applications are refused. This figure corresponds grossly with the opinion of the ENGOs<sup>10</sup>.

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<sup>8</sup> The EC has 11 official languages: Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish and Swedish. The working languages of the Commission are English, French and German.

<sup>9</sup> For example, one officer would work in « phases » and devote three months to appraisal, then three months to payments, then three months to reading reports, etc

<sup>10</sup> For more details, see chapter 2 of annex 4 of the desk phase report.

As a whole, the appraisal procedure looks very complex, bureaucratic and involves many different parties, which explains to an important extent the lengthy procedure – on average more than one year during the period of study. Indeed, the process can appear so complicated that we cannot be sure that full and detailed appraisals always take place <sup>11</sup>. Overall the appraisal of projects submitted to B7-6000 seem to have left a considerable margin for manoeuvre for EC officers. Due to pressure of time and the absence of a comprehensive screening system, many may have interpreted the criteria in a particular manner that would hasten procedures. However, in terms of the rejection of projects, procedures were more rigorously pursued and formally approved by the Head of Unit.

When a proposal was positively appraised, a **funding decision** took some additional steps, involving among other the finance units. At this stage, the ENGO was also obliged to indicate the actual starting date of the project; it could name as early a starting date as reasonable (even before the submission date of the project). Retroactive funding was allowed, but at the ENGO's own risks; it was nevertheless practised quite frequently (see below).

Once a funding decision was taken, the next stage consisted of the **monitoring** of project implementation through an on-going analysis of project reports that contain both narrative and financial sections. We have noted that, over time, the financial reporting has tended to assume a greater importance in relation to the overall narrative on the progress of the project. Overall, less time was devoted on follow up of project implementation than on ex-ante screening. Furthermore it would appear that EC officials rarely conducted on site verification or an **evaluation** of the projects for which they were responsible. This implies that EC officials were basically dependent on the information provided through the ENGOs' reports, which, as we will discuss later, often lacked key information. The EC could also decide to let carry out an evaluation after consulting the ENGO and its partner; this did however rarely happen.

As soon as the project was completed, ENGOs were asked to submit a final report whose format was included in the general conditions. This report had to give a full account of all aspects of the project, both in content and financial terms.

### **Management of block grants.**

The 1988 General Conditions define block grants as a "particularly flexible and rapid co-financing instrument" designed to allow ENGOs and their southern partners to carry out mini-projects with a limited lifetime (12 months maximum). On the whole and in line with the aims of the instrument, the management of block grants has been less complicated than that of grants for ordinary projects. Apparently, both the EC and the ENGOs have applied low standards in

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<sup>11</sup> The quality and relevance of the appraisal process shall be analysed more in depth under point XX.

requesting and providing information on the implementation of block grants <sup>12</sup>. This is quite understandable given the present focus, in the management of the budgetline, on ex-ante screening.

## **2. Four further points to be noted**

- **First**, an unfortunate **backlog** in the appraisal of project proposals has gradually developed in the period under study 1994-99. Our study of a sample of 100 projects indicated that **on average 13.5 months** had elapsed between the presentation of the proposal by the ENGO and the letter of acceptance from the EC. This figure is broadly confirmed by the EC's own statistics. The major reason for this backlog lies in the increase of the size of B7-6000 without any corresponding growth of the human resources needed for its management. However, the rather lengthy and over-elaborate appraisal system, and the internal reform and related logistical problems have also clearly contributed to the backlog. For a long period it would appear that no appropriate measures were taken to address this problem. Essentially there were two possible broad solutions: either (a) increase the number of staff or reduce the size of the budgetline or (b) rationalise the whole ex-ante appraisal procedure in line with staff resources available.
- **Second**, the **institutional reform of mid-1998** has constituted an additional challenge, in the sense that the staff of the previous NGO-unit are now divided into two new units and each have developed their own working methods. This has inevitably resulted in additional work and a split of valuable expertise over two units that, furthermore, are housed in different locations. Initial co-operation between the two units was further complicated by a lack of a clear division of responsibilities, leading to uncertainties and sometimes tensions. Moreover, by the end of 1998 DEV A/4 (but not SCR C/5) altered its internal task division by shifting from geographical repartition based on the nationality of the contractor to a repartition based on the beneficiary countries. Since the 1998 reform, DG DEV A/4 has a relatively large number of staff <sup>13</sup> and has been able to cope quite well with these challenges. On the other hand, the situation is worse at the level of SCR C/5. This unit has chronic understaffing (three to four staff to follow up more than 4,000 projects!). This unit of too few people, albeit highly committed and hard working, could hardly do anything more than expediting payments. One of the very objectives of its creation - improving the quality of project implementation via the setting up of proper monitoring and evaluation mechanisms – could obviously not be reached in such conditions.

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<sup>12</sup> This will be discussed more in detail in the next chapter.

<sup>13</sup> Eleven of its staff currently work on projects, of which seven are full time EC officials, on is a national expert and three are auxiliary staff. Additional staff is expected to join the Unit.

- **Third**, inevitably ‘**turn-over**’ **pressure** contributed greatly to management difficulties as, each year, Unit staff were under considerable pressure to spend the allocated budget. In such circumstances the need to spend takes precedence over quality control. Indeed, apart from 1998 <sup>14</sup>, and notwithstanding the difficulties described above, there was full commitment of the budgetline throughout the period under study. In this regard, it should also be noted that in recent years the Commission’s requests for the budgetline were consistently lower than what the European Parliament has approved.
- **Fourth**, on January 1<sup>st</sup>, 1999, a **standard grant contract** entered into force, which concerned all grants awarded by the Commission. This move is within the framework of the Commission’s efforts, under the recently established SCR, to harmonise procedures and rules with regard to all aspects of the Community’s aid to non-member countries. This contract changed the way that the Commission and the ENGOs relate to each other and introduced new rules such as the requirement to provide a financial guarantee for grants above a certain amount. Some of these changes were strongly opposed by the ENGOs and caused a deterioration in relations, despite the Unit’s efforts to find a solution to the problem <sup>15</sup>. ENGOs considered the Standard Contract as not adapted to the broader aims and context of B7-6000 where, among others, innovative actions should be undertaken and partnerships established with organisations that cannot immediately respond to the conditions of the Contract.

### **3. Management under the New General Conditions**

As a result of the backlog, a lot of proposals still have to be appraised on the basis of the “old” General Conditions. On 1<sup>st</sup> January 2000, about 980 proposals still had to be assessed for a total sum of 350 million €. It has been a major preoccupation of the DEV A/4 Unit to handle this backlog. Specific strategies have been designed for this purpose. DEV A/4 had hoped to conclude the appraisal process for all “old” projects by July 2000, but was unable to do so. At the same time the unit tried to upgrade and streamline the management of the budgetline. Furthermore, it invested heavily in the development of appropriate mechanisms and instruments such as an operational guide for handling projects. This will certainly be beneficial to the appraisal of projects and programmes under the New General Conditions. A Call for Proposals under the New General Conditions has been launched. A budget of 60 million € has been allocated for funding in 2000 of operations under the new General Conditions. Notwithstanding all the efforts undertaken, by mid September 2000 no contract had yet been signed under the 2000 budget.

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<sup>14</sup> According to the information obtained from the staff of the NGO Units, the 1998 failure was due to a shortage of staff in the financial services.

<sup>15</sup> A new standard contract entered in force on January 1, 2000. At the moment of the evaluation, it was not yet entirely clear how it would apply on B7-6000 contracts.

#### **4. Some preliminary conclusions**

Well detailed General Conditions have set a clear framework for the staff to manage the budgetline. They were supplemented by checklists and some co-ordination, direction and control exercised by supervisory staff. The appraisal process nevertheless left a considerable margin for manoeuvre for EC officers. They all seem to have developed their own methods to a certain extent. No common overall « system » existed and officers sometimes did not know what their colleagues were doing and how. This has certainly contributed to the creation of uncertainties and inequalities in handling requests. However, in terms of the rejection of projects, procedures were more rigorously pursued and formally approved by the Head of Unit. Some ENGOs have also learned to take advantage of this situation, for instance by entering into a very intense and personal relationship with their EC counterparts. This way of working could not be sustained, especially when the backlog was increasing.

Institutional changes came at a moment when the unit was already facing serious constraints. These changes also resulted in a temporary but considerable increase of work. By the end of 1999, both units were trying to cope with the difficulties as well as possible. The relatively better staffed DEV A/4 unit undertook consistent efforts to redress the situation and to organise its work under the new General Conditions. The heavily understaffed part of the SCR C/5 unit responsible for the B7-6000 budgetline did everything possible to ensure the minimum level of service necessary to keep the budgetline functioning.

#### **2.3.2. Management by European NGOs and their southern partners**

As the focus of the evaluation is on mechanisms, practices and procedures of Commission-NGO co-financing, it has not been possible to make an in depth assessment of the management practices applied by ENGOs and their partners, whose projects have been financed via the budgetline. It is important however to get an overview of their ways of managing the projects though there may exist considerable differences among them.

The first part of this chapter deals with the management of individual projects and follows the different phases of the project cycle; the second part focuses on a few selected issues of a broader nature.

#### **1. Management of the project cycle <sup>16</sup>**

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<sup>16</sup> Annexe 5 presents a more detailed overview of our findings in this regard. Figures presented here and in annexe 5 are derived from the results of the survey among ENGOs (see annex 4, chapter 5, of the desk phase report).

**Project identification and formulation.** In most cases the project identification and formulation process involves an interplay between three major players: the local partner, personnel of the ENGO (based in Europe and/or in the South) and the project beneficiaries. As could be expected, the Southern NGO partner is the most important participant in the project planning stages. Project beneficiaries participate in the process; their participation was rated as satisfactory during the field evaluation (an average score of 2.10 on a scale of 4: weak – satisfactory – good – excellent). It is further important to mention that in 79 % of cases there has been previous co-operation between the ENGO and its Southern partner; this may partially explain why in so many cases (71 %) the project is part of a broader programme (projects in Cuba are an exception in this regard). These data are also compatible with the finding of the field phase that many ENGOs tend to introduce projects with a low degree of risk, and that they apply to the EC for relatively big undertakings which cannot be funded by a single donor agency. The fact that EC funded projects are often part of a broader and pre-existing programme also implies that SNGOs and ENGOs are very well able to formulate their projects properly. They can rely on a considerable body of experience obtained through their previous interaction with target groups.

Considering the findings described above, it is very significant that SNGOs are only exceptionally involved in the “formatting” of the EC proposal. They know that their project has been submitted for funding to the EC, but most of the time their knowledge stops there. They do not usually even have a copy of the proposal. Only a minority of ENGOs discuss the potential implications of EC funding (relatively high requirements in terms of reporting, possibility of external evaluation) with their partners. SNGOs’ knowledge of the major aims and characteristics of the budgetline is extremely limited; they consider it merely (as their European partners do) as an additional source of funds. Only some SNGOs having a long standing relationship with their ENGO are sometimes better informed.

**Implementation, monitoring and evaluation.** Many SNGOs have referred to the considerable delay in the project approval process as a major impediment for project implementation. But, again, the situation differs considerably from project to project. Where the EC project is part of a broader co-operation and partnership, the ENGO is usually in a position to pre-finance the project. In other cases - mostly co-operation between smaller ENGOs and smaller SNGOs - the project only starts when the EC has accepted the proposal and paid the first installment.

Implementation is in most cases entirely ensured by the SNGO. European expatriates are rarely involved. Only a minority of the ENGOs have in country representatives allowing them to be associated more closely with project implementation. Projects are monitored by ENGOs by means of regular on-site visits that aim to ensure proper reporting to the EC. In the case of long standing relationships, they might have a dimension that goes beyond this aim and focuses on institution building.

The quality of project monitoring varies considerably. Some SNGOs (in India for instance) have made remarkable efforts during recent years and are now able to monitor project developments effectively, whereas many other SNGOs are still very weak in monitoring. In nearly every case however, monitoring efforts are exclusively focused on the project outputs and objectives; monitoring more global change is hardly ever done. As such, monitoring seems to a major extent to be geared to the SNGOs' and donor's needs and requirements. Participation of beneficiaries in monitoring and evaluation is still weak, as is confirmed by the findings of the field missions, where the average score for 30 projects was respectively 1.89 and 1.75 on the above mentioned scale from 1 (weak) to 4 (excellent).

ENGOS further claim that their projects are regularly internally evaluated. Many of these internal evaluations are however of poor quality and cannot be considered as "evaluations" in the strict sense of the term. In many cases, an end-of-project evaluation is also undertaken <sup>17</sup>.

**Narrative and financial reporting.** ENGOS play an key role in the narrative and financial reporting for which their partners provide a major input. ENGOS often are focusing on the financial aspects of the reports which are more closely analysed by the Commission and require a high degree of acquaintance with the Commission's rules and interpretations. As is the case with the proposals submitted to the EC, most SNGOs are not involved in the reporting to the EC and often do not have a copy of these reports.

## **2. A few selected issues**

- **The ENGOS' global funding strategies.** The issue of the ENGOS' perception of the specificity of the budgetline, its particular relevance for the ENGO-sector and the related ENGOS' strategies will be dealt with in detail in the next chapter. One general and striking finding can be summarised as follows: ENGOS see very few differences between the co-financing system in their country and budgetline B7-6000; they consider the budgetline essentially as a means of project diversification and additional funding. The ENGO community as a whole is aware of differences between the two systems but does not consider these as important enough to warrant applying a different submission strategy <sup>18</sup>. Some *individual* (mostly bigger) ENGOS however do apply different strategies, such as applying to the EC only for projects with well known partner organisations which are able to guarantee quality and meet EC standards.
- **Block grants.** ENGOS claim to have been able to use block grants in line with the aims of the instrument. They greatly appreciate their flexibility, the

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<sup>17</sup> The explanation for this might very well lay in the fact that end-of-project evaluations often aim (at least partially) to pave the way for a new project proposal.

<sup>18</sup> See Desk Phase Report, annex 4, table 6.2. for more details.

possibility of responding quickly to demands from the South, the simple procedure and straightforward management and administration, even though they are usually limited to a short time frame (short project execution and reporting period). Despite this positive assessment many ENGOs face difficulties with the management of the block grants. The field missions have indicated that block grants are used for various reasons and in various settings. At one end of the spectrum one finds a big SNGO that unexpectedly gets some funds from a European partner with a surplus from its block grant allocation. At the other end, one finds examples of block grants being used to fund a temporary increase in the programme costs of a small SNGO, which has already co-operated with its European partner for many years. These examples indicate that the high level of flexibility of the instrument most probably leads to its use for the worst and the best.

- **Consortia** composed of ENGOs from different Member States can submit project applications, which constitutes one of the major particularities of the budgetline compared to national co-financing schemes. As mentioned earlier, the relative importance of consortia has increased considerably over recent years. The Commission clearly wants to further promote this type of co-operation as it gets particular attention in the new General Conditions; moreover, networks are presented as a new type of ENGO-co-operation that is eligible for project or programme funding. The ENGOs concerned however indicate important advantages for engaging in a consortium: the access to larger funds, complementarity of expertise, the possibility of allocating tasks to the best placed ENGOs, the opportunity to develop new skills and increase the degree of co-operation among European organisations. ENGOs also mention important advantages in the South: the local partner gets access to bigger funds, whereas its administrative burden decreases in relation to the size of the funds, and a co-ordinated approach among various local players can be promoted. The scope of our study did however not allow us to assess to which extent these advantages are achieved in reality.
- **The Co-financing Support Programme (CSP/PACO).** The CSP was designed as a result of a joint initiative of the EC and the CLONG with the aim of improving the quality of the applications and reports of the ENGOs. It was considered as a temporary structure set up to enable the ENGOs to cope more effectively with the requirements of the EC and , in that way, reduce the workload of both EC officials and ENGO staff. Specialist advisers were recruited to assist ENGOs in screening their applications and reports in line with the formal requirements stated in the General Conditions. The programme was funded by the EC; its expenditure for the first 1.5 years was 1,265,480 €. It ran from July 1997 till June 1999 when its funding was terminated by the EC because it found that the Commission should have followed a tender procedure for contracting out this type of service. The tasks and duties of the CSP staff were defined in such a way as not to interfere with the responsibilities of the ENGOs and the EC staff. The CSP

operated in a decentralised way - their staff were based in more than 10 locations - to ensure a higher degree of proximity to the ENGOs scattered across Europe. In practice, most of the advisory work concentrated on the financial aspects of both the applications and the reports. In addition to screening applications and reports, the CSP provided training to 2,320 ENGO staff. An evaluation conducted in 1999 concluded that the programme had been clearly successful in improving the quality of the documentation, its major objective. Many ENGOs contacted were however less enthusiastic about the programme and not so positive about its results. It is further interesting to note that, after the termination of the CSP, two national platforms (Germany and Italy) decided to continue it without EC support. This is a clear indication of the relevance of its service, at least in these two countries, where these services were already well organised under the CSP regime.

Last but not least is it important to mention that a new programme called TAN/RECIF is now being implemented by the CLONG. It is an EC co-financed programme whose major aim is to provide information on the new General Conditions and to train ENGO staff in the application of these conditions.

### **2.3.3. EC-ENGO dialogue on the budgetline**

The dialogue between the EC and the ENGO community is as old as the budgetline itself. From its very start, an interface was set up to facilitate co-operation among ENGOs and between the ENGO community and the EC. Indeed, the latter clearly wanted to involve the ENGOs, not only in the launching and development of the co-financing programme, but in the process of improving the overall quality of the European development policy and programmes.

The CLONG started on an informal basis but rapidly evolved into a representative body with a clear institutional framework, a strong secretariat and an increasing budget that was funded predominantly by the Commission. Its mandate became gradually broader and included, among other things, lobbying activities representing the interests of the South in Europe. Over its more than 20 years of existence, the CLONG has made regular efforts to re-think its role and mandate in view of changing circumstances, within Europe and the ENGO community. An evaluation, conducted in 1996, stated nevertheless that the CLONG had difficulties adapting itself to these new challenges and many observers found that it had lost part of its dynamism and relevance. The evaluation suggested a renewed strategy and mode of functioning that was later translated into a strategic plan.

### 3. ASSESSMENT OF THE BUDGETLINE AND ITS IMPLEMENTATION

This chapter presents the assessment of the budgetline and its implementation in view of major evaluation criteria such as relevance, effectiveness, efficiency, impact and sustainability. As these evaluation criteria are usually applied in the context of the evaluation of “ordinary” development projects or programmes, we will need to interpret them in such a way that they are relevant to the particular situation of the budgetline. We will therefore, at the beginning of most sub-chapters, indicate how the evaluation criterion will be dealt with and which major issues will be analysed.

The assessment in view of the above-mentioned evaluation criteria is complemented by our findings on four other major issues which are of particular importance in the context of this budgetline: gender, poverty, democratisation and strengthening of civil society, and ENGO-SNGO partnership.

#### 3.1. RELEVANCE

The issue of the relevance of the budgetline covers various dimensions that concern both the budgetline as a whole and the projects funded. The issues discussed in this sub-chapter relate to three levels, which are often linked:

- the level of the focus and global purpose of the budgetline, dealing with issues such as its identity, specificity and the right of initiative of ENGOs and coherence with existing policies (points 3.1.1., 3.1.2. and 3.1.3);
- the level of the ENGOs and their southern partners who have benefited from the line (3.1.4.);
- the level of the eventual beneficiaries in the South (3.1.5).

##### 3.1.1. The rationale for a specific European NGO co-financing mechanism

*This issue can be approached from different angles. Firstly, we will consider the desirability of channeling part of the public funds earmarked for development co-operation via non-government organisations. Secondly, we will assess the specificity and desirability of a **European** development programme besides the national programmes of its member countries: what is the *raison d'être* of such a programme and has it (or: should it have) a specific "European" objective? Thirdly, we will turn to what we can describe as the "internal" specificity or relevance of the budgetline, i.e. the desirability of developing, within EC development aid, a programme with the particular characteristics of the B7-6000 line.*

## **1. The desirability of channelling EC funds to non-government organisations.**

In recent decades, NGOs have managed to get increased access to public funds for development co-operation. This has been the result of an increased world wide recognition of their specific role and their added value. Also, from an EC point of view, it has been a means of diversifying aid strategy and action with a strong poverty focus. However, many evaluations conducted in recent years have demonstrated that the NGOs' actual performance with regard to their perceived strengths (cost effectiveness, innovative and participatory approaches, capacity to reach the poor) is lower than expected. Furthermore the situation in the LDCs has dramatically changed and it has become increasingly difficult to argue that ENGOs have a comparative advantage over other development actors. The potential of NGOs has nevertheless remained unquestioned, but they are increasingly perceived as only one among many civil society players. As such, their privileged position in development co-operation is increasingly being challenged. This evolution has not yet been addressed by the budgetline that continues to stick to its original premises.

In view of the above, it can be stated that the EC has been right in intensifying and increasing its co-operation with NGOs. Hence, the decision, as such, to increase the size of the budgetline can be considered as appropriate. It may nevertheless be deplored that, in the nearly 25 years of EC-NGO development co-operation, no major efforts were made to systematically evaluate and assess the global focus and purpose of the budgetline in the specific context of EC development co-operation. A few interesting evaluations were conducted, but they were too isolated, focused only on a particular sector (credit, capacity building, water supply and sanitation, etc.) and were not incorporated into an overall long-term evaluation policy. As such, the EC does not have any direct indication of the global strengths and weakness of its NGO-programme. As far as budgetline B7-6000 is concerned, this may be one of the reasons for the lack of a timely and strategic response to some important evolutions in the development scene and the NGO world in particular.

## **2. The specificity and desirability of a European development programme**

This issue is obviously much broader than that of the specificity and desirability of budgetline B7-6000. As is the case for official development aid where both the Commission and its member states are often implementing similar programmes in the same countries, ENGOs often use funds from their own government and from the Commission interchangeably. Indeed, most if not all ENGOs that have access to the budgetline also obtain funds via their national co-funding scheme. Those schemes too are largely demand driven and the broad options of the Council Regulation and General Conditions hardly differ from those defined by the member states for their respective co-financing programmes. Having an

additional source of funding is in itself an advantage for the ENGOs but does not automatically lead to higher quality, coherence and strategic action. In view of recent trends, the lack of any form of articulation between national co-funding schemes and B7-6000 becomes less and less defensible. Moreover, many projects funded via the budgetline are part of a broader programme in which other donors participate.

Representatives of ENGOs state that, until a few years ago, administrators of the budgetline really succeeded in promoting innovations (for instance in the field of micro-credit and institutional strengthening) and purposely funded high-risk projects. Other observers are however more sceptical about this statement and point out that innovations can be found in most if not all co-financing schemes<sup>19</sup>. Most parties involved agree however that the “impersonal” character of the B7-6000 budgetline has increased over time as the line has become bigger and its administrators had less and less time to devote to quality management and reflection on the focus and purpose of the budgetline. It would appear also that this has been reinforced by the introduction of the Vademecum on Grant Management and of the Standard Contact, and the subsequent efforts to bring B7-6000 procedures in line with these. The results of our survey among ENGOs, indicate further that ENGOs currently see more similarities than differences between their national and the EC co-financing system. Differences do exist, but they relate more to operational aspects (type of instruments, costs eligible for funding, minimum and maximum grants) and to the particular interpretation of existing guidelines by the staff of the funding agencies concerned.

Our findings in the field have been in line with what has been stated above. SNGOs are informed about the source of the funding for their project, but are rarely acquainted with the specific characteristics of B7-6000 and EC funding in general. At the most, they may know something about the specific reporting requirements. This situation is reinforced by the EC-Delegations’ failure – with a few notable exceptions - to visit SNGOs and their projects and/or to undertake initiatives such as bringing together the beneficiaries of the budgetline.

If the budgetline cannot show its specificity or distinctive purpose, the issue of its relevance becomes – at least in principle - quite delicate to settle. Indeed, the EC has no real comparative advantage in managing a co-financing budgetline, easily accessible to such a high number of potential beneficiaries (525 NGOs in the six years studied!). In the context of the increasing size of the budgetline and the lack of human resources leading to imperfect screening (see point 4.3.), it is less capable of following up the ENGOs’ performance and ensuring quality than national authorities. It might even compromise the efforts of national donors to improve the quality of their respective NGOs.

Most probably, **consortia** of ENGOs can currently be considered as the sole element encompassing the specificity of the budgetline. The relative importance

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<sup>19</sup> In the context of this evaluation, it has been impossible to assess this issue in more depth.

of consortia has sharply increased during recent years. It is expected that this increase will continue as the new General Conditions promote this type of co-operation and also allow NGO-networks to introduce proposals. Many ENGOs favour this evolution and mention a range of advantages that go well beyond pragmatic considerations such as access to higher amount of funds <sup>20</sup>.

Some ENGOs are however less in favour and see in the increasing importance of consortia a danger for small ENGOs, which will become more and more marginalised. Many from inside and outside the Commission state as well that the promotion of consortia is essentially to be understood as a means of diminishing the administrative burden and “rationalising” the management of the budgetline. From our side, we are concerned that the decision to further promote consortia has not been based on an in depth evaluation of the advantages and disadvantages of this type of co-operation <sup>21</sup>. Indeed, many observers state that consortia are mostly set up for pragmatic reasons alone and hence add very little to the European dimension; the fact that most consortia are limited to one project may provide an indication in this regard. Furthermore SNGOs often have mixed feelings towards the constitution of consortia by their northern partners. It is not usually the SNGOs who initiate the setting up of consortia, which might further complicate the already delicate power balance between them and their northern partners. Our field missions included too few cases to provide additional information in this regard.

To conclude this discussion, we can state that, at the moment of its inception, the budgetline might very well have had a distinctive character. However, more recently the issue of “specificity” and a distinctive identity for the budgetline has not received the attention it deserves in view of the many changes in development co-operation and the European NGO-sector in particular. The key B7-6000 stakeholders have not reflected thoroughly on the consequences of these changes on the (potential) specificity of the budgetline and its relationship to national co-financing systems. Consequently, the budgetline has lost part of its identity. As will be discussed later, the new General Conditions do bring some changes but do not yet address the question to which extent the original premises on which B7-6000 was founded are still valid. It is probably time for all parties involved to rethink EC-NGO co-operation more thoroughly and to develop innovations that have the potential to bring an added value compared to national co-financing systems.

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<sup>20</sup> For more details, see 2.3.2., point 2, above and annex 4, part 5, of the Desk Study Report.

<sup>21</sup> There has been, however, an interesting reflection on delegating management responsibilities to European NGO networks through the introduction of programme contracts; this goes however much further than the consortia referred to here. For more details, see: J. Bossuyt and M. Wilkinson, Study of new methods and areas of co-operation between European NGOs and implications for collaboration between NGOs and the European Commission, ECDPM, 1997.

### 3. The “internal specificity” of the budgetline

Budgetline B7-6000 is part of the global EU development effort. It aims, among other things, to forge closer links between the NGO community and the EU and to diversify the latter’s development programme. It was established in 1976 and since then its basic thrust and mode of operation have not changed notwithstanding the dramatic changes on the development scene in the same period. Compared to other forms of EC development aid, the B7-6000 budgetline has a few particularities. Unlike most other EC aid instruments, it is essentially *demand driven* and only open to *European* NGOs. The block grant instrument is an exception in this regard as it is to a certain extent supply driven.

The demand-driven character of the budgetline is linked with the importance the EC attaches to the right of initiative and autonomy of the NGOs (see point 4.1.2). Bearing in mind that discussion, it is in our opinion important to view B7-6000 in the broader perspective of a varied package of instruments that have been developed by the EC and are accessible to NGOs and/or other players. Most of these instruments have a sector, specialist and/or geographical focus which make them supply driven, i.e. an instrument, in the fullest sense of the word, for the implementation of EC policy. The combined financial importance of these other instruments is considerably bigger (around 4 times in financial terms) than that of budgetline B7-6000. Many observers refer to these other instruments to defend the exclusively demand driven character of the latter and even consider it a necessity so as to preserve the NGOs’ role and a certain balance in EC-NGO co-operation, and to further promote the NGOs’ capacity to innovate. In their opinion, it will also prevent, at least to a certain extent, the so-called instrumentalisation of NGOs, which some fear will lead to the eventual loss of their relevance and an impoverishment of development co-operation <sup>22</sup>.

We have however found that the EC has paid a price for the fact that the budget line is *exclusively* demand driven. It has allowed many ENGOs to get funded classic low-risk projects and, at the same time, prevented the Commission in many ways from developing a clear policy and giving any other direction than that provided by the (very broad) General Conditions. As such, it has been difficult for the EC to become proactive, ensure coherence and respond strategically to important changes that have occurred over the last 25 years (emergence of strong SNGOs and other civil society players, decentralisation, changes in co-financing schemes of the member states, increasing differentiation among ENGOs). All this implies that B7-6000 has, within the EC context, essentially been managed in isolation, disregarding important developments both in EC policy and in the field. It has allowed many ENGOs to continue their increasingly outdated practices.

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<sup>22</sup> This being said, we think that NGOs can also be innovative within a more supply driven context and “from within” develop new approaches that can influence development practice in general. In the same line of thinking, a certain level of “instrumentalisation” does not imply that NGOs would become less relevant or innovative. What we want to stress here is that a purely demand driven budget line can be relevant as a way of providing the ENGOs a possibility to develop their approaches in an entirely independent way, provided that some of the weaknesses we are mentioning here and at other places in this report are addressed.

Hence, ironically, it is precisely the *exclusively* demand driven character of the budgetline coupled with the increased administrative requirements which seem to have led to more traditional projects and less innovation and creativity. A new approach is needed, which tries to combine the potential of leaving the initiative to the ENGOs and their partners with the necessity to integrate their initiatives in a coherent framework and strategy.

The option of preserving access to the budgetline for *European* NGOs should also be considered in a broader perspective. EC development aid is currently undergoing important changes: the new Cotonou agreement focuses on extending partnership to a wide range of local actors as part of a general trend towards devolution and decentralisation. SNGOs are part of this new focus. They currently have access to several EC funding sources, among others via so-called Decentralised Co-operation initiatives, albeit that the funds available are considerably lower. Furthermore, in an increasing number of countries new players have been integrated in the National Indicative Programmes.

Several studies have however indicated the dangers of direct funding approaches such as the disruption of the local NGO world and the loss of identity among SNGOs. More importantly, it is precisely the partnership between ENGOs and SNGOs that constitutes an important added value of the budgetline. In many cases, it concerns long-standing partnerships that have created a relationship of trust and mutual respect, which often constitutes the basis for innovation and considerable added value. Moreover, the ENGO-SNGO partnership and the information flows they entail provide an important contribution to the development education and awareness raising activities of ENGOs. As such, they play an important role in the preservation and enhancement of the European public's commitment to development co-operation and therefore, indirectly, to the continuation of overall EC development co-operation efforts.

