

Bachelor Thesis:

# **Northern and Southern Non-governmental Organizations and the Development Cooperation of the European Union: *Impacts of EU Co-Financing***

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**List of acronyms**

CBO	Community-based organization
CONCORD	Confederation for Coordination of Relief and Development NGOs
CSO	Civil society organization
DAC	Development Assistance Committee
DG	Directorate-General
EC	European Commission
EC Treaty	Treaty Establishing the European Community
EU	European Union
GAA/DWHH	German Agro Action/Deutsche Welthungerhilfe
ICCO	Interchurch Cooperation for Development Cooperation (Dutch NGO)
MEP	Member of European Parliament
MDG	Millennium Development Goals
NGO	Non-governmental Organization
OECD	Organization for Economic Cooperation and Development

PBO	Program Beneficiaries Organization
SCIAF	Scottish Catholic International Aid Fund
SISIN	Sustainable Income Security for the Rural Poor in India
UNDP	United Nations Development Program
VENRO	Verband Entwicklungspolitik deutscher Nichtregierungsorganisationen (Association of German development non-governmental organizations)

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*“But if they grow ‘too close for comfort’, NGOs, like Icarus before them, may plummet to the ground when the heat of the donors melts the wax in their wings”<sup>1</sup>*

## 1. Introduction

The dominant development paradigm considers a ‘vibrant’ civil society<sup>2</sup> as a necessary pre-condition for development based on liberal democracy, good governance and economic liberalization.<sup>3</sup> Non-governmental organizations (NGOs) as important actors of civil society possess several comparative advantages vis-à-vis state actors in development cooperation. Additionally, the decreasing attractiveness of modernization and dependency theories has resulted in popularity of NGOs and their “people centered approaches” as identified by Korton in his “groundwork on the role NGOs”<sup>4</sup>. Disappointment as well as limited success of official development assistance and budgetary constraints of donor countries accompanied by the neo-liberal critique of the role of the state have shifted the attention to NGOs which are regarded to be efficient vehicles of what is referred to as ‘good governance’. This assumption of an augmented importance of NGOs has been underlined by increased official funding for NGO activities in developing countries. Likewise, the European Union (EU) recognizes the contribution of NGOs for development in its recent White Paper on European Governance (2001) by stating that “NGOs play an important role in development policy”<sup>5</sup>. The EU considers participation as well as inclusion of civil society to be a pivotal element of successful development cooperation and therefore financially supports various NGOs in implementing projects and programs in developing countries.<sup>6</sup> More precisely, NGOs are co-financed by the EU through budget line 21 02 03 (ex B7-6000) since 1976. While increased official funding through EU Co-Financing apparently enhances the opportunities of NGOs to acquire resources, scholars as well as the NGO community itself have been critical about growing financial support from public donors<sup>7</sup>. Although co-financing could be seen as recognition of the contribution

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<sup>1</sup> Hulme, David and Edwards, Michael (1997) *NGOs, States and Donors. Too Close for Comfort?*, Basingstoke, p. 284.

<sup>2</sup> Civil society can be defined as the „realm of organized social life that is voluntary, self-generating, at least partially self-supporting, and autonomous from the state, [and] that is bound by a legal order or a set of shared collective rules”. See Diamond, Larry (1999) *Developing Democracy Toward Consolidation*, Baltimore, p. 221.

<sup>3</sup> Lenzen, Marcus (2001) *Die Rolle der NGOs in der Entwicklungszusammenarbeit*, Arbeitsstelle Aktive Bürgerschaft an der Westfälischen Wilhelms-Universität Münster, p. 15.

<sup>4</sup> Nuscheler on Korton, Nuscheler, Franz (2004) *Entwicklungspolitik*, 5<sup>th</sup> ed., Bonn, p. 557; Korton, David C. (1990) *Getting to the 21<sup>st</sup> Century. Voluntary Action and the Global Agenda*, West Hartford.

<sup>5</sup> European Commission (2001) *European Governance, A Whitepaper*, COM (2001) 428 final, Brussels, p. 14.

<sup>6</sup> See European Commission (2002a) *Participation of Non-State Actors in EC Development Policy*, COM (2002) 598 final, Brussels.

<sup>7</sup> Support to NGOs by public donors or official funding of NGOs are synonymously used throughout this thesis. EU Co-Financing is a particular form of Official Development Cooperation (ODA), which is defined by the Organization for Economic Cooperation and Development (OECD) “as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions [such as the EU] which are:

- i. provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. each transaction of which:
  - a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and

of NGOs to development, it prevails controversial if *non-state* actors are largely financed *by the state*. This thesis researches the implications of this contradiction and poses as a central research question:

***How does increased EU Co-Financing with NGOs impact on European and local NGOs?***

The following sub-questions are answered during the thesis in order to find a satisfying answer to the central research question:

- 1) Why do organizations depend on their external environment to acquire resources? (Chapter 3)
- 2) How is official funding of development NGOs assessed? (Chapter 4)
- 3) What role do NGOs play within the development cooperation of the EU? (Chapter 5)
- 4) How does the procedure of EU Co-Financing work? (Chapter 5)
- 5) How is Co-Financing perceived by NGOs? (Chapter 6)
- 6) How do NGOs change in response to the requirements resulting from Co-Financing? (Chapter 6)

By concentrating on NGOs in the EU policy process this bachelor thesis combines the major subject “European Studies” and the minor subject “Sustainable Development” including an obligatory field study in a developing country (India). It investigates how NGOs find a balance between “necessary dependence on and the largest independence possible”<sup>8</sup> from state actors. Instead of taking for granted the rather general critique of official funding the thesis intends to examine this critique by looking precisely at one very instrument of it – EU Co-Financing.

*Outline of the thesis*

After this introduction, the methodology is presented. Although essential parts of the thesis are the result of desk research, the main findings are derived from two case studies conducted in India. By concentrating on two rural development programs co-financed by the EU, it was possible to develop a thorough understanding of the procedure of EU Co-Financing and the perceptions of the various actors involved. One of the two co-financed programs was implemented by the local Indian NGO Gram Vikas with support of the Dutch NGO Interchurch Cooperation for Development Cooperation (ICCO). It lasted from April 2003 until March 2006 and was called “Sustainable Income Security for the Rural Poor in India” (SISIN). The other program is the “Geographically Based Programme India” which started in 2004. It is run by

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b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent). See OECD (2007) *DAC Statistical Reporting Directive*, Paris, p. 12.

<sup>8</sup> See Kamps, Ortrud (2000) *Die Rolle von NGOs in der Entwicklungspolitik, Am Beispiel der Desertifikationsbekämpfung in Kenia*, Heidelberg, p. 200.

German Agro Action (GAA) and partially implemented by a consortium of nine NGOs led by the local NGO Agramee.

Subsequent to the chapter on methodology the thesis continues by introducing a theoretical framework which helps conceptualizing NGOs in development cooperation. It consists of two pillars. In order to be as precise as possible about the frequently used term NGO, the first pillar of the framework facilitates the understanding of the term NGO and helps to come up with an operational definition of non-governmental organizations. The second pillar introduces the resource dependence perspective which basically explains the behavior of organizations such as NGOs with respect to acquiring resources.<sup>9</sup> This perspective has been developed by the influential organizational theorists Pfeffer and Salancik (1978) in order to analyze American business corporations but it can also be applied to NGOs as shown in the third chapter. Generally speaking, this theoretical framework makes clear what is meant by NGOs and why NGOs interact with their external environment. This step is an extremely important pre-condition for approaching the central research question because only by understanding why organizations find themselves in a constant need for resources to ensure their organizational survival, it is possible to research the impacts of one of the main external resources of NGOs in development cooperation – official funding and EU Co-Financing in particular.

Before turning to the role of NGOs in the development cooperation of the European Union, the comparative advantages as well as the weaknesses of NGOs in development cooperation are discussed. An observation of the current tendencies suggests that NGOs increasingly rely on official funding whose availability for NGOs in development has grown accordingly in the recent decades. As this has not gone unnoticed by researchers and the NGO community itself, a literature studies reviews the contemporary critique of increased official funding. The different perceptions and assessments of the relationship between public donors and NGOs are presented. Equipped with these accounts, the subsequent case studies described above facilitate exploring the procedure of EU Co-Financing. The perceptions and roles of the various actors involved are investigated and impacts of this funding instrument on local as well as European NGOs are analyzed. A conclusion summarizes the main findings and elaborates on the prospects of NGOs in the light of EU funding.

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<sup>9</sup> This theory has already been used by Hudock in a framework of inter-organizational influence in order to analyze the interdependence of northern and southern NGOs. See Hudock, Ann C. (2002) *NGOs and Civil Society. Democracy by Proxy?* Oxford, pp. 16-31. The resource-dependence perspective has originally been developed by the organizational theorist Pfeffer and Salancik. See Pfeffer, Jeffrey and Salancik, Gerald R. (1978) *The External Control of Organizations. A Resource Dependence Perspective*, New York.

## 2. Methodology

In order to find a satisfying answer to the central research question several hurdles are to be taken. First, it was crucial to understand the procedure of Co-Financing. Then the recent literature dealing with the impacts of official funding on NGOs was to be taken into consideration. This literature is often biased towards pro- or anti-NGO positions. Therefore, careful review of these positions was necessary during the literature study in particular when analyzing EU documents or statements by important NGO networks such as the *Association of German development non-governmental organizations* (VENRO).<sup>10</sup> Another problem was to find a suitable definition of Non-governmental Development Organizations that works for a rather heterogeneous set of organizations. Finally, it had to be determined if these impacts were valid by investigating the situations of the NGOs on the ground. This section presents and discusses the methodology that has been applied in order to sufficiently answer the central research question. It is demonstrated to what extent the methods are able to ensure conformity with the quality criteria of qualitative research. Also, this section discusses opportunities of deriving generalizations from the findings and it explains why it was sensible to conduct the two case studies in India.

First and foremost, it is important to address the implications of qualitative research, which has been applied to arrive at the main findings of this thesis. While quantitative research uses large sets of numerical data to quantify broader predictions, qualitative research aims at “depth rather than breadth”<sup>11</sup>. According to Brockington and Sullivan (2003) qualitative research tries to “understand the world” by collecting data in natural settings and interpreting actions and perceptions of the relevant actors. It does not test theory in practice but works inductively to arrive at assumptions or even theories through empirical observation.<sup>12</sup> Instead of strong emphasis on measuring concepts to describe an external reality, qualitative research asks questions of ‘why’ and ‘how’. Additionally, by being in the subject’s natural environment and become knowledgeable about what is researched it is possible to gain a larger reliance upon the actions and perceptions of the research subject. However, this also constrains generalizations as it is only possible to explore a particular perspective. Apart from somewhat limited data, a certain proximity to the research subject bears the risk of becoming too involved and

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<sup>10</sup> Edwards, Michael and Hulme, David (1996) ‘Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations’, in: *World Development*, 24 (6), p. 963.

<sup>11</sup> Harrison, Lisa (2001) *Political Research. An Introduction*, London, p. 74.

<sup>12</sup> See Brockington, Dan and Sullivan (2003) ‘Qualitative Research’, in: Scheyvens, Regina and Storey, Donovan (eds.) *Development Fieldwork, A Practical Guide*, p. 57. While it could be argued that the thesis follows a slightly deductive approach by trying to validate the general critique of official funding it has to be taken into consideration that this review of the critique serves primarily as a starting point for the analysis.



too sympathetic towards particular actors. Another downside of qualitative research is that similar results could be interpreted differently by other researchers.<sup>13</sup>

At its core, this thesis consists of two case studies each involving a local and a European NGO as well as the European Commission. Although case studies could be applied to explore a particular phenomenon in detail and under certain circumstances, it would be insufficient to consider exclusive assumptions about one specific case as an end in itself and dismiss any form of generalization. Instead Van Evera (1997) urges us to ask “of what more general phenomena are these specific causes and effects examples?”<sup>14</sup>. Thus, a case study is to be designed to allow for generalizations, while it also offers in-depth analysis of actions and perceptions of the research subjects. However, the two cases initially seem to constrain broader statements about the impacts of EU Co-Financing on NGOs. Firstly, both local NGOs are situated in Orissa, which is indeed one of India’s poorest states, but not necessarily representative for the ground realities in other developing countries. Secondly, both Indian NGOs deal mainly with rural development which differs from focal issues of other NGOs working for example in larger cities. Thirdly, the European NGOs have neither been chosen randomly nor purposively but mainly because official funding by EU is channelled through these organizations. Despite these qualifications or even because of them the two cases of this thesis have been chosen on the basis of their fit with a more general situation.<sup>15</sup> Although rural India may not be typical for any given developmental context, it remains questionable whether it is at all possible or even reasonable to culturally, ethnographically and geographically identify such an area or whether a research of this size would be capable to increase the cases accordingly. Apart from that, India with its long tradition of NGO movements has well developed NGOs which offer a conducive atmosphere for fruitful research.<sup>16</sup> Additionally, the search for the *typical* NGO has to be dismissed since the term NGO is linked to a rather heterogeneous set of organizations as discussed in the third chapter. While Agramamee and Gram Vikas can be compared due to the alike focus on rural development, they differ in size and so do the two European NGOs.<sup>17</sup> Thus, the heterogeneity within these cases might be even beneficial for generalizing results.<sup>18</sup> Similarly, the thematic orientation or the content of the co-financed programs does not play a major role simply because NGOs enjoy the

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<sup>13</sup> See Harrison, Lisa (2001) *Political Research. An Introduction*, London, p. 79.

<sup>14</sup> Van Evera, Stephen (1997) *Guide to Methods for Students of Political Science*, Cornell University Press, London, p. 68.

<sup>15</sup> See Harrison, Lisa (2001) *Political Research. An Introduction*, London, p. 79.

<sup>16</sup> “Und da ist Indien eigentlich ein ganz interessanter Fall, weil wir hier nicht einem Chaosland sind“, Interview Höper (German Agro Action, Annex 5); see also Almeida, Jeroninio (2007) ‘The business of NGOs’, in: *Businessworld*, Special Issue, 20 August 2007, pp. 80-81.

<sup>17</sup> Furthermore, German Agro Action and ICCO differ in nationality, areas of intervention and secular/religious orientation.

<sup>18</sup> It “makes little sense to generalize about organizations which vary enormously within and between contexts.”, Fisher (1994) quoted by Lewis, David (2000) *The Management of Non-Government Development Organizations*, Routledge Studies, p. 81.

*right of initiative* when it comes to applying for EU Co-Financing. This means that any preference by EU for particular development activities should not be anticipated and hence the focal areas of an NGO are not explicitly linked to the impacts of EU Co-Financing. Nonetheless, generalizations are partly constrained because the results of this research cannot simply be applied to any NGO dealing with EU Co-Financing or those NGOs who fail in acquiring official funding by the EU. Instead, the findings derived from the case studies can possibly be applied to any other NGO which shares the following characteristics: a successful application and participation in EU Co-Financing; a well established partnership with a European NGO before applying for EU Co-Financing; participation in EU Co-Financing as a single NGO or as a member of an NGO consortium.

The main instrument to identify how EU Co-Financing is perceived by the various actors were semi-structured expert interviews<sup>19</sup> designed to cover the following areas: By directly talking to those dealing with EU funding it was not only possible to draw a precise picture of the programs, its scale, its relevance for the NGOs and thus the degree of dependence of EU Co-Financing. Also, the interviews were crucial to better understand the different roles of the various actors (local NGOs, European NGOs, European Commission) within the process of EU Co-Financing (initial decision to apply for co-financing; the application procedure; the implementation process; reporting requirements; accounting schemes and finally the evaluation of the programs and projects). Most importantly, the interviews provided important information on how local and European NGOs perceive EU Co-financing, resulting internal and external pressures, and dependence on official funding.

Nevertheless, semi-structured interviews have a downside: approaching every relevant actor in person required a high degree of mobility involving traveling and costs. Also, the researcher might actually be intimidated by the interviewee or vice versa. Although the areas that are to be covered within the questions remain the same and the interviewer could certainly adjust the questions to the different settings, the researcher might ask questions in a completely different way or fake answers afterwards.<sup>20</sup> In contrast to that, semi-standardized interviews were chosen as they offer various advantages: the open atmosphere of an interview and sufficient time for reflection could encourage more profound and professional answers as the interviewee does not simply deliver data. The personal contact certainly increases the motivation and acceptance of questions. In contrast to a fully standardized questionnaire, the

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<sup>19</sup> It was possible to conduct interviews with the financial managers as well as executive directors of the two Indian NGOs (Gram Vikas, Agramamee) and with the staff members responsible for co-financing within the two European NGOs (German Agro Action, Inter Church Cooperation). Moreover, it was possible to establish direct contact to a Co-Financing officer of the EC Delegation to India, Bhutan and Nepal, who was interviewed in New Delhi.

<sup>20</sup> See Soll, Armin (2003) *Die Befragung*, Konstanz, pp. 39-41.

researcher can also restate unclear or unanswered questions. Of course, the interviewer needs to be eloquent and very familiar with the content of the questions in order to gain rich information.<sup>21</sup>

These advantages and disadvantages are to be taken into consideration in order to ensure conformity with the quality criteria of qualitative research<sup>22</sup>: *Transparency* can only be achieved if a complete documentation of the interviews is available. Therefore, the transcripts of the interviews can be found in the annex to this thesis. As a second criterion of qualitative research the need for *consistency* is emphasized. This corresponds with reliability as a main criterion of quantitative research and suggests that a finding is consistent if it can be derived from various actors offering comparable answers to similar questions. The case studies offer two ways to comply with this criterion. Consistent findings can be achieved if either the local or the European NGOs make corresponding statements. Additionally, congruence between the perceptions of local and the European NGOs indicate consistency. Besides, analyses of annual reports, evaluation reports, internal documents and applications for EU Co-Financing usually provided by all NGOs offered additional opportunities to increase consistency. However, Soll (2003) reminds us to not exclude occurring inconsistencies between interviewees from the analysis but to understand and explain them.<sup>23</sup> *Coherence* as third criterion implies that statements have to be in line with the questions of the semi-structured interviews. This played a major role during the interviews as it was sometimes necessary to repeat and reformulate certain questions.<sup>24</sup> Furthermore, it was crucial to determine consistency when subsequently analyzing the transcript. In some cases this led to the necessity to again arrange an interview in order to address these inconsistencies. Finally, findings demand a certain degree *communicability* which corresponds with validity as the other main criterion of quantitative research. While validity demands that theoretical accounts have to be measurable, the findings of qualitative research needs to be communicated. Thus, sufficient references and direct quotations have to be provided in order to demonstrate how the findings were derived.<sup>25</sup>

### 3. Theoretical Framework

This section helps to conceptualize Non-governmental Organizations in development. First, it provides an operational definition of NGOs. Second, by taking into

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<sup>21</sup> See *ibid.* pp. 39-41.

