Annex V:

More Access – Better Procedures

Opportunities for Improving the EU Financing of Human Rights, Watchdog and Accountability NGOs

Advocacy Paper

ECNL, February 2012
Executive Summary

The EU currently funds civil society organizations’ (CSO or NGO) activities in a number of areas that promote pan-European objectives, including human rights objectives. However, there are several factors that hinder the access of human rights and accountability watchdog (HRAW) NGOs from the New Member States (NMS) to take advantage of EU funding. First, there is relatively little funding available for human rights NGOs working within the EU as opposed to those working outside the borders of the Union to advocate for human rights. Second, there is a bias toward funding NGOs from the EU 15 over the EU 12. It is notable that seven years after the EU accession, NGOs from the NMS still received a considerably lower amount of funding than their peers from the “old” EU, especially in institutional funds (so-called “operational grants”). Third, the funding procedures and rules for managing the projects are so burdensome that many NGOs do not undertake to apply for such funding. These rules affect all NGOs but it seems that NGOs from the NMS, and especially HRAW NGOs from the NMS, are the most sensitive to the administrative and management burdens, due to the lower level of organizational capacity they generally possess.

At the moment, there is a window of opportunity in relation to the review of the Multi-Annual Financial Framework (MFF) and Financial Regulation (FR) when throughout the three years of the policy-making process (2011-13), NGOs can voice their concerns and impact upon their future funding. However, the HRAW NGOs – especially those from the NMS – have not organized to lobby for increased funding opportunities. There is room for a Europe-wide network that would represent the interests of the cause and sustainability of HRAW NGOs vis-a-vis European institutions, both in the current review period and in the longer term. At the same time, cooperation with other European CSO networks that work to improve funding regulations is of key importance.

In terms of how the future funding for such organizations is shaping up, it already has been clarified that the amount of funding for line items involving HRAW NGOs will not be increased in the MFF. In fact, according to the Commission proposal, the areas most relevant to HRAW NGOs would receive among the smallest allocations in the proposed new MFF (EUR 387 million is designated to the Rights and Citizenship programme, and EUR 203 million for the Europe for Citizens over the six years). Therefore instead of increasing the overall amount, advocacy should be undertaken to increase the proportion accessible for CSOs only. Currently, under the relevant funding programs, all kinds of institutions can apply (municipalities, universities, police, prisons, government agencies etc.), therefore CSOs stand a small chance of success. Advocacy should be focused on having Calls for Proposals under the given funding programme that are tailored for CSOs exclusively. Alternatively, or parallel, funding for a certain type of activity (i.e. the HRAW function) could be promoted, e.g. by earmarking a percentage of the total funding to this function. Furthermore, the definition of a “European Added Value”, a pre-condition for any project to qualify for EU funding, could be interpreted more broadly so as to include actions focusing on national level issues as long as their impact is relevant at the EU level.

Advocating for these issues will be possible during the process of determining the priorities of how the funding will be allocated and under what conditions for the various purposes and target groups,
which follows the adoption of the MFF; working directly with the relevant DGs and in coordination with other stakeholders (CSO networks, local government’s federations etc.).

In relation to the Financial Regulation, it is important to establish the HRAW NGOs’ own agenda for the review of the financial procedures as there are several aspects (related especially to the rate of indirect expenses and matching funds) that are not as well represented by other NGO networks. However the strategy that has been pursued by ECNL in addressing these issues for the past two years, i.e. close cooperation with other CSO networks can bring continued success. Importantly, even when the FR is adopted it is up to the DG’s how they interpret the provisions, and the relevant DG’s need to be lobbied on an ongoing basis to interpret them favorably to NGOs.

Advocacy activities should involve cooperation with a range of stakeholders, primarily the DG Justice, DG Communication and DG Budget; relevant Committees of the European Parliament as well as key MEPs; Committees of the European Council; the Agency for Fundamental Rights (FRA); EU Presidency countries in line, i.e. Denmark, Cyprus, Ireland, Lithuania; European CSO networks such as Concord and EUCLID; and direct advocacy and lobbying National Governments.

The wide range of advocacy activities can be organized into five pillars of effective advocacy work that ECNL identified from its experience: (1) Brand-building – communicating clearly who and what cause the lobbyist represents; (2) Constituency support – ensuring real representation to be credible in front of the policy makers; (3) Continuous presence – ensuring visibility and ability to take advantage of opportunities to promote the cause; (4) Proactive diplomacy - building lasting relationships, contributing to the substantive debates and ensuring that our agenda is taken into consideration at all times; (5) Cooperation and networking – ongoing involvement with other networks and stakeholders to ensure good will, as well as coordination and synergy with other initiatives.

In conclusion, establishing an ongoing presence in Brussels representing the HRAW NGO community should serve the longer-term purpose of positioning these NGOs as powerful players in the European scene. With a strengthened presence, more ambitious goals are also feasible in the longer term (e.g. to increase the amount of funding available or to designate a separate fund for HRAW / G&A purposes). The funding of such position for two years should therefore be seen as an investment in a longer term purpose rather than only as spending on a tool to achieve short term goals. This purpose is no smaller than the vision laid out by the newly emerging G&A network: a well-governed and accountable Europe with strengthened and sustainable civil society organizations guarding the rights of its citizens.
Current situation with the EU Funding

1. General information on the EU Funding

According to the EU’s estimates, over €1,000 million a year is allocated to NGO projects directly by the Commission. The most substantial allocations are in the field of external relations for development co-operation, human rights, democracy programs, and, in particular, humanitarian aid (€400 million).  

Financial allocations can be distributed either through grants or contracts. NGOs may apply for two types of grants: an operating grant that provides institutional support for organisations that are active on the European level and pursue an aim of general European interest or an action grant that co-finances a specific project activity of an NGO.

Funding can also be categorized according to the level the funds are managed on: structural funds are administered by the national authorities, whereas in case of EC grants, applicants are in contact directly with the European Commission, the executive agency running the program in question or EC Delegation in case the project is administered outside of the EU. Due to the scope of this paper and abundance and complexity of distribution through national authorities, this analysis covers direct EC funding opportunities only.

