
Civil society paper on Budgetary Control of funding NGO from the EU budget

1. Introduction

Civil society Europe (CSE) brings together 28 European networks of civil society organisations (CSOs) working towards dialogue on European policy around the shared values of Equality, Solidarity, Inclusiveness and Democracy. Our main objectives: to facilitate and enable horizontal and vertical dialogue between European civil society organisations and policy-makers; and to help strengthen CSOs in their activities and relations with the institutions.

Together with our members and several other civil society organisations and NGOs (listed at the end of the document) we have prepared the following contribution which includes our perspective and experience on the availability of public funding and current challenges, transparency, access to funding and procedures, evaluation and auditing, and dialogue between the European Commission and NGOs.

We hope that these considerations and proposals will feed into the debate and own initiative report of the Budgetary Control Committee and of the European Parliament.

2. Summary of Recommendations

1. **Protect the role and independence of NGOs and CSOs.** Evidence shows that the operating contexts for civil society are becoming more challenging worldwide and increasingly in EU member states. Civil society organisations have a crucial role to play in the societal development and transformation process, in contributing to community resilience, and in holding governments to account.
2. **Ensure sufficient levels of funding to NGOs and CSOs,** as well as continuity, notably through core funding, to safeguard their independence and to counterbalance commercial and private interests, even at times of shifting political priorities.
3. Make an ex ante evaluation of the use of Financial Instruments versus grants in the different policy areas.
4. Before extending its use including to internal policies, make a thorough external evaluation of the Trust Funds mechanisms to review transparency, accountability, effectiveness in terms of leverage of new funds, and administrative burden for final beneficiaries.
5. **Foster transparency in the allocation of funding,** not only for NGOs but also for private sectors and other entities receiving EU funding:
 - a. Revise the European Commission Financial Transparency System to allow for greater transparency.
 - b. Create links with the Transparency Register.

6. Reduce administrative burdens and increase fairness when accessing & implementing EU funding:

- a. Reduce administrative burden in the application process/ Implement a unique electronic system of application to reduce paperwork.
- b. Reduce the time of notification of grants and payments.
- c. Develop an appropriate mix of funding modalities to attract more grantees and in particular smaller NGOs with particular attention to programmes, where take-up by NGOs is low (eg Horizon 2020, structural funds, etc.).
- d. Limit co-funding requirements and support the European Commission proposal to accept in kind contributions as co-funding in all programmes and volunteer work as eligible funding within the current revision of the financial regulations.
- e. Increase the ceiling for indirect expenditure to at least 15% in the current revision of the financial regulations.
- f. Make better use and increase consistency of existing evaluation procedures.
- g. Develop common guidelines for audits, and apply them equally between internal and external auditors.
- h. Promote convergence and mutual recognition between audit procedures and rules of different donors and within different EC departments to reduce multiplication of audits.
- i. Ensure greater transparency of the audit procedure including the possibility for recourse.

7. Build a **constructive dialogue between the European Commission and NGOs** and CSOs to discuss further the simplification and implementation of EU funding programmes, in order to ensure better impact.

3. Protecting the independence of civil society

“An empowered civil society is a crucial component of any democratic system and is an asset in itself. It represents and fosters pluralism and can contribute to more effective policies, equitable and sustainable development and inclusive growth. It is an important player in fostering peace and in conflict resolution. By articulating citizens' concerns, civil society organisations (CSOs) are active in the public arena, engaging in initiatives to further participatory democracy. They embody a growing demand for transparent and accountable governance.”

The EU should foster pluralism and freedom of expression of CSOs, including those it funds, as long as the organisations are working peacefully and towards peaceful aims, and in line with the Treaties. Mechanisms to stop eventual, rare abuses by CSOs using public funds already exist. The EU should avoid the temptation to control the views of CSOs it funds. CSOs should be allowed to be a critical voice in holding the authorities to account for their commitments and obligations, in line with the Treaties and the Charter of Fundamental Rights.

4. Availability of public funding and current challenges

The economic crisis in Europe has contributed to decreasing both public and private funding at national level in key areas such as social inclusion, education, health, culture and protection of discriminated and vulnerable groups. Also at EU level, the funding available to NGOs and CSOs has decreased in a number of programmes.

As we are facing increasing unemployment, poverty and social exclusion, increased discrimination and inequalities, as well as Euroscepticism, the contribution of NGOs to the public debate at European level, through their presence and engagement at grass-roots level, is indispensable. CSOs and NGOs are essential to connect with organisations and citizens at national and local level and engage them directly in European level processes and policies.

Globally the civic space is shrinking. EU is crucial to the survival and development of NGOs in many countries, in terms of funding but also of facilitation of dialogue with authorities. In a number of contexts, there is limited support from the government, particularly in countries where human rights standards are poor, and where CSOs are perceived as questioning power and authority. Yet challenges to human rights and sustainable development globally mean that the role of civil society is more important than ever in building democratic, resilient, just and democratic societies.