The points put forward in the previous paragraph should however not prevent us from looking critically at the preserved character of B7-6000. It is, again, an option that might have been valid 25 years ago, but needs to be reconsidered in view of what has changed in the meantime. The non-government sector has changed dramatically and ENGOs are finding it increasingly difficult to prove their comparative advantages. This suggests that, in our opinion, it will be difficult to justify a reserved access to the budgetline for ENGOs. However, considering the urgent need to redefine the overall purpose and focus of the line and the present management difficulties, opening up the B7-6000 line *immediately* to other players might well produce similarly compromised results as it will only complicate the process of change. So *at this moment* we still see valid reasons for preserving the exclusive "European" access to the budgetline. Once the budgetline's current difficulties have been solved, however, B7-6000 stakeholders cannot escape from reconsidering the reserved access for ENGOs, but should do this in the framework of the global EU development co-operation programme.

### 3.1.2. Respect of the right of initiative and autonomy of NGOs

*NGOs in both the North and the South value highly their independence and autonomy. Others involved in development, from beneficiaries to policy makers, also consider the independent status of NGOs and their freedom of action as essential. It enables them to take sides uncompromisingly and to defend the interests of the poor and the oppressed. It also allows them to develop innovative approaches which are often adopted mainstream later on, thereby contributing to the overall improvement in quality of development work. Last but not least, NGOs are a major factor in creating, in the North, the necessary public support for development co-operation. As such, they often in fact become allies of the development administrations even if the latter are frequently a major target of their criticism. These considerations most probably explain why the "right of initiative and independence (or autonomy) of the NGOs" has always been such an important issue in the EC-NGO relationship.*

In the previous sub-chapter, we dealt with the demand driven character of the budgetline, which we can consider as resulting from the right of initiative of NGOs. It has also been mentioned that the degree to which the B7-6000 line is demand driven is, indeed, very high: the only "filters" applied relate to broad eligibility criteria for ENGOs and projects, which, in practice, are interpreted very flexibly<sup>23</sup>. Apparently this is how the EC has interpreted the principle of right of initiative and independence of the NGOs up till now. A few critical remarks should be formulated in this regard.

Considering the central position the concept of "right of initiative and independence" has occupied in the EC-NGO relationship, it is somewhat surprising that no efforts seem to have been made to further define and operationalise this crucial concept in the context of the B7-6000 line and EC-NGO co-operation in general, nor to adjust it in view of the substantial changes in the NGO-sector and NGO-state relationships. In practice, this has led to a policy that interprets the concept in a rather absolute way and considers any attempt to give a particular direction to the budgetline as inappropriate. As such, the EC and the ENGOs alike are deprived of an important means of taking corrective measures if part of the budgetline is allocated for initiatives that do not match its broad objectives and targets.

Furthermore, if one accepts a fairly extreme interpretation of the "right of initiative and independence" principle, one would expect the major stakeholders concerned to be aware of the management requirements this would entail in terms of ensuring the quality of the projects funded via the line. As we will describe later (see point 3.3.), there are, to say the least, strong indications that this has not been the case.

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<sup>23</sup> The issue of the compatibility of the project's objectives with that of the country and of the EC development co-operation policy - one of the eligibility criteria for projects - will be discussed under point 3.1.3.

In line with what we said above, we think the “Right of Initiative” and the “Autonomy” (or independence) of ENGOs are two notions that might be close to each other but are notably different. The autonomy of NGOs should allow them defining their policy in line with their vision on development and particular mandate. It should preserve their freedom of action by making them not overly dependent on third parties (by avoiding becoming heavily dependent on public funding, for instance). The “Right of Initiative” refers, in the context of B7-6000, to the ENGOs’ right to introduce a broad range of initiatives for funding, which they claim respond to local needs of poor target groups. We think there are many reasons for putting both principles more in perspective of the framework of EC-NGO co-operation and NGO-funding by public authorities in general. The following points are worth mentioning in this regard:

- Most ENGOs with access to the budgetline depend to a major extent on public funding. The ENGOs included in our survey derive on average nearly 70 % from public sources. 77 % of them get more than half of their budget from public donors. It is primarily this situation, which the NGOs have deliberately opted for, that threatens their independence and autonomy, a threat that might be exacerbated should a public donor consider drastically reviewing the demand driven character of its co-financing scheme.
- ENGOs claim their “right of autonomy and initiative” on the basis, among other things, of their position as representatives (and advocates) of poor target groups in the South that are unable to voice their interests with sufficient strength. They want their projects to be founded on the needs and interests of the poor, which are not necessarily compatible with policy considerations of more powerful development players. Most if not all of these ENGOs are however intermediary organisations that have their constituencies in the North. They have their own screening and selection mechanisms and the voice of the South is only indirectly heard in their headquarters. As intermediaries, their projects mostly originate from their southern partners, often intermediary organisations themselves, that are considered able to understand correctly the aspirations of the target groups. As will be discussed under 3.1.5., the findings of our field visits indicated that most projects do respond to the beneficiaries’ needs. It is nevertheless clear that the legitimacy of the NGOs’ demands should be closely looked at. This has often been problematic in the context of the B7-6000 line as in many cases project proposals lack essential information on, for instance, who took the initiative for the project, who precisely the beneficiaries are and how they have participated in the preparation of the project <sup>24</sup>.
- ENGOs derive on average only 13-14 % of their income from this particular budgetline <sup>25</sup>. Hence budgetline B7-6000 is for most of them complementary to the funds they obtain from other sources. In such a context, it can hardly be claimed that giving more direction to the line would really lead to any loss in terms of their autonomy and right of initiative.

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<sup>24</sup> See also point 3.2.2., for a more detailed discussion of this finding.

<sup>25</sup> See Desk Phase Report, annex 4, part 2.

- Many ENGOs do not object to participating in other, more supply-driven EC budgetlines. More than half of the ENGOs in the sample we used for the document based assessment stated that they were also implementing projects in the fields of food and emergency aid.
- Last but not least is it important to mention that for an increasing number of ENGOs the issue of autonomy and right of initiative is not that crucial. Many organisations have a rather pragmatic attitude and are often involved in sub-contracting, etc. They differ very much from the “classic” value driven NGO. NGO co-ordinating bodies and EC staff members are often unsure precisely how to relate to this group of ENGOs.

In summary, we find that, while the principles of autonomy and right of initiative as such might still be relevant and even critical in some particular contexts (Cuba, for example), their present interpretation cannot be justified anymore. It has prevented the budgetline from getting the necessary direction to best ensure its relevance, effectiveness and quality. According to our findings, the B7-6000 would have needed a carefully designed direction with a clear focus and purpose, defined on the basis of a dialogue with the major stakeholders and on close monitoring of the performance of the line. This, in our opinion, would not have been incompatible with the budgetline’s demand-driven character, the principles of autonomy and right of initiative, and the NGOs’ capacity to realise their comparative advantages. On top, it would have allowed B7-6000 of reaching an impact beyond the project level.

### **3.1.3. Degree of coherence and compatibility with existing policies**

*This issue is explicitly addressed in the General Conditions (§ 4: Eligibility of Projects and § 13), which state that a project must normally be approved by a competent local authority and that the NGO should provide the Commission with proof that such approval has been obtained.*

A first point to note is that in only 47 % of cases do project proposals provide sufficient information on the degree to which the projects fit in with existing development programmes. This finding, together with the fact that these projects have nevertheless been accepted, provide a first indication of the limited importance that both ENGOs and EC staff members attach to this issue.

It appears that this issue has never been taken up consistently in the past. Cases have been reported of differences in perception between EC delegation and NGOs and/or EC staff responsible for the budgetline, but their number has remained relatively unimportant. Moreover, the issue cannot be dealt with in depth without linking it with that of the NGOs' independence and right of autonomy, which was never operationalised either (see point 3.1.2. above). Last but not least, NGO-funding was in a few cases seen as a way to support, often with explicit EC consent, local dynamics that clearly worked against the

government of the countries concerned, as was the case in Chile during the Pinochet era. In all these cases, we have the impression that all parties implicitly agreed to maintain a certain *flou artistique* (vagueness), which best served their respective interests.

This being said, earlier evaluations indicated that this policy might not (or not always) be appropriate. For instance, the evaluation of water and sanitation projects funded by the budgetline, which included field analyses in Burkina Faso and Uganda, provided strong indications of problems in this field. Cases were encountered where projects were overlapping with other governmental and non-governmental initiatives, and where NGOs were unaware of changing institutional settings and, for instance, the implications of decentralisation.

This issue was also addressed during the field phase. It was found that only in very rare cases have problems emerged. The B7-6000 projects seem to comply to a large extent with national and local policies, partly because these are often very broad (Cuba might be an exception as projects there can only be submitted for funding if they are explicitly approved by the government). The fact that southern authorities increasingly recognise the distinctive role NGOs can play is another explanatory factor.

Moreover, it was found that in many countries (Senegal and Brazil for instance) SNGOs have intentionally focused on areas that are not or only partially covered by others. Although they rarely aim to co-ordinate their efforts with other organisations, we found interesting examples of SNGOs acting as catalysts for government action (Kenya) or successful approaches and concepts (such as “empowerment”) being taken over by local governments (India). Furthermore it is clear that this “gap filling” approach might also have disadvantages and compromise the sustainability of the project benefits <sup>26</sup>.

#### **3.1.4. The role of the budgetline in enhancing the growth of the NGO-sector**

*The direct objectives of the activities to be funded via budgetline B7-6000 have been clearly formulated since its inception; its focus has been on both promoting development of disadvantaged groups in the South, and education and awareness raising in the North. Besides that, it has been argued that this support, provided exclusively via ENGOS, has strengthened the NGO-sector both in Europe and in the South. This preoccupation is illustrated as well by the desire to maintain the independence and right of initiative of the ENGOS. Although it is impossible to describe fully the effects of the budgetline on the NGO-sector in the framework of this evaluation, we have been able to indicate a series of important elements that are presented hereafter. One of the effects analysed, the strengthening of the SNGOs, will be dealt with separately under the heading*

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<sup>26</sup> This issue could not be addressed fully during the field phase.

*“democratization and strengthening of civil society”, which was one of our major foci during the field phase <sup>27</sup>.*

The budgetline was to our knowledge the first institutionalised form of co-operation between the EC and the NGO community. As explained earlier, it started small but became rapidly bigger. More importantly, B7-6000 fostered dialogue between the EC and the NGO-sector. This could be achieved because the tradition of dialogue was firmly rooted in the EC-ENGO relationship from the very start. It was further enhanced by the increasing recognition, in EC circles, of the added value of NGOs and by the increased importance of interface structures such as the CLONG. Ironically, this dialogue, which was often closely related to recent trends in the development sector, has not produced any major effect on the policy direction of the budgetline as such.

The simple fact that the easily accessible B7-6000 line (525 ENGOs in the period 1994-99!) provided a welcome diversification of funding sources certainly produced a positive impact on the European NGO-sector. Many ENGOs indicated that the budgetline had acted as a buffer or a "last resort" in case of particular difficulties with their national co-financing system, which many of them depend on heavily. These difficulties may concern one particular ENGO or the sector as a whole. The latter case was demonstrated in Italy where an institutional crisis in the development co-operation sector led to the temporary standstill of the co-financing scheme. Many Italian NGOs were able to avoid a drastic cut in support to their southern partners thanks to the existence of the budgetline and the understanding shown by EC staff for their precarious situation. Another example is provided by the UK NGOs which turned to the EC for funding their public awareness and development education projects during the Thatcher era.

These important positive outcomes should however be set against some critical observations:

- The fact that the budgetline made ENGOs less dependent on the national authority produced a range of effects, which suggests that B7-6000 is more than a simple topping-up of national co-financing. It is used in ways that exploit the differences between the two. These differences have often changed over time, not only because co-financing modalities of donors change, but also because of political decisions at the national level <sup>28</sup> or, simply, because ENGOs discover (or even develop) interesting loopholes related to particularities in the management of one of the systems. This being said, it is clear that there are notable differences among ENGOs both in their purpose in accessing, and use of, the budgetline. For resource poor ENGOs

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<sup>27</sup> See point 3.8. below.

<sup>28</sup> For instance: the decision to stop development co-operation with a particular country in the South.

B7-6000 often might have responded to a genuine need, whereas richer ENGOs might have resorted to it merely for pragmatic reasons.

- The fact that the budgetline might have “salvaged” ENGOs in particular situations, should be approached cautiously as an argument for the relevance of the budgetline. This is a side effect of B7-6000 and, as such, should not be taken as a central argument to justify its existence.
- The qualitative and quantitative growth of EC-NGO co-operation has had virtually no impact on the way the budgetline has been managed. Although in many documents the necessity to invest more in the quality aspects of the line is clearly put forward, in qualitative terms nothing has basically changed over a period of nearly twelve years. In a period when virtually all co-financing systems in Europe underwent drastic changes in an attempt to cope with the changes in the development sector in general and the NGO world in particular, the European system stuck to a "classic" and uniform project-by-project approach whose intrinsic limits were increasingly known.

Many explanations can be given for this. The exclusively demand driven character of the line, justified by the unchallenged interpretation of the “Right of Initiative” for the ENGOs has certainly played a role. It is also certainly true that changing the European co-financing system is a complicated exercise, considering the broad range of stakeholders, often with conflicting interests. In such a situation, representative structures such as the CLONG, that have to take into account varying interests, face difficulties in playing a leading role. Moreover, the basic characteristics of the budgetline were broadly compatible with the dominant ENGO culture and preferences. In other words, the ENGO community seemed to be basically satisfied with the increasing access to European funds and the status quo in terms of the practices that guided the management of the line. From the EC side, the increasing workload of the unit(s) forced the staff to limit themselves to providing a minimal level of service. It left little if any time for more in depth activities, even if the need for them was clearly recognised. Moreover, part of the EC management was reluctant to changes towards a more programmatic and flexible approach.

The above points suggest that B7-6000 may have cushioned many ENGOs from the challenges brought about by the drastic changes in the development world. As such, the budgetline may indeed have had a mixed effect on the qualitative growth of the sector.

### **3.1.5. Response to the beneficiaries' needs**

*The relevance of the budgetline is also (and most importantly) determined by its capacity to respond, via the projects funded, to the needs of the beneficiaries in the South. Our assessment in this regard is, on the one hand, based on the information available in the files, which only provides a very partial indication of the quality as such of the projects, and, on the other hand on the results of our field visits to 40 projects.*

## **1. Quality of information**

The quality of the information with regard to this crucial issue is initially determined by the format ENGOs have to follow when introducing a proposal. In this regard, we found that the eligibility criteria for ENGOs do not really allow an assessment of the ENGOs' capacity to set up projects that respond to the beneficiaries' needs. More importantly, no eligibility criteria are defined for the southern partner (except, to a certain extent, for the so-called chapter XII projects). However, the format for project proposals contains a well elaborated chapter on the local partner that should allow EC staff members to get the necessary information in this regard. The same can be said with regard to the information to be provided on the socio-economic context, the beneficiaries, their socio-economic position and their role in the preparation of the project. The same is also true for the specific objectives and activities that will be undertaken by the project.

In summary, it can be stated that contents and format of the basic documents (General Conditions and annexed format, Council Regulation) are sufficiently well designed for accurate assessment of this crucial issue, considering that we are in the context of project funding (as opposed to programme funding), where the focus lies, for most projects, purely on the local situation.

It is however important to analyse as well to what extent the ENGOs actually provided the requested information in sufficient detail for the EC staff to conduct their assessment properly and to what extent the EC staff undertook this assessment correctly. An analysis of the files along these lines revealed the following, (which of course provides only an indirect indication of the quality of the projects themselves) <sup>29</sup>:

- project activities and objectives are in general (in more than 91 % of the files studied) adequately described so that they allow proper assessment. In our opinion, the EC staff's decision to accept the projects for funding was, *as far as this dimension is concerned*, appropriate in the vast majority of cases (97 % for the objectives, 86 % for the activities). These high scores are not surprising, considering that the range of projects and activities that can be funded via the budgetline is very broad.
- The information provided by the ENGO with regard to the local context was in 87 % of the cases considered sufficient to make an appropriate assessment. In 83 % of the cases, an – in our view – appropriate assessment was made by EC staff members. This finding should however be qualified by the fact that a broader strategically focused contextual analysis is generally lacking. This is not so important for projects with immediate technical objectives, but crucial for those aiming at broader societal objectives.
- The information provided is however less satisfactory with regard to the intended beneficiaries: on this crucial issue, appropriate information was only

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<sup>29</sup> All figures in the next paragraphs are based on the results of our document based assessment; see Desk Phase Report, annex 5 for more details.

provided in 63 % of the cases. The same applies to information on who took the initiative for the project, details on the criteria for selection, and the participation of the beneficiaries in project formulation; only in respectively 46, 39 and 20 % of the cases was appropriate information provided. The fact that the projects were nevertheless accepted despite this lack of information suggests that EC staff cannot really judge the relevance of their projects on this crucial issue. It also indicates that, at the level of B7-6000 proposals, both the EC and ENGOs tend to use "participation of target groups" more as a slogan than as a verifiable concept.

- A similar conclusion can be reached with regard to information on the inclusion of women in the projects. In most cases, there is some information on the way women may eventually benefit from the project, but this information does not often go beyond blunt and unhelpful generalities; only in 22 % of the cases is the information considered adequate.

In conclusion, we can state that, in many cases, EC staff with responsibility for ensuring the quality of the budgetline via ex-ante screening of the project proposals do not have the necessary information to do so as far as the crucial issue of "responding to the needs of the beneficiaries" is concerned. Obviously this does not necessarily mean that the projects funded do not meet this criterion, but it is a first important indication of the limits of ex-ante screening, which constitutes the major instrument by means of which the EC can give any direction to the line.

## **2. Findings of field missions**

The findings of our analysis of 40 "illustrative" projects indicate that the projects responded to a major extent to important needs and priorities of the population. The major explanation for this seems to be a sound appraisal process that has less to do with the technical capacities available than with the thorough knowledge of the local context SNGOs have built up, often over a considerable period of co-operation with their target groups <sup>30</sup>.

Furthermore, SNGOs seem to be capable of identifying major needs that are not met by other agencies. The fact that in many countries public authorities have reduced their services for the poor (education, extension, health, water supply), actually broadens the playing field for SNGOs. Such an evolution is clearly taking place in all the countries visited, except Cuba. It is obvious that in such situations SNGOs often take up a gap filling role and that this might be abused by local authorities; this clearly happened in a few projects in India and Brazil. Other projects, on the contrary, opted for a straight socio-political approach that

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<sup>30</sup> As mentioned earlier, many ENGOs tend to submit to B7-6000 projects, which are implemented with partners they have already worked with, and many projects are the continuation of existing initiatives.

focused on the organisation of the beneficiaries to force local authorities to provide the much needed services.

Most projects did not limit themselves to the sole provision of priority services, but tried – with mixed results – to build up capacity at target group level to ensure a higher degree of sustainability and control by the beneficiaries. As such, many of them contained a capacity building component, whether geared at the individual, group or organisational level. In a few projects however (e.g. cases in Brazil and Kenya) approaches have been followed that were clearly not relevant in the sense that they did not allow beneficiaries to improve their situation.

Most if not all projects responded firstly to *local* needs, which often coincided with problems identified on a broader level. Very few projects however succeeded (or purposely tried) in linking up their action with initiatives at the state (India) or national level. A few successful cases were found in Cuba, India and Senegal. In Kenya and India, a few projects acted as a catalyst for government action.

Finally, it was found that the projects focused mainly on *immediate and clearly identifiable* needs, at least initially. A few of the SNGOs (in Kenya, India, and Brazil) explicitly opted not to go beyond this level. All projects in Cuba were restricted to a clear technical focus, which is understandable considering the specific situation of the country. Broader strategic needs related to poverty reduction and empowerment were aimed at by the majority of the SNGOs, but only in a few cases could clear progress be identified. This is understandable in the sense that the duration of projects is too short to achieve tangible results in this regard. Only projects linked to long term development processes (for instance in Senegal and particularly in India) succeeded in making meaningful progress.

### **3.2. EFFECTIVENESS**

*The issue of effectiveness of the budgetline relates to the degree to which it succeeds (or has succeeded) in reaching its stated objectives. As explained earlier, the General Conditions and Council Regulation do not define a clear (policy) objective as such for the budgetline, but focus rather on the objectives the projects financed should aim at. In summary, it can be stated that these projects should aim at poverty alleviation, at the enhancement of the target group's quality of life and their own development capacity. It is further stated that the projects should direct their efforts to the poorer sections of society. It is also important to mention that the Council Regulation wants the budgetline to give particular attention to operations connected with, among other things, the strengthening of civil society and participatory development, the defence and promotion of human rights and democracy, the role of women in development, the protection of threatened cultures and the environment.*

### 3.2.1. Lack of clarity on key concepts

A first and important finding is that the budgetline suffers from a deficiency that seems to be quite common for this type of co-financing scheme: a lack of clarity on key concepts. Without being a comprehensive list, the following examples can be cited:

- the notion of "participation", related to one of the perceived strengths of the NGOs, is poorly put into practice.
- there is no working definition of the key criterion "poor population": although the budgetline is funding projects in a great range of countries with varying degrees of poverty, no clear indications have been provided on which groups are entitled to be included in the projects.
- similarly with regard to the concept of "poverty alleviation": no distinction is made between poverty alleviation and poverty reduction;
- the Council Regulation has brought in some new concepts that refer to issues which have gained ground over the last decade (strengthening of civil society, promotion of human rights, ...). However, no efforts have been made to assess how these concepts relate to, and whether they are compatible with, the "traditional" foci of the budgetline.

To the credit of the EC, it should be mentioned that for three issues (credit, gender and projects with an important institutional component), additional forms for assessment have been developed. However, in most cases, the information found in the proposals was of poor or very poor quality or even non-existent (the latter was often the case for gender and institutional issues). Moreover, the form used for gender assessment remains quite superficial.

The lack of clarity on key concepts provides an indication of how important key stakeholders actually think these issues should be taken up in the context of the budgetline. Again, this does not necessarily mean that they are not consistently taken into account in the projects; it does however mean that it is difficult to define clearly any strategic action for the fund and to find conclusive evidence on these points.

### 3.2.2. Degree to which the projects reach the poor

This issue has already been partially dealt with under the previous sub-chapter (see, for example, point 3.1.5.). The following additional elements are to be mentioned in this regard.

- Data on the beneficiary countries of the budgetline clearly indicate that countries with a low development level have not particularly benefited. Taking the 1999 Human Development Index as a reference <sup>31</sup>, among the 40 most

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<sup>31</sup> The 1999 HDI uses data of 1997; it is a composite index composed of the following indicators: life expectancy at birth, adult literacy rate, combined enrolment ration, adjusted per capita income (in PPP - purchasing power parity - \$). For more details, see UNDP, Human Development Report 1999.

important recipient countries of the budgetline (period 1994-99), 3 are classified in the high human development category, 24 in the medium human development category (quite evenly spread over its two sub-categories) and only 12 in the low human development category<sup>32</sup>. While it is true that the budgetline wants to focus on poor target groups and not directly on the poorest countries, this finding clearly illustrates that ENGOS do not automatically focus on the poorest countries.

This situation can to a large extent be explained by the demand driven character of the budget line, which left all choices open to the ENGOS, provided that the project was situated in a Third World country. Hence, the pattern of geographical distribution can to a large extent be explained by the ENGOS' long standing relationship with (partners in) particular countries, especially in Latin-America.

- The findings put forward in the previous point obviously do not imply that the projects funded do not reach poor target groups, even if these projects are implemented in countries that are relatively better off. There should however have been, on the one hand, a careful context analysis and identification and selection of the beneficiaries by the ENGOS and their partners and, on the other hand, a careful screening by EC staff. However, our assessment of project files demonstrated that adequate information on this issue was often lacking (see point 3.1.5. above). This implies that the EC often lacked crucial information but nevertheless agreed to fund the project.

Our own analysis of documents (data with regard to the socio-economic characteristics of the target group in project proposals, reports and evaluations) led us to conclude that in less than half of the projects studied did the target group consist of deprived people only. In the other cases, we felt that only part of the target group belonged to that category, or that essential information was lacking. The issue of participation of (poor) beneficiaries at all stages of the project (one of the eligibility criteria) is addressed even less satisfactorily: in only 24 % of cases was the information considered adequate as far as the formulation and monitoring stages were concerned; for information related to the evaluation stage the corresponding figure was 7 %<sup>33</sup>.

- We further feel that the budgetline's focus on the poorest countries is an issue that has not adequately been addressed by all key stakeholders. The argument, put forward by many ENGOS, that there are many poor people in middle income countries might be true but can in our view not justify the present situation. Research findings indicate that the level of material poverty is considerably higher in the poorest countries. It is further known that NGO projects often only partially reach the poor and include beneficiaries that are

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<sup>32</sup> One country/area belonging to the top-40, is not included in the HDI statistics: Cisjordania/Gaza Strip. Until 1998, three other countries (India, Cambodia and Kenya) all were in the low human development category.

<sup>33</sup> See Desk Phase Report, annexe 5, for more information.

relatively better off. Last but not least may NGO projects prevent the government in relatively better off countries (such as Brazil in our sample) to use their resources for poverty alleviation.

- The field studies indicated that projects generally targeted poor and marginalised communities and often used well elaborated criteria for access to their activities (in the case of training programmes, for instance). However, they did not allow a detailed assessment of the extent to which the projects reached their intended target groups effectively; but few indications have been found of a failure to do so.

### **3.2.3. Degree of achievement of the objectives of the projects and the budgetline**

#### ***Achievements of project objectives***

Most projects visited in the six countries have been effective in delivering acceptable outputs in relation to their stated objectives. Their performance was rated as satisfactory to good, with 60 % of the projects having reached a good or excellence performance. This finding is less conclusive in Senegal where around half of the projects only partially reached their objectives and in Kenya where it was often difficult to obtain hard data on effectiveness because of weak monitoring and evaluation systems. The long delays in processing applications by the EC also led to a loss of momentum in a number of cases (in Kenya and Cuba among others), especially when the ENGO was unable to pre-finance the activities. Another factor that affected the level of effectiveness was the short duration of the projects (Kenya, Brazil, Cuba, Senegal, Bolivia). This was evidently the case in situations where the projects did not fit in a broader framework of co-operation between the ENGO and the SNGO. To this should be added that NGOs seemed to be too optimistic with regard to the time needed to achieve particular objectives and that, especially in Africa and Cuba, local resources were so limited that external support was still needed at the end of the project period to ensure broader effectiveness.

Yet overall an encouraging picture with regard to effectiveness emerges. Projects in other countries that benefited from the budgetline may have been less successful though, as the six countries visited are characterised by an unusually strong NGO-sector, a high level of competence and commitment of the SNGOs, and a strong focus on immediate and tangible results by both SNGOs and ENGOs.

A more serious reservation is that the projects have been less concerned with broader development objectives related to institutional strengthening, empowerment of women, etc., even though these might have been included in

the project proposals<sup>34</sup>. As it is put in the Cuba report: "Targets have been met but the development process is just beginning". There are different explanations for this:

- broader change relates to the achievement of qualitative progress which has hardly been defined in an operational way (see also point 3.2.1. above) and hence is not measured and often not explicitly aimed at;
- projects are not the only or most appropriate instrument for this type of change which can only be achieved in the medium or long term;
- this seems to be recognised, at least implicitly, by EC staff who do not require conclusive evidence in this regard at the level of the individual projects;
- once short-term targets are met and the potential for broader change begins to emerge, processes inevitably become more complex and, hence, more difficult to manage. Many SNGOs still lack experience and expertise in this regard, and are institutionally ill equipped for this type of activities.

The picture presented above does not reflect the reality of all projects. For example in India, where multi-sectoral projects have been studied, many SNGOs situated project objectives in a long-term development perspective. They focused initially less on tangible outputs and more on awareness raising and achieving organisational strength among their target groups (predominantly women). They could do so because the projects fitted in a long-term partnership relationship with a ENGO, that often stretched over more than a decade. EC support was in these cases only sought when the often painstaking organisational work was over and funds were needed to finance more costly undertakings.

### ***Achievements at the level of the budgetline's objectives***

The General Conditions specify that projects funded by the budgetline should aim broadly at poverty alleviation; its original purpose is to meet the basic needs of disadvantaged people in development countries. Later, other aspects were added, among others by the Council Regulation, that emphasise the strengthening of democracy and human rights and the development of local institutional capacity.

As mentioned above, most projects were able to produce immediate and tangible outputs related to their objectives. As such, many of them have the potential to contribute to poverty alleviation and even reduction, and to the broader policy objectives of the line. We indicated however that we found only limited evidence of projects contributing to broader processes of change: outputs have been achieved, but development seems just about to start.

We think the budgetline was, in the form it has adopted in the period 1994-99, not well adapted to achieve these broader aims. It was de facto focused on short-term projects and their immediate outputs. Proposals that constitute a follow-up

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<sup>34</sup> The achievements with regard to these issues will be dealt with from 3.6. till 3.9. included.

of previously funded projects can be accepted, but the management difficulties of B7-6000 imply that continuity of funding cannot always be assured. The few cases we came across where projects succeeded in providing meaningful contributions to qualitative development processes, could only be achieved in the framework of long standing relationships between SNGOs and their European partners. The role of B7-6000 was rather limited in these cases.

But it is not only the focus on short-term projects that made that they could hardly provide a meaningful contribution to the budgetline's long term objectives of democratisation and institutional strengthening. We should also note that the sum of the budgetline's performance cannot be considered as a coherent and effective strategy of poverty reduction or alleviation. This is hardly surprising, considering the way the fund has been managed in the past. Its open and demand driven character has prevented the development of a clear focus and policy of the line, and its strategic positioning among other initiatives.

The question can be put forward whether we could have expected effects that go beyond those of the individual projects. We think much more could have been achieved if B7-6000 would have had a clearer strategic focus. In view of the changes in development co-operation over the last decades, the budgetline should have been more ambitious than trying to manage a broad amount of projects without any strategic direction.

**In conclusion** it can be stated that the projects succeeded quite well in meeting their immediate objectives, those with which the EC administration was also, in practice, most concerned. Broader objectives of a more qualitative nature were less fully achieved, which is understandable in the context of project funding. These objectives are nevertheless important in the sense that they are considered as a crucial element, for instance in the Council Regulation, and as such provide the justification for B7-6000. In cases where evidence was found of achievements at this higher level, these achievements can only be explained by additional factors not related to the budgetline.

This conclusion can largely be explained by the lack of a clear focus and strategic direction of the budgetline, which was discussed earlier in this report.

### **3.2.4. Promotion of the European dimension in development co-operation**

The budgetline aims (implicitly) to promote the European dimension within development co-operation. It wishes to do so by stimulating the establishment of consortia (see points 2.3.2. and 3.1.1. above), but also by working towards a fairly even penetration of the budgetline in all its member states. It also wants to give equal chances to small ENGOs and hopes to contribute to their further institutional development. We indicated earlier (see point 2.2.), that the distribution of projects over the member states is fairly equal when their population is taken into account. Some member states are lagging behind, simply

for structural reasons (e.g. more generous national co-financing system, relative weakness of the NGO-sector).

