

# **THE FUTURE OF NGO CO-FINANCING**

**FINAL REPORT ON THE PALERMO SEMINAR**

**(27-28 OCTOBER 2003)**

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## ***TABLE OF CONTENTS***

Executive Summary	3
<b>Chapter 1 : PRESSURES ON THE NGO CO-FINANCING LINE</b>	
A quick look into the past	5
NGO co-financing in an evolving Europe	6
Charting a future for NGO co-financing through dialogue	7
<b>Chapter 2 : THE PROCESS BEFORE THE PALERMO SEMINAR</b>	
Initiating a new dialogue	8
Main expectations of the European NGOs and the EC	9
Results of the first phase of the dialogue process	11
<b>Chapter 3 : MAIN MESSAGES FROM THE PALERMO SEMINAR</b>	
Purpose and organisation of the seminar	12
Essential messages	12
Recognition of a major crisis affecting B7-6000	14
What does a fundamental review of B7-6000 entail?	14
<b>Chapter 4 : OVERVIEW OF RECOMMENDATIONS AND WORKPLANS</b>	
Sharpening the identity of NGO co-financing	16
Strengthening the European dimension	19
Increasing focus and outreach of Development Education/Awareness	20
Developing new approaches and tools to assess impact	22
Changing the modalities of managing B7-6000	23

## ***ANNEXES***

**Annexe 1 : List of participants to the Palermo seminar**

**Annexe 2 : Indicative time chart for follow-up to the dialogue**

## **EXECUTIVE SUMMARY**

(1) In 2002 a new dialogue process was initiated between the EC, the European NGOs (represented by CONCORD) and EU Member States on the future of the NGO co-financing line (also known as the Community budget line B7-6000). In 2003, the dialogue took the form a series of informal, brainstorming sessions (involving different EC units, the CONCORD and EU Member States) as well as expert meetings on specific topics (e.g. impact assessment). The EC prepared a series of position papers while CONCORD organised a broad-based consultation among its members. The Palermo seminar (27-28 October 2003) was seen as the culmination of this initial phase of the dialogue process.

(2) The overall aim of the structured dialogue is to redefine a strategy for the partnership between the EC and the European development NGOs, focusing primarily on the relevance and effectiveness of the NGO co-financing budget line in addressing the needs and rights of poor and marginalised people in the South. The dialogue should not only help to address major management bottlenecks, but also promote the consolidation of the NGO co-financing instrument in the context of wider change processes now taking place in the EU's foreign and development policy (e.g. the enlargement process, new financial perspectives, budgetisation of the EDF, procedural reforms, rationalisation of budget lines, deconcentration, etc.).

(3) The specific objective of the dialogue process in this initial phase is to seek consensus on practical ways and means to sharpen the strategic focus and operational management of the B7-6000 instrument that allows for the participation of civil society both from Europe and from the South in the development cooperation and poverty eradication policies of the EU. The existence of other dialogue processes between NGOs and the EC on a variety of policy issues and funding lines is fully recognised. Adequate linkages will need to be established as the processes move on.

(4) The Palermo seminar clearly confirmed that reform of the NGO co-financing is a shared concern of all parties involved as well as a matter of urgency. Five main pressures were identified on the co-financing budget line :

- \*) its growing popularity, reflected in huge numbers of project applications that end up overloading the system and largely exceed stagnating budgets;*
- \*) new demands on the budget line (e.g. the integration of the civil societies from 10 new Member States);*
- \*) lack of strategic focus and doubts about overall impact;*
- \*) perceived need for greater complementarity with other EC policy instruments;*
- \*) the impact of EC reforms and procedures (e.g. the general application of Call for Proposals; stricter contractual rules; the ongoing deconcentration).*

(5) Participants agreed that the current policy, procedural and management framework for dealing with NGO co-financing is much too rigid. It promotes tension rather than trust among the EC and the European NGO community. It leaves little scope for a structured dialogue between the actors involved nor does it provide much scope for the EC to manage the budget line in a strategic and effective manner. A participant compared the prevailing process of allocating B7-6000 resources to 'a lottery'. All this, combined with the management problems affecting (understaffed) EC units in charge of processing the stream of project proposals, leads to a situation whereby the risk of implosion of B7-6000 is real.

(6) Against this background, it was agreed that a 'mini-engineering approach' to reforming the budget line is not a viable option. In order to give a solid political and strategic underpinning to European co-financing, there is a need for a fundamental review/reengineering of the B7-6000. This review should take place within the existing legal framework; be based on the line's fundamental principles such as the poverty focus and the right of initiative; and duly take into account ongoing changes in partner countries; in the civil society from the South; and in other EC policy instruments and funding lines (e.g. the decentralised cooperation budget line).

(7) Participants achieved consensus on the main components of a fundamental review of B7-6000. In practice, it boils down to accepting the need for changes at four inter-related levels :

- \* general policy towards NGO co-financing ('what is the purpose of B7-6000?') for its two key components (projects in the South and development education/awareness)
- \* ways and means to manage the budget line ('how do we ensure the most strategic and effective allocation of resources?')
- \* overall EC delivery capacity ('how can the EC equip itself to deal in a pro-active and strategic manner with NGOs in a rapidly evolving context for international cooperation?')
- \* improved dialogue between all relevant institutional actors ('how can dialogue be restored as a key tool to jointly agree on the future of NGO co-financing?')

(8) The Palermo seminar then 'brainstormed' in working groups and plenary sessions on how to translate this review into practice. The dialogue focused on five major questions :

- \* how can the identity and specific added-value of B7-6000 be sharpened?
- \* how can the European dimension of co-financing be reinforced (particularly for development actions in the South)?
- \* how to enhance the focus and outreach of Development Education/Awareness while ensuring better linkages with development work in the South?
- \* how to develop new approaches and tools to assess impact?
- \* how should the management of B7-6000 be reformed (in line with possible new strategic orientations)?

(9) For these different clusters of questions, participants agreed a set of recommendations that were adopted by consensus. They also identified issues where further dialogue is required and elaborated basic work plans to address them. These outcomes are summarised in boxes in the main report (see chapter 4). The seminar also provided an opportunity to briefly discuss the follow-up process to the dialogue beyond Palermo. The need to ensure further involvement of the EU Member States as well as the European Parliament was reiterated.

(10) This Report was produced from a neutral perspective, by the independent facilitation team of the meeting. Yet the proposals and recommendations were accepted by consensus among participants. As such, it should be seen as a document agreed upon and 'owned' by the different parties present in Palermo. It could therefore also serve as a major building block (or 'acquis') for the next stages of the dialogue process.

