

COMMISSION DISCUSSION PAPER

“THE COMMISSION AND NON-GOVERNMENTAL ORGANISATIONS: BUILDING A STRONGER PARTNERSHIP”

presented by President PRODI and Vice-President KINNOCK

1. Introduction

Over the last two decades, the partnership between the European Commission and NGOs has expanded on all fronts. This intensification has covered a range of issues, from policy dialogue and policy delivery, to project and programme management, both within the EU and in its partner countries. It results from a number of interwoven factors, related both to changes and developments within the EU institutions themselves, as well as to developments within the NGO Community. As the European Commission has acquired additional responsibilities in a number of new policy areas, this has been matched by an ever-increasing number of NGOs operating within and outside Europe and a widening in the scope of their work. This trend can be seen in the increasing number of national NGOs creating or joining European associations and networks often based in Brussels. With the enlargement of the EU on the not too distant horizon, and the increased public scrutiny of EU affairs, there is no reason to believe that this process will slow down, rather the contrary.

Although the Commission's current practice clearly proves its willingness to maintain and strengthen its partnership with NGOs, the structures and procedures involved have not kept up with this. At present it is estimated that over € 1.000 million a year is allocated to NGO projects directly by the Commission, the major part in the field of external relations for development co-operation, human rights, democracy programmes, and, in particular, humanitarian aid (on average € 400 million). Other important allocations are in the social (approximately € 70 million), educational (approximately € 50 million), and environment sectors within the EU. Several hundred NGOs in Europe and world-wide are receiving funds from the EU. The Commission has therefore contributed substantially to matching the support of the members of the European public given to NGOs and thus highlighting the continued importance of high levels of public support for the role of NGOs.

However, the complexity of EC policies as well as the growing number of regulations and funding sources (budget lines) coupled with recent financial security problems have created a great deal of uncertainty for NGOs about co-operation with the Commission. Both the Commission and the NGOs wish to put the relationship on a new footing. The context to this initiative is recognition on the NGO side that many policy areas are now being decided at European level as well as the increase in funding available to NGOs from the European Union. A new Commission committed to change and reform, means the time is right for a new initiative.

The Commission has recently launched a far-reaching process of administrative reform which includes among its aims a more service-oriented behaviour and an improvement in the management culture of the Institution. A greater effort will be made to increase transparency and accountability to principal interlocutors as well as improving efficiency for instance by speeding up payments to all beneficiaries. These aims are reflected in this Discussion Paper which represents a step forward in defining and improving a relationship that is obviously likely to evolve.

1.1. Purpose of the Discussion Paper

The purpose of this paper is two-fold. First of all, it aims to give an overview of the existing relationships between the Commission and NGOs including some current problems. Secondly, it aims to suggest possible ways to develop these relationships by considering the measures needed to improve and strengthen the existing relationship between the Commission and the NGOs.

In particular, the Discussion Paper deals with the question of Commission support for NGO activities, and looks at improved methods of dialogue and consultation. It also addresses the question of how best to organise EU funding for NGO-managed activities, and suggests ways of providing a more coherent Commission-wide framework for co-operation that has hitherto been organised on a sector-by-sector basis.

At the same time, dialogue and co-operation between the Commission and NGOs are working well in certain areas. These could serve as a model for other fields. The objective of reviewing the relationship between the Commission and NGOs is in any case not to impose constraints where this relationship is satisfactory but rather to extend "good practice" across all sectors.

Some Member States are also currently addressing the question of co-operation with NGOs or have done so recently and their proposals have provided a useful input to this Discussion Paper.

The Discussion Paper is also intended to give new impetus to an ongoing process of internal and external appraisal of the way in which the Commission works with NGOs. Whilst providing an initial basic statement of the Commission's long-term principles and commitment towards the NGO sector, it is clear that specific proposals must be established as a coherent part of the process of overall administrative reform.

1.2. Common characteristics of a non-governmental organisation

The NGO-sector has often been described as extremely diverse, heterogeneous and populated by organisations with hugely varied goals, structure and motivations. It is therefore not an easy task to find a common definition of the term "non-governmental organisation". It cannot be based on a legal definition given the wide variations in laws relating to NGO activities, according to which an NGO may have, for instance, the legal status of a charity, non-profit association or a foundation. The term "NGO" can nevertheless be used as shorthand to refer to a range of organisations that normally share the following characteristics¹:

- NGOs are not created to generate personal profit. Although they may have paid employees and engage in revenue-generating activities they do not distribute profits or surpluses to members or management;
- NGOs are voluntary. This means that they are formed voluntarily and that there is usually an element of voluntary participation in the organisation;
- NGOs are distinguished from informal or ad hoc groups by having some degree of formal or institutional existence. Usually, NGOs have formal statutes or other governing document setting out their mission, objectives and scope. They are accountable to their members and donors;
- NGOs are independent, in particular of government and other public authorities and of political parties or commercial organisations;

¹ This list is inspired by the list of common features of voluntary organisations proposed by the Commission in its Communication of June 1997 "Promoting the Role of Voluntary organisations and Foundations in Europe" (COM/97/0241 final).

- NGOs are not self-serving in aims and related values. Their aim is to act in the public arena at large, on concerns and issues related to the well being of people, specific groups of people or society as a whole. They are not pursuing the commercial or professional interests of their members.

Though these common characteristics can help describe the notion of the term "NGO", it must be borne in mind that their size as well as their scope of activities can vary considerably. Some NGOs consist of a rather limited number of persons; others may have thousands of members and hundreds of professional staff. In functional terms NGOs can focus on operational and/or advocacy activities. Operational NGOs contribute to the delivery of services (such as in the field of welfare), whereas the primary aim of advocacy NGOs is to influence the policies of public authorities and public opinion in general.