In the EU as well as in third countries, the availability of European public funding including to European level civil society organisations is crucial to create an enabling civic space, to ensure that the voices of NGOs' and CSOs constituencies are heard on EU policies, and to preserve their independence.

Moreover, NGOs and CSOs note with concern that the shifting of priorities to respond to emergencies such as the refugee crisis or terrorism is also drifting away funding from key policy areas such as social policy, development cooperation, education, culture, environmental protection and health, with an impact on the ability of civil society organisations to respond to ongoing societal challenges. Although we recognise the importance of taking action on these issues, this should be done with additional resources.

Furthermore, many NGOs active in responding to the solidarity crisis, or what is known as the "refugee crisis" face increasing challenges because of the way funding is designed. European Structural and Investment Funds (ESIF) on migration are currently limited to certain categories of migrants. By restricting funding to legally residing third country nationals or those within an asylum process, funds such as the Asylum, Migration and Integration Fund (AMIF) require recipients to systematically check the migration status of those they support. In practice, this justifies the division of families and leads to many errors. More broadly, it puts an additional burden on civil society and fuels the profiling of service users who look foreign. The Funding to organisations and service providers supporting migrants should not be limited on grounds of immigration status, and service providers should never be obliged to report undocumented migrants they encounter.

We also note that there are currently discussions on the development of a budget based on results. While this idea is appealing, it is important to keep in mind that the policy intelligence and advocacy work done by NGOs, which contributes to balanced policies has a longer-term impact rather than just focussing on immediate outputs.

Furthermore, we draw attention to the fact that the increased use of financial instruments such as financial guarantees to the detriment of grants can be problematic to NGOs, as they have limited or no access to loans, properties and investments. For instance, the use of financial instruments in the social field is applicable only in some very specific cases, such as social housing, the support to social enterprises or for the financial and technical support to unemployed people who are willing to become self-employed or to set up a small business.

Finally, NGOs are concerned about the increasing use of trust funds by the European Commission and their intention to further extend this to internal policies. Although there have been some improvements, we still witness problems in terms of transparency of the calls, a lack of consultation at country and regional level in third countries, which affects the effectiveness of these funds and the ownership by local actors. Despite expectations in terms of financial impact, the result in terms of leverage of new funds is low. In addition, the increase of the volume of grants often leads to greater administrative burden to International NGOs and to the exclusion of grass-root civil society actors.

Therefore we recommend to:

- Ensure sufficient levels of **funding** to NGOs and CSOs, as well as continuity, notably through core funding, to ensure their independence and to counterbalance commercial and private interests.
- Ensure that proper budget allocations for funding priorities to respond to different emergencies and crises is not done at the detriment of ongoing societal challenges in the areas of social inclusion, environmental protection, health, culture, education, development cooperation, and human rights.
- Consider the impact of financial instruments in different policy areas and make an ex-ante evaluation about their added value instead of grants: when it is assessed that an investment can produce both leverage and a revolving effect.
- Make a thorough external evaluation of Trust Funds before they are further extended to both other external and to internal policies.

5. Transparency

NGOs and civil society organisations are under a lot of scrutiny when it comes to the public funding they receive. The percentage of the EU budget NGOs receive is way beneath the share awarded to public and profit bodies. According to available data, funding to NGOs would represent almost from 1,2% of the EU annual budget in 2009 to 2,7% (3,04% in 2013) only.

As organisations committed to transparency, we call on the European Commission to ensure full transparency and accountability in the management of all public finances from the EU budget, whose beneficiaries include NGOs but also private sector and other entities, such as international organizations. In particular, we propose:

- To revise the European Commission Financial Transparency System in order to be able to extract data per categories of beneficiaries (e.g. NGOs, private companies, international organisations, public authorities, etc.) within the different funding programmes and areas of policy action. And make it more user-friendly for a greater use by all parties.
- To link it - for those organisations that are active at EU level - with the Transparency Register, to both facilitate consistency of the data, accuracy and timeliness.

6. Access to funding and procedures

Predictability and continuity are also important elements for NGOs when dealing with funding, as they are strongly linked to their sustainability strategies. In that sense, we welcome the move towards increasing multi-annual partnership agreements with NGOs in the relevant programmes.

In the last 10 years, there have been many discussions and proposals by EU policy makers on the contribution of NGOs, the need to ensure further transparency on the allocated budget, as well as on simplifying and improving financing rules as to take into account NGOs' specificities. This has led to some improvements in the financial regulations in terms of application procedures and financial requirements that previously constituted an obstacle for many NGOs and in particular for smaller ones. For instance, the degressivity rule for co-funding has been removed, the number of instalments have been reduced (pre-funding and final payment) and lower grants are now possible.

