

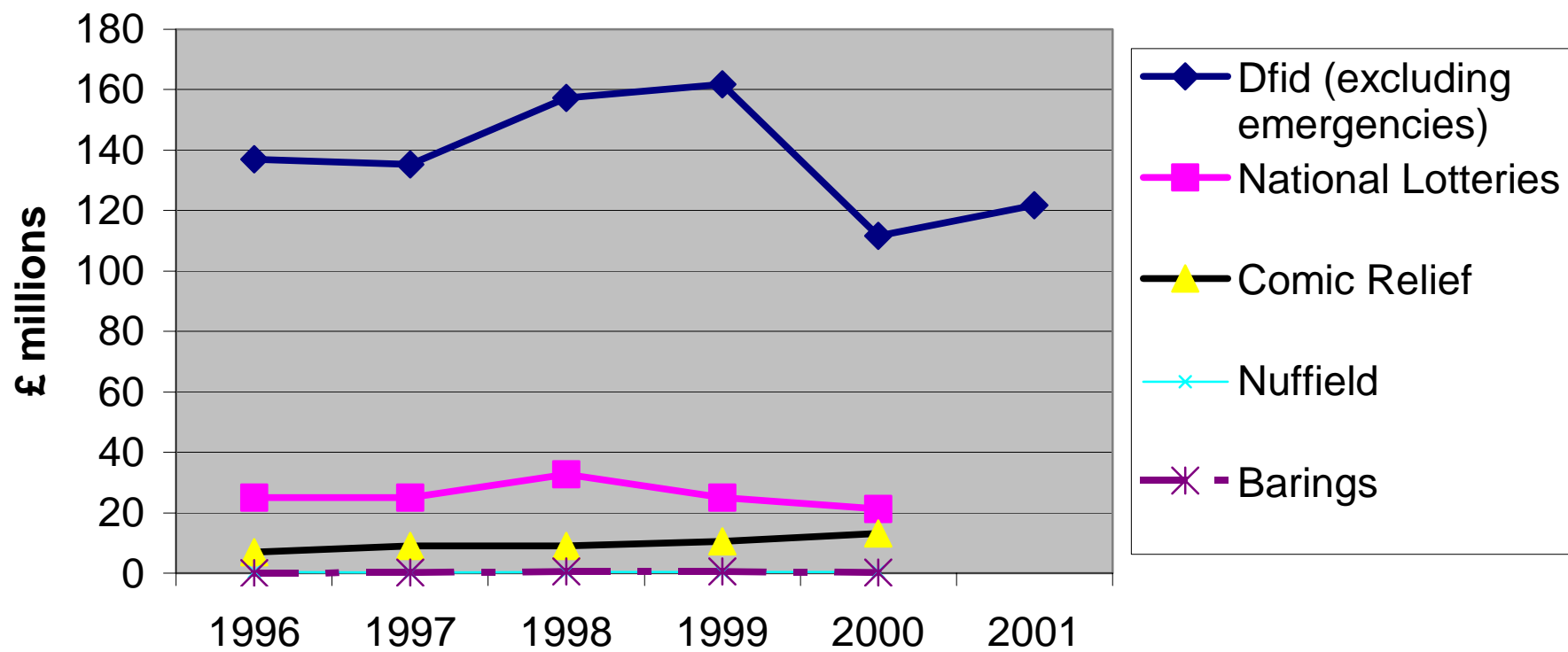
Overview of funding trends in UK and donor-UK NGOs relations; some headline findings and implications for UK NGOs

Overheads from seminar - UK Perspectives on the Management of NGO Aid: Changes in Practice and Implications for Development, 24th March 2004, Nuffield, London

Jennifer Chapman

This is a very fast changing sector: the data in this presentation will be updated in the book from the research coming out in 2005.

Relative size of NGO donors



- DFID is the most significant institutional funder and has funded a plethora of NGOs in UK over the years, although its funding is heavily concentrated in a few large NGOs, with the same five agencies consistently receiving over 45% of total funds annually.
- National Lotteries (now called Community Fund, CF) and Comic Relief are both medium sized donors for UK NGOs with awards of 17 and 13 million pounds respectively in 2001. They are two of a few real alternative sources of funding for many small and medium-sized NGOs.
- The money available from Foundations and small donor trust funds, which are often more flexible and responsive to NGO requests and more prepared to take risks, has been declining because of the slow down of economic growth and declining stock market values. It still remains a real lifeline to small and medium NGOs hit hard by changing focus and priorities of the EU and DFID.

Trends in donor funding of NGOs in UK

- Funding for NGO's own agendas has dropped. Increasingly funding is agreed in line with each donor's priorities, strategies, principles, criteria & guidelines rather than NGO independence being given value. However donor priorities constantly shift.
- Trend of larger grants to large & very large NGOs with less money available for medium & small NGOs.
- Increasing amounts of money available for large NGOs through contracts to directly implement donor strategies – these carry tight contractual conditions.
- In DfID & EU a move from a project focus to a programme focus for larger NGOs. These programmes are tied to strategic plans that fit DfID's agenda.
- A lot of funding remains project based especially for small and medium sized NGOs.
- Very few UK NGOs are entirely independent of institutional and other donors. For many it is a significant source of funding - these are very vulnerable to shifts in donor priorities.

Changing conditions applied to donor funding for UK NGOs

- Most sources of funding are becoming less flexible and more controlled with increased requirements for planning & implementation (results based management very prevalent), tighter appraisal mechanisms, reporting & budgeting.
- These increased conditions are not often drawn from experience of development in the south.
- Conditions are constantly changing
- A growth in demand for written reports, qualitative & quantitative. Financial reporting requirements have been tightened. NGO staff at all levels now put many hours into writing detailed reports, often in logical formats for which they rarely get feedback.
- There is a lack of donor co-ordination around procedures.
- Less money is allotted (except by CF and CR and one or two trusts) for institutional support, long term organisational development, core costs or administration, making the running of NGOs increasingly difficult.
- Strategic planning has become a universal tool, little analysis about how it is received at the other end
- There are unrealistic expectations of high impact from very short-term small projects or pieces of work in a complex situation of great need.

Donor-UK NGO relations

- Donors haven't analysed the impact changes in funding are having on the shape of the UK NGO sector, and how this might impact on development work with their partners.
- Institutional donors are not following the way they give funding affects the way programming is done.
- CR and the CF are more flexible about funding criteria and try to grapple with more complex issues. However this flexibility is sometimes threatened by a growing concern about impact and the need to demonstrate that they are making a difference.
- Many NGOs want to increase their share of official funding. Discussion around the ethics of funding is muted.

- The increasing conditions attached to aid are often experienced negatively by those trying to implement development work, but few UK NGOs have challenged DFID or EC about their procedures.
- Though donors say they encourage reporting on failure and learning from experience, UK NGOs feel their funding has often been threatened after discussing problems openly.

Implications

- Changes impact differently on NGOs according to size, origins, and focus
- Large NGOs have grown larger; many medium sized NGOs are in a very precarious financial position; very small NGOs may be more able to ride out variations in funding.
- Funding is not available for basic service delivery only, or direct implementation
- The way funding is secured & the conditions attached shape the nature of development work undertaken.
- The tools of aid management play a vital role in shaping the nature and quality of aid relationships (partnerships).
 - The logic and thinking behind many tools & conditionalities is top down & contradicts a commitment to local processes, local ownership & building strong local organisations.
 - In supporting 'partners' there has been a shift from relatively minimal procedures, light measures of evaluation & a responsive approach to a more structured & bureaucratic set of systems with an accompanying growth in policies and procedures.
- The trend towards planning strategically at global level has put power & control of what is funded back to agencies in UK, where in most cases strategic planning was undertaken.

- Funding remains top down & is not designed to enable local actors to develop good judgement & ability to work in complex contexts.
- It is quite likely these trends adversely affect the ability of NGOs to reach the chronically poor.
- Monitoring is increasingly against clear measurable outputs & evaluation based on progress against pre-determined indicators. Only a few UK NGOs discuss potential contradictions
- Focus on demonstrable impact, short term gains, measurable indicators and a donor concern to 'make a difference' & know what that difference is has led to an escalation of claims.
- There is great competition for funding between NGOs, seriously inhibiting real joint work.
- This competition results in secrecy within NGOs.
- There has been a marked standardisation of language, policies and procedures.
- These factors all push NGOs at every level to focus accountability and reporting upwards. There are no similar structures, systems or pressures pushing them to adopt processes of downward accountability.
- There is a risk of co-option of NGOs into donor and government agendas, preventing many NGOs from building on their strengths and unique characteristics, and limiting their achievements in development