In a broader sense, trade unions and business or professional organisations might also be considered to be non-governmental organisations. The present document, however, deals primarily with organisations active in the so-called "Third Sector", i.e. in the non-governmental and non-economic field. Nevertheless it goes without saying that the approach to consultation processes proposed in this document should be used as a model for other categories of organisations, in so far as these consultations do not take place under a specific framework (e.g. Social Dialogue).

1.3. Rationale of co-operation between the Commission and non-governmental organisations

The rationale behind the existing co-operation and the desire to strengthen and enhance it is based on five main considerations:

1.3.1 Fostering participatory democracy

The decision making process in the EU is first and foremost legitimised by the elected representatives of the European people. However, NGOs can make a contribution to in fostering a more participatory democracy both within the European Union and beyond.

The European Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law, principles which are common to the Member States. The right of citizens to form associations to pursue a common purpose is a fundamental freedom in a democracy. Belonging to an association provides an opportunity for citizens to participate actively in new ways other than or in addition to involvement in political parties or trade unions. Increasingly NGOs are recognised as a significant component of civil society and as providing valuable support for a democratic system of government. Governments and international organisations are taking more notice of them and involving them in the policy- and decision-making process.

This is of particular relevance in the context of enlargement. According to the so-called Copenhagen criteria, membership in the EU requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. NGOs can make an important contribution to the development of democracy and civil society in the candidate countries.

Developing and consolidating democracy is also the Community's general policy objective in its co-operation with developing countries and goes therefore far beyond the enlargement

process. Partnerships with local NGOs in developing countries are particularly significant in this regard.

1.3.2 Representing the views of specific groups of citizens to the European Institutions

The role of NGOs in representing the views to the European Institutions of specific groups of citizens (such as people with disabilities, ethnic minorities) or on specific issues (such as the environment, animal welfare, world trade). In particular, many NGOs have an ability to reach the poorest and most disadvantaged and to provide a voice for those not sufficiently heard through other channels.

In the European context, NGOs perform this role not only in relation to the Commission, but also the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Council. Their involvement in policy shaping and policy implementation helps to win public acceptance for the EU. In some cases, they can act as a balance to the activities and opinions of other interests in society.

1.3.3 Contributing to policy making

The specific expertise that NGOs can contribute to policy discussions. Through their links at local, regional, national and European level, NGOs can provide expert input for EU policy-making. In particular, they can provide feedback on the success or otherwise of specific policies thereby contributing to the Commission's task of defining and implementing policies by fully taking into account its overall public policy responsibility..

1.3.4 Contributing to project management

The specific expertise that NGOs can contribute to managing, monitoring and evaluating projects financed by the EU. The contribution of NGOs is particularly important in tackling social exclusion and discrimination, protecting the natural environment, and the provision of humanitarian and development aid. The expertise and dedication of NGO staff and their willingness to work under difficult operational conditions mean that NGOs are vital partners for the Commission both within the EU and beyond.

1.3.5 Contributing to European integration

By encouraging national NGOs to work together to achieve common goals, the European NGO networks are making an important contribution to the formation of a "European public opinion" usually seen as a pre-requisite to the establishment of a true European political entity. At the same time this also contributes to promoting European integration in a practical way and often at grassroots level.

Moreover, the ability of European NGO associations and networks to channel and focus the views of the various national NGOs is very useful for the Commission.

Therefore, strengthening the relationship between the Commission and NGOs can help both parties to be more successful in achieving their respective goals. At the same time, the Commission will need to recognise and support the development and independence of the NGO sector.

1.4. Existing relationships

The various aspects of the Commission's current relationship with NGOs can be summarised as follows:

- Fostering the development of civil dialogue and civil society at the European level and the strengthening of civil society as an objective in co-operation programmes with non-member countries;
- Dialogue/discussions with and consultation of NGO representatives in the context of policy shaping. Certain NGOs and networks, especially those at European level, have been established or selected in order to provide information, experience and expertise. Some Directorates-General have established specific fora in order to provide a framework for dialogue;
- NGOs as information relays. European NGOs and their networks and national members, can serve as additional channels for the Commission to ensure that information on the European Union and EU policies reaches a wide audience of people concerned by and affected by its policies;
- Funding of NGO-led activities, within the Community and abroad, which are coherent with and contribute to the implementation of EC policies. These programmes are characterised by a high degree of NGO ownership of the actions financed;
- NGOs as actors implementing Community programmes and projects, in particular in the field of non-member countries co-operation. In these cases, NGOs have been chosen as partners because of their specificity coupled with their expertise and technical capacity.

1.5. Problems which currently cause constraints on co-operation

The following problems are listed here as examples of areas where co-operation between the Commission and NGOs could usefully be improved.

- Co-operation with NGOs is organised by policy areas (environment, social affairs, humanitarian and development aid, trade etc) implying considerable differences in the relationship between NGOs and the Commission from one sector to another with regard to access to information, the way dialogue and consultation is organised and the availability of core-funding. While recognising the specificity of different sectors, most NGOs feel that there should be a greater effort at a coherent Commission-wide approach;
- There is a lack of sufficient information for NGOs in particular on funding and financial procedures. Better guidance on application procedures and more comprehensible application forms would be much appreciated;
- The NGO sector is a dynamic one which is constantly evolving. Commission departments often find it difficult to follow this evolution. In particular they lack adequate information on the various NGOs with which they come into contact;
- Internal Commission procedures are often complex. Although the NGOs have on the whole welcomed the Commission's Vade-mecum on Grant Management as providing clear rules, they are concerned that emphasis on financial rigour will place an increasing burden on NGOs applying for funding;

- As part of its overall policy on transparency, the Commission should provide better information for NGOs and improve communication with them as a means of building a true partnership.

Some of the consequences of the current situation are considerable delays in handling applications, ill-adapted procedures particularly for dealing with small projects and a breakdown in confidence.

1.6. Making the relationship work

Whilst for its part the Commission recognises that it must improve and strengthen its relationship with NGOs, the NGOs themselves must also recognise their own responsibilities in making that relationship work. Each side should be able to acknowledge and take into account the priorities and realities of the other. This does not, of course, exclude frank discussions or even differences of opinion.

In the area of policy dialogue, the Commission has to discharge its inter-institutional responsibilities in this area, as well as offering, within these boundaries, dialogue and consultation to the NGOs as representatives of civil society. The NGO Community must recognise and take into account this formal institutional set-up. Other obligations might relate to representativity (see point 2.2. below), proper communication of information to member organisations and respecting the confidentiality of Community information where required.

Regarding funding, the NGOs must accept, for example, that there will always be a legitimate need for the Commission to impose certain conditions and controls to safeguard community funds. NGOs have a duty to demonstrate that they have the expertise, management systems and internal quality control systems appropriate to the work they are undertaking in behalf of the Commission.

2. Dialogue and consultation

Dialogue and consultation between NGOs and the Commission have to be seen in the framework of the democratic decision-making process of the European institutions. Many European institutions, and in particular the European Parliament, the Economic and Social Committee, and the Committee of the Regions have a strong tradition of close contacts with NGOs. The Commission has been following with great interest recent developments in the Economic and Social Committee aimed at strengthening its links with civil society, including NGOs, in order to provide an improved forum for the dialogue with the European citizens. The Commission also participated actively at the First Convention of Civil Society Organisations organised by the Economic and Social Committee in October 1999.

Against this background, dialogue between the European Commission and NGOs is an important complement to the institutional process of policy-shaping. The specific value of these consultations derives notably from the Commission's right of initiative. Timely consultation with all stakeholders at an early stage of policy-shaping is increasingly part of the Commission's practice of consulting widely, in particular before proposing legislation, to improve policy design and to increase efficacy.

It should be noted that in June 1998, the European Community signed the UN/ECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters, the so-called "Aarhus Convention".

By signing the Convention, the European Community demonstrated its commitment at international level to increased transparency and openness as well as to ensuring adequate consultation of the public in the process of shaping EC environmental policy.

Ratification by the EC of the Aarhus Convention is a priority for the Commission.

2.1. Existing contacts

In many fields, the Commission has developed extensive contacts with NGOs in the context of policy-making. These contacts range from *ad hoc* meetings, the participation of NGO representatives in expert groups to more formalised arrangements such as regular meetings with European NGO associations and networks, or the participation of NGOs in advisory committees as part of a formal consultation process.

While it is logical that consultation on policy-shaping and implementation of specific programmes or projects is best done at sector level, some more general cross-cutting co-ordination is desirable in certain circumstances.

A. Ad hoc meetings between Commission services and NGOs

In its Communication of 2 December 1992, "An open and structured dialogue between the Commission and special interest groups" the Commission reiterated its belief in the need to remain open to outside input.² Therefore the Institution remains open and accessible to a wide variety of organisations including NGOs which wish to put their views forward.

Example: The Agriculture, Employment and Social Affairs, Environment and the Directorates-General responsible for co-operation with non-member countries have a large number of ad hoc meetings with NGOs (both European and non-European) on a range of issues.

B. Structured dialogue/co-operation

Where there is an established practice of systematic, regular meetings with NGOs to discuss policy issues, though without the formal structure of a committee or other structure with operating rules.

Example - Bi-annual meetings between the Commission services and all member organisations of the Platform of European social NGOs.

Example - The Liaison Committee of Development NGOs provides a representative European structure and well established working groups and quarterly meetings with the Commission to discuss both policy and procedural issues. This is not a formal consultative structure but a 25 year tradition ensures it has "de facto" gained such a standing with the EU institutions.

Example - The Trade DG has regular exchanges of view, both horizontally and sector-by-sector, on issues related to trade policy and in particular the WTO. NGO representatives also accompanied the Commission delegation at the recent WTO Ministerial meeting in Seattle.

² JO C63 of 5 March 1993

Example - The Framework Partnership Agreement concluded by ECHO and more than 160 NGOs provides a forum for debating issues of mutual interest and a joint exam of humanitarian objectives and principles.

Example - Twice a year, the biggest pan-European environmental NGOs ("Group of Eight") meet with the Director-General to discuss the work programme of the Environment Directorate-General and the general relationship between the NGOs and this Directorate-General. Any problems encountered in the previous six months can be discussed in these sessions. The Environment Directorate General also organises a twice-yearly "EU and Candidate Countries NGO Dialogue on Accession".

A good example of the value of a horizontal approach was the seminar which was hosted by the Commission in November 1998 to present the Vade-mecum on grant management to some 200 representatives of Brussels-based NGOs. Representatives of four NGO "families" (environment, social affairs, development aid and human rights) participated actively in the seminar. Representatives of the same four NGO "families" are in regular contact with the Grant Management Network on the implementation of the Vade-mecum. The steering group sees the current informal co-operation as useful and wishes it to continue.

C. Formalised consultation

Where there is a political/formal commitment to consult an NGO or grouping of NGOs on a particular issue, during the decision-making process. Also, where NGOs participate as members or observers in advisory groups / consultative committees with defined procedures.

Example: The Consultative Committee for Co-operatives, Mutuels, Associations and Foundations was formally established by the Commission to advise on policy affecting the Social Economy (including the "not-for-profit"/NGO sector).

Example: For about 40 years, the agricultural advisory committees have existed as a formal mechanisms for regular and systematic consultation of NGOs and socio-professional organisations.

Example: A future formal consultative role for civil society organisations both in Europe and ACP Member States is being proposed by the EU in the future Post Lomé convention both at the level of the institutions and for programme policy and implementation.

2.2. Specific role of European NGO associations and networks

It is important for NGOs and groupings of NGOs to be democratic and transparent as regards their membership and claims to representativeness. In this context, the European Commission encourages organisations to work together in common associations and networks at the European level since such organisations considerably facilitate the efficiency of the consultation process. However, for the consultation process to take place via such associations and networks, these organisations need to ensure that their structures are representative, in particular regarding their roots in the different Member States of the European Union. However, representativeness, though an important criterion, should not be the only determining factor for membership of an advisory committee, or to take part in dialogue with the Commission. Other factors, such as their track record and ability to contribute substantial policy inputs to the discussion are equally important.

2.3. Improving dialogue and consultation with NGOs

The Commission adheres to the principle of open government, and therefore feels it necessary to establish a number of clear guiding principles to ensure that systematic and regular consultations with NGOs are also meaningful, efficient and conducted in a transparent manner.

2.3.1 Guidelines for best practice in consultation

In order to be mutually beneficial, dialogue and consultations require first and foremost proper planning and a high level of commitment by all participants throughout the process. The Commission therefore wishes to develop a framework of principles for creating a more structured dialogue with NGOs. This process should lead to a set of recommendations identifying best practice in consultation, which would be addressed to all Commission departments.

The following issues could be considered in this context, though they remain open to further debate with the Commission's NGO partners, whose own views on the best ways to improve the dialogue with the Commission will be important:

- How best to define the scope and nature of the dialogue or consultation and to ensuring adequate publicity;
- How to provide adequate background information in good time so that NGOs can consult their own members properly (thereby helping to ensure the quality and representativeness of the NGO input), and in a language and style accessible to the NGO audience;
- How best to bring the opinions voiced by the NGOs to the attention of the relevant Commission department/officials and to ensure, where possible, that NGOs receive appropriate feedback on how their contributions and opinions have affected the eventual policy decision, thereby making the relationship a real dialogue;
- What are the most appropriate means (the Internet, (e-mail) mailing lists and newsletters) to give wide publicity to the whole consultation process;
- How to set jointly the agenda of any consultation process. The need for adequate Commission resources (staff) in order to provide the necessary assistance in the organisation, running and the follow-up of any dialogue consultation procedure, whether eliciting NGO views on a Green Paper or a Discussion Paper, or the organisation of meetings;
- How best to select the NGOs to be included in the various consultation processes In some sectors the Commission's should have its own objective and pre-established criteria and reasons for selecting the NGOs for the purpose of dialogue or consultation procedures. These could include the following:
 - Their structure and membership.
 - The transparency of their organisation and the way they work.
 - Previous participation in committees and working groups.
 - Their track record as regards competence to advise in a specific field.

- Their capacity to work as a catalyst for exchange of information and opinions between the Commission and the citizens.

It should be borne in mind that selection by the Commission of its interlocutors according to such criteria may not be feasible or appropriate in each area of Commission's activities. Self-selection by the NGO Community, through the appointment of representatives and the setting-up of networks or platforms can be a useful alternative.

2.3.2 Improving transparency

In practice greater transparency means providing more information on how the Commission selects and has selected its partners for regular consultation, what consultative groups exist, their composition and some details about the NGOs participating.

Where it is the NGO community that nominates interlocutors for dialogue with the Commission, the NGO associations and networks should provide information on the criteria and reasons for selecting these NGOs.

The issue of whether joint criteria should be agreed between the NGOs and the Commission should be considered.

Further consultation with NGOs on these issues will be part of the follow-up to this **Discussion Paper** (see chapter 6).

2.3.3 Improving information about meetings

As a first step to improve information about ongoing and planned consultations the Commission intends to announce all major consultative meetings on the EU's EUROPA website, including links to more specific information with appropriate DGs.

2.3.4 Listing the NGOs included in formal and structured consultation processes

A list of the committees and working groups involved in formal and structured consultation procedures and the NGO belonging to them will be compiled and incorporated into a special EUROPA website on NGOs³. Where consultations are held on a regular basis with a limited number of NGO associations and networks and individual NGOs (e.g. in the context of advisory committees or other forms of structured consultation processes), it seems desirable in the interests of transparency to provide the general public with some information about these structures and NGOs which belong to them. This information could include, for example, the legal status of the NGOs, their objectives, membership structure, and main sources of financing. These groups and NGOs could therefore be invited to co-operate with the Commission to make this information available, possibly by supplementing the information already given in the Directory of non-profit making special interest groups published on the website referred to above, and by creating a specific website with links to those DGs where such information is already available.

2.4. Accreditation

³ A webpage on special interest groups can be found at:

http://europe.eu.int/comm/sg/sgc/lobbies/index_en.htm

A list of NGOs co-operating with ECHO is available on http://europa.eu.int/comm/echo/en/index_en.html

Some NGOs have raised the issue of having an official consultative status for NGOs along the lines of existing systems in the United Nations and Council of Europe⁴. The Commission has always rejected an official consultative status. One reason given for instance in the Commission's Communication on "*An open and structured dialogue between the Commission and Special Interest Groups*"⁵ is that "*the Commission has always wanted to maintain a dialogue which is as open as possible without having to enforce an accreditation system.*" Moreover, unlike the system in international bodies, the decision making process in the EU is first and foremost legitimised by the elected representatives of the European peoples.

However, the dialogue with the other European institutions and NGOs in the follow-up of this Discussion Paper could usefully include a discussion on whether a more formalised approach would provide an added value.

2.5. A legal basis for consultation with NGOs in the Treaty

Unlike the social dialogue with the social partners, there is no legal basis in the Treaty for dialogue or consultation with NGOs, though in terms of social policy and the civil dialogue, there already exists Declaration 23 annexed to the Treaty of Maastricht.