However, despite such engagement, NGOs still face problems in accessing and using EU funding, whether these are action or operating grants. Organisations that have signed a multiannual financial agreement for operating grants must still present a full annual application each year, and annual reports. It is difficult, if not impossible to adapt the budget once the grant has been awarded because of unforeseen changes.

Whilst recognising efforts by the EC to adapt EU funding models under certain EU instruments to environments with increasingly restrictive legislation or to contexts where too many local organisations are denied registration, those changes are not flexible enough to keep pace with the constantly evolving situation. Recent EU calls for proposals in external action have been biased towards membership organisations and/or clusters of national projects implemented by legally registered NGOs without due attention to effectiveness and how best to reach activists working at the grassroots level.

We believe that the administrative burden on NGOs that are benefitting from EU funding need to be reduced by harmonizing and simplifying proposals, application procedures, reporting formats and requirements:

- The time between notification of grants and payments needs to be reduced. Such delays often discourage applications and have a detrimental impact on the cash flow of organisations.
- An appropriate mix of funding modalities should be made available to a range of civil society organisations in order to ensure access by smaller NGOs.
- Paperwork needs to be adapted to the situation of different countries, and in particular third countries.
- There should be a unique portal and system for all European Commission grants in order to simplify and streamline project management and implementation and not only applications.

The opportunity of the current revision of the Financial regulations should be used also review rules that are problematic for NGOs and CSOs, i.e. to:

- Ensure that co-funding requirements are limited.
- Accept in-kind contributions as co-funding across programmes.
- Consider volunteering as eligible for funding as proposed by the European Commission.
- Increase the ceiling for indirect expenditure to at least 15% in order to ensure a direct link between organisational costs and project implementation costs in terms of quality and accountability.

Finally, we note that certain grants are more difficult to access for NGOs despite the important contribution that they can bring. Examples of these are Horizon 2020 or the Employment and Social Innovation (EaSI) programme, where civil society organisations should be also encouraged to lead projects. In addition, the use of the technical assistance facility in the structural funds remains limited.

7. Evaluation and auditing

We recognise the importance of evaluation and auditing as a way to ensure the good management of public spending.

NGOs are required to provide external evaluation reports for the grants they receive. In addition, the European Commission uses its own evaluators to further assess the outcome of the grant or programme. In the last years, the European Commission has further developed impact assessments of the different funding programmes, through the establishment of expert groups, studies by independent evaluators, development of indicators, and surveys and interviews of beneficiaries and policy makers. It would be useful to develop more homogeneous methods and indicators better suited to NGOs and for the longer term impact. Moreover procedures for choosing external evaluators should be more transparent. Furthermore, access to experts' evaluations even in the case of unsuccessful proposals would provide the organisations with useful feedback allowing improvements when drafting proposals for future calls.

NGOs are not only increasingly being audited, but experience a multiplication of audits that are increasingly expensive and time consuming. This increase does not seem to be justified by reports of misuse, as the recovery rate in follow up to ex-post audits is below 1% as regards, for instance, humanitarian aid.

Furthermore, the criteria for selecting specific NGO beneficiaries, the number of audits and the content of the audit are unclear. Auditors either from the European Commission or from external firms mandated by the EC seem to have different understandings of the financial regulations and are often unaware of the specificities of the NGO sector.

There is also a need for a uniform and transparent procedure across funding programmes and among donors, for instance, when certain programmes are co-funded by international or national bodies. The rules imposed by different donors are often contradictory, which makes the accounting complicated and burdensome.

Therefore, we recommend that:

- High transparency standards should be applied in audit procedures.
- Common guidelines for audits should be developed and internal and external auditors should apply these equally. The European Court of Auditors procedures could be used as inspiration.
- Establish a procedure in case of dissent on the interpretation of the eligibility of expenses, through, for instance, access to an appointed unit in DG budget.
- In the grants that imply several funders, audits performed by other funders should be accepted by the European Commission.

8. Dialogue between the European Commission and NGOs

NGOs and civil society organisations bring together and contribute to the active engagement of citizens and residents and constitute therefore an important link with European institutions.

NGOs and CSOs represent a wide variety of organisations, which differ in size, composition and membership, and area of activity. They play a critical role in the field of development and humanitarian aid, in environmental protection and in addressing climate change, in human rights promotion and protection, in culture, education and lifelong learning, youth, volunteering, the promotion of employment, social inclusion and cohesion, health, and consumer protection, as well as in sport and recreational activities. CSOs are also performing an important role in public policy formulation, providing evidence and expertise, and also fulfilling a critical watchdog function. Civil society organisations continue to be at the forefront in the delivery and coordination of essential services such as social, health and education services, as well as aid to refugees, and are an indispensable support to public intervention.

Simplification and better implementation can only be achieved by increasing the quality of dialogue on these issues with the NGO and CSOs sector, whether at the level of the European Commission, or national delegations in third countries with managing authorities.



The European Coordination for Civil Society Organisations

Civil Society Europe and its members:



Other organisations that have contributed to this position paper:

