



# **EU FUNDING DELIVERY MECHANISMS**

**NEW TRENDS IN EUROPEAID FUNDING,  
AND WHAT THEY MEAN FOR CSOs**

European NGO confederation  
for relief and development

**CONCORD**

Confédération européenne des ONG  
d'urgence et de développement





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## The Funding for Development and Relief Working Group

The core mandate of CONCORD's Funding for Development and Relief Working Group is to translate the political recognition of civil society organisations as development actors into an enabling environment, where CSOs can access sufficient quantities of high-quality EU development funding and influence political decisions, regulations and policy.

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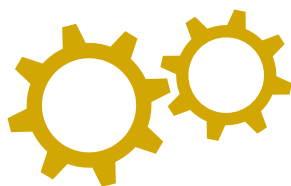
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## ↘ LIST OF ABBREVIATIONS

<b>AAP</b>	EU Annual Action Programme	<b>FPA</b>	Framework Partnership Agreement
<b>AfD</b>	Agence française de développement	<b>GCCA</b>	Global Climate Change Alliance
<b>B4LIFE</b>	EU Biodiversity for Livelihoods Initiative	<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (German development cooperation agency)
<b>CAR</b>	Central African Republic	<b>GPGC</b>	Global Public Goods and Challenges
<b>CBSS</b>	Community-based support schemes	<b>HRD</b>	Human rights defender
<b>CfP</b>	Call for proposals	<b>IFAD</b>	International Fund for Agricultural Development
<b>CSO</b>	Civil society organisation	<b>INGO</b>	International Non-governmental Organisation
<b>DCI</b>	Development Cooperation Instrument	<b>IPA</b>	Instrument for Pre-Accession Assistance
<b>DEAR</b>	Development education and awareness raising	<b>IRC</b>	International Rescue Committee
<b>DEVCO</b>	European Commission Directorate-General for Development Cooperation	<b>KfW</b>	Kreditanstalt für Wiederaufbau (German development finance institution)
<b>DG</b>	European Commission Directorate-General for Humanitarian Assistance	<b>LA</b>	Local authority
<b>DG</b>	European Commission Directorate-General for Neighbourhood and Enlargement Negotiations	<b>MAAP</b>	Multi-annual Action Programme
<b>NEAR</b>	European Commission Directorate-General for Neighbourhood and Enlargement Negotiations	<b>MFF</b>	Multi-annual Financial Framework
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>MIP</b>	Multi-annual Indicative Programme
<b>EC</b>	European Commission	<b>NGO</b>	Non-governmental organisation
<b>EDF</b>	European Development Fund	<b>NIF</b>	Neighbourhood Investment Facility
<b>EEAS</b>	European External Action Service	<b>NIP</b>	National Indicative Programme
<b>EIB</b>	European Investment Bank	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>EIDHR</b>	European Instrument for Democracy and Human Rights	<b>PFD</b>	Policy Forum for Development
<b>EURTI</b>	EU Resource Transparency Initiative	<b>PRAG</b>	Practical Guide to contract procedures for EU External Actions
<b>FAO</b>	UN Food and Agriculture Organization	<b>RAP</b>	Rules and procedures
<b>FDR</b>	Funding for Development and Relief working group within CONCORD	<b>REDD</b>	Reducing Emissions from Deforestation and Forest Degradation
<b>FI</b>	Finance institution	<b>SMEs</b>	Small and medium enterprises (companies)
<b>FLEGT</b>	Forest Law Enforcement, Governance and Trade		
<b>FNSSA</b>	Food and Nutrition Security and Sustainable Agriculture		

## ↘ INTRODUCTION

With its new development cooperation strategies for 2014-2020, the EU began to change how it funds the work of civil society organisations (CSOs).

Two years into the new financial framework, many CSOs currently receiving or aspiring to receive EU funding have questions on the new ways of delivering funding. What are these new mechanisms? Who decides how they will work? What rules apply? How do we know which ones are relevant to our organisation? Who do we need to talk to? Where can we find the right information?

The EU institutions, however, are still in the process of defining how they will use some of these new mechanisms. Most have not yet been used widely enough for any major conclusions to be drawn on best practice.

CONCORD's Funding for Development and Relief (FDR) working group agreed to gather and publish the information available on the different funding delivery mechanisms and how they will be implemented. This publication complements CONCORD's Guide to EuropeAid Funding Instruments 2014-2020.<sup>1</sup> Both are useful tools for CSOs who need help in navigating the current EU grants landscape.

### → The roots of democracy and sustainable development: Europe's engagement with civil society on external relations

The European Commission (EC) communication on the role of CSOs in EU external action (2012)<sup>2</sup> clearly states that an empowered civil society is a crucial component of any democratic system and, in fact, an asset in itself: it contributes to more effective policies, equitable and sustainable development, inclusive growth and participatory democracy, by representing and fostering pluralism, articulating citizens' concerns and voicing their growing demand for transparent and accountable governance.

This highlights the important role played by civil society in achieving the goals of the EU's development policy as expressed in the Agenda for Change (2011), where the two main priorities of democracy, human rights and good governance, on the one hand, and inclusive and sustainable growth, on the other, require solid partnerships with CSOs. Without CSOs' closeness to communities, the priorities of the Agenda for Change would lack their essential democratic and inclusive qualities.

### → How the EU funds CSOs

The EU's main funding mechanism for supporting CSOs is action grants, which are awarded through an open call for proposals. For both strategic and practical reasons, however, the EU has decided to diversify its funding mechanisms so it can reach the broadest possible range of civil society actors, including grassroots organisations and local CSOs.

For an overview of the EU programming process, please refer to CONCORD's Guide to EuropeAid Funding Instruments 2014-2020.<sup>3</sup>

### → Structured Dialogue

One of the main reasons for developing new funding delivery mechanisms was the so-called "structured dialogue" – a two-year process initiated by the EC out of a desire to have a more strategic partnership with CSOs and local authorities (LAs) and to strengthen the EU's work at country level. The discussions in the structured dialogue involved EU institutions, member states, CSOs and LAs, and focused on three areas: aid effectiveness, the roles of CSOs and LAs in development, and the EU's development agenda, including funding mechanisms. The discussion resulted in short technical briefs about twelve possible funding delivery and selection mechanisms<sup>4</sup> suitable for giving effective support to CSOs and LAs, and the EC is now starting to introduce many of these new features.

CONCORD played an active role in the structured dialogue, both in promoting participation by stakeholders from all over the world and in making policy recommendations to the EC. Major issues for CONCORD were the adoption of a global perspective, the value of partnerships and the importance of the CSO programme, including support for networking and for work on the ground.

The structured dialogue produced two main concrete outcomes: the EC's Communication on EU engagement with civil society in external relations, and the Policy Forum for Development. The policy forum is a global multi-stakeholder dialogue on EU policies, which also follows up on the recommendations from the structured dialogue.

1 Guide to EuropeAid Funding Instruments 2014-2020

2 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM%3A2012%3A0492%3AFIN%3AEN%3APDF>

3 Guide to EuropeAid Funding Instruments 2014-2020

4 [https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/Structured\\_dialogue](https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/Structured_dialogue)

## → EU delegations

The role of the EU delegations has grown dramatically in recent years. In order to improve the efficiency of the EU's External Action Service, its delegations have taken on responsibilities that were previously handled from Brussels. Today they act as the EU's "embassies", with a full mandate to represent its policies, and they work closely with the embassies of EU member states in partner countries. Indeed, aid is increasingly programmed jointly by the EU delegations and member states, as well as with EuropeAid/DG DEVCO, DG ECHO and/or DG NEAR, and other stakeholders too, including civil society.

For CSOs seeking to engage with the EU, one of the main implications of this devolution process is that EU delegations are now the main entry point. They hold a number of consultations that involve civil society: on the multi-annual programming of thematic programmes, such as the one for civil society (CSO-LA) and the instrument for human rights (EIDHR); on country-level programming (National Indicative Programmes and Annual Action Programmes); on the country-based Human Rights Strategy; and on the implementation of the EU Gender Action Plan.

The most recent of these consultations was on the development of EU country roadmaps for engaging with civil society in 2014/2015, each of which contains a joint action plan for EU delegations and member states. It is not yet clear how this process will relate to country-level programming and funding priorities, but the plan is that the roadmaps will be updated as needed and will be used as a tool to ensure that the EU engages more strategically with civil society.

## → Efficiency despite a heavier workload

EU administration costs represent 5.8% of the current Multi-annual Financial Framework (MFF) – approximately the same budget share as under previous MFFs. Meanwhile, the number of EU institutions – with their corresponding tasks and responsibilities – has grown, as has the pressure on them to increase their efficiency.

Managing the calls for proposals is time-consuming, as the EU's process for awarding grants is an elaborate one. The number of funding applications has also risen considerably over recent years, partly because more CSOs are in a position to apply for EU grants and

because the development budgets of some EU member states have dwindled since the financial crisis.