<sup>22</sup> See Soll, Armin (2003) *Die Befragung*, Konstanz, p. 28. (Transparency, Consistency, Coherence, Communicability)

<sup>23</sup> See *ibid.*, p. 29. For problems of conducting qualitative interviews see Kamps, Ortrud (2000), pp. 47-49.

<sup>24</sup> However, this might have led to focus less on other equally important issues that were to be covered during the interview due to time pressure.

<sup>25</sup> See Soll, Armin (2003) *Die Befragung*, Konstanz. p. 29.

consideration the resource-dependence perspective developed by the influential organizational theorists Pfeffer and Salancik (1978) the behavior of NGOs with respect to acquiring and maintaining resources can be explained. In short, EU Co-Financing is put into a larger picture by applying theoretical accounts about the main actors involved in the process of EU Co-Financing.

### 3.1. Defining Non-governmental Organizations

In order to have a common understanding of what is meant by an *NGO* throughout the thesis, it is essential to be more precise about the term *Non-governmental Organization*, but also to consider the problems of defining NGOs. What initially complicates an appropriate labeling of this particular type of organization is the observation that synonymous terms of NGOs exist. For example, ‘voluntary organization’ or ‘charity organization’ is alternatively used in Great Britain due to the Christian and partly paternalistic tradition of voluntary work.<sup>26</sup> Also, voluntary organizations are to be distinguished from organizations of a professional character whose action is not based on voluntary commitment. Moreover, NGOs are labeled ‘third sector organizations’ in order to stress the differentiation from state and market entities in terms of membership, approaches, and demands.<sup>27</sup> In the USA, using the label ‘non-profit organization’ is more common than talking about NGOs as it underlines the distance from the market. While the market is perceived to be a more dominant force than the state in the USA, it seems to be more important in Europe and also in many developing countries to emphasize the *non-governmental* nature of an organization by using the term NGO.<sup>28</sup>

First mentioned in Article 71 of the UN Charter, Non-Governmental Organizations were defined by resolution 288 B(X) of the Economic and Social Council of the United Nations in 1950 as “any international organization which is not established by any inter-governmental agreement“. This minimum negative definition exclusively based on non-stateness originally describes multinational or international organizations which enjoy consultative status with the UN system. The term NGO further evolved in the international law literature. Charnovitz put forward a general legal definition by stating that “NGOs are groups of individuals organized for the myriad of reasons that engage human imagination and aspiration”<sup>29</sup>. Development scholars regarded NGOs also as

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<sup>26</sup> See Lewis, David (2000) *The Management of Non-Government Development Organizations*, Routledge Studies, p. 34.

<sup>27</sup> See Etzioni, Amitai (1961) *A Comparative Analysis of Complex Organizations. On Power, Involvement and Their Correlates*, New York; “Their [third sector organizations] general purposes are broadly similar – to do things business and government are either not doing, not doing well, or not doing often enough”, Levitt, Theodore (1973) *The Third Sector. New Tactics for a Responsive Society*, New York, p. 49.

<sup>28</sup> See Lewis, David (2000), p. 34.

<sup>29</sup> Charnovitz (1997) quoted by Lewis, David (2000) *The Management of Non-Government Development Organizations*, Routledge Studies, p. 36.

agents of economic and social change and subsequently used the term NGO to describe organizations dealing with development cooperation in developing as well as industrialized countries. Although ‘NGO’ remains a catch-all term being unable to grasp the heterogeneity of NGOs and different national or cultural contexts, it has become part of the basic vocabulary of scholars, journalists and professionals dealing with development cooperation.<sup>30</sup> An exemplary overview about different categories of NGOs illustrates how NGOs can be differentiated:<sup>31</sup>

- thematic approach
- geographic origin (north, south)
- ratio of activity (regional, national, international)
- size (big NGOs (BINGOs), small NGOs (SMANGOs))
- NGO-state relationship (Quasi NGO (Quango) with very close ties to the state or Community Based Organization (CBO))
- objective (charity or welfare, development, empowerment)

Without elaborating on each of these typologies it is important to note that development NGOs can usually be categorized in terms of their orientation. On the one hand NGOs can either be internally oriented towards its members or on the other hand NGOs can be externally oriented towards solidarity for other beneficiaries.<sup>32</sup> Being internally oriented towards its members implies that the members originally founded the organization in order to tackle a shared problem through self-help. Thus, the NGO provides certain benefits that are exclusively enjoyed by its members. In contrast to that, externally oriented NGOs are founded in order to demonstrate solidarity to non-members. Although fostering self-help among the external beneficiaries might be an approach of such an NGO, the primary purpose of the NGO is not self-help but help to others<sup>33</sup>. Usually, NGOs are situated somewhere between these two extremes and in particular larger southern NGOs often face a dilemma of being forced to be externally orientated although they may feel more committed to an internal orientation. Additionally, relations to the broader external environment are of major importance when it comes to acquiring resources as shown in the subsequent section. Furthermore, southern NGOs supported by northern NGOs may be forced or tend to take over organizational as well as development concepts of their northern counterparts, although they are considered to remain autonomous actors in developing

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<sup>30</sup> See Karp, Markus (1996) *Leistungsfähigkeit und Politikgestaltung von Nicht-Regierungs-Organisationen im Rahmen der internationalen Wirtschafts- und Entwicklungszusammenarbeit. Eine polit-ökonomische Analyse anhand ausgewählter Organisationen*, Europäische Hochschulschriften, 31 (35), Paris, p. 40.

<sup>31</sup> See Kuhn, Berthold (2002) *Komparative Vorteile von Nicht-Regierungsorganisationen verstehen, Ansätze einer zivilgesellschaftlichen Komplementaritätstheorie für die Entwicklungspolitik*, in: *asien afrika lateinamerika*, Vol. 30, p. 21.

<sup>32</sup> “mitgliederorientierte Organisation und außenorientierte Solidarorganisation”, *ibid.*, p. 21.

<sup>33</sup> Of course, it has to be recognized that the members of externally oriented NGOs still benefit from their *membership* in terms of wages.

countries. Other differences between northern and southern NGOs exist: Northern NGOs create awareness in their home countries and encourage donations as well as public funding. Southern NGOs are said to take up initiatives of the population in developing countries and support self-determined social progress.<sup>34</sup> While larger southern NGOs are very often contract partners of northern NGOs, smaller NGOs strive for change in a particular policy area by dealing with specific problems or channeling particular demands.<sup>35</sup>

By briefly reflecting on these different aspects of the popular and sometimes arbitrarily used label 'NGO', several challenges appeared when defining NGOs. Synonyms constrain a labeling of often similar organizations with the same term. Additionally, the term NGO does not imply what these organizations are but only what they are not: non-governmental. The fluctuation as well as the various categories of organizations labeled as NGOs complicates an inclusive definition, which appropriately takes into account the different legal (registration and status), economic (type and source of resources) or functional (activities and approaches) aspects.<sup>36</sup>

An approach that is considered to be suitable for this thesis has been developed by Salamon and Anheier (1992). They introduced a "structural/operational definition", consisting of the following five different key features: In order to count as *formal* an organization needs to demonstrate a certain degree of institutionalization in terms of regular meetings and basic infrastructure. Moreover, being a *private* organization primarily stresses a separation from the government although public support is not prohibited. By using *private* Salamon and Anheier run the risk of placing NGOs too close to economic entities with a market orientation, which would probably be rejected by many NGOs. However, it appears reasonable to describe NGOs as private since the other features of their structural definition allow a differentiation from private companies with a mere market orientation. Additionally, the most suitable alternative to *private* would have been *non-governmental* in order to describe a certain distance to state actors. Apparently, using *non-governmental* instead of *private* as a feature of NGOs would have construed the serious attempt of a structural definition. In case of economic revenues it is imperative to comply with *non-profit distributing* as a third feature and reinvest any gains in the organization. Additionally, autonomous scrutiny and management of its own affairs is crucial in order to be considered a *self-governing* organization. Finally, some degree of *voluntary* commitment of the members is necessary in order to be recognized as an NGO. This does not necessarily refer to free service provision or a huge number of volunteers but for example to the wages of NGO

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<sup>34</sup> See Kamps, Ortrud (2000), pp. 12-13.

<sup>35</sup> See Nuscheler, Franz (2004) *Entwicklungspolitik*, 5<sup>th</sup> ed., Bonn, p. 567.

<sup>36</sup> See Kamps, Ortrud (2000), p. 179.

employees which might be substantially lower than those of employees of private companies, although the activities can easily be compared (e.g. accounting). Vakil (1997) completes the definition by adding the missing emphasis on the developmental perspective: “self-governing, private, not-for-profit organizations that are geared to improve the quality of life for disadvantaged people”. Table 1 summarizes these six features of the consolidated operational definition of an NGO for this thesis. In short, the term ‘NGO’ does not remain elusive but in this context refers to formal, private, non-profit, self-governing and voluntary organizations active in development cooperation.

**Table 1: Operational definition of NGOs<sup>37</sup>**

<b>Formal</b>	<i>Institutionalized (meetings, office, organizational permanence)</i>
<b>Private</b>	<i>Separate from the government, although official support is possible</i>
<b>Non-profit distributing</b>	<i>Profit is reinvested into the organization</i>
<b>Self-governing</b>	<i>Control and management of its affairs</i>
<b>Voluntary</b>	<i>At least some degree of voluntary participation in the conduct or management of the organization</i>
<b>Developmental</b>	<i>Gearing to improve the quality of life of marginalized people</i>

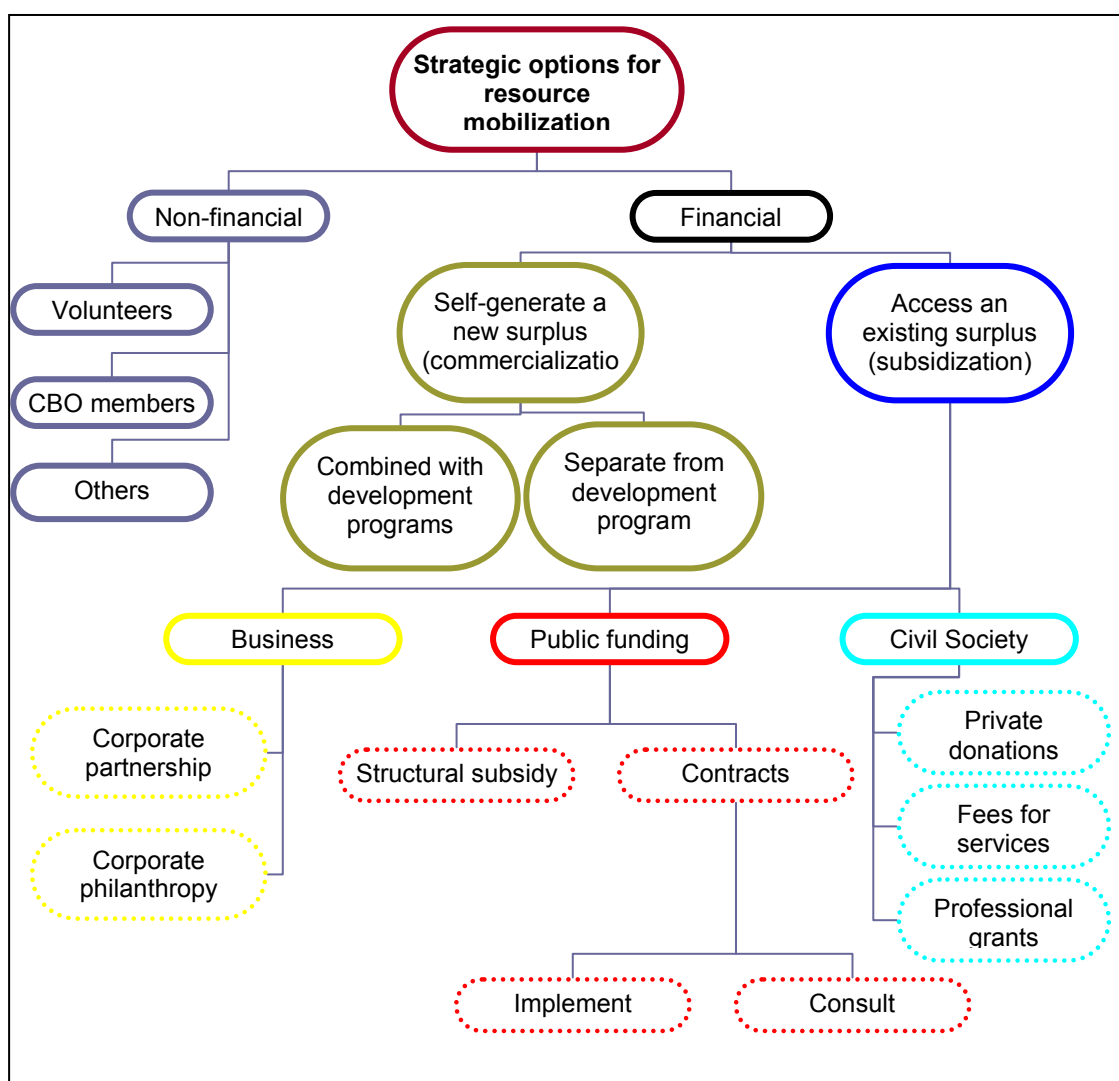
### 3.2. Resource-Dependence Perspective

Before researching implications of specific ways of funding and the use of resources it appears to be necessary to ask how and why NGOs acquire resources. The organizational theorists Pfeffer and Salancik offer an answer by looking at organizations from the *resource-dependence perspective*. Generally speaking, it is only possible to fully understand the behavior of an organization by paying sufficient attention to the context surrounding that organization as this environment provides all necessary resources. Figure 1 gives an overview of NGO options for resource mobilization and suggests two basic strands of resources – financial and non-financial ones. Non-financial resources mainly consist of contributions by volunteers and members of community-based organizations (CBOs). While these persons usually show a high degree of affiliation and cordiality to an organization, they are not per se available to an organization but need to be recruited from the environment of an

<sup>37</sup> This table is based on information by Lewis, see Lewis, David (2000), p. 37.

organization. The financial options for resource mobilization can be divided into self-generated surplus of an organization and what is referred to as subsidization. While self-generated surplus may indicate that an organization is able to autonomously acquire resources, it is important to keep in mind that this process is usually linked to commercialization. Generally speaking, an organization which is trying to sell its product of whatever kind needs a market with a demand for the product it supplies. This market belongs to the broader environment and is usually located outside an organization. Subsidization has been mentioned as a second type of financial resources. This can be regarded as obvious external funding coming either from the state, business or civil society<sup>38</sup> but clearly not from the organization itself.

**Figure 1: NGO Options for Resource Mobilization (Fowler 2002: 376)**



Regardless its type (public or private), size or structure (bureaucratic or organic) an organization depends on the environment to pursue its objectives or as Pfeffer and Salancik explain its organizational “*survival comes when the organization adjusts to, and copes with its environment, not only when it makes efficient internal*

<sup>38</sup> A definition of civil society is offered in footnote 2 on page 1.



*adjustments*<sup>39</sup>. While being able to control internal processes, the autonomy of an organization is constrained by the environment or the context it is embedded in. According to Pfeffer and Salancik, the context in which an organization operates consists of the following three different levels:<sup>40</sup>

- The entire system of interconnected individuals and organizations who are related to one another and to a focal organization through the organization's transactions,
- the set of individuals and organizations with whom this organization interacts directly and
- the level of the organization's perception and representation of the environment; enacted environment.

These three levels are interrelated as an organization's perception of the environment determines the organizational behavior while the other levels consisting of the individuals and organizations directly or indirectly interacting with the organization influence outcomes. For example a decreasing availability of funding in a resource-scarce environment such as in a developing country, may as an outcome constrain the ability of an NGO to pay the salaries of its staff. Organizations sticking to their objectives and funding strategies may become unable to implement certain programs if the context is altered. A changed environment result in difficulties for an organization to achieve an intended outcome if it does not adjust its behavior. The environment creates uncertainty for an organization and affects the outcome relevant for an organization. Instead of focusing on how organizations work or use their resources (i.e. theories of individual behavior of organizations, organizational design, communication, leadership or motivation) the resource-dependence perspective suggests analyzing how organizations acquire resources or extract them from their environment, in order to understand a "good deal of organizational behavior"<sup>41</sup> – this is the rationale of this thesis.

The autonomy of an organization is constrained by an uncertain environment and undependable resources as part of this environment. However, it can be argued that for example NGOs receive resources from public donors for implementing programs which public donors are less able to conduct with similar means and similar success. In this sense, NGOs are not only dependent on official funding but the public donor also depends on NGOs as the successful implementation of a program by an NGO is also desired by the donor. Additionally, a phenomenon called 'reverse agenda' presupposes

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<sup>39</sup> Pfeffer, Jeffrey and Salancik, Gerald R. (1978) *The External Control of Organizations. A Resource Dependence Perspective*, New York, p. 19.

<sup>40</sup> Ibid., p. 63.

<sup>41</sup> Pfeffer, Jeffrey and Salancik, Gerald R. (1978), p. 3.

that the interaction between NGOs and public donors has also led to the inclusion of NGO concerns such as environmental questions, gender issues, and social aspects for development into the mainstream donor thinking.<sup>42</sup> Pfeffer and Salancik take this into account by stating that “one of the most important influences of an organization’s response to its environment is the organization itself”<sup>43</sup>.

Additionally, the success of an organization in acquiring resources and finally ensuring organizational survival is linked to the effectiveness of an organization. Being effective “derives from the management of demands, particularly the demands of interest groups upon which the organizations depend for resources and support.”<sup>44</sup> Apparently, this definition of effectiveness seems to be slightly short-sighted as it is exclusively related to the demands of those providing the resources – i.e. to a high degree public donors – and not explicitly to the actual success of a project – i.e. the demands of the intended beneficiaries. However, it sounds plausible from the resource-dependence perspective which would argue that an organization is only able to take particular actions, to pursue its goals, and to finally ensure organizational survival by acquiring the necessary resources.

Usually these resources need to be extracted from the environment or in other words “NGOs by their very nature, are financially dependent upon external resources and therefore vulnerable to exogenous decisions”<sup>45</sup>. In order to arrive at conclusions (see chapter 6) about the procedural and structural dependence of organizations it appears to be reasonable to take into account conditions which determine the degree of dependence on resources. According to Hudock three main criteria are:<sup>46</sup>

1. Magnitude and criticality of a resource
2. Level of discretion over allocation of a resource
3. Availability of alternative resources

The first criterion describes the importance of a resource to an organization. In concrete terms *magnitude* refers to the proportion of a particular resource to the revenues (input) of an organization and to the amount of actions (output) that can be taken as a result of this resource. *Criticality* of a resource depends on how much an organization is affected by the decrease or absence of a particular resource. This also relates to the question of what is funded by a particular resource (e.g. administration or operations) and who is providing for it (e.g. structural subsidy by the government or

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<sup>42</sup> Good examples of these NGO concerns are “participatory planning, the gender dimension of development, and environmental concerns”, Lewis, David (2000), p. 66; see also See Kuhn, Berthold (2005b) *Entwicklungspolitik zwischen Markt und Staat. Möglichkeiten und Grenzen zivilgesellschaftlicher Organisationen*, Frankfurt/Main, p. 355.

