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Changes in ODA due to global financial downturn

Focus: New Member States NGDO platforms

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Introduction

In the context of the global financial downturn and the uncertainties faced by the national platforms of non-governmental development organisations (NGDOs) as a result of reduced budgets, TRIALOG carried out a survey among coordinators of the platforms in the EU's 12 newest member states (NMS).

The information was gathered in January and February 2009, and contributed to the TRIALOG Central Training on the financial sustainability of platforms 24-26 February 2009.

Background

Development cooperation is a relatively new focus for governments and civil society organisations (CSOs) in the countries that joined the EU in 2004 and 2007.

They have all committed to provide 0.17% of their GNI as official development assistance (ODA) by 2010 and 0.33% by 2015. Although this is a low figure that is well below what older member states have committed to, few NMS are expected to meet their targets, and even less so with the current financial climate.

NMS face a number of challenges in relation to ODA. The structures dealing with ODA in NMS are under-staffed or non-existent and awareness about development issues is low among the general public as well as within the government. This means that development issues are not priorities.

Funding provided to CSOs and platforms of NGDOs from the relevant Ministry of Foreign Affairs (MFA) varies from country to country, and is affected by the ODA budget and MFA's priorities.

Methodology

Short questionnaires were sent to the coordinators of all 12 NMS national platforms of NGDOs and the answers were collected and analysed.

The questionnaire contained three questions:

1. Are you aware of any recent changes being made to development aid from your country?
2. Are you aware of any recent changes being made to funding the platform receives from the government?
3. Are there any other recent developments that will have an impact on the way the platform works in the future?

The full unedited responses can be found in Annex 1.

Findings

The tables below present the main findings of the questionnaire, which have led to the conclusions and recommendations outlined in the following section.

Question 1 – Changes in ODA

Countries that have seen a positive change	<u>Malta</u> : increase in 2009 <u>Slovakia</u> : slight increase in 2009 (but see below)
Countries that have not seen a change so far	<u>Cyprus</u> <u>Estonia</u> <u>Slovenia</u>
Countries that have seen a negative change	<u>Czech Republic</u> : overall 5% cut in government budget <u>Hungary</u> : ODA has been decreasing since 2007 <u>Latvia</u> : development budget to be approved in April, cuts in ODA budget announced <u>Lithuania</u> : cuts being made in MFA <u>Poland</u> : cuts being made in MFA <u>Romania</u> : cuts being made in MFA <u>Slovakia</u> : projections for years after 2009 not encouraging

Budget cuts are clearly not limited to NMS. In February 2009, the Irish government, previously held up as an example for its commitment to development objectives, cut its ODA budget by 10%, provoking an outcry from Irish and European CSOs¹.

In NMS however, the cuts are happening at a time when public awareness of, and governmental commitment to, poverty eradication around the globe is less well-established, and risks having a long-standing impact.

Latvia's economy is now reliant on an IMF loan and development organisations in the country face a bleak future following the government's announcement that development aid will be reduced to zero in the coming year.

¹ See Dochas press release http://www.dochas.ie/documents/Development_NGOs_Response_to_National_Recovery-Plan.pdf and CONCORD press release http://www.concordeurope.org/Files/media/internetdocumentsENG/5_Press/1_Press_releases/00pressreleases2009/irish-Aid-cut-press-release-04-02-2009.doc