## Chapter 1

### THE CONTEXT: PRESSURES ON THE NGO CO-FINANCING LINE

#### *A quick look into the past*

1. When considering the future of a major instrument, it is useful to go back in time for a moment. This may help to understand the origin of NGO co-financing as well as the specific reasons that pushed the European Community (EC) to create this co-financing tool as the first instrument of EC indirect aid (cooperation with civil societies), specifically focusing on addressing the needs and rights of poor communities in the South. Also during the Palermo seminar, the need for a return to the original purpose and focus of the line was often advocated as a guide to chart out a future for B7-6000
2. The development of partnership relations between the EC and the European movement of development NGOs took shape in the mid-1970s. It was fuelled by a set of strong political and development motivations on both sides.
3. For the EC, three push factors existed. First, to recognise the *political importance* of organised civil society in European development policy (as intermediaries between EU institutions and European public opinion). Second, to promote *ties of solidarity* between Northern and Southern civil societies. Third, to improve the overall *quality* of EC development cooperation by facilitating the participation of European NGOs (in their dual role as partners in the fight against poverty and ‘critical watchdogs’). NGOs, on the other hand, were keen to ‘discover’ Europe as a major development player (to be lobbied for a more progressive policy towards the South) as well as a source of complementary funding for their own initiatives in partnership with their Southern partners in response to the needs of poor communities in the South
4. These motivations underpinned the creation of a NGO co-financing budget line in 1976. They also helped to shape the specific key features of the instrument, including:
  - a clear rationale for the budget line, i.e. to serve as an expression of the relationships between Northern and Southern civil societies;
  - access to funding reserved to European NGOs;
  - the dual nature of the activities to be supported : development operations in the South (PVD) and public awareness raising on development issues (Development Education and Development Awareness or DE/DA<sup>1</sup>);
  - the right of initiative of NGOs (in order to flexibly respond to a variety of development concerns as well as to evolving needs of poor communities);
  - a focus on innovation (in order to test out new approaches and play a catalytic role in reforming overall cooperation policies and methodologies to effectively address the needs and rights of poor people);
  - a concern with empowering and providing capacity support to Southern civil society organisations and to poor communities in the South.
5. Much of the current discussion on the future of the NGO co-financing is about these initial choices with regard to the specificity of the budget line. Are these premises still valid in the environment for European development cooperation that prevails in 2003?

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<sup>1</sup> The term “Development Education” may lead to misinterpretations of the broad scope of objectives and activities in this field of public awareness raising. Therefore the dual concept of Development Education and Development Awareness (DE/DA) is to be preferred.

Should its added-value be redefined? Which features of the budget line need to be reviewed, adjusted or dropped altogether

6. With hindsight, one could argue that the partnership between the European NGOs and the EC has come full circle. During the mid 1960s and early 1970s, NGOs grew in number and outreach, partly because many new organisations moved away from caritas to a 'political approach', aimed at supporting societal transformation in the South as well as major reforms in the North. At that time, the EC was in the process of developing its own policy and institutional framework for development cooperation. In 1976, both parties decided to establish a structured relationship. The new partnership had a strong political foundation (based on mutual interests), a clear strategic focus, as well as mechanisms for dialogue. However, over time, these qualities of the partnership were gradually lost, as a combined result of many factors (e.g. exponential growth of NGOs in number, size and diversity; changing attitudes towards NGOs, including subcontracting; political and institutional reforms at the level of the EC/EU, etc.). The current problems of the B7-6000 (i.e. lack of strategic focus and specific added-value; major management bottlenecks) reflect the erosion of the partnership.
7. Against this background, the challenge of the current dialogue process is clearly to re-engineer the relationship by underpinning it again by a shared political vision ('why do we want a partnership and what are its fundamental objectives?') and strategic focus ('what should be the specific strategic role of European NGOs in development cooperation, for which EC funding would be available through a refocused B7-6000 budget line?').

### ***NGO co-financing in an evolving Europe***

8. It makes little sense to review the NGO co-financing on its own, without taking into account the broader picture, particularly the ongoing change processes within the EU's foreign and development policy. These change processes call for a redefinition of the specific place of European NGOs in an increasingly complex, politicised, multi-actor and decentralised European cooperation system. Five main pressures were identified on the NGO co-financing budget line:
  - *Growing popularity.* Partly because of its underlying philosophy (i.e. EC support for development initiatives emanating from civil society), the NGO co-financing has been systematically growing in popularity. In many ways, the budget line has become the victim of its own success. Each year, an increasing number of applications are introduced, vastly exceeding available resources, which have seen no substantial increase since 1998, and creating major management problems for the EC.
  - *New demands (including Enlargement).* The NGO co-financing line has been created to respond in a flexible manner to changing development agendas and needs. In recent times, several new demands have arisen, calling for a greater effort in the field of development awareness (in order to enhance the mobilisation of European citizens in favour of progressive policies towards the South) as well as for a proper integration of the civil societies from the 10 new Member States into the EU development cooperation system. Besides that, new demands originate from regions like the Balkans, Eastern Europe and Central Asia that, up to now, were not really covered by B7-6000. In order to accommodate these new demands (without jeopardising other priorities), the European NGOs plead for a substantial increase of the global funding base. While this request may seem legitimate from an NGO perspective, it faces many competing demands on the EU's overall budget for external action. The European NGO community will have to make 'a case' for a privileged treatment of

this budget line, particularly in the context of the debate on the new Financial Perspectives (2007-2013).

- *Doubts about strategy and overall impact.* A third pressure is related to the strategic focus of the instrument of NGO co-financing as well as its overall impact. The evaluation<sup>2</sup> of B7-6000 published in 2000, recognised the positive results of many projects, *taken individually*. Yet it is also concluded that the budget line lacks a coherent, strategic approach to development. This confronts all parties concerned with the challenge of clarifying the identity and strategic priorities of B7-6000 ('what type of projects should specifically be funded through this line?').
- *Complementarity with other EU policy instruments.* So far, the budget line for NGO co-financing has been relatively insulated (protected) from demands for greater complementarity. Several factors are now pushing for a different approach. These factors include pressures to achieve greater impact on poverty reduction in the South; new donor approaches to aid delivery (e.g. budget support, SWAPs); the general trend towards decentralising the cooperation process for greater local ownership; the search for dialogue and collaboration between state and non-state actors; the emergence of strong civil societies in the South and related need for Northern NGOs to redefine their role and added value; the growing concern for efficient use of resources and sustainable impact. Under these conditions, it makes little sense to manage NGO co-financing resources in splendid isolation. The search for greater complementarity should not be seen as a tool to undermine the right of initiative of NGOs, but as a way to ensure better synergies with the efforts made through other instruments (e.g. the Cotonou Agreement and EDF funds), policies (e.g. EC-support to sectors) or funding sources (e.g. the co-financing provided by EU Member States).
- *Impact of EC reforms and procedures.* The ongoing reform of the EU's overall external assistance influences the fate of the NGO co-financing line. This holds true for major policy changes such as Enlargement and its effects on the orientation of EU development cooperation as well as on the resources available for NGOs in an extended Union of 25 Member States. It also applies to other key aspects of the reform process, including the possible budgetisation of the EDF or the rationalisation of thematic budget lines. Last but not least, a series of procedural reforms have been introduced which drastically change the way in which the NGO co-financing budget line is managed. Thus, the 2003 Financial Regulation includes provisions requiring all grants to be preceded by a Call for Proposals (thus confirming a practice applied since 2000). In the last few years, the contractual rules applicable to grants became also much stricter. The deconcentration process will shift decision-making and management largely to the level of EC Delegations. These changes create uncertainty as well as fears that the overall management system will become even more complex and cumbersome as well as more restrictive (in terms of reducing the space for dialogue, innovation and flexible implementation approaches).

### *Charting a future for NGO co-financing through dialogue*

9. There has been a long tradition of dialogue between the EC and the European NGOs. Right from the outset, in 1976, the EC provided support to the creation of the NGO Liaison Committee (CLONG) as an umbrella body and key interlocutor for the EU institutions (on policy issues and funding). Dialogue opportunities also existed, often informally, between EC officials and NGOs in relation to individual project proposals. In the mid-1990s, several initiatives were taken to promote dialogue at the 'meso-level', i.e.

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<sup>2</sup> It should be noted this evaluation was based on an earlier regime (before the introduction of Calls for Proposals) and did not include an evaluation of Block Grants, Programmes, Development Education/Development Awareness or Consortia

in relation to sectoral policies (e.g. health, education), thematic issues (e.g. food security and human rights) or geographic priorities (a given country or region).