The EC staff managing the budgetline have been sensitive to this issue but basically unable to do much about it; at best, more "understanding" could be shown to projects introduced by an ENGO from a poorly served member state. It is clear that other measures are needed if this situation is to be changed. It is also obvious that, under the present conditions, the budgetline will not achieve the level of presence needed to promote that European dimension in more than half of the member states.

More fundamentally, we should question the aim of achieving this type of objective via the budgetline. The creation and further strengthening of an NGO-sector in Europe is clearly a relevant objective. Ensuring a broad access to the funds of the budgetline may not, however, be the way to achieve it. Other more specific measures seem more appropriate and effective.

Notwithstanding the steady expansion of its mandate, the CLONG has continued to assume the role of major interface between ENGOs and the EC with regard to financial matters. Over the years, it has built up a reputation as a solid and effective defender of the ENGOs interests, even though there were often different expectations among ENGOs. The need to represent *all* ENGOs made it often difficult for the CLONG to move ahead on issues that divided the ENGO community. During recent years and in the context of B7-6000 (which only partially covers the CLONG's programme), the role of the CLONG and one of its working groups, the Development Finance Group, has mainly focused on operational matters (such as the increasing backlog) and on discussions related to the new General Conditions. Difficulties with regard to the new General Conditions – discussions on this issue started early in the nineties! – and the increasing management problems of B7-6000 implied that the focus has shifted on urgent practical issues, to the detriment of a broader reflection on how to improve the quality of the programme and safeguard its specificity.

Last but not least it is important to mention that at the time of the drafting of this report (September 2000), the CLONG is facing difficulties with the financial Units of the EC, who are questioning the acceptability of an important part of its budget. The allocation to the national platforms is the major item under discussion. The EC was only ready to sign a partial contract with the CLONG, implying a 20 % reduction of its budget. It is still not clear if and when this dispute will be settled.

### **3.3. EFFICIENCY**

*As was the case in the two previous sub-chapters, we will analyse the issue of efficiency both at the level of the budgetline and the projects it co-finances. The information provided in chapter 3 and in annexes 4 and 5 of the Desk Phase Report serves as an essential background for this part of our report. Our analysis*

*will focus on the quality of both the instruments and procedures as such (point 3.3.1.) and of their actual application (points 3.3.2. to 3.3.4.). Point 3.3.5. will present the findings of the field studies.*

### **3.3.1. The role of the 1988 General Conditions and Council Regulation 1658/98**

The 1988 General Conditions and Council Regulation provided the framework for the management of the budgetline in the period under study. They have been described under point 2.2. above and further details are presented in annexe 3. We provide hereafter some comments on their quality *as such*.

- The General Conditions were conceived as a tool to allow the appraisal and monitoring of *individual* projects. This is understandable given the time (1988) when they were formulated: at that time, it was still common practice to co-finance ENGOS on a project by project basis. Moreover, the introduction of block grants as an additional instrument, with a shift from ex-ante to ex-post assessment, should be considered as quite a progressive measure bearing in mind when it was introduced. The same can be said for the chapter XII provision. The intrinsic quality of the General Conditions and the fact that they have been left unchanged for quite a long period (see as well point 3.1.4. above) have exposed a major weakness of the General Conditions. This lies in the fact that they are far too general to take into account the diversity among ENGOS and the projects they introduce. All ENGOS and EC staff alike would have benefited from Conditions that could be adapted to a certain extent to the type of ENGO and the projects introduced.
- The 1988 General Conditions are very closely compatible with the B7-6000 key principles of broad access, exclusive demand drivenness and respect for the right of initiative of the ENGOS. As such, they cannot be considered as an appropriate tool to provide more direction to the fund in view of the EC development agenda. This is however understandable given the moment (late eighties) the Conditions were approved; it is mainly the fact that it took more than a decade to adapt them, which we consider as a problem.
- The Council Regulation brought in some new elements related to new insights and themes that had arisen in the nineties, i.e. after the introduction of the 1988 General Conditions. As such, they constitute an important attempt to cope with new developments. However, no one has analysed to what extent these innovations were consistent, or could be made consistent, with the 1988 General Conditions<sup>35</sup>. Hence, we have the impression that the Regulation has figured rather as a general background than as a formal criterion to be used for project appraisal. At the level of the ENGOS, it has changed virtually

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<sup>35</sup> As the General Conditions were being revised at the moment the Council Regulation was adopted, it is understandable that no specific effort has been undertaken to immediately adapt to these conditions.

nothing; indeed, many ENGOs have even remained unaware of its existence. However, the new General Conditions do incorporate the innovations of the Council Regulation.

- Globally speaking, ENGOs have mixed feelings about the General Conditions. This can be illustrated for instance by the following results from our survey among ENGOs <sup>36</sup>:
  - The General Conditions are positively rated as far as the eligibility criteria are concerned. A very large majority of ENGOs (93 %) consider the conditions for eligibility of NGOs as adequate; the figure with regard to the eligibility of projects is also high (80 %), although 15 % of the ENGOs consider the conditions too strict.
  - (a) Only 49 % of the ENGOs agree with the statement that the format of the General Conditions as a whole is consistent and coherent.
    - 44 % of the ENGOs do not totally agree with the statement that all information requested is relevant for a funding authority; 51 % find it does not always provide added value for the project initiators either.
    - 80 % of the ENGOs do not agree with the statement that the explanations regarding the information to be provided are clear and unambiguous.
    - Other parts of the General Conditions related to the contracting procedure, the procedures for payment and reimbursement, the requirements with regard to reporting and accounts, project verification and control, are considered as fair by a significant majority (between 84 and 87 %) of the ENGOs.

The evaluators want to add a few comments to put these figures into perspective. The high positive rating with regard to eligibility criteria is not surprising, as ENGOs prefer these criteria to be very broad. This is clearly the case and corresponds with the situation in other co-financing schemes. The evaluators consider the General Conditions as a whole to be coherent and consistent in the context of their broad principles. They think the rather low ENGO score in this regard has more to do with the consistency of the actual application of these conditions. The rather low scores with regard to the information requested and its added value can certainly be explained by the opinion, shared by many ENGOs, that the format is too detailed and demanding. To this, the evaluators want to comment that although on some points too much information is requested, on other points the questions are not searching enough to allow an appropriate assessment. The negative rating for the explanations concerning the information required provides an important indication of the ENGOs' dissatisfaction with the different ways EC staff members actually interpret the General Conditions.

- The findings above bring us to a more general and important statement. **The General Conditions require ENGOs to provide a considerable amount of data that is not congruent with the small capacity of the EC units in**

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<sup>36</sup> See Desk Phase Report, annex 4, part 3, for more details.

**charge.** In other words, ENGOs (and their southern partners) have been forced to provide information that might be useful in itself, but often could not be adequately processed by the EC staff. This has, in our opinion, led to several anomalies such as:

- ENGOs feeling that their efforts to provide ample information were not always entirely valued by the EC, which led them to invest less in proposals and reports; this, in its turn, might have affected the quality of the management of the project cycle by the ENGOs and their partners;
  - proposals and reports that lacked the essential information for proper decision making by EC staff;
  - on the other hand, many proposals that were considered as incomplete or of poor quality, which necessitated “corrective” measures such as the setting up of the CSP programme;
  - EC staff who gave some well known ENGOs the benefit of the doubt (in order for example to reach the desired yearly turnover) and, to the detriment of content issues, focused heavily on the financial aspects because these are supervised by other instances dealing with these issues.
- An additional important comment refers to the fact, as mentioned earlier, that key concepts have been insufficiently translated into operational terms and tools that should be used in conjunction with the General Conditions. This obviously diminishes the operational value of these conditions as a framework for selection of projects.

In summary, it can be stated that within the context of the basic premises of B7-6000 <sup>37</sup> the intrinsic quality of the General Conditions can be considered as good. This was however of limited value in a context of inadequate human resources and operational practices. As such, the General Conditions constituted a good point of reference for the heavily overloaded staff. But they could not – in the given circumstances - provide a realistic basis for an adequate screening of project proposals and monitoring of projects being funded. This is however pre-judging the question of the relevance of a detailed ex ante screening in the context of the budgetline. This issue will be dealt with in point 3.3.3.

### **3.3.2. Global organisation and management of the budgetline**

In addition to the description provided under point 2.3., the following issues need to be mentioned.

- The **diversity of the ENGOs** that are entitled to access to the budgetline puts extra pressure on the EC management. Considering the limited resources of the units concerned, this difficulty has been dealt with fairly well. The split of

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<sup>37</sup> ... premises we can merely no longer agree with, as indicated above.

the unit into two different entities has however increased the complexity of the job to an almost unmanageable level. Indeed, considering the specific characteristics of the budgetline, the management requirements can only be coped with if human resources can be pooled, and procedures and methods of working streamlined throughout the project cycle. This is currently not the case. The present system complicates unnecessarily the tasks of the staff.

- Another complicating factor is the option for ENGOs to use any of the official **languages** of the EC member states for their project proposals. The evaluators are aware of the efforts being undertaken to change this situation and of the difficulties faced in this regard. A limitation of the number of languages used would not only facilitate work in Brussels but also improve the quality of communication and transparency with the partners of the South. Using in the proposals only one of the major working languages in the South would actually mean that only four languages would be used: English, French, Spanish and Portuguese.
- A solution with regard to the previous point would also facilitate an **internal organisation of the unit(s)** on the basis of the recipient countries in the South. The internal organisation (organisation by member state) adopted by the DG VII B/2 unit (before the institutional reform) might have produced some benefits. It has however, unintentionally, led to a shift in the screening procedure from the project to the ENGO. This in turn has given the impression that the management of the budgetline is “political”, that longstanding relationships between ENGOs and a single EC interlocutor have led to preferential treatment of proposals, and that for newcomers the thresholds for access are unacceptably high. To these critiques can be added that each staff member has developed his/her own way of performing tasks which has led to considerable differences in the treatment of applications (see below). Moreover, there are obviously other more important reasons to opt for a geographical division according to southern countries: such a division could well shift the focus on the quality as such of the project or programme, on the southern partner and on a more coherent approach on country level <sup>38</sup>.
- The problem of the mismatch between human resources and workload, leading (among other things) to a **considerable backlog in the appraisal of proposals**, has already been referred to several times. It is clear that such a situation causes a considerable loss in efficiency in various ways <sup>39</sup>. The evaluators did not find a satisfactory explanation for the fact that this situation was allowed to grow so badly out of control. After all, the problem had been

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<sup>38</sup> The information in this paragraph is also important in relation to the present reform of the organisation of the budgetline. A more programmatic approach will be followed, which the evaluators welcome. This will however imply that the focus might, in many cases, shift from the action itself to the ENGO. If this is the case, it will be extremely important to develop a screening system that excludes any impression of preferential treatment of particular ENGOs.

<sup>39</sup> The consequences of this problem will be dealt with in detail under point 3.3.3.

spotted early on, and over the years there were many signs of it getting steadily worse. Decision makers should have tackled the problem either by not allowing the budgetline to grow or by increasing the staff to manage it. As for the EC unit(s) and especially the NGO representative bodies, they could have designed measures to adapt the rhythm of the introduction of proposals to that of the units' appraisal capacity. We are aware that this could be a delicate task in the context of an entirely demand led budgetline, but it would probably have caused much less harm than the present situation.

- The EC staff conduct their appraisal and monitoring work essentially on the basis of the information they receive from the ENGOs. As such, well-kept and easily accessible files are essential for the staff to do their job. We found that the files are in good order. However, the process of **project screening** (appraisal and monitoring) has not been sufficiently formalised. Standard screening forms were rarely used in the period under study. Hence, the files hardly contain any evidence of appraisal and monitoring work by staff members. This does not mean that this work was not performed, just that it was not properly documented. Each staff member seems to have developed his/her own screening methods and, inevitably, to a certain extent his/her own interpretation of the existing framework and criteria. This has led to inconsistencies that have frustrated some ENGOs and forced them to invest a lot in direct communication with the officer concerned to remain updated on policy trends, personal views and habits and unwritten rules. This could obviously only be done by bigger ENGOs. It is further clear that such a situation reduces transparency, complicates the handing over of tasks to new personnel and limits the possibilities of mutual exchange and learning.
- The fact that many of the persons contacted have a lot of criticisms of “the system”, does not prevent them from being generally impressed by the **performance of the staff** of both units. This relates to their high level of commitment, to the way they succeed, in many cases, in maintaining a certain level of quality in an extremely constraining context, and to their personal beliefs and values with regard to NGO development work.
- Last but not least and in spite of the major difficulties faced, it is important to mention that throughout the period under study, apart from in 1998<sup>40</sup>, there was **full commitment of the budgetline**. In this regard, it should also be noted that in recent years the Commission's requests for the budgetline were consistently lower than what the European Parliament approved, knowing that the Commission did not have the necessary staff resources available to manage the budgetline adequately. The achievement of the yearly targets however also has to do with the high pressure put on the staff. For several years, this led to a situation in which a considerable part of the funds was committed without any major screening.

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<sup>40</sup> According to the information obtained from the staff of the NGO Units, the 1998 failure was due to a shortage of staff in the financial services.

### **3.3.3. Assessment of the appraisal process**

During the period under study, the appraisal of incoming project proposals has been without any doubt the major task of the NGO-unit(s). As described under point 2.3.1., EC staff basically conducted this task on the basis of the proposals introduced by the ENGOs. These were then screened by EC staff who were not required to follow a formalised screening procedure, although some steps such as seeking the advice of the EC delegations and the geographical and thematic desks in Brussels were routinely taken. Moreover, the internal organisation of the unit(s) allowed officers to gradually build up knowledge of the ENGOs concerned. Because of the importance of this screening process in the management of the budgetline, we will go on to discuss it in detail.

#### **1. Quality of information contained in the project files**

Ex ante screening of project proposals plays a crucial role in the management of the budgetline. For this appraisal work to be done properly, the proposals need to contain all the relevant information. If this is not the case, EC staff do not have the means to assess the quality of the project and whether it meets the criteria in the General Conditions; in other words, the staff simply cannot know whether a project is good or bad and should be accepted or rejected. In many cases, EC staff requested additional information from the ENGOs concerned. They could do so on the basis of their own assessment of the files or as a consequence of reactions received from the EC-delegation concerned or from the geographical or thematic desks in Brussels. According to information provided by the ENGOs surveyed, this was the case more often than not. ENGOs declared that, on average, in only 21 % of cases was no additional information requested; often (in 48 % of cases) they had to provide further information once, and in 30 % of cases even more than once. These figures correspond fairly closely to the finding obtained via our document based assessment, that in almost 60 % of cases additional information on the content of the project was sought. The figure for additional financial information was even higher: 72 %.

At several places under point 3.2. we indicated that, in spite of these requests for additional information, the quality of information provided in the proposals for “ordinary” projects was often poor. For example, this is the case for crucial data related to the social position of the beneficiaries and their degree of participation in the different project phases, information about the initiator of the project, the criteria for the selection of participants, information related to gender, credit and institutional aspects and the evaluations planned. On the other hand, information related to the operational aspects of the project was in general satisfactory or good. This is the case for (figures of acceptable level of information between brackets): the description of activities and direct objectives (91 %), the analysis of

the situation and strategy of intervention (87 %), the human ( 76 %) and material (73 %) resources and the information obtained via preparatory studies (61 %). The issue of sustainability is also adequately addressed in many cases, from 71 % to 91 %, depending on the aspect of sustainability.

The above figures suggest that ENGOs and EC staff attached more importance to the operational and financial aspects of a project and less to its overall relevance. We presume that EC staff took for granted, for instance, that NGO projects target poor beneficiaries and that these were properly involved in all phases of the project. It appears that EC staff further implicitly accepted that broader objectives could rarely be reached in the context of project funding. Surprisingly at first sight, a positive score was obtained with regard to information related to the sustainability of the project results. In our view, this has to do with the prominent place this issue receives in the format for project proposals and with the attention paid to it by EC staff.

## **2. Indications on the quality of the screening process as such**

As explained earlier, the screening process was not really formalised. Hence, it is difficult to assess its quality accurately. Most EC staff do not leave written documentation related to their appraisal work in the files. More specifically, it is very rare for staff of the NGO unit to leave comments on the ENGO in the file; only in 15 % of cases is there information of any quality. Obviously this does not mean that nothing has been done. The approach of the EC staff is understandable for two reasons: the open character of the budgetline and the fact that many staff have built up solid experience and knowledge of the ENGOs concerned. Comments of the EC officer on the project as such, on the other hand, were more frequently provided. Some analysis was made in 44 % of cases, but only in 14 % of the files can that analysis be qualified as good. One area in which the desk officers were very active and competent is the budget. In 75 % of the project files studied, comments were found which often related to supplementary information sought from the ENGO.

In 58 % of cases the EC delegation in the country of the project provided a certain amount of information. Although their consultation is a clearly defined part of the appraisal process, this is a surprisingly high figure considering the resource constraints most of these delegations are confronted with. Indeed, a limited survey conducted among a selected number of delegations revealed that, on average, only 0.25 full time equivalent staff could be made available to work on "NGO issues", a task that in many countries is much broader than the budget line. It was further found that so-called young experts or local experts performed this screening and that their work was highly appreciated by the EC NGO unit(s) in Brussels. To this should however be added that not all Delegations showed the necessary level of knowledge and appreciation of the NGO-sector to be able to provide relevant comments. It is also important to mention that the time allocated

by EC Delegations does not seem to have been determined by the relative importance of NGO funding in the country, but rather by the availability of human resources and the personal interest of the staff concerned in NGO matters. The field missions indicated that the contribution of the EC Delegations was not always of high quality. This is however understandable given the constraints they were facing.

The inputs from the geographic and thematic desks, another formal part of the appraisal process, were, on the contrary, largely symbolic in most cases. Only in 11 % of the files can we rate their combined contribution as of some significance.

In the last few years, external advice has been sought for projects with an important credit component. In our document based analysis, we came across seven of these projects, of which two, in our opinion, contained a credit component of only marginal importance. In all these cases, the external credit advisors provided ample information and analysis. This is not surprising, as they were contracted and paid to do so.

### **3. Role of the Co-financing Support Programme (CSP)**

The background of the CSP programme and its major results have been described under point 2.3.2. Only a few things need to be added here. The figures on the number of project applications being reviewed by CSP indicate that it provided a service that was considered valuable by an important number of ENGOs. The fact that the CSP programme continues with alternative funding in two countries provides another indication of its importance.

Two additional remarks can be made here. The first relates to the fact that the CSP programme only set up in 1997 when the General Conditions had already been in place for about 9 years. This suggests that the initiative was mainly taken to provide a solution, or partial solution, for the backlog problem (see below). Indeed, increasing the quality of the proposals (and reports) will reduce the work of the EC staff. The evaluation of the CSP and the continuation of the programme in two countries also indicate that ENGOs consider the programme meaningful. This may be surprising, considering that they have had the opportunity to build up experience with the budgetline over a long period. In our opinion, the ENGOs' interest can be explained by the fact that many ENGOs have a high degree of turnover of their staff and only sporadically introduce projects for funding to the B7-6000 line.

The second remark relates to the fact that we find that files reviewed by CSP did not score significantly better in terms of the information provided to the EC. This does not mean that their services have been of no use. Indeed, these projects might have scored worse or even been refused if they had not been screened by CSP. Moreover, our finding might well indicate that CSP staff have built up a very good idea of the level of depth of information required by the EC.

#### **4. The backlog in the appraisal process and its consequences**

The origin and causes of the backlog in the handling of project proposals have been referred to at several points in this report. The major explanation lies in the chronic shortage of staff. Although we have not been able to make a comparison between the staffing of the EC NGO-units and that of comparable co-financing programmes in member states, a rough assessment of the staff/budget ratio indicates that, indeed, the EC units are grossly understaffed. To this finding can be added that the resources the EC spent on the management of the budgetline are only a fraction of what the ENGOs are actually allowed to use from their EC grants for this purpose.

It was further stated that the overload can partially be explained by the low quality of the proposals introduced by some ENGOs. This statement should be put into perspective. Many ENGOs consider the format for project proposals and reporting as too detailed and complex. This applies mainly to the financial parts and may at least partially explain their errors. It should also be remembered that ENGOs have on average only one project per year financed by the budgetline. As such, there are certainly many ENGOs that did not have the opportunity to get fully acquainted with the EC requirements. These are most probably predominantly small ENGOs with limited experience in proposal writing.

During the period under study, the backlog has steadily increased. In our sample, the time between dispatch of the proposal by the ENGO and the letter of acceptance and contract to the ENGO was, on average, 13.5 months. For only 5 % of the projects was the period less than 6 months, for 46 % of the projects it was between 6 and 12 months, for 29 % between 12 and 18 months, and for 20 % more than 18 months. These data are more or less confirmed by the data derived from the EC's own database, Griot. For the period 1994-99, 13 % of the files took less than 6 months to be processed; in 23 % of cases the processing took between 6 and 9 months and in the remaining 64 % more than 9 months. The Griot statistics indicate a further worsening of the situation for the years 1998 and 1999, albeit that already in 1994 the period needed to process applications was considerable.

The long period needed for the assessment is by far the major point of criticism of both ENGOs and SNGOs on the management of the budgetline: 74 % of the ENGOs consider the period as (far) too long. To this finding should be added that, in reality, the period will even be longer as it usually takes a few months from the actual preparation of the project in the field to its submission by the ENGO to the EC <sup>41</sup>.

It is obvious that the accumulation of delays in handling project proposals has produced adverse effects on different levels:

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<sup>41</sup> On the other hand, many projects are started up before the EC accepts them for funding. See the next paragraphs for more details.

- *At EC level*, to start with, the increasing backlog has proved to be a self-feeding process. The longer the period between the receipt of the proposal and its actual appraisal, the higher the chance that some parts of the proposal become outdated and have to be reworked. This, in its turn, extends the assessment period and increases the average time given to the assessment of a proposal. Furthermore, it is the practice of some predominantly larger ENGOs to submit proposals to the EC co-financing circuit even when they are not complete. By doing this, these ENGOs know perfectly well that their proposals will be considered early. But somehow, in this way, they “occupy the available chairs in the waiting room”. This approach worked against the interests of smaller NGOs that did not have the means to do the same, and needed to have their proposals processed in a speedy manner. It is clear that this “waiting room strategy” led to further delays. It should also be remembered that, especially in the second part of the year, EC officers faced pressure to commit the budget. In such a situation, it was very tempting for them to select projects from ENGOs they knew well. These were mostly the larger ENGOs with more and bigger projects to be assessed.
- *At the level of the ENGOs and SNGOs* the backlog often had a very negative effect on the NGOs’ capacity to support local development processes. Often, they had to spend much energy on minimizing the effects of the delays in funding, which they could have spent on more useful activities. Different strategies existed to cope with the uncertainties. Besides the one described in the previous paragraph, many ENGOs did not wait for the official letter of approval from the EC to start the project. On average, projects started 6 months before their actual acceptance by the EC; 75 % of the projects were started before EC acceptance. This implies that the ENGOs deliberately took the risk of pre-financing the project <sup>42</sup>. It must however be assumed that in most of these cases the ENGO had received informal information from the EC that the project would most probably be accepted. This, in turn, suggests that EC officers were in one way or another gently pressurised to give an opinion on a project too early.
- *At field level*, the effects of the long appraisal period seem to be mixed. It is clear that ENGOs that were able to pre-finance projects mitigated the negative effects. This often happened in a setting where the project formed part of a broader programme. On the other hand, serious problems were faced in cases where the European partner could not pre-finance. Projects often had difficulties regenerating momentum when the period between the formulation and the actual start of implementation became too long. However, we came across few cases where the project content had to be changed drastically.

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<sup>42</sup> As mentioned earlier, this was accepted by the Commission, which had no problem in funding retroactively these projects.

#### **4. The perception of NGOs with regard to the appraisal process**

As already mentioned, the long period needed by the EC to assess the proposal is a major issue for both ENGOs and SNGOs. Only 10 % of the ENGOs surveyed consider the period as acceptable. This contrasts sharply with their view on the additional information requested by the EC: 89 % of the ENGOs surveyed considered these questions as at least “more or less” acceptable and relevant. Surprisingly, around three-quarters of the ENGOs concerned could at least more or less agree with the EC’s decision to refuse funding for a particular proposal. This may indicate that the EC staff take sufficient care when informing ENGOs of the reasons why a proposal was refused.

A second major issue relates to the inconsistencies in the management of proposals and reports, which the ENGOs consider to be caused mainly by the unduly detailed procedures. Moreover, they feel that the character of the relationship has slowly shifted from “trust” to “control”. EC staff in the NGO-unit(s) no longer have time for dialogue and seem to be under pressure from other units.

ENGOs were also invited to compare the management of the EC budgetline with that of their national co-financing system <sup>43</sup>. As these national systems and the quality of their management vary greatly, it is not easy to identify clear-cut findings. Generally speaking, the conditions for project eligibility are seen as very similar to those in the individual countries. The same can be said for the quality of the format for project applications and the reporting requirements. The EC management scores less well in terms of the requirements for project applications, financing conditions (less attractive than most co-financing schemes which require less NGO and local contributions), formal procedures, the quality of the appraisal process, and of monitoring and evaluation. There is no aspect of the appraisal process where the EC scores better overall than the national systems.

#### **5. The feasibility of document based ex ante screening**

In the previous paragraphs and sub-chapters, some conclusions have been put forward, which might look contradictory, at least at first sight. We have for example stated that EC staff often lack essential information on some key issues and, hence, cannot really take funding decisions that have a firm base. We also stated that the detailed General Conditions mean that these staff are confronted with a large amount of information, which they cannot adequately process. We also referred to the ENGOs’ perception that the procedures are too bureaucratic and too demanding.

All these findings relate to the question of the feasibility of ex ante screening in the context of the B7-6000 budgetline, under which over the six years studied a considerable number of project proposals have been introduced by more than

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<sup>43</sup> See Desk Phase Report, annex 4, part 6, for more details.

500 ENGOs from 15 different countries. All these projects had to be assessed and followed up on a broad range of issues. **Ex ante screening might not be the right answer in this particular context.** Other management systems may need to be considered, as happened with several other national co-financing systems.

The statement put forward in the previous paragraph is further substantiated by an experiment we set up which involved the desk and field evaluation of 30 projects. Our aim was to assess the insights into projects that desk studies in Brussels can provide, using the field evaluations as a control. This was done by requesting both the desk evaluator and the field evaluators to fill in an identical short questionnaire, independently of each other, for each of 30 projects they had both studied (block grants excluded). The subsequent analysis identified substantial differences between both assessments, which can be attributed foremost to the asymmetric information between the two moments of evaluation<sup>44</sup>. The observed discrepancies are striking indeed and testify to the limited reliability of an assessment based on documentation in Brussels only. We qualify such an assessment as hazardous, whether before, during or after implementation of the project. Yet such information is the most important input in the present management of the budgetline by the EC. There is no doubt that the present Brussels based screening system can be improved, but we think it will always be extremely difficult, even under ideal reporting procedures, to keep track of the quality of a proposal or project implementation in so many different countries, sectors and local settings, without direct observation of the situation in the field, and with written information coming almost exclusively from an involved party.

**In conclusion** it can be stated that the Commission invests heavily in the screening of project applications, which is its main way of giving some direction to the use of the budgetline. EC staff seem to focus only on the operational and financial aspects of the projects, to the detriment of broader issues related to relevance. ENGOs and SNGO complain on the other hand of the detailed information that has to be provided and of the length of the appraisal process. The intrinsic limits of ex ante screening have further become evident: the EC funds projects without having the necessary information on some crucial issues and even when this information is available, it seems insufficient to allow a proper judgement. This situation is worrying considering the demand driven character of the budgetline and, as will become clear in the following paragraphs, the lack of data on the performance of the project with regard to relevance, efficiency and impact, and some broader objectives that are supposed to constitute the *raison d'être* for the B7-6000.

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<sup>44</sup> A detailed analysis is presented in annex 6.

### **3.3.4. Assessment of the EC's role in monitoring and evaluation**

As already stated, the management of the budgetline is predominantly oriented towards *ex ante* screening. Hence, the role of the EC in monitoring and evaluation of projects funded via the budgetline is quite limited. For the period since the institutional reform, this can mainly be explained by the incapacity of SCR C/5 to invest sufficiently in these activities. It appears however that the situation was basically no different in the previous period, when lack of human resources forced the unit to give a lower priority to follow-up work. As such, management by the EC does not actually differ much from that of many similar budgetlines in the Member States. The following paragraphs present some particular findings in this regard, and draw comparisons between ordinary projects and block grants.

#### **1. Monitoring and evaluation of ordinary projects**

The quality of information on project implementation provided by the ENGOs varies considerably from one aspect to another. In 83 % of cases interim reports provide good information on the level of effectiveness achieved by the project. Indications of more evaluative issues such as impact and efficiency were however less frequently provided in detail (in 50 % and 12 % of cases respectively).

The EC guidelines also contain a component related to possible difficulties or delays in project implementation. Such difficulties seem to occur often: in 86 % of the interim reports where this question is addressed, ENGOs report that implementation has been delayed. This is a very high figure, considering that 75 % of the projects start well before their "official" starting date. This obviously does not mean that the projects are not successful. Most of the files of "delayed" projects contain a clear description of the difficulties encountered (70 %) but are a good deal less informative when it comes to presenting measures taken to deal with them (38 %). In 35 % of the interim reports, the report refers to an evaluation, which has most often been conducted by the partner itself and/or the ENGO.

The level of information in end-of-project reports also differs greatly from subject to subject. As might be expected, the implementation of the project is adequately described (87 %). Other issues are less well addressed. Good information on sustainability is found in only 50 % of cases; the figures for impact and efficiency are respectively 32 % and 14 %. Delays with regard to implementation are reported in 86 % of cases, but only in one-third of these was it admitted that this meant that the objectives of the project had not been fully achieved. In such cases, only in 18 % of the reports could we find good information on the measures envisaged to prevent similar problems in future. It is important to note that 18 of the 22 end-of-project reports referred to an end-of-project evaluation, which had been conducted mostly by the partners involved in the project. This is

an important positive finding which is confirmed by our survey among ENGOs (see point 2.3.2. above).

The role of CSP in reporting has focused to a major extent on financial matters and has been considered as valuable by most parties involved.

Analysis of the implementation reports by EC staff is at a very low level, which can be explained by their resource limitations and the focus on ex ante screening. Only in 2 % of the intermediary reports could we find any evidence of a good analysis of the content of the report. This figure was slightly higher for the financial aspects (23 % of cases with good analysis; but at least “some” analysis in more than 80 % of cases). Similar figures have been found for the content and financial end-of-project reports: 9 % and 23 % of cases with good analysis respectively.

To this should be added that the role of the Delegations in monitoring and evaluation is very limited. They are not supposed to intervene on these levels. Where they monitor NGO activities, this has more to do with global issues such as co-ordination among donors and with government institutions.

The EC’s performance with regard to monitoring and evaluation does not elicit much reaction from the ENGOs. This is understandable considering the low level of action from the EC. As might be expected, some of the ENGOs consider the reaction period of the EC as too long (28 %), although this figure is considerably lower than for the appraisal period. As far as the comments and reactions of the EC are concerned, they are considered relevant in most cases. These data are confirmed by the ENGOs’ perception of EC performance in comparison with that of other northern donors. The latter score better in terms of project reporting requirements and the degree of complexity of the procedures; in terms of the quality of the monitoring and evaluation process, the difference is even bigger.

Finally, it is important to mention that in the past several large-scale evaluations of co-financed operations have been conducted, which mostly focused on a particular theme. In view of the magnitude of the budgetline, these initiatives and their impact remain relatively limited, despite their often comprehensive character. Furthermore, the evaluation unit has discontinued this type of evaluation due to the lack of capacity within the NGO-unit(s) to follow up the findings and recommendations of the evaluations.

## **2. Monitoring and evaluation of block grants**

Block grants are provided by the EC to a selected number of ENGOs which regularly co-operate with the EC in the framework of the budgetline. Unlike ordinary projects, they are not screened ex ante. Because of this, one would expect the reports on the implementation of block grant projects to be of high

quality and the EC staff to look closely at them. Some specific formats have even been developed for specific activities funded via block grants.

In reality, the information provided on the implementation of block grant projects is quite poor, even if we take into consideration that information needs are lower than for ordinary projects. Only in 30 % of the cases was the correct format used for each type of the block grant components. Reporting related to the financial aspects was, again, an exception and of better quality (85 % of the reports respect the format). From the EC side, only in 20 and 10 % of cases could we find evidence of comments by the EC staff on the presentation and financial table of the block grant reports. Hence, the impression emerges that both the EC staff and ENGOs attach little attention to the justification of block grants. They seem to be considered as a grant awarded on the basis of trust, which does not really need to be accounted for, perhaps because they concern small individual actions. This may be true, but at the same time we should not disregard the fact that block grants constitute an important part of the budgetline: 16 % of the funds granted for activities in the South go to block grants.

**In conclusion** we can say that the monitoring and evaluation function is poorly developed within the budgetline; as far as these activities are carried out, the focus lies on immediate results and financial probity. This was confirmed by EC staff who clearly articulated their frustration at not being able to conduct on-site verification, to follow up more closely developments in the field and focus on the broader purposes of B7-6000. This lack of good monitoring and evaluation is worrying, the more so because the ex ante screening procedure contains some significant weaknesses, in spite of the detailed EC instructions. In other words, over the entire project cycle, the EC remains uninformed on some crucial aspects of the projects it has funded.

### **3.3.5. Appraisal, monitoring and evaluation under the new General Conditions**

Under point 2.1. we stated that the new General Conditions can be considered a first step towards a change in the nature of the budgetline and its management. The opening of access to programme funding in particular marks a shift in favour of institutional dialogue and reflects a preoccupation with objectives beyond the successful implementation of individual projects. This may herald a broader approach to development, focusing on process, and paying increased attention to capacity building of local partners.

It is obvious that such a shift in focus will require a fundamental re-thinking of the management practices that were applied under the old General Conditions, including the instruments developed in 2000 to assess the backlog of projects that are still to be funded under the same old General Conditions. In our view, the

new General Conditions present the opportunity – we would even say “the obligation” - to shift from a project-based appraisal, which in our eyes in most cases produces limited if any added value (see above), to other management practices.

The detailed features of the new system will depend on policy choices that have still to be clarified, among others with regard to the rules of access by ENGOs and possibly other actors to the revised budgetline, its strategic focus and its increased coherence with other instruments. Yet even at this early stage we can formulate some recommendations:

- project-by-project ex-ante screening should not be just replaced by programme-by-programme screening. A more qualitative and encompassing assessment procedure will have to be deployed that focuses on the ENGOs. The organisational capacity of the ENGOs should become an important yardstick as should the way they view and implement the co-operation with their southern partners in view of the latter’s institutional strengthening. The place of the proposed programme within the organisation’s portfolio and its relation with actions funded by other donors will be another important issue.
- Attention should however not be limited to programmatic coherence at the level of the ENGO, but also turn to the setting in the recipient country, by analysing, among other things, how the initiative relates to those of other actors. At present it is doubtful whether EC Delegations are equipped to perform such a task, either in qualitative or quantitative terms. Neither is it clear whether the de-concentration process will relieve this constraint.
- The changes in management that a shift to a programmatic approach entail are considerable. The fact that the “old” project system will continue to form part of the same budgetline (as foreseen in the new General Conditions), may distract from the necessary modifications in management procedures and style. The new management tasks require highly qualified personnel capable of entering in dialogue with experienced ENGO staff yet maintaining its full independence. Also, the relative importance of monitoring and evaluation will increase. It may prove difficult to bring about the required shifts in emphasis in an administration with a traditional preoccupation with ex-ante screening, as shown by the experience of the Belgian co-financing system, which went through a similar reform in the early 1990s.

### **3.3.6. Efficiency at the project level** <sup>45</sup>

It is a fact that efficiency is a major preoccupation for most SNGOs, but they are not able to compare their performance in this regard with that of other similar organisations. The lack of a clear discussion on the concept of “efficiency” and of

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<sup>45</sup> Our findings in this sub-chapter are mainly based on the field analyses of 40 projects.

relevant data to assess efficiency is a weakness that is often identified in evaluations of development projects. The projects funded by the budgetline are no exception in this regard, the more so because the B7-6000 related instruments contain no specific indications with regard to efficiency.

The traditional image of NGOs as being efficient project managers has been broadly confirmed by our study, be it more at the level of the NGOs' efforts than in terms of their actual performance, which was rated as satisfactory (only one third of the projects did better with a good or excellent score on this criterion). We found however the concern for a cautious use of project resources firmly embedded in most SNGOs' organisational culture. SNGO staff were mostly hard working, committed and relatively low paid. Moreover, in many cases (notably in India, Senegal and Bolivia), the external project resources were used as a catalyst for grass roots action: many projects did not limit themselves to simple service delivery but succeeded in mobilising resources at target group level. Many also succeeded in creating capacity at the grass roots level and handing over part or all of the project management to community organisations. Last but not least, some projects succeeded in tapping local government resources to supplement their own resources. All this goes to explain that in most cases considerable outputs were produced. Only in a few projects (notably in Brazil) were outputs considered too meagre in comparison with the inputs provided.

As already mentioned, a major complicating factor related to efficiency was the time taken by the EC to process applications. Besides the negative consequences mentioned already, SNGO leaders pointed out that this situation often forced them to spend much of their time on crisis management just to keep their heads above water. Moreover, once the EC funds arrived, they often had to be spent in a short period, which, again, led to inefficiencies.

Another important finding is that many SNGOs succeed in learning from their (and to a lesser extent others') experience and gradually perform better as a development institution. This is especially true for SNGOs that were involved in long standing partnerships with ENGOs or that could, at least, ensure continuity of their funding. SNGOs with difficulties in this regard were often less efficient because they lost valuable staff and had to rebuild trust at the grassroots level.

The institutional progress made by many SNGOs is also reflected in their monitoring and evaluation systems. Such systems are gradually taking shape in many organisations, even though they are still very weak in a significant number of SNGOs. However, monitoring and even evaluation rarely go beyond operational issues such as the use of resources, activities and immediate outputs; long term considerations related to impact and sustainability receive less attention. This is to a certain extent understandable: ENGOs and donors request in the first instance evidence on immediate outputs; moreover, outcome and impact monitoring and evaluation are far more complicated.

### **3.4. IMPACT**

The terms of reference of this evaluation indicated that an assessment of the impact of the projects funded by this budgetline was not a priority. This can evidently be understood because impact assessment is very demanding and complicated, especially in the context of rather small short-term development projects where isolating the effect of the intervention from that of other factors becomes extremely difficult. Another equally important reason is that the set-up of B7-6000 is not really consistent with impact achievement: the focus is clearly on activities and short-term outputs and no incentives exist as yet to develop systems of impact monitoring and evaluation. This contrasts strongly with some of the broader ambitions of the budgetline as these are stated, for example, in the Council Regulation.

The factors described above mean that virtually none of the SNGOs has tried to make a thorough assessment of the longer-term impact of its efforts and the EC-funded project in particular. The evaluation teams have however devoted much of their time and efforts to beneficiary assessments. These contacts with the target population provided ample evidence of immediate impact (effects) in most of the projects. This follows from the findings presented above that most projects were relevant (responding to the beneficiaries' needs) and able to produce immediate outputs. These have led to a broad range of outcomes which in many cases clearly went beyond the level of the direct outputs: trained people got rewarding jobs, group members gained self-respect and confidence and access to valued services, SNGOs and grassroots organisations and their leaders gained recognition and respect, successful SNGO approaches were copied by others, etc. These achievements have not systematically been mentioned in the reports submitted to the EC.

Only in a limited number of cases could evidence be found of longer-term impact. This was only the case in situations where the B7-6000 project was part of a long-term development process, which clearly stressed the importance of capacity and institution building through training, awareness raising, leadership development, etc. A major weakness in such processes was that the SNGOs did not really monitor these impacts. This could often be explained by the lack of a clear focus on the SNGO's long-term aims. SNGOs should invest more in defining, jointly with their target groups, the actual meaning of key concepts such as empowerment, and then design systems to monitor progress.

### **3.5. SUSTAINABILITY**

EC guidelines ask ENGOs to address the issue of sustainability from the preparatory phases of the project onwards. It was found that the issue of sustainability is well addressed in the format for project proposals and in the proposals as such. The financial aspects of sustainability are dealt with well in 91

% of cases, a very high figure considering the lack of information on other important issues. For the technical and socio-cultural aspects of sustainability these figures are 77 and 76 % respectively, whereas the issue of sustainability of training activities is properly addressed in 71 % of cases. Our own assessment of the measures proposed by the ENGOs to ensure the sustainability of the project results was equally quite positive. In 79 % of cases we considered these measures to be at least satisfactory. In the remaining cases, there was not enough information to allow a proper assessment.

These efforts to address the issue of sustainability properly should be welcomed. One must however accept that the “sustainability” of projects and project benefits is often an unrealistic expectation in the context of one-off project co-financing for a limited period of time. It is possible that the new General Conditions might help to improve the sustainability of some individual projects, but much will depend upon the balance between one-off injections and support to much broader based and longer term development initiatives. As far as the past is concerned, we have the impression that the EC’s concern for sustainability has made them demand too much and ENGOs promise too much. The fact that the latter’s claims on the sustainability of the benefits of their projects can hardly be checked in the prevailing circumstances, makes it easy to do so. Nonetheless it is encouraging that the concept has gained momentum at all levels and that it is clearly incorporated in the strategies and approaches of many NGOs.

As already mentioned several times, most B7-6000 projects are carried out within programmes that began before EC support was received and are meant to continue after that support has stopped. This means that B7-6000 projects support longer-term and often broader processes and may contribute to sustainable benefits, but cannot claim to have obtained sustainable results in their own right. At grassroots level, many SNGOs have succeeded in designing innovative approaches that create sustainable benefits which can be maintained without major external support, especially where local structures have been put in place. This is for instance the case in projects in Bolivia and India, where the concept of sustainability is often strongly internalised at grassroots level. In other places, some projects in Senegal and Cuba for instance, progress has been made, but additional support beyond the project period will be needed to sustain the process. Overall, the sustainability of project benefits was rated as satisfactory (only good or excellent in 23 % of the projects studied). This result should however not be surprising considering the context of project funding.

At project level, SNGOs follow different strategies, which partially depend on the potential of the local context and the type of action undertaken. Most of them deal consciously with the sustainability concept and try to devise approaches that minimise future dependence on outside funding; only a few undertake no action in this regard and basically hope “to get another project” to ensure continuity. Furthermore many SNGOs try to create strategic alliances, which should allow them to diversify funding (locally and internationally) for their activities. Another

strategy followed is the creation and strengthening of autonomous community based organisations. This however needs a longer-term focus and approach, and increasing skills and knowledge to remain effective. This is especially true where economic activities are undertaken; activities in the socio-political domain often seem easier to organise and sustain, as the projects studied in India demonstrate.

Finally, the sustainability of the SNGO is also an important issue, which will be discussed further under point 3.9. SNGOs basically follow two strategies. Most of them try to strengthen their organisation by making it less dependent on outside funding via, for instance, the setting up of a corpus fund or of income generating activities. Others consciously do not want to engage in this type of activity and focus on trying to ensure the highest possible quality of their programmes, which, they believe, constitutes the best guarantee of continued support from donors. Some SNGOs, for instance in Senegal, claim that they can “survive” a temporary drop in outside support; such a cut-back might well affect their programme, but will not determine its effectiveness in the long run.

### **3.6. GENDER**

The field visits clearly demonstrated that “gender” has become a well known issue in most development projects. Many SNGOs declare and feel that they are committed to incorporating a gender perspective both at the level of their organisation and in their programmes. This is also reflected by the finding that, in the 40 projects studied, women figure prominently among the beneficiaries and project staff. In many projects (in Brazil and India for instance), they are the major or sole target group and are more effectively reached than their male counterparts. These positive findings should however be put in perspective in several ways.

First of all, these positive results can be explained by global developments in the NGO-sector, where gender issues have gained a high profile since the early nineties. The management of B7-6000 has also developed some measures to promote gender awareness among the ENGOs and their partners, but without actually formulating clear requirements for projects and ENGOs. As mentioned earlier, EC staff conduct a gender assessment in relevant cases, but this analysis remains quite superficial. The information requested in proposals and reports does not go beyond a very general level and certainly does not force the ENGOs and their partners to conduct a gender analysis or to define a clearly stated gender policy. The fact that EC staff do not demand much in this regard can be explained in different ways. It might just be one issue too many for them to deal with besides their many other preoccupations. But there may also be an implicit recognition that one cannot expect too much in this regard from short-term projects. These can rarely have an impact on gender relations, which are often

strongly embedded in society. All this leads us to conclude that the role of B7-6000 with regard to gender has been quite limited.

As mentioned earlier, women are well represented in the projects, both as beneficiaries and as project staff. This can certainly be explained by an increased concern, among NGOs, about the marginalised position of women: many NGOs are aware of the precarious situation in which women live and of their crucial role at household and village level. Many activities are therefore directed at women, and clearly go beyond the “traditional” female sectors (such as health and education). In such a context, it was somewhat surprising to ascertain that, in all countries studied, few SNGOs were found that have ever undertaken an in depth gender analysis. Many of them have gained over time a good understanding of the local situation, and of particular difficulties women face, but they rarely go beyond this general knowledge. The good results that most projects can nevertheless show might also to an important extent be attributed to the fact that many SNGOs have contracted women staff in adequate numbers and of high calibre, although leadership positions often remain in the hands of men.

The lack of gender assessments also suggests that SNGOs have not invested in systems for monitoring and evaluating the effect of their projects on gender relations. SNGOs are in general able to show that women are well targeted and reached and that outputs are achieved at their level. On the whole, however, they are not well informed on the *effects* of their projects on the role and position of women at household and village level. It is not clear for instance to what extent projects affect existing power relations, or whether women are able to maintain the advantages they have obtained by participating in project activities. Only those SNGOs that have been involved for a long period with their target groups succeeded in indicating clearly and with sufficient confidence the progress made.

We want to conclude this chapter on gender by mentioning briefly the unique situation in Cuba, which is known for the mutual respect between women and men and for its policy of affording women equal access to key positions in the economic, social and political sectors. Our study could not, for obvious reasons, analyse gender relations in depth at the domestic and broader level. It became clear however that the way the gender issue was presented in our study did not really tally with prevailing gender relations in Cuba.

### **3.7. POVERTY**

Meeting directly the basic needs of people in developing countries, in particular the poorest sections of the population, has been the major thrust of the budgetline since its inception. As we already pointed out earlier however, this has not led to efforts to clearly define the actual content of this poverty focus: “poverty” is one of the key concepts that has remained undefined. This finding can be extended in the sense that ENGOs and their southern partners show the

same weakness. In such a context, it is obvious that the budgetline has not contributed to poverty alleviation or reduction on a broader level. This is also illustrated by the fact that only a minority of the budgetline projects are situated in countries with a low human development ranking.

Nonetheless, our field visits have shown that most projects have clearly contributed to the alleviation and sometimes the reduction of the poverty of the targeted poor, or have the potential to do so. Most projects do indeed have a poverty focus, which is sometimes explicit, and succeed in targeting their efforts on the poorer sections of the population. In spite of this clear targeting and a generally good understanding of the situation of the target groups, there was hardly any evidence of a clear definition or understanding of poverty as a concept. The Indian NGOs are an exception to this, at least to a certain extent, as they have an implicit understanding of poverty as a complex, multi-faceted and dynamic concept, and are developing an integrated approach that combines different types of activities.

During our field visits, contacts with representatives of the target groups provided ample evidence of project outputs that contributed to the alleviation of poverty. Economic activities often produced tangible benefits in terms of increased income. For various reasons, it was in most cases impossible to identify project results that indicated a structural poverty reduction: SNGOs have only rarely conducted in depth poverty analyses that could provide a yardstick against which changes could be measured. Moreover, SNGOs limit their monitoring efforts to the assessment of direct outputs, whereas progress in terms of poverty reduction often involves more qualitative effects such as the target group's capacity to correct the power balance.

### **3.8. DEMOCRATISATION AND STRENGTHENING OF CIVIL SOCIETY**

Democratisation and the strengthening of civil society became an explicit part of the development agenda in the nineties. As such, "strengthening of civil society" became an objective of the budgetline in the Council Regulation of 1998 whereas it was only indirectly referred to in the 1988 General Conditions. This subject has been assessed during both the desk phase and field studies. To start with, the following are some of the findings of the survey among ENGOs conducted during the desk phase:

- ENGOs co-operate with a broad range of southern partners. In only 41 % of cases could the southern partner be clearly identified as a "typical" NGO, i.e. an intermediary NGO (36 %), affiliate of an ENGO (5 %) and an international NGO chapter (1 %). Organisations affiliated with religious institutions (14 %) and community based organisations (19 %) constitute other important categories. The different nature of these partner organisations is an important characteristic of the budgetline and illustrates, once again, its open character.

These characteristics probably also affect the relationship with both the ENGO and the target groups. Moreover, they put the issues of capacity building and the strengthening of civil society in a particular perspective.

- In a majority of cases (79 % in the sample used for our document based assessment), there had been previous co-operation between the ENGO and its southern partner. Moreover, in 71 % of cases, projects formed part of larger programmes. These findings are confirmed by the fact that some ENGOs only resort to EC funding for projects with partners with whom a well established relationship exists. They also suggest that the projects funded via the budgetline fit into a broader partnership relationship and may very well contribute, directly or indirectly, to the strengthening of the local partner and other civil society players.

Moreover, it is important to mention that “democratisation” and “strengthening of civil society” are among the broader concepts which the budgetline failed to define clearly and, hence, to use explicitly as criteria during the screening process. Few ENGOs reported on their achievements in this regard, except for those projects that had an explicit capacity building focus.

At field level, the subject was examined from three perspectives, albeit that the short duration of the visits did not allow it to be assessed in depth. First, the internal functioning of the SNGOs was looked at. At that level, it was found that they function reasonably democratically. Many of them have grown institutionally over the last decade and now depend less on the capacity of their leaders (and often founders) than was often the case in the past. Devolution of power and authority has taken place in many organisations; (charismatic) leadership however still plays an important role in many organisations, for instance in India.

Secondly, within the limits of this study, we tried to look at the quality of beneficiary participation in the different stages of the project. Although the short duration of our visits made it very difficult to assess the nature of the “participation” found, we feel confident enough to state that the setting-up and implementation of participatory approaches at the grassroots level clearly remains one of the major strengths of NGOs. Ample evidence was found of high degrees of involvement of the target groups, both in terms of inputs and decision making at different stages. In many places, such as in India and Senegal, this process has led to the creation of structures at the grassroots level that increasingly take over responsibility for the project at the local level. Monitoring and evaluation activities are often undertaken with beneficiaries to reflect on progress at the grassroots level, while, quite surprisingly, such activities at project level seem mainly to be considered as the NGO’s responsibility.

Thirdly during the field studies we looked at the strengthening of the SNGOs and the community based structures they support. It was found that in many countries (Senegal, India and Bolivia, for instance) the processes of decentralisation and

the increased importance of local governance are creating a framework that stimulates grassroots action in various ways. Many SNGOs have started to strengthen community based organisations so that they can effectively formulate claims to local authorities, defend their interests, make local structures effective and truly democratic, and participate in the political system at the local level.

As previously mentioned, many of the SNGOs involved in B7-6000 projects are well recognised and established players at a national or state (India) level. As such, they often play an important role in broader movements and the further development of civil society in general. In many places we were also able to trace clearly the institutional development path these SNGOs have followed during recent years. Some of them have made remarkable progress at a pace that clearly outdoes that of their European counterparts.

Our positive findings with regard to institutional development both at the community and SNGO level should however be put in perspective in the sense that they are most often a “by-product” of B7-6000 funding. Only in a few projects in Senegal and India where institutional development was one of the main project aims could we identify a direct effect of B7-6000 in this regard. Indeed, institutional development processes often stretch over a considerable period and tangible results are unlikely to be reached within the project period. In this regard the role of most B7-6000 projects can be seen as that of a “field laboratory” through which local participants can further test out approaches and work on their institutional development. However, if democratisation and strengthening of civil society are explicit aims, other approaches might very well be more effective and efficient.

### **3.9. ENGO – SNGO PARTNERSHIPS**

Our field visits did not allow us time to study in depth such a complex issue as ENGO-SNGO partnerships. Some findings are nevertheless worth mentioning and will be presented below; they should be read in conjunction with the analysis of project management by ENGOs and SNGOs, which was discussed at point 2.3.2. above.

Over the last decade or so, partnership has become one of the “buzz words” in NGO development co-operation. It covers a broad range of relationships between northern and southern partners and the nature of the relationship is often perceived entirely differently by both “partners”. The findings of our field mission further confirm the overall picture obtained from other similar studies. It is very difficult to give a general picture: each partnership tells a different story. In general, we think we can distinguish three types, each of which still contains a lot of variety:

- Long-term partnerships that began before the B7-6000 project and are characterised by a relationship of mutual respect and trust between the

partners. In this context the B7-6000 project is a means of continuing and sometimes deepening a relationship that will continue beyond the end of the project. The actual content of this type of partnership varies from “unconditional support” (ENGOS that believe unreservedly in “their” partner and consider their role mainly as that of a financial intermediary) to “critical co-operation” where both partners clearly articulate their views, try to come to a common approach but might very well “agree to differ” on some issues. This last type seems to develop only where well established ENGOS are involved, that can maintain long-term funding of their partner and have well qualified staff who can enter into dialogue on an equal footing with the SNGO.

- Short-term “partnerships” characterised by good operational, functional and pragmatic relations (in technical, professional and/or ideological terms) that are built up around the B7-6000 project, with the aim of jointly ensuring that the project is well implemented and adequately reported on. Again, the actual content of the partnership can be different. SNGOs might “give in” and be open and appreciate the involvement of the ENGO or try to keep it “at arms length”.
- Supervisory “partnerships”, where the relationship between the NGOs is dominated by a strong element of control by the ENGO, either because it does not believe in the SNGO’s capacities, or because it is preoccupied with its obligation to account adequately for the funds received.

Apparently, B7-6000 has not had any *direct* effect on the promotion of effective partnerships between the Southern and Northern NGOs. Again, it can be stated that the B7-6000 projects have been a means of initiating, further developing or ending a partnership relationship.

Nonetheless, we found that some specific characteristics of B7-6000 “tested” some of the partnerships, albeit that these cases were rather an exception. Problems in these relationships were caused specifically by the rather high administrative requirements and the long delays in processing applications. Some ENGOS were able to mitigate the adverse effects, while others could not or did not want to do anything in that direction. Some SNGOs, especially in Africa, had further difficulties with the role played by the ENGO as an interface and their entire lack of knowledge on the budgetline and EC co-financing in general. The fact that the EC delegations were virtually absent from the field added to this feeling.

## **4. MAJOR CONCLUSIONS AND RECOMMENDATIONS**

### **4.1. MAJOR CONCLUSIONS**

The major objective of this evaluation was to provide the evidence for a review of the mechanisms, practices and procedures of budgetline B7-6000. Its scope included an overall assessment of co-financing operations in the period 1994-1999, an assessment of the relevance, efficiency, effectiveness, impact and sustainability of the budgetline and its implementation, and a further assessment of the co-funded projects in relation to several other broader variables such as gender relations, poverty, democratisation and civil society, and the relations between ENGOs and their partners in the South.

#### **4.1.1. Characteristics of the budgetline**

Budgetline B7-6000 is now in its 25<sup>th</sup> year of existence. It was launched in 1976 as a trial operation with an initial endowment of 2.5 million € with the aim of adding a further dimension to EC development policy. Its growth over the past two decades – it currently has 80 times its initial allocation – is consistent with the broader phenomenon of the increasing recognition of NGOs as major players in international development. By 1998, the budgetline represented about 3% of total EU development aid.

We found that the basic policies and principles that underlie B7-6000 are not that different from the broad aims and objectives of most other multi- and bilateral donors. Although B7-6000 is similar in many aspects to other co-financing lines of EU member states, it has a number of distinctive features. Most importantly, as a European fund, the line can be accessed by ENGOs from all member states. Many have made use of it: more than 700 ENGOs have had projects financed since the inception of the line. Coming from all EU member states, the recipients of the line are very diverse, while the conditions and instruments of the fund are identical for all ENGOs. Unlike most other EC budgetlines, B7-6000 is entirely demand driven, which can be explained by the EC concern to respect the right of initiative and independence of the ENGOs. We have found that because of this B7-6000 has become a general fund on which the EC has little influence other than ensuring that the projects funded fulfil its broad criteria.

The distribution of B7-6000 funds among the member states appears fairly well balanced when population figures are taken into account. It would appear that only proximity to the EC-headquarters and the existence of more generous co-financing schemes (in the Scandinavian countries) have influenced access and distribution. At the same time however, we found considerable disparity at the

level of the individual ENGOs, the ten biggest ENGO recipients getting 14 % of the funds. Moreover, consortia of ENGOs have become increasingly important; in 1999, 20.3 % of the funds went to consortia-projects compared to 9.2 % in 1994-1995. A high level of disparity was also found in terms of distribution among recipient countries: the ten major beneficiary countries received more than 40 % of the funds. The presence of some countries among these major recipients cannot be explained by their size and population, nor by other factors such as the level of poverty: only a minority of the major beneficiary countries of B7-6000 belong to the countries with a low Human Development Index.

Our analysis further indicated that for most of the ENGOs, the line was mainly an additional source of funding, which allowed them to diversify their funding sources. Considering its open character, ENGOs accessed the fund for very different reasons, depending on their particular circumstances and funding strategies: some use it as a top up of their own budgets, while for others, particularly resource poor ENGOs, it is the major source of funding for a particular project. Our visits in the field indicated that the line has made a real difference for many smaller ENGOs with genuine financial needs; their projects would simply not have been implemented if they would not have had access to B7-6000. This is not the case for most bigger ENGOs with good access to national co-financing schemes and/or considerable resources of their own, that might have found other sources to fund the project.

The budgetline has been governed by well detailed General Conditions and, since 1998, by the Council Regulation 1658/98, which have set a clear framework for the staff. These conditions are similar to the rules that govern most co-financing funds of the member states. They were supplemented by some additional instruments (check lists, ...) and some co-ordination and direction by senior staff and the Head of Unit. It was found that these nevertheless left a considerable margin for manoeuvre for the Unit(s) concerned, mainly because no overall and comprehensive system existed that covered all phases of the project cycle. Ex-ante screening of project proposals was the major focus during the entire period under study.

In the second half of the nineties, B7-6000 faced increasing difficulties that could only partially be overcome by the hard work of committed EC staff. The major cause of these problems lies not simply in management difficulties but in a European Parliament that allowed the budgetline to grow without taking corresponding measures to cope with the increased workload. The quite detailed rules and procedures are another factor. The 1998 internal reform and the additional work it caused further exacerbated the problems. Under these conditions, an unfortunate backlog in the appraisal of project proposals gradually developed, so that by 1998-1999 on average more than one year elapsed between submission and approval of a proposal. Despite these difficulties, EC staff were under considerable pressure to spend the allocated annual budget, which they mostly succeeded in doing.

#### 4.1.2. Performance of the budgetline

The performance of the budgetline was assessed both at the level of the management of the EC and at the level of the projects funded.

**Relevance.** The issue of relevance has been approached from different angles. In global terms, the line is part of the EC policy to forge closer links with the NGO sector and provide EU development co-operation with an additional dimension, which would enable it to diversify its aid strategies and action. It was found that the EC has been right to intensify and increase its co-operation with NGOs. However the basic characteristics of the budgetline (being exclusively demand driven and accessible to a large variety of ENGOs for a great range of programmes in a significant number of countries) resulted in B7-6000 becoming a general fund without a strategic or development policy focus. As such, it could not make a distinctive contribution to EC development policy, other than supporting the European NGO-sector. Furthermore, the issue of its specificity and distinctive entity in relation to other co-financing budgetlines has not been sufficiently addressed. By not adapting itself to the dramatic changes on the development scene, the line has worked merely in isolation in relation to the important changes in the NGO-sector and the development scene in general including changes in other co-financing schemes in the Member States. All this suggests that B7-6000 allowed ENGOs to avoid constantly adapting and rethinking their practices and often permitted them instead to continue submitting more traditional projects and sticking to approaches that are increasingly questioned. As such, the line may well have inhibited the qualitative growth of the ENGO-sector. The new General Conditions (which did not fall under this study) bring some change, which might reverse trends, but it remains to be seen how these will work out in practice.

The analysis in the field indicated that most projects respond to a large extent to important needs and priorities of the population. They were mostly soundly appraised by SNGOs that have built up a comprehensive knowledge of the context and a relationship of trust with their target groups. Most SNGOs also managed to position themselves appropriately in the local context and provide services not offered by others. As most projects had a direct technical objective or were concerned with building up capacity at the local level, their focus was essentially local. Only a few cases were identified where broader issues were addressed.

**Effectiveness.** The assessment of the effectiveness of B7-6000 has been hampered by a lack of clarity on key concepts that relate to the broader policy objectives of the line (poverty alleviation, strengthening of local institutional capacity, etc.). This finding in itself is obviously an indication of the level of importance attached to these objectives in the management of the line. It is further clear that the open and demand driven character of the fund did not allow it to reach its broader policy objectives. Another important finding in this regard is that ENGOs do not automatically concentrate their efforts on the poorest

countries, only a few of which figure among the major beneficiaries of the line. However, our field visits indicated that, within the countries, projects targeted the local poor and mostly succeeded in reaching them.

At project level, we found that projects succeeded in delivering the planned outputs and reached their immediate objectives, even though the long delays in processing applications complicated matters in a number of cases. This good performance can mainly be attributed to the ENGOs' capacity to pre-finance and to the high level of competence and commitment of the SNGOs and their focus on immediate, tangible and often easy-to-reach results. Projects have however been less concerned with the broader development objectives of the line. This is understandable as these objectives relate to broader qualitative changes that can hardly be initiated in the context of a one-off grant for a limited period. Only where B7-6000 funded on-going development processes could we detect effective contributions to qualitative change.

**Efficiency.** For the reasons explained above, the management of the budgetline faced serious difficulties in the period under study. We found the General Conditions basically a high quality instrument in the context of a project-by-project funding approach that focused predominantly on ex-ante screening. The Conditions were however of limited value in the context of inadequate human resources and operational practices. We did not find a good explanation for the fact that this situation was allowed to grow so badly out of control; certainly, the EU political decision making process and the pre-occupation with reaching short-term disbursement targets played an important role. Other important factors affecting efficiency were: the lack of differentiation in the process in view of the broad range of projects and ENGOs, the use of a large number of languages in the project proposals and the institutional reform. All these factors explain the lengthy appraisal process, which, among other things, has affected the effectiveness of the projects (see above).

Our assessment of the quality of the appraisal process identified a lot of gaps, which we think are to a large extent unavoidable. In our view, ex-ante screening has intrinsic limits that cannot easily be overcome, which made us to conclude that it not be the appropriate option to manage a budgetline with the characteristics of B7-6000. Putting a lot of emphasis on ex ante screening at the expense of good follow-up of project implementation and evaluation is worrying considering the exclusively demand driven character of the budgetline.

Monitoring and evaluation in relation to projects funded under B7-6000 is rather poorly developed. EC staff themselves consider this as a major problem caused by the lack of human resources. Staff are concerned that they are losing touch with the situation in the field. As the ex ante screening contains major weaknesses, this means that the EC has remained totally uninformed on some crucial aspects of the projects it has funded, the more so because no major evaluation exercises have been undertaken. Considering the demand driven character of the budgetline, this is a worrying situation.

At project level we found that efficiency is a major pre-occupation for most NGOs, although they mostly have no means of comparing their performance with that of

other similar organisations. The traditional image of NGOs as efficient managers has been broadly confirmed by our study. To this should be added that some of the SNGOs visited during the field phase succeeded in using EC funds as a catalyst for a broader dynamic which often generated considerable contributions from the target population and other local players. The considerable learning capacity of many of the SNGOs visited is another important finding. Many of the organisations visited have been able to grow considerably as development institutions over recent years. Monitoring and evaluation systems are gradually taking shape but are still too weak and focus too exclusively on operational issues and immediate outputs.

**Impact.** Impact assessment has not been a major focus of this evaluation. As already pointed out above, most B7-6000 projects are short-term interventions focused on direct and tangible needs; a concern for broader impact is often absent. This contrasts with some of the broader ambitions of the budgetline and the Council Regulation.

Virtually none of the SNGOs has tried to assess thoroughly the longer-term impact of their efforts and of the EC-funded projects in particular. Our evaluation teams have however devoted much of their time to beneficiary assessments. These contacts with the target population provided ample evidence of immediate impact (effects) in most of the projects, which is understandable considering the relevance of the projects and their effectiveness. The fact that SNGOs succeeded in initiating dynamics that produced effects beyond the scope of their projects also had an effect on their position: many of them are now recognised as reliable and important players.

**Sustainability.** The General Conditions address the issue of sustainability quite thoroughly, which is in itself a positive finding. "Sustainability" of projects and project benefits is however often an unrealistic expectation in the context of one-off project co-financing for a limited period of time. This made the EC demand too much from the NGOs and the latter promise too much. Notwithstanding this criticism, it is clear that the concern for sustainability has gained momentum and is now incorporated in most NGOs' strategies and approaches. The EC may have contributed to this evolution.

At field level, we have found several situations. An important number of B7-6000 projects were part of broader processes and could contribute to sustainable benefits. In these situations, we often found the sustainability concept strongly internalised at the grassroots level and target groups determined to decrease their dependency on external support. In most other situations the concern for sustainability was also clearly operationalised, albeit not always from the very start of the project. Many SNGOs try to forge strategic alliances, which should allow them to diversify funding and get access to local funds.

**Gender.** The concern for gender equity has become increasingly important. Most NGOs declare and feel that they are committed to incorporating a gender perspective both at the level of their organisation and in their programmes. This

is also reflected in the finding that, in the 40 projects studied, women figured prominently among the beneficiaries and project staff.

These positive developments cannot however be attributed to the B7-6000 policy, but can rather be explained by the global evolution in the development sector in general and among NGOs in particular. The EC staff do indeed conduct a gender assessment, but this is quite superficial. Gender is not an issue they particularly insist upon, which is understandable considering the management difficulties faced.

Although the projects succeed in reaching women and involve them in activities which clearly go beyond the “traditional” female sectors, we found that in all countries studied only a few SNGOs have ever undertaken in depth gender analyses. They do have a good knowledge of the local context and the position of women in particular, but do not use this systematically in a gender perspective. This also means that their monitoring and evaluation efforts rarely assess the effects of activities and outcomes on gender relations and the situation of women.

**Poverty.** Meeting the basic needs of poor people in developing countries has been the major thrust of the budgetline since its inception. As stated earlier, this has not led to efforts to clearly define the concept of poverty at the level of the budgetline. The same has been found at the level of ENGOs and their partners in the South. This being said, our field visits found quite strong evidence that most projects have a clear poverty focus and effectively reach the people they targeted. Contacts with beneficiaries also indicated that most projects succeeded in contributing to poverty alleviation and even reduction.

**Democratisation and strengthening of civil society.** These two objectives have become part of the development agenda of the nineties. They also belong to the policy objectives the budgetline has failed to define clearly.

It was found that few projects report their achievements in this regard, except in cases where the project had an explicit capacity building focus. The field missions found out that SNGOs function reasonably democratically; in many cases a lot of progress has been made over recent years. Within the limits of the study, we tried to assess the quality of the participation of beneficiaries and found this genuine in most cases. In many places, SNGOs have succeeded in setting up grassroots structures that play an increasingly important role in local development. The strengthening of SNGOs as such was a third dimension looked at; it was found that many SNGOs have progressed remarkably and at a faster pace than their European counterparts. All these positive findings should however be understood in the sense that they are mostly a “by-product” of B7-6000 funding.

**ENGO-SNGO partnerships.** This complex issue could not be studied in depth during our study, but some of our findings are worth mentioning. As might be expected, the relationships between ENGOs and their partners are as diverse as the projects funded and those implementing them. We came across long-term

partnerships for which the B7-6000 project is a means of continuing and deepening a relationship that will continue once the project has finished. Other partnerships are built around the project and characterised by good operational, functional and pragmatic relations. Only in a minority of cases have we identified situations characterised by a strong element of control and domination by the ENGO. As was the case with the effect of the line on “democratisation and strengthening of civil society”, it was found that B7-6000 has not had any direct effect on the promotion of effective partnerships; it has been, at best, a means of initiating or supporting a fruitful relationship between two organisations.

## 4.2. RECOMMENDATIONS

Essentially this evaluation has sought to answer several questions such as: ‘**what has budgetline B7-6000 become and achieved?**’, ‘**what should it be doing?**’ and ‘**is the model still relevant in 2000?**’ While we found plenty of information on what B7-6000 projects have become, there was less on what it had achieved in terms of its overall purpose and its future direction. But we recognize that management has in the past few years begun to review the future direction of the budgetline. However, B7-6000 has been in crisis mode for the past two years. In its present form B7-6000 is basically **unmanageable** and we do not feel that the new General Conditions will radically alter this situation.

We are aware that an assessment of B7-6000 must be conscious of the political framework within which it was set up and has been sustained. The European Parliament first approved the budgetline and has been a consistent supporter in its 25 years of existence. The ENGOs have been equally zealous guardians and have strategically sought the support of the Parliament to maintain the broad content, approach and principles of B7-6000. Furthermore we are aware of an air of frustration among the ENGOs in relation to the B7-6000 over the past year or so and also their uncertainty regarding EU future policy in relation to the sector. In this respect any recommendations must be understood against this background. The recommendations that follow, therefore, are both **contextual** and **technical** and aimed at strengthening B7-6000 within overall EU aid policy. In our view it is critical that the EC and the European Parliament look beyond the management issues and accept the need for a **fundamental re-think** of a budgetline that has been largely unchanged in 24 years in terms of focus, access and operational procedures. B7-6000 is a substantial fund and it should be considered as a **strategic fund** and not merely an open and unfocused budgetline.

In our view, the process of change in relation to the future of B7-6000 should consist of **two major steps**. The process can be stopped after the first step, which is however not what we propose, as will be explained hereafter.

- During **the first step**, changes should be made to establish procedures that deal with the current problems of management and ensure appropriate

assessment of development and change at the project level. We see **two different ways** of conceiving this change process in this first step:

- (b) Maintain the present basic structure of B7-6000 and its key stakeholders and coping with the difficulties by relatively minor changes. In such a situation, B7-6000 funds individual projects or programmes which are considered as valuable initiatives in their own right. As this implies an open and unfocused budgetline, it will not allow contributing significantly to its present policy objectives as laid out in its legal base. Hence, the present B7-6000 policy objectives should be reviewed. Also, in this scenario, the present problems and shortages cannot be solved without a substantial increase of human resources for the management of the line.
- (c) Undertake efforts to make the present system manageable by limiting the scope of the budgetline. This implies that, *for instance* the number of ENGOs that can access it would be reduced, or the number of beneficiary countries (for instance those where the EC has developed a coherent strategic view on the role of NGOs and civil society, and where its delegation is equipped to do the necessary assessing and monitoring work, or the number of sectors or type of activities (those that would come out of the strategic view mentioned below).

If it is decided to limit the reform process to this first step, we strongly recommend the second scenario (b), because we doubt the feasibility of scenario (a) as the “normalisation” of the management of B7-6000 will quickly attract new demands and lead to problems that will be very similar to those presently encountered.

- The **second step** is based on the recognition that, after 24 years, the budgetline needs a major conceptual and operational **re-think**; the basic characteristic of B7-6000 as a co-financing scheme essentially for the non-government sector would be maintained, but key issues such as ‘**purpose**’, ‘**focus**’, ‘**access**’ and ‘**management system**’ would be re-assessed in order to ensure that the budgetline is a relevant and effective mechanism to support efforts at poverty alleviation and community empowerment in the poorest countries of the world. This option does not underestimate the achievements of B7-6000 over the past two decades nor the valuable contribution of ENGOs and SNGOs to its achievements. But it does strongly suggest that B7-6000 **needs** a more thorough critical review if it is to efficiently achieve a major impact on poverty if this is to remain its central purpose.

In our view, it is not ineffective management that lies at the heart of current problems, but its openness and lack of a **coherent strategy** or focus. It is therefore critical that the EC, the European Parliament and the NGOs look beyond the management issues and accept the need for a **fundamental re-think** of the budgetline in terms of focus, access and management. B7-6000 is a substantial fund and it should be considered as a **strategic fund** and not merely an open and unfocused budgetline.

While we recognise the acceptable project practise undertaken with B7-6000 - but noting the chronic inability of current systems to move far beyond input and output - we do not see this as sufficient argument for continuing current practice. B7-6000 has allowed many ENGOs to engage in development activities and it has clearly brought benefits in recipient countries. But what much more could B7-6000 do if it had a clearer strategic focus? Furthermore, what is the 'next ambition' for the budgetline? Both the EC and the ENGOs would be wrong if they felt that the current unwieldy, difficult-to-manage and largely quantitative fund constitutes 'good practice' in development. We cannot agree that such an open, unlimited and unfocused development fund is the best use of the funds available. Last but not least, we feel that the only reasonable way to implement the second scenario for step (1), is to develop a strategic view on B7-6000, which brings us very close to the second step we recommend strongly.

Hence, we think it is imperative to **include the second step** in the efforts to solve the present problems. With this in mind we have formulated a small number of **key recommendations** that we hope will help to refocus and reshape the budgetline.

**R.1.** : The EC should begin a **process of consultation** that would include DEV A/4 and SCR C/5 staff, the ENGOs, other concerned stakeholders such as SNGOs and a number of independent observers, with the purpose of reassessing and formulating a clear **strategic role** for B7-6000 within the framework of EU aid policy. In this consultation, particular attention should be paid to the **purpose, aims and broad objectives** of the budgetline. It is time and also critical that **other stakeholders** be brought into these discussions so as to broaden the debate. Furthermore we suggest that the consultation take into account the relationship of B7-6000 with other EU member co-financing schemes.

**R.2.** : Within the framework of the above consultation process, and, as a matter of some urgency, the EC should both assess and define more clearly several of the **key characteristics and concepts** that currently establish the parameters of B7-6000. These include:

- the principle of the ENGO's '**right of initiative and independence**' that appears never to have been critically reviewed. We should point that critically reviewing the ROI does not pose a threat to the autonomy and independence of ENGOs.
- the crucial issue of **access** to B7-6000 co-financing both in terms of (a) the current monopoly of ENGOs and the importance of considering access in terms of other stakeholders and (b) the skewed distribution of B7-6000 and the resulting lack of priority given to the poorest countries of the world
- a range of supposed objectives of the budgetline – such as, for example, '**democratization**', '**sustainability**' and '**institutional building**' – that have never been clearly defined.

Such an exercise would help to give a **tighter focus** to B7-6000 particularly in terms of project narrative and the assessment of results and impact. Furthermore

there is a critical need to balance the initiative in B7-6000 between the EC and the ENGOs and to give the EC responsible units more of a **proactive role** in the direction and management of the budgetline.

**R.3.** : As part of the above consultation process, the EC should give particular and detailed attention to the whole issue of **access** to the budgetline. Clearly the current open and unimpeded access – except in terms of ‘eligibility’ – has turned B7-6000 into a general rather than a more focused fund. It is now critical to make some **choices** in terms of access. Not all ENGOs are the same and access to B7-6000 should reflect this diversity. Such a review could examine, for example, the need to ensure that the larger ENGOs do not dominate the different uses that ENGOs make of the budgetline, that the interests of smaller ENGOs are safeguarded and that the future scenario of an enlarging European Community is taken into account. There is also the issue of **development actors** other than NGOs having access to B7-6000. Furthermore the issue of access should also be examined from the perspective of **recipient countries** and the EC should assess whether there is a case for limiting access to what is basically a modest budgetline to a smaller range of countries. Given over 500 ENGOs and over 100 potential beneficiary countries, if there is no effort made to **rationalize** the numbers of both ENGOs and countries that have access to B7-6000, the budgetline will become even more unfocused.

**R.4.** : The EC should commission a detailed study of current **monitoring and evaluation systems** of a representative sample of both ENGOs and SNGOs that have accessed B7-6000 in the past five years. The results of this study will provide the detail and information for a reformulation of the **reporting system** that underpins B7-6000. It is clear that this system is currently inadequate in terms of assessing the performance of the budgetline across a broad range of variables. At this moment B7-6000 is basically a grant making and not a development fund since management has little evidence on which to explain its work in development terms.

**R.5.** : There is an important need to ensure that B7-6000 has **the appropriate mechanisms that would allow it to be continually assessed** against the background of often rapidly changing scenarios and development contexts. This function has been neglected in the past, and given the open nature of B7-6000, will be difficult to ensure without additional measures. It is recognised that appropriate monitoring and periodic evaluation by the EC are difficult to ensure given the wide variety of projects financed. Therefore an additional mechanism might be necessary to advise on changing situations and developments in the international context so that the budgetline’s focus, purpose and mechanisms can adapt and respond to the needs of the poor countries and not simply to the demands of current stakeholders. The creation of an Impartial Advisory Function – advisory groups are quite common with development funds – can be considered in this regard. Such a function would help to maintain a useful

balance between B7-6000 management, the ENGOs represented by CLONG and other Stakeholders.

In terms of **immediate remedial action** pending the review of B7-6000, we recommend that:

**R.6.** : As a matter of **urgency** DEV A/4 and SCR C/5 examine ways in which, within the framework of the current General Conditions, those stages of the **appraisal process** that administratively are clearly the cause of the current difficulties, can be rectified. In particular we refer to:

- the lack of an adequate **initial filtering system** that would make an initial and quick decision based on eligibility;
- the clearly excessive and cumbersome **ex-ante screening** that appears to take far more time than it should;
- a **payments system** that seems unable to disburse funds within a reasonable time;
- the issue of the wide range of **languages** in which proposals can be submitted;
- a **reporting system** that is excessively onerous and that appears to focus largely on immediate issues and not on the longer term assessment of project performance.

We are well aware that serious staff shortages are also a problem but, even with a full staff complement, the existing procedures are unnecessarily lengthy, overly bureaucratic and time-consuming.

**R.7.** : Whatever the ultimate nature, approach and content of B7-6000 as a co-financing budgetline, the Units responsible for its management should move as quickly and as effectively as possible to **guarantee** the following to ENGOs/SNGOs:

- that all proposals will be effectively 'filtered' within two months of submission
- that all projects that go forward for appraisal will be appraised within three months of passing the 'filtering' stage
- that the first tranche of money will be paid within two months of the formal approval of a proposal.

In all, this adds up to a process of about **six months** – as indeed is stipulated in Council Regulations - and we strongly recommend that the EC commits itself to this **target** that is entirely reasonable and just in terms of the expectations of the SNGOs.

We fully appreciate that budgetline B7-6000 is an extremely complex one both to steer and also to manage and we have noted the dedicated efforts of many EC staff to ensure a **quality** service for the people it is supposed to serve. We cannot get away, however, from the fact that B7-6000 has never been strategically reviewed or assessed in its 24 years. The strains of this situation are now beginning to show. The potential is there to make B7-6000 a distinctive and innovative fund that would have a particular role to play within the framework of

EU aid policy. But it must be 'opened-up' and involve a wider range of stakeholders. It must be seen as a **strategic fund** with a core purpose and aims. At this moment B7-6000 has none of these characteristics. It is time for some **radical change** if the budgetline is to become an effective and strategically coherent instrument of EU and ENGO development cooperation.



## **Annexe 1 : TERMS OF REFERENCE**

### ***Evaluation of co-financing operations with European non-governmental development organisations (NGOs) in fields of interest to the developing countries***

(Council Regulation (EC) No 1658/98 of 17 July 1998 and Budgetline B7-6000)

#### **TERMS OF REFERENCE**

##### **A. INTRODUCTION**

Within the overall framework of the EC's development co-operation, and as a complement to the programmes managed by the Community institutions, the Community Budget contains provisions to support – while respecting their independence and right of initiative - initiatives by European non-governmental development organisations (NGOs), organisations representative of European civil society (Budget Line B7-6000).

Under the General Conditions for cofinancing (1977 and subsequent revisions) and Council Regulation 1658/98 the Commission has co-financed operations with European non-governmental development organisations (NGOs), to meet the basic needs of disadvantaged people in developing countries. From 1976 to end 1998, 8597 development projects were cofinanced for a total EC contribution of approximately €1533 million. Implementation is currently carried out in conformity with the General Conditions for Cofinancing approved by the Commission in 1988 and presently (Autumn 1999) being revised.

To optimise utilisation and management of the EC's co-financing programme, to help to prepare the revision of the present Regulation in 2001, and to guide the application of (and if necessary further modify) the revised General Conditions, this evaluation will examine the implementation of the Budgetline under the present General Conditions and the terms of the Regulation by the Commission and the NGO's over the past six years (as of 1994). The evaluation will also be a means of transparency to the European Parliament, the Council and the public as regards how the Commission and the NGO's have discharged their responsibilities for use of Community funds; and will inform the debate on the future of the Regulation including, if necessary, proposals for change.

##### **B. OBJECTIVES AND SCOPE**

###### **OBJECTIVES:**

The evaluation is to analyse the use of the budget line and application of the General Conditions and Council regulation within the framework of the EC's development co-operation, and complementing other instruments. It will examine in particular the relationships between some more successful cofinanced actions and the mechanisms,

practices and procedures of Commission-NGO co-financing , **with a view to improving the mechanisms (including project selection), practices and procedures as much as possible** – taking careful account of the sometimes severe resource limitations on both the Commission and the NGO's.

The other objectives are to clarify the (other) 'issues' mentioned in D below.

SCOPE:

The evaluation will -

1. Make an overall assessment of the activities financed on this Budgetline during the last six years (1994 to 1999) in qualitative and quantitative terms, measured against:
  - the needs of the people concerned
  - the main objectives of the Budget line and Regulation, viz.- 1) meeting basic needs of disadvantaged groups, 2) strengthening of local NGOs and grassroots organisations and the target groups own development capacities, 3) strengthening democracy and human rights. With regard to these objectives due account must be taken of when the objectives were introduced, in order to avoid measuring projects against standards which were not intended to apply to them.
  - the the framework of the commission's co-operation
2. Assess the relevance, efficiency, effectiveness, impact and sustainability of the budgetline and its implementation, as outlined in point D below.
3. Draw conclusions and make practical, realistic recommendations for improvements, especially to the cofinancing procedures (including selection criteria), mechanisms and practices.

It will focus on cofinancing of development operations. With regard to awareness-raising on development, which is also an objective of the regulation, a major sector has recently been carried out, this sector is not covered in this evaluation.

Cofinancing here means cofinancing under the Budget line B7-6000 (implemented according to the General Conditions for Cofinancing and the Council Regulation; funds managed by NGO's acting as implementing agents for the Commission under other budget lines, Regulations and the European Development Fund are not covered in this exercise.

In view of the high number of projects co-financed, the evaluation will draw extensively, particularly in its 'desk' phase, on existing analyses, studies and evaluations, notably the 'NGO Evaluation Synthesis Study' (OECD/DAC 1997), various reports of the Court of Auditors, and various recent evaluations of Memberstates, particularly the 1999 Danish study, and verify and complement their findings and hypotheses for the Commission/NGO cofinanced actions through limited field studies. (The ECDPM evaluation of the Liaison Committee should also be used, in reference to the Commission/NGO's relationship.) It is emphasised that improving cofinancing mechanisms and ultimately the quality of the co-financed activities etc., rather than producing new research insights into impact, remains the main objective of the evaluation.

The evaluation will also take account of a parallel evaluation being conducted simultaneously for the Commission, of decentralised co-operation. To the extent possible, terminology and definitions should be harmonised and overlapping issues debated and clarified with the other evaluating team. Nevertheless this evaluation must remain focussed narrowly on cofinancing within the Regulation, whereas the other is much broader in scope.

### **C. BACKGROUND**

The main pillar of the Commission's support to European NGOs is through the co-financing programme which began in 1976, and which has since provided about 1.5 bn € from the Commission to match a further 2 bn Euro from the NGOs.

The Commission's support goes both to NGO development projects in countries in the South and, to a much lesser extent, to their activities to mobilise public opinion in favour of development and fairer international relations between North and South. NGOs are seen as representatives of European civil society, whose actions are apt to reach the poorest and most marginalised people and to complement official aid. The Commission supports the role of NGOs in encouraging participatory development and the creation of a democratic base at grass roots level, and in developing the capacity of their partners in the South.

EC cofinancing with NGO's has increased significantly in recent years, doubling from 378 m ECU in 1986–90 to nearly 800 m ECU for 1991–5, which is in line with the growth in EC aid overall. In 1997, 767 projects were financed for a total of 169.8 Mio €, of which 596 under the development heading and 171 aiming at awareness raising, the latter representing 9.4% (or 16.8 Million €) of the commitments under B7-6000.

Geographical breakdown of the development projects for the last years is as follows:

	1997		1996 (%)	1995 (%)
	Million €	%		
sub-Saharan Africa	45.7	36.3	35.5	32.4
Latin America	41.2	32.7	34.6	36.1
Asia	28.5	22.6	18.3	17.5
Caribbean	2.2	1.8	4.5	6.0
Mediterranean	8.0	6.4	5.8	8.0
Pacific	0.5	0.2	0.7	0
Other	0	0	0.6	0
	126.1	100	100	100

In 1998 a total of 173.8 Million € was committed, of which 152 M€ funded 575 development projects and 18 M€ for 140 awareness raising activities, the remainder on co-operation and co-ordination.

The present regulation, adopted in July 1998, outlines three main sectors of intervention which can be seen as the objectives of this budgetline:

1- poverty alleviation and enhancing the target group's quality of life and own development capacity.

2- public support in Europe for development and for strategies and operations benefiting people in the developing countries.

3. - co-operation and co-ordination between NGOs from the Member States, and between them and the Community Institutions.

The present Regulation provides for activities in each main sector of intervention as follows:

1- local social and economic development in rural and urban areas, the development of human resources (especially by means of training), and institutional support for local partners in the developing countries. Special attention is to be given to operations connected with:

- the strengthening of civil society and participatory development, and the promotion and defence of human rights and democracy,
- the role of women in development,
- sustainable development.
- the protection of threatened cultures, especially endangered indigenous cultures,
- the protection and improvement of children in the developing countries;

(This is complemented by the additional criteria laid down in the current General Conditions.)

2 - public awareness and information operations shall be targeted at clearly-defined groups, deal with clearly defined issues, be founded on a balanced analysis and a sound knowledge of the issues and groups targeted, and involve a European dimension

3- co-operation and co-ordination should, inter alia, concern the development of appropriate exchange and communication networks.

As indicated above, the evaluation will concentrate on the first sector of intervention and cover parts of the third sector only in as much these contribute to the implementation of the first. The second sector will not be evaluated.

The Commission also co-operates with NGOs by 'contracting' them as implementing agents for projects in various regions and countries, outside the scope of the Regulation. This is outside the scope of the present evaluation.

The NGO Liaison Committee (CLONG) is the central point of contact for dialogue between development NGOs and the Commission. It represents partner NGOs (some 800) in dealings with the European institutions, and also acts as a forum for discussion between European NGOs themselves. An evaluation of the CLONG was carried out in 1995/96.

#### **D. ISSUES TO BE STUDIED**

Within the overall assessment of the Co-financing Programme and its implementation, as indicated in B above, the key issues are (in order of priority):

1 – how can the mechanisms, practices and procedures of cofinancing be improved, given the complexity and difficulties of development work, the importance of quality, the high number of often small activities, and the limitations (funds, staff) both of the

Commission and of the NGO's ? The main 'mechanisms' are project cofinancing and block grants; but the size and nature of both the NGO (or group of NGO's) and the project can vary considerably, and have major implications for the quality assurance of projects, so they also are to be taken into account.

2 – how has consistency and non-incompatibility been assured<sup>46</sup> with other development actions, actors and policies as appropriate ?

3- To what extent has the right of initiative and independence of NGO's been respected?

4 –What has been the 'added value' and 'comparative advantage' to the EC in contributing funds through European NGOs for development in the current partnership relationship with local NGOs and other local development actors.

'Best practices' in terms of successful projects will in particular be examined and used to analyse, support and illustrate what improvements can be made, how and why. The need to take, at all times, fully into account the funding and manpower resource constraints of both the Commission and the NGO's is again emphasised.

In making their recommendations the evaluators may consider other cofinancing mechanisms and practices as possible alternatives; any specific examples should be identified if possible in the desk report, together with any justification for (limited) visits to other donors or investigation in the field phase.

The evaluation will look in particular at the following hypotheses and questions (list not exhaustive):

### **i) Relevance**

How well was the relevance of projects and activities to the beneficiaries needs ensured? How far did the actions fit into the objectives of the Budget Line, existing General Condition, the Regulation and the overall framework (coherence/compatibility with Government policies, Commission policies, NGO policies)?

How was the obligation to respect the autonomy of NGOs and their right of initiative in presenting projects for cofinancing, reconciled with the Commission's duty to ensure the efficient use of funds and the pursuit of its overall development objectives ?.

### **ii) Project preparation and design**

As a general principle, NGO activities are mainly legitimised through their close contact with the beneficiaries carrying the project. Where did project ideas originate? Which role did the beneficiaries play in the identification and preparation phases of projects? Were participatory approaches used?

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<sup>46</sup> See council regulation art 2

Many countries follow policies of decentralisation: how has this been taken into account , have trends been visible in the project cofinanced?

To what extent have completed (through evaluation and monitoring), ongoing and planned or eventual future other aid actions been taken into account ?

? (This is inappropriate and confusing since these criteria will by only effectively operationalised in the new General Conditions however most of these criteria are already contained in the existing General Conditions. )Did the Commission's general conditions and their application in practice, provide a suitable framework for the selection of projects and partner NGOs? New general conditions are to be adopted end 1999; it is not yet possible to evaluate them, but to the extent possible conclusions should take them into account, thus providing recommendations for possible further adaptations.

### **iii) Effectiveness**

How well were the projects' immediate objectives (project purposes – see Commission's Project Cycle Management manual) realised?

“Were the right things done ?” .

How well were the beneficiaries involved in the implementation?

Have the planned services / benefits been delivered to the planned beneficiaries ? – or to others, whom, why ?

Have lessons of experience (both internal and external to the project) been considered with regard to improving effectiveness?.

What influence have the cofinancing mechanisms, procedures and practices had on effectiveness?

### **iv) Efficiency**

As a general principle, NGO execution is seen to be cost cost-efficient. Are there more precise indications or results of studies to confirm this? What are the mechanisms foreseen to ensure this?

Were “things done right ? “

What 'best practices' can be noted as regards efficiency, and why ? The difficulties ?

Could the same effects have been achieved in a simpler, cheaper way?

How efficiently has the Commission organised itself, in light of the constraints (personnel in particular), to carry out its tasks under the Regulation and the general conditions?

Does this system allow the NGOs and the Commission to meet objectives in the most efficient available manner?

How efficient were the reporting and auditing arrangements ? Were there more efficient alternatives?

Have the reorganisations during the last 3 - 5 years helped to make the system better?

To what extent have the Delegations been able to help ?

Have the conclusions of audits been fed back into the decision making process?

What influence have the cofinancing mechanisms, procedures and practices had on efficiency?

### **v) Impact**

How well did the projects financed help to reach the objectives of the Budgetline and Council Regulation? – and their own overall objectives<sup>47</sup> ? What have been the wider and long-term effects of the actions on their economic and social environment? Can the effects on other relevant objectives such as gender equality, poverty alleviation and environment be appreciated?

What have been the broader, longer-term effects of the projects on poverty? Are there indications that the target groups quality of life and own development capacity have been enhanced?

What influence have the cofinancing mechanisms, procedures and practices had on impact?

### **vj) Sustainability**

Are there indications that the beneficiaries or others have become able to continue to provide the services / benefits in a sustainable manner, after projects end?

One of the objectives of the North-South NGO partnership is capacity building within organisations representing the civil society in the south. Are there indications that this is happening? Can general conclusions be drawn concerning the use of local expertise (excluding support staff)? How important, and frequent, is the definition of exit strategies by the (European) NGO's ?

Financial sustainability depends largely on the users ability to meet limited cash requirements and is determined by the NGOs ability to put effective self-management structures in place. The evaluation should assess this statement and, if possible, make recommendations.

### **vii Other Issues**

Any development work, including the activities implemented by NGOs, is more effective and sustainable and has more impact, if properly co-ordinated with relevant stakeholders, such as the beneficiaries , official authorities, other NGOs, donor and executing agencies. How do NGOs ensure this co-ordination?

Earlier evaluations have stated that due to the multitude of actions financed and the relatively small size, it seems to be difficult to ensure systematically monitoring and evaluation or even regular contact with the donor. The evaluation should assess this statement and, if possible, make recommendations

## **E. Approach**

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<sup>47</sup> for the definition of logframe terminology, see PCM manual

In undertaking the evaluation, the Consultants are expected to follow a three-phase approach, as set out below:

Phase I Desk study of relevant documents: (list not exhaustive) Existing studies analyses and evaluations on this topic by other institutions etc. as mentioned under point B of the terms of reference, concerning preparation, decision, implementation and evaluations of development projects cofinanced with NGO's under the co-financing Budget Line.. The desk phase report should include a proposed methodology, detailed hypotheses, selection criteria and a set of indicators and measurement concepts for field evaluations, to be agreed with the evaluation unit.

Phase II Limited Field Evaluations of projects selected. These studies will include contacts with NGOs (European and local partners), beneficiaries and other stakeholders.

Phase III Preparation of a Final Report, summarising the findings of phases I and II and elaborating key issues and the lessons learned.

## **F. PLAN OF WORK AND CALENDAR**

The consultant will begin work in Brussels and will then be required to carry out country visits. At the beginning and the end of each phase briefing meetings are planned with the Commission services, and, where appropriate, with the EC Delegations in countries visited. The consultant will also present first findings and conclusions during the general Assembly of European NGOs planned for April 2000.

During the field visits, the views of the stakeholders (national authorities, beneficiaries, executing agents, list non-exhaustive) as well as those of the Delegations will be sought. The timetable foreseen is as follows:

Weeks	1- 4	deskphase in Brussels
Week:	7	deskphase report
Weeks:	12 - 18	field missions
Week:	22	draft final report
Week:	26	comments of draft final report by stakeholders
Week:	30	final report

April 2000: presentation of first findings and conclusions.

## **F. EXPERTISE REQUIRED**

The following kinds of expertise are required:

- i) Strong knowledge and experience in NGO – managed and NGO – supported projects, co-operation with various actors, such as grassroots organisations, Community based organisations and the informal sector; in rural and urban development, education, health and sanitation;
- ii) Multilingual capacity to cover a wide range of projects in English, French, and possibly – depending on the sample for the field phase – Spanish and Portuguese
- iii) Social development/gender expertise, good understanding of poverty alleviation, targeting and supporting vulnerable groups
- iv). Practical experience in organisation (notably the interface between donors and NGO's) and use of aid delivery mechanisms and development projects.

v) Proven ability in conducting evaluations of aid programmes, in particular concerning the fields and issues mentioned above

## **G. Reporting**

The following Reports will be provided by the consultants:

1. short Inception Note
2. Desk study report of the ECs as detailed above
3. Short (1-2 pages) project/field reports/analyses to be annexed to Final report
4. Final Report (Synthesis)

A short inception note (3 copies, English) is to be submitted during the second week of the desk study, summing up the first results and observations, and, if necessary, proposing a revised methodology and workplan. The desk report (max. 50 pages) is to be submitted two weeks after the end of the respective work. A draft final report will be submitted four weeks after the end of the field missions. The final report (synthesis) should not exceed 80 pages + annexes; it should include an executive summary of not more than eight pages and the annexed project reports, as well as a short résumé of two pages suitable for a wider distribution and DAC summary (format attached). The draft final report comprises the above-mentioned summary, résumé and annexes. The outline format for reports is attached.

The desk report will be submitted in English and French (10 copies each). The Draft (20 copies each) and Final Report (Synthesis) (50 copies each). will be submitted in English and French. The desk and draft final report in French can be a machine assisted translation with necessary corrections.

All reports, including draft reports and summaries have to be provided in electronic format (word for windows or compatible). The final report must be in electronic format and entirely ready for electronic distribution. For information, Commission services use Word 97 and Windows NT.4

## **Annexe 2: THE EUROPEAN COMMUNITY EXTERNAL CO-OPERATION PROGRAMMES <sup>48</sup>**

### **1. OVERVIEW**

In the 1990s, the EC became the world's fifth largest aid donor, providing in 1997 \$ 6.6 billion or 12.2 % of all aid disbursed by OECD countries. In the same period, EC aid was characterised by its rapid growth in real terms; it almost quadrupled as a proportion of total OECD aid. The increase of world aid in real terms in the nineties was largely due to the growth of EC and its Member States' aid. The EC has become the biggest 'multilateral' donor and, taken together, aid from the EC and the European Union Member States accounted for more than 55 % of world aid in 1997.

EC aid was concentrated on sub-Saharan Africa for a long time (70 % in the seventies, 60 % a decade later), but since 1990 has drastically changed in terms of its regional composition. The share for Central and East European Countries and new independent states has increased considerably. The EC has nevertheless remained the largest donor to sub-Saharan Africa.

A majority of aid (84 %) goes to developing countries via the EC budget and the European Development Fund. In the 1990s, 52.3 % of EC aid went to the poorest countries (Least Developed Countries and Low Income Countries).

Some observers comment that this considerable increase of the EC contribution to the development in the South has not been matched by a corresponding growth of the EC's influence in the development debate <sup>49</sup>. Indeed, in the previous decade, the EC was preoccupied by internal issues, such as its extension and the creation of an internal market. In the same period, European Aid has been increasingly questioned for its poor quality and lack of specificity.

### **2. INSTRUMENTS OF EC AID**

Broadly speaking, five instruments of EC aid can be distinguished:

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<sup>48</sup> Chapters 1. and 2. are to a major extent based on: A. COX and J. CHAPMAN, *The European Community External Cooperation Programmes, Policies, Management and Distribution*, ODI, London, 1999.

<sup>49</sup> See, among others: J. van Gennip: "Europa en de Internationale Samenwerking, Een nieuw hoofdstuk: mondiale verantwoordelijkheid, Inleiding voor de Afdeling Nederland van de Society for International Development – in het kader van de lezingencyclus Europa en het Zuiden: Wereldspeler buitenspel?", January 2000.

- programme aid (10 %) <sup>50</sup>, such as support for structural adjustment and compensation schemes for agricultural exports (Stabex) and the mining sector (Sysmin);
- food aid (8 %), which declined in the last year because of a shift to food security projects;
- humanitarian assistance (14 %), covering a broad range of interventions such as emergency relief, disaster prevention and assistance to refugees; its share has increased over time, partly due to the creation of ECHO;
- aid to NGOs, both by the EC co-financing scheme (3 %) and by contracting NGOs to provide particular services;
- project aid (64 %), which has increased during the last decade and is directed to six sectors: natural resources, other productive sectors, economic infrastructure and services, social infrastructure and services, governance and civil society, and multi-sector/cross-sector issues.

### **3. A CLOSER LOOK AT EC AID to NGO**

#### **3.1. Rationale of EC – NGO co-operation**

The Commission considers that strengthening the relationship between the Commission and NGOs will allow both parties to achieve their mutual goals. It bases its co-operation with NGOs on five major considerations <sup>51</sup>:

- NGOs are increasingly recognised as a significant component of civil society providing valuable support for a democratic system of government, an issue that is considered of particular relevance in the context of enlargement of the EU. NGOs can represent the views of specific groups of citizens, the poorest in first instance. Their involvement in policy shaping and implementation helps to win public acceptance for the EU.
- NGOs are valued for their contributions to EU policy making, which they can provide because they have specific links and knowledge of local circumstances.
- NGOs are also believed to have built up specific expertise in project management and evaluation and to be willing to contribute to projects that are implemented in difficult conditions.
- The inclusion of national NGOs in European networks is considered a vital contribution to the formation of a 'European public opinion', which is viewed as a pre-requisite to the establishment of a true European political entity.
- The EC finally emphasises the 'specificity' of NGOs, in terms of their right of initiative and independence <sup>52</sup>, and desires to support innovations and

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<sup>50</sup> The percentages between brackets refer to the relative share of this instrument in the period 1996-98.

<sup>51</sup> See: The Commission and Non-Governmental Organisations: Building a Stronger Partnership, Discussion Paper drawn up by an inter-departmental working group of the European Commission, December 1999, p. 4-6.

initiatives that do not attract the economic and political interest of other donors. It also intends to support NGO efforts to raise public awareness of development issues, although their objectives in this regard may not be entirely compatible with the policies of some of the Member States.

NGOs on their side appreciate the EC for the openness of its structures to jointly reflect on development issues, for its flexibility and interest in innovations, and for the importance it attaches to educational and awareness-raising initiatives aimed at the European public. They find also that the EC provides interesting opportunities to diversify their funding sources (via budgetline B7-6000 and other channels).

### **3.2. EC – NGO Co-operation over the past 3 decades**

EC and European NGOs have a long history of co-operation. Besides the NGO co-financing budgetline studied here, some 33 specialised budgetlines are presently open to European and/or Southern NGOs. These budgetlines relate to specific sectors like food aid and food security, emergency aid, rehabilitation and reconstruction, human rights and democracy, women and development, to geographical programmes and to activities in the EU related to issues of concern such as integration of migrants and the fight against racism. Some of these budgetlines, such as the B7-200/201/202 (food aid and food security) and B7-320 (Co-operation with South Africa) offer (or offered) very substantial funding possibilities. By the mid-nineties, it was estimated that over 14 % of the EC development budget was managed by NGOs. This figure excludes important direct funding of NGOs in some countries like India and Bangladesh. In the latter, NGOs have direct access to bilateral development co-operation or the European Development Fund as major responsible or sub-contractor.

The overview above indicates that the relationship between the EC and the NGOs has now expanded to a co-operation that goes further and deeper than budgetline B7-6000. This is not only due to the increase of development aid channelled via NGOs, but also to the broadening of issues, including policy dialogue and delivery, and increased participation in formulation and implementation of projects and programmes. Efforts are presently being made to further adapt structures and procedures and to improve methods of dialogue and consultation as so to keep up with these developments.

The fact that EC-support to NGOs is scattered over a large number of thematic and geographical instruments, further suggests that EC-NGO co-operation has grown rather haphazardly, without an overall strategy based on a clear view of the role NGOs and other civil society groups should (or could) play in EC development co-operation.

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52 ... an important issue to be assessed in this evaluation.

Finally it is important to mention that since the start of EC-NGO co-operation, structures have existed to co-ordinate and streamline the dialogue between the EC and the European NGO community. The NGO-EU Liaison Committee (CLONG) was created in 1976. It is now the main interface for dialogue on both practical matters and policy issues. It has undergone important changes over time and represents today some 800 member organisations grouped into 15 national platforms. Its draft strategic plan for 2000-2004 defines as its major role the provision of a channel which allows the views of civil society in the South to be heard in Europe and an effective contribution to the formulation and monitoring of EU development co-operation, emergency assistance and other policies that have a bearing on the Union's relations with the South <sup>53</sup>.

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<sup>53</sup> NGO-EU Liaison Committee, Strategic Plan 2000-2004: Draft D

<sup>54</sup> The EC has 11 official languages: Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish and Swedish. The working languages of the Commission are English, French and German.

## **Annexe 3: FURTHER ANALYSIS OF THE LEGAL FRAMEWORK AND MAJOR OBJECTIVES OF BUDGET-LINE B7-6000**

The legal basis for the budgetline is the Council Regulation 1658/98. As this was only adopted in 1998, the management of the budgetline was for a long time mainly based on the so-called "General Conditions". These have undergone several changes since the inception of the budgetline but remained unchanged during the period under study. New General Conditions were however introduced in January 2000.

Within the framework of the 1988 General Conditions, both the European Parliament and the Council indicated major principles guiding the Commission in the management of the budgetline, via yearly Budgetary Commentaries and resolutions. Important to mention in this regard are the Council Regulations of 27 May 1991 and 18 November 1992. These underline, among other things, the importance of the autonomy of the NGOs, the need for a complementary approach between the Community system, the efforts of NGOs and other players, and the importance the Commission attaches to using the quality of the project as its major selection criterion. Mention should also be made of the resolution of the European Parliament of 14 May 1992: this reaffirmed the specific and irreplaceable role of NGOs and the usefulness and effectiveness of their development operations, emphasizing their work on behalf of marginal social groups in developing countries, the need to preserve the NGOs' freedom of action, and their vital role in promoting human rights and the development of grassroots democracy.

### **1. GENERAL CONDITIONS FOR THE CO-FINANCING OF DEVELOPMENT OPERATIONS UNDERTAKEN BY ENGO'S**

The General Conditions are a legally binding administrative document adopted by the Commission for carrying out its responsibilities. The 1988 General Conditions governed the entire period under study (1994-1999), although the efforts to revise them cover this entire period as well. The 1988 General Conditions are laid down in a 49 page document comprising fourteen chapters and four annexes. Its major characteristics are summarised below.

In the introduction to the General Conditions, it is stated that they are intended to offer rapid co-financing for ENGO projects. They also endeavor to facilitate and support action by European ENGOs aimed at improving the living conditions and development prospects of the beneficiaries. It is also pointed out that by proposing this instrument, the Commission demonstrates its confidence in the ENGOs' ability to undertake projects effectively.

The Conditions distinguish three different instruments (or types) of co-financing:

- “ordinary” projects,
- support for the activities of grassroots organisations in developing countries
- block grants.

Both individual ENGOs and consortia can introduce projects for funding. “Ordinary” projects are clearly considered to be the most important funding category. They mainly relate to both “development operations” in the South and “operations to raise public awareness of development issues” in the North.

The first chapter of the Conditions defines the following eligibility criteria for ENGOs: being constituted as a non-profit-making organisation in accordance with the laws of the Member State, having the headquarters and major decision making centre in a Member State, having the bulk of human and financial resources of European (Community) origin. To be eligible, projects should, among other things,

- directly meet the economic and social development needs of the people concerned
- in particular meet the basic needs of the poorest sections of the population
- be aimed at increasing the indigenous development capacity of the beneficiaries
- involve the beneficiaries at all stages of the project
- have clearly defined objectives which can be achieved within a reasonable time span
- be compatible with the development objectives of the country.

It is further stated that special attention will be given to projects that reinforce development structures in the developing countries and enable financial resources to be built up which can be re-employed for other projects.

The maximum duration of “ordinary” projects is five years and the applications can be drawn up in any one of the official languages of the Community<sup>54</sup>. The financial contribution of the EC is normally a maximum of 50 % of the total project cost, and may not be less than 12,000 € nor exceed 150,000 € per annum and 500,000 € per project (twice these ceilings in case of a project presented by two or more ENGOs).

The European ENGO should contribute at least 15 % of the direct project costs from private European funding. The balance may be obtained from different sources such as private contributions (including from other ENGOs), contributions from public sources and from local partners, including the equivalent value of contributions in kind. Costs eligible for co-financing include both direct costs (design, purchase of land, construction costs, equipment, staff, revolving funds, operating costs, margin for inflation and contingencies) and indirect costs (expenses to increase public awareness, evaluation costs and administrative costs of the European ENGO with a maximum of 6% of its contribution to direct costs).

Chapters VI to X refer to management issues such as appraisal of applications by the Commission, contracting procedures, procedures for payment and reimbursement, notification and reporting obligations of the ENGO, rules and procedures related to accounts, project verification and control. Chapter XI states that the Commission may carry out an evaluation of the co-financed project after consulting the ENGO and the local partner.

The second instrument, called "Financial support for the activities of grassroots organisations in developing countries", is dealt with in Chapter XII. This financial support is provided, as an experiment, in the form of non-earmarked funds to grassroots organisations. The uses of these funds may include payment of overheads and operational costs. Specific eligibility criteria for these organisations relate, for example, to their autonomy, experience with the implementation of development programmes and the presence of support of the beneficiaries. The costs eligible for co-financing are similar to those of ordinary projects, but in this case EC co-financing is restricted to two years and may not exceed 150,000 € per year. The ENGO signatory to the contract should guarantee a contribution, which should be at least equal to that of the EC. At least 15% of this counterpart contribution must be from private European sources. This instrument no longer applies under the new General Conditions (see below).

Block grants, the third instrument, are considered as a flexible and rapid co-financing instrument. They are open to ENGOs that have co-operated satisfactorily with the Commission for a number of years. They are governed by the same criteria as ordinary projects but are granted via a simplified procedure. They are intended to co-finance mini-projects in which the contribution of the Commission ranges from 1,000 to 15,000 €. By 15 February of each year, the EC is supposed to send a block grant contract stating the proposed contribution (maximum 250.000 €) and specifying the terms governing the contract. The ENGO must then, by 30 November of the same year, submit a report on the use of the block grant. The EC's contribution may not exceed 75 % of the total cost and the ENGO must at least contribute 15 % of the direct costs.

## **2. COUNCIL REGULATION 1658/98**

This regulation was adopted on July 17, 1998. It provides in retrospect legal recognition of a practice that developed over a period of 20 years with the full support of the European Parliament. It is planned that the Council Regulation will be reviewed in 2001. It states (Article 1) that it shall co-finance operations with European ENGOs in the developing countries, public awareness and information operations in Europe and operations to reinforce co-operation and co-ordination between ENGOs from the member states and the Community. More specifically, article 1.1. of the Council Regulation states that: *"The Commission shall co-finance operations with European non-governmental development organizations*

*(NGOs) to meet directly the basic needs of disadvantaged people in developing countries. Such operations shall be proposed by European NGOs and conducted in co-operation with their partners in developing countries and shall be aimed at poverty alleviation as well as enhancing the target group's quality of life and own development capacity".* As such, the Regulation does not define broader policy objectives of the line, but focuses directly on the nature of the eligible actions.

As far as activities in the South are concerned, the Regulation further defines the fields of activity (article 2) stating that particular attention should be given to operations connected with:

- the strengthening of civil society and participatory development, and the promotion and defence of human rights and democracy;
- the role of women in development;
- sustainable development.

Attention should also be paid to:

- the protection of threatened cultures, especially endangered indigenous cultures;
- the protection and improvement of the circumstances and of the rights of children in developing countries.

The Regulation further defines, for example, the eligibility criteria, the type of activities entitled to co-financing, and the duties of the Commission with regard to the management of the budgetline. An important element is the provision that, "as a general rule", decisions on co-financing should be taken within a six month period. Given the significant backlog the EC is confronted with (see below), the EC has not been able to comply with this timescale. Further, article 12 states that: *"Three years after this Regulation enters into force, the Commission shall submit to the European Parliament and the Council an overall evaluation of the operations financed by the Community under this Regulation, ..."*

Council Regulation 1658/98 and the 1988 General Conditions clearly stress different issues, but they are not incompatible. While the General Conditions clearly focus on poverty alleviation as such, the Council Regulation introduces new priority areas such as the strengthening of civil society and the role of women, that came to the forefront in the nineties.

### **3. THE NEW GENERAL CONDITIONS**

New General Conditions were issued in January 2000 after a long consultation process. These contain a number of important changes. Although their introduction falls outside the study period, we consider it worthwhile to describe

briefly the major changes, as these may have an impact on the recommendations this evaluation is supposed to provide.

Most importantly and in line with the evolutions in some member states, the new General Conditions introduce a new co-financing instrument, the so-called "Programmes". Meanwhile the so-called Chapter XII projects (see above) have been withdrawn. The eligibility criteria for ENGOs remain broadly the same, but specific criteria are applied to ENGOs submitting a request for a programme contract. Proposals can be introduced by ENGOs, consortia (already eligible under the previous conditions) and networks. The increased focus on networks and consortia can be explained by the desire to promote the European dimension of the EC ENGO co-financing scheme.

The chapter on the eligibility of development operations continues to stress poverty alleviation. It distinguishes three major areas for co-financing:

- local social and economic development
- development of human resources
- institutional support and capacity building.

It further mentions a series of criteria related to the quality of proposals and the nature of the local partner. The costs eligible for co-financing are broadly similar to those in the previous conditions but now include costs related to expatriate staff and short-term advisory assistance. Some management costs such as for monitoring and evaluation, translation, taxes and contractual costs are explicitly mentioned. The provision for administrative costs of the European ENGOs has been increased from 6 to 8 %, and 9 % in the case of networks or consortia.

As far as the EC's financial contribution is concerned, important changes have been made. Whereas the EC contribution has been increased to 75 % of the total cost, the applying ENGO should cover at least 15 %. The maximum EC contribution is 10 Million € for a 5-year programme and 2 Million € for a project (4 Million € if the project is submitted by a consortium or network). The minimum amounts are 2 Million € for a programme and 50,000 € for a project (250,000 € if the project is submitted by a consortium or network). The minimum and maximum amounts for block grants are 250,000 and 2 Million € respectively.

Comparing, on the one hand, the old General Conditions and the Council Regulation and, on the other hand, the new General Conditions, it is obvious that the changes can be considered as a first step towards a change in the nature of the budgetline and its management. They announce a shift in focus to institutional dialogue and reflection on broader objectives rather than on appraisal of projects. As such, they may imply a more strategic approach to development, focusing on the process, and an increased emphasis on capacity building of local partners. These changes are the outcome of a tedious process that covers the entire period under study. This does however not imply that the reflection on new General Conditions has dominated the EC-ENGO dialogue in that period. On the contrary, discussions between ENGOs and the EC have focused to a major extent on the operational aspects of the budgetline and not on its broader

objectives and relevance in both the North and the South in view of recent developments in the field and in Europe.

The fact that no more fundamental discussion on the basic premises of the budgetline was held might have in our view two major explanations. First, all major stakeholders involved might have been basically satisfied with the global set-up budgetline and/or have had no immediate interest in engaging in more fundamental discussions. Second, most ENGOs were certainly preoccupied by the administrative shortcomings of B7-6000, which often produced disastrous effects on their work and, hence, were considered as a priority in the dialogue with the EC.

## **Annexe 4: USE OF THE BUDGETLINE IN THE PERIOD 1994-1999**

Tables A to E at the end of this annexe and the results of the survey among ENGOs and of the document based assessment provide some overall data on the use and management of the budgetline in the period from 1994-99. A closer look at these data reveals the following.

### **1. CHARACTERISTICS OF THE ENGO'S AND THEIR ACCES TO B7-6000** <sup>55</sup>

- The survey among the ENGOs reveals that most of them first accessed the budgetline more than 10 years ago (the average year is 1988). Nearly 60 % of the ENGOs had their first project financed before 1990. Combined with the data mentioned above, this suggests a relatively high stability in the ENGO-world (at least among those ENGOs having had access to the budgetline) and a continuous but limited access to the budgetline.  
Many ENGOs secured their first access to the budgetline quite rapidly after their first success in getting public funds in their own country. Indeed, 59 % of them took less than three years to do so, whereas for only 21 % the period was more than 10 years. This suggests both a good “visibility” and a low threshold of the budgetline.
- The average annual turnover of the ENGOs surveyed amounts to 12,195,587 €. This figure is however somewhat misleading because of a few very big ENGOs. Indeed, only 24 % have a yearly turnover above 10 million € and half of them do not reach 3 million € <sup>56</sup>. The ENGOs spent on average 81 % of this amount on activities in the South, which is less than the part of the budgetline devoted to this type of activities.
- Most ENGOs depend heavily (for 69 % of their budget) on public donor funding (the EC included) for their projects in both the South and the North; 77 % of the ENGOs derive more than half of their funds from public sources. The role of the B7-6000 budgetline is for most ENGOs not particularly significant. As an average, it secured only 13.6% of their total turnover, for almost half of the ENGOs surveyed even less than 10%. However, nearly 30 % of the ENGOs applying for funds in Brussels secure more than 20 % of their turnover. This figure suggests that a relatively important minority of ENGOs have gained experience with the budgetline and secured ongoing access to it. Many of these “minority” ENGOs are from Italy; data from the Italian platform to the CLONG reveal that in the period 1995-98 its members got around 40 %

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<sup>55</sup> The data presented in this paragraph are based on the survey among ENGOs and the document based assessment. See Desk Phase Report, annex 4, chapters 1 and 2, and annex 5 part I.

<sup>56</sup> As bigger and medium size ENGOs are over-represented in the sample, the real average figures will be lower.

of their external funds from the EC; the figure for 1998 was even higher: 44.3 %.

- Although many ENGOs had only limited access to the budgetline, they introduced different types of projects and more than 80 % got funds for more than one of the five types of projects we distinguished <sup>57</sup>. A majority of the ENGOs also seem to have secured EC funding via other budgetlines of the Commission; more than half of the ENGOs in the sample used for our document-based assessment were involved in EC funded food and/or emergency aid projects.
- As might be expected, there is a correlation between the average number of ordinary projects funded and the average number of block grants. However, there is no obvious explanation for the fact that ENGOs from Belgium, Portugal and Greece succeeded in securing a relatively high access to these block grants.
- 174 of the projects funded were initiated by 135 consortia. These figures indicate that most consortia are set up for one particular project only; just 8 consortia have been involved in 3 or more projects. However, the temporary and limited character of most consortia has not prevented the growth of their importance over time. In 1999, 20.3 % of the funds went to consortia-projects compared to 9.2 % in 1994-95.
- Other striking characteristics of the projects and the organisations involved include the following: in less than half of the cases can the Southern partner be identified as an intermediary NGO; community based organisations constitute nearly 20 % of the Southern partners; the EC funded project is part of a larger programme in more than 70 % of cases. This is another illustration of the variety of initiatives that have been funded via B7-6000 and of its openness to a broad range of partnerships.

## **2. DISTRIBUTION OF THE PROJECTS AMONG EU MEMBER STATES, ENGO'S AND SOUTHERNS COUNTRIES <sup>58</sup>**

- An analysis of the distribution of the projects among the EU member countries reveals the following:
  - ENGOs from all Member States have participated in the budgetline.
  - Four countries (Germany, Italy, the United Kingdom and France) cater for 72 % of the total number of ENGOs that have had access to the

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<sup>57</sup> These five types are: "ordinary" development projects, block grants, chapter XII projects, consortium projects, and projects in the field of awareness raising. Consortium projects can concern each of the other type of projects, block grants excluded.

<sup>58</sup> Most of the data presented in this paragraph are derived from the tables 4 till 7 included.

budgetline; ENGOs in the following five countries - Denmark, Finland, Greece, Portugal, Sweden - represent only 6.1 % of the total.

- The same pattern emerges in terms of number of projects financed and relative share of the grants received. ENGOs of the four countries mentioned above got 71.4 % of the total funds for 70 % of the projects, and the ENGOs from the five “smallest” countries received only 3 % of the funds for 3.2 % of the projects.

These apparently big differences should be regarded cautiously. If we take into account the size of the countries (with their population size as indicator), the EC-contribution is quite evenly spread over the Member States (see table 4). Major exceptions are, on the one hand, the Benelux countries, Ireland, and to a lesser extent Italy, all of which have a relatively high level of access, and, on the other hand, the Scandinavian countries, Greece and Portugal. Various factors might explain these biases: proximity to EC-Headquarters (for the Benelux countries), difficulties of the national co-financing system (Italy), the existence of a generous (co-)financing system in the country (Scandinavian countries), remoteness from the EC-headquarters and a relatively weak ENGO-sector (Portugal and Greece).

- A higher degree of disparity can be found when we focus on the individual ENGOs. At one end of the spectrum we find that 51 % of the ENGOs had only one or two projects financed in the entire period under study. In the same period, 13 % of the ENGOs received grants for less than 100,000 €. At the other end, we notice a small number of ENGOs that succeeded in obtaining significant funds from the budgetline: 15.4 % of the ENGOs received more than 3 million € (an average of more than 0.5 million € per year) in the period 1994-99. The ten biggest recipients catered for 12.7 % of the projects and 13.8 % of the funds <sup>59</sup>. The grants received by ENGOs of eight member states were lower than those of the biggest single ENGO. And the five biggest ENGOs got more funds than all the ENGOs from 8 countries (Austria, Denmark, Finland, Greece, Ireland, Luxembourg, Portugal and Sweden) put together. There may be many reasons for these disparities. The most important seem to be the big differences in size among the ENGOs and the varying degrees of access to the budgetline.
- The distribution of beneficiary countries is unequal as well, though to a lesser extent <sup>60</sup>. In 1994-99 projects were funded in 103 countries in total. A few projects were of a regional nature. Brazil is by far the largest beneficiary country (10.3 % of all EC contributions). Ten major beneficiary countries received nearly 41 % of the grants and the 15 biggest countries got on aggregate more than 50 % of the total. The relative importance of the top two

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<sup>59</sup> These figures do not include their share in consortium projects.

<sup>60</sup> Block grants are not included in the data provided in this paragraph as they cover mini-projects in various countries and no specific statistical data exist in this regard. There are however no reasons to think that, in terms of distribution among southern countries, the use of block grants will differ significantly from that of ordinary projects.

countries (Brazil and India) can be explained by their size and population. The top-15 list of countries also includes (relatively) small countries with a rather small population, such as Peru, Bolivia, Nicaragua, Uganda, Chile, Cisjordania/Gaza Strip, Ecuador and Cambodia. Their high ranking as beneficiary country cannot be explained by poverty criteria either: of these eight countries, only Uganda belongs to those countries with a low Human Development Index <sup>61</sup>. Except for Uganda, only two other top-10 countries belong to that category: Ethiopia and Bangladesh.

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<sup>61</sup> UNDP, Human Development Report 1999; no data could be found on Cisjordania and the Gaza Strip.

Table A: Basic data on use of the budgetline B7-6000 (period 1994-1999)

	Number of ordinary projects	Number of block grants	Total number of projects	Number of projects (%)	EC-contribution (Mill. Euro)	EC-contribution (in %)	Population (in million)	Population as share of EU (in %)
Austria	70	8	78	2.2	16.7	1.9	7.6	2.2
Belgium	189	122	311	8.7	67.2	7.6	9.8	2.8
Denmark	18	6	24	0.7	6.6	0.7	5.1	1.5
Finland	15	6	21	0.6	4.8	0.5	4.7	1.3
France	387	160	547	15.3	125.7	14.2	52.7	15.1
Germany	534	118	652	18.3	171.8	19.4	78.7	22.5
Greece	11	12	23	0.6	4.4	0.5	9	2.6
Ireland	50	18	68	1.9	16.0	1.8	3.2	0.9
Italy	452	211	663	18.6	168.3	19.0	55.4	15.9
Luxembourg	70	35	105	2.9	9.9	1.1	0.4	0.1
Netherlands	163	35	198	5.5	61.3	6.9	13.7	3.9
Portugal	15	11	26	0.7	7.1	0.8	9.1	2.6
Spain	141	51	192	5.4	55.4	6.1	35.6	10.2
Sweden	15	8	23	0.6	5.9	0.7	8.2	2.3
United Kingdom	448	189	637	17.9	167.0	18.8	56.2	16.1
SUBTOTAL	2,582	990	3,568	100	887.1	100.0	349	100.0
Consortia (included in overview above)	174		174	6.7	120.0	13.5		

Sources: own calculations on the basis of EC statistics (Griot); UNDP World Development Report 1999

Table B: Basic data on use of the budgetline B7-6000 (period 1994-1999) (continued)

	Nr. of ENGOs with access to budgetline	Nr. of ENGOs with 1 or 2 projects	% of ENGOs with 1 or 2 projects	Nr. of ENGOs with less than 0.1 mio € EC grant	% of ENGOs with less than 0.1 mio € EC grant	Nr. of ENGOs with > 12 projects	% of ENGOs with > 12 projects	Nr. of ENGOs with more than 3 mio. € EC grant	% of ENGOs with more than 3 mio. € EC grant
Austria	12	7	58.3	2	16.7	1	8.3	1	8.3
Belgium	42	16	38.1	1	2.4	12	28.6	8	19.0
Denmark	8	6	75.0	1	12.5	0	0.0	0	0.0
Finland	7	5	71.4	2	28.6	0	0.0	0	0.0
France	112	66	58.9	21	18.8	12	10.7	11	9.8
Germany	81	46	56.8	20	24.7	13	16.0	12	14.8
Greece	5	2	40.0	0	0.0	0	0.0	0	0.0
Ireland	9	5	55.6	1	11.1	2	22.2	2	22.2
Italy	98	44	44.9	10	10.2	18	18.4	19	19.4
Luxembourg	13	7	53.8	1	7.7	2	15.4	0	0.0
Netherlands	13	5	38.5	1	7.7	5	38.5	5	38.5
Portugal	6	3	50.0	2	33.3	0	0.0	0	0.0
Spain	26	14	53.8	3	11.5	5	19.2	5	19.2
Sweden	6	3	50.0	0	0.0	0	0.0	0	0.0
United Kingdom	87	41	47.1	4	4.6	21	24.1	18	20.7
TOTAL	525	270	51.4	69	13.1	91	17.3	81	15.4

Source: GRIOT statistics of EC

Table C: Basic data on use of the budgetline B7-6000 (period 1994-1999) (continued)

	Nr. of ENGOs with access to budgetline	Total nr. of projects	EC- contribution. (Mill. Euro)	Average number of projects per ENGO	Average EC- contribution per ENGO	Number of block grants	Average number of blockgrants per ENGO	Relative share of number of blockgrants (%)
Austria	12	78	16.7	6.50	1,391,160	8	0.67	10.26
Belgium	42	311	67.2	7.40	1,599,704	122	2.90	39.23
Denmark	8	24	6.6	3.00	826,465	6	0.75	25.00
Finland	7	21	4.8	3.00	692,631	6	0.86	28.57
France	112	548	125.7	4.89	1,122,374	160	1.43	29.20
Germany	81	652	171.8	8.05	2,121,305	118	1.46	18.10
Greece	5	23	4.4	4.60	875,842	12	2.40	52.17
Ireland	9	68	16.0	7.56	1,782,618	18	2.00	26.47
Italy	98	664	168.3	6.78	1,717,341	211	2.15	31.78
Luxemburg	13	105	9.9	8.08	761,664	35	2.69	33.33
Netherlands	13	199	61.3	15.31	4,712,857	35	2.69	17.59
Portugal	6	26	7.1	4.33	1,189,490	11	1.83	42.31
Spain	26	193	55.4	7.42	2,091,225	51	1.96	26.42
Sweden	6	23	5.9	3.83	978,048	8	1.33	34.78
United Kingdom	87	637	167.0	7.32	1,919,548	189	2.17	29.67
SUBTOTAL	525	3,572	887.1	6.80	1,689,792	990	1.89	27.72
Consortia		174	119.2					

Source: EC data (Griot) and own calculations

**Table D: Overview of biggest ENGOs in terms of access to the budgetline B7-6000 (period 1994-1999)**

	Number of projects	Number of projects (in %) (°)	Number of projects (in %, cum.)	EC-contribution (€)	Share of budgetline (in %) (°°)	Share of budgetline (in %, cum.)
DWHH (FRG)	82	2.30	2.30	21,823,101	2.46	2.46
Misereor/KZE (FRG)	44	1.23	3.53	15,228,459	1.71	4.17
Kindermission (FRG)	70	1.96	5.49	15,052,741	1.69	5.87
Interaide (F)	29	0.81	6.30	11,280,349	1.27	7.14
ICCO (NL)	35	0.98	7.28	11,056,318	1.24	8.38
Intermon (SP)	33	0.92	8.20	10,554,545	1.19	9.57
KFS (AU)	48	1.34	9.55	10,235,348	1.15	10.72
Oxfam UK (UK)	36	1.01	10.55	9,735,074	1.10	11.82
Bilance (NL)	43	1.20	11.76	9,158,812	1.03	12.85
Manos Unidos (SP)	32	0.90	12.65	8,706,706	0.98	13.83

Source: EC statistics (Griot)

(°) In % of the total number of projects funded via the budgetline in the period 1994-99

(°°) In % of the total amount granted by the EC via the budgetline in the period 1994-99

**Table E: Overview of beneficiary countries in terms of access to the budgetline B7-6000 (period 1994-1999)**

Rank	Country (°)	Amount (€)	Share (in %)	Share (cum; %)	HDI ranking
<b>1</b>	<b>Brazil</b>	<b>76,627,687</b>	<b>10.3</b>	<b>10.3</b>	<b>79</b>
<b>2</b>	<b>India</b>	<b>41,972,987</b>	<b>5.7</b>	<b>16.0</b>	<b>132</b>
3	Peru	34,548,806	4.7	20.7	80
<b>4</b>	<b>Bolivia</b>	<b>26,679,283</b>	<b>3.6</b>	<b>24.3</b>	<b>112</b>
5	Nicaragua	26,112,600	3.5	27.8	121
<b>6</b>	<b>Kenya</b>	<b>23,406,960</b>	<b>3.2</b>	<b>30.9</b>	<b>136</b>
7	Chile	18,724,558	2.5	33.5	34
8	Uganda	18,583,929	2.5	36.0	158
9	Ethiopia	18,483,522	2.5	38.5	172
10	Bangladesh	16,979,478	2.3	40.7	150
<b>16</b>	<b>Senegal</b>	<b>13,966,502</b>	<b>1.9</b>		<b>153</b>
<b>26</b>	<b>Cuba</b>	<b>9,166,969</b>	<b>1.2</b>		<b>58</b>

Source: Own calculations on the basis of EC data; UNDP Development Report 1999; the HDI ranking includes 174 countries in total.

(°) The countries printed in bold have been included in the field visits.

## **Annexe 5: THE MANAGEMENT OF THE BUDGETLINE <sup>62</sup>**

In this annexe we present our findings with regard to the management of the budgetline. We will discuss the management of the budgetline first at the level of the EC and then of the NGOs. Finally, brief details will be given of the EC-NGO dialogue with regard to the budgetline.

### **1. MANAGEMENT AT EC LEVEL**

Prior to the internal reorganisation (see below), the main responsibility for relations with ENGOs and, more specifically, for the management of the budgetline laid with Unit B2 of DG VIII, the Directorate General for Development Co-operation. From September 1998 onwards, the so-called Joint Common Service (SCR) became progressively operational, leading to a split of the former DG VIII/B2 unit into two new distinct bodies: DG DEV A/4 and SCR C/5.

Both units have a number of responsibilities that are much broader than the management of the budgetline. Unit DEV A/4 focuses on issues related to civil society, good governance, ENGOs and decentralised co-operation. As far as the budgetline is concerned, it deals with overall policy and the appraisal of projects. It has more than 20 staff members whose responsibilities are divided into geographical and specialist subject areas and are broader than the management of the budgetline only. Unit SCR C/5 has responsibilities related to ENGOs, food aid, demography and AIDS. Presently (September 2000), four of its staff members deal with ENGO co-operation. As far as budgetline B7-6000 is concerned, they are responsible for the management of the line from the moment of the approval of the proposals till the closing of projects.

In the following paragraphs, we will first take a closer look at the management of the budgetline, following the different phases of the project cycle. Secondly we describe the effects of the recent institutional changes. Then follows a summary of the changes that will be introduced in the new General Conditions. Finally we formulate some preliminary conclusions.

#### ***1. Management of the project cycle***

The description hereafter refers to “ordinary” development projects. Block grants will be discussed briefly at the end of this section.

In general terms, the internal organisation of the Unit can be described as follows. Staff handling projects were under the authority of a senior staff member, a co-ordinating official of long experience and the Head of Unit. The General

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<sup>62</sup> We refer here only to the period under study, unless stated otherwise.

Conditions were considered the main guideline throughout the entire project cycle. Important decisions related to the interpretation of the Conditions were not taken by the executing staff but by the Head of Unit on advice of the officers concerned.

### **Intake and preliminary appraisal.**

The process was as follows:

- On receipt of an ENGO co-financing proposal at the ENGO co-financing unit (then DG VIII/B2), the secretary registered the application and gave it a number, which the project kept throughout its lifetime.
- The ENGO was informed of the date of receipt of the proposal and project number. In case of a serious backlog in handling the proposals, patience was requested in the same letter.
- The proposal was then sent to the archivist who registered the data on the ENGO, Southern partner, title and number of the project on the database.
- The Deputy Head of Unit then made a first rapid screening on the basis of the summary and produced a first two-sentence appreciation.
- The proposal was then sent back to the secretariat for dispatching to the officer concerned. Each officer was responsible for proposals submitted by ENGOs from one or more *European* countries.
- On receiving a proposal, the officer carried out a first financial and administrative screening, using an internal administrative checklist drawn from the General Conditions. Both the two page summary (an obligatory document) and the full proposal submitted by the ENGO were used as the basis for this screening.
- If necessary, the ENGO was then contacted for additional information. It appears that at this stage the only common appraisal « guide » related to administrative and financial matters.

This initial screening took only a few hours to complete. In some cases, however, the backlog of applications, personal working methods<sup>63</sup> or the general shortage of resources could delay the process for a few months. At this stage (i. e. before proper appraisal), a project could already be rejected for reasons such as non-eligibility of the ENGO, excessive budget compared to the turnover of the ENGO and poor quality of the proposal.

### **Appraisal.**

When the file was considered complete and acceptable, the actual appraisal started. This was largely based on the General Conditions which provided quite detailed guidelines. Various checklists existed to assist staff in interpreting these Conditions. The NGO Unit staff were responsible for appraising the eligibility of the ENGO and the project, the quality of presentation of the proposal and the assessment of the budgetary aspects. Their appraisal was complemented by the appraisal by EC Delegations, desks and technical services who have the

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<sup>63</sup> For example, one officer would work in « phases » and devote three months to appraisal, then three months to payments, then three months to reading reports, etc

technical expertise and country knowledge and were requested to provide their comments within six weeks.

It appears that technical desks were often consulted on the basis of availability of experts in the Commission. In the fields of education and health, it seems that the quality of consultation and co-operation was high. The unit also benefited from temporary technical assistance in the fields of micro-finance and capacity building. The assistance in micro-finance is deemed to have been helpful. Assessment fiches were established for the use of the officers and the micro-finance expert provided advice on each proposal.

EC-delegations commented on the project proposal in most cases. The technical and geographic desks were less intensively involved. When an EC-Delegation or headquarters unit raised questions, these were transmitted to the ENGO. The ENGO's answer was then sent to the Delegation or Unit that could provide additional comments. In practice, comments of Delegations were taken seriously into account, as a negative assessment by them, possibly combined with a similar assessment from another party consulted, could lead to rejection of the proposal. Once a project was rejected, it could not be reintroduced, even with changes, in the same year.

Apart from criteria related to eligibility, the quality of the proposal was obviously the main criterion. Unexpected situations also played a role. For instance, when a crisis in Italy brought national co-financing to a standstill, the EC accepted more Italian projects than before.

As the appraisal process often stretches over more than one year, it is difficult to get precise figures on the number of applications finally accepted. According to estimates of EC officials, around 25-30 % of the applications are refused. This figure corresponds grossly with the opinion of the ENGOs: around 60 % claimed that more than 90 % of their proposals are accepted; for 28 % the acceptance rate varies between 66 and 90 % and for less than 10 % this figure is lower <sup>64</sup>.

### **Funding decision.**

When a proposal was positively appraised, it was sent with the complete file to the finance units, and, with their approval, to the Head of Unit, who signed it. In the new institutional set up, SCR must also approve, and sometimes refuses to do so. DG DEV then sends two original copies of the EC-signed contract to the ENGO. They send one of the signed copies back to SCR, along with their request for the payment of the first instalment. At the end of this phase, the file is sent to SCR C/5.

At this stage, the ENGO was also obliged to indicate the actual starting date of the project; it could name as early a starting date as reasonable (even before the submission date of the project). Retroactive funding was allowed, but at the ENGO's own risks; it was nevertheless practised quite frequently (see point 3.4.2. below).

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<sup>64</sup> For more details, see chapter 2 of annex 4 of the desk phase report.

### **Monitoring.**

From the EC point of view, the next stage consists of the transmission, by the ENGO, of the first interim report. This consists of a descriptive and a financial section, and the format is specified in the General Conditions. ENGOs are supposed to produce interim reports prior to the payment of the following instalment. The number of interim reports depends on the phases foreseen in the project. In principle, interim reports have to be presented in a period not exceeding twelve months; the Commission has to be notified as soon as possible of any delay or difficulty which might significantly affect the execution of the project. In practice, reporting requirements varied among the staff. Some desk officers used to request many details, others did not. EC officers would then check the narrative part of the report, but would above all pay particular attention to the proposed budget for the next phase.

On site monitoring or evaluation of the projects by EC officials has been quite rare. In around 28 % of the cases, ENGOs report that their projects have been verified at least once during the lifetime of the project. In practice this means that EC staff could not really monitor the implementation of projects. They were basically dependent on the information provided through the reports of the ENGO.

### **Closure of the project file.**

As soon as the project was completed, ENGOs were asked to submit a final report whose format was included in the general conditions. This report had to give a full account of all aspects of the project, both in content and financial terms. The report had to include a recapitulative table comparing expenses with the initial budget. At the time of the internal reform (see below), there was an enormous backlog of finished but not formally closed projects, which is now being handled by SCR. This increased the workload of the already highly overloaded staff of this unit.

### **Evaluation.**

Different evaluation modalities existed. The EC could decide to carry out an evaluation after consulting the ENGO and its partner. In that case, it funded the evaluation in full and selected the evaluators. The evaluation could also be planned in the project proposal; in that case, the ENGO drew up the terms of reference, and selected the evaluator. In general, it was left to the ENGO (and its partner) to decide on the inclusion of one or more evaluations in the project cycle. In the past, evaluations were carried out quite frequently, be it that the EC was usually not involved. Due to the increasing workload in recent years there has been a tendency to invest less in evaluations.

The overview presented above would not be complete without discussing in more detail **the backlog in appraisal of project proposals** that gradually built up. The document based assessments (annex 5 of the desk phase report) indicate that for the 80 projects studied, an average of 13.5 months elapsed between the submission of the proposal by the ENGO and the letter of acceptance and

contract by the EC. In 49.5 % of the cases more than one year elapsed <sup>65</sup>. These figures are confirmed by the EC's own statistical data, which indicate that the percentage of projects that took more than 9 months to be appraised increased from 58.4 % in 1994 to 68.3% in 1998 and 74.1% in 1999.

The major reason for this backlog is the increase in the size of the budgetline, which was not matched by a corresponding growth in human resources. It was further exacerbated by events such as the crisis in the Italian co-financing system, which provoked a dramatic increase of applications from Italian ENGOs. The internal reform and related logistical problems obviously led, at least temporarily, to an additional burden. To this should be added that the quality of proposals often did not meet standards. In many cases for instance, EC staff discovered errors in the budgets and were forced to spend their precious time on rather simple but necessary control activities. Finally, the 1999 backlog was further exacerbated by the announcement of a closure of the pipeline in view of the introduction of new General Conditions.

It is further clear that the length of the appraisal process is in itself contributing to the backlog: the longer the appraisal period, the higher the chance that local conditions will have changed and that personnel changes will have occurred at the level of EC, ENGO or SNGO. This caused a snowball effect, the more so because no effective measures were taken for a long time to address this problem <sup>66</sup>.

Meanwhile it should also be noted that up to 1998 and notwithstanding the problems created by the backlog, the Commission was always able to commit the full amount of funds available. In this regard, many staff from the units concerned stated that there was an enormous pressure each year to commit the budget that had been agreed by the Parliament. Coupled with the often apparent lack of key information, this might imply that many proposals were approved without proper assessment of their quality.

### **Management of block grants.**

The 1988 General Conditions define block grants as a "particularly flexible and rapid co-financing instrument" designed to allow ENGOs and their southern partners to carry out mini-projects with a limited lifetime (12 months maximum). On the whole and in line with the aims of the instrument, the management of block grants has been less complicated than that of grants for ordinary projects. Apparently, both the EC and the ENGOs have applied low standards in requesting and providing information on the implementation of block grants <sup>67</sup>.

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<sup>65</sup> As our sample contained an important number of projects being accepted in the period 1994-1996, the figure for the last three years – when the problem became even more preoccupying – will be probably much higher.

<sup>66</sup> The strategies devised by both units to tackle this problem will be discussed under point 2.

<sup>67</sup> This will be discussed more in detail in the next chapter.

This is quite understandable given the present focus, in the management of the budgetline, on ex-ante screening.

## **2. The internal reorganisation and its immediate effects**

The split of unit DG VIII/B/2 and the creation of SCR obviously constituted an additional challenge for the ENGO-unit in general and for the management of the budgetline in particular. It came at the time the B/2 unit was already facing a serious backlog. The reform included a division of the staff into two units, which were housed at different locations and were moved frequently. This led to an additional logistical burden and the temporary loss of files. The split also caused a dispersion of valuable expertise accumulated over many years. This was an additional handicap for both units even though the rationale for the creation of SCR can be understood (improving implementation, monitoring and evaluation by creating a common service for all development co-operation activities). The serious understaffing of the new SCR-unit causes another serious bottleneck: at the time of this evaluation, three to four staff members were supposed to follow up more than 4,000 projects. In such a situation, it is understandable that staff members cannot do more than try to keep their heads above water.

Initial co-operation between the two units was further complicated by the lack of a clear division of responsibilities, leading to uncertainties and sometimes tensions. Moreover, by the end of 1998 DG DEV A/4 altered its internal task division by shifting from geographical repartition based on the nationality of the contractor to a repartition based on the beneficiary countries. This move might be defensible on the ground of increased coherence of EC aid at beneficiary country level and the avoidance of inappropriately close links between EC officers and some ENGOs<sup>68</sup>. However, it caused additional problems as the existing knowledge on ENGOs was now much more difficult to tap. Furthermore, officers had to deal with ENGOs from 15 member states and in various languages which they obviously do not all master<sup>69</sup>. Finally, over the period under study, the DG DEV A4 unit had three different Heads of Unit using different working methodologies, which obviously added to the problems of the already overloaded staff.

On January 1<sup>st</sup>, 1999, a standard grant contract entered into force, which concerned all grants awarded by the Commission. This move is within the framework of the Commission's efforts, under the recently established SCR, to harmonise procedures and rules with regard to all aspects of the Community's aid to non-member countries. This contract changed the way that the Commission and the ENGOs relate to each other and introduced new rules such as the requirement to provide a financial guarantee for grants above a certain

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<sup>68</sup> Another reason for this move was that the old system isolated the NGO unit from the rest of the DG DEV and Relex services, which were organised on a geographical division of beneficiary countries

<sup>69</sup> ENGOs are allowed to introduce proposals in each of the official EC languages.

amount. Some of these changes were strongly opposed by the ENGOs and caused a deterioration in relations, despite the Unit's efforts to find a solution to the problem <sup>70</sup>.

All the difficulties mentioned above affected the staff of both units. DG DEV A/4, disposing of a relatively big team <sup>71</sup>, was able to cope and to implement measures to tackle the significant backlog, considered as the biggest problem. Furthermore, it invested heavily in the development of appropriate mechanisms and instruments such as an operational guide for handling projects. The situation of SCR C/5 was worse, given its work overload and understaffing. This unit of too few people, albeit highly committed and hard working, could hardly do anything more than expediting payments. One of the very objectives of its creation - improving the quality of project implementation via the setting up of proper monitoring and evaluation mechanisms – could obviously not be reached in such conditions.

At present (September 2000) another management reform of EC aid is being finalised. It is understood that the present SCR unit will be responsible for the management of the entire project cycle. Policy making and the definition of the annual guidelines would remain under the authority of the DEV A/4 unit. Both units would jointly define the guidelines.

### **3. Management under the New General Conditions**

As a result of the backlog, a lot of proposals still have to be appraised on the basis of the "old" General Conditions. On 1<sup>st</sup> January 2000, about 980 proposals still had to be assessed for a total sum of 350 million €. It has been a major preoccupation of the DEV A/4 Unit to handle this backlog. Specific strategies have been designed for this purpose. DEV A/4 had hoped to conclude the appraisal process for all "old" projects by July 2000, but was unable to do so. At the same time the unit tried to upgrade and streamline the management of the budgetline. This will certainly be beneficial to the appraisal of projects and programmes under the New General Conditions. A Call for Proposals under the New General Conditions has been launched. A budget of 60 million € has been allocated for funding in 2000 of operations under the new General Conditions. Notwithstanding all the efforts undertaken, by mid September 2000 no contract had yet been signed under the 2000 budget.

### **4. Some preliminary conclusions**

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<sup>70</sup> A new standard contract entered in force on January 1, 2000. At the moment of the evaluation, it was not yet entirely clear how it would apply on B7-6000 contracts.

<sup>71</sup> Eleven of its staff currently work on projects, of which seven are full time EC officials, on is a national expert and three are auxiliary staff. Additional staff is expected to join the Unit.

Well detailed General Conditions have set a clear framework for the staff to manage the budgetline. They were supplemented by checklists and some co-ordination, direction and control exercised by supervisory staff. These nevertheless left a considerable margin for manoeuvre for EC officers. They all seem to have developed their own methods to a certain extent. No common overall « system » existed and officers sometimes did not know what their colleagues were doing and how. As a result the same kind of project could be accepted by one project officer and refused by another. Similarly, when an officer was replaced, his (or her) successor could change the criteria. This has certainly contributed to the creation of uncertainties and inequalities in handling requests. But some ENGOs have also learned to take advantage of this situation, for instance by entering into a very intense and personal relationship with their EC counterparts. This way of working could not be sustained, especially when the backlog was increasing.

Institutional changes came at a moment when the unit was already facing serious constraints. These changes also resulted in a temporary but considerable increase of work. By the end of 1999, both units were trying to cope with the difficulties as well as possible. The relatively better staffed DEV A/4 unit undertook consistent efforts to redress the situation and to organize its work under the new General Conditions. The heavily understaffed part of the SCR C/5 unit responsible for the B7-6000 budgetline did everything possible to ensure the minimum level of service necessary to keep the budgetline functioning.

## **2. MANAGEMENT BY EUROPEAN NGOs AND THEIR SOUTHERN PARTNERS**

As the focus of the evaluation is on mechanisms, practices and procedures of Commission-NGO co-financing, it has not been possible to make an in depth assessment of the management practices applied by ENGOs and their partners, whose projects have been financed via the budgetline. It is important however to get an overview of their ways of managing the projects though there may exist considerable differences among them.

The findings relate to information provided by ENGOs, other northern representatives and the partner organisations in the South. Many of them result from a survey conducted among ENGOs. The first part of this chapter deals with the management of individual projects and follows the different phases of the project cycle; the second part focuses on a few selected issues of a broader nature.

### **1. Management of the project cycle <sup>72</sup>**

#### **Project identification and formulation.**

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<sup>72</sup> The figures presented in this part are derived from the results of the survey among ENGOs (see annex 4, chapter 5), except when indicated otherwise.

In most cases the project identification and formulation process involves an interplay between three major players: the local partner, personnel of the ENGO (based in Europe and/or in the South) and the project beneficiaries. As could be expected, the local partner is the most important participant in the project planning stages. Its involvement is rated as high or very high in 87 % of cases. The figures for a similar level of involvement for Europe based staff of the ENGO are 67 %, and for the project's beneficiaries 51 %. The similar figure for locally based personnel of the ENGO (46 %) is significant, knowing that many ENGOs do not have local representatives. The role of related government structures and others is much less important. The importance of the CSP programme was assessed; globally speaking, it intervened in around 30 % of cases, but its involvement was rarely (4 %) considered as high or very high, which is understandable bearing in mind that the CSP tasks have been clearly delineated. As mentioned earlier, most proposals are accepted by the EC, even though in most cases additional information has been requested (once in 48 % and more than once in 30 % of the cases).

It is important to mention that in 79 % of cases there has been previous co-operation between the ENGO and its Southern partner; this may partially explain why in so many cases (71 %) the project is part of a broader programme <sup>73</sup> (projects in Cuba are an exception in this regard). These data are also compatible with the finding of the field phase that many ENGOs tend to introduce projects with a low degree of risk, and that they apply to the EC for relatively big undertakings which cannot be funded by a single donor agency.

The fact that EC funded projects are often part of a broader and pre-existing programme also implies that both SNGOs and ENGOs are very well able to formulate their projects properly. Indeed, they can rely on a considerable body of experience obtained through their previous interaction with target groups.

Considering the findings described above, it is very significant that SNGOs are only exceptionally involved in the "formatting" of the EC proposal. They know that their project has been submitted for funding to the EC, but most of the time their knowledge stops there. They do not usually even have a copy of the proposal. Only a minority of ENGOs discuss the potential implications of EC funding (relatively high requirements in terms of reporting, possibility of external evaluation) with their partners. SNGOs' knowledge of the major aims and characteristics of the budgetline is extremely limited; they consider it merely (as their European partners do) as an additional source of funds.

The type of working relationship (partnership) is obviously a major explanation for this finding. However, generalised conclusions cannot be drawn in this regard. As may be expected, it is indeed true that the best informed SNGOs are found among those having a long standing working relationship with their ENGO partner. However, it appears that many ENGOs want to "protect" their southern partner from an additional administrative burden and therefore prefer not to

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<sup>73</sup> See Desk Phase Report, annex 5, tables 5 and 12 respectively.

involve their partner in EC matters. The fact that activities have never been undertaken (at least not in the six countries visited) to bring the beneficiary SNGOs together and promote exchange on the budgetline further explains this lack of knowledge. SNGOs react differently to this situation: some are basically satisfied while others clearly want to get more insight into the characteristics of the budgetline and the way it is functioning.

### **Implementation, monitoring and evaluation.**

Many SNGOs have referred to the considerable delay in the project approval process as a major impediment for project implementation. But, again, the situation differs considerably from project to project. Where the EC project is part of a broader co-operation and partnership, the ENGO is usually in a position to pre-finance the project. In other cases - mostly co-operation between smaller ENGOs and smaller SNGOs - the project only starts when the EC has accepted the proposal and paid the first installment.

Implementation is in most cases entirely ensured by the SNGO. European expatriates are rarely involved. Only a minority of the ENGOs have in country representatives allowing them to be associated more closely with project implementation. In 44 % of cases, ENGO personnel (based either in Europe or in the South) conduct on site verification more frequently than yearly; in 39 % of the cases this is done yearly. In addition, many ENGOs or their local partners use the services of external consultants, albeit on a less regular basis: in only 19 % of cases is this type of service used more frequently than once a year. Visits from the European partner aim to ensure proper reporting to the EC. In the case of long standing relationships, they might have a dimension that goes beyond this aim and focuses on institution building.

The quality of project monitoring varies considerably. Some SNGOs (in India for instance) have made remarkable efforts during recent years and are now able to monitor project developments effectively, whereas many other SNGOs are still very weak in monitoring. In nearly every case however, monitoring efforts are exclusively focused on the project outputs and objectives; monitoring more global change is hardly ever done. As such, monitoring seems to a major extent to be geared to the SNGOs' and donor's needs and requirements.

ENGOs further claim that their projects are regularly internally evaluated: yearly or even more frequently in 68 % of cases. Many of these internal evaluations are however of poor quality. External evaluations are less frequently conducted, but nevertheless at least once in the project's lifetime in 48 % of cases. These good scores are only partially confirmed by our document based assessment where interim evaluation reports were encountered in only 35 % of cases <sup>74</sup>. But of the 22 end-of-project reports, 18 contain (parts of) an end-of-project evaluation <sup>75</sup>.

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<sup>74</sup> This does however not imply that no evaluation has been conducted. ENGOs might very well decide not to send the reports of these evaluations to the EC as the latter does not insist on it.

<sup>75</sup> The explanation for this high figure might very well lay in the fact that end-of-project evaluations often aim (at least partially) to pave the way for a new project proposal.

### **Narrative and financial reporting.**

As might be expected, staff from the partner organisation and from the ENGO play an important role in reporting, which they conduct on the basis of information sent by their partner. As they have formulated the proposal and introduced it for funding, it is logical that they also take responsibility for the reports. ENGOs play an equally key role in the financial reporting. This in its turn can be explained by the fact that the financial aspects of the reports are more closely analysed by the Commission and require a high degree of acquaintance with the Commission's rules and interpretations. As is the case with the proposals submitted to the EC, most SNGOs are not involved in the reporting to the EC and do not have a copy of these reports.

## **2. A few selected issues**

### **The ENGOs' global funding strategies.**

The issue of the ENGOs' perception of the specificity of the budgetline, its particular relevance for the ENGO-sector and the related ENGOs' strategies will be dealt with in detail in the next chapter. One general and striking finding can be summarised as follows: ENGOs see very few differences between the co-financing system in their country and budgetline B7-6000. The ENGO community as a whole is aware of differences between the two systems but does not consider these as important enough to warrant applying a different submission strategy <sup>76</sup>. Some *individual* (mostly bigger) ENGOs however do apply different strategies, such as:

- introducing projects to the budgetline where the national system has lower financial ceilings;
- introducing projects in particular sectors to the national system where these sectors are not supported by the EC (curative health care, formal education, research);
- applying to the EC only for projects with well known partner organisations which are able to guarantee quality and meet EC standards;
- introducing to the budgetline projects in countries that are not eligible under the national system;
- applying to the national system, which usually handles requests more quickly, in cases where urgent funding is needed.

### **Block grants.**

ENGOs claim to have been able to use block grants in line with the aims of the instrument. They greatly appreciate their flexibility, the possibility of responding quickly to demands from the South, the simple procedure and straightforward management and administration, even though they are usually limited to a short time frame (short project execution and reporting period). Despite this positive

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<sup>76</sup> See Desk Phase Report, annex 4, table 6.2. for more details.

assessment many ENGOs face difficulties with the management of the block grants.

The field missions have indicated that block grants are used for various reasons and in various settings. At one end of the spectrum one finds a big SNGO that unexpectedly gets some funds from a European partner with a surplus from its block grant allocation. At the other, one finds examples of block grants being used to fund a temporary increase in the programme costs of a small SNGO, which has already co-operated with its European partner for many years. These examples indicate that the high level of flexibility of the instrument most probably leads to its use for the worst and the best.

### **Consortia.**

Consortia composed of ENGOs from different Member States can submit project applications: this constitutes one of the major particularities of the budgetline compared to national co-financing schemes. As mentioned earlier, the relative importance of consortia has increased considerably over recent years. The Commission clearly wants to further promote this type of co-operation as it gets particular attention in the new General Conditions; moreover, networks are presented as a new type of ENGO-co-operation that is eligible for project or programme funding.

The scope of this study did not allow us to conduct an in-depth-study of consortia, nor to compare them with projects introduced by a single ENGO. The ENGOs concerned however indicate important advantages besides the more obvious reasons for engaging in a consortium. In other words, for ENGOs the access to larger funds does play an important role, but there are also a series of other considerations. These include: the complementarity of expertise, the possibility of allocating tasks to the best placed ENGOs, the opportunity to develop new skills and increase the degree of co-operation among European organisations. ENGOs also mention important advantages in the South: the local partner gets access to bigger funds, whereas its administrative burden decreases in relation to the size of the funds, and a co-ordinated approach among various local players can be promoted. The major disadvantages relate to the additional administrative and co-ordinating work in Europe (without adequate compensation<sup>77</sup>), the potential for conflict among the partners and the fact that some consortia are established with the sole aim of obtaining more funding, which often leads to problems later on in the process.

The information the field missions provided on consortia was too fragmented to allow general conclusions to be drawn. It seems that the overall picture is confirmed in the sense that varied types of consortia exist. An example was found of a well functioning consortium with a clear task division and exchange among the northern partners, a co-ordinated approach towards the SNGO and opportunities for joint reflection (annual partnership meetings); in this case the

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<sup>77</sup> In the new General Conditions, consortia will get a higher compensation for administrative costs.<sup>78</sup> It was the European consultants who took on the responsibility to fill in the evaluation forms. Only in the case of India did the local consultant fill in separate copies of the evaluation sheet. As his assessment did not differ much from that of the European consultant, we decided for consistency reasons to use only the latter.

consortium set up was clearly appreciated by the SNGO. In another case, the consortium was mainly set up to get access to higher funds, one ENGO taking care of the entire management.

### **The Co-financing Support Programme (CSP/PACO).**

The CSP was designed as a result of a joint initiative of the EC and the CLONG with the aim of improving the quality of the applications and reports of the ENGOs. As such, it was supposed to reduce the workload of both EC officials and ENGO staff. To achieve this aim, specialist advisers were recruited to assist ENGOs in screening their applications and reports in line with the formal requirements stated in the General Conditions. The programme was funded by the EC; its expenditure for the first 1.5 years was 1,265,480 €. It ran from July 1997 till June 1999 when its funding was terminated by the EC because it found that the Commission should have followed a tender procedure for contracting out this type of service.

The tasks and duties of the CSP staff were defined in such a way as not to interfere with the responsibilities of the ENGOs and the EC staff. The CSP was also considered as a temporary structure set up to enable the ENGOs to cope more effectively with the requirements of the EC. The CSP operated in a decentralised way - their staff were based in more than 10 locations - to ensure a higher degree of proximity to the ENGOs scattered across Europe. An evaluation of the programme conducted at the end of 1999 stated, among other things, that in its two years of existence the CSP had processed 1121 applications and 1313 reports. In practice, most of the advisory work concentrated on the financial aspects of both the applications and the reports. In addition to screening applications and reports, the CSP provided training to 2320 ENGO staff. The training was in general highly appreciated. The evaluation concluded that the programme had been clearly successful in improving the quality of the documentation, its major objective. Many ENGOs contacted were however less enthusiastic about the programme and not so positive about its results.

It is further interesting to note that, after the termination of the CSP, two national platforms (Germany and Italy) decided to continue it without EC support. This is a clear indication of the relevance of its service, at least in these two countries, where these services were already well organised under the CSP regime. In Italy ENGOs pay for the services, whereas in Germany this is done by the national co-operation agency. The Italian experience in particular is interesting in the sense that the CSP programme led, unintentionally, to the creation of a decentralised, self-supporting and flexible structure that provides highly valued services to its clients who at the same time are the owners of the structure.

Last but not least is it important to mention that a new programme called TAN/RECIF is now being implemented by the CLONG. It is an EC co-financed programme whose major aim is to provide information on the new General Conditions and to train ENGO staff in the application of these conditions.

### 3. EC-ENGO DIALOGUE ON THE BUDGETLINE

The dialogue between the EC and the ENGO community is as old as the budgetline itself. From its very start, an interface was set up to facilitate co-operation among ENGOs and between the ENGO community and the EC. Indeed, the latter clearly wanted to involve the ENGOs, not only in the launching and development of the co-financing programme, but in the process of improving the overall quality of the European development policy and programmes.

The CLONG started on an informal basis but rapidly evolved into a representative body with a clear institutional framework, a strong secretariat and an increasing budget that was funded predominantly by the Commission. Its mandate became gradually broader and included, among other things, lobbying activities representing the interests of the South in Europe. Over its more than 20 years of existence, the CLONG has made regular efforts to re-think its role and mandate in view of changing circumstances, within Europe and the ENGO community. An evaluation, conducted in 1996, stated that the CLONG had difficulties adapting itself to these new challenges and many observers found that it had lost part of its dynamism and relevance. The evaluation suggested a renewed strategy and mode of functioning that was later translated into a strategic plan.

Notwithstanding the steady expansion of its mandate, the CLONG has continued to assume the role of major interface between ENGOs and the EC with regard to financial matters. Over the years, it has built up a reputation as a solid and effective defender of the ENGOs interests, even though there were often different expectations among them. During recent years, the role of the CLONG and one of its working groups, the Development Finance Group, has mainly focused on operational matters (such as the increasing backlog) and on discussions related to the new General Conditions. Generally speaking, the focus of the CLONG has been more on urgent practical issues, than on a broader reflection on how to improve the quality of the programme and safeguard its specificity.

Last but not least it is important to mention that at the time of the drafting of this report (September 2000), the CLONG is facing difficulties with the financial Units of the EC, who are questioning the acceptability of an important part of its budget. The allocation to the national platforms is the major item under discussion. The EC was only ready to sign a partial contract with the CLONG, implying a 20 % reduction of its budget. It is still not clear if and when this dispute will be settled.

## **Annexe 6 : COMPARISON OF THE DESK AND FIELD STUDIES OF 30 PROJECTS**

During the desk phase study, a sample of 100 projects funded by the budget-line B7-6000 was studied at the EC in Brussels. This allowed commenting both on the quantity and quality of the project documents submitted by the ENGOs throughout the project cycle and on the selection and monitoring procedures of the EC. From this sample, 40 projects were selected for the field study. These 40 projects were the subject of an additional assessment during the desk phase. For a detailed analysis of what came out of this part of the desk study, see: Phase I, Output C, *Document Based Assessment of Projects of the Budget Line*, Part IV. The field studies of the same 40 projects are presented in the Phase II report.

The overlap between the desk and field studies was intentional. We wanted to assess the insights into projects that desk studies in Brussels can provide, using the field studies as a control. We requested both the desk evaluator and the field evaluators to fill in an identical short questionnaire for every project reviewed. They did so independently of each other<sup>78</sup>. In what follows we report on what came out of this comparison. In general, disagreements among evaluators may stem from three sources: (1) asymmetric information, (2) conflicting factual interpretations, and (3) different value judgements. It is the first we were interested in, and our methodology was designed to capture it. There is however no way to rule out the last two sources of disagreement, especially with relatively brief field visits and no attempt at impact measurement. Nevertheless the following analysis assumes that observed differences are in the first place the result of asymmetric information between the two moments of study. We in other words suppose that the experts would, under identical circumstances and equipped with the same information, assign the same scores.

The reason why we set up this comparison as part of the study is that we wanted to assess the reliability and completeness of the information available in Brussels (ex ante file plus any reports on implementation and evaluations sent to the EC). This information is a major input in the management of the budget-line by the EC. How close can one understand a project and assess its success on the basis of such information in Brussels? More in particular: how close will a desk study in Brussels come to the more complete and thus presumably better assessment made after a field visit?

Use was made of a simple list of questions, which were first answered during the desk study and subsequently also by the field evaluators at the end of their visit to the project. The questions cover some of the most important elements that are necessary to assess projects. The set of 40 projects to which they were applied was composed of 30 ordinary projects plus 10 so-called block grants. In the end it did not prove possible to make any serious field study of the very

heterogeneous block grants. Only for the 30 ordinary projects did the field evaluators return the questionnaires. In what follows the differences between the two are presented and commented on.

The field evaluators had more and better information than the expert who performed the desk study. They went through the same files in Brussels as the expert of the desk study<sup>79</sup>. They obtained additional material from ENGOs and from the field offices of the projects. Most importantly, they visited the projects and spoke at length to staff and interacted with participants. As explained above, our hypothesis is that it is this asymmetric information which mainly explains the differences in scores.

The questionnaire contained 19 questions (see table 2 at the end of this document). The two first are treated separately because the format of the answers was different from the others. In both there is a large degree of consensus between desk and field studies. To the first question, "who took the initiative for the project", the desk evaluator and the field evaluators gave the same answer for 23 out of 30 projects. For 4 out of the 7 remaining projects, the desk evaluator was of the opinion that the initiative had been taken by the local beneficiaries, whereas the field experts felt that the SNGO had done so. In one other project it was the opposite: the desk evaluator thought the SNGO had taken the initiative, whereas the field evaluator thought it were the local beneficiaries. In only 2 projects was there a more serious disagreement, the desk evaluator estimating in each case that the SNGO had taken the initiative, the field evaluator estimating that the ENGO had done so. The picture that emerges is that of ENGOs slightly exaggerating in their written submissions to the EC the degree of local participation.

Regarding the second question, "do the intended beneficiaries belong to deprived groups within society", desk evaluator and field evaluators gave the same answer in 22 cases out of 30. For 2 projects only did they disagree, the field evaluators being more convinced that the intended beneficiaries belonged to deprived groups within society than the desk evaluator. For the remaining 6 projects one of the experts (in all but one case the desk evaluator) but not the other felt that it was impossible to give an answer ("impossible to determine"). All in all, the answers to these two first questions suggest a close fit between the two assessments, suggesting that desk screening, monitoring and evaluation of projects can be performed with a reasonable degree of accuracy.

However, the answers to the remaining 17 questions show a much wider divergence between the two assessments, which leads to quite different conclusions. Table 1 contains the basic information for the 17 questions and 30 projects, or  $17 \times 30 = 510$  observations. For every question, the evaluators could choose between four categories or indicate that no answer could be given. The

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<sup>79</sup> They were however not shown the scores of the desk evaluation before going in the field, so as not to influence their judgement.

difference in score between the desk evaluator and the field evaluator is given in the table. Numbers indicate rank differences. The answers to the questionnaire were first translated into numerical values as follows: weak=1, satisfactory=2, good=3, excellent=4. The numbers in the table are obtained by subtracting the numerical score by the desk evaluator from the numerical score by the field evaluator. A positive value thus indicates that the field evaluator gave a higher score than the desk evaluator, a zero that they gave the same score, and a negative value that the field evaluator gave a lower score than the desk evaluator. The possible range of the score differences is -3 to +3. When one evaluator marked the "impossible to determine" or the "not relevant" boxes, whereas the other assigned a score, this is marked with "ID" in the table<sup>80</sup>. An "ID" cell in table 1 which is shaded grey signals that the field evaluator did not give a score. The non-shaded "ID" cells, 95% of the cases, signify that it was the desk evaluator who felt unable to provide a clear answer. When both ticked "impossible to determine" or "not relevant", we inserted a zero in the table, indicating the agreement among them.

Desk and field studies produced identical answers, indicated by a zero in table 1, in 118 cases, or 23% of the observations. This number includes the cases where both considered that it was impossible to give a score. In 133 cases, or 26% of the observations, scores differ, indicated by nonzero numbers in table 1. In the other 259 cases, or 51% of the cases, one - but not the other - evaluator ticked the "impossible to determine" or "not relevant" box, indicated by "ID" in table 1.

When evaluators disagreed, the field evaluators tended to give lower scores than the desk evaluator. The sum of positive rank differences, over all the cases where the field evaluator gave a better score than the desk evaluator, is 55. The sum of negative rank differences is likewise -114, almost twice as high in absolute value. This again suggests that the documents available in Brussels paint a picture of the projects that is too rosy, a result that does not come as a surprise<sup>81</sup>.

Some of the more detailed information contained in table 1 is brought out in the following graphs. Figure 1 plots the number of 'complete evaluation outcomes', out of a total of 30 per question. A complete evaluation outcome occurs when both evaluators assign a score from weak =1 to excellent=4, or when both indicate that no answer is possible or relevant. Huge differences are observed. The low scores are mainly due to the desk evaluator not feeling able to assign a score on the basis of the information available to her, whereas the field evaluator felt confident enough to provide such a score.

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<sup>80</sup> For simplicity we lumped the few cases where the answer was "not relevant" together with the "impossible to determine" category.

<sup>81</sup> The alternative explanation is that the desk evaluator was more lenient in her judgements than the field evaluators. We do not believe this was the case.

Figure 2 focuses exclusively on the complete evaluation outcomes. The percentage of non-identical outcomes ranges from 0% to 71%, with an average of 54%. Note in particular the hefty 67% disagreement regarding the summary assessment in question 27 (“how do you rate the project’s overall success”). The absence of disagreement on question 5 (“did beneficiaries participate in project evaluation”) and question 22 (“how do you assess project impact”) is mainly due to the fact that both desk and field evaluators found it impossible to answer the question, or judged the question not relevant, rather than that they agreed on a score<sup>82</sup>.

Figure 3 sets out for every question the positive and negative rank differences. Whereas the negative gap is more than twice as large in absolute size as the positive gap for the summary assessment in question 27 (“how do you rate the project’s overall success”), as it is for all questions combined, there are some exceptions where the field evaluators attributed higher scores than the desk evaluator had done. This is the case for question 6 (“how do you rate the criteria used for selecting project participants among potential beneficiaries”) and question 24 (“how do you assess the effect of the project on gender equity”)<sup>83</sup>. Figure 4 sets out the absolute gap between the scores of desk and field evaluators, without distinguishing between the negative and positive score differences. This basically gives an alternative presentation of the information already contained in figure 3.

Figure 5 provides information on the average difference in score between desk and field evaluator, irrespective of who gave the higher score. The differences range from 0 to 0.9. The units are (absolute) rank differences between scores. For all the questions combined, the difference is two-thirds of one point. Figure 5 may be contrasted with figure 2. Whereas figure 2 measures the **frequency** of disagreements, figure 5 indicates their **intensity**. The two figures differ especially for questions 3 (“did beneficiaries participate in project identification”) and 23 (“how do you assess project sustainability”). In both cases figure 2 reveals that there were not so many instances of disagreement compared to other questions. Figure 5 indicates however that where evaluators disagreed, they did so more strongly than on other questions.

Our overall conclusion is that in the case of budget-line B-76000, a Brussels-based assessment of projects is hazardous, whether before, during, or after implementation. If we abstract from subjective differences in the assessment by evaluators, the data in table 1, derived from a sample of 30 projects, can be summarised in three points. First, a large number (246 out of 510, or 48%) of important questions relating to on-going and completed projects funded by the budget-line B 7-6000 could not be answered on the basis of the information

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<sup>82</sup> For question 5 desk and field evaluators only twice picked the same score - weak, satisfactory, good or excellent - for question 22 they never did.

<sup>83</sup> In this last case individual preferences may well provide the explanation. The desk evaluator happened to be a woman, whereas all the field evaluators were men!

available in Brussels (“impossible to determine”) whereas a field visit enabled the evaluator to make a judgement in all these cases. Secondly, when the desk study did pick one of the four categories - weak, satisfactory, good or excellent - this judgement is confirmed in less than half of the cases by the field visit (86 out of 216, or 40%). Thirdly, documents in Brussels overstate more than they understate the quality and achievements of projects by a factor of two to one (score-difference ratio of 114:55). These discrepancies between the desk and field studies are striking, and testify to the limited reliability of the former.

This may be partly due to the fact that the reporting requirements imposed on the ENGOs were not adequate, or that ENGOs were allowed to comply very incompletely with these requirements in the period under study. We came across examples of both in the desk study, and there is no doubt that the system can be improved in this regard. In our judgement, this is however not the major problem. It will always be extremely difficult, even under ideal reporting procedures, to keep track of what is going on in so many different countries, sectors, and local settings, without direct observation of the situation in the field, and with written information coming almost exclusively from an involved party.

The suggestion is however not necessarily that the present project cycle management should be reinforced by frequent field visits. If applied consistently to the huge number of projects funded under the B-76000 budget-line, this would be extremely costly, and further slow down the system. An alternative interpretation, favoured in this study, is that a project-based budget-line, operated from Brussels, with unrestricted access by hundreds of ENGOs, a large budget and small projects, can just not be managed in a satisfactory way.

**Table 1: Comparison of desk and field studies of 30 projects** (see text for technical details)

Question n°	3	4	5	6	7	8	9	10	11	20	21	22	23	24	25	26	27
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CODE

1	pvd/1999/52	Senega
2	pvd/1997/73	Senega
3	pvd/1997/389	Senega
4	pvd/1996/535	Senega
5	PVD/1996/317	Senega
6	pvd/1994/9	Senega
7	pvd/1998/912	Kenya
8	pvd/1997/710	Kenya
9	pvd/1996/99	Kenya
10	pvd/1996/97	Kenya
11	pvd/1995/134	Kenya
12	pvd/1999/377	India
13	pvd/1999/1103	India
14	pvd/1997/364	India
15	pvd/1997/131	India
16	pvd/1995/646	India
17	pvd/1994/232	India
18	pvd/1998/949	Cuba
19	pvd/1998/618	Cuba
20	pvd/1998/37	Cuba
21	pvd/1995/766	Cuba
22	pvd/1995/1008	Cuba
23	pvd/1999/147	Brazil
24	pvd/1998/111	Brazil
25	pvd/1997/345	Brazil
26	pvd/1995/34	Brazil
27	pvd/1994/110	Brazil
28	pvd/1997/761	Bolivia
29	pvd/1996/693	Bolivia

ID	ID	ID	1	0	-1	1	0	-1	ID	ID	ID	ID	ID	ID	-1	0
ID	ID	ID	0	-1	-1	-2	ID	1	-1	ID	ID	ID	ID	0	0	0
1	-1	ID	ID	0	0	0	ID	-1	-1	ID	ID	ID	0	-1	-1	ID
0	0	0	2	2	-1	0	0	0	0	ID	ID	ID	2	1	1	1
ID	1	ID	1	2												
0	ID	ID	0	0	0	0	ID	ID	-1	0	ID	-2	0	ID	-3	-2
0	ID	ID	ID	-1	0	0	0	-2	-1	ID	ID	ID	ID	ID	ID	-1
-2	-1	0	0	ID	-1	0	1	-1	-2	ID	0	0	ID	0	ID	-1
ID	ID	ID	ID	-1	0	0	0	-1	0	ID	ID	ID	0	ID	ID	-1
ID	2	ID														
ID	ID	ID	ID	1	-1	-1	0	-1	0	ID	ID	ID	1	ID	ID	-3
ID	0	ID	1	-1	-2	-1	-1	ID	ID	ID	ID	ID	0	ID	-2	-2
ID	ID	ID	1	0	0	-1	1	1	ID	1						
ID	ID	ID	0	0	2	2	2	2	ID	ID	ID	0	1	ID	2	2
-2	-1	ID	ID	0	ID	1	0	-1	0	ID	ID	ID	-1	ID	0	0
ID	ID	ID	ID	1	0	-1	-2	0	0	ID	ID	ID	1	ID	0	-1
0	ID	ID	1	ID	ID	2	ID	1								
ID	ID	ID	ID	-1	-1	-1	-2	0	ID	ID	0	ID	ID	-2	0	-1
ID	ID	0	0	ID	-1	-1	ID	0	ID	ID	ID	ID	0	ID	ID	-1
ID	ID	0	0	ID	-1	-2	ID	-1	0	ID	0	0	ID	ID	0	-1
ID	0	0	ID	0	ID	ID	ID	-1	0	ID	ID	-1	ID	ID	ID	0
ID	ID	0	0	ID	-2	ID	ID	-2	0	ID	ID	0	ID	0	0	-1
0	ID	ID	ID	0	0	1	ID	0	ID	ID	ID	ID	ID	ID	0	0
ID	ID	ID	1	2	-1	-1	ID	0	ID	ID	ID	ID	ID	0	ID	-1
0	-1	0	1	-1	0	-1	ID	-1	ID	ID	ID	ID	ID	ID	1	0
ID	ID	ID	ID	ID	0	-1	ID	-1	1	ID	ID	-3	ID	-1	0	0
ID	ID	ID	ID	ID	0	-1	ID	0	-1	-1	ID	0	0	ID	ID	-1
ID	ID	ID	ID	ID	0	0	-1	ID	1	ID	0	ID	0	0	ID	0
ID	ID	ID	ID	ID	0	-1	0	-1	-1	ID	0	0	ID	0	-1	ID

T	Identical scores	Sum positive scores	Sum negative	Total gap
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8	3	2	-3	5
9	4	1	-5	6
10	4	1	-5	6
14	7	9	-1	10
3	0	4	0	4
11	7	0	-8	8
8	4	0	-5	5
13	6	1	-8	9
8	5	0	-3	3
1	0	2	0	2
8	2	2	-6	8
9	2	1	-9	10
7	2	4	-1	5
10	3	13	0	13
10	5	1	-5	6
9	4	2	-4	6
4	1	4	0	4
9	3	0	-8	8
7	4	0	-3	3
10	6	0	-5	5
7	5	0	-2	2
9	6	0	-5	5
7	6	1	0	1
7	2	3	-3	6
10	4	2	-4	6
8	3	1	-6	7
8	4	0	-4	4
8	6	1	-1	2
9	5	0	-4	4

30	pvd/1994/697	Bolivia
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-2	ID	ID	-1	ID	0	0	0	-1	-1	ID	ID	-1	ID	0	ID	0
----	----	----	----	----	---	---	---	----	----	----	----	----	----	---	----	---

10	5	0	-6	6
----	---	---	----	---

Complete scores
Identical scores
Sum positive scores
Sum negative scores
Total gap

10	7	7	15	18	25	26	15	24	19	2	5	10	13	11	17	27
6	3	7	7	8	13	8	8	7	8	1	5	6	7	7	8	9
1	0	0	8	6	2	7	4	4	4	0	0	0	6	1	5	7
-6	-4	0	-1	-6	-13	-15	-6	-16	-9	-1	0	-7	-1	-4	-8	-17
7	4	0	9	12	15	22	10	20	13	1	0	7	7	5	13	24

251	118	55	-114	169
118	total	total	total	total
55	total			
-	total			
114				
169	total			

Table 2: Questions asked in the questionnaire

1. who took the initiative for the project
2. do the intended beneficiaries belong to deprived groups within society
3. did beneficiaries participate in project identification
4. did beneficiaries participate in project monitoring
5. did beneficiaries participate in project evaluation
6. how do you rate the criteria used for selecting project participants among potential beneficiaries
7. were gender issues adequately addressed during project formulation and implementation
8. is the intervention strategy relevant (e.g. set against the major constraints facing the region)
9. are the activities chosen to attain the objectives relevant
10. does the action fit in well with those undertaken by other development actors
11. how do you rate the measures taken to ensure overall sustainability
20. how do you assess project effectiveness
21. how do you assess project efficiency
22. how do you assess project impact
23. how do you assess project sustainability
24. how do you assess the effect of the project on gender equity
25. how do you rate the organisational capacity of the northern NGO
26. how do you rate the organisational capacity of the southern partner
27. how do you rate the project's overall success (summary assessment)

note: the missing questions 12 to 19 in table 2 relate to block grants, and are not relevant to the present analysis.

Figure 1: Number of complete evaluation outcomes

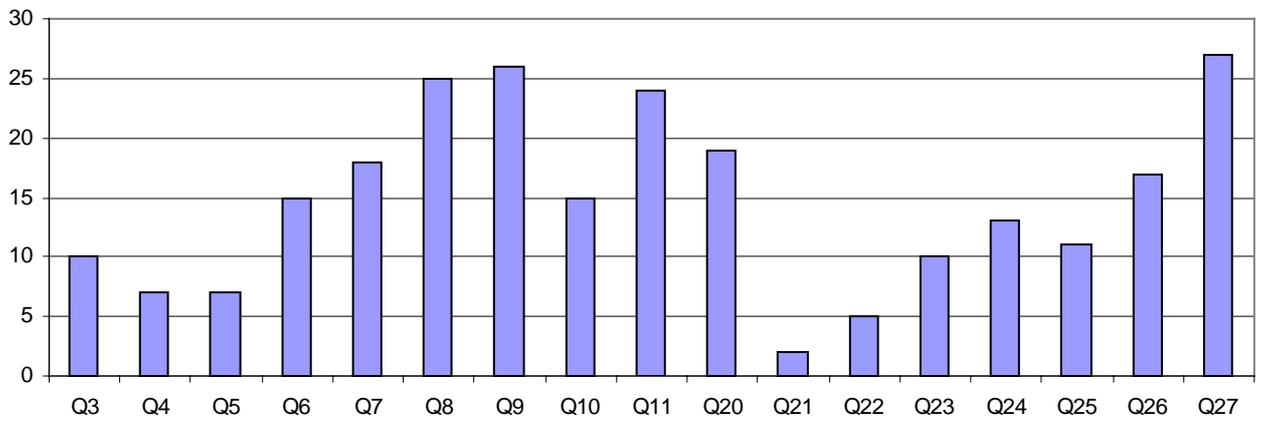


Figure 2: Non-identical complete evaluation outcomes

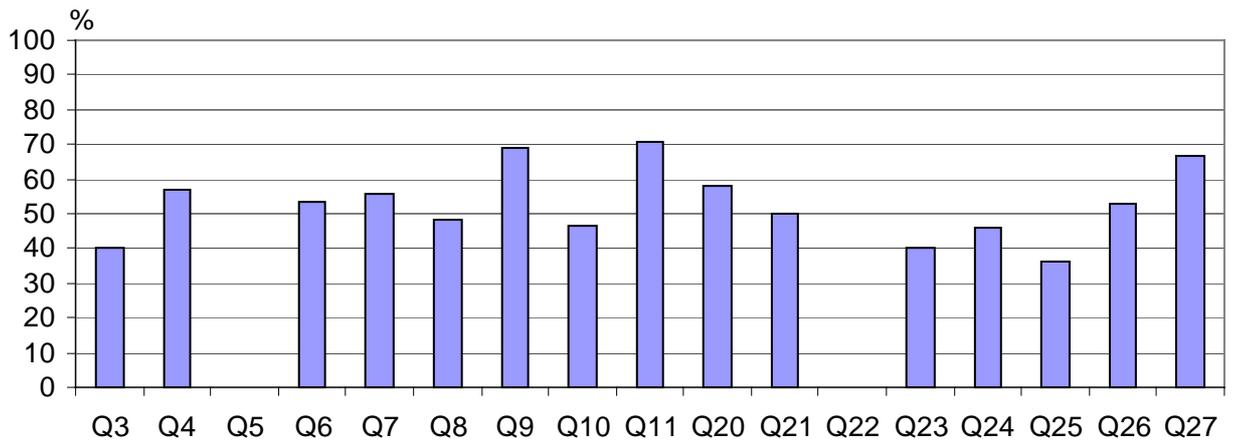


Figure 3: Positive and negative gap between the desk and the field studies

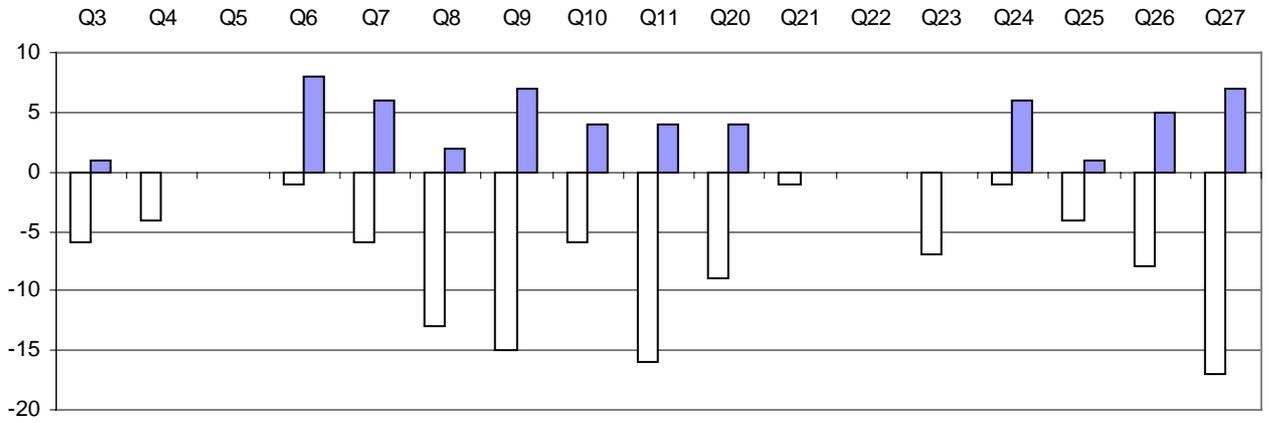


Figure 4: Total gap between the desk and the field studies

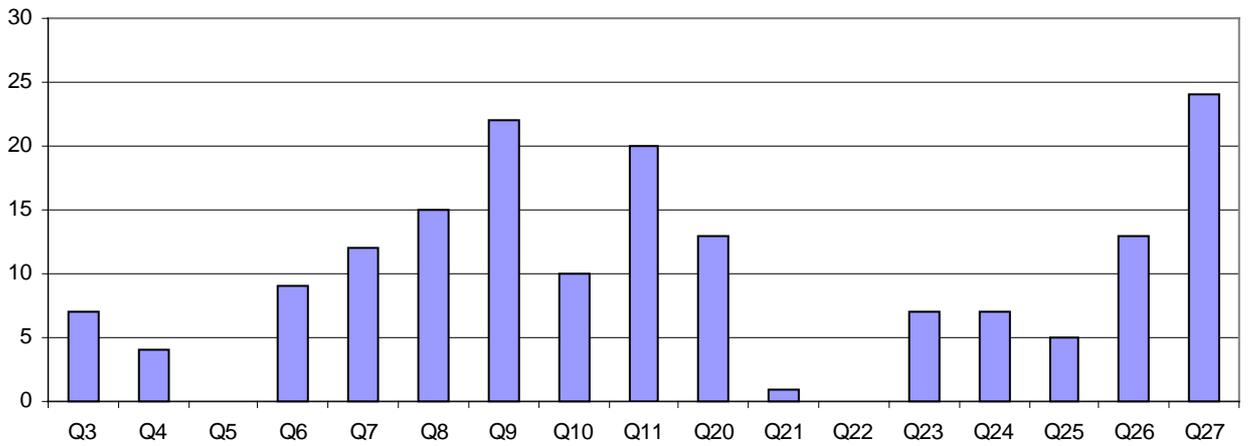


Figure 5: Average score differences