Question 2 – Changes in governmental funding available to CSOs

Countries in which NGDO platforms receive MFA funding, and this funding will remain at the same level	<p><u>Estonia</u>: MFA funding is about 20%</p> <p><u>Slovakia</u>: first support received 2008</p> <p><u>Slovenia</u></p>
Countries in which NGDO platforms receive MFA funding, and this funding will not remain at the same level	<p><u>Czech Republic</u>: the MFA has a strategy of supporting more projects so the decrease is not related to the financial crisis</p> <p><u>Lithuania</u>: the MFA will be asked for funding, but less is anticipated than before</p> <p><u>Latvia</u>: the planned 65% of admin fees will not be covered by the MFA</p>
Countries in which NGDO platforms do not receive MFA funding	<p><u>Cyprus</u>: the Greek Cypriot platform, the Turkish Cypriot platform and the island-wide meta-platform function without MFA funding</p> <p><u>Malta</u></p> <p><u>Poland</u></p> <p><u>Romania</u></p>
Countries in which NGDO platforms do not receive MFA funding but may in the future	<p><u>Bulgaria</u>: new platform (Jan 2009); MFA has shown some willingness to provide future funding</p> <p><u>Hungary</u>: the platform has never received funding but there may be a call for proposals in 2009</p>

The question of whether a platform is supported by funds from the MFA is treated differently in different countries.

It is seen as some as a challenge on a platform's independence, and by others as a necessary part of becoming financially sustainable.

Question 3 – Other recent/future developments

Bulgaria	<ul style="list-style-type: none"> - Newly established (27 January 2009) - Concerned by EC requirement of 2-year-old registration - Involved in national multi-stakeholder group (gov-CSO) since 2008
Cyprus	<ul style="list-style-type: none"> - Efforts to change NGO law to make it easier to receive governmental funding (although this would only affect the Greek Cypriot platform)
Czech Republic	<ul style="list-style-type: none"> - CZ Presidency of the EU - Ongoing transformation of CZ ODA system - MFA to prepare 2011-2015 ODA strategy - Parliament to vote on Act on DC in 2009 - CZ platform enlarged with EC grant for presidency but challenge of post-presidency period
Estonia	<ul style="list-style-type: none"> - Postponement of commitments to increase funding for development cooperation
Hungary	<ul style="list-style-type: none"> - No core funds for 2009 - Most funding from projects rather than members - Only able to maintain a half-time secretariat until September 2009
Latvia	<ul style="list-style-type: none"> - IMF loan - 10.5% decrease in GNP in Jan compared to 2008 - Government budget will be cut by 15% or more in March
Lithuania	<ul style="list-style-type: none"> - Focus on public awareness raising on development issues and building a national DE strategy. - The platform will create a joint secretariat for both NDGO and anti-poverty platforms, funded by the EEA/Norwegian NGO Fund.
Malta	<ul style="list-style-type: none"> - Only able to maintain a half-time secretariat until September 2009, then its future is uncertain
Poland	<ul style="list-style-type: none"> - Internal process of assessment and reform - new external budget lines, but reduced old budget lines
Romania	<ul style="list-style-type: none"> - Most funding going through UNDP, limiting platform's access to funding
Slovakia	<ul style="list-style-type: none"> - Applications with SlovakAid and EC - Changes within MFA and Development Agency with as-yet unknown impact on platform's work - Plan to increase membership fees
Slovenia	<ul style="list-style-type: none"> - The establishment of a national development agency is expected - The DC department of the MFA will become the department for economic diplomacy and development cooperation

Conclusions

The financial crisis has already hit some countries hard (LT) while failing to impact as yet on others.

It is safe to say that further budget cuts will take place and that platforms need to act now to ensure their future in the face of such challenges.

The Hungarian and Maltese platforms have funding for their secretariats for just a few more months and the Latvian platform has no funds on which to rely.

Annex One: Full responses to the questionnaire

	Changes in ODA	Changes in governmental funding available to CSOs	Other recent/future developments
Bulgaria ²	<p>Currently Bulgarian aid is reported mainly as contributions to multilateral mechanisms and in 2007 it was more than 98% of the total eligible ODA expenditures. The comparison of ODA/GNI reported figures for 2006 and 2007 shows a slight increase in the contribution (0.0326% for 2006 and 0.053% for 2007). Despite the fact that most Bulgarian aid is provided through multilateral mechanisms, there is a tendency for an increased portion of bilateral aid. The preliminary data for 2008 is pointing in the same direction.</p> <p>Apart from the contribution to the UN agencies and EC structures, the aid is allocated for humanitarian aid (the case in Georgia), training and scholarships. In the mid-term Strategy there are new thematic directions for Bulgarian aid such as health issues in the priority countries. The other themes are education (which emphasis scholarships for foreign students), debt relief, trade and humanitarian aid.</p>	<p>The adoption of the mid-term strategy and the enactment for Bulgarian ODA by the Council of Ministers will create the legal basis including for funding of BPID. Preliminary discussions were held and MFA expressed willingness to provide certain financial support. It should be mentioned that till the end of 2008 BPID was non-formal network of NGOs interested in ODA issues and since January 2009 the platform was constituted as a legal entity. From this point the funding of the platform (including from the state – most probably MFA) is one of the sustainability interventions planned. Meanwhile such sustainability efforts should be coordinated with key representatives of MF.</p>	<p>Since the legal establishment of the Platform is a fact, there are more possibilities that will impact on its work. The main obstacle is the usual requirement for application to EC funds saying that the applicant should be registered at least 2 years before the procedure. As the platform is a new entity, the eligibility is serious concern. That is why the platform relies on the already established partnerships as well as on enlargement and sustaining of new ones. The platform will also rely on the support of its members. Some of the members plan to apply or have already applied for funding that will contribute for the sustainability of the platform.</p>

² Extra information provided: In 2008 the Bulgarian MFA elaborated draft versions of a mid-term Strategy for international development and of an enactment that regulates the Bulgarian policy in international development cooperation. The duration of the Strategy is from 2009 to 2011 and defines the main themes for Bulgarian participation in international development. In July 2008 the non-formal network of NGOs interested in ODA issues created a list of recommendations on the Strategy. Representatives of Ministry of Finance (MF) and Council of Ministers provided recommendations as well. As a consequence in the fall of 2008 a working group was established with the purpose to reflect all recommendations. The members of the WG were representatives of Council of Ministers, MF, MFA, Ministry of Economics and NGOs. This was the first systematic collaboration between NGOs and state authorities with regard to ODA issues.

The adoption of the mid-term Strategy and the enactment by the Council of Ministers is crucial point for Bulgarian ODA activities. It will allow specific interventions (including NGOs) in the described thematic directions but also will be a legal basis for funding of Bulgarian Platform for International Development (BPID), which was officially established on 27 January 2009. Due to different approaches however from the key state institutions (MF and MFA) the documents are pending final approval.

Cyprus	As far as we (the platform) know, there has been no recent change on development aid. ³	Both the Greek Cypriot and the Turkish Cypriot platform do not receive any funding from any government authorities (or anyone else in fact).	There are serious efforts under way to change the NGO laws and make it easier for NGOs to receive government funding in Cyprus, the process is initiated by the Planning Bureau for the purpose of development cooperation... however, the process is quite slow. It might have positive impacts on potential funding for the Greek Cypriot platform, however not for the Turkish Cypriot one or for the island-wide one.
Czech Republic	We know that all the state administration has to cut the expenditures off 5% in general – so every ministry has to do so in their sector budgets. It is hard to assess the direct impact on the budget for development cooperation. The MFA and the Czech Development Agency has been putting the efforts to save the bilateral development projects and seek for possible cuts in operational costs of their administration. There has not been a serious steps within MFA to be done in relation to financial crisis – the budget for 2010 and mid-term financial plan for 2010 – 2012 will be proposed during May 2009. Within the Czech Presidency, the Czech MFA is pursuing the way of “do not decrease, at least keep the current ODA levels, if it is impossible to increase. See the report from the Informal ministerial meeting 29 – 30 January 2009, Prague, EU Development Ministers: “In this situation, it is essential that rich countries keep their	Not really, FoRS had to cut the budget 2009 from MFA grant for about 10%, but this was not really related to the financial crisis, but more to the MFA strategy of supporting more projects (this meant that all supported projects from grant programme on AR/DE and capacity building had to cut their planned budgets). We still need to be cautious since it can happen that MFA will cut the final instalments of the grants – there is no legal claim for the grant.	There will be, for sure – CZ presidency and the financial crisis (the 2 summits that were just called for during the CZ Pres.), the Czech Republic will also prepare some financial packages in order to face financial crises. Besides the global economic development, there are issues connected to the ongoing transformation of the Czech ODA system: MFA will start preparation of the new ODA strategy concept for 2011 – 2015 with the revision of priority countries (expected to start in the 2nd half of 2009). Act on development cooperation hopefully to be approved by the Parliament within 2009 and valid from January 1, 2010 (by this, the Czech Development Agency will have the competence to give grants to NGOs). Continuation of transfer of bilateral projects under the administration of the Czech Development Agency. FoRS as platform has enlarged also

³ CyprusAid Booklet: <http://www.planning.gov.cy/planning/planning.nsf/All/2473108BE561E31CC22574CE003D6D58?OpenDocument>
<http://www.planning.gov.cy/planning/planning.nsf/All/2473108BE561E31CC22574CE003D6D58?OpenDocument>

	<p>promise in terms of financing for development and search for new solutions. As Commissioner for Development and Humanitarian Aid Louis Michel emphasised, the EU remains the largest donor of aid worldwide. A number of EU member states may, however, have difficulties meeting their commitments. The EU as a whole has committed to provide 0.56% of its total Gross National Income in aid by 2010. As of today, it provides only around 0.4%."</p>		<p>institutionally thanks to the grant from EC for the CZ Presidency – now having 3-4 staff. The question is to ensure proper funding also for the post-presidency period.</p>
Estonia	<p>There are no official changes in development aid in our country.</p>	<p>Funding will remain at the same level as it was in 2008 (roughly 20% of total costs)</p>	<p>Commitments to increase funding for development cooperation will be postponed.</p>
Hungary	<p>NO. The ODA spending has been decreasing from 2007.</p>	<p>The Platform has never received any direct core funds from the government. There were some calls for proposals for NGOs at the MFA. In 2008 there was no general call for proposal. We have some forecast for 2009, that MFA will launch a call in the coming two months, but it is not confirmed yet.</p>	<p>We don't have any core funds for the year 2009 yet. The Platform's finance is based on the different project supports and in very little percentage on the membership fees. Our present, last big project will be ended in September 2009. From these funds we can cover the 2 full time colleagues' salaries and the basic office and administrative costs of the Platform. For the period after September we don't have any secured funds yet.</p>
Latvia	<p>The government has postponed approval of the 2009 development budget until April of 2009.</p>	<p>To date there is no funding for the platform, which was planned at 65% of administrative expenses.</p>	<p>The IMF loan requires budget austerity. January statistics reveal 10,5 % decrease in GNP in relation to last year. The government budget will be cut by 15 percent or more in March.</p>
Lithuania	<p>There are cuts in the national development budget of 25 percent this year.</p>	<p>The MFA has announced a call for proposals where CSOs can apply for support for development projects. The budget available for projects is smaller than last year.</p>	<p>The Lithuanian NDGO Platform will focus on public awareness raising on development issues and building a national DE strategy. Also the Platform will create a joint secretariat for both NDGO and anti-poverty platforms, in a project being funded by the EEA/Norwegian NGO Fund.</p>

Malta	A major change has been the call for proposals for International Development Projects issued in August 2008. We are currently lobbying to make this call more transparent and user friendly. Also, as the Minister of Foreign Affairs recently stated, the Government has approved an increase of ODA of around EUR100,000 in 2009.	SKOP does not receive any funding from the Maltese Government.	In terms of finances, financial sustainability is a major issue. We are currently keeping a half time secretariat - guaranteed until September - through the Presidency Fund. After that, the future of the Platform as we know it today is not guaranteed.
Poland	During the parliamentary process of the state budget approval (November'08-January'09) there were some cuts on that ODA part which is at the MFA disposal; they decided to reduce an overall sum by PLN 24,000,000 and now it is PLN 130 697 000; so far, no info about planned ODA spending of other ministries	The Polish platform has never received any funding from the government and it is not planned for the future	Internally: the Polish platform is currently in a process of assessment and reforms, which will also have an impact on financial issues; externally: some new budget lines of private and international donors were opened, but some existing budgets for NGOs were cut down due to the crisis.
Romania	No. There is no sign that the Romanian NDGOs will receive (more) funding regarding development aid. The ODA budget managed directly by the MFA (already very limited in previous years), has been almost halved in 2009 (around 3 million Euro).	The platform does not receive any funding from the government.	There is a high probability that the Romanian government will continue to give part of the development aid funding to UNDP Romania. This decreases the platform's opportunity to receive funding from the Romanian government.
Slovakia	Last year was marked by the following main facts: - It was the first year of implementation of our new Act on ODA - the new Mid-term strategy for 2009-2013 was being developed (the Platform comments were also included) - changes at official posts important for ODA – 2 directors of Development Agency, 2 Heads of Department of Development Aid at MFA SR + other desk officers - Platform started to communicate with media more intensively, thus also receiving bigger attention from the	At the beginning of 2008 the Platform managed to get for the first time “an institutional support” in the framework of a regular SlovakAid call for “Development Education and Capacity building”. This added “capacity building” aspect resulted from our long-lasting lobbying activities to have this possibility included in the scope of activities granted by SlovakAid. The results of recent 2008/09 SlovakAid call with the same heading, which was open from the end of 2008 until mid-January, where the Platform applied for the 2nd time, will show us if this new	We hope to be again successful with our capacity building proposal to the SlovakAid, as it is one of the main pillars of the Platform funding for the very next period. The same applies to our EC application to currently open NSA/LA call, where the Platform will have status of a partner. This will be crucial for the years 2010-2013. As there have been again changes in lead positions both at the Development Agency, as well as the Development department of MFA, and names of new appointees are still not clear, these new people and their right/wrong selection will

	<p>governmental side - 2009 budget will be slightly increased on the whole, as well as in the bilateral component (for bilateral projects will be allocated €7, 5 mil); however the projection for 2 years following 2009 is completely opposite in the terms of bilateral ODA, multilateral component should rise slightly. It is clearer then anytime before, that Slovakia will not meet its international commitments neither for 2010, nor 2015.</p>	<p>SlovakAid tool will turn a into reliable and regular source of funding for the Platform. For sure it doesn't cover all major Platform needs and expenditures, but at least we can openly state in the budget typical overheads, that can not usually be covered from other sources of funding (rent, staff salaries, communication...) Other new feature, which is very welcome by the Platform and all members, who started to apply for EC funding is so to say "automatic" co-financing of approved EC projects. The procedure was developed in consultations with the Platform, and even in each next year National ODA plan there is a sum allocated for this purpose. The amount to be set aside is consulted beforehand with the Platform, who after collecting members' co-financing needs is able to say how much money. The MFA is not able to get this answer from the EuropeAid as they inform only about the successful main applicants.</p>	<p>for sure have a great impact on the Platform's work. Last, but not least, I would like to mention, that we plan to increase our membership fees – for the first time in the Platform's life. This question had been pre-discussed with members at last 2 General Assemblies and we received preliminary positive feedback. Fees are on the average very low (span from €66 to €232 per organization a year) and their form app. 7% of the Platform's budget. The Board still has to find a clue to their regular increase and we will present this question at next General Assembly.</p>
Slovenia	<p>Not yet, since government is only now preparing changes proposal for the national budget. We only hope the best, that this will remain unchanged.</p>	<p>Small support to the platform depends each year on a governmental decision for support. MFA supports it, but it is not necessary that would be enough.</p>	<p>Establishing a national agency (decision not taken yet when exactly, but should be soon). Transforming Development cooperation department to Department for economic diplomacy and development cooperation!</p>

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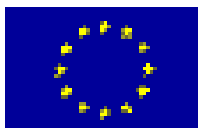


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