<sup>43</sup> Ibid., p. 13.

<sup>44</sup> Ibid., p. 2.

<sup>45</sup> Woods, Adèle (2000) *Facts about European NGOs Active in International Development*, OECD, Paris, p. 15.

<sup>46</sup> See Hudock, Ann C. (2002), p. 24.

private donation). For example, the magnitude and criticality of a resource are high if an organization relies on only one source of revenue (e.g. EU Co-Financing as described in chapter 5) to implement its major programs. In contrast to that, programs of an NGO can also be funded in diversified ways through a structural subsidy by the host government, a corporate partnership with a private company, and donations by civil society (Figure 1). In this case, an NGO is less dependent on resources although the magnitude and criticality of the resources may be high for an individual project solely relying on one source of funding such as a donation. The second criterion describing the *level of discretion over the allocation of a resource* allows assumptions over the dependence of an organization with respect to the use of a resource. It asks whether an organization can autonomously decide how to utilize a certain resource as in the case of self-generated surplus or whether an organization is bound to a precise contract with a funding partner who determines how a project is to be implemented. The third criterion of dependence is the *availability of alternative resources* because an organization might be forced to search for substitute resources, and alternative ways of acquiring them. Apart from locating resources it is important to research who is in control of important resources and how an organization decides to accept a particular form of funding. Figure 1 illustrates the alternatives of or strategic options for resource mobilization available to NGOs.<sup>47</sup> Successfully acquiring non-financial resources is based on the recruitment policies of an NGO. The availability of financial resources is determined by the ability of an NGO to generate income through commercialization or to attract external funding through public donors, businesses, or civil society.

The enumeration of these three criteria has revealed how organizations depend on the context they are operating in. Nevertheless, an organization also attempts to influence its environment in order to reduce uncertainty and create stability in particular with respect to the availability of resources. First, it is possible to reform the structure of an organization in the light of a changing environment through for example scaling up or reducing the regional scope. Second, stability can be fostered by consolidating existing exchange relationships. This can merely occur if a partnership evolves positively over time, if trust is build up, or mutually beneficial experiences have been made by the organizations involved. Also, existing relationships can be further institutionalized by holding regular meetings with a funding partner or implementing joint projects with shared responsibilities. A similar and third strategy includes a restructuring of exchange relationships to reduce uncertainty. An organization may for example diversify its sources of revenue or setup a network of like-minded organizations to improve patterns

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<sup>47</sup> See Fowler, Alan (2002) Options, Strategies and Trade-offs in Resource Mobilization, in: Edwards, Michael and Fowler, Alan (2002): *The Earthscan Reader on NGO Management*, London, p. 376.



In brief, this chapter has provided a theoretical framework which facilitates conceptualizing NGOs by providing an operational definition of NGOs and introducing the resource-dependence perspective. It has been shown that NGOs interact with their external environment in order to acquire resources (Figure 2). Consequently, NGOs face forms of (asymmetric) interdependence. This “Achilles heel”<sup>52</sup> of NGOs can now be dealt with in a more concrete context in the subsequent chapter.

## 4. Review of Critique of Official Funding

According to Fowler the above identified “NGO dependency is essentially monetary”<sup>53</sup>. What underlines this assumption is the dramatic increase of financial flows from public donors to NGOs. It is difficult to determine the exact figures of official funding for NGOs as public donors support NGOs not only directly through official contributions but also via multilateral schemes, individual country programs, as part of other larger for example thematic programs or emergency aid disbursed through NGOs.<sup>54</sup> A rough estimation by the OECD illustrates that the bilateral flows from members of the OECD to northern and southern NGOs have been increased from 0.7 % of the total Official Development Assistance (ODA) in 1975 to 3.6 % in 1986 and to 5 % in 2004.<sup>55</sup> Although “channeling funds to NGOs is big business”<sup>56</sup> may sound exaggerated, a dramatic increase in official funding can doubtlessly be identified and € 1.8 billion from Europe (2004) underline the increased attraction of NGOs for public donors.<sup>57</sup>

On the one hand increased official funding of NGOs indicates that these organizations are taken seriously as partners.<sup>58</sup> On the other hand growing financial support by public donors has also been accompanied by augmenting concern and critique from various scholars and the NGO community itself. This chapter first explains why NGOs have become attractive to public donors. Secondly, it reviews the critique of official funding that has been expressed by various sides as NGOs need to determine how much autonomy they are willing and able to abandon for beneficial cooperation with public donors.<sup>59</sup>

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<sup>52</sup> Edwards, Michael and Hulme, David (1996), p. 966.

<sup>53</sup> Fowler, Alan (2002), p. 376.

<sup>54</sup> See Woods, Adèle (2000), p. 13.

<sup>55</sup> See European Commission and OECD (2006e) *EU Donor Atlas 2006, Mapping Official Development Assistance*, Vol. 1, URL: [http://ec.europa.eu/development/body/publications/docs/eu\\_donor\\_atlas\\_2006.pdf](http://ec.europa.eu/development/body/publications/docs/eu_donor_atlas_2006.pdf). [Accessed: 02-02-08], p. 48; see Edwards, Michael and Hulme, David (1996), p. 962.

<sup>56</sup> Hulme, David and Edwards, Michael (1997) *NGOs, States and Donors. Too Close for Comfort?*, Basingstoke, p. 6.

<sup>57</sup> See European Commission and OECD (2006e) p. 48.

<sup>58</sup> See Kamps, Ortrud (2000), p. 186.

<sup>59</sup> See Nuscheler, Franz (2004), p. 566.

## 4.1. Why NGOs?

Basically, two strands of reasoning explain why NGOs have become the “favoured child [or the] magic bullet”<sup>60</sup> of public development cooperation in the areas of poverty reduction, environmental protection, agriculture, health and education. One rests within the NGOs themselves and describes comparative advantages of NGOs vis-à-vis state actors. The other explanation can be found on the side of public donors. They not only cooperate with seemingly successful and efficient NGOs to be able to better justify their development aid but also to address budgetary pressures and constraints.

An enumeration of the comparative advantages<sup>61</sup> of NGOs vis-à-vis public donors very often commences by referring to the expertise of NGOs as well as their closeness to local beneficiaries which circumvents “costly bureaucratic intermediation of donors and recipient governments.”<sup>62</sup> Better access to and the intense relationship with local beneficiaries predestines NGOs to deal with the needs and demands of politically or economically marginalized groups. Moreover, NGOs face less institutional constraints than state actors and less economic pressure than economic entities but show a high degree of flexibility and dynamism which provides leeway for innovative and sometimes experimental approaches in development.<sup>63</sup> Furthermore, NGOs usually have committed personnel which is said to be highly motivated in contrast to those of developmental state actors. They are considered to be ‘cheaper’ due to lower labour costs and a certain degree voluntary involvement.<sup>64</sup> Apart from that, development aid would probably fail to address structural problems if it was directed to corrupt or inefficient governments. Therefore, public donors alternatively concentrate on NGOs whose work is said to be based on self-help, participatory approaches and empowerment. These organizations are not expected to follow a ‘hidden agenda’ or represent ‘vested interests’ but are “by nature genuinely reform oriented”<sup>65</sup>. Also, NGOs function as early warning systems for social problems and conflicts as they address neglected issues.

However, an uncritical romanticizing of NGOs as implied by the “strongly idealistic pro-NGO literature”<sup>66</sup> would be flawed as NGOs possess some weaknesses: Very often, NGOs focus on a single issue and neglect a more holistic view. They are “too piecemeal and too small”<sup>67</sup>. What has been labeled as the “tyranny of the project”<sup>68</sup>

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<sup>60</sup> Fowler, Alan (2002), p. 189.

<sup>61</sup> See Kuhn, Berthold (2002), p. 76.

<sup>62</sup> World Bank (1989) *Sub-Saharan Africa. From Crisis to Sustainable Development. A long-term Perspective Study*, Washington D.C., p. 189.

<sup>63</sup> *Ibid.*, p. 189.

<sup>64</sup> See Kuhn, Berthold (2002), p. 24.

<sup>65</sup> Carothers, Thomas and Ottaway, Marina (2000) *Funding Virtue. Civil Society Aid and Democracy Promotion*, Carnegie Endowment for International Peace, Washington D.C., p. 8.

<sup>66</sup> See Lewis, David (2000), p. 78.

<sup>67</sup> See *ibid.*, p. 79.

results in projects and programs which do not have larger impacts or the capacity to improve or change structures.<sup>69</sup> This tendency is even enforced by donors avoiding long-term approaches or changing funding patterns as discussed further below. Apart from that, flexibility and spontaneity of NGOs can also be regarded as a lack of professionalism. Additionally, some NGOs have oligarchic structures where a small and professionalized staff is more powerful than the local supporters or volunteers who carry out the actual work.<sup>70</sup> This raises questions about the credibility of NGOs as they are considered to be “vehicles for democratization”<sup>71</sup> but may not inherit democratic principles within their own organizational structure. Similarly, the ongoing debate on the legitimacy of NGOs demonstrates another fundamental problem: it is questionable what representation means to NGOs and how they can be held accountable by their beneficiaries. Another problem raised by the UNDP Human Development Report in 1993 is the lack of evidence about the effectiveness of NGOs. The economic, social, cultural and comparative advantages of NGOs are recognized but the report also identifies top-down internal structures of NGOs, the use of well established instead of innovative methods and a wider emphasis on resource brokering than social change.<sup>72</sup>

These weaknesses and especially aforementioned strengths of NGOs demonstrate that NGOs are able to complement public development cooperation by focusing on those tasks where public or private sector organizations lack capacity.<sup>73</sup> Nonetheless, the sometimes rather apparent comparative advantages described above do not always sufficiently explain why public donors are in favor of supporting NGOs. Kuhn annotates that comparative advantages are not per se reflected within the relationship between public donors and NGOs.<sup>74</sup> For example, voluntary commitment as a constituent of the non-profit approach is often dismissed by many northern but also southern NGOs aiming at organizational scaling up and increased external funding through professionalization. From a historical perspective it can be argued that public donors have been paying augmenting attention to NGOs because of what is referred to as the *new policy agenda*<sup>75</sup>. At the beginning of the 1990s the new policy agenda evolved as a consequence of the neo-liberal critique of the state, constraints of public budgets as well as “frustration at the failure of conventional [development]

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<sup>68</sup> Smillie, I. quoted *ibid*, p. 65.

<sup>69</sup> See Obrovsky, Michael (2006) ‘Von der Solidarität zur professionell verwalteten Wohltätigkeit: Entwicklungspolitische NGOs in Österreich auf Identitätssuche’, in: Fialho Gomez, Bea do Abreau and Maral-Hanak, Irmi and Schicho, Walter (eds.) *Entwicklungspolitik. Akteure, Handlungsmuster und Interessen*, Wien, p. 250.

<sup>70</sup> See Tandon, Rajesh (2002) ‘Board Games: Governance and Accountability in NGOs’, in: Edwards, Michael and Fowler, Alan (2002): *The Earthscan Reader on NGO Management*, London, pp. 216-218.

<sup>71</sup> See Hulme, David and Edwards, Michael (1997), p. 5.

<sup>72</sup> See United Nations Development Programme (1993) *Human Development Report*, New York.

Furthermore, it has to be recognized that employees of NGOs are not always driven by charity but also by relatively good and safe employment opportunities offered by NGOs in economically weaker developing countries; see Edwards, Michael and Hulme, David (1996), p. 963.

<sup>73</sup> See Nuscheler, Franz (2004), p. 568; see Lewis, David (2000), p. 80.

<sup>74</sup> See Kuhn, Berthold (2002), p. 24.

<sup>75</sup> See Lewis, David (2000), p. 32.

approaches”<sup>76</sup>. NGOs were regarded as the embodiment of the two main elements of this new policy agenda: *good governance* or democratic processes were expected to be fostered by NGOs and successful *economic liberalization* was supposed to be enhanced by NGOs providing services more efficiently than state entities.<sup>77</sup> Hence, public donors tend to withdraw from direct interventions and instead turn to alternative partners with supposed cost-effectiveness in providing services to those who “cannot be reached through the market”<sup>78</sup>. Budgetary constraints also reinforced this development and some authors are convinced that official funding of NGOs even allows public donors to scale up quickly while remaining financially sustainable.<sup>79</sup> From a donor’s perspective, modest amounts are expected to be usually significant to NGOs or to put it differently, “civil society assistance made a virtue out of necessity by providing a theoretical justification for the small scale assistance dictated by many donor budgets”<sup>80</sup>.

Furthermore, the *discovery* of NGOs by public donors is closely linked to the limited success of the development cooperation in the 1960s and 1970s and less explicitly based on actual knowledge about the abilities and capacities of NGOs.<sup>81</sup> Cooperation with well established NGOs of good reputation fosters domestic support and can be regarded as an “excellent opportunity for profile and public relations”<sup>82</sup>. Additionally, the support of local NGOs is sometimes considered to be already an end in itself or a genuine development objective while resolutions of complex structural problems are unfortunately omitted.<sup>83</sup> Reactions by some NGOs indicated that they remain skeptical about the charm offensive by public donors. For example Oxfam considers the recent consultation efforts of the World Bank with NGOs in many developing countries merely as a “convergence of language” as the criticism on the structural adjustment policies of the Bank remains largely unrecognized.<sup>84</sup> Thus, it is not necessarily a convergence of interests and priorities but it can be argued that public donors also intend to ease the criticism of NGOs by embracing them.<sup>85</sup> In other words, a considerable degree of “political ramification of sources”<sup>86</sup> can be expected as donors do not channel increasing amounts of their ODA through NGOs to merely support the work of these organizations. Instead, public donors can be expected to act upon their own political

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<sup>76</sup> Antrobus, Peggy (1987) ‘Funding for NGOs: Issues and Options’, in: *World Development*, Vol. 15, Supplement, pp. 95.

<sup>77</sup> Edwards, Michael and Hulme, David (1996), p. 962.

<sup>78</sup> Edwards, Michael and Fowler, Alan (eds.) (2002) *The Earthscan Reader on NGO Management*, London, p. 188.

<sup>79</sup> See Hulme, David and Edwards, Michael (1997), p. 9.

<sup>80</sup> Carothers, Thomas and Ottaway, Marina (2000), p. 8.

<sup>81</sup> See Kuhn, Berthold (2005b) *Entwicklungspolitik zwischen Markt und Staat. Möglichkeiten und Grenzen zivilgesellschaftlicher Organisationen*, Frankfurt/Main, p. 23.

<sup>82</sup> Hulme, David and Edwards, Michael (1997), p. 9.

<sup>83</sup> “Alibifunktion“, Lenzen, Marcus (2001), p. 22.; see also Obrovsky, Michael (2006), p. 262.

<sup>84</sup> See Lewis, David (2000), p. 66.

<sup>85</sup> See Nuscheler, Franz (2004), p. 557.

<sup>86</sup> Antrobus, Peggy (1987) ‘Funding for NGOs: Issues and Options’, in: *World Development*, Vol. 15, Supplement, p. 96.



interests and to pursue their own goals of development policy or even broader policy objectives.

## 4.2. Critical Distance

In 1987, Hellinger was certainly justified in urging NGOs to “take advantage of the current openness of donors”<sup>87</sup> as growing interest in NGOs and increasing official funding created new opportunities to scale up operations. However, the impressive embrace by public donors also requires NGOs to choose a convenient position between cooperation with and distance from official donors. It can be argued that it is crucial for non-governmental organizations to keep a *critical distance* from their governments. Since this critical distance may be defined as a clear differentiation from state entities or from public donors, it counts as a core value of NGOs.<sup>88</sup> This is most evident when keeping in mind that NGOs critically observe and assess official development cooperation in terms of how ODA is directed, which issues are put on the agenda, which partners are approached, and what programs are being implemented.<sup>89</sup> In contrast to state actors who might be constrained by vested interests or inconsistencies resulting from other policy areas, NGOs have the ability to speak out on unpopular issues. Growing reliance and dependence on increased official funding might lead to a restriction of this ability and water down the willingness of NGOs to critically judge official development action they are now part of.<sup>90</sup> The dilemma of accepting public funding while criticizing the government cannot be easily resolved by NGOs.<sup>91</sup> As an ultimate consequence, NGOs assimilate to state organizations and give up their “freedom to identify projects based on local input and general independence of action”<sup>92</sup>. In other words NGOs might behave opportunistically in order to fulfill the ideological or political expectation of donor organizations. They are willing to accept a loss or at least reduction of independence in order to attract external funding and seem to fully give in to an African proverb saying that “if you have your hand in another man’s pocket you must move when he moves”<sup>93</sup>. Similarly, other authors point out that NGOs currently face the challenge of being co-opted by the new orthodoxy of public donors. This new orthodoxy is based on the imperatives of “linear, planned, mainstream

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<sup>87</sup> Hellinger, Doug (1987) ‘NGOs and Large Aid Donors: Changing the Terms of Engagement’, in: *World Development*, Vol. 15, supplement, p. 135.

<sup>88</sup> See Lindau, Joachim (2005) ‘Selbst bestimmt oder Auftragnehmer? Die Rolle der Nord-NRO in der europäischen Entwicklungspolitik’, in: *VENRO-Arbeitspapier* No. 16, p. 3.

<sup>89</sup> It is important to note that a redirection of ODA demanded by NGOs does not automatically result in a *better* development but also serves (vested) interests of the NGO community.

<sup>90</sup> See Edwards, Michael and Hulme, David (2002) *NGO Performance and Accountability: Introduction and Overview*, in: Edwards, Michael and Fowler, Alan (eds.) (2002) *The Earthscan Reader on NGO Management*, London, p. 191.

<sup>91</sup> See Nuscheler, Franz (2004), p. 565.

<sup>92</sup> Hellinger, Doug (1987), p. 136.

<sup>93</sup> Green, Andrew and Mathias, Ann (1997) *Non-Governmental Organizations and Health in Developing Countries*, New York, p. 132.

projects”<sup>94</sup> instead of independent NGOs basing their actions on long-term programs and strategies.<sup>95</sup> Thus, the proximity to the state does not only endanger the ability of NGOs to critically appraise official development cooperation but it also affects the project implementation of NGOs through the necessary compliance with control mechanisms in terms of reporting or budgetary requirements.<sup>96</sup> If these external demands dominate the implementation of a project it is also challenging for NGOs to create local ownership which is essential for the successful intervention.<sup>97</sup> As a consequence, NGOs move too close to their donors.