Despite the lack of a specific reference to the civil dialogue in the Treaty, a number of forums for dialogue and consultation have been developed in a range of policy fields. The Employment and Social Affairs Directorate General, for instance, aims to try to engage in the civil dialogue in practice via NGO participation in a wide range of committees and liaison groups, meetings with the Platform of Social NGOs and informal working groups.

Several European-level NGOs in particular have raised the issue of having a legal base for NGO relations established in the Treaty in the context of the next Inter-Governmental Conference.

⁴ In 1996 the Council of Europe had 380 accredited NGOs divided into nine groupings.

⁵ JO C 63 of 5 March 1993.

3. Budgetary Issues

3.1. Core-funding

3.1.1 Current situation

The Commission already provides considerable amounts of core-funding for the running costs of a variety of organisations. The Vade-mecum on Grant Management approved by the Commission in July 1998 lays down special rules on funding for organisations which are receiving core-funding. This means of course that these organisations must be clearly identified. Although this has been done for Part A (administrative appropriations) of the Budget and the list is on the Grant Management Network website,⁶ for Part B of the Budget (operating appropriations) it is much more complicated. However, a listing of budget lines providing core-funding and the names of the beneficiaries is being prepared. It is only when this information is available that it will be possible to assess to what extent NGOs already receive core-funding. The situation is also complicated by the fact that in certain cases financial awards for projects performed by an NGO may in reality also act as a significant support for the running costs of the organisation. Some budget lines can provide funding both for project funding and core-funding.

Furthermore, even when NGOs already receive core-funding this is not done in any kind of co-ordinated way or according to common criteria across the Commission. It has grown in a piece-meal way through mention of specific NGOs in Parts A and B of the EU Budget.

3.1.2 Proposals for future measures to improve coherence

The question of core-funding is linked to the Commission's general policy towards partnership with NGOs and in particular NGOs organised at European level and deserves to be examined in detail on the basis of both existing best practice⁷ and shortcomings. As pointed out already in Chapter 1, by encouraging national NGOs to work together to achieve common goals, the European NGO networks are making a vital contribution to the formation of a "European public opinion" usually seen as a pre-requisite to the establishment of a true European political entity. In particular, the ability of European NGO associations and networks to channel and focus the views of the various national NGOs is extremely useful for the Commission. It therefore seems reasonable that the Commission should provide practical support for these NGOs.

In the interests of transparency, it seems preferable that this support be provided through specific core-funding budget lines. The legal bases of such lines should specify the eligibility criteria and conditions under which core-funding would be provided to NGOs. The criteria should take into account, among other things:

- the genuine European nature of the activity undertaken;

⁶ http://europa.eu.int/comm/sg/sgc/info_subv/index_en.htm

⁷ For instance, the "Action Programme promoting environmental NGOs" (based on Council Decision 872/97/EC) is considered an excellent framework for co-operation both by the Environment DG and by environmental NGOs.

- the representativity either of the European NGOs applying for such funding or of those bodies promoting the NGO or relevant activity, and
- the long-term financial viability of the NGO or activity.

In addition, the Commission will respect the right of any NGO or activity it funds in this way to promote frank, accurate and properly supported views on matters directly relating to the stated purpose of the NGO or activity.

3.2. Project funding

A review of existing legal bases related to project funding also needs to be undertaken with a view to seeing where substantial inconsistencies exist. At the same time the nature and impact of budget commentaries also need to be examined to see to what extent they are consistent with the legal bases. Where legal bases need to be renewed an attempt should be made to bring them into line with other existing legal bases so as to ensure a more coherent approach. In cases where the same action can be funded in different ways (as is the case for example of support to the electoral process in developing countries), there must be explicit criteria or policy guidelines established to clarify which instrument is the most appropriate.

3.3. Restructuring the Budget / Rationalisation of budget lines

At present the Commission is faced with a high number of budget lines with their respective legal bases which are not coherently organised either in terms of their position in the EU budget nor with regard to the complementarity of their objectives. These have largely developed out of particular orientations set by the budgetary authority, in particular the European Parliament.

In their Second Report on Reform of the Commission, the Committee of Independent Experts stressed the need "to establish a budget structure favourable to transparent management and effective monitoring. The distinction between administrative and operating expenditure should be abandoned"⁸. In particular it questions the need for the division of the Budget into Part A - (administrative appropriations) and Part B (operating appropriations). To illustrate that the distinction which is supposed to be made between the two Parts is often ignored, it cites cases where grants have been made to cultural organisations in both Part A and Part B.

The need for clarification of the structure of the Budget was also taken up in the report of the Budget Committee of the Parliament in its report on the Draft Budget for 2000. In this it asks the Commission to present a new approach to the separation of appropriations into Part A and Part B of the Budget when the Draft Budget for 2001 is presented.

The Preliminary Draft Budget for 2001 will reflect a new approach and will incorporate some elements of Activity-Based Budgeting. ABB is the budgetary component of the wider Activity Based Management (ABM) approach which aims to improve management culture in the Commission as part of the overall Commission administrative reform process. However, since the definition of activities and policy areas will be linked to the existing organisational structure of the Commission, introduction of ABB alone will not solve the existing problems of a lack of coherence among budget lines.

⁸ Committee of Independent Experts, Second Report 2.1.15.

To deal with this problem, consultations need to be started at the earliest possible opportunity with the budgetary authority to exchange views on how to rationalise budget lines as described above. Clearly, this issue will concern all beneficiaries, not just NGOs.

It is recognised that the budgetary authority will always wish to retain its right to fix priorities - the issue here is how to allow this in such a way as to ensure that the administrative and human resource consequences are foreseen and addressed in an appropriate way.

At the same time there needs to be better use of annual "programming" reflecting Council, European Parliament and Commission priorities.