The workload of the EU delegations and the European Commission (EC) has become a crucial factor in the choice of funding delivery mechanisms. Calls for proposals have become less attractive to EU officials, while other funding delivery mechanisms, which allegedly have a more efficient management set-up, are more likely to catch on.

## → How the EU supports CSOs: issues and challenges

The EU institutions, member states and CSOs all have a shared interest in having a more efficient process for awarding grants. Many CSOs who apply for EU funding want less bureaucracy, simpler rules, and a shorter wait between the date they apply and when they receive their contract and payment. During the structured dialogue, CSOs also stressed the importance of fair, transparent procedures offering opportunities to a wide variety of civil society actors through an appropriate mix of funding modalities.

As usually happens whenever the EU changes how it funds CSOs, some will benefit whilst others may lose opportunities. Some of the new funding delivery mechanisms seem more suited to large organisations with the capacity to form even larger consortia. Other mechanisms were designed to increase funding opportunities for grassroots organisations in EU partner countries.

How the new mechanisms affect different types of organisations will also depend on how the EU delegations interpret the new rules and guidelines. The process of developing clear, accessible, timely information for all actors, and ensuring consistency and efficiency in how 139 delegations worldwide use the new funding delivery mechanisms, requires a sustained dialogue with both internal and external stakeholders.

## ➔ METHODOLOGY

The information in this publication builds on a study commissioned by CONCORD which combined a desk review and interviews with key informants. The desk review covered official EU documentation, press releases and web pages, CONCORD literature, meeting reports and minutes, and third-party information available online.

Key informants included EU officials in Brussels and in delegations, CSO staff and other relevant stakeholders.<sup>5</sup> In addition, a number of CSO representatives were asked to provide examples and experiences relevant to the EU's new funding delivery mechanisms.

## ➔ EU FUNDING DELIVERY MECHANISMS

Below, for each of the mechanisms of potential interest to CSOs you will find a description, analysis and examples showing how it is used.

Name of mechanism	What it means
Direct award	A grant awarded without a call for proposals
Pooled funding/trust fund	Donor resources combined under an EU-managed fund
Framework Partnership Agreement	Long-term cooperation between the European Commission and a strategic partner, which may receive grants
Re-granting (financial support to third parties)	Sub-granting by a primary grant recipient
Follow-up grant	An additional grant to an existing beneficiary, for continuing a successful action
Ring-fencing	Setting aside all or part of a budget for a particular type of beneficiary or action
Eased co-financing requirements	Changes in the proportion of the budget covered by the grant recipient
Operating grant	Core funding
Flagship initiatives	Large, multidisciplinary development programmes designed to tackle major global issues
Blending	Using grants to leverage non-grant resources, e.g. loans or private investment



In this publication, we highlight the funding delivery mechanisms of greatest relevance to CSOs, leaving aside those focusing mainly on local authorities. Of the twelve mechanisms discussed in the structured dialogue, some relate to a particular type of contract and some to practices to be used in calls for proposals, while others entail new procedures in award decisions.

Two features – blending and flagship initiatives – were not discussed in the structured dialogue. Blending is not used for CSOs, while flagship initiatives are really more of a programming tool than a funding delivery mechanism. Nevertheless, they were eventually included in this study, because CSOs have repeatedly said they would like to know more about them so they can better predict how the EU will deliver its aid.

## ↘ DIRECT AWARDS

### → Definition

In a direct award, the grant is awarded without a call for proposals (Article 125, EU Financial Regulation). Direct grants to CSOs are an exception to the financial rule whereby grants to non-state actors are awarded through calls for proposals.

### → Background

During the EU/CSO structured dialogue, participants recommended that direct awards could be relevant and feasible when working with local authorities, given their *de facto* monopoly status. When working with CSOs, the EU awards direct grants only in exceptional circumstances such as crises or emergencies. Direct awards of EU grants are normally made to international organisations, such as UN agencies or development banks, rather than to CSOs.

### → Which instruments does it apply to?

It can appear in any instrument.

### → Eligibility criteria

Direct grants are possible only in a limited number of situations, for example to support humanitarian aid or emergency assistance. They can also be awarded to actors with a *de jure* or *de facto* monopoly<sup>6</sup> or with the high degree of specialisation or technical competence necessary for a particular type of action which does not fall within the scope of a call for proposals.

### → Rules and procedures

A direct grant must always be duly justified in the award decision (Annual Award Programme, or AAP), or the beneficiary must be mentioned in the basic act of the programme in question.

### → Implementation to date

Some thematic AAPs envisage a significant number of direct awards.<sup>7</sup>

<sup>6</sup> A *de facto* or *de jure* monopoly means that one of the grant beneficiaries (it could also be a consortium) has exclusive competence in the field of activity and/or geographical area to which the grant relates pursuant to any applicable law; or is the only organisation (i) operating or (ii) capable of operating in the field of activity and/or geographical area to which the grant relates by virtue of all considerations of fact and law

<sup>7</sup> For example:

- AAP for the GPGC Food and Nutrition Security programme (part II 2015 and part I 2016)
- IPA AWP for 2015 grants
- CSO-LA AAP 2015-17 (under the DEAR component)
- Environment and Climate Change strategic area (under GPGC) AAP 2015
- EIDHR – AAP 2015 / MAAP 2016-17 (under the Human Rights Facility)

## → What does this mean for CSOs?

Pressure on the EC and EU delegations to rationalise means they have less time and are less willing to launch open calls for proposals, so under some programmes the total number of direct awards has increased. This can affect the total share of EU funding available to CSOs, since EU rules allow it to sign contracts directly with UN agencies and other international organisations, which takes up less of its time than cooperation with CSOs.

Potential risks: unless a transparent equal-treatment mechanism is introduced, direct awards may create tension, and they may concentrate funding in fewer “donor darlings”. Direct grants have an element of “first come, first served”, because there is no deadline. The mechanism is not new as such, but under the 2014-20 framework it seems that not only have direct awards increased significantly, but they are also being granted more flexibly to CSOs.

Around €25 million will be allocated through direct awards under the food security programme.<sup>8</sup>

In setting up a human rights facility, the EIDHR instrument has allowed for considerably higher amounts (up to €1 million per year) to be allocated through direct awards. The new EIDHR provisions for human rights defenders and CSOs working in restrictive environments, where calls for proposals are not appropriate, could provide new opportunities for relevant actors. Interested civil society organisations can contact EuropeAid B1 with a concept note; applications may also come from someone in an EU delegation, DEVCO, or the European External Action Service who has identified an organisation as being in a difficult situation.

Direct grants may provide support for CSOs operating in particular fields of action, such as advocacy, and/or in situations of emergency or in fragile states.

## Interview

### Federico Fadiga, Red Cross EU Office in Brussels:

“The International Federation of the Red Cross and Red Crescent (IFRC)<sup>9</sup> has a policy on migration since 2009 and, thanks to its ongoing dialogue with the EC, DEVCO approached it about an idea for a civil society action to promote migrants’ rights. The project, entitled “Rights of Migrants in Action”,<sup>10</sup> started in 2014 and is financed mostly under the migration and asylum programme of the previous MFF. It focuses on labour migration, in particular domestic labour migration and human trafficking. The Central Programme Unit is based at the IFRC’s headquarters in Geneva.

“A key component of the project is sub-grants to local CSOs in 15 countries, to give migrants greater access to social services, health care and protection, and improve their ability to advocate for their rights. Around 65-70 % of the total budget is for sub-grants. Other objectives are to strengthen the capacity of civil society organisations to promote the human rights of migrants, and to encourage a coordinated approach to the protection of their rights.

“Each sub-grant awarded has had a budget of between €75,000 and €200,000. Projects at country level started in September 2015, and we expect that around 45 projects will be financed in total.

“The way this project works is new to the IFRC and its National Societies, which are used to being implementers rather than providers of sub-grants. It has required effort to put in place the right tools, templates and systems for capacity assessment, compliance with the Fundamental Principles of the Red Cross, project and partner assessments, and so on. Organising information sessions for all CSOs interested in applying has been a good way of making contact with potential partners. Managing the project is also a way for the National Societies to develop closer relations with the EU delegation, UNHCR, and other relevant stakeholders.”

8 AAP 2015-2016

9 The IFRC has the status of an international organisation and has finalised the “seven pillar” review process, which means that it can sign indirect management agreements with the EU

10 <http://www.ifrc.org/en/what-we-do/migration/rights-of-migrants-in-action/>

## ↓ POOLED FUNDING AND TRUST FUNDS

### → Definition

In a pooled funding mechanism, two or more donors jointly finance a programme on the basis of agreed objectives and an agreed reporting system. Funds from individual donors are not earmarked.

### → Background

Under the new financial regulation (Article 187), the EC may receive contributions from other donors and may manage trust funds based on rules and procedures agreed between the donors. EU trust funds were designed for situations where a multiple-donor response to a sudden crisis needed to be well coordinated in countries with weak national or local administrations.

### → Which instruments does it apply to?

It can be used under all instruments.