10. This ‘culture of dialogue’ suffered a major blow at the end of the 1990s as a combined result of the demise of the Santer Commission (which led to a radical tightening of requirements for a transparent and accountable use of resources) and the crisis that affected the CLONG (which deprived the European NGOs from a functioning representative body and interlocutor). Both events considerably reduced the scope for structured dialogue, based on mutual trust<sup>3</sup>. (EC, European NGOs, EP, Member States).
11. The collective weight of these pressures on the NGO co-financing budget line provided a powerful incentive to (re-) start a process of structured dialogue between the EC, the European NGO community (represented through CONCORD) and other key stakeholders (the European Parliament, EU Member States). In this context, it is important to note that there are other ongoing dialogue processes between NGOs and the EC on a variety of other policy issues and funding lines.

## Chapter 2

### THE PROCESS BEFORE THE PALERMO SEMINAR

#### *Initiating a new dialogue*

12. The European NGOs have long been insisting on the need for a dialogue on the different EU budget lines<sup>4</sup>. Also in the different EC units dealing with NGO cooperation, the idea of setting up a dialogue on the future of the NGO co-financing scheme floated around for quite some time. The formal establishment of CONCORD, as the new Confederation of European NGOs for relief and development, provided a new momentum to the dialogue process.
13. In 2002, EuropeAid F/2 took the initiative to re-launch the dialogue on B7-6000. The main methodological choices, underpinning the dialogue process, included:
  - *A multi-actor approach*: EuropeAid F/2 sought to associate, right from the start, the EU Member States in the dialogue with the European NGOs. Attempts to also involve the European Parliament were not entirely successful so far, partly because of planning and timing limitations<sup>5</sup>.
  - *The choice for a ‘brainstorming approach’*: the aim of the dialogue process is to openly discuss all the major issues involved in relation to the two budget lines

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<sup>3</sup> During the Palermo seminar, several participants expressed the view that a ‘culture of fear’ was now prevailing at the level of the EC, with officials being afraid of not correctly applying the administrative rules. This does not provide a conducive institutional environment for creativity, flexibility and risk-taking (essential ingredients of development cooperation), including in the relations with NGOs.

<sup>4</sup> The NGO co-financing scheme is not the only budget line, open to NGOs, that faces major strategic and operational challenges. Other thematic budget lines suffer similar problems (e.g. disproportionate number of demands for available funding; heavy appraisal systems; inadequacy of the standard contracts to NGOs ways of working and to the reality of development work, etc.).

<sup>5</sup> While representatives of several EU Member States attended the Palermo seminar, there was no delegation of the European Parliament. A meeting with the EP on the outcomes of the Palermo seminar is planned before the end of 2003.



mentioned above. This led both parties to organise a series of informal dialogue sessions (between June and September 2003)<sup>6</sup>.

- *Expert meetings on special topics.* In order to enrich the dialogue, a meeting was organised on the specific issue of impact assessment with external specialists. In addition a meeting on European Dimension and Partnership was also organised between some EC officials and NGOs.
- *Reliance on CONCORD.* The new umbrella body, representing the interests of the European NGO community, co-ordinated the participation of the European NGO community through its Working Group on Funding for Development and Relief (FDR). The Development Education Exchange in Europe Project (DEEEP) and TRIALOG respectively facilitated the participation of the Development Education Forum and of NGO representatives from accession countries.

### *Main expectations of the European NGOs and the EC<sup>7</sup>*

14. The complexity of a dialogue process on the future of the NGO co-financing line is clearly reflected in the diversity of expectations among the European development NGOs and the EC. Nonetheless consensus was reached – even before Palermo on a substantial number of key issues.
15. CONCORD represents approximately 1200 NGOs, working in virtually all parts of the developing world and dealing with a wide variety of topics and types of action within the area of relief and development. Its membership is also extremely varied in terms of size, ideological background, governance structures, levels of professionalism, roots in society, etc
16. Despite the heterogeneous nature of the European NGO community a lengthy process of consultation made it possible to draw out a common NGO position on both expectations and recommended responses. Some of the key expectations on the part of the NGO community were:
  - Improvement of the effectiveness of B7-6000 to address the needs and rights of poor communities
  - Preservation of the flexibility of the budget line, including the right of initiative (i.e. protecting B7-6000 from the introduction of ‘targeting’ approaches in geographic or thematic sense);
  - Redefinition of the identity (or added-value) of B7-6000 by specifying more clearly what type of projects are to be funded under this budget line (in both PVD and DE/DA) ;
  - Identification of a stronger focus on quality considerations (especially the quality of partnership relations);
  - Establishment of priority to projects that empower and capacitate Southern civil society organisations in their role as actors in public policy processes and societal transformation;

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<sup>6</sup> On 4 June and 2 July 2003, EuropeAid/F2 met EU Member States. On 25 June, 16 July and 17 September 2003, dialogue took place between EuropeAid/F2 and CONCORD representatives. A ‘Joint Workshop’ involving F2-CONCORD-EU Member States was organised on 1-2 October 2003, thus concluding the pre-Palermo consultations. The European Parliament was also invited to participate in this meeting but was not able to attend due to conflicting schedules with Parliamentary business.

<sup>7</sup> Although most EU Member States actively participated in the dialogue process, it is difficult at this stage to make a clear-cut and comprehensive analysis of their respective expectations. However, on the basis of their inputs during brainstorming sessions, it can be argued that they largely share the need for restoring a structured dialogue between all key actors; a much stronger strategic focus and added-value for the B7-6000 (compared to other EC policy instruments and schemes available at the level of Member States); and a drastic improvement of the overall efficiency in managing the line. The European Parliament is still to be fully involved in the dialogue.

- Improvement of the dialogue between the NGO community and EU institutions (including delegations) on co-financing and other funding instruments and promotion of learning processes
  - Preservation of the right of access to the budget line to European NGOs only (as this constitutes precisely a key added-value of B7-6000)<sup>8</sup>;
  - A drastic increase of the funding base, amongst others with a view to accommodate new priorities such as DE/DA or the integration of NGOs from new Member States in the context of the EU Enlargement;
  - Translation of newly agreed policy orientations with regard to B7-6000 into operational tools that can be used to rationalise and simplify the administration of the many applications including:
    - > greater flexibility in the overall management of the budget line;
    - > clarity on the use of programme agreements and block grants;
    - > a reduction of the administrative burden of applications;
    - > major improvements in EC appraisal and selection procedures, etc.
17. Also at the level of the EC, it is not very straightforward to reach a coherent policy approach towards NGOs, their role and place in a rapidly evolving European development cooperation as well the most effective ways to fund their activities (through the NGO co-financing and other thematic budget lines). Different opinions tend to prevail among and within different directorates (DG-DEV, EuropeAid, RELEX) and units involved (e.g. EuropeAid/F2 and other units).
18. Despite this diversity, a broad set of common EC expectations with regard to the future of the NGO co-financing line emerged during the dialogue process. In many ways, these largely converge with those expressed by the European NGOs and include the need to:
- Redefine the identity (or added-value) of B7-6000 by specifying more clearly what type of projects are to be funded under this budget line (in both PVD and DE/DA) ;
  - Combine the right of initiative of NGOs with a stronger focus on quality considerations (e.g. the quality of partnership relations);
  - Give priority to projects that empower and capacitate Southern civil society organisations in their role as actors in public policy processes and societal transformation;
  - Promote greater complementarity with other EU policy instruments (especially CSPs and NIPs);
  - Enhance the European dimension of the NGO co-financing scheme;
  - Clarify the notion of ‘innovation’ (as a key feature of the budget line) and consider it as an aspect of the added value of the budget line;
  - Restore trust as well as a space for strategic dialogue, including at in-country level (in the context of the deconcentration process) and with due respect for the prevailing rules and procedures<sup>9</sup>;
  - Translate newly agreed policy orientations with regard to B7-6000 into operational tools that can be used to rationalise and simplify the administration of the many applications.

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<sup>8</sup> CONCORD members are aware of the vital importance of also increasing access to EC funding for Southern civil society actors. However, under the present conditions, B7-6000 is not perceived as the solution to this problem. A more promising way is seen to be the access to funding for Southern Civil Society under B7-6002 (decentralised cooperation), as well as the access to EDF funding for Civil Society actors as foreseen under the Cotonou Agreement.

<sup>9</sup> For reasons of transparency and fair treatment, a dialogue on specific project ideas is no longer possible between EC officials (Brussels and Delegation) and individual NGOs once the Call for Proposals has been issued.

### *Results of the first phase of the dialogue process*

19. While the planning and organisation of this dialogue on the future of the NGO co-financing has experienced some difficulties, it also yielded some promising results, which helped to prepare the ground for the Palermo meeting, including:

- restarting the dialogue: this can be seen as a positive outcome in itself, after the breakdown of structured dialogue witnessed in recent years;
- the active participation of EU Member States;
- the gradual clarification, through successive brainstorming sessions, of the agenda and of the major themes to be further discussed, including issues such as the identity of B7-6000; the complementarity with other EU instruments; the European dimension of NGO co-financing; the evaluation of impact; as well as a ways and means to improve the overall management of the budget line;
- the elaboration of discussion papers by the EC on each of these major themes, amongst others with a view to prepare the Palermo seminar<sup>10</sup>;
- the elaboration of a discussion paper by CONCORD with key positions on the future of the NGO co-financing line (based on consultations with its members).

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<sup>10</sup> These discussion papers were included in the reader provided to participants in the Palermo seminar. This information can be made available on request to CONCORD.

## Chapter 3

### THE MAIN MESSAGES FROM THE PALERMO SEMINAR

#### *Purpose and organisation of the Palermo seminar*

20. The Palermo seminar was conceived as the end of the first phase of the structured dialogue on the future of NGO co-financing. Its objectives were :
  - to take stock of progress achieved in the dialogue process conducted over several months in 2003;
  - to further clarify the position of each actor on key policy and operational issues related to the future of the NGO co-financing line<sup>11</sup>;
  - to identify possible common positions between the different actors involved (EC, CONCORD, EU Member States);
  - to define the priority agenda and framework for the next round of consultations.
21. Organised under the auspices of the Italian Presidency, the Region of Sicily as well as the Italian NGO Platform, the meeting brought together 75 participants, including EC officials from different units; NGO representatives from national platforms and networks as well as from accession countries; and representatives of 12 EU Member States (for a list of participants, see Annex 1). Four external resource persons facilitated the process<sup>12</sup>.
22. After the official opening, the seminar was organised around two major building blocks. During the remaining part of the first day, participants were split up in 4 working groups of mixed composition, to brainstorm on the main issues on the agenda<sup>13</sup>. They received the explicit mandate to come up with practical recommendations on steps to be taken to address identified problems. The outcome of these 4 sessions were summarised and presented in a global manner during a plenary session on the second day. The plenary session on the second day identified several areas of consensus and planned further work to be done after Palermo on outstanding issues.

#### *Essential messages*

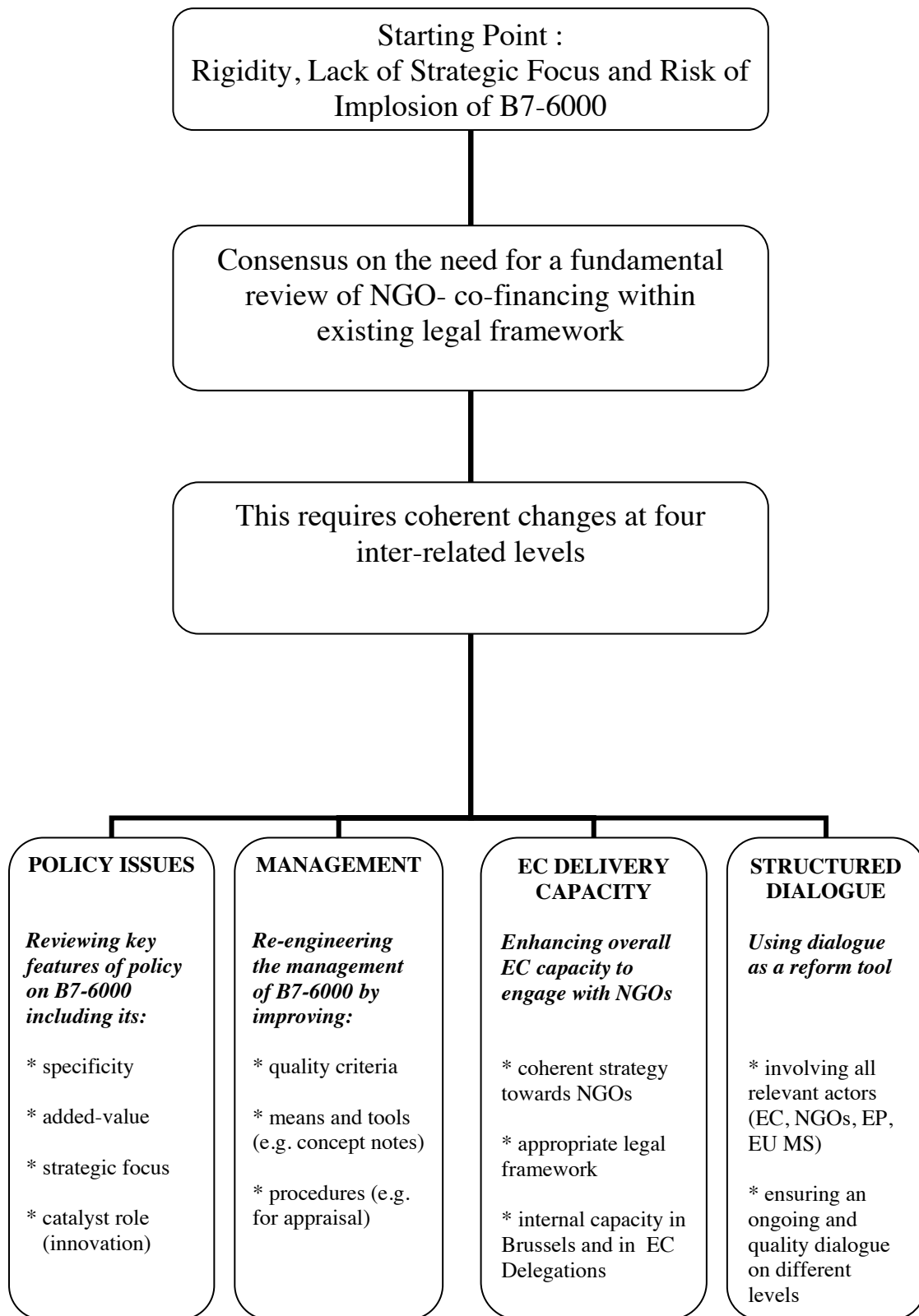
23. A brainstorming is by definition a rather open-ended, sometimes chaotic way of discussing major policy and management issues among a diversified group of actors and stakeholders. Yet in Palermo, a broad consensus emerged from the dialogue on a set of key messages with regard to the future of NGO co-financing. These messages are summarised in the figure below and commented upon in the next sections.

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<sup>11</sup> The initial idea was also to discuss the future of B7-6002 (decentralised cooperation) in Palermo. However, for a variety of reasons (including time constraints), the debate was limited to an informative session on the new orientations the EC is planning to give to this budget line.

<sup>12</sup> The facilitation team consisted of Jean Bossuyt and Charlotte Carlsson (ECDPM), Stan Bartholomeussen (ACE-Europe) and Geneviève de Crombrughe (independent consultant)

<sup>13</sup> Each group addressed the same agenda, built around 5 major themes: the identity of B7-6000; the European dimension; awareness raising and education; impact and general management questions



### ***Recognition of a major crisis affecting B7-6000***

24. Participants agreed that the current policy, procedural and management framework for dealing with NGO co-financing is much too rigid. It promotes tension rather than trust among the EC and the European NGO community. It leaves little scope for a structured dialogue between the actors involved nor does it provide much scope for the EC to manage the budget line in a strategic and effective manner. For many NGOs, the current way of doing business also drastically increases transaction costs, perhaps to a point that some refrain from introducing new proposals<sup>14</sup>. A participant compared the prevailing process of allocating B7-6000 resources to ‘a lottery’. All this, combined with the management problems affecting (understaffed) EC units in charge of processing the stream of project proposals, leads to a situation whereby the risk of implosion of B7-6000 is real.
25. Against this background, three reform scenario’s could be considered:
- *Mini-engineering approach*: in practice, this means concentrating the reform of B7-6000 on the most burning implementation bottlenecks in the actual administration of the budget line in order to seek (short-term) improvements. Some participants argued that this approach had been followed in recent years, with limited success.
  - *Radical reform*: proponents of this scenario consider the current legal framework for dealing with NGO co-financing as inimical to substantial improvements in administering the budget line. They plead for major changes in the Financial Regulation and General Conditions (in order to properly accommodate the specificity of NGO action); in the nature of the partnership (in order to restore processes of structured dialogue) and in the procedures (e.g. the Call for Proposals, the appraisal systems with their heavy reliance on experts, etc.).
  - *Fundamental review within the existing legal framework*: this intermediate option starts from the recognition that a limited reform (scenario 1) will not suffice to address the current crisis while a more radical approach (scenario 2) is unrealistic -- if not counterproductive-- under the prevailing political climate in Europe. It therefore proposes an alternative consisting in a fundamental review of the overall NGO co-financing scheme within the boundaries of what is feasible under the current legal framework.
26. In Palermo, a consensus was reached on the need to promote an effective implementation of this third option, i.e. a fundamental review of the NGO co-financing scheme

### ***What does a fundamental review of B7-6000 entail?***

27. The brainstorming sessions in Palermo helped to identify the main component elements of a fundamental review of B7-6000. In essence, it boils down to accepting the need for changes at four inter-related levels :
- general policy towards NGO co-financing (‘what is the purpose of B7-6000?’)
  - ways and means to manage the budget line (‘how do we ensure the most strategic and effective allocation of resources?’)
  - overall EC delivery capacity (‘how can the EC equip itself to deal in a pro-active and strategic manner with NGOs in a rapidly evolving context for international cooperation?’)

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<sup>14</sup> This holds particularly true for larger, professional NGOs, operating with quality standards and institutionalised planning and budgeting systems.

- improved dialogue between all relevant institutional actors ('how can dialogue be restored as a key tool to jointly agree on the future of NGO co-financing?')
28. Each of these four levels are critical pillars in a process of fundamentally reviewing the B7-6000 budget line. The need to be jointly considered, in a coherent and integrated manner, as closely related change processes. Remove one, and the stability of the whole review is likely to suffer. There is no shortage of examples illustrating the necessary links between these four levels. For instance, it makes little sense to introduce managerial reforms (e.g. the instrument of 'concept notes') without first clarifying the specificity and added-value of NGO co-financing (at upstream policy level). Past experience shows the limits of agreeing upon policy and managerial reforms (such as the introduction of programme agreements) if the EC does not have the political and institutional capacity (in terms of legal space, appropriate procedures and human resources) to effectively implement these reforms. All the above examples, in turn, confirm the need for an ongoing and structured dialogue between the different key stakeholders.
  29. It is important to re-iterate that the proposed fundamental review is due to take place within the existing legal framework. So rather than trying to push for a revision of the legal basis or the General Conditions for NGO co-financing, the objective now is to negotiate a coherent package of strategic and management reforms that would help to better use existing instruments foreseen by the Financial Regulation (such as the Call for Proposals)<sup>15</sup>.
  30. However, in some working groups, NGO participants expressed a strong concern that some aspects of the new Financial Regulation as well as the standard contract represent a major obstacle to a flexible implementation of development projects in general and of NGO initiatives in particular. During the concluding plenary session of the seminar, there was agreement on the fact that such obstacles should be followed up in the post-Palermo discussion.
  31. The next chapter presents the main recommendations of the Palermo seminar with regard to desirable policy changes in relation to NGO co-financing with regard to the main issues debated (i.e. the identity of B7-6000 and its European dimension; development education and awareness raising; impact) as well as the management implications of the proposed policy reviews.

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<sup>15</sup> In some working groups, NGO participants expressed a strong concern that some aspects of the new Financial Regulation and the standard contract represent a major obstacle to a flexible implementation of development projects in general and by civil society actors in particular. However, it was agreed not to discuss this broader set of issues in the framework of the Palermo seminar.

## Chapter 4

### OVERVIEW OF RECOMMENDATIONS AND WORKPLANS

#### *Sharpening the identity of NGO co-financing*

32. This is the first policy issue extensively discussed before and during the Palermo seminar in the context of the review of B7-6000. In practice, sharpening the identity of the NGO co-financing scheme means clarifying (updating) the specificity, added-value and strategic focus of this policy instrument. It invites the different actors involved to clearly (re-) define the profile of the projects to be funded with priority under this particular budget line --as a precondition for improved impact and management of the resources involved.
33. While most of the debate on identity focused primarily on development operations in the South (PVD), it is obvious that the basic principles also apply to DE/DA co-financing
34. In addressing the question on how to sharpen the identity of B7-6000, *three options* surfaced in Palermo:
- ‘targeting’ of NGO co-financing (e.g. along thematic or geographic priorities);
  - improving the overall quality focus of co-financed development activities
  - promoting complementarity with other EC policy instruments
35. There was no consensus on a better ‘*targeting*’ of the budget line. Already before the Palermo meeting, this option was seen by many participants (particularly NGOs) to offer no solution<sup>16</sup>. It would erode the NGO ‘right of initiative’ (in terms of regions, themes, strategies, methodologies and target groups). This principle is a key feature distinguishing B7-6000 from other EC budget lines available to NGOs (where EC targeting prevails). It reflects the EC’s political commitment to supporting development initiatives proposed by European NGOs in partnership with their Southern partners), as genuine actors in European development cooperation.
36. The second option (i.e. improving overall quality of NGO co-financing) was consensual and seen as the most promising way forward. In practice, it means safeguarding the right of NGO-initiative (as a core element of the identity and added-value of B7-6000), but to complement this right with *more stringent obligations on the quality* of the projects. This would help to sharpen the identity of the NGO co-financing budget line and facilitate a much more strategic choice of projects to be funded (by applying new set of eligibility and quality criteria during the appraisal process<sup>17</sup>).
37. Participants in Palermo reached a consensus (see box below) to sharpen the identity of B7-6000 by refining some of its existing dimensions (e.g. the quality of partnership) and by adding new elements of quality (e.g. the need to build effective synergies with other actors). To some extent, this operation boils down to returning to the original purpose and focus of the line (the so-called ‘retour aux sources’) in an attempt to re-invigorate the key features that motivated the creation of a specific budget line for NGO co-financing (e.g. EC support for innovative approaches to development co-operation; the concern to capacitate and empower Southern civil society actors, etc).

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<sup>16</sup> This position was already reflected in the draft discussion papers prepared by the EC for the Palermo meeting (see for instance Draft 8 on the ‘Identity’ of B7-6000).

<sup>17</sup> This provides an example of the necessary link between policy changes and concrete management tools. It makes little sense to agree on the need for greater quality in partnership relations if this consensus is not properly translated in the instruments and procedures used to administer the budget line and select projects.



## *Consensus Proposals on how to sharpen the identity of B7-6000*

Future NGO co-financing as well as the selection criteria used during the appraisal process, should give much more importance and weight to:

- Quality of North/South partnership relations<sup>18</sup> (both at the level of the individual project and at strategic level<sup>19</sup>);
- Empowerment of civil society as an actor in public policy processes (as a mandatory component of projects)<sup>20</sup>;
- The effective search for partnerships and synergies with other public and private actors<sup>21</sup>;
- Actions that promote integrated approaches to development<sup>22</sup>
- Innovation<sup>23</sup>

38. The new' dimensions of the B7-6000 need to translated into operational tools and selection criteria, that can be usefully and transparently applied in the administration of the budget line. In relation to the first dimension --the quality of North/South partnership relations-- it was agreed that the background document prepared by the French Delegation at Palermo ' "The future of the co-financing. For a strengthening of Civil Society implication in the European Development Cooperation through the European NGOs" - French contribution about "partnership" provided a most useful starting point. The other dimensions will have to be further elaborated in the follow-up to the Palermo

39. **Improving complementarity**<sup>24</sup> is a third option for better defining the identity of B7-6000. It invites both parties to clarify how NGO co-financing relates to and 'complements' other EC policy instruments (e.g. the European Development Fund in support of the ACP countries and related Country Strategy Papers and National Indicative Programmes).

40. The search for greater complementarity carries **opportunities and risks**. The first level of opportunities can be found in the ongoing rationalisation process of EC thematic budget lines. The European NGOs are keen to be more effectively involved in this reform,

<sup>18</sup> This holds true for both actions in the South (PVD) and for development awareness (DA).

<sup>19</sup> The quality of partnership at the 'strategic level' can be assessed by looking at the existence of an overall vision and approach to fostering balanced relations with Southern actors; the mechanisms used for identification, planning, decision-making as well as for the management of the resources, etc.

<sup>20</sup> The concern with capacity building and empowerment is not new in the co-financing scheme, but the idea now is to give this element a central importance by turning it into a mandatory obligation. In practice, this should not exclude project proposals aimed at 'service provision' for the needy, but these projects will also have to demonstrate a clear empowerment strategy towards southern civil society actors, aimed at enabling them to claim rights, to get organised; to dialogue with other actors in civil society; to participate in policy processes, to hold institutions accountable, etc.

<sup>21</sup> This is a fairly new quality requirement and invites NGOs to better embed their actions in the South, by ensuring linkages with the efforts deployed by other actors (e.g. local governments in the health or education sector); by establishing alliances to influence public-policy processes (at central or local level), etc.

<sup>22</sup> Several examples of 'integrated approaches' were given, including the shift to 'rights-based approaches; projects integrating service delivery and advocacy/awareness; or projects addressing the need of poor people across several sectors. However, there was no time to elaborate on these examples, let alone to reach consensus. Further dialogue will be required to clarify the concept of 'integrated approaches' and the ways to use it in practice.

<sup>23</sup> There was a substantial amount of brainstorming on innovation and it's definition. No clear consensus was reached on what it could entail. Also here, further work will be required to agree on the notion of 'innovation' in the B7-6000 and on operational criteria to be used during appraisal.

<sup>24</sup> It was preferred to avoid the notion of 'coherence', primarily because of its very particular connotation in EU jargon (coherence between EC development policy and other policies).

amongst others to clarify the respective added value of each budget line and particularly in relation to the NGO co-financing scheme. New opportunities for complementary actions also arise in the developing countries. The current emphasis on ‘ownership’ of national and local development strategies and on participation of all relevant actors, means that home-grown policy frameworks are increasingly available. This can serve as a reference point for overall donor (EC) support and for organising better synergies with NGO development actions.

41. However, participants also identified risks. For instance, EC Delegations may be tempted to see the Country Strategy Paper (CSP) as ‘a bible’, to be used in a rather mechanistic form to orient the selection of priority NGO projects to be funded in a given country (e.g. by requiring projects to fit strictly within the 1-2 focal sectors). In a similar vein, it was advocated to be careful with pushing for complementarity with CSPs in the absence of a proper dialogue with civil society as well as a mapping of relevant actors to be supported.
42. Against this background, participants agreed that further work will be required to sort out, through dialogue with all actors concerned, how best to promote complementarity between NGO co-financing and other EC policy instruments.
43. This exercise should be done carefully, amongst others by accepting that ***complementarity could mean different things in different country contexts***. For instance:
  - In some developing countries, NGOs could step outside the focal areas as defined in the Country Strategy Paper (CSP) and related National Indicative Programme (NIP) by filling gaps on priority needs. In others, NGO actions may fall inside the focal areas by serving the same priorities but with different approaches;
  - The space for civil society participation and empowerment may be limited. In such a context, strategic EC support for NGO activities in sensitive areas such as governance, might constitute a relevant complement to official aid.
44. Building on this outcome, a ***basic work plan*** was agreed upon to guide future work and dialogue on the issue of the ‘Identity’ of NGO co-financing (see box).

<b><i>WORKPLAN ‘ IDENTITY’</i></b>		
<b><i>Questions to be further addressed</i></b>	<b><i>How will the follow-up be organised? (by whom? where? when funding?)</i></b>	<b><i>Expected Outcomes</i></b>
What should be the new quality criteria to assess partnership relations <ul style="list-style-type: none"> <li>• On the NGO’s strategic level</li> <li>• On the level of the individual project</li> </ul>		
Should B7-6000 fund partnerships rather than activities <sup>25</sup> ?		
Process vs. products <sup>26</sup> ?		

<sup>25</sup> Some EU Member States are moving towards this direction in their co-financing schemes.

<sup>26</sup> The limits of ‘project approaches’ in fostering development are increasingly recognised. If the aim of B7-6000 actions is not simply there to achieve short term results (in the fight against poverty) but to promote ownership and

How to deal with 'innovation' and 'risk taking'?		
Management implications of the proposed policy change?		

### ***Strengthening the European Dimension of NGO co-financing***

45. The EC budget line for co-financing co-exists with similar schemes in most of the EU Member States. In this context, a debate has been going on for years on what should be the specific 'European' dimension of NGO activities to be funded under B7-6000 (in both PVD and DE/DA). In the current dialogue process on the future of EC supported NGO co-financing, the question re-surfaced : how can the European dimension of NGO co-financing be strengthened with a view to enhance its relevance and political support base (in the light of the upcoming discussion on the new Financial Perspectives 2007-2013)?
46. In this context, it should not be forgotten that the European dimension for DE/DA is already clearly stated in the General Conditions as part of the eligibility criteria. It is the principal aspect of EC co-financing which distinguishes it from national schemes for DE/DA, thus also ensuring complementarity with these.
47. The Palermo seminar reached consensus on a set of concrete recommendations, some of which only apply to development actions in the South (PVD), as indicated in the box below.

#### ***Consensus Proposals on how to strengthen the European dimension***

- *Recognise and build upon existing forms of 'European dimensions'*. These are aptly summarised in the CONCORD Discussion Paper and include:
  - co-financing is an instrument that supports EU Development Policy;
  - European NGOs participate in building Europe by creating a relationship between EU citizens and EU institutions and by providing visibility to EU development efforts<sup>27</sup>;
  - EC co-financing promotes cooperation and coordination among EU NGOs;
  - EC co-financing promotes dialogue between EU institutions and civil society on EU Development Policy;
  - EC co-financing provides an additional independent<sup>28</sup> source of funding.
  
- *Further explore the scope to define new strategic priorities for B7-6000, possibly*

societal change (by empowering civil society as an actor), then the need to adopt 'process approaches' to implementing development projects becomes obvious. However, this shift has major implications for the management of NGO co-financing. It raises questions with regard to the time scale of NGO interventions (as 'process approaches' are by definition framed in a medium to long-term perspective) as well as the type of results to be achieved (e.g. more emphasis on rather 'intangible results' such as local ownership, capacity development, empowerment)

<sup>27</sup> European NGOs raise funds from the European public opinion and these funds are complemented by the co-financing scheme.

<sup>28</sup> The availability of a European co-financing scheme may give NGOs some independence from institutional funding at national level.

*including:*

- the full integration of NGOs from new Member States; this can be done by recognising their specific added value as well as particular needs; by supporting well-targeted capacity building programmes; and by providing stimuli for new Member States to set-up co-financing schemes;
  - supporting NGOs from EU Member States with limited development cooperation policy or instruments in support of NGOs;
  - deepening dialogue between European actors (EC, European NGOs, EU Member States, EP) on the global strategy towards NGO co-financing as well as on overall management reforms.
- *Adopt a careful approach to promoting European consortia for PVD projects.* While consortia involving NGOs from several EU Member States is one of the means for reflecting the European dimension of co-financing, it would be dangerous to stimulate their further development with additional financial incentives (as this may lead to the creation of artificial structures). An evaluation should first be carried out on current experiences with consortia to see whether they indeed have an added value against individual projects, better results and quality. Also for NGOs from new Member States, consortia should not be seen as the only possible way to promote their integration and capacity development. Other support modalities (such as the TRIALOG programme) may prove more relevant to their needs.
- *Avoid looking for a stronger European dimension at PVD project level.* It was not considered useful to translate the concern with a European dimension into specific eligibility or selection criteria, to be used during the appraisal process of NGO projects in developing countries.

### ***Increasing the focus and outreach of Development Education and Awareness (DE/DA)***

48. A ***broad policy consensus*** between the EC and the European NGOs prevailed *before* the Palermo seminar on several key principles underpinning this part of B7-6000, including :

- Development education and awareness raising (DE/DA) are constitutive elements of the identity of B7-6000, also geared at achieving the central objective of European Development Policy (eradication of poverty and its causes);
- Special attention should be given to DE/DA in the years to come, amongst others with a view to respond effectively to new trends (e.g. global movements and campaigns);
- The complementarity between DE/DA and NGO activities in developing countries (PVD) needs strengthening, particularly in programme contracts. To this end, DE/DA should be considered as a horizontal issue (to be taken on board in all discussions about B7-6000)<sup>29</sup>. However, it is one thing to support NGOs that make a clear strategic choice to combine project work in the South with DE/DA in the North. It is another thing to turn this linkage into an obligation for individual actions funded under the B7-6000. Both before and during Palermo, participants were in favor of the former option.
- Major efforts should be undertaken to systematically involve Southern civil society actors in DE/DA activities;

<sup>29</sup> Often in policy debates, NGO actions in the South (PVD) dominate the agenda. Development awareness issues are generally dealt separately and in a rather short-hand way. This situation is to be avoided in future dialogue processes, as these two types of activities are (and should be) increasingly linked to each other.

- The inclusive nature of DE/DA, covering different dimension such development issues in school curricula, public awareness raising, training, campaigning, advocacy, etc;
- A more focused approach to funding DE/DA activities under B7-6000 is required (provided this does not imply a thematic prioritization);
- Ways should be found to translate the priority given to DE/DA in budgetary terms (presently only 10% of B7-6000) while not reducing the funding available to development work in the South.
- Greater emphasis on the synergies between EC and EU Member States on DE/DA, as well as work carried out independently by NGOs<sup>30</sup>

49. The Palermo seminar provided an opportunity to actively involve NGO representatives from the new member states. DE/DA was seen as a priority area in accession countries, considering the limited tradition with development cooperation as well as the need to familiarize citizens with Europe and its external action. In order to properly address these new demands without jeopardizing the funding for development actions in the South, European NGO representatives in Palermo pleaded for a major increase of the overall funding base of B7-6000.

50. The following work plan was agreed upon for Development Awareness (see box below)

<b>WORKPLAN 'DA'</b>		
<b><i>Questions to be further addressed</i></b>	<b><i>How will the follow-up be organised? (by whom? where? when? Funding?)</i></b>	<b><i>Expected Outcomes</i></b>
How to implement the special attention of enhancing DE/DA in new Member States?	*Development Education Forum to take lead role * Meeting with EC/EU M.S. *CONCORD General Assembly (Feb. 2004) * Define new rules (e.g. in the general conditions) to promote the participation of new Member States in DE/DA	
How to improve linkages between advocacy in North and South?	* DE Forum or DEEP to investigate best practices	
How to better link DE/DA and PVD in programme contracts?.	*EC to clarify operational guidelines involving NGOs	
How to ensure that B7-6000 can flexibly respond to new trends in DE/DA?		
How to better assess the impact of DA?	*establishing 'Joint Task Force' on impact assessment	
How to translate the priority given to DA in budgetary		

<sup>30</sup> It should be stressed that this will not be an easy exercise. In the pre-Palermo discussion on this issue, it was generally agreed (including by EU Member States) that MS involvement in DE/DA is too diverse for it to be taken into account in a practical way and that the European dimension also distinguishes EC from MS co-financing in this area.

terms - transitional and structural measures?		
How to improve coordination/linkages between DA work supported by MS, EC and NGOs?	* taking into account the difficulty of achieving this in the context of examining and selecting EC supported projects	

***Developing new approaches and tools to assess impact***

51. This is the fourth policy issue that featured on the agenda of the dialogue before and during Palermo<sup>31</sup>. While impact assessment seems a rather technical issue, participants saw many good reasons to include it in the review process of the NGO co-financing line. Improving the overall capacity to monitor impact may help to:

- enhance the quality of individual actions;
- demonstrate the catalyst role of B7-6000;
- promote sharing of best practices and collective learning (and the related process of re-engineering ways of doing cooperation);
- nourish the dialogue between the EC, the European NGOs and other key stakeholders (EU Member States, EP);
- ensure accountability and justify the continuing existence/expansion of NGO co-financing as a specific and effective tool;

52. There was a strong plea to build capacity to better assess the impact of B7-6000 at different levels, including with regard to:

- individual projects;
- the budget line as a whole;
- sectors of intervention;
- priority themes;
- countries and/or regions
- the issue of ‘mutual accountability’ (north-south)

53. Impact assessment and monitoring should have a clear learning-orientation. This needs to be reflected in the choice of methods and supporting communications structures for an ongoing dialogue among stakeholders on outcomes. Any work on impact assessment in the framework of B7-6000 should also aim to incorporate lessons and sharing with the wider EU Development aid context (other budget lines, EDF etc.)

54. It was felt that the search for such methods was too technical for the discussion in Palermo, and would be undertaken by a joint task force or working group(NGOs/EC/MS/EP) drawing particularly on existing methodologies used by different Member States. This task group should define a terms of reference for pilot activities to be carried out It should also define a budget based on accurate information about the resources (size and type) available.

55. Any effort to look at impact of budget line B7-6000 should also include a review of donor practices and to what extent they are compatible with the stated development objectives of B7-6000 (especially innovation, risk etc.).

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<sup>31</sup> A technical workshop on impact assessment had been organised in the run-up to Palermo, providing insights in the current state of the art, including presentations of some of the possible approaches and tools for monitoring impact. This work, however, still needs more in depth reflection and study.

56. It was noted that aspects of how to measure impact of innovation and development education and awareness components of the budget line should be included in the search for appropriate learning-oriented methodologies. The identification of indicators also needs to reflect this in a more flexible and innovative way than is usually the case in more rigid evaluation frameworks.
57. The option to carry out a pilot exercise on impact assessment (possibly through a pilot exercise in a developing country where a critical mass of projects have been supported through B7-6000) was briefly raised. This would provide an opportunity to test out relevant methodologies, mechanisms for dialogue between the different actors involved as well as effective ways to promote joint learning. However, it will be up to the Joint Task Force to further consider this idea as well as to explore possible alternatives.
58. Also on this topic, participants formulated a work plan to underpin the future dialogue

<b>WORKPLAN 'IMPACT'</b>		
<b><i>Questions to be further addressed</i></b>	<b><i>How will the follow-up be organized? (by whom? where? when? funding?)</i></b>	<b><i>Expected outcomes</i></b>
What are the most relevant approaches and tools to assess and monitor impact?	* set up of a Joint Task Force between EC/European NGOs EU Member States and EP	
How to organise a dialogue on impact over time so as to ensure joint learning?	* Joint Task Force	
How best to carry out a pilot exercise of impact assessment, if at all feasible and desirable?	* Joint Task Force	

### ***Changing the modalities of managing B7-6000***

59. As mentioned before, there is agreement on the need to fundamentally review the NGO co-financing (par. 25), including the ways and means by which B7-6000 is administered. The task at hand is not to change a procedure here or a tool there. This will not suffice to overcome the current bottlenecks. The objective is rather to rethink ('re-engineer') the overall process of deciding on the strategic priorities of B7-6000 and of managing its resources in an efficient and coherent way (with agreed strategy).
60. During the brainstorming sessions on management issues, participants re-iterated the critical importance of ensuring a link in the current review process of B7-6000 between refining the strategic objectives of NGO co-financing (e.g. sharper identity, improved quality of partnership, etc.) on the one hand, and the introduction of changes in the administration of the resources of the budget line, on the other hand. Both dimensions (strategy and management) should be seen as a Siamese twin, to be jointly and consistently addressed in the dialogue process on the future of co-financing
61. This fundamental connection between strategy and management is reflected in the consensus proposals that emanated from the Palermo seminar.

## *Consensus Proposals on how to improve the management of B7-6000*

- *Adapt the evaluation grid of project proposals (for both PVD and DE/DA, where relevant) in order to integrate new qualitative criteria agreed upon, including :*
  - the quality of partnership relations and mechanisms;
  - strategies for the empowerment of Southern actors
  - synergies and partnerships with other actors
  - the integrated development approach
  - the innovative nature of the project

At least for the first three bullet points, two levels can be distinguished: the NGO strategic level and the individual project level.
- *Separate eligibility screening from project appraisal:*
  - the separation of both processes could be cost-effective and help to ensure more time for a qualitative appraisal;
  - check on eligibility should be an ongoing process supported by a databank for easy follow-up and actualisation;
  - the eligibility screening should include quality criteria, such as the NGO's strategic approach to development and poverty reduction, as well as its overall approach to partnership for development actions in the South;
  - the eligibility screening should be the task of the EC<sup>32</sup>.
- *Prepare the ground for testing out the instrument of 'concept notes' in 2005:*
  - An appropriate format should be (jointly) developed. There was an agreement on the idea of the concept note and of the fact that an appropriate format should be jointly developed, but not on the length of the note, although all participants agreed that it should be relatively short..
  - They should focus on two major criteria : the relevance of the proposed action (for both PVD and DE/DA) and the quality of partnership (for PVD)<sup>33</sup>;
  - Concept notes are to be reviewed by EuropeAid F2 staff (with comments by appropriate EC Delegations).
- *Need for further clarification of how deconcentration will affect the management of PVD projects for B7-6000 (e.g. process? role division between EC Delegation and headquarters? what capacity building is foreseen for officials at the EC Delegation? etc.).*
- *Explore the scope for dialogue between EC and NGOs.* While recognising that the Financial Regulation does not allow for a dialogue on individual projects during the selection process, participants agreed on the need to explore the scope for dialogue opportunities, also at EC Delegation level. Different options could be considered, including a focused dialogue on the CSP and on ways to ensure complementarity.
- *Ensure that the specific realities and added-value of NGOs from accession countries are properly taken into account during the eligibility and appraisal process.* It was observed that NGOs from new Member States tend to have little exposure to traditional cooperation in the South. Yet they have knowledge and experience on how to cooperate in other geographic regions (Former Soviet Union, Central Asia) and on other topics (e.g. technical cooperation).

<sup>32</sup> At first sight, this point may seem superfluous. However, it reflects concerns of European NGOs with regard to an idea that floated around during the pre-Palermo discussions, of giving this responsibility to EU Member States.



62. Several other proposals were made with regard to the overall management of B7-6000. Some of these ideas, which were not discussed (in depth) and therefore need a follow-up, include:

- the suggestion to organise a Call for Proposals only every two years;
- the need to reconsider the use and specific role of the different instruments, i.e. projects, ‘programme contracts’ and ‘block grants’ in the light of the strategic review of B7-6000; it was felt that these instruments, if properly managed and adjusted (if needed), could prove to be highly relevant tools to achieve the objectives of B7-6000;
- the option to further outsource key functions in the management of the budget line under the overall supervision of the EC

63. All this resulted in the elaboration a work plan related to ‘general management issues’ that should guide future dialogue processes

<b>WORKPLAN ‘MANAGEMENT’</b>		
<i>Questions to be further addressed</i>	<i>How will the follow-up be organised (by whom? where? when? Funding?)</i>	<i>Expected outcomes</i>
What changes need to be introduced in the evaluation grid?		
How should the eligibility screening be organised (including definition of new quality criteria to be applied)		
How should the instrument of ‘concept notes’ be further operationalised for NGO co-financing? Should there be a restriction of the number of concept notes per NGO?		
What new opportunities and mechanisms for dialogue could be created: <ul style="list-style-type: none"> <li>• at the level of the EC Delegation?</li> <li>• At the level of the EC in Brussels?</li> </ul>		
How can the existing instruments (projects, programmes, block grants)		

<sup>33</sup> For DE/DA, this criterion will need to be further defined. For NGOs involved in DE/DA, the partnerships and relations with target groups and other actors of DE/DA is certainly important, as the level of integration into the social fabric they are working with at various levels may be key to achieving impact.

<p>be improved in order to better serve the priorities and objectives of B7-6000?</p>		
<p>How can the stakeholders involved (EC/NGO/MS/EP) respond to the financial regulation/standard contract in order to achieve an appropriate level of flexibility which is needed for a smooth implementation of the NGO co-financing system?</p>		

## **ANNEXES**