4. Management Issues

The objective of this chapter is to provide an overview of current challenges in EC grant management and to identify a number of approaches for improving present financial and management procedures as they affect NGOs in particular. Although any reform of the Commission's grant management will be undertaken in the interest of all beneficiaries, the Commission is aware that NGOs are its main project partners in many policy fields. NGOs are therefore affected by the present problems in specific ways and can rightly expect that suitable solutions are found.

Grants in all their various forms account for an important part of Community expenditure. The major part is not paid directly by the European Commission but through the national and regional authorities of the Member States. This is the case of payments under the Common Agricultural Policy and of most payments under the structural policy financial instruments.

However, the Commission also pays grants direct to beneficiaries (public or private bodies - universities, businesses, interest groups, NGOs - and in some cases individuals) in pursuance of common policies in a wide number of fields (external policies, research and development, education, training, the environment, consumer protection, and information policy). EU funding through grants gives the Community a flexible instrument to support implementation of its various policy objectives.

4.1. The challenge of managing grants

There are a series of challenges facing the Commission at present in managing those grants that are awarded under its direct responsibility. Many of the issues described in the following are pertinent to the management of direct grants throughout the Commission departments. However, some of them are particularly relevant in the field of external policies because of the variety of different budget lines and the relatively high appropriations of these lines in the General Budget.

One of the fundamental problems of the Commission is the low ratio of staff to financial resources managed compared with similar managerial structures in the Member States or in international organisations.⁹ In order to cope with this situation, the Commission has developed a range of different management schemes, the common feature of which is the delegation of certain administrative or support activities to various bodies, including NGOs, outside the Commission.

The Commission has also been opting in some cases for concentrating the available resources on a smaller number of larger projects with a view to reducing the administrative burden of grant management. The Commission is nevertheless aware that this approach cannot be applied across the board as in certain policy fields the small size of a project run by an NGO might be a necessary precondition for implementing it successfully.

Another issue of concern in the management of grants awarded to NGOs is the way in which the Commission applies its procedures that are aimed at ensuring the sound management of Community funds. As the taxpayer's money must be spent in a judicious, economic and

⁹ Details can be found in relation to external aid in an evaluation of European Aid undertaken by the Overseas Development Institute in 1997.

transparent way, the award and management of EU grants are subject to specific conditions and requirements to be fulfilled by the applicant organisation, notably in terms of its capacity, both operational (technical and managerial) and financial. This means that the Commission must be able to assess the capacities of NGOs in order to ensure that they are capable of carrying out the projects entrusted to them and also of accounting properly for the funds involved.

At the same time some characteristics of the NGO sector such as the small size of the organisations, a sometimes tight cash flow situation, difficulties in providing financial guarantees, may well mean that their internal structure and capacities are not necessarily well adapted to meet the administrative requirements placed on them by the EU institutions when they apply for grants. In recent years, for instance, increased scrutiny linked in particular to the question of financial security of grants has resulted in a tightening up of requirements which has led to longer delays in a number of cases. In particular, the question of financial guarantees to be provided by NGOs has led to some friction in recent months.

The challenge is to design management procedures which provide the necessary guarantees on the proper use of public money while at the same not placing an unnecessary administrative or financial burden on NGOs since the Commission is often not the only donor providing funds to a particular NGO and must be prepared to allow the NGO sufficient flexibility to comply with the requirements of different donors.

The Commission accepts that, particularly for innovative projects or operations carried out in developing countries, or in the framework of humanitarian or emergency actions, a risk component is implicit and unavoidable.

It also needs to be borne in mind that the EU's co-operation with NGOs means that actions can be financed and realised which neither the private sector nor local governments would otherwise implement.

Against this background, the main challenges facing the Commission today can be summarised as follows:

- How to improve the institutional framework, in particular regarding the adequate use of intermediary bodies, in the management of grants awarded to NGOs.
- How to streamline management of the large numbers of proposals received in certain sectors, (for example for the co-financing of NGO development projects) in view of the limited human and financial resources available to the Commission. Here the challenge is to reduce the number of the projects, contracts and operations, without discouraging applications from small NGOs (often the source of innovative ideas) nor excluding funding for small projects where these correspond to EU priorities.
- How to ensure that limited EU funds go to projects of high quality which are run by NGOs which have the financial and operational capacity needed to successfully implement these projects.
- How to simplify procedures and to provide greater transparency and coherence across the whole range of budget lines in order to facilitate and encourage wide access of NGOs to EU funding.

4.2. Overarching principles

Any new approach aimed at improving the management of Community programmes will fall short if it does not take into account the potential impact on the beneficiaries of these grants. The Commission remains therefore committed to respect the following overarching principles in the management of NGO projects and programmes:

- The need to respect diversity and heterogeneity of the NGO community;
- The need to take account of the autonomy and independence of NGOs;
- The need to take into account the specific need of NGOs, depending upon the sector, size experience and track record of the NGO(s) concerned;
- The need for greater openness and transparency, in particular by providing information about Community grants and the beneficiaries of these grants;
- The need to ensure that measures taken incorporate and promote the European dimension of EU policies and related grants.

4.3. Improving the management of NGO grants

Designing and implementing measures to improve grant management is a cross-cutting issue, which affects nearly all Commission departments. As a first important step to ensure that these issues are dealt with in a coherent manner throughout the Commission, the Commission adopted in 1998 the Vade-mecum on Grant Management and set up the Grant Management Network, which will continue to play an essential role in further reforming the Commission's grant management, in particular by identifying and disseminating "best practice". The Grant Management Network has also established a subgroup on partnerships to examine how best to co-operate with certain beneficiaries in areas where the Commission and its partners have strong mutual interests and share general objectives.