### → Rules and procedures

The EC contribution to a pooled fund is subject to a number of specific requirements (e.g. policy objectives, geographical scope, EU rules on nationality and origin, restrictions on the eligibility of costs, local taxes, etc.). Trust fund rules:

- Only if principles of subsidiarity and additionality apply (see Financial Regulation, Article 187).
- Established for limited duration, but extension possible.
- A thematic EU trust fund may only be used under direct management. A crisis and post-crisis EU trust fund may also be used under indirect management with member states' and third donor countries' agencies, international organisations and partner countries.
- Trust funds are subject to an independent external review every year.

### → Trusts funds launched in 2014 and 2015

**EU CAR 'Bekou' crisis trust fund:** [link](#)

Initial amount: €64 million from EDF (€39 m), EU Humanitarian Aid budget (€2 m), EuropeAid CSO-LA programme (€5 m + €6 m). The contributing EU member states are France, Germany and the Netherlands. [More funding is pledged.](#)

- The board of the trust fund decides how to allocate the funds, which must be used for the benefit of CSOs, in proportion to the size of the EU's contribution from its CSO budget line [€6 m under CSO/LA MAAP 2015-17].

- Managed by DEVCO.

- Six projects have been selected: on gender (IRC – €1.5 m, 18 months), health (various NGOs – €15 m, 18 months), urban development (AfD), refugees (GIZ), food security (CSO; FAO – €10 m, 36 months); economic recovery (CSO; private sector – €11 m, 24 months). More info: [link](#).

- Contacts:

[EuropeAid-E1-TRUST-FUND-BEKOU@c.europa.eu](mailto:EuropeAid-E1-TRUST-FUND-BEKOU@c.europa.eu).

Also ask EU Delegation in CAR about possible meetings and/or CSO information sessions on the fund.

### **EU regional trust fund in response to Syrian crisis – “Madad Fund”:**

- €40 million from EU and Italy + €5 million from Germany. CSO funding available but total amount and selection process remain unclear. Managed by DG NEAR. On 15 December 2014, the EC and Italy signed the constitutive agreement.

- Objective: Provide aid to about 400,000 Syrian refugees and the most affected host communities in Lebanon, Turkey, and Jordan, focusing on education, livelihoods and food security, targeting especially children and young people. Geographical scope: Lebanon, Jordan, Turkey, Iraq, Egypt or any other country in the region affected by the Syrian crisis. International, European and local CSOs active in the non-humanitarian response to the Syrian crisis are eligible. The fund will prioritise multi-partner (large consortia), multi-country, multi-year actions. Full financing possible but only if duly justified – co-financing is an added value. Basic guidance for rolling applications (no deadline) can be found in [Q & A](#). Standard application templates can be found [here](#). No minimum or maximum amounts. Project duration: 12-54 months. Eligible actions listed [here](#).

- Contacts: [near-madad@ec.europa.eu](mailto:near-madad@ec.europa.eu). Liaison officers in the EU delegations in Beirut and Amman will be in post before the end of 2015, they will act as local contact points and coordinators.

**Emergency Trust Fund** [link](#) for stability and addressing the root causes of irregular migration and displaced persons in Africa:

- Unclear eligibility criteria.
- On 17 June 2015, the EU announced the creation of a trust fund for the Sahel, including member state contributions. The EC expressed hopes that member contributions would expand the trust fund to €8 billion by 2020, but member state contributions so far have been moderate. The fund was [established](#) in October 2015.

**EU trust fund to support the peace process in Colombia:** Announced in June 2015.

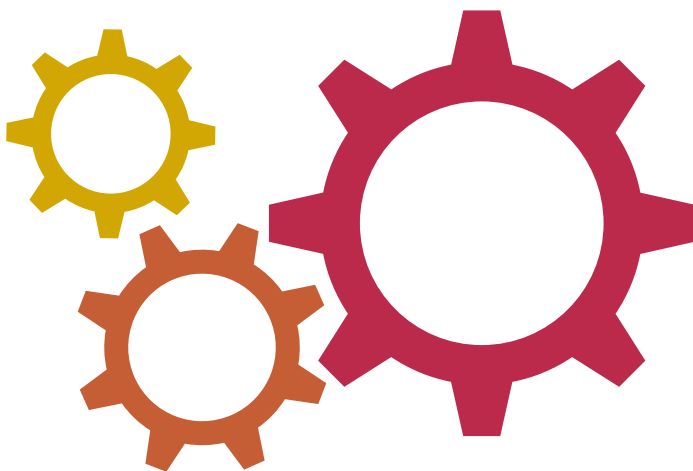
- Funding and criteria unclear at the time of going to press.
- Funding available for CSOs: unclear.

### → What does this mean for CSOs?

New EU trust funds have already opened up significant new funding opportunities for CSOs working in the beneficiary countries. CSOs voice concerns that donors may concentrate most of their funding in trust funds, thereby limiting the diversity of analysis and responses.

### → Other relevant information

[European Parliamentary Research Service Briefing Note on EU trust funds](#)  
[ECDPM Briefing note on EU trust funds](#)



## Interview

### Alexia Castaño Dekoninck, Oxfam Intermón:

“Oxfam Intermón is present in all the Sahel countries, and has a lot of experience in West Africa to build on. When we heard about preparations for an Emergency Trust Fund for stability and for addressing the root causes of irregular migration and displaced persons in Africa, we decided to write a draft proposal even before the guidelines for the fund were drawn up.

We’ve had a positive experience, building relations with all the stakeholders. It was also good to have time for internal dialogue, as discussing a proposal with partners in seven different countries is a complex process. Since this trust fund also touches on political issues, we needed to involve our colleagues who work on policy advocacy. This was very rewarding, as was the dialogue we had with other CSOs, sharing information on this new fund.

“DEVCO and the EU delegations have been approached by many interested CSOs. Sometimes, different information has been provided by the EU delegations, DEVCO and the member states involved. A good practice by the EU has been to organise information days for interested CSOs: so far, one in Brussels and one in Dakar. As the trust fund is managed by several stakeholders, we recommend that the EU should make sure that the information on it is well aligned.

“ From what we’ve understood, there will be several windows for accessing funding from the trust fund: through Brussels, through EU delegations and through some member states. Now we’re waiting to see how to adapt our proposal to the priorities and procedures laid down for the fund.”

## ↓ FRAMEWORK PARTNERSHIP AGREEMENTS (FPAs)

### → Definition

Framework partnerships are long-term cooperation mechanisms between the Commission and strategic partners, who are the potential beneficiaries of grants (Article 178, Rules and Procedures). Having entered into an FPA does not guarantee a grant.

### → Background

In the structured dialogue, CSOs called for programme-based funding as it allows for greater flexibility, longer timeframes and a more strategic focus than the project funding model traditionally followed by the EU. A number of EU member state donors have used programme funding with CSOs for many years.

Within the EU, DG ECHO has based its work with CSOs on the FPA model since its creation.

### → Which instruments does it apply to?

In theory, all thematic and geographic instruments could introduce FPAs. In October 2015 the Civil Society Organisations and Local Authorities Thematic Programme was in the process of establishing its first-ever FPAs with regional, European and global CSO umbrella organisations. FPAs with umbrella organisations of local authorities were signed in 2014/2015.

### → MFF 2014-20 and AAP budget allocation

€53.9 million has been allocated for framework partnership agreements under [Priority 2](#) of the CSO-LA Multi-annual Indicative Programme (MIP) 2014-2020.

### → Rules and procedures

Both action grants and operating grants may form part of an FPA, and they will be awarded in accordance with existing procedures.<sup>11</sup> The duration of an FPA may not exceed four years except in “exceptional cases”, and their use may not be contrary to the principles of transparency or the equal treatment of applicants. Framework partnerships are to be treated as grants with regard to programming, ex ante publication and award. The Practical Guide (PRAG) further states that FPAs should

be envisaged only if their use clearly has extra value. For example, if only one particular grant is involved, an FPA would not be the appropriate mechanism.

### → Eligibility criteria

So far, FPAs have been used by DG DEVCO for supporting umbrella organisations. The structured dialogue envisaged that FPAs would be particularly relevant to CSOs with proven operational and financial capacity, as a means of achieving shared long-term policy objectives, and to CSOs focusing on governance and democratic ownership.

### → Implementation to date

The first call for proposals for FPAs between DEVCO and CSOs was issued in 2015. Its objective was to strengthen representative, membership-based and actor-based regional, EU and global non-thematic civil society umbrella organisations. These FPAs will last until the end of 2020. Successful applicants will be invited to submit requests for grants of up to €8 million (with 10% co-financing). At a later stage, additional grants may be awarded, for which eligibility would be restricted to organisations having signed an FPA with the EU under the present call. Award procedures for these subsequent grants would be drawn up later on in the process.

A number of FPAs have been signed with umbrella organisations of local authorities under the CSO-LA Programme, and it is planned to finance their implementation in 2016 through [operating grants](#)

The introduction of FPAs under the CSO-LA Thematic Programme represents a significant change in how this funding instrument will work. It is a step away from the dominant mode of calls for proposals for action grants, and will no doubt be extensively evaluated by the Commission.

### What does this mean for CSOs?

FPAs are designed for building long-term cooperation with key partners. They are likely to benefit the larger and better-known CSOs (internationally or at country level). Their use could lead to a concentration of EU

funds in a handful of CSOs, thereby reducing the other funding available. Competition for such funds will be fierce, and application processes intense, with only a few CSOs ultimately benefiting. The impact of FPAs could be negative if they become the only mechanism for delivering funding to CSOs: the structured dialogue emphasised that FPAs must be used as part of a mix of funding delivery mechanisms precisely to prevent this. Transparency around decisions will also be paramount.

DEVCO has taken its first steps in using FPAs, but some questions still remain regarding the detail of how the FPAs will work in practice.

Various units of DEVCO appear open to exploring the use of programme funding in the future, should the piloting of this mechanism prove successful. FPAs may be seen as less labour-intensive, allowing the EU to distribute larger amounts of funds in a simpler way.

### → Other relevant information

Structured Dialogue Technical Sheet:  
[Programme Funding](#)

Guidelines for the first FPA call for proposals:  
[EuropeAid/150053/DH/FPA/Multi](#).

## ↘ RE-GRANTING / FINANCIAL SUPPORT FOR THIRD PARTIES

### → Definition

Re-granting (also known as block grants or sub-granting) is a financing mechanism whereby the donor provides funding for one organisation which, in turn, facilitates funding (sub-grants) for a number of smaller or grassroots organisations.

### → Background

Because of its strict financial limitations, this has been a little-used mechanism in the past, but the revised financial regulation (March 2014) increased the maximum amount allowable per sub-grantee.

To reform how re-granting works, the structured dialogue set the following objectives:

- Support intervention by developing countries' grassroots and community-based organisations;
- Support networking and coalition-building among CSOs;
- Support the role of CSOs in political dialogue and in the monitoring of government and donor policies and practices.

### → Which instruments does it apply to?

All thematic programmes/instruments (e.g. GPGC, CSO-LA, EIDHR). It is less used but possible under geographic instruments (e.g. EDF, DCI, ENI, IPA).

### → Rules and procedures

The maximum amount of financial support per third party during the course of a grant period is €60,000, except where financial support is the primary aim of the action. In that case, no limits apply (PRAG 2015).

The main grant beneficiary is financially responsible vis-à-vis the EU for the correct use of the financial support.

The conditions for providing financial support to third parties are strictly defined in the grant contract, and applicants must explain the granting criteria in their full funding application to EuropeAid.

### → Eligibility criteria

The EU grant beneficiary can adapt the eligibility criteria for sub-grantees to the context and objectives of a call for proposals (see PRAG 2015, section 6.9.2).

When the EU wants to put a ceiling on this financial support (i.e., the total available to applicants), it must specify this in the guidelines to the call for proposals.

## → Implementation to date

In 2014 and 2015, re-granting was compulsory in a number of calls for proposals.<sup>12</sup> There are also other examples of EU support managed by partner countries, CSOs and other agencies where a component of sub-granting to CSOs was included.

## → What does this mean for CSOs?

Re-granting could provide an opportunity for supporting local grassroots organisations that cannot participate in a call for proposals either as co-applicants or in any other capacity.

The structured dialogue, however, recommended that re-granting should not be an aim in itself but should remain an integral part of an action. Even though the monitoring of re-granted funds needs to be sufficient to prevent misuse, re-granting should not be seen as a way of transferring the administrative burden of a project from the EU to a third party.

## → Other relevant information

Structured Dialogue Technical Sheet: [Regranting PRAG 2015 rules](#) on financial support to third parties.

12 EIDHR Global call for proposals 2015: Re-granting was compulsory under all except one lot, but it could not be the main purpose of the action, and there was no indication of what percentage of the total amount had to be used for re-granting EIDHR Human Rights Defenders Mechanism CfP 2014: Re-granting was compulsory: at least 70% of total amount to be re-granted; €60,000 maximum limit per grant

EU Support to Sub-National Democratic Development (SNDD) Sub-component 2.1 - EU support to civil society: Re-granting is main purpose of the action, but limit of €60,000 per sub-grant is maintained. Minimum 70% of total amount to be re-granted

Civil Society Organisations/Local Authorities (CSOs/LAs) in Development and European Instrument for Democracy and Human Rights Country-Based Support Scheme (EIDHR-CBSS Cambodia): Re-granting compulsory under some lots, not the main purpose of the action, no mandatory percentage

CfP on Support to CSOs in Myanmar: Re-granting encouraged (not compulsory). Preference given to proposals that included sub-granting of at least 50% of total amount. €60,000 limit per sub-grant

Strengthening civil society in promoting human rights and development in Fiji: Re-granting compulsory, but not main aim of action; no fixed percentage; €60,000 limit per grant

## Interview

### Ni Ni Hla and Ye Zaw Aung, Save the Children Country Office in Myanmar:

“This is our second EU-funded project where sub-granting is a mandatory component according to the EU’s guidelines. We applied with technical support from Save the Children Denmark, and I think we were successful because we involved our local partners right from the proposal development stage and because our priorities fitted in very well with the EU’s guidelines. The local projects that we supported aimed to promote children’s rights, raise awareness in communities, and improve local democratic practices. Our local partners increased their capacity both through learning by doing, with the help of the sub-grant, and through our technical support on organisational development and children’s rights.

“The total budget for sub-grants in our two-year project was €85,500, divided among nine local partners. It’s important that the number of sub-grants is appropriate and will provide enough support for partners. It’s also important to build partnership and mutual understanding in order to achieve results.

“Our local partners can’t be expected to understand all the EU’s procedures and rules, so we selected the key issues that are directly relevant to them, which they could then adapt and apply accordingly. Newer partners also struggled more to understand, so we spent more time assisting them. Save the Children provided funding and technical support and responded to all the questions raised by our partners.

“The EU as a donor has quite strict, detailed rules. Some other donors are more flexible in adapting a project as it develops. But on the positive side, our communication with the EU has improved a lot now that there is an EU delegation in Myanmar. Previously, we had to go through our international member and the EU in Brussels, and it could take a long time to get an answer. Now we can contact the EU delegation directly about everything to do with this project.”

## → Experiences of sub-granting from the Climate Forum East project

### **Gerlinde Astleithner, Austrian Red Cross:**

“We have been coordinating this project with partners in Belarus, Moldova, Ukraine, Georgia, Armenia and Azerbaijan since 2013. The second phase, from 2015, involves financial support to third parties on a much bigger scale than we had experienced before. The project covers developing the capacity of the CSOs and networks, policy dialogue, awareness raising, regional knowledge-sharing, pilot projects on adapting to climate change, etc.

“The partners managing the financial support are the national societies of the Red Cross/Red Crescent or other NGOs. It is not common for our national partners to have the role of grant managers, so this process means a change of mind-set for some of them. The situation in each country is different, and the experiences of our national partners also differ. But some needs were similar, in terms of knowledge, coherent rules, and transparent procedures. Here, as the coordinating partner, we could play a role in facilitating a process for developing and agreeing on joint procedures.

“The sub-grants have been for between €4,000 and €12,000. We divided the grant opportunities into lots per project component. Some lots need to be concluded before applying for the next step: e.g. participatory action plan development is one lot, and the implementation of small-scale projects is another. It is a positive experience to see the funding spread to smaller NGOs. It’s also nice to see how some national partners have really grown in their role as fund managers.

“According to the terms of our contract with the EU, at least 50% of the total grant amount must be sub-granted. The fact that it is a fixed percentage instead of just a budgeted amount is a bit difficult and inflexible.

“In order to be able to really monitor the quality of projects and give the right support to each organisation, it is important that there are not too many different sub-grantees. This is something it is important for the EU to consider when setting the guidelines for financial support to third parties. It’s also important for the EU delegations to be realistic in how they apply their regulations. For example the rule on VAT has proved difficult, as some small organisations can’t apply for VAT exemption in their own countries, as the EU expects.”

### **Nadiia Artemieva, NECU (National Ecological Centre of Ukraine):**

We are an environmental organisation in Kyiv, working with local organisations in different regions of the Ukraine. We were part of the first phase of the Climate Forum East project as one of the bigger and more active members in the network. Now we are coordinating a sub-granting mechanism which is part of the second phase. It is a regional project, with many components, which aims to develop our network on climate issues.

“In other projects we’ve often supported smaller organisations with small grants, but to date this is our biggest one involving sub-granting. The EU as a donor has a lot of rules, quite strict ones, so we have had to draw up firm rules for the sub-granting as well. There can be some challenges in such a large, complex project with many people involved on many levels. A lot of communication is required, because the situation in each country is different, and so are the experiences of the participating organisations when it comes to grant management.

“On the other hand, developing and using new tools and methods in awarding grants is an interesting experience. The application forms, financial forms, etc. that we have developed together in this project will be useful in other projects as well. It has been a new experience also for the sub-grantees. Some of them have had many questions about details in the application and budget, but that has also generated new knowledge which will be useful to them in the future.