The following DGs and agencies are most actively involved in human rights policy and funding issues:

- DG Justice;
- DG Employment, Social Affairs and Inclusion;
- DG for Communication;
- The Education, Audiovisual and Culture Executive Agency (EACEA);
- European External Action Service;
- DG Development and Cooperation - EuropeAid.

2. Priorities for Funding in Human Rights Area in EU

Although the EU actively promotes human rights issues both within and outside its borders, the focus is clearly on the promotion of human rights in its external policies. For instance, the

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3 A grant is a financial contribution by the Contracting Authority to a specific recipient, generally selected through a call for proposals, to implement an action that furthers the interests of the EU or contributes to the implementation of an EU program or policy. A contract is the outcome of a procurement procedure (call for tender), where the Contracting Authority purchases goods or services (studies, technical assistance and training; consultancy, etc.) in return of payment.

4 Formerly known as DG Employment, Social Affairs and Equal Opportunities.

5 Formerly known as DG for External Relations (DG Relex), transformed into EEAS as of December 1, 2010.

6 The DG Development and Cooperation – EuropeAid was formed on January 1, 2011 by merger of DG for Development and Relations with African, Caribbean and Pacific States (DG Dev) and EuropeAid Cooperation Office.
European Instrument for Democracy and Human Rights (EIDHR), managed by DG Development and Cooperation - EuropeAid, is benefiting from a budget of €1,104 billion for the 2007-2013 period. Other framework programs addressing general human rights issues on the EU level are managing considerably smaller budgets, e.g. the Fundamental Rights and Citizenship Programme has the overall budget of €93.8 million for the same period of time. Despite the fact that the Commission acknowledges the particular role of civil society in the field of human rights and democracy, and recognizes NGOs, as important implementers of EC programs, community assistance in these fields focuses most resources in external actions and support, allocating considerably less resources for tailor-made programs addressing crucial human rights issues within the MSs or the European-level.

Under the present Financial Framework the priority human rights areas in the EU and its MSs are combating racism and xenophobia and other types of discrimination based on religion, gender, age, disability or sexual orientation; and human rights in the area of asylum and migration. The priorities for the EU specific funding in the areas of human rights do not fully reflect the complexity and challenges of the situation in the field of accountability, good governance and democracy in old and new Member States. EU funding from the central budget would be of extreme importance especially for HRAW NGOs that work on the issues of accountability and good governance. EU funding is paramount for ensuring independence of NGOs’ work and accountability of national governments. These topics are not duly represented in the funding priorities at the moment and with the upcoming unification of financing mechanisms and reduction of funding programmes, it would be important to ensure that these areas are represented in the funding portfolio.

Generally, there are few channels for NGOs to involve in shaping EU policies in terms of influencing programme objectives and funding opportunities. At the moment, there is a window of opportunity in relation to the review of the Multi-Annual Financial Framework (MFF) and Financial Regulation (FR) when through public consultations and joint events with the Commission NGOs can voice their concerns and impact upon their future funding. However, the NGOs oftentimes are not aware of the consultations or do not have appropriate capacity to work on submissions, plus the results of consultations may not be publicly available. Currently there is no group specific for HRAW NGOs sustainability that could follow upon relevant developments and represent NGOs’ interests in front of the Commission.

3. Access of HRAW NGOs to EU Funding

HRAW NGOs have limited capacity and resources to effectively access EU funding. There are several specifics that need to be mentioned in this regard: e.g., the competition with organisations that possess more substantial institutional resources, and the disproportionate distribution of EU funding among old and new member state NGOs.

There is considerable competition among various actors for funding available in the area of fundamental rights. Apart from NGOs, eligible applicants for the framework programs include a variety of civil society organisations, local and regional authorities, public employment services,

9 For general analysis of the situation with human rights in EU region and country specific information, see the Study Report.
national statistics offices, universities and research institutes. Programme Guide of Europe for Citizens Programme defines that civil society organisations (CSOs) include among others, trade unions, educational institutions and organisations active in the field of voluntary work and amateur sport (e.g. NGOs, umbrella organisations, networks, associations and federations, think tanks, universities, religious organisations). For HRAW NGOs to be able to successfully apply for funding under the EU mechanisms, they have to compete with larger organisations possessing a variety of administrative and institutional resources, so oftentimes NGOs decide not to enter the competition.

The Commission does not fund NGOs in New Member States at the same level as their old member states counterparts. The number of grants allocated to NGOs in old member states is considerably higher. The research carried out by Syracuse University scholars concluded that the Commission is not funding civil society organisations at an equal level or rate across all member states. In fact, based on data of 2003-2007 from among 1, 164 NGOs only about 15% of EC grants reached organisations in the CEE region, the rest was allocated to the old member states. As recent data for 2007-2010 shows, this tendency is gradually changing, however, the funding for NGOs in the old member states still considerably exceeds the amounts disbursed for NGOs in NMS. For instance, the amount of action grants distributed by EACEA under Europe for Citizens Program in 2007-2013 Action 2 Active Civil Society in Europe for selected Western European countries is triple of the amount distributed to the NMS NGOs. (See the Study Report - Case Study of EACEA: Europe for Citizens Program in 2007-2013. Action 2 Active Civil Society in Europe).

In addition, the data for 2007-2010 shows that the amount distributed for action grants is significantly lower in the NMSs (except for Hungary where it is comparable to the amounts distributed in France and Italy). Germany leads the group, while Lithuania, Latvia and Romania received the lowest amount of allocations during the four years. Accumulative funding for German NGOs equals to above 2 million euros, while for Poland, for instance, the accumulated funding for 4 years was less than 500,000 euros. (See the Study Report - Case Study of EACEA: Europe for Citizens Program in 2007-2013)

Most institutional funding is distributed to the NGOs in Western Europe. Operating grants are provided by the Commission to the organisations that pursue the general European interest and contribute to implementation of the EC programs. Understandably, such EU level organisations, platforms oftentimes decide to be based closer to the key decision maker, such as the European Commission, which results in majority operating grants being disbursed to the organisations in Belgium or France. However, on the other hand most of NMS receive insignificant or no funding for their institutional costs from the EC. Based on the cumulative data for 2007-2010 obtained from the EACEA only 5% of the total amount of operating grants under Action 2 of Europe for Citizens Program was distributed to the NMS. (See the Study Report - Case Study of EACEA: Europe for Citizens Program in 2007-2013)

Perhaps justifiably but there is no preferential treatment for organisations from the NMSs and NMS NGOs enter into competition with their more experienced and better established counterparts based in Western countries under the same eligibility and funding conditions. In previous years

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there were financial sources specifically designed for the needs of NGOs from the NMSs, e.g. EU Watchdog Fund and Transition Facility\textsuperscript{12}, however, this is not the case any more. Upon being confronted with the above data, however, EC officers – informally - expressed their interest to find means to increase funding allocations to the NMS without providing preferential treatments that would infringe upon competition rules.\textsuperscript{13}

\section*{Multi-Annual Financial Framework 2014-2020}

\subsection*{1. Current Funding Programmes for HRAW NGOs}

The main sources of funding for human rights related projects under general EU budget are the \textit{Fundamental Rights and Citizenship Funding Programme (FRC)}\textsuperscript{14} and \textit{Daphne III Funding Programme} managed by DG Justice; the \textit{Programme for Employment and Social Solidarity (PROGRESS)}\textsuperscript{15} managed by DG Employment; and \textit{Europe for Citizens Programme}\textsuperscript{16} managed by the Education, Audiovisual and Culture Executive Agency (EACEA).

The FRC program\textsuperscript{17} features objectives that can be considered most relevant for HRAW NGOs throughout Europe. It promotes citizens' \textit{access to information} about fundamental rights and supports NGOs in the promotion of the rule of law and democracy in order to foster a European society based on \textit{respect for fundamental rights}.\textsuperscript{18} The instrument supports fight against \textit{racism, anti-Semitism and homophobia}, \textit{protection of the rights of the child, data protection and privacy rights}. It also promotes active participation in the democratic life of the European Union, training and networking between legal professions and legal practitioners. The FRC program uses \textit{action grants} (for activities such as trainings, awareness raising campaigns, preparation and dissemination of good practice surveys and analyses) as well as \textit{operating grants} to support initiatives addressing its thematic priority areas. It's budget has been €93,8 M for the period 2007-2013, the smallest among those available for HRAW NGOs.

The objectives pursued by the \textit{European Union Agency for Fundamental Rights (FRA)} are in many cases complementary to some of the objectives of the FRC program. However, even though the goals of the FRA may fit in well with the mission of HRAW NGOs, funding under FRA is available occasionally for \textit{comparative research} across a range of thematic areas in the context of the European Union Charter of Fundamental Rights, rather than watchdog activities.

\textbf{Diversity, non-discrimination of the Roma and people with disabilities as well as gender equality} are issues tackled on the policy level by the DG Employment. One of the most significant funding instruments this DG is responsible for is \textit{PROGRESS}, an EU program to promote more and better jobs and a fairer, more inclusive society. \textit{Non-discrimination} and \textit{gender equality} are two of the five priority areas\textsuperscript{19} of PROGRESS. The program aims to provide evidence and data

\footnotesize\textsuperscript{12} For details see the Study Report, Section IV.2 Types of Resources Available for HRAW NGOs.
\footnotesize\textsuperscript{13} Based on informal discussions with EC officers by ECNL.
\footnotesize\textsuperscript{14} DG Justice: \url{http://ec.europa.eu/justice_home/funding/intro/funding_rights_en.htm}
\footnotesize\textsuperscript{15} DG Employment, Social Affairs and Inclusion – PROGRESS: \url{http://ec.europa.eu/social/main.jsp?catId=327}
\footnotesize\textsuperscript{16} EACEA webpage: \url{http://eacea.ec.europa.eu/citizenship/index_en.php}
\footnotesize\textsuperscript{17} DG Justice- Fundamental Rights and Citizenship: \url{http://ec.europa.eu/justice/grants/programmes/fundamental-citizenship/index_en.htm}
\footnotesize\textsuperscript{18} 2010 Work Programme for FRC, \url{http://ec.europa.eu/justice_home/funding/rights/doc/awp_rights_2010_en.pdf}
\footnotesize\textsuperscript{19} The other three priorities are employment; social inclusion and protection; and working conditions.
underpinning the Commission's internal decision-making process, promotes high-quality, participatory policy debates at the EU and national level and supports effective information sharing and learning opportunities.\textsuperscript{20} Hence, in terms of activities supported, PROGRESS first and foremost finances a range of thematic and comparative policy research and analysis studies in these thematic areas and does not prioritise classical watchdog activities. The budget available for the two most relevant programs (diversity and gender) totals €260 million, about 35\% of the total budget of PROGRESS for 2007-2013.

The Europe for Citizens Programme in 2007-2013 aims to develop citizenship of the European Union, enforce a sense of European identity, foster a sense of ownership of the European Union among its citizens and enhance tolerance and mutual understanding between European citizens. The Programme is managed by DG for Communication through the Education, Audiovisual and Culture Executive Agency (EACEA). The Programme’s budget for the five year period is €215 million. Current areas of engagement include:

- Active European Citizenship: participation and democracy in Europe;
- Inter-cultural dialogue;
- People’s wellbeing in Europe: employment, social cohesion and sustainable development;
- Impact of EU policies in societies.

At present these programmes are the main sources available through the central EU budget for potential funding of NGOs in order to pursue actions in the areas of human rights, good governance and accountability.


The Multi-Annual Financial Framework (MFF) is the basic inter-institutional EU agreement that covers the EU budget process and its distribution for the next budgeting period (i.e., incomes and expenses for the European Union for the years 2014-2020). It contains allocations within the EU budget, programme commitments, and the main principles based on which funds will be distributed. Together with the revision of the Financial Regulation (see below), the MFF is supposed to establish a simplified funding framework that will be applied as of January 1, 2014. The Commission presented its proposal for the new MFF in June 2011. It also developed a comprehensive set of 57 sector specific recommendations for each programme underlying the MFF 2014-2020. According to the Commission's Communication on A Budget for Europe \textsuperscript{21}, the EU budget among others exists to “respond to persistent and emerging challenges that call for a common, pan-European approach (for example, in environment, climate change, humanitarian aid, demographic change and culture)”. As part of the new MFF the Rights and Citizenship Programme\textsuperscript{22} and Europe for Citizens\textsuperscript{23} will represent major funding possibilities available for HRAW NGOs for working in the EU in the following years.

\textsuperscript{20} PROGRESS Funding Priorities for 2010 Annual Plan of Work: http://ec.europa.eu/social/BlobServlet?docId=4410&langId=en
\textsuperscript{21} COM (2011) 500 final.
\textsuperscript{22} COM (2011) 758 final.
\textsuperscript{23} COM (2011) 884 final.
In creating the new MFF the Commission was guided by the following principles:

- Focus on delivering key policy priorities;
- Focus on EU added value\(^{24}\);
- Focus on impact and results;
- Delivering mutual benefits across the European Union.

Drawing up the proposal of the new MFF the Commission carried out assessment of the existing financial instruments and programmes and engaged citizens and stakeholders through public consultations, e.g. DG Justice Public consultation on future funding activities in the area of Justice, Fundamental Rights and Equality. Unlike the consultation on Financial Regulation, the submissions to the consultation were not made publicly available apart from individual submissions posted by stakeholders on their own webpages.

3. Proposed Changes in Funding Programmes under MFF 2014-2020

Among the hallmarks of the upcoming financial programmes as proposed by the Commission is focus on results, increased use of conditionality, i.e. outcomes will be in the spotlight rather than inputs, and simplification of delivery.\(^ {25}\)

As stated by EU Commissioner for financing programming and budget Janusz Lewandowski, “EU funds can play a key role as we strive towards sustainable economic growth by providing extra funds to our business, regional authorities and researchers. We wanted to make the access procedure to those funds less like a maze and more user-friendly.”\(^ {26}\) (Note that in this statement CSOs are not mentioned as stakeholders whose needs are to be considered.)

Overall simplification of funding mechanisms is pronounced through rationalisation of programmes and simplified implementation mechanisms and procedures. In the Commission’s proposal the number of EU financial programmes have been reduced by 22, which according to the Commission, will lead to a stronger focus on concentrated activities and strengthen synergies between programmes. The reduction of programmes has been achieved by combining different instruments under a single framework (i.e. developing common rules and management with specificities to the minimum for different programmes), mainstreaming priorities across different policy areas, creating synergies between programmes, and finally – more efficient administration.

Apart from external actions, the following policy fiches relevant for HRAW NGOs have been proposed for next MFF:

**Rights and Citizenship Programme**

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\(^ {24}\) EU Added Value is a value resulting from the EU intervention which is additional to what to the value that would have been otherwise if produced by a Member State. Generally, it can be described through a test of “whether spending at EU level means a better deal for citizens than spending at national level”. For more information, see SEC (2011) 867 final.

\(^ {25}\) COM (2012) 42 final

The Rights and Citizenship Programme with a budget of €387 million is intended to make people’s rights and freedoms effective in practice by making them better known and more consistently applied in the EU.

The proposed Rights and Citizenship Programme emerged as the combination of the following programme predecessors:

- Fundamental Rights and Citizenship;
- Daphne III;
- Areas concerning diversity and anti-discrimination and gender equality under PROGRESS.

Taken together, these programs represented €470 million in the previous fiscal period (2007-2013). Therefore, the overall budget intended for these types of activities has been reduced by almost 20% (€83,000). At the same time, the types of activities to be supported will become broader:

The main objective of the Programme is to “contribute to the creation of an area, where the rights of persons, as enshrined in the Treaty on the Functioning of the European Union and in the Charter of Fundamental Rights of the European Union, are promoted and protected.”

Specific objectives include enhancing exercise of rights deriving from the EU citizenship; promoting principles of non-discrimination, equality and rights of persons with disabilities and elderly; contributing to protection of personal data; enhancing respect of the rights of the child; and enforcing consumer legislation and freedom to conduct cross-border business in the internal market.

Annual priorities for the Programme will be identified in the annual work programme by the Commission subject to the opinion of a Committee of Member States under the Advisory procedure. Although it may seem as though there will be less funding available for HRAW NGOs, in fact during the process of determining the priorities there is a possibility to influence how the funding will be allocated and under what conditions for the various purposes and target groups, thereby possibly ensuring greater access to NGOs than there has been under the current funding programmes.

Europe for Citizens Programme

The Programme builds on the existing Europe for Citizens Programme 2007-2013. It aims at promoting civic participation at the Union level and increasing awareness and understanding about the Union. The financial allocation for seven years is €229 million, which is a moderate increase from the current allocation of €215 million.

The new Programme will focus on the following two strands:

- Remembrance and European citizenship – promoting debate and activities on European integration;
- Democratic engagement and civic participation – developing citizens’ understanding and capacity to participate in the Union policy making process and developing opportunities for solidarity, societal engagement and volunteering at Union level.

Preference will be given to projects with a high impact. All actions will be implemented on a transnational basis and have a distinct European dimension.

The concrete objectives for funding will be suggested by the Commission through annual work plans to be developed by the responsible DG.

Here again, there will be the possibility to influence the allocations and the conditions of funding; in particular how the “European dimension” is interpreted in the projects (see below).

4. Key Asks

The Member States (as members of the European Council) have the opportunity to influence the Multi-Annual Financial Framework between July 1, 2011 and June 30, 2012, the Parliament also has the opportunity to give its input during this time. The MFF should be adopted in its final form by the end of 2012. However, based on earlier experiences and expected challenges and uncertainties related to the economic and financial (euro) crisis, its adoption could be delayed until mid-2013.

The advocacy by HRAW NGOs and their representative officer can take place at the level of the Parliament, the Council, and later with the DGs that will develop specific annual work programmes after the MFF is adopted. Advocacy efforts can focus on the following:

- It is of key importance to ring fence part of the mentioned funding programs for NGOs. The national legal, fiscal and institutional context usually makes it difficult for NGOs to compete on a fair basis with public organisations and private companies; whereas, the contribution by NGOs may be the same or higher value to the citizens. Alternatively, or parallel, funding for a certain type of activity (i.e. the HRAW function) could be promoted, e.g. by earmarking a percentage of the total funding to this function.

- Operating grants should stay available for NGOs. Availability of this funding gives an option for NGOs to cover at least part of their organisational costs and helps to ensure sustainability of their effort. It becomes especially significant for NGOs in NMS where traditional donors that have supported the sector for several decades are gradually downsizing their programmes or close down altogether, e.g. CEE Trust.

- The underlying simplification of the budget is envisioned through focus on funding projects with greater EU value. During the consultations launched by DG Justice on future funding focus was also made on funding bigger projects in order to prevent dilution of funds. When working with the DG to advocate for favourable annual work programs, it would be important to develop and put forward a consistent message that smaller, nationally focused projects can also serve as an important tool in achieving impact at the European level, e.g. through fostering innovation and locally rooted and implemented solutions. The EU added value criteria should also be considered through the prism of issues on the national level that need to be addressed in order to achieve common EU objectives.

The above requests have been consistently voiced by ECNL in their interaction with the European decision makers and stakeholders, as well as were included in its submission to the DG Justice consultation on the future funding priorities under Fundamental Rights Programme.

A number of public consultations were carried out by the Commission preceding the MFF review, e.g. DG Justice Public consultation on future funding activities in the area of Justice, Fundamental Rights and Equality, through which NGOs and other interested stakeholders could submit their input and recommendations. It is essential to follow and stay involved in the upcoming hearings and consultations, as well as initiate meetings relating to funding for HRAW NGOs.
specific issues and general funding issues to be able to communicate with the Commission on the sector’s priorities and set the HRAW NGO agenda.

Unfortunately, the results of the consultation by DG Justice on future funding priorities as carried out in summer 2011 were not made publicly available, only quoted in the proposal for the Fundamental Rights Programme review. **NGOs must stay alert of the developments in regards to EU funding for their areas of involvement and request transparent and clear procedures from the Commission on sharing information and ensuring good standards of participatory approach when carrying out consultations.**

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**Financial Regulation Review**

### 1. Financial Regulation and Implementing Rules Review Process

The funding distributed by the European Commission is subject to a set of rules that are outlined in the **Financial Regulation (FR)**\(^{28}\) and **Implementing Rules (IR)**\(^{29}\). The fundamental principles of funding procedures by the EU originate in the FR with further details provided by the IR. In order to assist their beneficiaries with application of the financial scheme some Directorate Generals developed **practical guides** on financial procedures. For example, the Practical Guide and General Annexes\(^{30}\) (including a standard contract) for EC External Actions is available on EuropeAid’s page for the general public.

The European commission reviews and amends the Financial Regulation and Implementing Rules on a triennial basis. The review process is currently ongoing and was preceded by an open public consultation on two major topics identified by the Commission: _grants_ and _the Commission’s handling of financial files_. The contributors were invited to submit their opinions on eleven questions suggested by the Commission as well as to reflect on other issues they faced in implementation of EU projects. As the result, a total of 235 contributions were filed by individuals, NGOs (107 contributions) and local authorities. The Commission prepared a summary of main conclusions\(^{31}\) based on the input provided as well as made all submission available online. Among the key issues raised by the contributors and emphasized by the Commission in the summary of the Consultation feedbacks were the need for _more flexibility in co-financing requirement_ depending on the nature of project, including _consideration of the in-kind contributions_, _more flexibility in the interpretation of the non-profit rule_, the need to improve the _application procedures_ and dissatisfaction with _the pre-financing scheme_.

The Consultation served as a basis for preparing a draft proposal on Regulation of the European Parliament and the Council on the Financial Regulation applicable to the general budget of the European Union COM (2010) 260. The draft proposal was discussed at a joint hearing by EP Committee on Budgetary control and the Committee on Budgets that took place in Brussels on

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June 1, 2010. The suggestions for changing the Regulation can be accessed at the Parliament’s webpage.

After the process of negotiation the European Parliament voted on the amendments to the FR on October 26, 2011, which will be further reviewed in a trialogue composed by representatives of the EU Presidency, DG Budget, rapporteurs and some EP members. The trialogue has been extended into February 2012. Consultations will be held with the EP and Council in order to avoid a veto for the FR. As soon as a stable version of FR is agreed upon, the Commission will start working on preparing new Implementing Rules. According to some forecasts, the new FR and IR will be adopted by September 2012.

2. Main Challenges with the EU Funding Conditions

As acknowledged through the public consultation carried out by DG Budget on the Review of Financial Regulation and ECNL’s flash survey (see the Study Report Main Challenges of the EU Financial Conditions) main issues with the EU financing conditions include: low indirect rate allocation for grants; required levels of co-financing and ineligibility of in-kind contributions; application of non-profit rule to operating grants. Other issues raised by the NGOs concern the official EU exchange rate, pre-financing guarantee, i.e. bank guarantee, administrative burden and others.

Indirect costs

The current version of the EU financial rules allow grant beneficiaries to request up to 7% of the total direct costs of the project as the indirect costs (IR Art.181). The limit can be exceeded by “a reasoned decision of the Commission”. However, there is no further explanation provided on how to apply such derogation and the provision is barely applied in practice (with the exception of DG Research that has a more elaborated policy on indirect allocations that is, however, only applied to research institutions). In most cases the 7% overhead allocation is not sufficient for covering all indirect costs of running a project.

The issue of insufficient indirect cost allocation was first raised by ECNL during the current FR review – no one else among the NGOs and CSO networks initially included this problem even though everyone agreed that the 7% was too low. As the result of advocacy with the EU decision makers and other stakeholders, e.g. Concord, EUCLID, indirect cost allocation has been increased. This result is directly attributable to ECNL’s advocacy work.

In the new draft FR a more favorable allocation for indirect costs is proposed. The draft FR Article 117 (a) proposes that the overhead costs are recognized as eligible costs at the level "of 10% of the total direct eligible cost of the action where this does not exceed EUR 250 000 and 8% thereafter on a flat rate basis. This percentage may be increased in particular for coordinating legal

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entities in accordance with the delegated regulations.” Although this is still far from what would be ideal, it is definitely a step forward towards actual indirect cost recovery that would correspond to good donor practices.

Non-profit Rule
Organisations that pursue actions of general European interest are eligible for applying to calls for operating grants that can cover their core expenses. All grants are subject to the so-called non-profit rule that concerns any surplus of receipts over the costs incurred by the beneficiary when the request is made for final payment (IR 165 (2)) or a surplus balance on the operating budget of the beneficiary (IR 165 (4)). In case of non-profit organisations this provision creates an unintended hurdle, as any excess funds accumulated by the organisation through its activities, i.e. additional core funding from another donor or economic activities, will result in the deduction of the amount of surplus from the EU operating grant. This is a rather unsustainable provision that pre-empts organisations from accessing other core funding and undermine the possibility for maintaining reserves. It negatively affects NGOs' financial sustainability.

The issue is only partially addressed in the draft FR by allowing income to recipients of action grants to ensure sustainability of the action after the period of Union financing provided for in the grant decision or agreement (draft FR 117 (4)). Such interpretation is problematic since it is rather vague and does not guarantee that derogation will be included in the grant agreement. Operating grants stay subject to the non-profit rule according to the draft FR proposed by the Commission. Simultaneously, derogation from non-profit rule is included for political parties allowing them to roll over the unspent surplus up to 25 % of the total income for that year to the following budget year with the condition of spending it down in the first quarter (present FR 109). Considering that NGOs are non-profit organisations in their essence, it is absolutely necessary to revisit this issue with the view of excluding NGO recipients of operating grants from the non-profit rule.

Level of Co-financing
According to FR and IR the application of the co-financing rule is mandatory in the distribution of EU grants. Article 109 of the current FR provides that all grants must involve additional funding from non-Community sources. Co-financing means that part of the action (in case of grants) or part of the running costs of an entity (in case of operational grants) must be born by the beneficiary of the grant and come from non-Community contributions. The rationale behind applying the co-financing principle is not clearly communicated nor defined by the Commission, which may lead to different approaches in the application of the principle.

The level of co-financing varies depending on the conditions of the contract and whether the lead implementing organisation is based in the EU member states or outside (standard calls for grant proposals usually provide for 60%-80% EC contribution of the total amount of the grant for EU based organisations, while in case of external actions up to 95% EC contribution may be provided for local organisations).

The co-financing requirement is especially problematic for NGOs in NMS, since there are fewer additional funding resources available to attract co-financing. This particular provision was mentioned as a challenge by 90.5% of the ECNL flash survey respondents. In addition, certain actions may require full funding by one donor, e.g. relief efforts or innovative areas that do not bring in sufficient donor support.
While the FR and IR recognize that certain fields of action may require full funding (FR Art. 169, Point 41 and IR Art. 253), the list of exceptions does not include all areas in which derogation may be needed, including some newly emerging issues such as counter-terrorism efforts where funding pool may not be available due to the novelty of the topic. The final decision is left to the authorising officer to determine the grounds for full-funding, without further criteria or guidance, which may mean that the rule for full funding could be applied subjectively and not in a consistent manner. It is important to prepare a more specific guidance and criteria on application of this derogation and greater flexibility in applying co-financing requirements to national organisations that do not have easy access to additional funding from other sources.

In-kind contributions

In-kind contributions as part of co-financing are allowed by the FR and IR, but are rarely applied in practice. This fact was reported as problematic by all NGO respondents. It also means that the EC is not taking full advantage of the resources that could be supporting its actions from a range of stakeholders. The absence of specific guidelines on admitting in-kind contributions as co-financing forces some DGs to further limit the rule. For example, PRAG, Guidelines to Applicants 2.1.4, states that “Given the difficult evaluation of the contributions in kind if accepted as co-financing, the Contracting Authority should limit to accept the contributions in kind as co-financing to exceptional cases, subject to possible evaluation of such contributions.”

In reality beneficiaries of EU grants, especially NGOs, rely on different types of resources to implement their projects, some of which include volunteers’ work or contributions in-kind from other donors (e.g., computers to conduct research, free access to venues to organize events). Recognizing such contributions would be in line with the budgetary principle of efficiency which is concerned with the best relationship between resources employed and results achieved.

The new text of FR Article 117 (b) on in-kind contributions states that “the authorising officer responsible may accept in-kind contributions as co-financing, if considered necessary or appropriate. Where co-financing in-kind is offered in support of very low value grants and authorising officer intends to refuse this, he shall justify why it is not necessary or inappropriate.” Further instructions will be needed in order to make this provision implementable and set the financial value for the in-kind contributions.

3. Key Asks

Due to the 3 year cycles, the revision of the FR starts in the moment the current draft is adopted, and the new version will be adopted at the start of the new MFF (2014), therefore this work also requires ongoing efforts. It will be important to establish the HRAW NGOs’ own agenda for the review of the financial procedures and their implementation as there are several aspects (related especially to operating expenses and co-financing) that are not as well represented by other NGO networks. Importantly, even when the FR is adopted it is up to the DG’s how they interpret the provisions, and the relevant DG’s need to be lobbied to interpret them favorably to NGOs. The requests for improvements will include:

- To increase the flat rate of indirect allocation to a level that is closer to an estimated average indirect rate of an NGO; and to consider the development and introduction of EC’s own method for calculating and allocating indirect costs for NGOs in order to allow for actual indirect cost reimbursement;

- To exclude NGO operating grants from the scope of non-profit rule;
• To introduce transparent and specific guidelines and criteria for implementation of the co-financing principle and its derogations;
• To take the necessary measures to allow greater inclusion of in-kind contributions as a part of co-financing. Appropriate guidance and criteria on recording and reporting in-kind contributions should be developed with the help of a multi-stakeholder working group, to help ensure that rules respond to the good practice and consider the concerns related to proper accounting and reporting.

Stakeholders

To carry out successful advocacy work on the EU level, it is important to identify stakeholders and other interested actors who can be helpful in promoting NGO financial sustainability. To the moment ECNL established and developed relationships with a range of key stakeholders in Brussels.

The main actors to engage with will include:

a. DGs responsible for implementing programmes in the areas of human rights, governance and accountability, and DG Budget;
b. European Parliament – relevant Parliamentary Commissions and MEPs, i.e. national representatives who would be interested in promoting the cause of human rights and NGOs sustainability;
c. European Council and the Member States;
d. Agency for Fundamental Rights (FRA);
e. EU presidency countries, i.e. Denmark, Cyprus, Ireland, Lithuania;
f. European CSO networks, e.g. Concord, EUCLID;
g. National Governments and NGOs.

a. The European Commission

A number of DGs that are actively involved in shaping human rights policies and funding will be at the main focus of advocacy efforts. The main ones are DG Justice, DG Communication and DG Budget.

Upon approval of the MFF, each DG will be responsible for developing annual work programmes and implementation guides that will provide guidelines for the authorising officers. In order to facilitate access of HRAW NGOs to the calls, targeted attention should be paid to the DGs that support work in the area of human rights, governance and advocacy.

DGs will stay essential contact points, as they will continue involving stakeholders through public consultations. It is important to follow the schedule of these consultations to be able to engage.

33 ECNL also has a contact database, however, due to constant changes in personnel this needs to be periodically updated. ECNL will transfer an updated database to the Advocacy Officer.
34 The schedule of DG consultations can be accessed at Your Voice in Europe webpage: http://ec.europa.eu/yourvoice/consultations/links/index_en.htm At the moment the consultations are listed for the following 2 months only.
After the text of the new Financial Regulation is agreed on by the participants of the trialogue consultations (tentatively March 2012), DG Budget will start developing Implementing Rules. Engaging with the process of drafting will give an opportunity to ensure a more NGO friendly approach relating to the key asks as outlined above, i.e. recognising in-kind contribution as co-financing.

b. European Parliament
Due to the ongoing MFF review, it is important to establish relations and cooperation with the standing committees of the Parliament on Human Rights (however, only responsible for third countries); Budgets; Culture and Education; Civil Liberties, Justice and Home Affairs; and Women's Rights and Gender Equality. Following the schedule of public events as initiated by the Committees will give an opportunity to present G&A issues to the Parliament. The Parliament is usually more open to hear NGO concerns than the EC and the Committees take their work seriously, appreciating not only the “representativeness” but also the expert input by NGOs.

Connections on the MEP level will also assist with setting and promotion of the HRAW agenda during the review of the MFF and FR. Indeed, there are already successful examples of such cooperation - through her engagement with EUCLID Ms. Ingeborg Graessle, MEP, took on board some of the recommendations reflected in her special report to the European Parliament regarding the proposed draft FR, including those proposed and presented to her by ECNL (such as the need to increase the amount of indirect cost recovery).

c. European Council and Member States
As Member States of the European Council, national governments are of key importance in the advocacy strategy. They play a role especially prior to the adoption of EU policies, but due to being the highest level political forum they are also able – within limits of the Lisbon Treaty - to initiate and adopt changes to already adopted policies.

The most important field for intervention in this regard is through the regularly held ministerial and secretarial level of meetings related to the various ongoing processes that are on the European agenda – the meetings of Ministers of Justice, Ministers of Finance etc. These gremiums work through the various Committees of the Council and access to the meetings can be ensured through liaising with the rotating chairs – which are held by the current Presidencies - or with NGO networks that are already invited to the meetings. On the occasion of the Hungarian Presidency, for example, ECNL testified as part of a Concord delegation in front of Development Committee of the EU Council of Ministers (CoDev) in relation to the reform of the MFF.

d. Agency for Fundamental Rights (FRA)
While there are only limited possibilities for funding (usually research related) provided by FRA, it is important to establish good connections with this Agency, as it provides research support to distinguishing EU priorities in terms of fundamental rights protection.

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e. EU presidency countries
Involving EU presidency countries will assist advocacy for specific issues and will also ensure visibility of the G&A network activities on a larger scale. Presidency events usually give opportunities for peer interaction among NGOs, which can build up the network’s constituency.

For example, during the Hungarian Presidency, ECNL cooperated with HAND (Hungarian Association of NGOs in Development), which ran a major project financed by the EC, to raise awareness of the issue among decision-makers (for instance during the Final Conference on the Structured Dialogue process that took place in Budapest).

While the Danish Presidency focuses on Human Rights more in the context of international development, and the commitment of the Cyprus Presidency to raising HR issues may be questionable, the Irish and Lithuanian Presidencies are likely to be open e.g. to endorse a Pan-European network of NGOs promoting Good Governance, Accountability and Human Rights in Europe. For this reason the Network could focus on recruiting Irish members already in 2012.

f. European CSO networks
There are many European networks of CSOs, mostly focused on issue areas. However, during the First Phase of the project we have not identified another network that focused on the fulfillment of human rights inside the EU (including all EU countries); nor one that would be ready to lobby for the sustainability of organizations that contribute to this purpose. Furthermore, there is no European network of CSOs that would focus on good governance and accountability in the EU; although there are several think-tanks and institutions that include this issue among their portfolio.

ECNL has already established good working relations with the NGO networks engaged in the review of the FR, e.g. Concord and EUCLID. During the process of public consultation on review of the FR ECNL and these two organizations coordinated and supported each others’ submissions by including the issues of mutual concern in each of their papers, inviting ECNL to hearings and informal discussions with the decision-makers and undertaking to push for issues raised by ECNL in their ongoing work. They continue carrying on with advocating for the issues identified as a joint effort.

There are other thematic networks that are potential allies in approaching EU, e.g. ECAS, HRDN. While there were less possibilities for intensive cooperation with these in the first phase of the project, they may prove useful allies in the continuing advocacy work of the Network once its presence in Brussels is established.

g. National Governments and NGOs
While Member States are involved in the work of the European Council (see above), direct lobbying with the national governments can also be undertaken to give political direction to the representatives who work in Brussels. In that regard, national NGOs (e.g., members of the

36 The Structured Dialogue was an initiative of EuropeAid to involve CSOs and local government partners in the consultation process of the Commission’s proposal for the MFF relating to international development priorities, funding procedures and funding modalities.
Network) can be of critical importance as they can put pressure on their governments to adopt and promote a certain position in the Brussels-based processes.

**Advocacy Activities**

1. **Pillars of Advocacy Activities**

Advocacy for an enabling legal and fiscal environment, including increased funding sources and better suited funding policies for these organizations among the EU and national governments, will be carried out jointly by the advocacy officer and the G&A network. Advocacy activities will be organized around five interrelated pillars of engagement:

- **Brand building** – establishing the G&A Network as a representative of HRAW NGOS by communicating clearly who and what cause the Network represents;
- **Constituency support** – building up the network and ensuring that its priorities represent core needs of HRAW NGOs, to maintain credibility both among members and decision-makers;
- **Continuous presence** - ensuring visibility and ability to take advantage of opportunities to promote the cause, being involved in the events and processes focused on G&A, human rights and NGO financing, meetings with stakeholders etc.;
- **Proactive diplomacy** – building lasting relationships, contributing to the substantive debates and ensuring that our agenda is taken into consideration at all times;
- **Cooperation and networking** – being involved with other networks and liaising with a wide range of stakeholders to ensure good will, as well as coordination and synergy with other initiatives.

2. **Windows of Opportunity**

At the moment there are two ongoing processes that should stay at the focus of advocacy attention: MFF review and FR review.
**Multiannual Financial Framework**

The European Parliament and the Member States (as members of the European Council) have the opportunity to influence the Multi-Annual Financial Framework until June 30, 2012. Thus, it will be important to lobby with the Parliament committees, e.g. Budget and other relevant committees and MEPs as mentioned among the stakeholders above, to ensure that HRAW agenda is made known and reflected in the revisions. The outline of procedures in the Parliament is made publicly available via Parliament Committees' webpage and is relatively easy to follow in order to identify the main players involved.

The MFF should be adopted in its final form by the end of 2012. However, based on earlier experiences and expected challenges and uncertainties related to the economic and financial (euro) crisis, its adoption could be delayed until mid-2013. Importantly, once the final document is adopted – and even prior to that, once agreement is reached on key allocations - work can start with the relevant DGs, e.g. DG Justice and DG for Communication, to ensure that key asks are reflected in their funding programmes. This will require the Advocacy Officer to request meetings with those who will be responsible for drafting the funding programmes, including the conditions for eligibility, the key themes and activities for support, results indicators and evaluation criteria etc.

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**Window of opportunity: 2011-13**

*Multiannual Financial Framework (MFF)*

2014 - 2020

European Commission proposal - July 2011
European Parliament proposal - July 2012
European Council adoption - Dec 2012
EC DGs work out funding programmes Jan-Dec 2013

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**Financial Regulation and Implementing Rules**

The Financial Review (FR) is a co-decision process and will go into one reading. Currently the amendments to the draft FR as proposed by the Parliament are discussed in a trialogue between

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EC, EP and EU Council in order to avoid a veto at the voting. The trialogue has been extended into February 2012 and is still ongoing at the time of writing.

As soon as a stable version of FR is agreed upon, the Commission will start working on preparing new **Implementing Rules, which will possibly start from March 2012.** The Implementing Rules will help interpret the FR in practice. It is of key importance for the Network to engage in the process of developing Implementing Rules, as this will ensure that some issues described as key asks under FR, i.e. in-kind contributions counted towards co-financing, can be reflected in this policy. Influencing IR can take place through holding one to one meetings with the Commission (DG Budget), and initiating stakeholders' meetings on some of issues in connection to IR. Ongoing cooperation with other networks engaged in this process will be important (primarily, Concord and EUCLID).

According to some forecasts, the new FR and IR will be adopted by September 2012. As the FR is reviewed on a triannual basis, it will mean that work on the new FR will start almost immediately after the current one is adopted.

### Window of opportunity: 2011-13

**Financial Regulations 2014-2020**

- **European Commission proposal - July 2011**
- **European Parliament/ Trialogue proposal – March 2012**
- **European Council co-decision – June 2012 (?)**
- **Implementing Regulations March - Dec 2012**

#### 3. Specific activities

First and foremost, the Advocacy Officer will need to navigate the complicated Brussels milieu; develop various position papers, policy briefs and other documents that will contribute to policy change; and carry out professional lobbying what we call “proactive diplomacy”, i.e. building and
nurturing relations with key stakeholders while educating them about our interests and securing their long-term support. Activities will be carried out by the advocacy officer and G&A in coordination and with SLLGO and ECNL’s assistance.

Advocacy officer will be responsible for:

✓ Representing the Network and its agenda at one to one meetings with key stakeholders and decision makers. First, mapping of the relevant persons will be done and then introductory meetings held. Follow up meetings will be arranged on the needs basis.

✓ Writing briefs and position papers in order to further promote Network's key asks as described above.

✓ Preparing work plans for advocacy and communicating them with the Network.

✓ Organising stakeholders’ meetings on specific issues to promote the Network’s agenda.

✓ Participating in EU public meetings and taking part in consultations will ensure that the Networks agenda and priorities are transmitted to the EU institutions. This will require continuous tracking of the schedule of the relevant meetings and upcoming consultations, finding information in advance.

✓ Attending public events and stakeholders meetings in Brussels on weekly or biweekly basis. The abundance of events arranged in Brussels provides an opportunity for “putting the face” to the Network through participation in the regular and ad hoc official events.

✓ Attending social events as part of communication strategy and building relationships with the stakeholders.

✓ Liaisoning with other CSO networks and think tanks active in the field of governance and accountability issues.

✓ Engaging with journalists through building relationships with journalists who cover the NGO related/accountability issues in Brussels and beyond.

G&A Network will be responsible for:

✓ Building up constituency that stands by the Network’s agenda and consistently communicates it when engaging with the EU, as well as provides input when required for representing the Network’s agenda in front of the EU.

✓ Initiating meetings and events to position the Network among European players, e.g. a launching event in late 2012 - early 2013 in Brussels, and a positioning meeting during the Lithuanian Presidency, between July - December 2013 in Vilnius.
In conclusion, ECNL would like to note that the above described Key Asks and Windows of Opportunity reflect the most outstanding issues for the next two years. At the same time, establishing an ongoing presence in Brussels representing the HRAW NGO community should serve the longer-term purpose of positioning these NGOs as powerful players in the European scene. Potential asks and opportunities in advocacy and lobbying emerge continuously in Brussels, as the processes are cyclical – the moment a policy is adopted, its implementation, evaluation and revision starts. Therefore, with a strengthened presence, more ambitious goals are also feasible in the longer term (e.g. to increase the amount of funding available or to designate a separate fund for HRAW / G&A purposes).

The funding of such position for two years should therefore be seen as an investment in a longer term purpose rather than only as spending on a tool to achieve short term goals. This purpose is no smaller than the vision laid out by the newly emerging G&A network: a well-governed and accountable Europe with strengthened and sustainable civil society organizations guarding the rights of its citizens.