Nevertheless, further action, possibly including the widening of the scope of the Grant Management Network, and the involvement of additional actors will be needed in the future. The Commission will ensure, in particular, that the reform of its grant management forms an integral part of the overall reform process by giving an essential co-ordination role to the Task Force on Administrative Reform.

The Commission wishes to outline in the following paragraphs the main features of the next steps to be taken as far as these can affect grants awarded to NGOs. Some of these measures will be implemented fairly rapidly, whereas others will require further examination and consultation.

4.3.1 Institutional arrangements and intermediary bodies

The Commission has had a mixed experience as regards the decentralisation or delegation of tasks to intermediary bodies such as institutions in the Member States, agencies at the national or European level or Technical Assistance Offices. In some cases these structures have been operating fairly smoothly, in other cases the Commission has encountered serious management problems.

It is apparent that the necessary assessment of the role of intermediary bodies goes beyond grant schemes for NGOs and will therefore require a cross-cutting approach. However, in line with what was said in the chapter on consultation of the present Discussion Paper, the

Commission intends to involve NGOs in the review and reform of these mechanisms as far as these will have direct repercussions on them.

If and when it makes use of intermediary bodies the Commission needs to ensure that these bodies ensure that these have extensive experience in the NGO sector. In this context, the Commission will also thoroughly examine the possibility for NGO/co-operative consultancy groups to be included in call for tenders. On the other hand, those tasks which fall in the competence of the public authority, must be handled by the Commission itself.

4.3.2 Streamlining the number of projects to be handled by the Commission

Though not a panacea for all management problems, it is inevitable that in certain areas, in particular in the field of external relations, the number of projects, contracts and operations to be handled by the Commission will have to be reduced. This could be achieved by applying the following measures:

- Increasing the minimum size of projects and programmes financed on Community funds, while ensuring, where appropriate, indicative minimum amounts for smaller projects (introduction of percentages of funds available to be reserved for small and larger projects in Calls for Proposals);
- Encouragement to NGOs to form consortia for the presentation and implementation of projects;
- Encouragement to NGOs to form networks with one constituent representative body which undertakes operations on behalf of the members of the network;
- Introduction of programme contracts in particular for long standing NGO partners whereby the Commission and NGOs agree an outline programme based on the NGO's policies and strategies, main sectors of activity, partners etc under which NGOs will be able to carry out activities which will be controlled by the Commission on an ex-post basis;
- Introduction of block grants subject to the assessment of the track record of the NGOs involved and to provide funds to both individual NGOs and NGO networks, for the funding of small-scale activities subject to an agreed work programme. These will be controlled on an ex-post basis.

The implementation of the above measures will be based on a serious analysis of the specific needs of the sector and of the NGOs active in that sector. They will be decided in consultation and agreement of the NGO sector directly concerned.

4.3.3 Improving the selection procedures and the quality of projects selected

Improving the selection procedure through enhanced forward planning will be another means of ensuring quality service in the management of grants. In this context, the systematic introduction of calls for proposals (as suggested in the Vade-mecum on Grant Management) has proved to be an important tool and will be increased in the future. This should be accompanied by more dialogue with the NGOs on defining focal areas, priorities and areas where NGO activities are complementary to EU activities.

In addition, the implementation of multi-annual programmes, on a sector-by-sector, thematic or geographical basis, will aim at increasing the impact and quality of projects as well as at

simplifying management tasks.

Moreover, it is apparent that proper and rigorous use of the project cycle management approach, taking into account the special nature and characteristics of NGOs, greatly facilitates the sound management of grants. This includes, in particular, draft agreements that clearly set out the desired outcomes, performance indicators, quality controls and the monitoring and reporting procedures. Regarding the selection phase, the Commission intends to examine the use of external specialist assistance in the assessment of proposals.

4.3.4 Assessment of the NGOs' financial and operational capacity

Although the Commission recognises that there is an element of risk in awarding grants in certain circumstances (see 4.1. above), it is obviously required to limit this risk as much as possible. The Vade-mecum sets out clear standards and criteria for the assessment by the Commission services of an NGO's eligibility and technical and financial capacities to carry out operations on which grants are awarded.

4.3.4.1 Financial guarantees

In July 1999 the Commission endorsed preliminary guidelines on the financial security of grants awarded to NGOs in the field of external relations. Experience with these guidelines up to now has shown that they have proved to be a viable solution for both the Commission and the NGO community. The Commission therefore wishes to confirm these measures, which are described in the annex to this Discussion Paper.

4.3.4.2 Processing of information on NGO partners

The need for much better information on all types of beneficiaries has been raised several times. Both the Commission's Inspectorate-General and the recent report on the reform of the Commission by the Committee of Independent Experts pointed to the need for Commission services to have a reliable information source with regard to beneficiaries of grants, which includes information on previous grants or those in the pipeline. The Vade-mecum on Grant Management also stipulated that grant managers should check on previous grants awarded before making an award. So far no tool is available which provides Commission departments with this information on a continuous basis.

Within this general framework, the improved processing of information on NGOs receiving grants would be a win-win option for both the Commission and the NGO partners. Whilst facilitating the risk assessment of operations on the Commission side, it would also reduce the need for NGOs to provide the same information for each individual project proposal.

Modalities for improved processing of information on NGOs should be examined including the following elements:

- A database providing accurate information on NGOs and in particular on their operational and financial profile, track record, projects financed by the EU, other donors, and other relevant information regularly updated. This would capitalise on existing information inside the Commission in a co-ordinated way. If sufficient resources can be identified to make such a system workable and maintainable, it would be an extremely valuable tool for Commission staff both in Brussels and in delegations abroad;

- Registration systems for grant beneficiaries (including NGOs) based on an in-depth study of the organisational structure, capacity and financial surface of the beneficiary realised through external audits. In this context, systems existing in the Commission (ECHO), in the Member States, and in international donor institutions like the World Bank could be taken into account. The possibilities of improving the exchange of information with these bodies and/or system of "mutual recognition" should also be examined.