Keeping a critical distance seems to be pivotal for NGOs in order to maintain a high degree of independence and keep their added value based on the discourse about and reflection of developmental processes (*voice function*).<sup>98</sup> However, an assessment of Canadian development NGOs metaphorically illustrates the dilemma of NGOs by stating that “when CIDA (Canadian International Development Agency) sneezed, Canadian NGOs reach for their Vitamin C”<sup>99</sup>. Hence, abandoning the critical distance to attract more official funding dramatically increases the dependence of NGOs on development paradigms and funding strategies of public donors. Nonetheless, it is to be kept in mind that an increased availability of official funding may extend effective operations of NGOs. Being close to donors also offers opportunities to influence official approaches and concepts.<sup>100</sup>

### 4.3. Goal Deflection

In a report of 2000, the OECD stated that NGOs become “donor driven” and resource-led organizations the more they rely on official contributions.<sup>101</sup> To put it rather bluntly, this implies that NGOs find themselves in a position where they might be forced to simply “go where the money is [or] dress projects”<sup>102</sup> accordingly. More appropriately, Lewis labels this phenomenon as “goal deflection”<sup>103</sup>. It refers to NGOs which adjust their programming at the expense of their objectives in order to respond to (mainly external) pressure. More precisely, dependency on official funding could force NGOs to neglect the demand side perspective linked to the beneficiaries and pay increased attention to the supply side perspective with orientation towards the priorities of donors. Of course, this point has to be qualified if both perspectives correspond but a common concern is that NGOs change their priorities or even take over the objectives of their

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<sup>94</sup> Lewis, David (2000), p. 66.

<sup>95</sup> See Edwards, Michael and Fowler, Alan (2002), p. 189.

<sup>96</sup> See Kamps, Ortrud (2000), pp. 194-199.

<sup>97</sup> See Lewis, David (2000), p. 65.

<sup>98</sup> See Obrovsky, Michael (2006), p. 268.

<sup>99</sup> Smillie quoted by Edwards, Michael and Hulme, David (2002), p. 187.

<sup>100</sup> See Hulme, David and Edwards, Michael (1997), p. 10.

<sup>101</sup> See Woods, Adèle (2000), p. 15.

<sup>102</sup> Antrobus, Peggy (1987), p. 98.

<sup>103</sup> Lewis, David (2000), p. 156.

donors in order to attract increased public funding.<sup>104</sup> This could mean that empowerment-centered activities, whose attractiveness has ironically been one reason for public donors to turn to NGOs, might be reduced by some NGOs in order to extent simple service provision as this attracts more official funding.<sup>105</sup> For example, the large and popular NGO BRAC in Bangladesh has retreated from ‘conscientization’ as well as loudly addressing injustice and poverty. Instead, BRAC has been focusing on ‘service delivery’ at larger scale according to Fowler (2002).<sup>106</sup> In other words, BRAC seems to have dismissed some of its more activist approaches promoting social change. Although service delivery certainly corresponds with the urgent needs of the marginalized parts of the populations, it remains questionable whether the underlying causes of developmental problems are sufficiently taken into consideration. Still, it is important to note that it would be flawed to say that service delivery and conscientization are mutually exclusive, as BRAC has also been blamed by religious fundamentalist for “successfully” empowering women.<sup>107</sup> Nonetheless, the point is that public donors can influence the priorities of an NGO or more sharply “he who pays the piper calls the tune”<sup>108</sup>. Thus, it is not only the thematic priorities that are likely to be affected but also the performance of NGOs can be compromised if public donors rely on NGOs mainly for service delivery and less on advocacy or institutional development.<sup>109</sup>

Goal deflection also refers to the assumption that NGOs gradually more relying on official funding are increasingly dependent upon “donor fads and fashions”<sup>110</sup>. If a donor decides to change its priority for example from agriculture to education it might be challenging for those NGOs focusing on agriculture to maintain their organizational scale if other funding sources are meager or unavailable. Hence, by taking official funding permanently for granted, NGOs become vulnerable to a withdrawal of such a source of revenue. This could be considered to be even more deteriorating for an NGO than opportunistically taking on functions that are likely to be externally funded although they are not directly part of the mission of that NGO.<sup>111</sup> A suitable example for this observation can be found when looking at the duration and the approach of officially funded activities. Although it is not out of mere opportunism but often out of the necessity to gain resources, NGOs tend to neglect or even sacrifice long term programs for projects with quick progress and observable short-term effects. Hence,

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<sup>104</sup> See Antrobus, Peggy (1987), p. 97.

<sup>105</sup> See Edwards, Michael and Hulme, David (2002), p. 192

<sup>106</sup> See Fowler, Alan (2002), p. 191.

<sup>107</sup> Ibid., p. 191.

<sup>108</sup> Hulme, David and Edwards, Michael (1997), p. 8.

<sup>109</sup> See Edwards, Michael and Hulme, David (1996), p. 962; see Fowler, Alan (2002), p. 189.

<sup>110</sup> Lewis, David (2000), p. 156.

<sup>111</sup> See Nielson, Paul J. (1995) *The World Bank and Non-Governmental Organizations. The limits of Apolitical Development*, Macmillan Press Ltd., New York, p. 50; see Edwards, Michael and Hulme, David (1996), p. 966.

NGOs run the risk “to sustain themselves at the expense of communities”<sup>112</sup>. Similarly, NGOs increasingly focus on short term humanitarian emergency work which is popular among public donors as it produces relative quick and visible (including especially telegenic) results and ensures domestic support for development cooperation.<sup>113</sup>

These last assumptions lead to another central peak when reviewing the critique on official funding – a distortion or shift of *accountability*. Accountability is abstractly defined as “means by which individuals and organizations report to a recognized authority and are held responsible for their actions”<sup>114</sup>. We can distinguish between *upward* accountability (to donors and governments) and *downward* accountability (to beneficiaries, partners, staff and supporters). While upward accountability takes place in terms of evaluations, audits and reports, a comparable downward accountability to beneficiaries is formally difficult to achieve.<sup>115</sup> Without discussing the pre-existing weaknesses in this downward accountability, NGOs are nonetheless expected to be close to marginalized groups and remarkably responsive to local needs. However, there is some considerable concern that increased official funding induces a switching from downward accountability to upward accountability or in other words accountability “may shift towards foreign governments and northern NGOs, and away from local people and local structures”<sup>116</sup>. Reasons for this “shift from community-based to donor-initiated activities”<sup>117</sup> can be found in projects with overemphasis on short term goals, standardized indicators as well as weak or mismatching evaluation procedures, rigid reporting requirements and strict accounting schemes. Commins (1997) asks the interesting question whether the “relational or partnership accountability with southern partners carry as much weight as legal and financial requirements of donors”<sup>118</sup>. This illustrates the basic accountability problem which NGOs very often have to face. They are required to overcome or at least address this trade-off between upward and downward accountability as efforts to ensure one form of accountability might result in constraints for the other form of accountability. A goal deflection can be identified insofar as NGOs are forced to worry more about spending money properly as well as how inputs and outputs are related at the project level than focusing on questions of organizational learning, information sharing with beneficiaries, and where NGOs fit in relation to society and politics.<sup>119</sup>

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<sup>112</sup> Kamps, Ortrud (2000), p. 200.

<sup>113</sup> See Lewis, David (2000), p. 156.

<sup>114</sup> Edwards, Michael and Hulme, David (1996), p. 967.

<sup>115</sup> See Edwards, Michael and Hulme, David (2002), p. 193.

<sup>116</sup> See Lewis, David (2000), p. 79.

<sup>117</sup> Nielson, Paul J. (1995), p. 49.

<sup>118</sup> Commins, Michael (1997) ‘World Vision International and Donors: Too Close for Comfort?’, in: Hulme, David and Edwards, Michael (1997) *NGOs, States and Donors. Too Close for Comfort?*, Basingstoke, p. 142.

<sup>119</sup> See Fowler, Alan (2002), p. 196.

Apart from a perceived shift of accountability the internal structure of an NGO is also challenged by trade-offs induced by the increased availability of official funding. Controversies about how to allocate additional financial resources are likely to occur within an organization. On the one hand fund raisers of an NGO might intend to gain the greatest donor attraction and avoid alienating donor agencies. On the other hand the local staff in the field may stress the importance for radical advocacy and actual tackling of structural problems. Moreover, interventions have to be as accurate and productive as possible, but they can also be seen as a primary means to maximize public attention and donations. Again, it would be ideal if both perspectives were in line but it is important to determine whether increased official funding could aggravate the described trade-offs. For example, pictures of emaciated children might foster public support as well as sympathy and result in increased public funding. However, reasons for underdevelopment and poverty are simplified or remain opaque to the general public.<sup>120</sup> As an ultimate consequence, popularity of NGO activities might quickly increase on the short run while long term awareness is unlikely to be created. Additionally, NGOs are primarily perceived by the public as actors in humanitarian relief work and emergency aid.<sup>121</sup> Certainly, it can be argued that such fund raising activities result in increased opportunities of NGOs to take certain actions. But if an NGO aims also at creating a reasonable degree of awareness for developmental problems in the general public, it has to be asked whether such a PR-strategy undermines other priorities of an organization.<sup>122</sup> Although the line of reasoning in this example appears slightly idealistic at a first glance, it is important for NGOs to bear in mind these strategic considerations. As a consequence of dismissing these kind of debates about potential trade-offs and primarily concentrating on attracting official funding, NGOs might become well resourced service providers instead of focusing on very important but often poorly funded social mobilization policies.<sup>123</sup> Apart from this somewhat idealistic qualification, it also has to be recognized that tough competition for public funding (and donations) also constrains or challenges NGOs at a more practical level.

In brief, NGOs are mainly forced and to a certain degree ready to partly dismiss organizational objectives and adjust their programming in order to receive public funding through successful fund raising activities which are not considered to be an end in itself. This behavior is linked to some troubling developments such as increased emphasis on service delivery, dependency on short-term funding patterns, distortion of

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<sup>120</sup> It is crucial to bear in mind that causes for development are very complex and also controversial. Thus, it is already difficult to make developmental questions easily accessible to the general public. It is even more difficult to address structural questions of underdevelopment and poverty within fund raising activities. Messages that are likely to attract funding need to be *catchy* and somewhat superficial instead of elaborative or profound.

<sup>121</sup> See Obrovsky, Michael (2006), Wien, p. 257.

<sup>122</sup> See Green, Andrew and Mathias, Ann (1997) *Non-Governmental Organizations and Health in Developing Countries*, New York, p. 150.

<sup>123</sup> See Hulme, David and Edwards, Michael (1997), p. 280.

accountability and increased internal pressure. Goal deflection reveals some serious concerns despite existing opportunities for positive interactions.<sup>124</sup>

As a consequence of these observations, some authors raise some fundamental uneasiness about official funding which is now briefly presented. In contrast to the reviewed critique above the following concerns do not prove to be very applicable when analyzing EU Co-Financing because the consequential a priori assumption about public funding would be quite simple: *just don't*. Without going too much into detail of the case studies yet, such a fundamental rejection could not be identified as a realistic option preferred by the European as well as local NGOs with respect to EU Co-Financing. However, Antrobus (1987) for example points out that the independence of an NGO is directly linked to a very critical stance about dominant development paradigms and the mainstream thinking of public donors. Acquiring official funding would not only hamper the credibility of an NGO but her analysis consists of a further step: she demonstrates that it is controversial and maybe even cynical that NGOs continue depending on the structures and institutions that are responsible for under-development.<sup>125</sup> In a similar way Hulme and Edwards warn that increased official funding of NGOs also embodies the danger of forcing other societies to comply with foreign models of development. As part of a western development paradigm public funding runs the risk of fostering external interests instead of actually contributing to poverty alleviation and sustainable development.<sup>126</sup>

#### 4.4. Selectivity

After it has been analyzed how official funding challenges priorities and objectives of NGOs this section turns directly to public donors defined as multilateral development institutions, state and local governments, or their executive agencies.<sup>127</sup> It asks what kind of NGOs are likely to be eligible to official funding. The main critique here is that donors take rather selective decisions and overburden NGOs with bureaucratic demands.

The selectivity of public donors is biased towards larger NGOs as an example of 45 international NGOs based in the United Kingdom illustrates. This comprehensive study underlines that significant part of public funding is directed to largest NGOs. One third of this group (consisting of 15 large NGOs such as Christian Aid, World Vision UK or Save the Children Fund with an accumulated income of 440.9 million £) receives significant official funding, which constitutes over 28 % of their budgets. The budgets of the other two thirds (with accumulated incomes of 41.4 million £ and 9.8 million £

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<sup>124</sup> Ibid, p. 276.

<sup>125</sup> See Antrobus, Peggy (1987), p. 99.

<sup>126</sup> Hulme, David and Edwards, Michael (1997), p. 278.

<sup>127</sup> See OECD (2007) *DAC Statistical Reporting Directive*, Paris, p. 12.

respectively) only consist of about 13 % and 5 % respectively of official funding.<sup>128</sup> Thus, there are two significant relationships between the size of an NGO and the readiness of a public donor to provide financial support: Not only a larger share of public funding goes to big (international) NGOs but also a comparatively larger part of their budgets consists of official funding.

The consequence of selectivity with preference for professionalized NGOs is that the bureaucratic demands of international donors can hardly be met by NGOs with local, indigenous and informal structures.<sup>129</sup> Also, the relatively large amounts of official funding require structures which are able to deal with large amounts of money. This usually involves systems “for speedy and often hierarchical decision-making”<sup>130</sup>. Other contractual demands consist of challenging application procedures, grant proposals (usually in English), budget requirements for financial accountability, new management methods, and concise project reports with information about achievements.<sup>131</sup> For example, a very common management tool for project planning and progress monitoring is LogFrame, which is frequently perceived by NGOs with the concern of feeling “managed and supervised”<sup>132</sup>. Additionally, Lewis warns that the new administrative demands with focus on visible outputs instead of long-term commitments constrain organizational learning and effectiveness of NGOs based on their flexibility, independence and low bureaucratic costs.<sup>133</sup> However, NGOs interested in official funding are required to fulfill these administrative demands by scaling up bureaucratization.<sup>134</sup> This very often exceeds the capacities of smaller NGOs and it is usually the larger NGOs which can successfully pass the application procedure to gain financial support.<sup>135</sup> Fowler labels this challenge as the “bureaucratic threshold”<sup>136</sup> which can only be successfully faced by NGOs being able or willing to increase their staff and develop certain professional competences (e.g. in accountancy or writing proposals).

Another effect of the proposed selectivity of public donors is an increasing competition among NGOs which again encourages donors to further formalize the selection

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<sup>128</sup> See Green, Andrew and Mathias, Ann (1997), pp. 136-141.

<sup>129</sup> See Lenzen, Marcus (2001), p. 18.

<sup>130</sup> Fowler, Alan (2002), p. 191.

<sup>131</sup> See Carothers, Thomas and Ottaway, Marina (2000), p. 13; see Fowler, Alan (2000), p. 293; see Fowler, Alan (2002), p. 191.

<sup>132</sup> Simbi, Margaret and Thom Grahan (2000) “Implementation by Proxy”: The Next Step in Power Relationships between Northern and Southern NGOs?, in: Lewis, David and Wallace, Tina (2000) *New Rules and Relevance. Development NGOs and the Challenge of Change*, Bloomfield, Connecticut, p. 222.

<sup>133</sup> See World Bank (1989), p. 189; See Lewis, David (2000), p. 65.

<sup>134</sup> See Kuhn, Berthold (2005b), p. 363.

<sup>135</sup> See Debiel, Tobias and Sticht, Monika (2005) ‘Entwicklungspolitik, Katastrophenhilfe, und Konfliktberatung. NGOs zwischen neuen Herausforderungen und schwieriger Profilsuche’, in: Brunnengräber, Achim and Klein, Ansgar and Walk, Heike (2005) *NGOs im Prozess der Globalisierung. Mächtige Zwerge – umstrittene Riesen*. Bonn, p. 130.

<sup>136</sup> Fowler, Alan (2002), p. 369.

processes in order to ensure a high level of transparency.<sup>137</sup> This competition for official funding forces NGOs to dismiss solidarity among them and to work against each other although they pursue similar goals. For example, the German Red Cross did not participate in a common activity of German NGOs to acquire donations for Africa during Christmas time in 2003, but tried to individually attract donors through excessive pictures of violence and death in developing countries.<sup>138</sup>

Although selectivity seems to be a problem of official funding, this critique also has to be qualified. It is important to elaborate on what donors have to take into account. Obviously, they do not randomly distribute money among some NGOs but are also required to justify at home their decisions about particular funding activities. Therefore, it seems reasonable for them to gather detailed knowledge about potential partners and closely monitor where their money goes, for what it is spent and what impact it has on the development of a partner country.<sup>139</sup> Similarly, seemingly rigid formats for physical and financial reports as well as new management tools do not necessarily aim at framing a project or negatively impacting on the NGO but can be regarded as a systemic result of a public donor's need to acquire information "in a form of measuring results and demonstrating success over short budget cycles"<sup>140</sup>. Additionally, these *lessons learnt* serve as a valuable source of information for future interventions. Donors are further challenged by a rather crucial point: Supposing an NGO is funded because of certain comparative advantages. Public funding of that NGO is not supposed to change the nature of an NGO in the process but to efficiently make use and preserve the comparative advantages.<sup>141</sup> Another implication of selectivity is that while larger NGOs seem to be the preferred partners of public donors, their leverage to articulate demands and influence the agendas as well as approaches of public donors is also larger than the one of smaller NGOs. Thus, official funding provides leeway for larger NGOs to also impact on public donors.

In sum, selectivity based on the size and capabilities of NGOs as well as the compliance with bureaucratic demands renders official funding somewhat conditional.<sup>142</sup> Smaller NGOs are left behind and the organizational setup of NGOs is challenged by increased official funding. The next section analyzes the critique of the relationship between public donors and NGOs.

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<sup>137</sup> See Kuhn, Berthold (2005b), p. 174.

<sup>138</sup> See Nuscheler, Franz (2004), p. 560.

<sup>139</sup> See Bebbington, Anthony and Riddell, Roger (1997) 'Heavy Hand, Hidden Hands, Holding Hands? Donors, Intermediary NGOs and Civil Society Organizations', in: Hulme, David and Edwards, Michael (1997) *NGOs, States and Donors. Too Close for Comfort?*, Basingstoke, p. 118.

<sup>140</sup> See Ebrahim, Alnoor (2005) *NGOs and Organizational Change, Discourse, Reporting and Learning*, Cambridge, p. 102.

<sup>141</sup> See Green, Andrew and Mathias, Ann (1997), p. 131.

<sup>142</sup> See Woods, Adèle (2000), p. 16.



#### 4.5. Dependent Partnership<sup>143</sup>

In general terms, partnership can be understood as “an agreed relationship based on a set of links between two or more agencies within a development project, usually involving a division of roles and responsibilities, a sharing of risks, and the pursuit of joint objectives”<sup>144</sup>. However, this functional definition of partnership does not address the quality of a partnership which determines the *active* or *dependent* nature of a partnership. An active partnership is based on what is called “continual dialogue” or “creative conflict”<sup>145</sup>. This implies that the interaction between the NGO and the public donor consists of continuing negotiation and certain openness to adjustments. Although roles and broad objectives are agreed upon, the relationship is not static but perceived as a process involving mutual learning, exchange of information as well as a reasonable level of trust and respect. The donor is expected to be “interested in being supportive”<sup>146</sup> and to not overburden the partner NGO with strong application and reporting requirements. In contrast to that, the actual interaction between NGOs and public donors is often described as a dependent relationship with “resource-based origins”<sup>147</sup>. Public donors are criticized for not sufficiently taking into account the comparative advantages of NGOs when it comes to fixing contractual terms.<sup>148</sup> As an ultimate consequence, Green and Mathias (1997) identify an unconscious or even deliberate “destructive impact”<sup>149</sup> of public donors on NGOs, although some caution is certainly required to determine whether this can be generalized.

Reasons for this “inevitable power imbalance between provider and purchaser”<sup>150</sup> or asymmetrical interdependence have already been explained by the application of the resource-dependence perspective in the previous chapter. Particularly, single counterpart arrangements can increase the dependence on one donor especially when taking into consideration that major donors or large scale government programs are by far simply too massive and easily outweigh the capacity of an NGO.<sup>151</sup> Thus, apart from “insufficient financial resources”<sup>152</sup> a lack or overestimation of management capacities together with the fear of becoming an inefficient or conventional bureaucracy contributes to internal problems of NGOs. Instead of establishing an active partnership, an unequal or dependent one perceived as a “child-parent relationship”<sup>153</sup> potentially

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<sup>143</sup> Lewis, David (2000), p. 75.

<sup>144</sup> Lewis, David (2000), p. 75.

<sup>145</sup> Edwards, Michael and Hulme, David (1996), p. 969.

<sup>146</sup> Antrobus, Peggy (1987), p. 98.

<sup>147</sup> See Lewis, David (2000), p. 159.

<sup>148</sup> „Trend von der Solidaritäts- zur Vertragskultur“, see Kuhn, Berthold (2005b), p. 172.

<sup>149</sup> Antrobus, Peggy (1987), p. 98.

<sup>150</sup> See Green, Andrew and Mathias, Ann (1997), p. 132.

<sup>151</sup> See Hellinger, Doug (1987), p. 137.

<sup>152</sup> Kamps, Ortrud (2000), p. 179.

<sup>153</sup> Simbi, Margaret and Thom Grahon (2000), p. 222.

epitomizes the inherent danger of instrumentalization of NGOs for donor interests.<sup>154</sup> While a worst case scenario would be NGOs implementing external agendas, it is already troubling that official funding is not necessarily aiming at strengthening NGOs as part of a vibrant society but is primarily about delivering aid.<sup>155</sup> Hence, the critique on the relationship between public donors and NGOs stresses that the partnership is not explicitly built around the creative value-driven NGO ideal but NGOs are frequently regarded as public service contractors.<sup>156</sup> Consequently, a rather radical strand of reasoning even regards “NGOs simply as the servants of foreign capital serving their interests in the Third World”<sup>157</sup> or an “implementer of the policy agendas of northern governments”<sup>158</sup>.

The critique on official funding reviewed in the sections above is more reasonably summarized by Kuhn (2005a). He introduces the hypothesis of “dilettantish functionalization”<sup>159</sup> of NGOs by public donors. Although public donors consider substantial support of NGOs to be a contribution to economic efficiency and political plurality, they do not sufficiently reflect the comparative advantages of NGOs. Instead of building an active relationship with NGOs, that is conveniently based on the *functions* of NGOs, public donors involuntarily or purposely treats NGOs rather *dilettantish*. Dependent and selective partnerships are created which deflect the objectives of NGOs and distort the critical distance of NGOs to state actors. The supposed *added value* of NGOs is constrained by an increasing focus on service delivery, organizational scaling up, and professionalization resulting from the growing dependency on official funding.<sup>160</sup> Since this review on the overall critique of official funding has been partly rigorous and relatively general it is now important to determine if it does hold in the case of EU Co-Financing. This review serves as a starting point for turning to the analysis of the relationship between NGOs and the European Union.

## 5. NGOs and the Development Cooperation of the EU

This chapter illustrates the interdependence of NGOs and the European Union in development. Firstly, it presents the objectives, guiding principles and financial structure of the European development cooperation in order to better understand the role of NGOs within this system as subsequently discussed. The two final sections deal with the developments and the procedure of EU Co-Financing.<sup>161</sup>

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<sup>154</sup> See Bebbington, Anthony and Riddell, Roger (1997), p. 125; see Green, Andrew and Mathias, Ann (1997), p. 132.

<sup>155</sup> See *ibid.*, p. 125.

<sup>156</sup> See Lewis, David (2000), p. 69.

<sup>157</sup> See *ibid.*, p. 79.

<sup>158</sup> Edwards, Michael and Hulme, David (1996), p. 970.

<sup>159</sup> “Dilettantische Funktionalisierung“, Kuhn, Berthold (2005a) ‘Innovationspotentiale, Handlungsmuster und Orientierungsdilemmata von NGDOs’, in: *Forschungsjournal Neue Soziale Bewegungen*, 18 (1), pp. 67.

<sup>160</sup> See Kuhn, Berthold (2005b), p. 359.

<sup>161</sup> A summary of the coordination of EU Development Cooperation can be found in Annex 9.

## 5.1. Objectives and main elements

The EU regards its development cooperation as Europe's effort to promote a European identity within its relationship with the developing world, to improve the living standards, to support political stability, and to foster social progress in developing countries<sup>162</sup>. The Community intensified its activities in development cooperation after the Yaoundé Conventions (1969) and successive Lomé Conventions I to IV (1975-2000) with the ACP (Africa, Caribbean and Pacific) countries. It took until 1992 when a primary legal basis was formed by the Consolidated Version of the Treaty Establishing the European Community in Maastricht (Articles 177 to 181 EC Treaty)<sup>163</sup>. The objectives enshrined in Article 177 EC Treaty include

- *the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them,*
- *the smooth and gradual integration of the developing countries into the world economy,*
- *the campaign against poverty in the developing countries.*

The Maastricht Treaty further introduced three guiding principles of EU development cooperation. Article 177 EC Treaty stresses that development cooperation of the Community is to be *complementary* to those of the Member States. Apart from *complementarity*, Article 180 EC Treaty requires the EU and its Member States to *coordinate* their policies on development cooperation in order to enhance the overall efficiency and avoid any contradictions between the different aid programs. As a third principle *coherence* or *consistency* is referred to in Article 178 EC Treaty, whereby the objectives of development cooperation are also to be reflected in other policy areas that are likely to affect developing countries. Additionally, Article 3 Treaty on European Union urges the Union to ensure “consistency of its external activities as a whole in the areas of its external relations, security, economic and development policies”.<sup>164</sup> Besides these pieces of primary legislation the development cooperation is based on the *European Consensus on Development* which tries to elaborate on the “EU Vision of Development” as well as the policy guidelines for the corresponding development cooperation.<sup>165</sup> The first part explains that the EU is committed to the UN Millennium Development Goals with a primary focus on *poverty reduction*. Furthermore, common principles are *ownership, partnership, in-depth political dialogue, gender equality,*

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<sup>162</sup> See Furtak, Florian T. (2005) Nichtregierungsorganisationen (NGOs) im politischen System der Europäischen Union. Strukturen, Beteiligungsmöglichkeiten, Einfluss, 2<sup>nd</sup> edition, Munich, p. 129.

<sup>163</sup> For the legal references in this section see European Union (2006), *Consolidated Versions of the Treaty on European Union and of the Treaty Establishing the European Community*.

<sup>164</sup> See Furtak, Florian T. (2005), pp. 129-136.

<sup>165</sup> See European Commission (2006a), *The European Consensus on Development*, DE129, June 2006, Brussels, pt. I pp. 2-8, pt. II, pp. 8-19.

*engagement towards preventing state fragility and the participation of civil society.*<sup>166</sup>

The consensus picks up the rationale of an earlier communication by the Commission on aid effectiveness<sup>167</sup> in order to deliver “more and better aid” basically through an increasing ODA, budget support and debt relief.<sup>168</sup> Moreover, the document “Policy Coherence for Development” underlines the importance to take into consideration the objectives of development cooperation while implementing other policies that are likely to affect developing countries.<sup>169</sup> As stated above, the second part of the Consensus frames the Community Development Policy. It defines the Community role in terms of its comparative advantages which is among seven others “putting into effect the principle of participation of civil society”<sup>170</sup> and it stresses the importance of responding to the needs of partner countries. The Consensus identifies nine areas of action which actually correspond with common areas of development cooperation and four crosscutting issues covering good governance, gender equality, environmental sustainability, and fight against HIV/Aids.<sup>171</sup>

## 5.2. Financial structure of EU Aid

According to the recent statistics of the Development Assistance Committee (DAC) of the OECD the overall ODA of the EU represented 60 % of all DAC ODA in 2007. This sum of USD 62.1 billion consists of the ODA by the fifteen members to the DAC that are also members of the EU and the ODA disbursed by the European Commission.<sup>172</sup> The EU can be considered as the largest donor in total figures with the European Commission at the center of its development cooperation. In 2007, the ODA by the European Commission reached USD 11.8 billion compared to USD 10.2 billion in 2006 and USD 9.4 billion in 2005. In other words, the Commission directly administrates about one sixth of the EU ODA, which makes it the largest multilateral donor of ODA.<sup>173</sup>

Strictly speaking, the Official Development Assistance of the EU is derived from two main sources of revenue. First, the European Development Fund (EDF) exists as a multi-annual fund outside the EU budget consisting of voluntary contributions by the different Member States. The EDF is mainly used to implement the Cotonou Agreement signed in 2000 and renewed in 2005, which replaced the Lomé

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<sup>166</sup> See *ibid.*, p. 4; see also European Commission (2006b) *Annual Report on the European Community's Development Policy and the Implementation of External Assistance in 2005*, EuropeAid Cooperation Office, Brussels, p. 106.

<sup>167</sup> See European Commission (2006c) *EU Aid: Delivering more, better and faster*, Communication from the Commission, COM (2006) 87 final, Brussels.

<sup>168</sup> See Oldenbruch, Günther and Knocks, Stefanie (2008) *Die Entwicklungszusammenarbeit der Europäischen Kommission*, SID Chapter Bonn, pp. 22-24.

<sup>169</sup> See *ibid.*, pp. 19-20.

<sup>170</sup> See European Commission (2006a), p. 9.

<sup>171</sup> See Oldenbruch, Günther and Knocks, Stefanie (2008), p. 25.

<sup>172</sup> DAC EU countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and United Kingdom.

<sup>173</sup> See OECD (2008) *Debt Relief is down: Other ODA rises slightly*, Paris, URL: [http://www.oecd.org/document/8/0,3343,en\\_2649\\_201185\\_40381960\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/8/0,3343,en_2649_201185_40381960_1_1_1_1,00.html). [Accessed: 02-20-08]

Conventions and regulates the relations with the ACP Countries. Second, the Community budget contributes to development cooperation through complementary budget lines with a focus on humanitarian aid, specific regional (e.g. *ALA* or *TACIS*)<sup>174</sup> or thematic (e.g., *Environment and Tropical Forests* as well as *NGO Co-Financing* budget lines) programs.<sup>175</sup> Thus, the *common* European Union development policy consists of the EDF with contributions of national budgets and expenditure from the EU budget which also provides the relevant budget line for EU Co-Financing of NGOs.

### 5.3. NGOs and the Development Cooperation of the EU<sup>176</sup>

A first premise about the interdependence of NGOs and the EU can be found in the European Union Whitepaper on European Governance: “Non governmental organizations play an important role in development policy”<sup>177</sup>. This section looks closer at the relationship between NGOs and EU.

As policy proposals are prepared by the Commission it is especially the dialogue between the Directorate General Development and individual NGOs or more probably the Confederation for Coordination of Relief and Development NGOs (CONCORD) that addresses either “big” issues of EU development cooperation (e.g. commitment to MDGs) at the macro-level, developmental challenges of particular policy fields or regions (Meso-level dialogue), or concrete project proposals very frequently linked to EU Co-Financing at the micro level.<sup>178</sup> NGOs active in the area of emergency and distress relief engage in long term cooperation with the European Community Humanitarian Office (ECHO) in terms of Framework Partnership Agreements (FPAs) based on “an in-depth analysis of their mandate and their impartiality in the allocation of aid, their operational, administrative and financial capacities as well as their specialization and experience in the field of humanitarian emergencies”<sup>179</sup>. Although the installation of ECHO centralized the responsibility for financial and operational questions of humanitarian aid in 1992, it also hinders the continuum between emergency aid and development cooperation. This proved to be disadvantageous for those NGOs not exclusively focusing on either humanitarian aid or on immediate

<sup>174</sup> Asia and Latin America (ALA), Technical Assistance for the Commonwealth of Independent States (TACIS).

<sup>175</sup> OECD (2007) *European Community, Development Assistance Committee Peer Review*, Paris, URL: <http://www.oecd.org/dataoecd/57/6/38965119.pdf>. [Accessed: 07-20-07], p. 37-40.

<sup>176</sup> “The EU supports the broad participation of all stakeholders in countries' development and encourages all parts of society to take part. Civil society, including economic and social partners such as trade unions, employers' organisations and the private sector, NGOs and other non-state actors of partner countries in particular play a vital role as promoters of democracy, social justice and human rights. The EU will enhance its support for building capacity of non-state actors in order to strengthen their voice in the development process and to advance political, social and economic dialogue. The important role of European civil society will be recognised as well; to that end, the EU will pay particular attention to development education and raising awareness among EU citizen.” Source: European Commission (2006a), *The European Consensus on Development*, DE129, June 2006, Brussels, p. C 46/4.

<sup>177</sup> European Commission (2001b) *European Governance, A Whitepaper*, COM (2001) 428 final, Brussels, p. 14.

<sup>178</sup> See Furtak, Florian T. (2005), pp. 151-154.

<sup>179</sup> European Commission (2002a) *Participation of Non-State Actors in EC Development Policy*, COM (2002) 598 final, Brussels, p. 7.

rehabilitation measures. Thus, the long term efficiency of emergency aid is constrained since ECHO does not support NGOs that intend to implement important development measures subsequent to emergency aid.<sup>180</sup>

The European Parliament has increasingly attracted the attention of NGOs due to its growing competences such as the introduction of the co-decision procedures in the development policy of the Community. The study by Furtak (2005) reveals that NGOs consider MEPs to be rather responsive to the concerns of civil society. An intense dialogue between parliamentarians and NGO representatives usually takes place in the Parliamentary Committee on Development. Furthermore, NGOs undertake some lobbying in the sphere of the Comité des Représentants Permanents (COREPER) although it is not too promising as most decisions are predetermined by the corresponding governments. Instead, NGOs tend to focus on the national level or more often on the Council Presidency by preparing campaigns to influence the developmental agenda of a particular presidency.<sup>181</sup>

In short, NGOs interact with several European institutions and agencies at various levels. This research is located at the micro level as it deals with NGOs whose activities are co-financed by the European Union. These NGOs usually interact with the Commission or EuropeAid respectively and the corresponding EC delegation in the country of activity. The following section provides further insights into how this particular procedure has evolved and works.

#### **5.4. EU Co-Financing: Figures and developments since 1976**

EU Co-Financing with NGOs was launched in 1976 with a comparably moderate amount of € 2.5 million derived from the Community budget. In general terms, NGOs have the opportunity to gain EU funding by proposing a project or a program for EU Co-Financing to the Commission who then assesses the proposal and the NGOs involved for its eligibility. If certain criteria are fulfilled up to 75 % of the costs of the project can be co-financed by the EU.<sup>182</sup> In the 1995 report “Partners in Development. The European Union and NGOs” the Commission justified the cooperation on the ground of four general reasons. First, EU Co-Financing was supposed to underline the solidarity of the European public with the developing world. Second, by providing financial support to NGOs, the EU expected to be better able to directly respond to the necessities and demands of marginalized groups in developing countries. Third, NGOs were considered as the only actors that could implement development projects and programs in countries where official cooperation was politically difficult or impossible.

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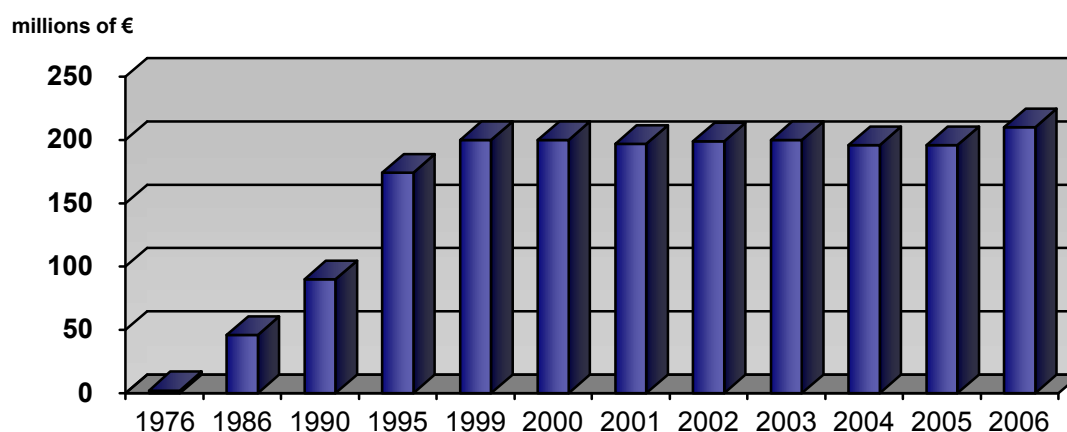
<sup>180</sup> See Furtak, Florian T. (2005), p. 157.

<sup>181</sup> See *ibid.*, p. 161.

<sup>182</sup> See European Commission (2000a) General Conditions for the Co-Financing of Development Operation undertaken by European NGOs in developing countries (B7-6000), Brussels.

Fourth, the EU recognized that NGOs possess several comparative advantages (see section 4.1) in terms of efficiency, motivation, local expertise and better access to beneficiaries that create some added value to the official development cooperation of the Union. The augmented recognition of NGOs by the EU corresponds with the increase of EU Co-Financing since 1976. Table 2 shows that the corresponding budget line 21 02 03 (ex 7-6000) roughly ranges around an annual amount of € 200 million since 1999. This implies that NGOs are a “dynamic factor of the development cooperation of the European Union”<sup>183</sup>.

**Table 2: Allocations for EU Co-Financing with NGOs<sup>184</sup>**



In 1979, a component for educating and raising awareness of the European public was added to the original intention of the budget line to co-finance projects and programs of NGOs in developing countries. Since then about 90 % of the budget line is allocated for actions in developing countries (*PVD or Pays en voie de Développement*) and 10 % is spent on Development Education (*ED or Éducation au Développement*)<sup>185</sup>. For example, about € 172 million Euros were used to co-finance 270 different programs or projects in 2004 while another € 20 million of the same budget line was given to NGOs creating awareness for development cooperation in Europe.<sup>186</sup>

Similar to the European Initiative for Democracy and Human Rights (EIDHR) or the Environment and Tropical Forests budget line, EU Co-Financing is part of the thematically-oriented aid of the EU while for example the European Development Fund

<sup>183</sup> German Federal Ministry for Economic Cooperation and Development (2007) *Medienhandbuch 2006/2007*, Bonn, p. 166.

<sup>184</sup> Figures based on information by European Commission (2002a), p. 10.; European Commission (2006f) *Cofinancing with European Development NGOs, Actions in Developing Countries (PVD)*, Brussels, p. 6; see Furtak, Florian T. (2005), p. 163.

<sup>185</sup> Even within the English documents the abbreviations *PVD* and *ED* are continuously used despite their French origin.

<sup>186</sup> German Federal Ministry for Economic Cooperation and Development (2007) *Medienhandbuch 2006/2007*, Bonn, p. 166.

or the corresponding financial instruments of the EU-ACP Agreements are regarded as geographically-oriented aid of the EU.<sup>187</sup>

With respect to a legal basis, EU Co-Financing with NGOs contributes to the European Union's commitment to combating poverty and promoting the rule of law as well as adherence to fundamental freedoms enshrined in Article 177 EC Treaty.<sup>188</sup> Additionally, the Commission elaborated on its relationship with NGOs in various documents, one of which is the discussion paper "The Commission and Non-Governmental Organizations: Building a stronger partnership"<sup>189</sup>. This paper intends to consider "measures needed to improve and strengthen the existing relationship between the Commission and the NGOs". It underlines that NGOs have the capability to foster participatory democracy both within the EU and beyond. Moreover, the paper regards NGOs as a valuable support for a democratic system of government and recognizes their specificity, expertise as well as technical capacity to "contribute to the implementation of EC policies" through NGO-led activities funded by the European Union.<sup>190</sup> Although this presupposes an optimistic outlook for the further development of the relationship between NGOs and the Commission, the Association of German development non-governmental organizations (VENRO) points out that the actual relationship has deteriorated especially in the area of development cooperation. For example, within EU Co-Financing the period from the initial call for proposals to the payment of the first installment has become unacceptably long for European NGOs according to VENRO.<sup>191</sup> Thus, it has to be kept in mind that the political declarations by the Commission do not necessarily correspond with the administrative realities on the ground.

A less declaratory but more precise legal basis of EU Co-Financing can be found in the *General Conditions for the Co-Financing of Development Operations undertaken by European NGOs in developing countries (B7-6000)* which entered into force in 1976 and elaborated on the assessment, implementation as well as control of EU Co-Financing procedures. This initial legal basis was complemented by the EP Resolution of May 1992 on *The Role of NGOs in Development Cooperation*, which stressed the specific role of NGOs and their work on behalf of marginal social groups. This has been taken into account by Council Regulation No 1658/98 on *Co-Financing with European*

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<sup>187</sup> See CESO CI – Consultores Internacionais (2004) *Report on activities undertaken by the European Community in support of the African region in the period January 2000 – December 2003 in the implementation of the United Nations Convention to Combat Desertification*, Brussels, p. 10.

<sup>188</sup> See European Commission (2006f), p. 6

<sup>189</sup> Prodi, Romano and Kinnock, Neil (2000) *The Commission and Non-Governmental Organizations: Building a Stronger Partnership*, Commission Discussion Paper, Brussels

<sup>190</sup> See *ibid.*, pp. 3-6.

<sup>191</sup> Schmalbruch, Gerhard (2000) 'Reformstau oder Reformchaos? – Erfahrungen mit der EU-Entwicklungszusammenarbeit der letzten Jahre', in: VENRO (2000) *Die Reform der EU-Entwicklungspolitik, Ausbruch oder Abbruch?*, VENRO Arbeitspapier, No. 9, Bonn, p. 35.



*Non-Governmental Development Organizations (NGOs) in the fields of interest to the developing countries*, which elaborates further on the conditions and eligibility for EU Co-Financing. It remained the legal basis of EU Co-Financing until January 2000 when it was replaced by the newly adjusted *General Conditions for the Co-Financing of Development Operations undertaken by European NGOs in developing countries*.<sup>192</sup> According to the Commission, EU Co-Financing with NGOs is based on four guiding principles: the independence of the NGO concerned is recognized by the EU; the NGO fully enjoys the right of initiative; the EU accepts the plurality and heterogeneity of European NGOs; also, the Commission acknowledges the comparative advantages of NGOs in terms of better access to local beneficiaries, promotion of human rights and democracy, equality between men and women as well as the empowerment of marginalized groups.<sup>193</sup>

### **5.5. EU Co-Financing: Eligibility and procedure**

Furthermore, the *General Conditions for the Co-Financing of Development Operations undertaken by European NGOs in developing countries* elaborate on grant making criteria for the applicant NGOs and on the types of grants as well as their size.

The eligibility criteria determine what kinds of NGOs are entitled to be co-financed by the EU. First and foremost, this budget line is exclusively reserved for NGOs whose head office is in one of the EU Member States and whose financial support is mainly coming from within the Union. In other words, Southern NGOs are not entitled to directly benefit from EU Co-Financing but they are instead required to find a European partner NGO. Similarly, a European NGO is only eligible if it has a clearly identified local partner. Generally speaking, the Commission only co-finances the activities of an NGO if these activities are responsive to the needs of underprivileged people in the developing world, intend to alleviate poverty and improve the quality of life and development capacities of the beneficiaries. Usually, EU Co-Financing aims at enhancing social and economic development in rural or urban areas as well as the development of human capital, institutional support and capacity building especially at local level. NGOs are required to demonstrate a certain degree of experience in development cooperation i.e. regular development activities for at least three years. Moreover, NGOs need to be able to mobilize additional financial resources within the EU or the developing country and to comply with bureaucratic demands resulting from an appropriate administration of EU funding.<sup>194</sup> These factors also seem to be largely in line with what Antrobus explored as general preconditions for official funding: an NGO

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<sup>192</sup> See Council of the European Union (1998) *Co-Financing with European non-governmental development organizations (NGOs) in fields of interest to developing countries*, Council Regulation (EC) No 1658/98, in: Official Journal of the European Communities, L213/1; see European Commission (2000a).

<sup>193</sup> See European Commission (2000a), p. 3.

<sup>194</sup> See *ibid.*, pp. 3-9.

is usually required to demonstrate an excellent track record and certain degree of credibility. Its management and administrative abilities are not to be overwhelmed by larger amounts of official funding but need to be able to handle the funds. The public donor and the NGO should have a common understanding of mutual priorities, activities and methodologies. Finally, an NGO must have sufficient knowledge of and access to external funding.<sup>195</sup>

The application for EU Co-Financing can be submitted by a *single NGO*, by a *consortium* of at least two NGOs or by an *NGO network*. A *consortium* jointly responsible for the implementation of the activities co-financed by the EU is formed on an ad hoc basis by two or more NGOs situated in one or several EU Member States. While all members of such a consortium have to fulfill the eligibility criteria, contribute significant resources and play an active role in the action, one lead NGO is designated by the consortium. This NGO becomes ‘the Applicant’ and finally ‘the Beneficiary’ after having signed the contract on behalf of the consortium. Apart from individual NGOs and consortia, also *networks* can apply for NGO Co-Financing. A network of NGOs is usually organized at national or European level by its permanent representative body situated in one Member State according to the laws in force in that state. Similar to the NGOs, this autonomous and non-profit body has to fulfill the eligibility criteria. Additionally, based on a mandate by the NGOs of the network it is contractually responsible to the Commission. The majority of the members of the network is required to be NGOs of European origin.<sup>196</sup>

EU Co-Financing consists of three different categories with different additional eligibility criteria: *projects*, *programs* and *block grants*. The EU co-finances up to 75 % of the total costs of a *project* which is not to exceed € 1 million in total with a maximum funding duration of five years. The overall minimum amount of a project that is eligible for EU Co-Financing is € 50,000. Moreover, it is also possible to gain financial support for *programs* consisting of several development activities embedded in a closed long term concept with contractually fixed medium and long term objectives. The maximum amount granted by the EU is € 10 million, the smallest grant possible for a program is € 2 million. The applicant NGO is required to autonomously cover 15 % of the expenses of a program. Additionally, the NGO needs to provide evidence for having at least six years of experience in development cooperation and for the successful participation in at least five projects co-financed by the EU. As a third category NGOs can apply for a *block grant* which is comparably smaller than the support for projects and programs. It can be used by one NGO or an NGO network to quickly and flexibly implement small scale activities which do not need to be individually approved by the Commission.

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<sup>195</sup> See Antrobus, Peggy (1987), p. 98.

<sup>196</sup> See European Commission (2006f), p. 10.

However, the single NGO or at least three NGOs of the network need to have successfully implemented three projects co-financed by the EU within the last five years in order to be eligible for a block grant.<sup>197</sup>

The procedure of a project cycle for EU Co-Financing (budget line 21 02 03) is the following: Since 2003 it is no longer possible to submit proposals at any give time but EuropeAid regularly launches a *call for proposals* published in the Official Journal of the European Communities and usually on the website of EuropeAid for at least three months. Upon this call NGOs can submit their concept notes about the planned operations. These concept notes are checked for compliance with the conditions of eligibility as well as technical aspects and relevancy by an independent consultant in Europe and a member of the EC delegation concerned. Based on the opinions of these two experts a Selection Committee composed of Commission staff shortlists the *positive* concept notes for a full proposal. Those NGOs asked for their full proposal then send one version of the proposal to the independent consultant as well as to the EC delegation. The delegation is asked to again comment on the proposal – this might result in the rejection of the proposal in case of a negative notice. However, the final decision to co-finance a project is taken by the Selection Committee which drafts a list of positive proposals (as well as a reserve list) and adjusts it to the budgetary resources available. After the final decision is made about the selected projects, programs or block grants, “everything else is done in the delegation”.<sup>198</sup> This means that the delegation deals with contracting, payments as well as (externally) monitoring project and program implementation.<sup>199</sup> Due to the process of devolution started by Commission in 2002/3 *Brussels* only launches the call for proposals and has the final say on which NGO will be co-financed. Everything else is increasingly taken over by the delegations in third countries. Major tasks of the delegations include contracting, implementation, monitoring and payment procedures.

## 6. Case Studies and Impacts

As stated above, this chapter applies two case studies in order to analyze the impacts of EU Co-Financing on NGOs. Firstly, the two different programs under consideration are introduced. Secondly, the findings derived from the case studies through the methodology elaborated on in the second chapter are presented. Although the EC delegation was not able to give exact and recent figures about the EU Co-Financing activities in India, about 200 activities are currently co-funded by the EU according to the delegation. Co-Financing with NGOs is regarded as a crucial contribution to the

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<sup>197</sup> See Furtak, Florian T. (2005), pp. 165-166; See European Commission (2000a), pp. 17-21.

<sup>198</sup> See Interview Jha (EC Delegation, Annex 6).

<sup>199</sup> See Interview Jha (EC Delegation, Annex 6); see also Oldenbruch, Günther and Knocks, Stefanie (2008), p. 65.

Union's commitment to combating poverty, promoting the rule of law and respecting fundamental freedom.<sup>200</sup>

### 6.1. Gram Vikas and ICCO

The first case study has been conducted on the program "Sustainable Income Security for the Rural Poor in India" (SISIN) implemented the Dutch NGO Interchurch Cooperation for Development Cooperation (ICCO) and five principal local partners including Accion Fraterna, ADATS, Seva Mandir, PRADAN and Gram Vikas which has been in the focus.

Gram Vikas, which literally means "village development" is a rural development organization, working with poor and marginalized people or ethnic groups of Orissa in the eastern part of India. The organization has been founded in 1979 by a group of students from Chennai including the current executive director Joe Madiath, with the vision of "an equitable and sustainable society where people live in peace and dignity". According to a recent annual report, Gram Vikas serves over 189,000 people or about 36,000 households across 559 villages in seventeen districts of Orissa. The mission of Gram Vikas is "to promote processes which are sustainable, socially inclusive and gender equitable, to enable critical masses of poor and marginalized rural people or communities to achieve a dignified quality of life". The starting point of most interventions by Gram Vikas is water and sanitation programs which ideally involve all households in the development process and provide equitable benefits to the target population. Gram Vikas concentrates on the focal areas of self-governing people's institutions at the local level, adequate health services, access to basic education, food security and access to secured livelihood opportunities, management of natural resources, and enabling community infrastructure.<sup>201</sup> The efforts in these focal areas are carried out with special emphasis on social inclusiveness of marginalized rural communities as expressed within the mission. The multidimensional approach also indicates that Gram Vikas regards the obstacles to a life in "peace and dignity" not as linear but rather complex problems. While Gram Vikas for the first time experienced EU Co-Financing within the Program Sustainable Income Security for the Rural Poor in India (SISIN), the Dutch NGO Interchurch Cooperation for Development Cooperation (ICCO) had already been a major funding partner of Gram Vikas since 1999.<sup>202</sup> ICCO is rooted in the Dutch protestant churches and their Christian tradition. The NGO follows its mission of "working towards a world without poverty and injustice" in the areas of basic service provision, democratization, emergency aid, peace building and equal

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<sup>200</sup> See Delegation of the European Commission to India, Bhutan and Nepal (2006) *European Union and India, Partner in Progress*, New Delhi; see also Interview Jah (EC Delegation, Annex 6).

<sup>201</sup> See Gram Vikas (2006) *Annual Report 2005-2006*, Berhampur, p. 4.

<sup>202</sup> See Gram Vikas (2002) *Annual Report 2001-2002*, Berhampur, p. 30.

economic development. In the *North*, ICCO pursues lobbying, advocacy work and educational programs, while it funds projects and programs run by local partner organizations in 50 different countries in the *South*. According to ICCO, the partnership with local NGOs is based on respect for the individual culture, history and social role of the organization concerned. Being a funding partner, ICCO emphasized the importance to listen to and think with local partners in developing countries.<sup>203</sup>

The program “Sustainable Income Security for the Rural Poor in India” (SISIN) was implemented from April 2003 to March 2006 with a total cost of € 12.3 million. The EU contribution was € 5.6 million or 45 % of the total costs. Within the three years of the program Gram Vikas received about € 1.6 million from ICCO which constituted the largest source of funding for Gram Vikas at that time, according to the Finance Manager of Gram Vikas.<sup>204</sup> The overall objective of the program was to improve the livelihoods of 175,000 rural poor families by increasing their income in a sustainable way. The local partners pursued this goal within nine different lines of action including Gram Vikas being involved in three of them (role of women; management of program beneficiaries organizations (PBOs); basic needs). The expected results consisted of improved situation of rural women, independent functioning of program beneficiaries organizations, stabilized income of marginalized people, reduction of emergency migration and improved health situation as well as educational status.<sup>205</sup> According to ICCO, the actual implementation of the SISIN program by Gram Vikas provided some leeway for the local NGOs as there was no external monitoring until the end of the project and rather generally formulated goals.<sup>206</sup>

## 6.2. Agramee and German Agro Action

The second example of EU Co-Financing concentrates on Agramee as the lead NGO of a local NGO consortium in Orissa focusing on so called watershed development activities<sup>207</sup>. Together with about 18 Indian NGOs including Agramee, German Agro Action is currently implementing the “Geographically based Programme India” with duration of five years.

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<sup>203</sup> See Interchurch Cooperation for Development Cooperation (2006) *Worldwide Solidarity*, Utrecht.

<sup>204</sup> See Mohan (Gram Vikas, Annex 2); exchange rate according to the Country Strategy Paper India was € 1 = 58.62 INR.

<sup>205</sup> A closer look at the three relevant lines of action shows the activities of Gram Vikas in detail: The line of action ‘Position of women’ included the formation of women’s groups, training for income generation, women involvement in saving and credit as well as links with banks; the activities in the area of ‘Program Beneficiaries Organizations (PBOs)’ were intending to form and register PBOs, train their leaders and hold annual elections; within the line of action ‘Basic Needs’ Gram Vikas focused on the construction of toilets and bathrooms, support of water supply systems and the formation of sanitation committees. See Annex 7, *Final Application of ICCO for EU Co-Financing*.

<sup>206</sup> See Interview Haagsma (ICCO, Annex 4).

<sup>207</sup> A watershed program intends to keep water as long as possible in a geographically defined region in order to use it for agriculture or to increase groundwater. Apart from using natural resources in a reasonable way in drought prone areas, exemplary approaches often include strengthening upstream bunds or small reservoirs. See Das, Achyut et al. (2005) ‘Fresh Water Management in Tribal Areas of Orissa’, in: Anke Schürmann/German Agro Action (ed.) *Best Practices in Water Management, Case Studies from Rural India*, Bangalore, pp. 45-55.

Aragamee is a smaller but also more activist NGO than Gram Vikas. It evolved out of the Social Work and Research Centre in 1987 and currently works in eight districts of Orissa. Aragamee means “pioneer” in English and its members are committed to working with marginalized and underprivileged communities in the tribal districts of Orissa. The organization undertakes a lot of advocacy work in order to mainstream the problems of marginalized tribal communities into the state and national policy agenda. Important areas of activity are food security, education, the right to forest resources, development of women’s organizations, training programs, awareness programs and the formulation of people-centered development programs based on pro-poor intervention initiatives. Currently, importance is given to natural resource management and watershed development programs rendered possible through substantial support of German Agro Action since 1993 which had already been a partner of Aragamee before EU Co-Financing became available.<sup>208</sup> German Agro Action (Deutsche Welthungerhilfe) is a German NGO working under a voluntary board of directors and the patronage of the German President. Since its foundation in 1962 it has supported about 5000 projects in over 70 countries. Annually, about 300 projects in some 50 countries are carried out with main emphasis on agriculture. German Agro Action not only provides help in terms of immediate emergency aid but also implements or funds long term projects with an overall emphasis on overcoming famine and alleviating poverty respectively. Apart from private donations it is funded by the World Food Program, the German Ministry for Economic Cooperation and Development, and especially in India to a degree of 75 % by the European Union.<sup>209</sup>

As stated above, Aragamee was able to continue and extend its watershed development activities when German Agro Action launched the “Geographically based Programme India” in 2003. The executive director of Aragamee explained that German Agro Action as a trustful funding partner of Aragamee basically asked his organization if they were in favor of applying for EU Co-Financing. Upon Aragamee’s approval German Agro Action entered into the application procedure which has ultimately been lasting for three years. It started with the submission of the preliminary proposal in September 2000 and the final approval by the EU in December 2003. According to German Agro Action this was not an individual problem of German Agro Action but caused by the structure and financial administration of the EU as other NGOs were facing similar challenges during the same period. After the submission of the preliminary proposal EuropeAid asked for a detailed revised proposal submitted in February 2002. Subsequently to the information of being short listed in June 2002, German Agro Action had to deal with requests for additional and rather detailed

<sup>208</sup> See German Agro Action (2005) *Best Practices in Water Management, Case Studies from Rural India*, Bangalore, p. 46; see Aragamee (2007) Annual Report 2005-2006, Kashipur.

<sup>209</sup> See Interview Höper (German Agro Action, Annex 5).

LogFrame and budget issues. A draft contract could not be signed during bilateral meetings in Brussels in January 2003 but was postponed until June 2003. Due to changing formats and a new program application outline in May 2003 a revised proposal had to be submitted in August 2003. Again, EU asked for additional information in October 2003 and the final approval was ultimately given in December 2003 to commence the program in six states of India in January 2004. This exemplary chronology clearly indicates the enormous bureaucratic pressure and (over-) emphasis of ex-ante requirements that hampers a constructive dialogue with local partners and a flexible program planning especially necessary for agricultural programs.<sup>210</sup>

The “Geographically based Programme India” with duration of five years involves about 18 different local NGOs in six different Indian states and pursues the alleviation of poverty as an overall objective. € 5.7 million or 75 % of the total costs of € 7.6 million are co-financed by the EU. The activities of Agramee are being carried out under the umbrella of a local consortium of nine NGOs based in Orissa. The “Geographically based Programme India” consists of six broader lines of action. Agramee contributes to four lines of action including ‘Local level institution building’, ‘Technical knowledge and skills development’, ‘Local partner project management’ (meaning a supporting structure of the local NGO for planning, implementation, evaluation and monitoring) as well as ‘Watershed development and natural resource management’.<sup>211</sup> The latter refers to activities addressing problems of soil erosion, decreasing productivity in the highlands, effects of shifting cultivation, depleting forests, untapped water sources, large scale distress migration, food security and problems in agriculture.

### 6.3. Impacts of EU Co-Financing on NGOs

After the previous section has described the relevant NGOs and the content of the programs co-financed by the EU, it is now possible to analyze the role of the different actors and their perceptions of EU Co-Financing. By doing so, the impacts of this funding instrument on local and European NGOs are explored. While *impact* generally refers to having a powerful effect on something, it needs some concretization here in order to adequately address the central research question. When talking about the impact of EU Co-Financing it necessary to recall the three criteria that determine the resource dependency of an organization (magnitude and criticality of a resource, level of discretion over the allocation of a resource, and availability of alternative resources). Additionally, the impact of official funding on NGOs is constituted by the four implications that are likely to accompany official funding (critical distance, goal deflection, selectivity, dependent partnership). In other words, how does EU Co-

<sup>210</sup> See VENRO, Treffen der AG Kofinanzierung am 1. April 2003, internal record; see Interview Höper (German Agro Action, Annex 5).

<sup>211</sup> See Annex 8, Final Application of German Agro Action for EU Co-Financing.

Financing affect the resource dependency of an organization and is the fundamental critique on official funding justified in the case of EU Co-Financing?

### 6.3.1. The local NGO

The cases of Agramee and Gram Vikas demonstrate that projects co-financed by the EU are considered to be core activities of these NGOs. To put it differently, these two local partners heavily rely on the support by their European counterparts which are substantially funded by the EU. Joe Madiath, executive director of Gram Vikas, explains that ICCO was only able to satisfy the financial needs of Gram Vikas by successfully applying for EU Co-Financing. Furthermore, the extension of certain activities to the district Thuamul Rampur as well as the implementation of huge parts of a new program called MANTRA would have been impossible without EU Co-Financing.<sup>212</sup> Hence, Madiath describes EU Co-Financing as a “marvelous instrument”<sup>213</sup>. This labeling seems plausible as “up to 75 % of its [Gram Vikas] total annual income depends on foreign funding agencies”<sup>214</sup> according to an earlier external evaluation of this NGO. It was quite remarkable that the Finance Manager of Gram Vikas underlined that his organization was scaling up due to the increased funding from ICCO and the EU respectively while scaling up is also considered to be a challenge for NGOs within the literature.<sup>215</sup> A similar situation can be found at Agramee as its major activity of watershed development is mainly funded by German Agro Action which is to a large extent co-financed by the EU. To put it slightly more dramatic, Agramee and Gram Vikas would not have been able to scale up or even initiate parts of their activities without the EU.<sup>216</sup> This could be seen as a threat for the NGOs if it is only linked to an enlargement of the target population, the geographical area or the thematic scope. Organizational growth can be successful if it is based on a demonstration effect, coupled with increased networking among different NGOs and by promoting national policies that facilitate self-help action.<sup>217</sup>

With respect to the question of resource dependency these observations indicate a high magnitude and criticality (as defined in chapter 3) of the funding provided by the EU. What increases this particular kind of resource dependency is the unclear financial situation after the termination of EU Co-Financing. Agramee is aware of the fact that

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<sup>212</sup> “Without the support from ICCO/EU we could not have scaled up our MANTRA or water and sanitation program to this level.”, Interview Madiath (Gram Vikas, Annex 1).

<sup>213</sup> See Interview Madiath (Gram Vikas, Annex 1).

<sup>214</sup> Velden, Fons van der (2002) *Dare to dream, Report on the external evaluation of the development activities of Gram Vikas with poor and marginalized people in the hinterland of Orissa*, Mohuda/Utrecht, p. 8.

<sup>215</sup> See Nielson, Paul J. (1995), p. 48.

<sup>216</sup> “Co-Financing is an instrument, a mechanism, a methodology by which we could speed up much more.”, Interview Madiath (Gram Vikas, Annex 1); see also Kamps, Ortrud (2000), p. 184: “Knappe finanzielle Ressourcen können auch zur Konsequenz haben, dass viele NGOs ihre Projekte im Nachhinein aus Mangel an Personal und Geld nicht weiterverfolgen.”

<sup>217</sup> Nielson, Paul J. (1995) *The World Bank and Non-Governmental Organizations. The limits of Apolitical Development*, Macmillan Press Ltd., New York, p. 48.



German Agro Action will currently not be giving any aid beyond 2008 and the motivation among the participants of the SISIN program was dramatically decreasing when the EU funding was about to be terminated.<sup>218</sup> However, both NGOs claim that alternative resources are available for example in terms of government funds although their allocation seems to be stricter than under EU Co-Financing.<sup>219</sup>

The next element of a potential impact to discuss is whether NGOs are forced to give in part of their critical distance vis-à-vis public donors. In particular, an ex-post evaluation of the SISIN program revealed that the local NGOs do not whole heartedly support the EU development paradigm but merely consider their behavior as a form of forced compliance in order to attain EU funding. Consequently, Kuhn argues that the critical dialogue is dismissed at the expense of what is referred to as “pragmatic professionalism”<sup>220</sup>. For example, LogFrame has been harshly criticized in the literature for constraining creativity and innovation<sup>221</sup> as well as “overemphasizing short-term quantitative targets, standardizing indicators, focusing attention exclusively on individual projects or organizations [and] favoring hierarchical management structures”<sup>222</sup>. Nevertheless, the researched NGOs on the ground made a more moderate and practical assessment of this instrument. According to Gram Vikas, LogFrame has only been used in order to comply with EU requirements. This seems to correspond with Kuhn’s line of reasoning who believes that LogFrame reduces opportunities for adjustment and is only accepted and applied by local NGOs because of necessary compliance.<sup>223</sup> Additionally, the executive director of Gram Vikas explains that LogFrame was not needed to monitor their progress within the SISIN program. The provision of water supply, sanitation and bathing facilities by Gram Vikas only required some basic indicators about the health of the beneficiaries improving. It seems as if LogFrame is too sophisticated and too much of an effort to gather the relevant data.<sup>224</sup> In the case of Agrabamee, LogFrame is also perceived as an additional reporting requirement but the executive director states that “it’s a form we are very comfortable with”<sup>225</sup>. This does not mean that LogFrame is expected to grasp the whole complexity of developmental problems, but in the case of watershed projects it proves to be useful. LogFrame also enhances reorientation within longer projects and it allows concise

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<sup>218</sup> See Interview Haagsma (ICCO, Annex 4).

<sup>219</sup> See Interview Madiath (Gram Vikas, Annex 1); “They (EU) are more tolerant than (the) government as they don’t tell you have to do this or you have to do that.”, Interview Das (Agrabamee, Annex 3).

<sup>220</sup> See Kuhn, Berthold (2005b), p. 367.

<sup>221</sup> Kuhn, Berthold (2001) ‘Wie findet EZ die richtigen Partner? Ein Plädoyer für institutionelle, organisatorische und methodische Innovationen in der EZ’, in: *E+Z – Entwicklung und Zusammenarbeit*, No. 7/8, July/August 2001, pp. 226.

<sup>222</sup> Edwards, Michael and Hulme, David (2002), p. 192.

<sup>223</sup> Kuhn, Berthold (2001), p. 226.

<sup>224</sup> See Interview Madiath (Gram Vikas, Annex 1).

<sup>225</sup> Interview Das (Agrabamee, Annex 3).

presentations for project partners such as the European NGO about the current progress of certain activities.<sup>226</sup>

Another characteristic feature of EU Co-Financing is that the duration of a program is limited to a maximum of five years. As a result, NGOs like Gram Vikas are somehow forced to scale up their activities at the beginning of a funding period (“We got a sudden infusion of all funds”<sup>227</sup>). After the funding has ceased, they very often face problems in reducing organizational growth. Apart from this organizational challenge, Gram Vikas and Agramee make clear that interventions of three years (Gram Vikas) or five years (Agramee) can only mark the beginning of a long term developmental process.<sup>228</sup> Consequently, Agramee tries to concentrate on those activities that can be implemented within five years.<sup>229</sup>

Moreover, executive director Das points out that the growth of his organization is currently declining in order to not become a “delivery organization” or accept funding that does not correspond with Agramee’s “priorities, values or ideological stance”<sup>230</sup>. While it is relatively easy to acquire funding to fight HIV/Aids for example through the Bill Gates Foundation, Agramee continuously focuses on reducing malaria deaths and fighting exploitation of tribal communities where funding is more scarce.<sup>231</sup> Scaling up and a permanent focus on short term projects are considered to be a dangerous “trap”<sup>232</sup> for many NGOs. According to Agramee’s executive director Achyut Das his organization is

*“neither a radical group nor a professional social service group. If we were a radical action group, we would not have been able to build this infrastructure. At the same time, we don’t want to build a huge infrastructure because we believe it will corrupt us. But we cannot dispense with the need for professionalism in our management and functioning neither”*<sup>233</sup>

Another impact of EU Co-Financing could be goal deflection among those NGOs implementing programs funded by the EU. A major concern about a shift of

<sup>226</sup> See Interview Höper (German Agro Action, Annex 5); he concludes that “*LogFrame remains the tip of the iceberg of a whole project* (LogFrame ist aber die Spitze des Eisberges vom gesamten Projekt)”.

<sup>227</sup> Interview Madiath (Gram Vikas, Annex 5).

<sup>228</sup> “You do not really achieve anything very much in three years with respect to the development of an underdeveloped area. It is a long-term process where three years is only a beginning. [...] The EU thought that three years of injection of funding would develop an area or the people and that is enough. This certainly shows that there is some misconception about development. You could see that the approach was more of a technical nature and of an accountants approach rather than the one of a development agency. It was more of a bureaucratic exercise.”, Interview Madiath (Gram Vikas, Annex 1).

<sup>229</sup> “A watershed programme cannot be completed after 4 years, but you may need 14 years for that. So, 14 years you have to squeeze in 4 years and that is impossible.”, Interview Das (Agramee, Annex 3).

<sup>230</sup> Interview Das (Agramee, Annex 3).

<sup>231</sup> See *ibid.*

<sup>232</sup> See *ibid.*

<sup>233</sup> Achyut Das quoted by Giri, Ananta Kumar (2005) *Reflections and Mobilizations. Dialogues with Movements and Voluntary Organizations*, New Delhi, p. 65.

accountability was basically confirmed by Agramee and Gram Vikas. Edwards and Hulme identify a shift from downward accountability (to partners, beneficiaries, and staff) to upward accountability (to trustees, donors, and host governments)<sup>234</sup>. In the case of Gram Vikas, it seems to be extremely challenging to fulfill both ways of accountability. On the one hand, Gram Vikas proudly emphasizes 100 % inclusion of local beneficiaries while on the other hand “if the norms of EU prescribe it in a certain way we have no way of doing it any another way”<sup>235</sup>. As a synthesis it could be argued that EU Co-Financing is utilized by Gram Vikas to carry out activities which are in line with organizational objectives and values such as 100 % inclusion of local beneficiaries into a project. Also, Agramee recognizes that “accountability is at every stage” but underlines the priority of being more accountable to the communities while upward accountability is “defined in a very technical way”<sup>236</sup>. Hence, increased upward accountability is recognized by the local NGOs with some concern but it is treated as an additional and inescapable accountability in order to obtain official funding – in the words of the executive director of Gram Vikas: “the donor always dictates what sort of ground, uneven playing ground is there. If we want those funds we have to adhere to that”<sup>237</sup>.

Directly linked to the question of goal deflection is the question of selectivity on behalf of the EU. Agramee already has some negative experience with an international donor. Das explains that his organization was forced to cooperate with another partner who seemed to have some control over Agramee. Since Agramee was reluctant to cooperate with this partner, the funding coming from the international donor was terminated. Das was sure that “all Christian funding agencies will definitely avoid us because we take a stance that if you are going to evaluate us then we will certainly evaluate you”<sup>238</sup>. He is skeptical about donor agencies as they seem to follow an “autocratic style of functioning” especially with respect to evaluations relying only on external evaluators instead of locals ones. Other observations he shared with Giri (2005) about official funding are the concentration on larger programs, interest in reports instead of persons or staff behind the projects and quickly changing funding concepts.<sup>239</sup>

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<sup>234</sup> Kuhn, Berthold (2001), p. 196.

<sup>235</sup> Interview Madiath (Gram Vikas, Annex 1).

<sup>236</sup> Interview Das (Agramee, Annex 3). However, he continues: “When money comes from EU via GAA you are accountable to them. [...] We only talk about top level accountability (and) not enough about downward accountability.”

<sup>237</sup> Interview Madiath (Gram Vikas, Annex 1).

<sup>238</sup> Achyut Das quoted by Giri, Ananta Kumar (2005) *Reflections and Mobilizations. Dialogues with Movements and Voluntary Organizations*, New Delhi, p. 70.

<sup>239</sup> See *ibid.*, p. 72.

Additionally, selectivity also refers to the tendency that public donors prefer NGOs with sufficient bureaucratic capacity.<sup>240</sup> This usually requires adherence to specific accounting schemes that might differ from local ones. Especially, this critique does hold in the case of EU Co-Financing as the two local NGOs express dissatisfaction with the rigid accounting requirements of the EU.<sup>241</sup> For example Gram Vikas was visited twice by auditors at their head office but no one from the European side went to the field to monitor the actual progress of the program.<sup>242</sup> Since the accounting created some problems for Gram Vikas during their first cooperation with the EU through ICCO, they usually required some assistance by their northern counterpart in Utrecht.<sup>243</sup> Gram Vikas initially had problems with the matrix structure of the budget demanded by the EU. This means that there is one line of action (e.g. management of PBOs or basic services) and various headings (e.g. human resources) which have to be linked. Hence, the salary of the finance manager has to be allocated to the different programs he is working for. This creates some difficulties as he could not provide any evidence but only give average percentages about how much of his salary goes to each program. Similarly, the travel expenses of the executive director going to Delhi have to be differentiated and put under different headings such as capacity building or basic services.<sup>244</sup> As a consequence of the support by ICCO, Gram Vikas has less problems under the current program co-financed by the Scottish Catholic International Aid Fund (SCIAF) and the EU.<sup>245</sup> Likewise, Agramee needed some help of German Agro Action in order to properly handle the accounts.<sup>246</sup> Of course, this requires both NGOs from the North and South to invest some resources and personnel for accounting training activities.

Finally, the nature of the relationship between the EU and the local NGO determines the impact of EU Co-Financing. Here, it is important to note that a direct and explicit partnership does not exist as the European NGO is the contractual partner of the EU. In contrast to the *General Conditions for the Co-Financing of Development Operation undertaken by European NGOs in developing countries (B7-6000)*, it was not the local NGO whose initiative was basically taken over by a European NGO and transformed

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<sup>240</sup> “Accountancy instead of accountability”, Edwards, Michael and Hulme, David (1996), p. 968.

<sup>241</sup> “I think of the donor-dominated world in terms of this auditing I don’t appreciate.”, Interview Das (Agramee, Annex 3).

<sup>242</sup> “Nobody from the EU or someone else except ICCO have visited and seen what we have done. So, if the accounts are alright everything is alright. [...] We have no problems with that but there has been nobody asking us what we have done or who wants to see the project for three of four days.”, Interview Madiath (Gram Vikas, Annex 1).

<sup>243</sup> “ICCO helped us to check and how to precede with our accounts.”, Interview Madiath (Gram Vikas, Annex 1).

<sup>244</sup> “This sort of hair-splitting is always getting us late.”, Interview Madiath (Gram Vikas, Annex 1).

<sup>245</sup> “EU is not breathing down on the deck of SCIAF as much as they were doing it with ICCO. [...] SCIAF helps us a lot. I don’t think we could have easily reported to EU.”, Interview Madiath (Gram Vikas, Annex 1); see also Interview Mohan (Gram Vikas, Annex 2).

<sup>246</sup> See Interview Madiath (Gram Vikas, Annex 1); see Interview Das (Agramee, Annex 3).

into a fully fledged proposal.<sup>247</sup> Instead, the case studies have shown a different tendency: The local and the European NGO have experienced some years of partnership before they applied for EU Co-Financing. What basically happened was that, either ICCO or German Agro Action, who have been important long-term partners of Gram Vikas and Agragamee respectively, suggested EU Co-Financing to their local partners.<sup>248</sup> In a nutshell, it is usually not the local NGO encouraging a European NGO to apply for EU Co-Financing. Instead the European NGO with greater knowledge about possible funding sources from the North presents EU Co-Financing as an additional and somewhat innovative form for funding to the local partner.<sup>249</sup> Hence, it is reasonable to at least have a glance at the quality of the relationship between the local and the European NGO.

Aragamee's executive director describes the relationship with European Partners as not "entertaining anything personal. [...] The kind of persons who are now coming in donor agencies are not interested in you as a person; their only concern is project and report"<sup>250</sup>. This statement indicates some disappointment and frustration on the side of the local partner but it might be too shortsighted to just blame the European NGO. Reporting requirements coming directly from the European NGO or indirectly from the European Commission channeled via the intermediate NGO German Agro Action are to be differentiated. Nevertheless, it indicates a somewhat conflictual relationship between northern and southern NGOs. Also, northern NGOs seem to be functioning as a supportive mediator between local grass root organizations like Agragamee and international donors such as the European Union.<sup>251</sup> Especially, in the case of Gram Vikas it is apparent how important this function was because ICCO as well as the second European partner SCIAF support Gram Vikas in accounting and submitting progress reports in the right format.<sup>252</sup>

### 6.3.2. The European NGO

In contrast to the local NGOs which carry out the actual development activities, the European NGOs ICCO and German Agro Action play intermediary roles within the procedure of EU Co-Financing. This role is a somewhat challenging position for

<sup>247</sup> See European Commission (2000a) *General Conditions for the Co-Financing of Development Operation undertaken by European NGOs in developing countries (B7-6000)*, Brussels, p. 4.