“We see that many of the organisations are doing a lot of things with their sub-grant. It is a good opportunity for small organisations to do something important for their region. The sub-grants have also attracted attention to our network, and some new, active organisations have joined as members.”

### **Oleg Dyakov, Centre for Regional Studies:**

“Our centre has been up and running since 1998 in the southern part of Ukraine, in the Danube delta. Environmental issues are one of our focus areas, and we work on climate-change adaptation, the protection and rehabilitation of ecosystems, river basin management and integrated coastal zone management, with partners in Moldova, Romania and different EU countries.

“We had formed a good partnership with a local community, Orlovka village, and were looking to support this community’s actions to promote the sustainable use of natural resources. Through one of our other donors,



we heard of the possibility of applying for small grants through this EU-funded project. It is small support, but very important for this rural community.

“This is the first time we have been able to use quite a simple procedure to obtain support through EU funds. With other EU grants, where we have been the applicant or co-applicant, it has been a complicated process and we’ve had a long wait before receiving funding.

“We helped the Orlovka community apply for an initial grant to complete a climate-change adaptation plan, and after that they will be able to apply for a grant for implementing the plan. This is the most important thing for the people in the village. They are thinking about things like using local biomass for sustainable energy, improving their water supply and water treatment, and improving the spawning places for fish.

“I see many advantages to the EU promoting financial support for third parties. We had an experience of applying to another donor for a small project, and it was impressive that so many big results could be achieved with a small grant. There are very few opportunities for local people to access any larger grants because of donor requirements such as having a bank account, being a registered organisation for several years, etc. So small grants are good for new organisations and local communities.”

## ↘ FOLLOW-UP GRANTS

### → Definition

Follow-up grants are those awarded to existing beneficiaries as a way to reward high performance. In the EU context, the availability of follow-up grants for projects evaluated as successful would need to be announced and specified within the eligibility criteria in ways that adhere to the principles of transparency and non-discrimination.

### → Background

Traditionally, EU calls for proposals have not taken into consideration the performance of projects previously funded by the EU, and it has been difficult for organisations to continue to fund actions even if when delivered good results.

As a result, the Structured Dialogue opened the door to follow-up funding of projects based on a list of pre-defined, objective performance criteria. It was felt that this would incentivise high performance, strengthen sustainability and promote the dissemination of best practice.

### → Which instruments does it apply to?

In theory, all thematic and geographic instruments could employ this new approach.

### → Rules and procedures

Calls for proposals will have to explicitly state that

successfully evaluated projects may be invited to submit proposals for follow-up funding. Further rules and procedures for follow-up grants have yet to be introduced.

### → Eligibility criteria

Follow-up grants would be only available to CSOs that are already benefitting from an EU grant and have implemented a successful project.

### → Implementation to date

Although this feature has not been included in any calls yet, it is expected it will be introduced in the near future. Delegations have stated that they are waiting for Brussels to define how this mechanism will be put into practice before they use it.

### → What does this mean for CSOs?

Challenges identified during the Structured Dialogue included how to avoid a funding gap between the initial and follow-up grant and how to measure performance after a potentially short period of implementation. Any follow-up grant mechanism would need to be transparent and include clear performance indicators. It was concluded that further research would be required before it is introduced.

### → Other relevant information

Structured Dialogue Technical Sheet: [Follow-up Grants](#)

## ↘ RING FENCING

### → Definition

Within the context of EU calls for proposals, ring-fencing means setting aside all or part of the budget for funding particular activities or actors.

During the structured dialogue, ring-fencing was identified as a tool for focusing attention on a particular objective which could be used to build capacity or promote the involvement of certain types of organisations.

The use of ring-fencing can be justified with reference to the objectives of the programme or call for proposals (Implementing Rules for the Financial Regulation, Article 175a).

### → Background

The EC has used ring-fencing for a number of years. It has appeared in the form of thematic lots in many calls for proposals. There has also been ring-fencing to promote the inclusion of certain sectors or actors, for example CSOs from Central and Eastern European member states following their accession to the EU. The structured dialogue viewed the increased use of ring-fencing favourably, as an “effective means to promote the involvement of certain actors by establishing a more level playing field, thereby minimising unbalanced competition between small/large, local/international, well-resourced/poor organisations”. Participants highlighted that ring-fencing could be pursued through calls for proposals (e.g. by creating specific lots to differentiate between actors) or under any other given aid instrument, depending on the objectives of the call.

### → Which instruments does it apply to?

Ring-fencing appeared in some 2015 calls for proposals under the CSO-LA Thematic Programme.

In the call for proposals for framework partnership agreements,<sup>13</sup> the funds available were divided into specific lots for global umbrella associations of NGOs, trade unions, cooperatives and other actors.

In-country calls in Uganda and Kenya in 2015<sup>14</sup> referred explicitly to ring-fencing and allocated a specific percentage of funds for local actors: “An indicative portion of 30% of the financial envelope will be allocated preferably to local CSOs.” The results of both calls have

yet to be announced at the time of going to press, so it is too early to reach any conclusions about the use of this feature.

### → Rules and procedures

There is currently very little information about the rules and procedures for ring-fencing. The structured dialogue expected ring-fenced funding to be re-allocated between lots if not used.

### → Eligibility criteria

The intended beneficiaries of ring-fencing are expected to include third countries’ grassroots and community-based organisations; networks and coalitions; capacity-building organisations and CSOs benefiting from capacity building; and CSOs in fragile states or those working on sensitive issues.

### → Implementation to date

The use of different lots has been common in EuropeAid calls for proposals for several years. The structured dialogue discussed increasing the use of ring-fencing. It is unclear to what extent there is a common strategy on the use of ring-fencing or whether it can be expected to increase further.

### → What does this mean for CSOs?

CSOs in third countries, and grassroots and community-based organisations that find it hard to compete with larger NGOs, should be able to benefit from ring-fencing if it allocates a specific percentage of funds within a call to them. Ring-fencing should ensure more balanced competition between well established and new actors. So far, however, it appears that sub-granting has been more popular as a tool for this. It is not known why, but it could be because ring-fencing poses a bigger challenge to EU delegations in terms of their workload and their capacity to manage contracts with newer actors who have less experience of EU grant management.

Ring-fencing by topic also seems to be more popular than ring-fencing by actor, although there is some overlap. The annual global EIDHR calls have been split into five thematic lots, different every year, which potentially target CSOs from different sectors and different areas of expertise.

<sup>13</sup> EuropeAid/150-053/C/ACT/Multi

<sup>14</sup> CSOs Actions to Enhance Social Development: Focus on Maternal and Child Nutrition in Kenya (EuropeAid/150001/DD/ACT/Kenya); CSO-LA Thematic Programme Uganda in-country Call for proposals (EuropeAid/150160/DD/ACT/UG)

## → Other relevant information

Structured Dialogue Technical Sheet: [Ring fencing](#)

# ↘ EASED CO-FINANCING REQUIREMENTS

## → Definition

Co-financing<sup>15</sup> is how the EU ensures it is not the sole funder of an action, by requiring that part of the cost is borne by the beneficiary or by contributions other than from the EC.

## → Background

Co-financing has been the mainstay of EC funding for CSOs to date. It is seen as an important principle in order to ensure ownership, extend the potential of EU funds and increase the sustainability of an action. Full funding tends to suggest a contractual service rather than a grant relationship, and has therefore been discouraged.

The structured dialogue recommended that co-financing requirements for local organisations with limited resources should be eased, and suggested that full funding should be considered “where the co-financing requirement may represent a real obstacle to the achievement of aid objectives”. In addition, it was felt that in-kind contributions used as co-financing could also ease the potential burden of this requirement.

Recently, there has been a trend towards more flexibility on full financing if it is regarded as essential.

## → Which instruments does it apply to?

All funding instruments have a co-financing requirement as well as the option to relax the rules.

## → Rules and procedures

Co-financing may take the form of (i) revenue from the action, (ii) the beneficiary’s own resources, (iii) funds from other donors, or (iv) contributions in kind from third parties (in duly justified cases). In the final report, the beneficiary has to declare what co-financing was actually provided. It may replace any planned contribution from its own

resources with financial contributions from third parties.

The contracting authority may accept contributions in kind as co-financing, if considered necessary or appropriate. Co-financing in kind means goods or services given to the grant beneficiary free of charge by a third party. The beneficiary must ensure that any contributions in kind comply with national tax and social security rules.

## → Implementation to date

Calls at country level specify a lower co-financing requirement for local CSOs than for European NGOs: the EU usually provides up to 90% of the funding for actions by local CSOs, but only up to 75% for European NGOs. In exceptional cases, at full proposal stage, smaller local CSOs may negotiate 95% or even full funding. Few examples of calls for proposals with full financing could be found, with the exception of some relating to conflict situations in countries such as [Syria](#) or [Afghanistan](#). In-kind contributions could be accepted, but EU delegations may be reluctant to relax the rules because of the complexity of valuing in-kind contributions.

## → What does it mean for CSOs?

Smaller local CSOs in a country stand to gain most from the possibility of being allowed full financing or contributions in kind, as they might otherwise be excluded.

## → Other relevant information

Structured Dialogue Technical Sheet [Co-financing](#)

## ↘ OPERATING GRANTS

### → Definition

A form of core funding awarded by the EU to finance the operating costs of a body that pursues an aim of general European interest and in support of an EU policy.<sup>16</sup> For example, European political parties receive an operating grant. Under the 11th EDF, operating grants can be given to bodies or actions that are intended to help achieve an objective of the Cotonou Agreement or the Overseas Association Decision. Operating grants are normally given in the form of a direct award.

### → Background

The EU has awarded operating grants to a limited number of European CSOs, for example from DG EMPL; the Education, Audiovisual and Culture Executive Agency; and the Europe for Citizens Initiative (DG COMM). The structured dialogue looked at core funding for CSOs in development as a way to strengthen capacity and enable organisations to focus better on their primary mission.

### → Which instruments does it apply to?

An operating grant to CONCORD is mentioned in the CSO-LA Thematic Programme. Possible use in other thematic and geographical instruments where FPAs are brought in.

### → Rules and procedures

Article 129 of the 2014 Financial Regulation states that a beneficiary may be awarded only one 12-month operating grant from the budget per financial year. Eligible direct costs usually include staff, rental/property maintenance, equipment and travel. Article 130 states that costs incurred before the grant application was submitted, or before the start of the beneficiary's financial year, cannot be funded retroactively.

### → Eligibility criteria

In theory, the following organisations are most likely to obtain core funding: CSO umbrella organisations; CSO coalitions and networks, and CSOs focusing on governance, democratic ownership, human rights, advocacy or capacity building.

### → Implementation to date

CONCORD has been directly awarded operating grants since 2003 on the basis of the unique role it plays in linking the EC with civil society active in international development, and its wide scope. The de facto monopoly is based on CONCORD's very wide geographical and sectoral coverage.

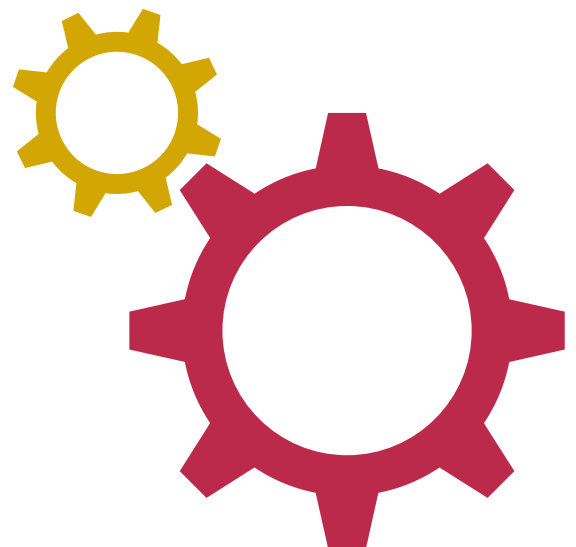
Quite a few EU programmes for internal action award operating grants to CSOs.<sup>17</sup>

### → What does it mean for CSOs?

The award of operating grants from EuropeAid to CSOs is unusual. It remains to be seen whether this method of funding CSOs that work in development and/or are based in EU partner countries will become more common.

### → Other relevant information

Structured Dialogue Technical Sheet: [Core Funding/ Operating Grants](#)



## → FLAGSHIP INITIATIVES

### → Definition

EuropeAid flagship initiatives are large, multidisciplinary EU development programmes for tackling major global challenges.

### → Background

Flagship programmes are designed to encourage broad, cross-sector partnerships to tackle major development challenges. Typically, they do one or more of the following:

- Support multi-regional and/or cross-cutting actions
- Build alliances of relevant stakeholders (governments, CSOs, private sector, social partners, academia, etc.) and develop cooperation with local partners and other international actors
- Create or support innovative partnerships and initiatives to promote an inclusive green economy and sustainable use of global natural resources
- Increase the impact of EU policies, effective management and EU visibility

Twelve flagship initiatives were identified in the Global Public Goods and Challenges Thematic Programme:

1. Global Climate Change Alliance + (GCCA+)
2. B4LIFE: EU Biodiversity for Livelihoods Initiative – an ecosystem-based approach to economic growth, climate change mitigation and adaptation, food security and good governance
3. SWITCH TO GREEN – supporting private sector-led inclusive green growth
4. FLEGT/REDD: improving forest law enforcement, governance and trade to foster sustainable development
5. Addressing health risks at the animal-human-ecosystems interfaces
6. The EU Resource Transparency Initiative (EURTI)
7. Trade integration for green and inclusive growth
8. EU initiative on pro-poor land governance
9. Migrant domestic workers' labour rights and human rights
10. Domestic Revenue Mobilisation Initiative for Inclusive Growth and Development
11. Rights-based development for the working poor
12. Climate Change Mitigation: supporting low-carbon development

### → Which instruments does it apply to?

The Global Public Goods and Challenges Thematic Programme (GPGC).<sup>18</sup>

### → MFF 2014-20 and AAP budget allocation

Because of their cross-cutting, multi-dimensional nature, the flagship programmes are funded through joint contributions from the various strands of the GPGC programme. They can also be supplemented with funds from the geographical programmes (in agreement with partner countries and regions) and from other donors (public/private), and through blending. The exact contribution of the GPGC budget to each flagship is not yet known, although the first amounts for the Forest Law Enforcement, Governance and Trade (FLEGT/REDD) flagship have been published under the [Annual Action Programme 2015 for Environment and Climate Change programme](#).

### → Rules and procedures

The rules and procedures for CSO funding are determined separately within each flagship initiative

### → Eligibility criteria

The eligibility criteria for CSO funding depends on the flagship in question. For example, FLEGT/REDD calls for proposals anticipate funding for CSO regional consortia (see relevant AAP 2015).

### → Implementation to date

**FLEGT:** A global call for proposals on Non-State Actors' Participation in Forest Governance, FLEGT and REDD+ at the end of 2015.

**GCCA+:** The [GCCA+](#) is expected to expand its engagement with civil society. A number of nationally funded programmes include a component aimed at financing activities put forward by CSOs in proposals. <http://www.gcca.eu/about-the-gcca/how-to-participate>

**B4LIFE:** A coordinator for this flagship was hired and work began in 2015. More [here](#).

18 The concept of flagship initiatives is also used in Horizon 2020, the EU's research programme, under which seven have been launched to boost growth and jobs within the EU

Interviews with key informants confirm that flagships are designed to build on experience, improve coherence and pool resources. For example, FLEGT and GCCA+ were already up and running before they were classified as flagship programmes. One major finding of this study is that many of the flagship initiatives are not in fact new programmes. To illustrate:

- GCCA: established and supported by the EU since 2007.
- B4Life builds on the EU's pre-existing '[BEST](#)' initiative.
- SWITCH to GREEN builds on the EU's ongoing regional SWITCH programme on sustainable consumption and production.
- The EU FLEGT facility was established by the EU in 2007.
- Flagship 5, addressing health risks at the animal-human-ecosystems interfaces: builds on the ONEHealth approach, already supported (including CfPs) out of the 2007-2013 envelope.
- Domestic workers: builds on previous EU support for various ILO programmes.
- Flagship 7: builds on EU trade-related assistance/aid for trade programmes.
- EU initiative on pro-poor land governance builds on ongoing EU food security programmes.

## ↘ BLENDING

### → Definition

Blending means using grants to attract extra, non-grant resources to add to sustainable development financing, such as loans, equity and guarantees from development finance institutions (FIs) as well as commercial loans and investment. Blending is a mechanism for funding government or private-sector projects.

### → Background

Blending is regarded as an important way to leverage additional resources and increase the impact of EU aid to support inclusive, sustainable growth and job creation. It was introduced in the period between 2007 and 2013, and the EU spent some €2 billion in grant money on its regional blending facilities, leveraging approximately €20 billion of loans by European FIs and regional

### → What does it mean for CSOs?

Civil society is seen as an important stakeholder in the flagships already underway,, and engagement with it will be expanded. Specific funding opportunities will depend on the flagship in question, and advocacy may be required to increase their number and quality.

Since few flagships are really new it is unlikely that the funding mechanisms will be completely new either: the ongoing thematic programmes mentioned above will simply be continued, and either re-labelled as flagships (e.g. FLEGT/GCCA) or classified as "contributing to" one or several flagship initiatives.

With regard to geographic envelopes, some of the first country programmes published under the 2014-2020 framework indicate which GPGC thematic flagship(s) they will be contributing to (see, for example [AAP 2015 Azerbaijan](#)). In this context the term "flagship initiatives" seems somewhat misleading, as they are in fact treated more like cross-cutting themes, with no additional funding being earmarked for the initiatives themselves.

### → Other relevant information

GPGC Multi-annual Indicative Programme:  
[https://ec.europa.eu/europeaid/sites/devco/files/mip-gpgc-2014-2017-annex\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/mip-gpgc-2014-2017-annex_en.pdf)

development banks, which financed over 240 projects. Blending facilities have mainly targeted governments and, to a lesser extent, the private sector.

### → Which instruments does it apply to?

All geographic instruments (e.g. EDF, DCI, IPA, ENI).

### → MFF 2014-20 and AAP budget allocation

The EU is planning to increase its allocation to possibly €6-€8 billion. Funding for blended financing will come mainly from regional indicative programmes but may be complemented by national funding, as EU delegations have been encouraged to include blending as a possible funding mechanism within their MIPs and national indicative programmes. The Africa Investment Facility will reportedly be open to non-traditional sectors, including health.

## → Rules and procedures

In the recently launched Africa Investment Facility, the European Investment Bank (EIB) acts as treasurer. In the case of the other regional investment facilities, the Commission usually channels grants to the final beneficiaries via a lead FI (the EIB, EBRD, AfD or KfW), which awards and manages the corresponding contracts. Most facilities' secretariats are hosted by the Commission.

## → Eligibility criteria

Interim beneficiaries: following consultations with the relevant partner country or countries, the financial institutions propose projects. FIs identify and select projects on the basis of their own financial assessment criteria. The project development process involves collaboration with the EC, in particular within its technical bodies and at EU delegation level. The end beneficiaries are governments and small and medium enterprises (SMEs).

## → Implementation to date

About 65% of the EU grants allocated supported energy and transport infrastructure initiatives; 24% was invested in social infrastructure, and 11% supported the local private sector, notably SMEs. Examples of concrete projects financed in 2007-2014 can be found in the [EU's blending brochure](#).

The new Africa Investment facility (launched in summer 2015) is expected to be more flexible in scope: unlike other facilities, it can finance national projects that do not have a regional impact, and can cover sectors other than infrastructure, including health and education. Support for private the sector will also be increased.

## → What does it mean for CSOs?

Blending mechanisms do not provide funding opportunities for CSOs – unless they somehow associate with private-sector beneficiaries or receive funding through loans taken up by governments.

In terms of advocacy opportunities, regular consultations with CSOs on blending facilities are organised by EuropeAid C3. The EU Platform for Blending in External Cooperation is the EU's main forum for exchanges on how to use blending effectively. The EC, the European External Action Service, EU member states, the EP and FIs participate.

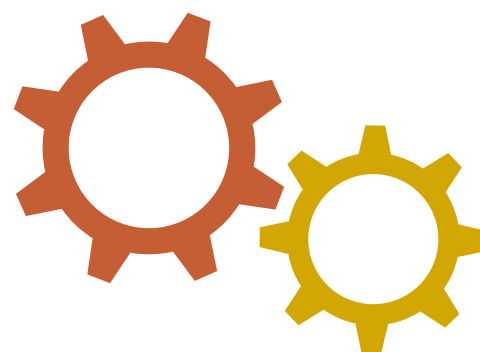
Civil society has traditionally been wary of blending instruments, as they involve using ODA to leverage loans which may lead to long-term debt for developing countries. Other major concerns of CSOs have been the questionable development effectiveness of some blending mechanisms and the issue of additionality: a recent evaluation by the European Court of Auditors claimed that the EU has not always been able to demonstrate the added value of using grants for leveraging loans. Similar concerns have also been voiced by the European Parliament. The latest evaluation of the Neighbourhood Investment Facility (NIF) recommended strengthening CSO consultation processes for the selection, monitoring and evaluation of blending projects.

## → Other relevant information

[EuropeAid blending website](#)

[The EU's blending brochure](#)

[European Court of Auditors' 2014 report on blended financing](#)



## ↘ TRENDS IN DEAR FUNDING

EU funding for Development Education and Awareness Raising (DEAR) is a component of the CSO-LA programme. Even though it is not delivered through any new type of mechanism, trends in DEAR funding are relevant to this study because they have been influenced by the wider EU funding trend of fewer, larger contracts.

In the most recent DEAR call for proposals, in 2013, several trends initiated in previous calls were taken to a new level. The guidelines set the minimum total grant at €3 million for most lots, and project activities in at least 10 EU member states were required (compared to a minimum of three member states in the previous call). These new criteria were one way of responding to the emphasis – in the strategy for the CSO-LA programme – on achieving impact on a “pan-European level”.

The obvious risk when designing guidelines that call for large-scale projects operating in so many EU member states is that the challenges of coordinating such large, complex projects that will outweigh the benefits. There are certainly benefits from cross-learning between CSOs at a European level, but there are also cost-effectiveness issues in projects that require a lot of coordination. A European citizen reached by development education or awareness raising is unlikely to feel more aware because the project generating the awareness operates in 10 countries rather than two or three.

The inability to raise co-financing is another challenge that affects more organisations if the minimum amount of the grant increases. The effects of changed requirements for DEAR funding have perhaps been most acutely felt by CSOs from the 13 member states who joined the EU after 2004. CSOs from the EU13 countries have already been at a disadvantage in accessing DEAR grants: only 14% of the total amount of DEAR funding after 2004 was allocated to them, while the remaining 86% went to CSOs from the EU15 member states.<sup>19</sup>

The changes in DEAR requirements affect the work of many CSOs all around Europe, however, and in 2015 civil society organisations in Europe repeatedly urged the EU to rethink its decision to favour fewer, substantially larger contracts in the 2013 DEAR call. This discussion is ongoing at the time of going to press.

### → Campaigners speak about DEAR funding trends

#### **Inese Vaivare, Latvian Platform for Development Cooperation (LAPAS):**

“LAPAS prepared actively for the DEAR call for proposals in 2013. As well as drafting proposals, we supported other stakeholders in Latvia that were participating in the DEAR call – local government bodies, think tanks, other NGOs. As the EU13 countries have only recently become donor countries, they have very few development cooperation NGOs. A majority of the members of our platform do some development cooperation work, but they are organisations that also work with national issues. Many of our members work on development education/global education.

“Unfortunately, after the announcement of the call it was clear that very few NGOs in our country might be found eligible – the average annual turnover of NGOs in Latvia is around €60,000, and the minimum size of the grant and the co-funding required in the 2013 call made it inaccessible. In cooperation with other CSO platforms from the EU13 countries, LAPAS approached the EC and relevant stakeholders to promote more equal access to the funds. We were successful in that a special lot for CSOs from EU13 countries was introduced.

“In this call for proposals LAPAS was a project partner in seven applications. Two of them went on to the full proposal stage, and one was accepted. The applications we were involved in were drafted following different approaches. The most successful one required very timely input and meant that all partners had to be present at international meetings to plan the project. As LAPAS does not have any paid staff apart from project staff, this was very challenging, and required major voluntary input from my side. Nevertheless, this effort was fruitful, and having had a project accepted ensures that LAPAS’s work is sustainable.

“To conclude, the main challenges are to find the resources for drafting enormous international projects, and, if you are new to the field, and information is shared in closed circles of the usual project partners (i.e. some professional NGOs that have received funding for several



projects), it can be hard to get involved in thematic networking in order to find project partners. Still, if the wheel of fortune is favourable, your organisation can work sustainably for a considerable period.”

**Johannes Hartvigson, Fairtrade Sweden:**

“In 2009-2011 we coordinated a DEAR project on involving volunteers as fair-trade ambassadors in three countries. In 2011 we applied again and got to the full proposal stage, but no approval. Before the next call, in 2013, we started preparing early. Even though the criteria changed and now required actions in more than ten countries, we were well prepared. We had started a dialogue with potential partners more than six months before the call. Our application was for a Fair-Trade City project with local authorities in more than ten countries. Since the rule on the maximum amount of sub-grants had changed, we decided to include a sub-granting mechanism to reach out to CSOs. Before, the sub-grants in EU-funded projects were too small to be effective, compared to the effort it took to administer them. The new amount of €60,000 is still rather small for many organisations, even though this varies between countries because of the different level of costs in different EU member states.

“For us it was inconceivable that we wouldn’t involve the sub-grantees at an early stage. We held a phone conference with over 30 CSO representatives to discuss what they wanted to achieve and how this fitted in with the guidelines of the call. Throughout the concept note stage we used a bottom-up approach to make sure that the action was created together with the participating CSOs and local authorities.

“The concept note was accepted. At the full proposal stage, the challenges of coordinating an application with this number of co-applicants and sub-grantees became overpowering. The project idea was great, but with so many partners and the short time available between the concept note approval and the deadline, we ran out of time to sync the different parts of the application.

“Later, after our application was rejected, we were approached by an organisation that had received one of the DEAR grants. They asked us to be a sub-grantee in their project. It made sense to approach us, since it required expertise that few other organisations in Sweden

had. They approached us around a month before the project was due to start. We considered it, but decided in the end not to accept the sub-grant. Since they involved us so late in the process, this activity was not in our work plan. That left us with a choice: either do an additional activity with the existing staff, thereby taking resources away from the work plan drawn up by our members, or recruit a new staff member for the sub-grant project, who would then need to be inducted for the short period of maybe six months that such a small project allows. We also felt that the guidelines for the sub-grant were spelled out in so much detail that they left little room for us to influence it. I see a risk that, in the long run, this way of funding by the EU might mean that a few larger organisations will end up controlling the work of smaller CSOs, taking away their right of initiative, which is an important factor in making DEAR projects engaging and anchored in each local context. I think this is probably not the EU’s intention, but an unfortunate consequence of the guidelines and application form which encourage detail rather than protecting the right of initiative of sub-grantees.”

## ↘ CONCLUSIONS

Following the discussions and recommendations from the structured dialogue, the EU has been introducing a number of new features to the way it funds CSOs in development. Whilst some of these have distinct implications for CSOs, the potential impact of others remains unclear. Few of these features are completely new, as most of them are adaptations or expansions of existing EU funding mechanisms. Knowledge about them is rather fragmented within the Commission, making it necessary to consult with several units in a range of directorates in order to understand the whole picture.

In many cases it is too early to evaluate the use of the new mechanisms. Below, meanwhile, are our preliminary conclusions on some emerging trends.

### Global awards of grants

In terms of future CSO funding under global thematic programme envelopes (global calls), EC representatives have said that there will be: fewer and larger calls, targeting increasingly large consortia of CSOs; an increased use of framework partnership agreements, core funding and direct awards for international and regional umbrella organisations; and a frequent use of compulsory sub-granting through international NGOs.

### Local awards of grants

In terms of CSO funding under local thematic programmes and geographic (EDF or DCI) envelopes, there will be fewer and larger calls with higher minimum amounts (EIDHR calls are an exception). There will also be a tendency to merge CSO-LA and EIDHR calls into one, to reduce transaction costs. The use of compulsory sub-granting is expected to increase: this is aimed both at reducing the workload of EU delegations and at supporting smaller, local CSOs that have limited capacity to apply under regular EU calls for proposals.

Some EU delegations<sup>20</sup> are piloting calls for proposals managed by government ministries, a practice too recent for any conclusions to be drawn from it yet.

### Funding delivery mechanisms yet to emerge

So far, very little information is available regarding the application of eased co-financing requirements or the increased use of ring-fencing. And there are as yet no

examples of programme funding or operating grants at country level, nor of any follow-up grants allocated. EC representatives have indicated to CONCORD that several units within the EC are interested in trying out framework partnership agreements at field level if the piloting of FPAs with umbrella organisations in the CSO-LA programme proves successful.

Follow-up grants are perceived to be useful, as grantees have often found that having to compete in new calls for proposals for ongoing work disrupts the continuity of actions. While other donors take a more strategic, partnership-oriented approach, the EU has insisted on calls for proposals even for work that has been successfully underway for many years.

The EU delegations and CSOs interviewed displayed a lack of knowledge and even awareness of the possible use and benefits of eased co-financing requirements. Even though they would be valuable to many local CSOs, EU delegations also showed a reluctance to use full financing or to accept in-kind contributions, as they perceive these options as being hard to justify or, in the case of in-kind contributions, to quantify.

### Funding mechanisms catering for both “the smallest” and “the biggest”

Support for local CSOs is being stated as a priority in an increasing number of local calls for proposals managed by EU delegations. Some mechanisms have been introduced, or expanded on, specifically in order to support smaller, local CSOs in partner countries. This is the case with sub-granting, ring-fencing, lower co-financing requirements, and new mechanisms such as the EIDHR Human Rights Facility. Sub-granting seems to have been taken up readily by the Commission at country level, while other tools that were clearly identified during the structured dialogue as being suitable for helping local CSOs to compete, such as more ring-fencing, remain less common in recent calls.

The number of global calls for proposals has decreased noticeably in the 2014-2020 programmes, and they now seem to target large NGO consortia and umbrella organisations, who are also the main beneficiaries of direct awards and FPAs.

The risk of targeting only networks on the one hand, and grassroots groups on the other, is that the work of CSOs “in the middle” becomes under-funded. It is important to fund all the roles played by civil society, to enable it to contribute its full potential to development.

### **Reducing the workload of the EU institutions and delegations**

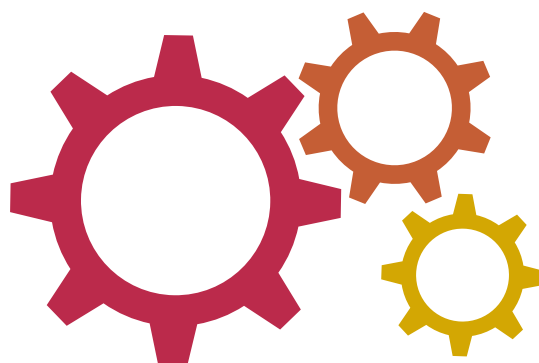
Some of the structured dialogue recommendations have been taken up and implemented enthusiastically, while others appear to have been rejected as less useful. The sub-granting mechanism has been promoted in numerous calls for proposals. The EU delegations seem increasingly keen to make sub-granting a requirement, no doubt because this mechanism transfers considerable responsibility and workload from the delegations to the CSO managing the sub-granting.

Sub-granting is a way of making EU funds available to a large number of grassroots organisations and supporting the local right of initiative. This mechanism needs to be implemented responsibly, however. In 2015, the guidelines for some calls for proposals set the minimum share of the total grant to be sub-granted very high (at up to 70-75%), but did not allow financial support to be the main purpose of an action (which means that the maximum amount per sub-grantee was €60,000). This makes the number of sub-grants difficult to manage, and also fails to acknowledge the workload of the grant scheme manager. There are also other considerations the EU should take into account in order to develop good practice in its future use of this mechanism. The implementing partner’s liability is one such issue which needs further discussion. Another is how to avoid promoting sub-granting in a way that distorts the partnership between the coordinating organisation and its partners. Turning CSOs into some sort of sub-contracted donor agencies is in the interest of neither the EU nor civil society.

As not enough evidence has been accumulated on some of the other funding delivery mechanisms, it is not yet clear how their future implementation could better take into account the need to ensure efficiency while still providing effective results and quality partnerships.

### **Learning to speak the same language**

The study that informed this publication found that there is a need to agree on common terminology and language around new and emerging funding mechanisms. It is evident that some concepts are not universally understood or shared among the different EC units, the EU delegations and CSOs.



## ↘ RECOMMENDATIONS

### **Engagement and dialogue to strengthen the EU's partnership with civil society**

- Further engagement is needed between CSOs and the EU at multiple levels, in order to see the implications of changing the mechanisms for funding CSOs. EU delegations, EC officials and CSOs should all recognise the level of dialogue needed for a shared understanding of these mechanisms, which should contribute to stronger partnerships and better results.
- EU delegations should continue along the path to increased dialogue with and strategic support for civil society. Here, the EU country roadmaps for engagement with civil society are an important step.

### **Commitment to engage with a wide range of civil society organisations**

- EU delegations and the EC should think creatively about how to work in partnership with CSOs despite internal pressure to reduce the number of calls for proposals and the number of contracts. Longer-term contracts could help solve this problem, even if they would risk alienating the majority of CSOs, which might not be able to manage such large grants. Better use of ring-fencing would allow EU calls for proposals to target specific CSOs and reduce the number of funding applications to a manageable size. Also, with regard to DEAR funding, a commitment to finding creative solutions is needed: one that allows a diverse group of CSOs to access this funding through less restrictive criteria.
- The increasing support for grassroots CSOs and large CSO consortia and umbrella organisations risks leaving less funding opportunities for CSOs that occupy the ground between these two groups. The EU should ensure significant, effective funds for a broad, diverse group of European and local CSOs in a range of sectors.
- Calls for proposals are still the most transparent funding delivery mechanism, and should not be abandoned. Indeed, other mechanisms should be used to complement them and to reinforce EU support for a wide range of CSOs. Fewer calls for proposals should be balanced by larger envelopes and systematic use of alternative ways of supporting CSOs.

### **Transparent processes for identifying the most effective funding delivery mechanisms**

- Further sustained consultation and analysis involving a variety of stakeholders (e.g. civil society, international organisations, EU delegations and EC staff), in addition to transparent information on the criteria used (such as cost efficiency, effectiveness, the perception of positive impact by target groups, etc.), will be needed in order to identify the most appropriate funding mechanisms and to define their main recipients (e.g. local CSOs, European CSOs, international organisations, etc.).

### **New rules, guidelines and procedures for the new mechanisms**

- Before follow-up grants are introduced, the EC should develop appropriate rules and procedures in consultation with CSOs, to ensure transparency and fairness.
- In trust funds, CSOs should be recognised as key stakeholders, consulted and involved from the start of each new trust fund. Clear, transparent communication and access mechanisms need to be set up.
- A new contracting model in which the financial risks borne by a consortium are shared proportionally between partners should be explored. This would entail changes in the PRAG, but would encourage more CSOs to lead broad, diverse consortia.
- EU delegations should follow best practice when giving financial support to third parties, designing guidelines that encourage trust and effective partnerships to develop, introduce appropriate accountability mechanisms, and allow adequate technical support and learning. Sub-granting requirements should not result in an unmanageable number of sub-grantees or impose unrealistic expectations.



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the European NGO confederation for Relief and Development

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