These information systems should take account of the needs of local partners in third countries.

4.3.5 Simplification of procedures

EU funds are spread across many different budget lines and are open to a variety of actors and potential beneficiaries, including NGOs. Grants are awarded according to different criteria and application procedures which place varying requirements on applicants. In close co-operation with NGOs and other partners/beneficiaries, the Grant Management Network will continue to introduce greater coherence where possible and "best practice" into Commission management procedures. These activities will focus, inter alia, on the harmonisation and improvement of project budget forms.

One standard contract for grants in the field of EC-external aid programmes is now being introduced replacing the numerous existing contract types under those programmes. The contract, while meeting the specific requirements of projects and programme in the field of external aid, is based on the general standard contract form annexed to the Vade-mecum on the management of grants, and therefore ensures a basic link to and convergence with standard contract(s) to be used in other fields of EC grants.

Another interesting development has been carried out by ECHO. When it set up ECHO, the Commission laid down as one of its prime objectives a greater degree of efficient humanitarian operations and stressed the need for a framework for relations with NGOs and international specialised agencies. Hence, the Commission adopted in May 1993 the model Framework Partnership Agreement (FPA) aimed at speeding up procedures and simplifying decision-making.

A new FPA entered into force on 1st January 1999. The review of the FPA had these main objectives:

- To strengthen partnership,
- Simplification and clarification of the text,
- To increase the flexibility while preserving an adequate control over the use of funds,
- To ensure quality oriented assessment with regard to proposals and actual implementation.

To date, more than 160 NGOs have signed the FPA. ECHO intends to enlarge its network of partners and the verification procedures for over 130 NGO will be carried out during the first half of the year 2000.

5. Information

5.1. Information for the public, beneficiaries and potential beneficiaries including NGO

A considerable amount of information is already available for the public in general, beneficiaries and potential beneficiaries on direct funding from the European Commission and this is being constantly updated and improved. NGOs and others seeking information on funding need different types of information at different stages in the application process, starting with general information on what is available, specific information on the criteria for the various grant programmes and details on how and when to reply.

5.1.1 General information on funding

General information is available on a website called "Information on funding".¹⁰ At present the main source of general information on grants is an electronic version of the 1997 information brochure "Grants and Loans from the European Union". This brochure will be replaced during 2000 by a new guide on EUROPA which will link a description of EU policies with a description of the grant programmes available under these programmes and the detailed information given in the websites of the various Commission departments. Thus by following the links or by using a simple search system, an organisation looking for funding should be able to find out what grants are available and the detailed criteria and application procedures.

5.1.2 Specific information on funding

One of the main aims of the Vade-mecum on Grant Management published in 1998 was to oblige departments to improve publicity on grants available and on grants awarded under these programmes. It was felt that more comprehensive and user-friendly information was needed so as to widen the circle of organisations applying for grants from the Commission. The Vade-mecum lays down specific and quite detailed rules on the information departments must provide in the call for proposals.

Departments are required to publicise calls for proposal widely and using the EUROPA server is a minimum requirement.

5.2. NGO liaison point/network of NGO focal points in the Commission

One way of providing a better service for NGOs would be to set up a number of "one-stop-shops" or information points in the Commission departments and EC delegations abroad working with NGOs. The role of such information points would have to be carefully defined and the resource implications studied. Regarding information on funding, it would be more logical to make such information points available to all potential beneficiaries, although for many departments, NGOs are the main beneficiaries of direct funding from the Commission.

¹⁰ http://europa.eu.int/comm/sg/sgc/info_subv/index_en.htm

It also seems desirable to provide for general co-ordination of the relationship between the Commission and the NGOs by a horizontal department, which could play a role in promoting and widening the debate on NGO issues amongst the Commission services whilst respecting the specificity of NGO/Commission dialogue in the different sectors. In any case, given the specific nature and competence of the different NGO communities, the main responsibility for managing the Commission/NGO relationship in each sector should be kept within the respective Commission department.

This department would have responsibility in particular for co-ordinating measures to improve both information for NGOs as well as information on NGOs for Commission departments.

6. Conclusions

The Commission recognises the need to establish a more coherent approach to its relations with NGOs by maintaining and building on existing "good practice" in different sectors.

However, since many of the proposals contained in the present document are closely linked to the proposals on administrative reform which will be put forward in February, it is felt that the a Commission Communication on co-operation with NGOs should not be finalised until then. This will ensure that the proposals put forward in the present Discussion Paper are fully compatible with the reform process as a whole.

The Commission regards this Discussion Paper as a first step in a process involving an extensive exchange of view with the NGO Community.

To facilitate this consultation, the Commission will set up a website on EUROPA which will be open as soon as the text of the Commission has approved the Discussion Paper. The website will contain the text of the document in all official languages. There will also be an e-mail address to which the NGOs can send comments and these will appear on the website.

Annex

Financial guarantees

Regarding grants awarded to NGOs, the following measures are taken:

1. For any grant equal or exceeding € 100.000, the recipient organisations will be required either to produce a report on the financial audit of the organisation carried out by an independent registered accountant, or to produce a report on the audit of the use of the grant, during or after implementation of the action.
2. A financial guarantee will be required for payment or any advance equal to or exceeding € 1 million. Certain exceptions may be justified when programmes are implemented by an EU NGO which has a long term record of satisfactory collaboration with the Commission, has been appraised as fulfilling the Commission's technical and operational criteria and other NGOs which are internationally recognised and on that basis supported by other bilateral or international donors.
3. Outside the regular monitoring of ongoing operations, the Commission's departments will carry out subsequent audits by random sampling in order to check the running of operations, particularly small ones, which are not systematically audited.