<sup>248</sup> "It was ICCO which took the initiative. ICCO has been a long and very understanding partner who gave us a tremendous amount of flexibility and who trusted us very much. [...] They asked us and we were very happy to collaborate with ICCO. It was a substantially large funding for us.", Interview Madiath (Gram Vikas, Annex 1).

<sup>249</sup> "German Agro Action said, 'We want to take your project to European Union'. They informed us and asked for our opinion and we said 'yes'." Interview Das (Agragamee, Annex 3).

<sup>250</sup> Achyut Das quoted by Giri, Ananta Kumar (2005) *Reflections and Mobilizations. Dialogues with Movements and Voluntary Organizations*, New Delhi, p. 71; „Vom Bruderwort zum Antragswahn“, Kuhn, Berthold (2002), p. 26.

<sup>251</sup> „Wir hängen unseren Hals raus gegenüber Brüssel bzw. der EU“, see Interview Höper (German Agro Action, Annex 5).

<sup>252</sup> "ICCO had to distil all our reports in one final report which was EU-acceptable. We reported to ICCO not to EU.", Interview Madiath (Gram Vikas, Annex 1).

European NGOs.<sup>253</sup> While they do not want to see themselves as co-managers of a project they are nevertheless the contract partner of the EU and thus responsible for the overall implementation.<sup>254</sup>

Similar to the local NGOs, the resource dependency of European NGOs is high. The example of German Agro Action clearly demonstrates this when taking into account that about 75 percent of its activities in India are co-financed by the European Union.<sup>255</sup> Thus, magnitude and criticality of the European funding is high. While the right of initiative allows NGOs to apply with the projects they prefer, this is not generally accepted as a strength of EU Co-Financing. An external evaluation of co-financing operations with European NGOs concluded that EU Co-Financing lacks a clear focus of strategic policy considerations of the EU due to the right of initiative on the side of the NGOs. The evaluation for example reveals that while the co-financed activities of an NGO can be expected to be oriented towards poverty alleviation, the program itself is not necessarily implemented in a country with low development level. In the evaluated period of 1994 to 1999 only 12 out of the 40 most important recipient countries were of a low human development category according to the Human Development Index of 1999.<sup>256</sup> Nevertheless, EU Co-Financing is mainly driven by the demands of the NGOs. The subsequent contract about a certain project leaves almost no discretion over resource allocation. In this sense, it seems to be rather complicated to adjust a program during its implementation. However, this will be necessary if the project proposal becomes outdated due to the long decision-taking procedure of the Commission to grant official funding. According to German Agro Action and the Association of German development non-governmental organizations (VENRO), changes are even as difficult as the application for a new round of official funding from the EU. As a consequence, the credibility of the European NGOs vis-à-vis the local NGOs is endangered since it is almost impossible to communicate Brussels' shortcomings to the local beneficiaries in developing countries. Thus, the time frame and the delays in funding are hardly acceptable and pose an actual challenge to the European NGOs.<sup>257</sup> Furthermore, it has become impossible to submit project proposals at any given time but a periodic "Call for Proposals" launched by the Commission in

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<sup>253</sup> "There is no direct contact with the local NGOs.", Interview Jha (EC Delegation, Annex 6); "Wir verstehen uns aber nicht als Co-Manager der Projekte. Da immer eine Grenze zu finden, ist nicht ganz einfach, weil wir de facto ganzheitlich für die Projekte verantwortlich gemacht werden.", Interview Höper (German Agro Action, Annex 5).

<sup>254</sup> Kuhn, Berthold (2001) 'Wie findet EZ die richtigen Partner? Ein Plädoyer für institutionelle, organisatorische und methodische Innovationen in der EZ', in: *E+Z – Entwicklung und Zusammenarbeit*, No. 7/8, July/August 2001, p. 226.

<sup>255</sup> „Ohne diese Mitfinanzierung sähe es schlimm für unsere Programm- und Projektarbeit aus.“, Interview Höper (German Agro Action, Annex 5)

<sup>256</sup> See South Research (2000) *Evaluation of co-financing operations with European non-governmental development organizations (NGOs) Budget line B7-6000*. Final Report, Leuven, pp. 37-38.

<sup>257</sup> Schmalbruch, Gerhard (German Agro Action and member of the board of directors of VENRO) (2000) 'Reformstau oder Reformchaos? – Erfahrungen mit der EU-Entwicklungszusammenarbeit der letzten Jahre, in: VENRO (2000) *Die Reform der EU-Entwicklungspolitik, Ausbruch oder Abbruch?*, VENRO Arbeitspapier, No. 9, Bonn, p. 35.

Brussels determines when NGOs can submit their concept notes.<sup>258</sup> If EU Co-Financing is not available, alternative resources of the same quality and quantity are scarce according to German Agro Action. A further challenge ahead for organizations with focus on agriculture will be a shift in priorities. The EU is expected to focus more on health and education. Consequently, German Agro Action will be forced to scale down its activities in India and exclusively focus on one or two states at the sub national level.<sup>259</sup>

If 75 % of the activities of German Agro Action are co-financed by the EU one could immediately dismiss a discussion about the critical distance but it is worth investigating how close they actually are. It has already been mentioned that European NGOs possess the right of initiative when it comes to an application for EU Co-Financing. Moreover, there is also a convergence of goals and approaches in certain areas such as watershed, self-help groups, gender issues, where a distance might be more harmful than beneficial. However, being co-financed by the EU induces new dependencies in terms of necessary transfer costs linked to the correct implementation of the project budget or investments in project management in order to be able to comply with the bureaucratic demands of the EU.<sup>260</sup> This leads directly to the danger of goal deflection which may also include the aforementioned shift in priorities anticipated by German Agro Action. Another recurring problem of many co-financing schemes of Western governments identified by Kuhn is that the donor wants to see direct and measurable results after a narrowly defined period of time.<sup>261</sup> This does also hold in the case of EU Co-Financing where long term initiatives are sometimes dismissed by NGOs because sustainable funding cannot be ensured. German Agro Action also stresses the importance of long term development approaches but nonetheless underlines that German Agro Action itself is hardly capable of making long term commitments as they basically start anew every year by acquiring donations.<sup>262</sup>

Furthermore, the EU but also funding NGOs such as ICCO or German Agro Action are frequently criticized for funding projects rather selectively. This assumption is partly justified because German Agro Action has certain standards that need to be fulfilled by a partner organization. For example annual accounting principles, expenditure deadlines, rules on overdrafts of cost items as well as formats and reporting deadlines

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<sup>258</sup> See Interview Jha (EC Delegation, Annex 6).

<sup>259</sup> See Interview Höper (German Agro Action, Annex 5).

<sup>260</sup> “Unsere Energien gehen dann dort hinein (Finanzadministration) anstatt sachinhaltlich weiter an der Sache zu arbeiten.“, Interview Höper (German Agro Action, Annex 5).

<sup>261</sup> Kuhn, Berthold (2001) ‘Wie findet EZ die richtigen Partner? Ein Plädoyer für institutionelle, organisatorische und methodische Innovationen in der EZ’, in: *E+Z – Entwicklung und Zusammenarbeit*, No. 7/8, July/August 2001, p. 226.

<sup>262</sup> “Aber es ist in der Tat so bei integrierten ländlichen Vorhaben, das muss man über drei Jahre hinaus planen muss, aber als Spendenorganisation können wir keine Verpflichtungen eingehen, die über drei Jahre hinausgehen.“, Interview Höper (German Agro Action, Annex 5).

cannot be completely dismissed for a local partner organization if the EU is co-financing German Agro Action from the other side. Instead, local counterparts such as Agramee simply have to deal with these “practical constraints”<sup>263</sup>. Additionally, EU Co-Financing indirectly forces smaller European NGOs to increase their personnel for a successful application.<sup>264</sup> An external evaluation of the budget line 21 02 03 (ex B7-6000) arrived at a similar conclusion stating that smaller volunteer groups organized as NGOs have a significantly lower ability to successfully apply for EU Co-Financing than larger international development NGOs.<sup>265</sup>

It is also criticized that the bureaucratic demands have become more stringent while the funding available has not been increased accordingly. Figures provided by APRODEV underline this problematic situation of good quality applications and insufficient resources granted by the EU. For example in 2002, 80 % out of 950 applications sent to the EU for projects in developing countries had to be rejected. Thus, despite the fact that smaller NGOs are expected to have problems in meeting the bureaucratic requirements, even larger NGOs with sufficient capacities cannot automatically acquire EU Co-Financing. On the one hand the popularity of EU Co-Financing indicates that “for many NGOs, it is the only accessible instrument that promotes a genuine NGO approach”<sup>266</sup>. On the other hand, it becomes increasingly difficult to successfully apply for EU Co-Financing due to a growing number of applicants and an almost consequential tendency to finance larger projects.<sup>267</sup> Additionally, an application procedure can last for more than a year and thus hampers the planning of especially smaller NGOs which are unable to pre-finance projects or take over the whole funding of a project if EU Co-Financing remains unavailable.<sup>268</sup>

A very important task of the northern or European NGO is to provide guidance and support in preparing the project proposal together with the Southern partner. In both cases it was not explicitly possible to identify any donor imperatives linked to the project design and project policy determinants as the NGOs keep the right of initiative. Nevertheless, the application procedure was more complex than expected especially for German Agro Action. It required a lot of correspondence and information sharing

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<sup>263</sup> German Agro Action (2005) *Oriental Framework: Partnership for Development*, Deutsche Welthungerhilfe / German Agro Action and its partners in overseas co-operation, Bonn, p. 24.

<sup>264</sup> Madiath (Gram Vikas, Annex 1) puts it more dramatically: “A non-sophisticated organization cannot get EU funding that easily.”

<sup>265</sup> See Firth, Paul (2005) *Striking a Balance, Efficiency, Effectiveness and Accountability, The Impact of the EU Financial Regulation on the relationship between the European Commission and NGOs*, F.M. Partners Limited on behalf of: Open Society Institute Brussels, CONCORD, The Platform of European Social NGOs, SOLIDAR, The European Women’s Lobby, London, p. 55.

<sup>266</sup> APRODEV et al. (2002) *Proposals from Development NGOs on the 2003 budget, Analysis of the preliminary draft budget*, <http://www.aprodev.net/files/DevPol/NGObudget03.pdf>. [Accessed 10-3-2008], p. 8.

<sup>267</sup> See APRODEV et al. (2002) *Proposals from Development NGOs on the 2003 budget, Analysis of the preliminary draft budget*, <http://www.aprodev.net/files/DevPol/NGObudget03.pdf>. [Accessed 10-3-2008], p. 8.

<sup>268</sup> See Obrovsky, Michael (2006). pp. 259-260.



with Brussels which proved to be problematic at the initial phase of the project.<sup>269</sup> The duration of the application procedure induced frustration on both sides and Hellinger is certainly right when stating that these donor imperatives affecting the motivation of an NGO are of “questionable relevance of the needs of the poor”<sup>270</sup>. What further complicated the application procedure of German Agro Action was the devolution process of the Commission that increasingly transfers competences to the EC delegations although they do not always have the full capacities to carry out the tasks appropriately. Apart from that, a delay in the second installment occurred as German Agro Action had spent less money than actually planned within the budget. An audit followed and German Agro Action was forced to cover the ongoing expenses as long as the audit was being implemented. However, German Agro Action considers the overall relation to the EC delegation in New Delhi as satisfactory.<sup>271</sup>

#### 6.4. Review of the impacts

This section has analyzed the implications of EU Co-Financing for European and local NGOs. As demonstrated, the resource dependency in terms of magnitude and criticality of the financial resources provided by the EU, discretion over resource allocation, and the availability of alternative resources, is high for both the Northern and Southern NGOs. The resource dependence perspective already indicated this assumption at the beginning of the thesis. In addition to that, EU Co-Financing constitutes major parts of the NGO budgets and supports the core activities of the NGOs. Although EU Co-Financing is largely demand driven due to the right of initiative, NGOs are bound by the contract with EU in terms of the allocation of resources. Alternative resources such as government funds seem to be available to local NGOs, but do not replace EU funding in quantity and are often bound to specific types of intervention. As the contracting NGOs are not excessively co-opted by the EU, they are able to keep a distance but they become less critical the more they rely on EU Co-Financing. Instead a pragmatic professionalism of NGOs determines the understanding of accountability and takes into account the selectivity of the EU. While the partnership between local and European NGOs is based on a certain level of mutual trust and respect, it is also influenced by the requirements of the EU which are transferred to the local partners by their European counterparts.

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<sup>269</sup> “Wir hatten zur Anfangsphase des Projektes, zur Projektbeantragungszeit erhebliche Probleme in der Kommunikation mit Brüssel und die entsprechenden Sacharbeiter in Brüssel selber hatten erhebliche Probleme mit den eigenen Standards. [...] Zur Zeit habe ich das Gefühl, dass es ein sehr gutes Verständnis seitens der Delegation gibt.“, Interview Höper (German Agro Action, Annex 5).

<sup>270</sup> Hellinger, Doug (1987), p. 140.

<sup>271</sup> See Interview Höper (German Agro Action, Annex 5).

## 7. Conclusion – Prospects for NGOs and the EU

It seems useful to recall that Nielson (1995) urges us to dismiss the “romantic view that NGOs represent and emanate from ‘the people’ and are subject to corruption by state and donor”<sup>272</sup>. Instead, a thorough understanding of NGOs is based on an appropriate perception of the context an NGO operates in. The assumption that the donor exclusively imposes its interests and demands on an NGO is partly flawed since an NGO has to deal with several other interests from different constituencies such as its beneficiaries, its staff, private donors, regional and state governments, local administration, partner-organizations and foreign donors.

While it is important to keep in mind that a public donor such as the EU is not the sole actor in the external environment of an NGO, one could even argue that EU Co-Financing itself constitutes only a fraction of the overall ODA of the European Union. Even worse, the overall ODA itself also remains a “tiny proportion of the flow of resources and knowledge between countries and levels within societies”<sup>273</sup>. Despite these qualifications, this thesis chose the very topic of EU Co-Financing as the significance of official funding of NGOs has been increasing within the last decade. Accordingly, the critique of public donors has grown as well but it often remains general and is seldom applied in context. Here, EU Co-Financing has been analyzed in terms of its impacts on Northern and Southern NGOs not primarily to review the critique on official funding but to contribute to better understanding and improving this “marvelous instrument”<sup>274</sup>.

Without a doubt, participating in EU Co-Financing is not an all-or-nothing loss of autonomy but it is not free of risks either. The administrative requirements and the high workload seem to overburden not only the NGOs but also the staff of the Commission in Brussels and of the EC delegations. Especially, long lasting financial decisions create frustration on all sides and decrease the relevance of initiatives no longer corresponding with the realities on the ground. If the time between handing in a first concept note and the first installment becomes too long, it will be only the larger NGOs that are able to pre-finance programs up to a certain level. Delayed installments also hamper the credibility of European NGOs vis-à-vis their local partners as well as the credibility of local NGOs vis-à-vis the targeted groups of beneficiaries.

Unless it does not remain declaratory, the EU took a step in the right direction by intending to develop Country Strategy Papers by including European NGOs co-

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<sup>272</sup> Nielson, Paul J. (1995), p. 51.

<sup>273</sup> Fowler, Alan (2000) *Assessing NGO Performance: Difficulties, Dilemmas and a Way Ahead*, in: Edwards, Michael and Fowler, Alan (eds.) (2002) *The Earthscan Reader on NGO Management*, London, p. 296.

<sup>274</sup> Interview Madiath (Gram Vikas, Annex 1).

financed by the European Commission. Also, the application procedure is to be further facilitated and mechanisms for increased dialogue and exchanging information between NGOs and the European Commission shall be fostered.<sup>275</sup> In this sense, it seems to be reasonable to increase for example the competences and capacities of the EC delegation which is closer to the applicants and more familiar with the local circumstances. Also, it should be explored whether adaptations and individual definitions of partnership are possible. This would include revising the annual and somewhat static calls for proposal and finding funding as well as accounting mechanisms that correspond with the needs and capacities of local partners.

Although administrative and formal requirements are certainly of value for the EU, they constrain at the same time the opportunities for equally important project monitoring. This becomes increasingly important in order to evaluate the effects of NGO activities. Especially, by taking into account the often criticized short duration of EU Co-Financing it might be interesting for the EU to gather more information about what can actually be achieved in three or five years respectively. Demonstrating more interest in the implementation of the programs and projects would not only be of value for the EU in terms of improving the effectiveness of its development cooperation. It would also provide profound knowledge about how (successful) NGOs address developmental problems and it would underline the serious commitment of the EU to the work of NGOs.

NGOs relying on EU Co-Financing are required to even more “concentrate on strategic issues of program scope and external organizational relations” in order to mainly benefit from official funding and not to be dominated by it.<sup>276</sup> They need to be able to deal with the external and also internal pressure that comes from public donors if they want to add value to their work. Furthermore, NGOs are also encouraged to take further efforts to better use alternative options for resource mobilization. By maintaining a dairy Gram Vikas demonstrates some degree of self-reliance and its corpus fund counts as another independent financial resource. Alternatively, NGOs are to improve sale of services, other economic activities and efforts to diversify sources of revenue.<sup>277</sup>

As a final conclusion it certainly justified to state that NGOs are more dependent on the EU than vice versa or in other words the “the tail (NGOs) is not wagging the dog (donors)”<sup>278</sup>. Nevertheless, a more active partnership would probably be beneficial for all sides. To achieve this, risks need to be shared, a joint commitment has to be clearly

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<sup>275</sup> See German Federal Ministry for Economic Cooperation and Development (2006) *Die Entwicklungspolitik der Europäischen Union (EU)*, BMZ Konzepte 144, Strategiepapier des BMZ, Berlin, p. 22.

<sup>276</sup> See Bratton, M. (1990) ‘Non-governmental organisations in Africa: Can they influence public policy?’, in: *Development and Change*, Vol. 21, p. 115.

<sup>277</sup> See Antrobus, Peggy (1987), p. 100.

<sup>278</sup> Hulme, David and Edwards, Michael (1997), p. 20.

visible and the interaction between the EU and the NGOs needs to be of a constructive and continual dialogue. The executive director of Gram Vikas considers EU Co-Financing to be a “huge instrument and a huge tool to tackle the enormous problem of poverty but it has to have a human face – a little bit more long-term funding, a little less rigidity about technical aspects and more about content”<sup>279</sup>.

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<sup>279</sup> Interview Madiath (Gram Vikas, Annex 1).

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