

## PREFACE

Recent studies have shown that there has been a rapid increase in official aid being made directly available by bi-lateral and multi-lateral donors to Southern NGOs. The study on relationships between NGOs and official agencies is being conducted in two phases. This occasional paper collates three of the case studies from the Northern phase - CIDA, EU and USAID - which include notes on:

1. the changing nature of Northern NGOs in their country, their relationships with government, and the organisational and policy implications of these trends;
2. the changing nature of Northern government support for NGOs, in particular their move towards direct funding of Southern NGOs and the changing relationship between Northern governments and Southern NGOs.

Questions are raised about policy on direct funding of Southern NGOs; for example, CIDA seemingly has no formal policy nor consistency, although the experimentation with such funding commenced in the mid 1980's. USAID has seen a 40% rise in direct funding over the past 5 years and its policy guidance 'USAID-USPVO Partnership' ( effective from April 1995) states that USAID 'shall facilitate the provision of direct assistance to local NGOs to strengthen their capacity and support their development activities'. The EU, despite having budget lines (geographic or thematic focus) which can in theory be accessed by Southern NGOs, have not significantly been accessed in practice, whilst the European Development Fund (re: countries of Africa, the Caribbean and the Pacific) and the Financial and Technical Assistance programme (re: Asia and Latin America) are accessed more readily by Southern NGOs.

The Northern phase, which is only approximately a quarter of the whole study, includes four studies on European official agencies: NORAD, SIDA, DANIDA and ODA. Although direct funding on the whole has been applied relatively favourably, there have been recent changes in the trends and these donors provide an interesting comparison with each other. The summaries of these will become available in due course in the form a another occasional paper. The Southern phase of the study will focus on the experiences of Southern NGOs of such funding with detailed case studies from Bangladesh, Kenya and Peru.

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**NGOS AND OFFICIAL AGENCIES: PARTNERSHIP OR  
CONTRACTING IN DEVELOPMENT?**

**CASE STUDIES FROM CANADA, THE EUROPEAN UNION  
AND U.S.A.**

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# I

## PARTNERS OR CONTRACTORS? CANADA: A CAUTIONARY TALE

by Ian Smillie

### 1. Prologue

#### 1.1 Background

This report draws on work done by the author in 1993 for the OECD Development Centre, and on subsequent reports prepared for the Canadian Council for International Co-operation (CCIC). The OECD Report raised a number of serious questions and issues regarding the relationship between Canadian NGOs and the Government of Canada. Much has changed in the two years since then, including dramatic 1995 budget cuts and sweeping changes in the way CIDA deals with NGOs. This report revisits some of the issues of 1993, and re-examines them in light of the changes. The report was completed at the beginning of November, 1995, eight months after the changes were announced. The impact of many of the changes was still unclear at the time of writing, however, to both NGOs and to officials within CIDA. This report, therefore, should be seen as a snapshot of a rather fast-moving object on a bumpy and rather dusty road. The impact of the bumps and dust may not be known until well into 1996 or 1997.

I am grateful to several readers who provided useful insight and advice. Brian Tomlinson was especially helpful, although I alone am responsible for any errors or omissions and, of course, for any interpretation that has been placed on events. Unless otherwise noted, all dollar figures are Canadian dollars (US\$1 = Can \$1.37 - 27 September, 1995).

#### 1.2 The Leader, The Driver and the Driver's Wife

In much development writing, the evolution of government policy and the relationship between government and the non-governmental sector is often removed or distanced from the context of the times. Changes in government and in the international context tend to fade into the background, and personalities are rarely invoked as major factors. The development of governmental NGO policy, therefore, often appears to have a logical, linear, and impersonal evolution that is often misleading. This background section is an attempt to redress the imbalance where CIDA and its relationship with NGOs are concerned.

For almost 25 years, from 1968 to 1992, a single individual was at the centre of CIDA's thinking about NGOs. Lewis Perinbam, a Malaysian-born, British-educated Canadian, who entered government service after several years working with World University Service in London and Ottawa, formed CIDA's NGO Division in 1968 out of an inchoate cluster of government grants that were being made on an ad hoc annual basis to a handful of NGOs. As CIDA's budget for NGOs grew, Perinbam's philosophy focused on the concept of government matching the initiatives of private voluntary groups. Efficiency and effectiveness were not the primary motives for supporting these groups. Rather he saw them as forming bonds of understanding between Canadians and people in other countries, advancing

Canada's Pearsonian liberal internationalism, and complementing its work in other areas such as international peacekeeping. Events such as the Biafran War and Vietnam also played a key role in expanding Canada's world view during these years, and the Liberal governments from 1963 to 1979 had few hesitations in providing support for international outreach, whether public, private or non-governmental.

For CIDA, the greater the community focus, the better, a reflection of the broad physical and cultural diversity of Canada. As a result, there was no effort to discriminate against small, disparate and seemingly 'unprofessional' organisations. As CIDA budgets grew, support ratios for NGOs also grew, allowing many organisations to consolidate their early voluntary efforts with matching grants for specific projects that rose from one-to-one, to as much as three-or four-to-one.

During the 1970s, funding was also made available to Canadian universities on a rather loose 'matching' basis (where the university would claim academic salaries and infrastructure as a large part of its input), and to professional groups such as the Canadian Nursing Federation or the Association of Canadian Municipalities. In the 1970s, the NGO division had become so large that it was divided into two branches - NGO Division and ICDS Division (see Section 4), and Perinbam was elevated to the position of Vice President of a 'Special Programs Branch' which included these two divisions, a new mechanism to support international NGOs, special funding for development education, and later, other initiatives dealing with the private sector and 'Management for Change'.

It was during this period that CIDA gained an international reputation for innovation and dynamism in its funding of NGOs. Perinbam himself was a well-travelled, articulate and attractive spokesman for development; coming from both an NGO and an Asian background, he could provide a credible intellectual framework for, and defend the concept of, government support for NGOs within the agency. Many of the staff recruited into Special Programs Branch by Perinbam came themselves from NGO backgrounds, as well as from labour and from church organisations.\* While the relationship between CIDA and NGOs was fraught with minor feints and alarms during these years, dramatic growth in the CIDA budget and in the overall allocation for NGOs meant that competition for money was muted. New initiatives and new categories of organisation could queue at the CIDA wicket without displacing those already there.

The climate for NGOs improved even more during the early 1980s, when Marcel Mass, (President of CIDA, 1979-83) articulated the concept of 'country focus' (see Section 4.9). Mass, the first CIDA President with any international development background, said that CIDA should place less emphasis in planning on its traditional structures, and should think more in terms of its programmes. If, for example, poverty alleviation was to be the major focus in Tanzania, it might make more sense to channel the bulk of the agency's funding through NGOs, than through traditional government channels. Although country focus sought to use NGOs as delivery channels for programmes devised by CIDA, from the outset it usually worked the other way around: NGOs, knowing that CIDA had an interest in, say, human resource development in a particular country, would propose an HRD programme for support. These were usually large projects, and for those NGOs involved - probably not more

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\* In 1982, for example, four of CIDA's then eight vice presidents were individuals who had started their careers as CUSO volunteers. By 1995, however, there was virtually no NGO experience among the vice presidents.

than fifteen - country focus added momentum to their growth, permitting a scale of infrastructure both overseas and at home that would have been unsustainable through donations and matching grant arrangement. By the late 1980s, when CIDA budgets were beginning to calcify, the country focus mechanism was in fact the most 'responsive' aspect of the CIDA-NGO relationship (for those NGOs large enough and professional enough to take advantage). The so-called responsive 'matching grant' programme, on the other hand, had become an annual subsidy for most NGOs, with little change from one year to the next. Because country focus projects were almost always funded entirely by CIDA, the proportion of CIDA funding in the income of participating NGOs also increased.

During the mid 1980s, under the Presidency of Maggie Catley-Carlson, CIDA also began to experiment with direct funding of Southern NGOs. While this manifested itself in a variety of ways, the most common mechanism was a special projects fund. Sri Lanka is a case in point. In 1988, the Sri Lanka Desk in CIDA's bilateral programme decided that support to Sri Lankan NGOs would be a logical extension of the agency's concern about human rights and poverty alleviation in the country. A fund was established - the Sri Lanka-Canada Development Fund - with a five year life expectancy and a budget of approximately \$5 million. Management of the SLCDF was contracted out to a Canadian NGO, the South Asia Partnership, itself a funding mechanism inspired (some would say 'created') some years earlier by CIDA. Mechanisms similar to the SLCDF were created in a dozen countries during the late 1980s and early 1990s. Funding came from bilateral programme budgets, but in most cases management of the funds was contracted to a Canadian NGO, or through coalitions formed and managed by the Canadian Council for International Co-operation (CCIC). Where Canadian NGO participation was involved, CIDA funding was often provided on a cost-plus basis, or on matching ratios as high as nine to one. While these funds were often initiated by CIDA, the impetus for some came from NGOs, and NGOs were usually involved in the design process. For many, the funds were a kind of training ground, offering them exposure to both CIDA and the wider Canadian and international NGO community. The funds could also experiment with grants to Southern networks and coalitions in a way that a single Canadian NGO usually could not.

In the late 1980s, the CIDA-NGO relationship began to change. The Progressive Conservative Government of Brian Mulroney (1984-1993) had introduced the innovation of a minister for CIDA.\* In addition to a new level of bureaucracy and decision-making at the top, successive ministers applied increasing measures of political and commercial pressure to the aid programme. While at some levels, support to NGOs suited the more conservative ideology of the day, NGOs were seen as somewhat antagonistic (if not hostile) to certain government policies. At the same time, some private sector firms complained - without substantiation - that NGOs were taking unfair advantage of their tax-free status in order to market themselves as aid delivery mechanisms under the country focus rubric.

Following a six-year stint at the IMF, Marcel Mass, returned as President of CIDA in 1989, with a new and almost single-minded focus on the importance of structural adjustment and sound economic policy as precursors to good development. At an ideological level, relations between government and the NGO community, especially those NGOs involved in development education, began to decline, with the occasional pitched battle serving to

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\* The short-lived Progressive Conservative government of Joe Clark (1979) had also experimented with the appointment of a minister for CIDA.

illustrate a newer and less generous climate.<sup>\*\*</sup> By 1992, when Lewis Perinbam and Mass left CIDA, the NGO scene was in considerable disarray. There was a vast and confusing assortment of organisations that had become heavily dependent upon CIDA for their international development outreach, many for their very survival. A wide range of institutions - universities, community colleges and professional bodies - had also developed international outreach programmes that were completely dependent upon CIDA support. Responding to both the need overseas and to the opportunities (and requests) presented by NGOs, almost any desk officer in CIDA seemed able to create a special NGO mechanism - with results for the NGO community that were similar to the effect of honey on flies.

CIDA itself was in disarray as well. Mass's successor as President was herself replaced within six months of appointment, and a third minister in nine years was appointed shortly before the demise of the Conservative Government. In 1993, the newly elected Liberal Government abolished the position of minister for CIDA and despite election promises to the contrary, continued the series of budget cuts that had begun two years before. Perinbam's replacement renamed Special Programs Branch the Partnership Branch, and set in motion a rationalisation process intended to reduce the administrative nightmare that had resulted from CIDA funding to more than three hundred different organisations (the 1991 CIDA Annual Report actually mentioned five hundred).

The rationalisation process was essentially a wholesaling approach. 'Decentralised funds' were created and contracted out to trusted NGOs, often provincial councils similar to CCIC. Any NGO receiving less than \$250,000 a year from CIDA was henceforth reassigned to one of these new mechanisms. In British Columbia, for example, the BC Council for International Co-operation (BCIC) received a contract from CIDA to manage a fund of several million dollars annually. Any BC-based NGO receiving less than \$250,000 from CIDA, was redirected to BCIC for its grant. What began to emerge for smaller Canadian NGOs was a less time-consuming peer approval process.\*

By early 1995, the rationalisation process had been completed within the Partnership Branch, but the convergence of a number of other unforeseen factors would soon unravel much of what had just been done, and what had also been accomplished over the previous 25 years. With the departure of Lewis Perinbam, there were few senior CIDA managers who could articulate and defend the NGO support mechanism in terms of the NGO role in development, civil society, basic human rights or democracy. By early 1995, NGOs were by and large seen primarily within CIDA as an instrument of the aid programme, and to a lesser extent, of foreign policy. Dependency levels were high - on average a Canadian NGO received 70 per cent of its budget from CIDA, through as many as five different mechanisms. A few exceptionally entrepreneurial NGOs were dealing with more than ten different branches,

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\*\* Two examples: in 1991, World University Service of Canada (WUSC) - a major CIDA contractor (\$16 million that year), ran into liquidity problems. CIDA refused a bank guarantee and the organization went into receivership. (A subsequent CIDA change of heart and financial bailout was reputed to have cost more than double the amount that WUSC originally asked CIDA to underwrite.) 1992, the Inter Church Fund for International Development (ICFID) issued a paper that was highly critical of CIDA's policies on structural adjustment. ICFID funding was severely reduced the following year.

\* One of the drawbacks, however, was that once relegated to a decentralized fund, an NGO would have difficulty being noticed by CIDA, and of raising its funding level above the \$250,000 limit, which within a couple of years of operation was becoming something of a 'glass ceiling' for some.

mechanisms and special funds.\* The new Minister of Foreign Affairs did not appreciate the fact that the Partnership Branch's bureaucratic rationalisation had delegated decision-making authority for government spending to organisations like CCIC and BCIC. He was reported to be especially annoyed that such decisions were now being made in Quebec by a provincial council with allegedly strong separatist leanings. In line with thinking in other ministries, he was also disinclined to provide financial support to a form of development education which often looked like political lobbying. And he was reported to be particularly concerned that NGOs had made large inroads on bilateral aid budgets.

The preceding comments, which are obviously influenced by the views of the author, are intended to set the stage for what follows. Section 2 outlines the official policy environment in which Canadian government support to NGOs is made. Section 3 describes the Canadian NGO scene, and Section 4 provides a clinical description of the multifarious relationships that had developed between CIDA and NGOs, both Canadian and non-Canadian, in the years leading up to 1995. Section 5 deals with the changes of 1995 and Section 6 draws a number of conclusions.

## **2. The Policy Environment**

### **2.1 Canadian Foreign Policy**

Canada is a member of the United Nations, the Commonwealth of Nations, the OECD, the North American Free Trade Agreement and the G-7. The Minister of Foreign Affairs has overall responsibility for Canadian foreign policy, including development assistance. With the abolition of the post of minister responsible for CIDA in 1993, two Ministers of State were appointed for External Relations, one dealing with the Americas and Africa, and the other with Asia and the Pacific. Both have some responsibility for development assistance, although the extent of their responsibility in this regard has never been clearly spelled out.

In 1994, Canada re-examined its overall foreign policy, and a Parliamentary Committee concluded that 'the most important global requirements for the 1990s and beyond are for shared security, shared prosperity and shared custody of the environment'.

### **2.2 Official Development Assistance**

After 1987, Canada's development assistance programme was based on a development charter and on directions outlined in a policy statement, *Sharing Our Future*. The charter's four main principles were: to help the world's poorest countries and people; to strengthen the human and institutional capacity of developing countries to solve their own problems in harmony with their natural environment; for development priorities to prevail over other foreign policy goals; and to strengthen the links between Canadian citizens and institutions and those in the South.

In 1994, a Special Parliamentary Committee held extensive public hearings across the country on the future of Canada's overall foreign policy, including its aid programme. A Foreign

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\* According to the Overseas Development Institute (1995), Canadian NGOs have a higher dependency ratio than those in the US (66%), Australia (34%) and Britain (10%), but a lower ratio than NGOs in Italy (77%), Belgium (80%) and Sweden (85%).

Policy Statement was released in February, 1995, setting out the purpose and priorities for Canada's Official Development Assistance Program:

'The purpose of Canada's Official Development Assistance is to support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable and prosperous world. While the focus of Canadian Official Development Assistance is on meeting the development needs and priorities of developing countries, it is also in the interests of Canadians to contribute to global security, economic growth and prosperity.'

The six programme priorities for Canada's ODA were stated as follows:

- basic human needs: 25 per cent of Canadian ODA will be devoted to primary health care, basic education, family planning, nutrition, water, sanitation, shelter and emergency humanitarian assistance;\*
- women in development: to support the full participation of women as equal partners in the sustainable development of their societies;
- infrastructure services: e.g. rural electricity and communications;
- human rights, democracy and good governance;
- private sector development: to promote sustained and equitable economic growth by supporting private sector development in developing countries and organisations which are working in micro-enterprise and small business development to promote income generation;
- environment: to help developing countries protect their environment and to contribute to addressing global and regional environmental issues.

Every Canadian government since 1969 has committed itself to an ODA target of 0.7 per cent of GNP, although none has ever reached much more than 0.5 per cent. Cuts have now been a regular feature for Canadian ODA for more than five years. The most recent cuts, in February 1995, took place in a climate of major and general government reduction, although ODA again took a bigger cut than other budget items. The Ministry of Foreign Affairs was cut for 1995 by 7.5 per cent, Defence was cut by 4.9 per cent and ODA was cut by 15 per cent. (The Ministry of the Environment was cut by 30 per cent.) Additional cuts were anticipated for 1996-7 and 1997-8.\*

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\* This target is likely to become controversial. By including emergency assistance, CIDA calculates that the current figure is in excess of 20%. Obviously a question of definitions, UNDP's estimate of Canada's spending on basic human needs (excluding humanitarian assistance) is under 12%. This is confirmed in a detailed forthcoming study by the North-South Institute. See also Chapter 6 of UNDP's *Human Development Report 1995*. The need for an integrated analysis of human development and economic growth will be the focus of the 1996 *Human Development Report*.

\* If ODA had grown at the rate projected in *Sharing Our Future*, it would stand at \$4.88 billion by 1997. Instead, it has fallen from \$3 billion in 1990-91 to a projected \$2.1 billion in 1995-96, a 30 per cent drop. This represents 0.34 per cent of GNP, and the proportion is expected to fall to 0.3 per cent or possibly less by 1997-98.

CIDA is responsible for the management of about 75 per cent of Canada's development assistance budget. The Department of Finance manages the World Bank component as well as Canada's contribution to the Enhanced Structural Adjustment Facility.

### **3 Canadian NGOs: the State of Play**

#### **3.1 Background**

Canadian NGOs have their roots in 19th century missionary movements and relief activities following the First and Second World Wars. In the 1940s and 1950s, a number of relief and refugee agencies often branches or offshoots of British and American organisations were established. Among these were CARE Canada, Oxfam Canada, Save the Children and Foster Parents Plan (Plan International). The 1960s was a period of rapid expansion in the number of home-grown NGOs, a phenomenon encouraged in part by the establishment of a CIDA matching grant programme. In 1994, the North-South Institute estimated that there were 350 Canadian NGOs, employing 4,550 people and supported by 72,000 volunteers in Canada and another 11,000 overseas. Oddly, neither CIDA nor the NGO community have produced a comprehensive list. Because CIDA provides support to a broad range of other players in the non-governmental sector (labour, co-operatives, community colleges, universities), the number of organisations it has dealt with has been estimated to be as high as 500.

NGOs vary in size from the very small, to a handful of very large organisations. World Vision Canada is the largest, with a total cash income in 1994 of \$95 million, \$80 million of it derived from the public. Almost three quarters of Canadian NGOs are secular in nature, and one quarter of the largest NGOs among them are branches or affiliates of larger American or European organisations. Some of these latter organisations have developed a significant degree of independence, but as parts of 'name brand' networks, they tend to have good donor recognition and many are growing at the expense of smaller, purely Canadian NGOs.

Canada has an unusually large number of volunteer-sending NGOs. There are five major organisations (CUSO, WUSC, OCSD, CESO, CECI) and at least four smaller ones. In addition, a few of the more standard type of NGO have a small volunteer-sending division, and there are a number of youth exchange programmes such as Canada World Youth and Canadian Crossroads International. The British volunteer-sending organisation, Voluntary Service Overseas (VSO), opened a Canadian branch in 1993.

#### **3.2 North-South Partnerships**

Only a handful of Canadian NGOs are directly operational - CARE Canada, Foster Parents Plan of Canada and a few others. Most NGOs tend to work through partnerships with Southern NGOs. Even Canadian volunteer-sending organisations work to a large extent with Southern NGOs, no longer making the bulk of their placements through government line ministries.

Canadian NGOs, however, are not immune from a growing chorus of complaint from Southern NGOs about the quality of North-South partnerships. Many in the South see these arrangements as paternalistic, bureaucratic, and in many ways not very different from the arrangements they are beginning to make with bilateral and multilateral agencies. Such problems are not specific to Canadian NGOs, and some Canadians feel that their record is

better than others. Some Canadian NGOs are aware of the problems however, and some of the coalitions and funding networks - like the South Asia Partnership and Partnership Africa-Canada have made strong attempts to give better meaning to the idea of partnership.

The Canadian Council for International Co-operation (CCIC) has made the concept of partnership and sustainable human development a cornerstone of its work in recent years. In February 1995, it organised a major workshop for Canadian NGOs (and others from government and elsewhere) on sustainable human development. A key element of the workshop was an examination of how North-South Partnerships can and should be improved.

### **3.3 The Canadian Council for International Co-operation**

CCIC is an umbrella council of 120 Canadian NGOs, ranging from small development education centres to large institutions with a dozen or more overseas offices. CCIC had a 1995-6 budget of approximately \$2.1 million, but it has received up to \$40 million in some years, acting as a channel for CIDA funds to special programmes.

CCIC's Policy Unit supports the membership with analysis and publications on human rights, aid policy, CIDA relations and NGO affairs in general, and assists in co-ordinating the policy efforts of working groups, coalitions and individual NGOs. CCIC conducts its own public awareness programmes. It has sponsored a major policy programme on environment and development and has assisted members with various kinds of training. The Council has also represented Canadian NGOs on international bodies such as ICVA and the World Bank NGO Committee.

### **3.4 Provincial Councils and Other NGO Groupings**

Provincial Councils, a natural product of Canada's great distances, emerged in Quebec, Ontario, Manitoba, Saskatchewan, Alberta, the Atlantic Region and British Columbia, and have operated in a similar fashion to CCIC. Members may include the regional offices of National NGOs as well as provincial or municipally-based organisations. Some provincial Councils receive, and at times, co-ordinate funding from provincial governments.

There are a number of other NGO groupings such as the Association of Learner Centres and the Inter Church Fund for International Development (ICFID). Canadian churches and church coalitions, in fact, have traditionally been among the most active in both development education and in policy-related campaigning around issues such as the new international economic order, structural adjustment and human rights. In the 1970s, a discussion group of chief executive officers, known as the International Development Executives Association (IDEA), was formed. This has proven to be an enduring and useful forum for information and debate at the senior management level of member organisations.

### **3.5 Development Education**

The development education work of Canadian NGOs was supported by CIDA until 1995 through a matching grant programme known as the Public Participation Program. By 1986-87, the PPP was disbursing \$11 million to 138 organisations, making Canada the second largest supporter of development education in the OECD. (The 1995 changes will be discussed in Section 5, below.)

A 1988 study of the development education work of Canadian NGOs observed that its roots lay in the adult education theories of Freire, Illich and others, and in the creative spark

provided by the first wave of returned CUSO volunteers in the 1960s. These combined to create not just a network of community-based education activities, but also a pedagogical orientation which emphasises the necessity of rooting education in people's own experiences, and the linkage between education and action.<sup>1</sup> Since then development education has come to encompass a multiplicity of NGOs, learner centres, campaigns and school programmes.

While the Canadian NGO community has been regarded as a leader in development education work, the 1988 study noted that it faces 'recurrent doubts about the effectiveness of [its] development education.<sup>2</sup> Financial dependence on government, coupled with frequent disparaging references to "talking to the converted," delays and uncertainties in funding, and lack of clarity concerning CIDA's own priorities for its Public Participation Program, combine to create a siege mentality which can inhibit creativity and self-criticism.' These comments remained valid through the ensuing years, and help explain the changes which occurred in 1995.

### **3.6 Lobbying and Advocacy**

Before 1988, the relationship between CIDA and NGOs was essentially non-controversial. Aided by increasing budgets and implicit support from CIDA, NGOs often working under the auspices of CCIC concentrated from the mid to late 1980s on leveraging bilateral funds for NGO priority programmes.

The budget cutbacks that began in 1989 heralded a new phase in the CIDA/NGO relationship. CCIC launched two national campaigns to support official development assistance. A 'One World Campaign' aimed at public education through high-profile media events, television commercials, joint film production and newspaper advertisements. Initially, the 'One World Campaign' took an adversarial stance towards CIDA. A 1991 CCIC 'report card' on CIDA was highly critical of the government aid programme. This was followed by a major public report by the Canadian Churches, criticising Canada's emphasis on structural adjustment. Faced with continuing pressure on the ODA budget, CCIC began in 1992 to place greater emphasis on building public support for aid. In 1992, a 'liaison committee' was established between CIDA and CCIC for the purpose of regular policy dialogue.

NGO advocacy activities entered a third phase in 1993, with CCIC leading the call for a full public review of Canadian foreign policy. This review took place in 1994, however the results - described above - were generally regarded by the NGO community as disappointingly bland. Despite the government's stated commitment to basic human needs and increased ODA (at some unspecified date in the future), devastating and disproportional cuts to the aid budget in February 1995 led the non-governmental community to question the sincerity of government priorities and objectives.

In its budgetary submission to Parliament for the financial year 1995-96, the government stated that stronger partnerships in Canada and overseas were to be a commitment for the future. The decisions on budget cuts to NGOs, however, included major policy decisions as well as financial decisions. The results of these decisions (see Section 5, below) have been damaging to the Canadian NGO community at large, and will result in the closure of many small NGOs, community centres and development education groups. Made without consultation and imposed at very short notice, they shocked the NGO community and reduced the relationship with CIDA to an all-time low.

## **4. CIDA and NGOs: the Play of State**

### **4.1 General**

CIDA has supported NGOs in several ways and through a variety of mechanisms. The central delivery mechanisms are through the Canadian Partnership Branch which provided \$251 million to the voluntary sector in 1990-91. The estimates for 1995-6 plan for spending of \$199 million, a drop of 21 per cent in five years (not adjusted for inflation). As a percentage of ODA, the total has increased slightly, however, from 8.3 per cent to 9.5 per cent.

These numbers are misleading, especially in comparison with the spending of other countries. CIDA often quotes an OECD finding that Canada is one of the largest supporters of the voluntary sector.\* But CIDA includes in its definition of the 'voluntary sector' a wide range of organisations that in other countries receive little or no 'support' from the ODA budget. Universities, community colleges and professional associations like the Canadian Comprehensive Auditing Association are included in this category. These organisations' share of ODA rose from 1.1 per cent in 1990-1 to 1.9 per cent in 1992-3, while the share for development NGOs fell from 6.7 per cent to 6.1 per cent.

### **4.2 NGO Division**

The primary objective of CIDA's NGO Division is to support Canadian voluntary organisations in their development activities by 'encouraging and facilitating people-to people participation of Canadians in international development through matching contributions to projects and programmes of autonomous Canadian NGOs that are compatible with Canadian foreign and development policies.'<sup>3</sup>

CIDA's practice is to match funds raised by an NGO in order to make up the total amount required for its approved project. In addition to programme costs, CIDA will contribute up to 7.5 per cent for administration.

In the past, the NGO Division has supported NGOs in two ways; through project funding (CIDA contributes up to 75 per cent of the total project cost through a 3:1 matching ratio), and through programme funding, where CIDA contributes towards the total overseas development programme of the NGO, with ratios of up to 3:1. Programme funding has become the preferred approach (preferred by both CIDA and NGOs), and in recent years has been based on comprehensive and developmentally sound assessment criteria.

### **4.3 Regional Delegated Funds**

To service the large number of NGOs, in 1993 CIDA began to delegate government support for smaller organisations to 'decentralised funds' in different regions across the country: British Columbia, Alberta, Ontario and Quebec. These mechanisms provided professional analysis, monitoring and evaluation of NGOs, as well as financial support. They were managed on the principle of peer review, drawing on the experience of NGO practitioners. Peer review had associated benefits strengthening regional NGO networks, identifying training needs and generally acting as a 'peer tutorial' process. All of the delegated funds were terminated in 1995.

### **4.4 Thematic Delegated Funds**

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\* The Overseas Development Institute (1995) calculates the percentage of official Canadian aid going to NGOs at 14% (1992). Norway, Switzerland and Sweden were all significantly higher, at 25%, 29%, and 30% respectively.

NGO Division also established pools of funds for specific thematic activities and for allocation within specific NGO networks. These have included grants programmes for Africa, South Asia, South Africa, Haiti and Children in Difficult Circumstances. Three of the major thematic funds are described below:

The South Asia Partnership (\$2.9 million core budget in 1993/94)

The South Asia Partnership (SAP) is an independent Canadian organisation that channelled CIDA funds in support of small NGOs through sister organisations in five South Asian countries. Canadian members provided 25 per cent of the cost. SAP also administered bilateral grants for the Sri Lanka-Canada Development Fund.

Reconstruction and Rehabilitation Fund (\$2.7 million in 1993/4)

The Reconstruction and Rehabilitation Fund provided project grants to NGOs on a 3:1 matching basis for post-disaster development projects. Projects were reviewed by a committee of individuals nominated by NGOs and appointed by the Board of CCIC, which managed the fund.

Partnership Africa Canada (\$75 million over five years)

Established in 1988, the Partnership-Africa Canada (PAC) made funds available to Canadian NGOs on a 3:1 matching basis, to assist in the institutional development of African counterpart NGOs. In 1993 PAC became a legally independent NGO, working under its own agreement with CIDA and with more than 100 NGO member agencies.

CIDA funding for all of these programmes was terminated in 1995.

#### **4.5 Labour**

CIDA support for the international outreach of the Canadian labour movement is not a distinct programme, but it is worthy of special note. In recent years, several large Canadian unions have included a voluntary contribution from their members' hourly wage for international development. While still relatively small, this idea has been growing quite rapidly, and may well become a significant feature of the Canadian NGO scene in the future. In the CIDA budget reductions of 1995 (Section 5, below), the only category of organisation to receive an increase was the labour movement.

#### **4.6 ICDS Division**

CIDA's support for professional institutions, trade unions, co-operatives, community colleges and universities has been administered by the Institutional Co-operation and Development Services Program (ICDS). All the volunteer-sending and youth exchange programmes have been managed by ICDS as well. Most of these are not 'fund-raising organisations' in the standard sense of the expression, and so the normal CIDA matching or cost-sharing formulae do not, by and large, apply. Many of these organisations, however - like CUSO, CECI or Canadian Crossroads International - are full-fledged NGOs in the generic sense of the word. In 1995, responsibility for volunteer-sending organisations was transferred to CIDA's NGO Division.

#### **4.7 Food Aid**

Canadian bilateral and multilateral food aid in 1994-5 was estimated at \$314 million. A decade ago, most Canadian food aid was channelled through multilateral institutions or was

handled on a bilateral basis. Today, a significant proportion is programmed by the NGO community. This occurs in one of four ways:

1. Through direct food aid grants to NGOs. This is a relatively small proportion of the overall food aid programme.
2. Through bilateral country programmes. NGOs are used as executing agencies by CIDA, in both development and emergency situations.
3. Through multilateral agencies. Canada allocates roughly half its food aid to the World Food Program. In emergency situations such as Somalia or Rwanda, where WFP had a limited presence, it subcontracted the delivery of some food aid to NGOs. Some of these NGOs may be Canadian, given the country and their expertise.
4. Through special monetised food aid initiatives. For example CARE in Bangladesh has developed a large rural road maintenance programme. The wages of 50,000 women are paid from local currency generated from the sale of Canadian wheat. This project is somewhat unusual in size and scope, but represents a food value of roughly \$30 million.

Although the nominal value of CIDA food aid channelled through NGOs is small (less than 5 per cent in 1994-5), unofficial estimates place the actual net value at well over 20 per cent of the total.

#### **4.8 Emergencies**

In the early 1990s, the expenditure of CIDA's International Humanitarian Aid Program (IHAP) was almost double the annual expenditure in the late 1980s, with a base budget in the neighbourhood of \$60 million and additions during the year making totals of \$118 million in 1992-3 and \$90.6 million in 1993-4.

Excluding the Red Cross, which received 23 per cent of Canadian emergency assistance in 1993-4, an estimated 11 per cent of the total is channelled through Canadian NGOs, either as grants or as service contracts. The level has been basically static since 1990. Consideration is given to the 'Canadian content' of any proposed NGO programme, and to the options available. In some emergency situations, funding may be channelled primarily through NGOs; in others it could be mainly a UN operation.

Until 1995, CIDA had a pre-screening process, giving 40 NGOs 'eligibility' to obtain emergency funds, although the actual number receiving support was much smaller. In a given year, no more than a dozen NGOs actually receive funding, with the largest amounts being channelled through CARE Canada, Medecins sans Frontires and the Canadian Council of Churches. Lesser amounts have been made available to World Vision, ADRA, Oxfam Quebec and Oxfam Canada. In order to appear more equitable, the pre-screening process was abolished in 1995, but funding patterns are not expected to change dramatically.

#### **4.9 Bilateral Programmes**

In the early 1980s, CIDA made a decision that the choice of delivery channel for aid in a given country should be based upon the aims and objectives of the programme. If CIDA was heavily involved in, say, the transportation sector, it would likely depend heavily on Canadian private sector firms for the supply of equipment and the management of programmes. If it

was involved in poverty alleviation and human resource development, NGOs might be the most appropriate programming channel.

As noted in Section 1, the approach was called country focus, and it opened up a number of new opportunities for NGOs with programming and management capacities. Technically, it meant that CIDA would approach an NGO to become its executing agency on a particular project. An NGO or NGOs might be asked to submit bids in a competitive tendering procedure. In some cases the system has worked this way. In others, however, NGOs have approached CIDA country desks with proposals of their own that fit within CIDA's aims and objectives. This, in fact, has proven to be the most common way that NGOs have gained access to country focus funds. A 1993 survey of CARE Canada, CODE, OCSD, Inter Pares and the Aga Khan Foundation Canada found almost twenty country focus projects in force, none of which had been initiated by CIDA. In some cases the NGO contributes a small percentage to the programme in order to retain an element of independence. In others, CIDA covers all costs.

The country focus mechanism has become increasingly controversial in recent years, not least because of private sector and political concern that business was 'losing out' to NGOs. A 1995 CIDA calculation revealed that between 1983 and 1995, 44 per cent, by value, of all service contracts issued by the bilateral programme, had been allocated to the non-profit sector. More startling, in 1993-4 and 1994-5, the non-profit sector secured an amazing 59 per cent and 63 per cent of these contracts respectively, as compared with only 41 per cent and 37 per cent respectively for the private sector.

In 1954, American statistician Darrell Huff wrote a book called *How To Lie With Statistics* that became a standard text for many university economics courses. This had chapters on 'The Sample with the Built-In Bias', 'The Well-Chosen Average', and 'The One-Dimensional Picture'. Technically, the CIDA statistics may not be wrong, but they do have a one-dimensional, built-in bias which seems determined to prove that the private sector has 'suffered' in what is portrayed as some sort of contest.

Three points should be made. Firstly, for its calculation, CIDA included everything that is not a profit-making firm into the non-profit category: crown corporations, multilateral agencies, colleges and universities, NGOs and cooperatives. If the colleges and universities - which were invited into the aid programme by CIDA itself - are excluded, and if crown corporations and multilateral organisations are also excluded, what remains is a five year average figure for NGOs and cooperatives of \$85.5 million, against a comparative figure for the private sector of \$199.9 million. In fact, contracts issued from the bilateral envelope to NGOs and cooperatives in 1994-5 represented only 3.7 per cent of ODA, a slight increase on the five year average, and a slight decline from 4.1 per cent in 1990-91. This is a far cry from the large, sky-is-falling figures used by CIDA, apparently to justify a political crackdown on NGO incursions into private sector territory.

Secondly, in the approach used by CIDA in evaluating costed proposals, price is seldom the key deciding factor, accounting for only 20 per cent of the overall scoring method. A 1995 review of CIDA contracts in excess of \$100,000 found that in 19 out of 25 cases, the contract was awarded to the firm scoring highest on technical competence. In three of the remaining four cases, price became a factor only because the differences in technical merit were extremely small - all less than 3 per cent.

Thirdly, CIDA - like many other bilateral agencies - has found that one of the most effective ways to reach the poorest is not through government-to-government projects, but through NGOs. Half of all CIDA's basic human needs expenditure is now channelled through NGOs. This means, in fact, that CIDA's greatest ally in carrying out its stated public mandate - poverty reduction - is the NGO community. The private sector has no particular interest or expertise in this area, and if it is 'losing out', it is losing out on the basis of comparative advantage, and on the basis of decisions being made by CIDA itself. The suggestion that NGOs have hijacked the Canadian bilateral aid programme is therefore ingenuous and unfair.<sup>4</sup>

#### **4.10 Development Education**

Development education was supported until 1995 by CIDA through a matching grant programme known as the Public Participation Program. At its peak in 1986-87, CIDA was disbursing \$11 million to 138 organisations, making Canada the second largest supporter of development education in the OECD.

#### **4.11 INGO Division**

CIDA was one of the few bilateral aid agencies to have created a special mechanism for funding 'international NGOs' such as the World Council of Indigenous Peoples, the Population Council or the African Association for Literacy and Adult Education. Although other countries may have made grants to such institutions, CIDA took a more comprehensive approach to the issue, and was one of the few agencies with a specific mechanism accessible to an international NGO. Although never a large proportion of ODA, the spending of this division reached a high of \$37 million in 1992-3. In 1995, it was abolished.

#### **4.12 Direct Funding of Southern NGOs**

Like most bilateral aid agencies, CIDA administers small discretionary funds from Canada's embassies and high commissions. Intended to support small development initiatives and local NGOs, the 'Canada Fund' ranges from \$200,000 to \$500,000 annually per embassy, and it is available for one-time support to projects usually not exceeding \$25,000.

CIDA's assistance to international NGOs has a small element of 'direct funding' to Southern NGOs - most obviously where the INGO in question is based in the South (e.g. El Taller, Worldview International Foundation). Bilateral funds have also been used to support INGO activities. For example the development of a National Conservation Plan for Pakistan by the International Union for the Conservation of Nature (IUCN) was supported by CIDA through a contribution agreement with IUCN in Switzerland, although the entire programme was conceived, negotiated and managed by the Pakistani branch of the organisation.

The thematic delegated funds (see Section 4.4 above) have been a less direct means by which CIDA could provide support to Southern NGOs, but there has nevertheless been a strong element of explicit CIDA intervention. During the collapse of the Marcos regime in the Philippines, for example, the Canadian government wanted to bolster Philippine 'civil society' by providing funds to Filipino NGOs. Because there were only a handful of Canadian NGOs with a presence in the country - through which funds might normally have been channelled - CIDA created first one financial mechanism (the Philippines Development Assistance Program - PDAP) and then, when Canadian NGOs argued for something more independent, another (PCHRD). Although Canadian NGOs were to play an important moderating and co-financing role in each of these programmes, it was CIDA that created the

interest in Filipino NGOs by providing the financial incentive. Similarly, CIDA's desire to create a Sri Lankan NGO support fund (the Sri Lanka-Canada Development Fund) flowed directly from the fact that CIDA wanted to support Sri Lankan NGOs in a situation where there were virtually no Canadian NGO actors. When the tap runs dry in these programmes - most of which have been developed and contracted out to Canadian NGOs by officers in bilateral programme branches - the Canadian NGO ability to continue will obviously drop.

Another approach was developed in Pakistan in 1987. There, bilateral funds were used to create the Small Projects Office (SPO), a direct funding mechanism for Pakistani NGOs, without any Canadian NGO involvement. Administered by a Canadian private sector firm, SPO got off to a very rocky start, but improved when a new Canadian contractor with a modicum of NGO experience was engaged. In 1994, SPO was 'converted' into a Pakistani NGO, although its funding remained entirely CIDA-based.

In some cases, CIDA has provided substantial direct support to larger Southern NGOs. One of the first was Proshika in Bangladesh. Originally a CUSO project, Proshika evolved into an independent NGO with significant funding from CIDA's bilateral Bangladesh programme, channelled through CUSO. In the early 1980s, CIDA and Proshika agreed that the services of CUSO were no longer necessary as an intermediary, and CIDA entered into a direct funding relationship. Since then, a Proshika donor consortium has developed, with CIDA as only one of several bilateral, NGO and multilateral donor agencies. A similar arrangement was made between CIDA and Sarvodaya in Sri Lanka in 1986, when a donor consortium was established, consisting of NORAD, CIDA, NOVIB and ODA (channelling its contribution through the Intermediate Technology Development Group).

When the opportunity arose to provide direct support to BRAC in Bangladesh two years later, however, CIDA opted to channel its money through a Canadian NGO (the Aga Khan Foundation Canada), while other bilateral donors (NORAD, SIDA, ODA) made their own contributions directly.

Because most of these projects, programmes and special funds have been developed by desk officers within different bilateral branches of CIDA (albeit with some NGO participation), there is essentially no 'policy' on direct funding. The NGO Division is consulted on such matters, but its advice is not always heeded, and there has been little consistency over a decade of experimentation. Neither is there any comprehensive record, evaluation, or corporate policy (or memory) on the question of direct funding.

Short of a detailed, programme-by-programme query, there is, as yet, no trustworthy record of the volume of direct funding to Southern NGOs, and unless a Canadian NGO broker is involved, the amounts will be included in bilateral budgets without disaggregation. This does suggest itself as an area for further study, as the amounts probably represent as much as one per cent or more of ODA.

Originally against the concept of direct funding, Canadian NGOs have seen their own incomes grow indirectly as a result of many of these pro-active CIDA interventions, and today there is no concerted NGO position on the question of direct funding.

### **4.13 Total CIDA Spending Through NGOs**

Until recently, there has been no complete, reliable or public record available of how much CIDA money is channelled through NGOs. This became an issue during the 1993 OECD study mentioned in Section 1, and CIDA went to great lengths to provide all the data at its disposal. The best estimate for 1990-1 was a grand total of \$414 million, representing 13.7 per cent of all ODA<sup>5</sup>. This included the responsive programmes of the Partnership Branch, bilateral contracts, the INGO Division, emergency assistance and food aid, but it did not include direct funding to Southern NGOs like Sarvodaya and Proshika - perhaps as much as \$5 or \$6 million at the time. Because of the way food aid is recorded, this figure too was probably heavily under-reported at \$24 million.

More recent calculations prepared by CCIC, including universities, colleges and professional institutions, estimate the 1990-1 figure as 17 per cent of ODA. The figure dropped slightly in the following three years, and rose again to 17 per cent in 1994-5. Excluding universities and colleges, the 1990-1 figure was 12.5 per cent, dipping to 10.2 per cent in 1992-3 and rising again to 12.3 per cent in 1993-4.<sup>6</sup>

## **5. The Changes Of 1995**

### **5.1 Overview**

The Federal Budget of February, 1995, had an immediate and dramatic impact on CIDA as a whole, and on the NGOs it supports. On March 24, 1995, only a week before the beginning of the 1995-96 financial year, CIDA's Partnership Branch began telephoning NGOs and releasing a series of documents explaining how the cuts were to be implemented. In most cases, the changes described below were expected to be achieved within three months, by the end of June, 1995, heightening the impact of the decisions, and making it impossible for NGOs to adjust, to appeal, or to seek alternative sources of income.

### **5.2 A Changing Basis for Allocation**

Budget reductions in years prior to 1995 tended to be generalised, with each unit in CIDA, and each beneficiary organisation receiving across-the-board cuts. In recent years, however, CIDA's Partnership Branch has attempted to develop more stringent criteria for funding so that high quality programming can be rewarded at the expense of lower quality work. This proved to be quite controversial both within CIDA and outside, and it was not until 1995 that CIDA was prepared to make any serious judgmental decisions about changing from a system based on historical levels to one based on perceptions of quality. The new criteria, however, were partially superseded by ministerial prerogative, with an emphasis on spending overseas, and on CIDA taking more direct responsibility for decision-making and evaluation.

Within CIDA, two kinds of judgement have now been applied: changing the share of funding by category of organisation, and changing allocations to specific organisations. Development NGOs, for example, have been reduced by 14.9 per cent, cooperatives by 12.4 per cent and universities and colleges by 15.2 per cent. Professional associations have been cut by 8.8 per cent while trade unions have been increased by 3.8 per cent - a reflection of their growing interest in international development work and their traditionally low level of funding from CIDA.

While development NGOs have received a reduction of 14.9 per cent, this is not an across-the-board cut. The largest cut to a development NGO was 17 per cent and the largest increase was 21 per cent. Several NGOs also received increased funding as a partial, short-term compensation for the termination of funds to the South Asia Partnership and Partnership Africa-Canada.

### **5.3 More Dramatic Changes**

When CIDA as a whole is being cut, funding reductions for NGOs are inevitable. In the most recent reductions, the NGO ‘share’ of ODA has nevertheless been maintained or slightly improved. Under cover of the reductions and changes in allocations, however, CIDA has introduced another set of sweeping changes which will alter the face of the Canadian NGO scene very dramatically over the next year or so:

- it has eliminated its financing of regional funds such as the Ontario International Development Program, giving their staff and trustees roughly three months notice. These regional funds are the only means at present by which smaller NGOs, particularly those located away from the Montreal-Ottawa-Toronto axis, have access to CIDA financing. The reason given for this is that ‘CIDA will manage its financial transfers to Canadian institutions directly to ensure that a maximum of resources reach developing countries’.<sup>7</sup> This decision affected as many as 140 NGOs;
- it has eliminated funding to all seven provincial councils. This meant an almost immediate reduction in staff at the Saskatchewan Council for International Co-operation, for example, from 5.2 person years to 1.2. The work of these councils will be severely curtailed and some may close;
- decentralised and thematic funds ‘will no longer have a mandate to allocate resources to other NGOs’. This decision was a virtual death knell for the programming activities of the South Asia Partnership, Partnership Africa-Canada, the Canadian Environmental Network and others. Between them, SAP and PAC were dealing with approximately 250 Canadian and Southern NGOs. 55 NGOs were receiving support from the Environment and Development Support Program;
- the Reconstruction and Rehabilitation Fund has been eliminated. Post-emergency reconstruction funding will no longer be available to NGOs unless they can redefine it in development terms. 66 NGOs were benefiting from this fund;\*
- according to CIDA, the budget cuts provide ‘an opportunity to streamline our support for the INGO sector’. This ‘streamlining’ means that NGO division or bilateral programmes will take up some INGOs, the division itself will be abolished, and the allocations under this heading will be cut to \$9.9million, a reduction of 60 per cent from the previous year;
- in Canada, there are many organisations whose primary raison d’être has been development education. All of these organisations have been cut by 100 per cent. According to CIDA, ‘Public participation is an integral part of the Agency’s programming priorities, and steps must be taken to include this element in the regular programmes of our

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\* Some of these funds, such as the Philippines Development Assistance Program (PDAP) are financed by bilateral programs rather from Canadian Partnership Branch. It appears that these will remain intact.

partners, who are better equipped to forge ties with the public by virtue of their presence in developing countries. Around 100 development education organisations received financial support in 1994-5.<sup>7</sup> A global Education Program, implemented by nine provincial teachers' associations was also phased out (over a 12 month period).

CIDA abolished its ICDS Division, moving the NGOs that it serviced to NGO Division. It has created a new 'Canadian Institutions Division' to deal with universities, professional associations and environmental NGOs.

To lessen the impact of the decisions, CIDA created a 'Transitions and Innovations Fund' (TIF), which aimed to channel about a million dollars to the organisations most affected by the end of development education and provincial council funding. A further small amount was announced for 'innovative' ways of dealing with the institutional problems that had arisen. Almost 100 organisations were eligible for TIF grants, which would mean an average amount available to each of less than \$20,000. Seven months after the announcement of the new CIDA budget, none of the TIF funds had been allocated or released.

## **6. Conclusions**

The changes of 1995 were carried out in an arbitrary manner and with undue haste. They are unlikely to result in more effective or more efficient dealings between CIDA and NGOs, and the acrimony resulting from the decisions will likely take a long time to heal. Many Canadian NGOs will go out of business, or will be seriously truncated, including well-known organisations like Partnership Africa-Canada, which played a distinctive role in reaching African NGOs and networks in ways that individual Canadian organisations could not.

This, in fact, may be one of the most significant aspects of the cuts - the impact on the relationship between Canadian NGOs and their Southern partners. In the long run, non-financial aspects of these relationships may be reparable, but for many Southern NGOs - to whom long-term funding commitments were made - there may be some understanding, but little reason to trust Canadian NGOs again. CCIC calculates that the reduction in funding of \$46 million to Canadian NGOs will result in a cut of at least \$30 million to Southern NGOs. More than half of this will be passed on to African NGOs.<sup>8</sup>

The 1993 OECD study of Canadian NGOs raised a number of issues:

1. It observed that CIDA's responsive programmes of support to NGOs had been declining in size, while more and more special funds and mechanisms had been established to encourage NGOs into areas and types of programming that were of interest to CIDA's bilateral programme managers. In addition to a decline in the importance of 'responsive' programming, these mechanisms added a major administrative burden to the NGO community as a whole;
2. The vast array of funding mechanisms - over 14 special funds in addition to main programmes and the potential for bilateral country focus projects - had allowed as many as three hundred NGOs to come into existence, with relatively high overheads (i.e. poor economies of scale) and questionable degrees of competence;

3. High levels of dependency on CIDA fostered a mentality of 'grantmanship', with great amounts of time and effort being applied to gaining access to various funding mechanisms;
4. CIDA's efforts to build greater coherence and consistency into its relationship with NGOs was being done without a clear or articulated overview of what NGOs are, where they fit in society, and why they should be supported; 'smaller organisations (and many large ones as well), spend inordinate amounts of time and effort simply reacting to changes in CIDA thinking, programmes and regulations.'

Some of these observations may have been overly critical. In creating the multitude of mechanisms, CIDA was in at least some cases responding to NGO requests and priorities, and NGOs were often involved in the design of such programmes. Where the matching grant programme may have been restrictive, many of the newer funds allowed for experimentation and for the funding of initiatives and networks that would otherwise not have been possible. In any case, the 1995 changes may have solved the first three of these problems to a certain extent, but in a particularly harsh manner, without consultation, without differentiation as to quality, and without provision of the time that would be required to fashion more cost-effective mergers and coalitions.

The decisions and the manner of their application indicate that the fourth point made in 1993 still prevails. The cessation of funding to specialist and community development education groups marks an abrupt reversal of a twenty-year CIDA policy to encourage a decentralised community-based approach to public awareness building.<sup>\*</sup> A suspicious mind might infer that government is beginning to plant the seeds of CIDA's own demise. Although the overall effectiveness of development education has often been criticised, this blanket decision was not based on any specific report or study regarding such groups, nor was it based on any analysis of how an alternative approach might do better. Cuts to other advocacy groups such as the National Action Committee on the status of women have led to speculation that there is an unstated but evident government policy to cut back on advocacy and 'special interest' groups.<sup>9</sup>

A final conclusion has to do with NGOs and the evolution of a contracting era - well described by Smith and Lipsky in *Nonprofits for Hire; The Welfare State in the Age of Contracting* (Harvard University Press, 1993), in which they discuss domestic American charitable organisations. A kinder way of describing the contracting phenomenon has to do with agency theory. An agent or an agency is a person or institution that acts on behalf of another person, group, business or government. It is no accident of language that NGOs are sometimes called 'voluntary agencies', nor that bilateral aid organisations sometimes use the word as well: United States Agency for International Development; Canadian International Development Agency. Just as these institutions have delivered aid programmes on behalf of their foreign ministries, they are now - like government departments everywhere - seeking more and more sub-agents through which government services can be delivered. Sometimes disparaged by terms such as 'down-sizing' and 'out-sourcing', agency theory is a rapidly growing area of study in both law and economics.<sup>10</sup> What it means in the context of this paper is that as the phenomenon grows, the independence of the 'independent sector' - the non-

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<sup>\*</sup> In 1995, CIDA decided to contract out some of what had hitherto been an in-house 'Development Information Program' (DIP). Some of the DIP work was simply public relations, but there were also magazines, schools material, maps and a range of educational material. In future, some of this will be contracted out on a competitive basis to the private sector and, presumably, to NGOs, should they wish to bid for a contract.

profit or 'third sector' - is increasingly under threat. With much deference to the necessary independence of voluntary agencies, an October 1995 CIDA policy document stated, nevertheless, that:

'At CIDA, decisions on expenditure reductions affecting voluntary organisations have been guided by principles concerning funding for non-governmental groups outlined by the Treasury Board in late 1994. In considering reductions, all federal government departments are to place greater priority on supporting organisations that provide important services to the public on behalf of government, and where there is coherence between the activities of the organisation and government priorities'.

In Canada today, the independence of the international NGO sector is seriously compromised by twenty five years of changing government notions about the roles of government and the voluntary sector, and by twenty five years of government orchestration - often mistaken for unconditional 'support' because of its ad hoc evolution, its friendly bandmasters, and the absence of an overt or comprehensive music score. Certainly CIDA's vast array of experiments with the Canadian NGO community and with NGOs in other countries has helped many to grow and to do things that would otherwise have been impossible. NGOs themselves have sometimes proposed, and have always been the first to take advantage of each new scheme, and to exploit it to the maximum financial limit. On the other hand, the levels of dependency, the potential for manipulation and the weakness and the instability of the Canadian NGO community after years of such experimentation are perhaps a warning to NGO communities elsewhere of the great risks involved in the passive acceptance of ever-increasing levels of apparently benign government funding. In Sierra Leone, there is a Krio proverb; 'whosai den tie cow, na dey i dey eat grass - where the owner ties the cow is where the cow eats'.

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## **8. Acronyms Used**

ADRA	Adventist Development and Relief Agency
BCIC	British Columbia Council for International Co-operation
CCIC	Canadian Council for International Co-operation
CECI	Centre Canadien D'Etudes et de Coop,ration International
CESO	Canadian Executive Service Organization
CIDA	Canadian International development Agency
CODE	Canadian Organization for Development Through Education
CUSO	Not an acronym; formerly Canadian University Service Overseas
ICDS	Institutional Co-operation and Development Services
ICFID	Inter Church Fund for International Development
IDEA	International Development Executives Association
IHAP	International Humanitarian Programs
NGI	Non Governmental Institution
OCSD	Organization Canadienne pour la Solidarit, et le Developpement
PAC	Partnership-Africa Canada
PDAP	Philippines Development Associations Program
PPP	Public Participation Program
SAP	South Asia Partnership
SPO	Small Projects Office
WFP	World Food Program
WUSC	World University Service of Canada

## **9. Footnotes**

1. Brodhead, Tim, *Bridges of Hope*, North-South Institute, Ottawa, 1998, p. 90.
2. For example, an extensive and positive review of Canadian development education work was published by the Australian NGO umbrella organisation, ACFOA, in 1989.
3. CIDA Manual – Handbook 14, Chapter 1, Article 3; quoted in ‘Evaluation of CIDA’s NGO Program; Final Report’, SECOMA/EDPRA, 1992, p. ii.
4. The figures used in this section have been drawn from CIDA, 1995(b); CCIC, 1995(d); private correspondence; and Van Rooy.
5. Smillie and Helmich, p. 119.
6. 1995(d).
7. CIDA: ‘1995-1996 Budget; Budget Highlights; Canadian Partnership Branch’.
8. (1995b), pp. 10-11.
9. See, for example, Delacourt, Susan, ‘Losing Interest’, *Globe and Mail*, April 1, 1995.
10. See Trebilock, Michael, ‘Can Government be Reinvented?’ in Boston, 1995 (pp. 1-35), and Paul Milgrom and John Roberts, *Economics, Organization and Management*, Prentice Hall, New Jersey, 1992.

## **II**

# **PARTNERS OR CONTRACTORS? THE EUROPEAN UNION**

**by Francis Douchamps  
COTA**

## **1. Introduction**

The European Union (EU) first initiated co-operation with NGOs in 1976. At that time, this was exclusively with European organisations. That was more than ten years after some member states, such as Germany (1962) and the Netherlands (1965), had already started collaborating with their own national NGOs. It was on the basis of a proposal from the European Commission (EC), originally rejected by the Cabinet but subsequently supported by the European Parliament, that a first contribution of 2.5 million ECU was allocated that year to European NGOs for the co-financing of development projects.

Nowadays, NGOs are able to access funds not only through standard project co-financing but also through a whole range of specific budget lines. These resources come from the annual community budget and their allocation is subject to variation each year in accordance with budget procedures (briefly, a proposal is made by the Commission and a final decision is taken by the Cabinet after Parliamentary approval is granted). In 1994, the total allocated to NGOs reached 803 million ECU (this represents a 14% increase in relation to 1993, and 320 times more than in 1976).

NGOs can also access funding from the European Development Fund (EDF) in ACP countries, as well as Financial and Technical Assistance (FTA) from the Commission budget intended for official co-operation with Asian, Latin American and Mediterranean countries (ALA/MED). These resources are available for financing microprojects, for co-financing larger projects and for specific projects managed by NGOs themselves. During the last ten years, NGOs have increased by a factor of five the proportion of the Community budget that they manage directly. NGOs are the largest recipient of that part of the EC budget allocated to non Community institutions.

Co-financing systems and relationships in general between the European Commission (EC) and European NGOs are discussed and negotiated through a body called the NGO-EC Liaison Committee (LCNGO-EC). This body represents, through national networks, all European NGOs which collaborate with the EC. Other organised NGO activities include lobbying and campaigning to influence European development policies, or promote the role of the South in the global economy (foreign affairs, trade, agriculture, environment, etc.). NGO networks and groups have been created in Brussels according to political, religious or philosophical affinities (EUROSTEP, APRODEV, EURO-CIDSE, EECOD, etc.).

Standard co-financing of NGO projects is allowed only through European NGOs. Specific budget lines from the Commission may be accessed directly by Southern NGOs (principally

through Directorate General VIII and I, and also through certain research lines from other DGs), as well as the EDF for ACP countries and the FTA for ALA/MED countries. We will consider these types of financing separately because the criteria for eligibility vary greatly.

## **2. Budget Line for Co-financing NGO Projects**

This is the oldest funding source available to NGOs. It is also the most structured since a very comprehensive document, the 'general co-financing criteria' has been drawn up in order to address many issues and questions to be answered by NGOs applying for funds. The latest edition of this document is from 1988. NGOs have found this scheme extremely valuable, mainly because it has enabled them to diversify their funding sources and to not rely exclusively upon national funding schemes. Thus, aid channelled to projects through NGOs reached 130 million ECU in 1994, a fifty-fold increase in 18 years. 100% of annual budgets are spent. Another noteworthy feature is the steady increase in the average size of the Community contribution to projects proposed by NGOs (123,000 ECU in 1985, 207,478 ECU in 1993).

A first analysis up to 1993 (date of the latest available official figures), after 18 years of co-financing, shows that over this period the EU co-financed 5,579 projects with a total amount of 805 million ECU. These projects were co-financed through 593 European NGOs and implemented in 125 developing countries. As indicated above, this budget line cannot be directly accessed by Southern NGOs. Therefore, Southern NGOs are obliged to apply via a European NGO in order to obtain project funding. The scheme allows the European NGOs to obtain 50% financing from the EC of their local partners' projects. The European NGO submits a project application, which is accepted or rejected according to whether or not it conforms to the general conditions and to the authorisation criteria formulated by the EC. Preference is given to applications for which the NGOs guarantee a contribution of at least 15% of the costs of the project in funds from non-official European sources. The remaining 35% can be made up by other private funds, including contributions from other NGOs, by other areas of public co-financing, or by contributions from the local partner or from the project beneficiaries. Decisions concerning co-financing are taken by the Commission in Brussels, following consultation with the relevant technical bodies, with the area co-ordinator and with the EU delegation in that particular country. NGOs that work for several years with the Departmental Team responsible for this budget line are entitled to an annual sum, the block grant, which allows them to finance small projects (1,000 to 15,000 ECU) and account for them retrospectively.

Since 1988, the EC has also granted co-financing for activities supporting grassroots organisations and their networks in developing countries. The EC thus recognises that if projects are the primary instrument of development, then the organisation of civil society, of the people who form it, and of non-governmental structures, must surely constitute another essential factor for the success of the development process and for the achievement of those activities. From the same budget line the EC co-finances, with NGOs, activities to raise European public awareness of development issues (1,176 projects with 382 NGOs for a sum of 82 million ECU between 1976 and 1993; around 15 million ECU in 1994).

The EC grants its financial support to projects of up to 5 years duration (extensions to projects are, nevertheless, possible and common) and whose total costs can vary between 1,000 ECU (for activities of up to 1 year maximum, financed within the block grant) and 500,000 ECU (for multi-year projects, with a maximum of 150,000 ECU per year). Paradoxically (since it is

precisely there that the longer timescale is most necessary), the time-line for institutional support projects is only 2 years, due to the experimental nature of this approach. The general co-financing conditions have been under revision for several years. Different thematic evaluations carried out by the Department have helped to enhance this process. The establishment of the new European Commission and the restructuring of DGVIII should facilitate the revision process.

Since the partners of the Department responsible for co-financing are European NGOs, the staff within this Team are organised according to the European country of origin of the NGOs. Therefore, the officials do not benefit from a geographical specialisation in relation to the South, and are unable to capitalise upon their knowledge of Southern NGOs. It often happens that projects from the same Southern NGO are proposed by NGOs from various European countries and authorised by different officials in the EC. Even though this doesn't imply double funding it is unfortunate to have to conclude that Southern NGOs have often been forced to 'slice up', what were probably coherent projects, into various sub-projects in order to get them funded. There is also a notable absence within the Commission of a development NGO database, supported by the different officials having to deal with Northern and Southern NGOs (Budget Lines and EDF, all DG merged).

Obviously this situation does not encourage an in-depth knowledge of NGO structures in each country in the South, and it inevitably provokes some frustration within the Department. The Department's work, as well as the motivation and professional interest of the officials in Southern affairs, nevertheless compensates for this weakness. Several civil servants have developed expert knowledge of particular countries in the South or of specific local NGOs, and through participation in evaluation missions and in NGO/Donor consortia, participation in donor round-tables for Southern NGOs, participation in conferences organised by local NGOs, accompaniment of European NGO missions, etc..

In any case, co-financing through European NGOs could not easily be organised in any other way, short of distributing it through the different geographical services and the EU delegations in the South. The latter currently lack the human resources for direct follow-up even for EDF or FTA projects. Furthermore, such a method of organisation would no longer allow the optimal use of the knowledge about NGOs acquired by the officials, and could besides have the effect of increasing the problem of sub-contracting NGOs, Northern and Southern. Instead, it would be better to argue for more standardisation in the treatment of NGO applications, and for the promotion of greater uniformity in the rules used by the officials dealing with NGOs.

### **3. Special Budget Lines**

Standard co-financing of development projects is only one area in which the EC collaborates with NGOs. It has in fact over nearly 20 years of collaboration considerably diversified the resources available for NGO activities. This fact demonstrates the confidence which the EC places in NGOs, and constitutes a recognition of the success achieved by them.

The diversification of the funds available to NGOs results mainly from the opening of numerous special budget lines; geographic, sectoral and thematic. The European Parliament usually are involved in originating these budget lines.

Most special budget lines are handled by different officials, with specific rules attached to each of them. Every year the Commission produces an annotated list of these budget lines (in the different community languages), with a summary of the financing criteria and the total funds available for the year. The European Institutions as well as the different community funds available to NGOs have also been the subject of recent publications by the LCNGO (NGO Guide '95) and of the European Alliance with Indigenous People (First Contact: a guide to the European institutions for indigenous people); these two publications are produced in French and in English; the second is also available in Spanish.

Many of these special budget lines can be directly accessed by Southern NGOs. They are not however restricted to NGOs (either Northern or Southern), and research institutes, international organisations and even Southern public administrations and private businesses are eligible. The largest sums are devoted to food aid (174.5 million ECU in 1994) and to emergency aid (320 million ECU in 1994). It should be noted that these two sectors centres alone accounted for over 60% of the funds available to NGOs in 1994.

Food aid is 'de facto' reserved for Northern NGOs. An inter-NGO service structure (EURONAID) manages the budget set aside for NGOs: basically it receives NGO requests and organises the transport of goods. It must be noted that food aid channelled by the NGOs is often used for rehabilitation or development projects, on the basis of 'food for work' schemes.

Emergency aid (including humanitarian aid for refugees and for displaced persons) was previously administered directly by the EC. In 1992, the Commission decided to create ECHO, to rationalise and achieve greater profile for its work in this sector. On a case by case basis, ECHO has reached a series of framework agreements with the main Northern NGOs (European or international) active in the humanitarian field. It also acts through special contracts or conventions for certain operations. This way of working does not favour global dialogue with the NGOs, as is practised within the LCNGO. This is the reason why the NGOs supported, for humanitarian aid, the creation of a service NGO in the EURONAID mould for food aid, the Voluntary Organisations in Co-operation in Emergencies (VOICE). Because this organisation does not yet play the same operational role as EURONAID, ECHO still prefers to reach individual agreements with each NGO. It is obvious that this EC option contains the seeds of competition between NGOs, the sums involved being by far the largest accessible to NGOs (40% of the total available in 1993). Also the humanitarian market has the highest profile and therefore receives the greatest amount of public financial support.

The Commission has also opened geographical budget lines for NGOs intervening in Vietnam, Cambodia, Cuba, Chile; for the Touareg and for the Iraqi Kurds. Other lines combine a geographical and thematic specialisation; e.g., for reconstruction and development in South Africa (formerly known as the 'fight against apartheid' fund), for rehabilitation activities in Southern Africa, for supporting the peace process in the Occupied Territories, and so on.

Finally, some lines are exclusively thematic; e.g., for the promotion of decentralised co-operation, for North/South co-operation in the drugs field, for democratisation and human rights, for supporting demographic policies, for the environment, for women and development, for projects with migrants, for tropical forest conservation, for rehabilitation in developing countries, and for the fight against AIDS (it is worth noting that many of these lines also cover East European and former USSR countries).

Officially, these different budget lines are all available to Southern NGOs (except for those tied to support of international youth NGOs), some being primarily for this purpose (women and development, democratisation and human rights). The lines eligible for Southern NGOs are not always so in practice, however, because of the nature of the line or the way information is circulated.

The lines which are aimed at large-scale or research projects, such as 'Tropical Forests' and 'Environment', are accessible to local NGOs, but they are often badly informed about the opportunities available. The result is that requests do not often cover actual projects on the ground: it is mainly a question of research, evaluations and surveys proposed by research institutes, universities or private societies from the North and sometimes also by Southern universities or governments. The average project budget is around 200,000 ECU, which is high for Southern NGOs which do not always have the management capacity for such sums. Northern NGOs are well aware that some of their partners, wanting to have or having had access to these lines, approach them to ask for help in terms of presenting proposals or managing funds.

The lines which by their very nature are aimed at local programmes (such as human rights, demographic issues, etc.) are intended to finance NGOs or other Southern organisations, but the problem is that these are ill-informed and/or do not know that these lines exist. The resources are also used to support electoral processes, such as for local government.

These regional or national lines are reserved as a priority, for local stakeholders. The line for reconstruction and development in South Africa is the largest (67 million ECU in 1994) in financial terms. It was also, for historical reasons, the most clearly accessible to, and used by, Southern NGOs (remember that it was initially called 'fight against apartheid'). Doubtless, this situation will not last, given the political changes in this country, and in the light of the new guidelines issued in 1995 for 'initiatives will be undertaken by institutions/services of the South African Government and local organisations, in co-operation with NGOs'. The budget line devoted to rehabilitation in Southern Africa has largely been used by Northern NGOs (only 7% of the projects have been proposed by African NGOs), mainly in Angola and Mozambique. Apparently the reason for this is the weakness of the 'local associative fibre' in these countries. In contrast, in Zimbabwe, 6 out of the 11 projects financed were proposed by local NGOs (but often managed by whites) and 10 have been carried out by them. The budget lines for the (former) communist countries (Cuba, Vietnam, Cambodia) are faced, amongst other problems, with the absence of local NGOs.

With regard to the fight against AIDS, 3% of the funds have been given to Southern NGOs since the beginning of the programme (4% in 1994). The funds have mainly been obtained by Northern NGOs, local governments and the medical sector (care and research).

In operationalising these budget lines, the EC/NGO relationship is primarily instrumental rather than functional. The Commission receives NGO proposals and selects projects to finance on the basis of the official guidelines and procedures, but it rarely looks at the coherence of the line. The NGOs often see the line merely as a means of funding their activities and their development, and often adapt their activities more to fit what they believe they have to fulfil in terms of the budget line rules, than in relation to their own objectives.

#### **4. The European Development Fund**

NGOs from the countries which signed the Lomé Convention are also able to participate in projects relevant to the European Development Fund (EDF), whether these are microprojects or larger scale projects. It should be noted that the Lomé Convention regulates development co-operation among the member states of the EU in relation to the countries of Africa, the Caribbean and the Pacific (ACP). This agreement is renegotiated every five years. The European Development Fund, which is the financial instrument for this, is replenished by five-yearly donations from the member states of the EU and is managed independently from the annual budget of the Commission. While the Commission's budget is supervised by the European Parliament, the EDF is under the control of the EDF Committee, which is a creation of the EU governments. In 1994, the EDF accounted for 54% of the EU development aid.

Because of these characteristics, the EDF has its own rule of usage which, for the implementation of projects, are particularly restrictive: five-yearly programming between the ACP state concerned and the EC; complex and long procedures; non-negotiable rules of tender, etc.. Furthermore, decisions about the use of the EDF are taken on the basis of consensus between the ACP government and the Commission. It seems obvious that these conditions are bound to pose a problem of autonomy for some potential stakeholders in certain countries, on the general political level and with regard to the actual implementation of projects. The financing is theoretically for 100% but in practice, the EDF chooses what it accepts to fund within a project proposed by a third party.

Since Lomé IV, the text of the Convention indicates that NGOs (ACP and EU) not only have the possibility to carry out microprojects, but also to co-ordinate, supervise and implement microprojects programmes. Much more important however, is the explicit reference to NGOs (although in the same manner as many other institutions) as official partners, with regard to the process of the decentralisation of development aid. Paradoxically, despite the tightness of the system and the strictly bilateral character of Lomé, the 'political' opening up within it towards NGOs is very significant. All the same, these opportunities carry the seeds of two important challenges for decentralised partners and for the NGOs. These concern the problems resulting from:

- being seen as an instrument for ends contrary to their own objectives;
- the creation of a parallel network of pseudo NGOs manipulated directly or indirectly by governments.

What are the consequences for NGOs that result from these funding opportunities? Concerning micro projects, it is worthwhile highlighting that once the overall programme has been approved by the ACP State and the EC in Brussels, decisions on individual projects are taken at country level by which ever authority that country deems appropriate (usually including the national administration and the EU Delegation) These micro projects can therefore be assimilated to 'Embassy Funds' and thus represent an opportunity for the funding of projects submitted by Southern NGOs.

As far as the microprojects programmes are concerned the responsibility for implementation has only rarely been entrusted to NGOs. In certain cases, Northern NGOs who are well established and who can make personnel available for programme management (this refers essentially to the

cases of French AFVP and Dutch SNV) have been appointed to provide technical assistance in managing the microprojects programmes (in the case of Chad, Niger, Zambia) or of parts of these (in the case of Senegal and Mali). There are no examples where the management of such a programme has been entrusted to a local NGO.

For individual microprojects, the involvement of NGOs is equally rare, and when it has occurred, it is more usually with local NGOs (active on the ground and in contact with the microprojects implementation ‘cells’) than Northern NGOs (except in Mali, where Northern NGOs were given the role of a decentralised programme office, which allowed them to propose the funding of some of their own projects in partnership with grassroots groups). Some unusual projects proposed by Southern NGOs have thus been financed, for example in Zimbabwe and in Swaziland (where a local NGO is represented within the programme pilot committee). In practice, microprojects partners are usually village based groups. In general, microprojects are still very often conceived as infrastructure building programmes; they do not generally lead to true participatory development, nor to the strengthening of the beneficiary’s capacities, nor to developing dynamics at the local level. Microprojects normally consist of an incoherent collection of isolated material achievements.

The microprojects programmes could play a strengthening role for civil society in Southern countries and, incidentally, for NGOs, on condition that they promote:

- a more programmatic approach in supporting grassroots initiatives;
- bringing together the efforts of various stakeholders (local authorities, grassroots groups, NGOs, Unions, chambers of commerce, etc.) in order to address in a more coherent manner the issue of local development;
- a more participatory approach by the population than a mere contribution to costs;
- a more autonomous and decentralised management approach to the programme;
- development or strengthening of the capacities of grassroots stakeholders through more integrated activities and responses to broader priorities (training, accompaniment, institutional support, communication and co-operation, etc.), which would address the huge gaps detected in most microprojects;
- taking account of accumulated experience and strengthening of existing programmes of stakeholders already present on the ground.

As for the larger and more typical EDF programmes, the EC has already offered under Lomé III an opportunity for the European and ACP NGOs, with an option for them, in a number of test countries, to become the implementing body for certain types of EDF programme. However, these were implemented in a global and centralised way and were not innovative. The emphasis was placed, in these programmes, on geographical zones and sectors of concentration. These attempts to include NGOs in EDF programmes have given indifferent results and their implementation has sometimes involved significant difficulties, notably with local NGOs (programmes in Kivu, Zaire or ‘Rural Development Centres’ in Cameroon, for example). The Cameroon experience shows, for example, that in the implementation phase of projects, there is

still a problem of mistrust in the institutional attitude towards local NGOs: whereas, in the financing convention between the EU and the Cameroon Government, despite the fact that the responsibility for the implementation of the programme was clearly placed with the local NGOs, a typical form of ‘external/technical assistance’ was employed to oversee the project; the EDF procedures have been applied in an extremely rigid way with regard to NGOs and as a consequence, relations with local NGOs quickly deteriorated. There remains a long road to travel before the logic of advice, accompaniment or support replaces competition and confrontation.

Under Lomé IV a certain number of projects and programmes, which have been set up based upon a vision of decentralised co-operation, have ended up depending on NGOs for implementation. These implementing bodies are sometimes of ACP origin (Guinea Conakry, Cameroon), but the involvement of European NGOs is most common (Guinea, Benin, Burkina Faso, Gambia). North/South partnerships between decentralised actors are still very rare.

Some of these programmes are more substantially inspired by principles of decentralised co-operation, involvement of grassroots groups in the management of projects (Niger), open and flexible programmes (Cameroon); an increased role for NGOs (Cameroon); the delegation of certain technical and financial responsibilities (Cameroon, Gambia); institutional strengthening and development of local human resources (Congo, Guinea, Gambia); progress in participatory planning (Burkina, Gambia, Congo).

In terms of decentralised co-operation, the ‘specific’ programmes (i.e. corresponding explicitly to the notes in the Lomé Convention and conceived to promote this approach), have been the exception during this first part of Lomé IV (90-95). It appears that only two programmes carried out, in Benin and in the Dominican Republic, fall into this category. Other programmes are in preparation in various countries (Madagascar, Niger, Cameroon, Zimbabwe, Mauritius, Nigeria, Senegal etc). This is not to say however that local NGOs can become partners in these programmes. The example of the urban development programme envisaged in Cameroon illustrates this situation well: a French NGO had carried out a programme of animation of local NGOs active in the urban situation, in such a way that they would be in a position to provide services to the population. It then proposed, in collaboration with these NGOs, a programme of support to small economic initiatives in 5 towns in the country, and presented it to the EDF. The latter agreed to finance it, but with the French NGO as the official implementation and accountable body, playing the role of intermediary with local NGOs.

In conclusion, it seems that for NGOs (and even more strongly for Southern NGOs), the main hurdle to get over if they want to participate in EDF projects (besides the necessary agreement of the authorities in the country) is that of the complexity and the length of the procedures. The actual establishment of an operation involving NGOs would determine the choice of either an accelerated, or a normal decision-making procedure. For these two procedures there exists two types of programme:

- the accelerated procedure would allow the formulation of ‘open’ programmes of support to small local initiatives (rather like microprojects);
- the normal procedure would mean that programme would be ‘closed’, in so far as the implementing bodies are not identified from the outset and therefore allow more ambitious

and more coherent operations, dealing for example with a theme, a sector or a geographic zone.

The procedures for financial reporting are just as complex and painful for small organisations dependant on external and unreliable sources of funding: the risks of breaking the funding bounds are constantly underlined by the managers of EDF projects even when they are European NGOs. From this point of view, the necessary rigour of control ought to combine with an essential flexibility in the application of procedures. Significant measures of support-accompaniment must be set up at the beneficiary level, as well as that of NGOs and managers, in order to strengthen their capacities. These measures may vary according to scale and context.

In most cases, setting up an intermediary able to provide close support for the NGOs down the line, and to reassure the officials in charge up the line (through the strict fulfilment of the rules of the scheme) would thus be necessary. This structure should preferably be permanent and have the aim of supporting local initiatives, through decentralised offices/managers. It should win the recognition and the confidence of the officials through its neutrality and professionalism. In general, the geographical officials and the EU delegations in the field often refer to the same reasons as the managers of the special budget lines to explain the under-representation of local NGOs: absence of NGOs, lack of ability, lack of operational and management capacity, lack of trustworthiness etc..

## **5. Co-operation vis-à-vis the ALA/MED (FTA) Countries**

Co-operation with the ALA/MED countries is based on the mobilisation of a certain number of budget lines within the general EU budget, of which the most important is the Financial and Technical Assistance programme (FTA). The EU financing for this programme is usually 100%.

The inclusion in the budget of lines allowing intervention in the ALA countries (or non-associate) has not been followed by the publication of a legal framework governing their particular availability. The Financial Regulation of the Budget of the Communities is thus applicable. This absence of a legal framework allows great flexibility in allocation of funds, notably in the choice of co-operation partners; which is not necessarily a governmental body and there are no legal obstacles to direct agreements being reached with private partners. The text of the 1992 Regulation thus explicitly envisages NGOs as possible partners (among others) in development co-operation.

In contrast to the Lomé Convention, FTA for the ALA countries is not agreed with the governments of the beneficiary countries. These are involved neither in negotiation of globally available budgets, nor in fixing of financial allocation by country or region. The choice of co-operation partners and the actual form which this takes thus depend very strongly on those responsible for setting up the aid programme: upon the bureaucracy (Heads of Divisions and Directors) and upon the personality of the officials (geographical desks).

In contrast with FTA for the ALA countries, development aid for the MED countries has a largely contractual base - that of the Financial Protocols signed with each of them. The Protocols envisage that the development partners include non-public bodies. All the same, they submit the whole of the programme for approval by the country's governmental bodies and,

consequently, the participation of NGOs is very rare in these countries, in contrast with the ALA zone. In the absence of an exhaustive survey (which it was not possible to carry out within the remit of this work), it is difficult to have more than a fragmentary perception of what is happening in terms of co-operation with NGOs in these countries.

In general, FTA has taken very traditional forms. Funds have been allocated primarily to financing governmental or multilateral projects (World Bank, IDB, ADB, UNICEF, etc.). This situation is mainly the result of an institutional culture and, without doubt, of actual administrative constraints, not of legal limitations. There have however been exceptions, and notable advances in terms of decentralisation have been noted in certain countries or regions, as a result of the creativity, the open-mindedness and the capacity for innovation of the Commission's services.

In Bangladesh for example, very large budgetary amounts have been allocated to local NGOs within FTA (8 million ECU for BRAC, 31 million ECU over 5 years for PROSHIKA) for poverty alleviation projects. The PROSHIKA case is interesting, in as far as the EC had to act as a member of a consortium of donors to this NGO (including as many official agencies as Northern NGOs), and to follow its rules (financing in a 'common pot' by all donors for the five-year PROSHIKA programme, and not financing for a specific project elements). In Central America, a financing convention has been signed with a private foundation for a FTA project aimed at the indigenous problem. In other cases still (for example the budget lines for aid to refugees, repatriated and displaced persons' self-sufficiency), the financing has been spread among 'official' partners (governments and multilateral organisations, such as UNHCR in the case quoted) and private partners, mainly European (NGO), but not exclusively. It is possible to raise the case of the budget line for supporting the process of democratisation, which has been allocated almost exclusively for the direct financing of (projects of) local partners: official organisations (electoral tribunals, promoters of human rights etc.) but also, in very large measure, private organisations (NGO, associations, indigenous organisations etc.).

Development aid in the ALA countries has thus sometimes taken a direct form, with agreements signed between the Commission and local partners, without a state intermediary, and without any consultation or request for prior approval.

In the MED countries, there has been little solid collaboration with NGOs. It is worth mentioning the new programmes for the creation of partnerships and linking networks for decentralised partners in the two regions of the Mediterranean basin. Different regional programmes of this type have been put in place, notably MED-Urbs, MED-Campus, MED-Invest MED-Media and MED-Techno. A MED-Associations programme is currently in preparation and should more specifically interest the NGOs to the North and South of the basin. These programmes have just been regrouped in one single MEDA programme. These are programmes that aim to encourage participation and the transfer of skills between individuals, groups, or organisations in the two regions, through the creation of decentralised networks built around specific themes of co-operation such as planning and urban management, university teaching, media, etc.. The networks thus created bring together, according to subject, municipalities from the two regions, universities, the business community, the media. The partners are thus as much official 'decentralised' partners as private partners.

Each of the programmes put in place allows the financing of a certain number of sub-projects: projects for joint research, training activities, seminars and meetings, service creation (and in

particular of information services) etc.. These programmes do not engage in the financing of development activities in relation to specific target groups; on the contrary the focus is clearly the networking of partners. These projects are aimed as much at European partners as they are at southern Mediterranean ones, and the financing benefits organisations from both regions.

It is however important to realise that project/programme financing concerning ALA/MED countries is exclusively decided by the Commission; the Delegations themselves are not authorised to finance Southern NGOs without prior agreement from Brussels. Nevertheless, there is one exception: if a programme which has only been defined in its broad orientation is approved by Brussels, as is the case for micro projects covered under the EDF , decisions regarding each individual project are then taken in country by the Delegation (if there is one in the country concerned), by a relevant authority or by the organisation responsible for implementing the programme. This is currently the case for a programme run in the ‘autonomous Palestinian Territories’ where the implementation agency is a ‘parastatal’ body closely linked to the Palestinian Authority . This means, in theory, that it is possible for a Southern NGO to receive direct funding. However, as for micro projects in ACP countries, approved projects are usually small scale and short term ones (generally one year maximum). For example, they do not allow for institutional support to Southern NGOs.

## **6. Considerations Regarding the Direct Financing of Southern NGOs**

Several recent studies and evaluations for the EC allowed us information of a large number of Southern NGOs in the various continents. In Africa, many NGOs have shown their desire for more direct access to Northern public donors. In Latin America and Asia, other NGOs have demonstrated opposition to this means of financing.

The mediation of the Northern NGOs in the matter of financing in fact presents some problems (long decision-making processes, dependence, and its corollary, paternalism), but also advantages (in certain cases, they protect the Southern partners from the interference of their governments; their knowledge of the administrative mechanisms of the official agencies allows them to train their Southern partners and to help them to deal with their accounting obligations properly).

The desire expressed by most African NGOs to be directly funded appears to be mainly as a consequence of a misunderstanding of the actual implications of the concept of partnership between European and African NGOs. The argument put forward is that the Northern NGOs each have their individual approaches and their requirements in matters of co-operation, which leads to delays and constraints. Southern organisations consider direct financing as a means to save time as well as human and financial resources (fewer administrative tasks, less work involved in looking for funding, shorter delays, etc). These NGOs also play down the value of the moral protection and independence from local political power that Northern NGOs are supposed to guarantee; they consider, rightly or wrongly, that they would benefit from the same protection if they have direct access to funds granted by institutional donors from the North.

The demand for direct financing thus seems to express itself in relation to the quality of the relationship with the Northern NGO partners and their professional capacity to assume their responsibilities as intermediaries. For the Southern organisations, direct financing would allow them to refocus their partnership with the Northern NGOs on development problems and to

limit the financial dependency. The concept of partnership would then take on its proper meaning; they would want Northern NGOs to play a more active role in lobbying and raising the awareness of the Northern public (provided they could participate in defining the agenda) and to provide technical support in a broad sense, as well as to encourage joint analysis on development issues. This raises the question as to how European NGOs access funds for new functions based in the North but intended for their Southern partners.

Those who are opposed to this method of financing believe that under current conditions, the donors lack the human resources for effective management and follow up of these direct relations. Furthermore, if institutional donors had to increase their capacity in order to perform those tasks, they would probably do it at a higher cost than that of the Northern NGOs which play this role today. The proportion of overhead costs within the global aid budget would thus increase substantially. Furthermore, direct financing would no doubt offer some advantages for the Southern NGOs in terms of autonomy in their relations with Northern NGOs, but equally some problems and potential risks:

- risk for the Southern NGOs of having to comply with inter-governmental agreements, which could as a consequence limit their freedom of action and their autonomy in planning their activities;
- loss of support from the Northern NGOs, notably in monitoring and evaluation, but also in fulfilling financing procedures;
- risks of excessive financing, which could result in a growth crisis for these NGOs;
- absence of long-term partnership relationships with the donor, since this type of financing is often of the one-off or short-term kind; the risk of using Southern organisations as executive instruments for policies decided by others.

## **7. Perspectives in the EU**

It is obvious that the relationships between the EU and the NGOs are evolving rapidly and diversifying considerably. However the share of available funds directly accessed by the Southern NGOs is truly negligible. For example, of the 803 million ECU of the EC budget (budget lines) devoted to NGOs in 1994, 640 million ECU (80%) are automatically out of reach (e.g. formal co-financing, education for development, food and humanitarian aid). The 163 million ECU remaining are made up of special budget lines (thematic or geographical), of which one (South Africa) already mobilises 67 million ECU. Less than 100 million ECU are then accessible for the remaining Southern NGOs.

As for the more official and bilateral aid (EDF and FTA for the ALA/MED countries), the involvement and participation of NGOs, and more particularly of Southern NGOs, remains very rare. The EDF experience of Southern NGOs can still be counted on the fingers of one hand and the outcome has not always been positive. The experiments with FTA are more significant (e.g. Bangladesh, Central America) and varied but are no more numerous.

On the level of the internal functioning of the Commission, we see a lack on the one hand of political will, and on the other, the lack of an institutional culture favourable to collaboration with NGOs, such as the one existing for example in Nordic countries or in the Netherlands. Very good ideas are put up by motivated people, but the European development administration, as a whole, is not yet following along and the implementation of projects is often still very traditional.

The direct financing of Southern NGOs by the Commission can be summarised as follows:

- standard co-financing (projects, development education accessible exclusively to European NGOs).
- certain budget lines with a geographical or thematical focus can in theory be accessed by Southern NGOs; however in practice this is rarely the case and decisions are made in Brussels.
- Southern NGOs have access to EDF (ACP countries) but decisions depend on approval by ACP authorities and are taken in Brussels; for some types of programmes (microprojects, decentralised co-operation etc.) decisions regarding each individual project can be taken in country.
- Southern NGOs can more easily access FTA funding (ALA/MED countries), but decisions which in theory do not depend on national authority of the country concerned are made in Brussels, when exceptions apply they are similar to the EDF ones.

The introduction of the concept of decentralised co-operation could allow for much greater participation of Southern NGOs in the planning of European development aid. Decentralised co-operation has potential for an ambitious and coherent approach for support to local development, which would allow the achievement of a critical number of interventions, significant impact and greater visibility. Decentralised co-operation is suitable for application within most forms of EC intervention.

However it is important that this approach is the object of a genuinely durable development policy in the European Union, relying on strategic principles such as support for decentralisation, participation and the bestowing of responsibility on all parties, as well as the strengthening of their capacities. This obviously assumes a clear will, as much from the political leaders as from the officials, and their active participation in the promotion of this different concept of co-operation for development.

It will be necessary to swap the old tried and tested practices, for new methods of working. This is never easy. Collaboration with social organisations and NGOs from Southern countries will nevertheless require changes in the views and attitudes of aid officials, which in turn will have to be supported by an appropriate ‘institutional culture’, that will encourage innovation and flexibility. There is a need for a long-term change within the EC but the process should be progressive. Changes in attitude are, however, just as necessary for most of the decentralised players, who must imperatively make an effort to adapt their behaviour and structure to this new approach: this should lead to a greater openness to other players, a spirit of dialogue and consultation, as well as a redefinition of their roles. It may seem a brave gamble, but in the face of the challenge of democratisation, the growing aspirations of populations to participate in the

management of their future, as well as the cruel reality of the exclusion of the majority, this approach is quite simply essential.

## **8. Acronyms Used**

ACP	African, Caribbean and Pacific Countries
ALA	Asian and Latin American Countries
BL	Budget Line
DC	Decentralised Co-operation
DG	EC Directorate General
EC	European Commission
ECHO	European Community Humanitarian Office
ECU	European Currency Unit
EDF	European Development Fund (ACP countries)
EU	European Union
FTA	Financial and Technical Assistance (ALA/SMed countries)
MP	Micro Project
NGO	Non Governmental Organisation
NGO-EU LC	European NGOs and EU Liaison Committee
SMed	South Mediterranean Countries

### **III**

## **PARTNERSHIPS FOR DEVELOPMENT: USAID AND PVO/NGO RELATIONSHIPS**

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### **1. Introduction**

This report reviews the relationship between the United States Agency for International Development (USAID), US private voluntary development agencies (PVOs)<sup>1</sup>, and developing country non-government organisations (NGOs) through an examination of USAID policies and practices over the last five years. The study includes USAID funding of social and economic development programmes through PVOs and NGOs. It does not include disaster relief funding or AID's extensive food aid programme which also rely on civil society organisations for their implementation.

Data was gathered from USAID officials, senior staff of PVOs, government documents, and a report commissioned by the PVO community. The scope of the study did not permit comprehensive data collection; therefore bias may be introduced by the selection of materials and individuals surveyed. Similarly, the study relied on existing USAID statistics that did not allow us to dis-aggregate the data on some critical dimensions. Most importantly, we could not determine levels of indirect funding that flow through US PVOs to Southern NGOs.

### **2. Characteristics of USAID-PVO/NGO Relationships**

The US Government has been funding US PVOs since the end of World War II when they were officially recognised as legitimate actors in the delivery of official American foreign aid. Initially the government funded PVO relief and rehabilitation programmes during and after the war. Since then, the amount of public funding to US PVOs has grown steadily to the point where it represents nearly 40% of total PVO funding from all sources. Today, it is estimated that slightly less than one-third of USAID development assistance funds, 27.7%, passes through PVOs. There is now discussion of increasing this amount. At the 1995 Social Summit in Copenhagen, Vice President Gore stated that the United States 'would seek to channel up to 40 percent of its assistance to poor countries through private aid and charity groups that have demonstrated greater efficiency than many international organisations including the United Nations.'<sup>2</sup>

This growing reliance on US PVOs has been accompanied by a shift in PVO activities from providing short term relief to planning and implementing long-term development projects. Due to this change, the relationship between USAID and the PVO community has become more collaborative over the last twenty years. Changes in development approaches and USAID goals also brought a new player into the picture, local NGOs who are now occupying a greater role in the development process.

The USAID resources that are made available to PVOs and NGOs come from programmes administered by USAID in Washington (including Central and Regional Bureaus) and USAID field missions. In order to be eligible for receipt of public funds for international development purposes, US voluntary organisations must be registered with USAID, and meet the 'privateness requirement,' by obtaining at least 20% of their revenues for international programmes from non-US Government sources. This requirement is not applied to local NGOs.

PVO registration is handled by the Office of Private and Voluntary Co-operation (PVC) in the Bureau for Humanitarian Response. As of October 1, 1994, 419 PVOs were registered with USAID, including co-operatives, credit unions, labour institutes, civic institutions, & non-profit relief & development agencies.<sup>3</sup>

#### **Funding Mechanisms**

USAID provides funds to PVOs through three basic mechanisms: programme grants, co-operative agreements and contracts. Programme grants provide the majority of funding from country missions. They enable registered PVOs to carry out their own field projects consistent with the country programme strategies of individual field missions or regional bureaus. Programme grants, the most flexible from the PVO point of view, vest implementation responsibility solely with the PVO. They are usually multi-year in duration and require 'cost sharing' by the PVO. In co-operative agreements USAID holds a 'substantial involvement' in certain areas of programme decision making. Contracts are instruments for procuring goods and services in support of USAID's own programmes. USAID exerts most decision-making control through this mechanism.<sup>4</sup>

Regional bureaus (based in Washington) and several central offices also provide funds to PVOs. Centrally funded activities are relatively small and only represent a small percentage of total USAID assistance channelled through PVOs. The Office of Private Voluntary Co-operation (PVC) is important to PVOs since it is mandated to promote and strengthen PVOs and their NGO partners development contributions. It administers six development grants programmes including the Matching Grants Programme (MGP) which supports PVO and NGO 'institutional strengthening.'<sup>5</sup> Matching Grants are highly competitive awards made to PVOs based on their demonstrated capability to implement successful sustainable development activities and to raise funds privately. These grants require a 50% cash match cost sharing.

### **The USAID-PVO Relationship in Perspective**

Centrally administered funds tend to flow to relatively few, large, well organised PVOs who often have considerable clout with the US Congress that protects funds for their programmes. Recently, USAID has launched an 'outreach' programme as it becomes more sensitive to the concentration of public funds in a small number of organizations,<sup>6</sup> and is increasingly interested in expanding society-to-society linkages through like-minded organisations such as those with ethnic ties to areas it now serves. Similarly, PVC is now considering extending its partnership to domestic NGOs that primarily serve the poor and disenfranchised in the United States.

A recent study released by USAID's Centre for Development Information and Evaluation (CDIE), 'Strengthening the Public-Private Partnership: An Assessment of USAID's Management of PVO/NGO Activities,' found the biggest problem with the Agency's partnership with PVOs and NGOs is its inconsistent management of grants and co-operative agreements. The study attributed the inconsistency primarily to the failure of USAID staff to apply partnership principles. Most USAID mission officers make little distinction among the three funding mechanisms treating all largely like contracts and thus instruments of control.<sup>7</sup>

USAID's registration process is a lengthy, complex affair, that must be maintained yearly through the submission of documents including audited financial statements, annual report, annual budget, tax registration status and 'privateness' percentage reports. Though it is difficult for PVOs, it has its greatest impact on local NGOs who are either put off by the process or cannot meet the stringent requirements. The CDIE study found NGOs particularly have a difficult time meeting USAID's accounting and financial management requirements.<sup>8</sup>

## **3. Funding Trends**

### **US PVO Funding**

In 1994, US PVOs received nearly \$1.7 billion from the US Government in the form of grants, contracts, US Government owned excess property, ocean freight subsidies, and P.L. 480 donated money. This figure represents nearly 40% of all funding that PVOs receive, and so is significant to their programmes and organisational stability.

Table I shows a five year summary of funding from central bureaus and field missions to US PVOs, broken down by four sectors: democracy, environment, population and economic growth. Total funding to PVOs in these areas has generally been rising from \$346 million in 1991 to \$440.1 million in 1995. Proportionately, economic development programme funding at 64% is the largest sector. The other 36% is divided among the population (17%), democracy (10%), and environment (9%) programmes.

Major growth in this period is in the democracy programme funding which increased by 559% (\$13.5 to \$89 million); followed by Population programmes growth of 54% (\$52.4 to \$80.6 million). Economic growth programmes stayed the same at about \$235 million over the five year period. Environment fell by 14% from \$42 to \$36 million.

Table II shows funding changes in the economic development sector by programme type. There are minimal declines in education and health (1% and 7% respectively). Education changed from \$25.9 million in 1991, to \$25.6 million in 1995, and health from \$96.9 to \$90.2 million. However there was a 44% decline in agriculture from \$57 to \$31.7 million accompanied by an increase of 50% in ‘other’ economic development activities from \$58 to \$87.3 million. Other activities include funding for telecommunications, transportation, financial investment and business development. Over the five year period agriculture programming accounts for 20% of all funds channelled to PVOs for economic growth: education, 12%; health, 44% and other, 24%



### **Local NGO Funding**

USAID direct funding to local NGOs has grown between 1991 and 1995 by 40% from \$184 to \$307.8 million. Table III shows the regional priorities of AID programming and the Global Bureau in Washington over this five year period.<sup>9</sup> Since 1992, African NGOs have been receiving the majority of USAID funding (35% overall in the five year period) followed by Latin American and the Caribbean (LAC) with 27%; and Asia Near East (ANE) with 18% of total funds. The Europe/Newly Independent States (ENI) region received only 2% of all funding to NGOs. The Global Bureau which funds any region accounts for about 17% of total funding.

In 1995 the total amount of funding to Africa has fallen to 1993 levels while it has increased in all other regions and through the Global bureau. This trend reflects a changed regional focus in USAID's development strategy accompanied by mission closings, most of which were in Africa.

The proportion of direct funding to NGOs and PVOs has changed slightly over the five year period. In 1991 NGOs received 30% of combined funding of \$496 million to both NGOs and PVOs. In 1992 that proportion rose to 35.5%, and has been fairly steady through 1995. In 1995 combined funding to PVOs and NGOs reached \$675.5 million. Total funding to NGOs is under-represented in these figures, however, since we do not have a breakdown of indirect funding going to NGOs through PVOs.

## **4. USAID-PVO Partnership**

Over the last 5 years USAID's relationship with PVOs has undergone a major transformation. In the past the USAID-PVO relationship has been a difficult one. Differing views over official development assistance policy and the role accorded to PVOs in implementation created a relationship characterised by periods of tension and ill will combined with relative calm and collaboration. USAID's relatively cumbersome, arbitrary set of regulations and procedures also made the relationship a problematic one.<sup>10</sup> Today, however, the USAID-PVO relationship is more productive, collaborative and respectful than ever before.

A number of factors can be attributed to this closer working relationship. As the American foreign assistance programme and USAID have come under increasing attack from Congress and been beset by budget cuts, USAID has found a strong ally in the voluntary sector, particularly in US PVOs. Second, the realities of development in the post-cold war have also caused USAID to put into practice fundamental development principles that PVOs believe more accurately reflect American values, decreasing the cultural and philosophical differences between PVOs and USAID. Third, the Advisory Committee on Voluntary Foreign Aid (ACVFA) which was created in 1946 to serve as a link between the US Government and PVOs has developed into a 'non-partisan' body capable of mediating differences between USAID and the PVO community. It has played a critical role in the redirection of the US foreign assistance programme, making recommendations to the USAID administrator on the direction and content of that programme. Finally, the leadership and policies of the Clinton Administration have played an essential role in the change in relations between USAID and PVOs. USAID's administrator believes in an expanded role for civil

society organisations in the foreign assistance programme. He and his staff actively involve PVOs in dialogue and consultation at all levels of the Agency, in a variety of public fora, and in written policy.<sup>11</sup>

### Policies for Partnership

A priority of the new Clinton administration was to identify policy principles that could be the basis for drafting a new USAID policy statement on the USAID-PVO partnership. In 1993 a joint task force was established by USAID and InterAction, the consortium of international development agencies, to undertake this study. Many of the Task Force findings and recommendations were published in a report, 'Policies for a More Effective Partnership,' that addressed three sets of policy issues: i) programme focus, balance and direction; ii) administrative systems and procedures; iii) new and innovative funding mechanisms. The report concluded that the relationship between USAID and the PVO community can be deepened through a structured process of dialogue and consultation. It emphasised institutional capacity building for PVOs and NGOs as an essential component of development and the growing importance and ability of local NGOs. It also noted that the effectiveness of USAID and PVO performance is reduced by the current registration, procurement, grant negotiation and oversight system.<sup>12</sup>

The findings of 'Policies for a More Effective Partnership' were adopted and important elements were incorporated into a new PVO policy document, 'USAID-USPVO Partnership Policy Guidance,' effective from April 12, 1995. It revised a 1982 policy to reflect the changed development context of the 1990s and the new relationship that has developed between USAID and PVOs. Acknowledging the changed global circumstances of the past decade, the document stresses the need to forge a new consensus on foreign assistance promoting sustainability and humanitarian assistance, and the need for a public and private partnership in the delivery of foreign assistance. PVOs are portrayed as USAID's 'natural partners' in a reconstituted foreign assistance programme.<sup>13</sup>

USAID's revised policies also reflect another major shift that has occurred in the international development community - the changing relationship with local or Southern NGOs. There is general agreement within the US international development community that the days of active, operational PVOs delivering services at the grassroots level in Southern countries are over. The current administration's foreign assistance policy, rooted in strengthening democratic systems and open market economies requires strong private voluntary sectors (civil societies) as well. The emerging role of PVOs is, therefore, to promote and facilitate the growth of local civil society and voluntary action. USAID's policy emphasises that US PVOs can help the Agency capitalise on the growing role, importance and capacity of local NGOs by creating effective partnerships and taking on a capacity building role. It also states that USAID 'shall facilitate the provision of direct assistance to local NGOs to strengthen their capacity and support their development activities.'<sup>14</sup>

This new emphasis on working with local NGOs is reflected in the 1996 Guidelines for the Matching Grants Programme. One of the four major objectives listed in the Guidelines is 'to build the capacity of local non-governmental and community-based organisations through formal, structured relationships with US PVOs.'<sup>15</sup>

USAID is also more effectively funding NGOs through an increasingly used programme grant commonly known as an 'umbrella project.' Through this grant mechanism USAID is able to provide financial resources to a number of agencies through one funding obligation. The PVO grant recipient acts as an intermediary between USAID and a community of eligible PVOs and NGOs. It provides a combination of training, technical and financial grant assistance. This 'umbrella' decreases USAID's overall management burden during a time of budget constraints. The principal beneficiaries of the umbrella project are NGOs who are able to receive funding without being registered with USAID. The intermediary also buffers NGOs from the myriad of USAID regulations and procedures by, for example, developing user-friendly guidelines on how to comply.

The umbrella project is generally used in countries in which the local NGO sector is not yet mature and NGOs have little capacity to manage the rigors of USAID requirements. The principal purpose of the grant is to build individual NGO capacity as well as the NGO sector as a whole. NGOs can receive technical and training assistance directly from the PVO umbrella manager or through sub-grants that support the NGO's activities.<sup>16</sup> Funding flows through umbrella organisations such as PACT, World Learning, and World Education which are large, established PVOs that have management and administrative skills. They identify, select, fund and monitor the NGOs they work with and are held accountable to the US government. They also provide training and technical assistance to NGOs either through their own staff or contracts with others. The type of NGO funding mechanisms used varies with the region: Africa is primarily through sub-grants, in Asia through co-financing. There is little umbrella funding in Latin America.

## **Policies for Extending USAID-NGO Relationships**

Direct funding and support of local NGOs has become a major part of USAID development policy. In March 1994, USAID's policy, 'Strategies for Sustainable Development' addressed five strategic and global concerns: democracy building, population growth, environmental protection, economic growth and humanitarian assistance. The document explains that the aim of all USAID's programmes will be to build local capacity, enhance participation, and encourage accountability, transparency, decentralisation, and the empowerment of communities and individuals. It makes clear that the ability of USAID and US PVOs to work unhindered with local NGOs and other local civic actors is a fundamental criteria for a country's receipt of official development assistance. These policies are consistent with US foreign assistance objectives of promoting democratic pluralism and the overall belief that sustainable development can only be achieved through harnessing the talents, skills & resources of the private sector, both the voluntary and for-profit alike.

The evolution of US AID's relationship with US PVOs and local NGOs is most evident in the New Partnerships Initiative (NPI) which was announced by Vice President Gore at the Summit for Social Development. NPI is an attempt by USAID to make local capacity building a central concern across all Agency programmes. The overall goal of the programme is to achieve long term sustainable development objectives and accelerate the graduation of host countries from US government assistance by building local institutional capacity, involving grassroots actors in the development process, and enhancing national enabling environments. Strengthening of civil society and helping to restructure the relationships between states and civil societies is seen as critical to this process.<sup>17</sup>

This programme not only targets local NGOs supporting sustainable development objectives, however. It also seeks expansion of linkages and associations among small business partnerships, and democratic local governments. It also seeks to be an instrument of USAID's 're-engineering' effort that is intended to reorient the agency toward client responsiveness and achievement of results.

NPI acknowledges the collaborative working relationship between USAID and US PVOs, and stresses the importance of building better development partnerships by highlighting management reforms and building new partners across borders and across sectors at the local level. The approach challenges PVOs and NGOs to become more results-oriented.

Though NPI is official agency policy that has the full backing of the administrator, it originates from a central bureau in Washington. It has not yet been adopted by field missions which have considerable autonomy in their country strategies and programmes so it is too early to tell what the impact of NPI will be.

## **5. PVO Perspectives on USAID Policies and Practice**

Members of the US PVO community attribute USAID trends toward civil society capacity building and funding of Southern NGOs to the leadership of Brian Atwood. Atwood is perceived to be providing stability to USAID at a time when support is not coming from other areas of the government. The administration's push to increase the funding of US PVOs to 40% is also seen as a direct response to the concerns of the US PVO community as a constituency.

PVOs perceive that USAID's recognition of the importance of civil society is a positive trend for the future. They believe the NGO empowerment component of NPI is valuable to USAID and an important tool for developing a constituency for foreign assistance.

Though the US PVO community is generally positive about the changes the current administration is implementing, many feel the changes are occurring at the level of rhetoric and policy, not operationally in the field. People are aware it takes time to implement change at the grassroots level particularly when dealing with an entrenched, decentralised bureaucracy which operates at multiple levels with a diverse community of PVOs and local NGOs. However, the general consensus is that personal inclinations of field mission staff continue to define the relationship that exists between USAID and PVOs/NGOs in the field. Since 95% of USAID funding is programmed through field missions, control of US AID-PVO/NGO relationships is with the mission director.

US PVOs also feel that tension between the Washington central offices and the field missions is another barrier to implementing change. The field missions often feel the central bureaus, especially the Global Bureau, have no concept of what is happening at the local level, especially when they perceive that many of the 'new initiatives' being announced are already in practice in the field. One PVO member commented in relation to the NPI, that people working at the grassroots level do not appreciate sectoral policy reform, and that the NPI policy document is not strong enough to transform USAID culture. They feel it is likely to be viewed by the field missions as just one more thing coming from a Washington office. Though there is a lot of discussion at USAID about direct funding of local NGOs, PVOs feel this is not happening in the field.<sup>18</sup>

PVOs feel the umbrella mechanism is beneficial to USAID because the agency is not equipped to provide monitoring and training of NGOs. Because umbrella implementors are equipped with staff to perform these functions they often can take more risks in working with NGOs than USAID is able to handle. This is particularly important when working with newly developing NGOs and NGO sectors. Though NGOs benefit from the umbrella mechanism, US PVO umbrella managers sense that the local NGOs they work with would like to work directly with USAID. However, they feel the buffer they provide between local NGOs and USAID is an important service. USAID is a notoriously difficult donor not only because of its financial requirements, but because of its tendency to treat all relationships as contracts.

USAID's increasing use of the umbrella mechanism is viewed as a positive trend by US PVOs because in addition to funding projects, it makes assistance available for NGO institutional development which PVOs see as essential for more efficient project implementation. A number of PVOs would like to see more umbrella grants occurring.

USAID's 'Strategies for Sustainable Development' that sets the programme framework for the agency stresses, among other things, the goal of building local capacity to provide an ongoing stream of development benefits. Many PVOs feel that USAID needs to better define 'sustainability' at the operational level. Since most PVOs accept roles in building local NGO capacity they are concerned with being evaluated on a 'sustainability' dimension that, in their view, does not yet have universal definition within the Agency.

### **Possible Future Trends**

Balancing the federal budget and reducing the United States' debt burden are priorities for the US Congress and Administration in the mid-1990s. Foreign assistance is being reduced along with domestic social programmes, and so USAID funding will continue to decline in the coming years. The questions are, 'by how much,' and 'in what programme and regional areas?' Best estimates now are that the USAID FY 1996 budget will be cut by around 20%, but it could be more. PVOs can expect to compete for fewer resources even if the portion channelled through them reaches the 40% level targeted by the Clinton administration.

Certainly more missions will close, and others will be downsized. These conditions suggest the possibility of greater use of the umbrella granting mechanism where AID wants to continue to support local NGO sector work and development. On the other hand, it is also possible that USAID will rely more on ‘indefinite quantity contracts’ (IQCAs). IQCAs are a mechanism by which USAID can contract short term assistance in implementing its programmes. The IQC is usually considered a low-cost implementation mechanism that allows little or no programmatic input from the contractor.<sup>19</sup> It has historically been used with consulting firms and academic institutions more than PVOs. PVOs worry that if forced to contract through this mechanism, their creative programmatic work and long term commitments could be diminished, if not lost altogether.

While the budget is shrinking, USAID seeks to broaden its partnerships by including local US NGOs. PVO opposition to NPI's attempt to bring domestic organisations into the international development process rests in part in financial realities, but also in part in their belief that PVOs have built essential skills and capacities for working in developing countries that local US NGOs will need to learn. For over a decade they have co-operated with USAID to build cost effective development models to reach poor communities. Many US PVOs feel it makes no sense to bring in domestic organisations who do not know anything about the developing world in a time of shrinking resources.

The importance of the PVO community as a major constituency for foreign assistance is a continuing topic of discussion in the PVO community. There is a concern that in the future, if PVOs are bypassed in favour of direct funding to NGOs, USAID will lose an important constituency and ally in its fight to preserve foreign assistance. Recently when the foreign assistance act came under attack in the Congress it was the PVO community that lobbied and fought for it. This was not the case with the move to cut the Inter-American Foundation (IAF), a government foundation that only directly funds local NGOs in Latin America. The IAF has no home based constituency that went to Congress to fight for its continuing existence, and is quite vulnerable.

The challenge to the PVO community and USAID is to continue to educate the American public, linking domestic concerns to international issues. Many feel that the PVO community needs to make a more concerted effort to tie development assistance to national interest, trade and jobs. Only through educating Americans about the importance of foreign aid will there be continued support for funding international development projects and organisations.

## **6. Footnotes**

1. 'Private voluntary organisations' (PVOs) are defined by USAID as 'tax exempt, non-profit organisations working in international development that receive some portion of their annual revenue from non-US Government sources and receive voluntary contributions of money, staff time or in-kind support from the general public'.
2. As reported in the Washington Post, March 13, 1995.
3. Voluntary Foreign Aid Programmes. Report of American Voluntary Agencies Engaged in Overseas Relief and Development Registered with the U.S. Agency for International Development 1995. Washington, DC: Bureau for Humanitarian Response, Office of Private and Voluntary Co-operation, USAID, 1995, p. 5.
4. Fox, Leslie, US Foreign Assistance and the Role of Private Voluntary Organisations. Washington, DC: InterAction, April, 1995. pp. 13-14.
5. In addition to the Matching Grant Programme PVO administers Child Survival Grants, Development Education Programme; Co-operative Development Programme; Farmer to Farmer Programme, Outreach Grant Programme.
6. Fox, p. 16.
7. USAID Evaluation Highlights No. 50. Strengthening the Public-Private Partnership: An Assessment of USAID's Management of PVO/NGO Activities. Washington, DC: Centre for Development Information and Evaluation, USAID, June 1995. p. 1.
8. USAID is streamlining the registration and annual reporting requirements.
9. None of the other central bureaus has funded local NGOs significantly during this period.
10. Fox, p. 7.
11. Fox, pp. 9-10.
12. Fox, p. 8.
13. Fox, p. 4.
14. USAID Policy Guidance. USAID-U.S. PVO Partnership. Washington, DC: USAID, April 13, 1995, p. 6.
15. FY 1996 Application Guidelines, Washington, DC: USAID, Bureau for Humanitarian Response, Office of Private and Voluntary Co-operation, Matching Grant Programme. August, 1995. p. 3.
16. Fox, p. 18.
17. Core Report of the New Partners Initiative, Draft Copy. Washington, DC: USAID, July 21, 1995, pp. i-v.
18. PVO's perceptions of the magnitude of direct funding to NGOs and the reality as expressed in Table III seem to be at variance. We did not, however, have the resources to investigate the discrepancy further.
19. Some USAID staff view the IQC a high cost contracting mechanism because of the indirect costs add substantially to the contract's bottom line. They view other mechanisms such as PVC's Programme Support contract which has sub-contracting authority as more cost effective.

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1. Brodhead, Tim, *Bridges of Hope*, North-South Institute, Ottawa, 1988, p. 90.
  2. For example, an extensive and positive review of Canadian development education work was published by the Australian NGO umbrella organisation, ACFOA, in 1989.
  3. CIDA Manual — Handbook 14, Chapter 1, Article 3; quoted in 'Evaluation of CIDA's NGO Program: Final Report', SECOMA/EDPRA, 1992, p. ii.

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4. The figures used in this section have been drawn from CIDA, 1995(b); CCIC, 1995(d); private correspondence; and Van Rooy.
  5. Smillie and Helmich, p. 119.
  6. 1995(d).
  7. CIDA: '1995-1996 Budget; Budget Highlights; Canadian Partnership Branch'
  8. (1995b), pp. 10-11.
  9. See, for example, Delacourt, Susan, 'Losing Interest', *Globe and Mail*, April 1, 1995.
  10. See Trebillock, Michael, 'Can Government be Reinvented?' in Boston, 1995 (pp. 1-35), and Paul Milgrom and John Roberts, *Economics, Organization and Management*, Prentice Hall, New Jersey, 1992.
  1. 'Private voluntary organisations' (PVOs) are defined by USAID as 'tax exempt, non-profit organisations working in international development that receive some portion of their annual revenue from non-US Government sources and receive voluntary contributions of money, staff time or in-kind support from the general public.'
  2. As reported in the Washington Post, March 13, 1995.
  3. Voluntary Foreign Aid Programmes. Report of American Voluntary Agencies Engaged in Overseas Relief and Development Registered with the U.S. Agency for International Development 1995. Washington, DC: Bureau for Humanitarian Response, Office of Private and Voluntary Co-operation, USAID, 1995, p. 5.
  4. Fox, Leslie, US Foreign Assistance and the Role of Private Voluntary Organisations. Washington, DC: InterAction, April, 1995. pp. 13-14.
  5. In addition to the Matching Grant Programme PVO administers Child Survival Grants, Development Education Programme; Co-operative Development Programme; Farmer to Farmer Programme; Outreach Grant Programme.
  6. Fox, p. 16.
  7. USAID Evaluation Highlights No. 50. Strengthening the Public-Private Partnership: An Assessment of USAID's Management of PVO/NGO Activities. Washington, DC: Centre for Development Information and Evaluation, USAID, June 1995. p. 1.
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  13. Fox, p. 4.
  14. USAID Policy Guidance. USAID-U.S. PVO Partnership. Washington, DC: USAID, April 13, 1995. p. 6.
  15. FY 1996 Application Guidelines. Washington, DC: USAID, Bureau for Humanitarian Response, Office of Private and Voluntary Co-operation, Matching Grant Programme. August, 1995. p. 3.
  16. Fox, p. 18.
  17. Core Report of the New Partners Initiative, Draft Copy. Washington, DC: USAID, July 21, 1995. pp. i-v.
  18. PVO's perceptions of the magnitude of direct funding to NGOs and the reality as expressed in Table III seem to be at variance. We did not, however, have the resources to investigate this discrepancy further.
  19. Some USAID staff view the IQC a high cost contracting mechanism because of the indirect costs add substantially to the contract's bottom line. They view other mechanisms such as PVC's Programme Support contract which has sub-contracting authority as more cost effective.