The construction and operationalisation of NGO accountability: Directing Dutch governmentally funded NGOs towards quality improvement

Boomsma, R.S.

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CHAPTER 8: CO-FINANCING PROGRAMS FROM THE LATE 1990s ONWARDS: THE DEVELOPMENT OF TWO KEY PROGRAMMATIC AIMS - COMPETITION FOR FUNDING AND IMPROVED ACCOUNTABILITY

8.1 Introduction

This chapter focuses on the development of the co-financing program from the late 1990s to 2012. During this period, three distinct co-financing funding schemes were developed. They were entitled: MFP-Breed (2002-2006); MFS1 (2007-2010); and MFS2 (2011-2015). This chapter analyses the emergence of these three schemes. The first section discusses the programmatic and technological changes evident in the shift to the first scheme, MFP-Breed, which resulted from concerns about the so-called ‘semi-monopoly’ position of the existing co-financing NGOs. In MFP-Breed, two revised programmatic aims were articulated for the co-financing scheme: competition for funding and improved accountability. The second section unveils how these two aims were reconceptualised in the subsequent funding scheme (MFS1) and attached to accountability technologies emphasising the importance of monitoring and evaluation. Section three analyses how the accountability technologies introduced in MFS1 were made much more stringent in the third funding scheme (MFS2) as the programmatic aims were unpacked further.

8.2 Moving to MFP-Breed: Addressing the ‘semi-monopoly’ position of co-financing NGOs

The development of the MFP-Breed funding scheme, effective from 2002-2006, was influenced by re-emerging questions amongst members of the House of Representatives regarding the so-called ‘semi-monopoly’ position of co-financing NGOs. In order to address these concerns, the MFP-Breed funding was opened out to all Dutch development NGOs. Ex-ante accountability in the form of funding proposal appraisals was also re-introduced in order to allow the Ministry of Foreign Affairs to assess and compare NGO funding proposals. This section analyses the changes introduced in MFP-Breed and is divided into three sub-sections. Section 8.2.1 discusses how the so-called ‘semi-monopoly’ position of the four existing co-financing NGOs was widely questioned, resulting in the inclusion of a fifth co-financing
NGO. Section 8.2.2, analyses how the functioning of the accountability technologies introduced in the previous funding schemes was found to be deficient. Section 8.2.3 unveils the programmatic and technological changes introduced to underpin the MFP-Breed funding scheme.

8.2.1 MFP-Breed: Questioning the ‘semi-monopoly’ position of co-financing NGOs

Despite the revised programmatic aims focused on cost consciousness, professionalisation and cooperation (see sections 7.3.3.1 to 7.3.3.3), the co-financing program received further scrutiny in the late 1990s. Members of the House of Representatives started questioning the nature of the program and the relationship between the government and co-financing NGOs. Politicians were concerned about the power of the existing four co-financing NGOs, ICCO, Oxfam Novib, Cordaid and Hivos, and discussed the possibility of including other Dutch development NGOs in the scheme. In order to address these concerns, Members of the House of Representatives and the Minister of Development Cooperation decided to formally evaluate the functioning of the co-financing scheme (to be conducted by an interdepartmental research committee) as a basis for reconsidering its nature and structure. In 2000, prior to the initiation of this evaluation, the Minister of Development Cooperation used the argument that ‘there [was] no place for monopoly or semi-monopoly positions’ (Tweede Kamer, 1999b, p. 2472) to support expanding the co-financing program with an additional NGO (called Foster Parents Plan). This decision, however, received a lot of criticism from politicians and the four ‘traditional’ co-financing NGOs, who argued that the decision making process that led to the inclusion of Foster Parents Plan was highly flawed. Several politicians complained that the Minister had failed to involve the existing co-financing NGOs in the process and expressed concern that the inclusion of a new NGO could lead to an unfocused program. Some politicians also queried whether the inclusion of Foster Parents Plan would actually lead to a more ‘open’ funding program, since they could not see the difference between a ‘semi-monopoly’ position including four or five NGOs (Tweede Kamer, 1999b).
8.2.2 The MFP-Breed funding scheme: Assessing the functioning of technologies of government

This latest evaluation of the co-financing program was conducted by an interdepartmental research committee comprising of governmental officials from the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of General Affairs, and the Ministry of Agriculture, Nature and Food quality (now part of the Ministry of Economic Affairs, Agriculture and Innovation) (Tweede Kamer, 1999a). This study specifically focused on whether existing accountability technologies fully supported the quality improvement ideal - embracing structural (sustainable) poverty reduction (see section 7.3), efficiency and effectiveness (see section 6.4.1). Questions addressed in the evaluation focused on the effectiveness and efficiency of the co-financing NGOs and the quality of the accountability technologies available to the Minister. They specifically addressed: the extent to which the Ministry took into consideration the experience of co-financing NGOs; the extent to which funding allocation procedures were suitable for deciding on the amount of funding distributed to co-financing NGOs; and the extent to which the efficiency of co-financing NGOs could be improved through increased synergy between co-financing NGOs (Tweede Kamer, 1999a).

Overall, the interdepartmental evaluation report concluded that that the accountability technologies in place did not provide enough insight into the effectiveness and efficiency of the co-financing program and were not sufficient to enable the Minister to steer co-financing NGOs towards quality improvement. According to the report, governing co-financing NGOs at a distance without convincing accountability technologies did not fit with emerging national and international demands for greater NGO accountability (Tweede Kamer, 2000):

It was a deliberate choice of my predecessors to let the co-financing program function from a distance and exclude direct steering possibilities. A choice supported by the majority of the House of Representatives. It was this policy that has led to the bottlenecks identified by the IBO [Interdepartmental policy research committee], such as broad and wide policy frameworks, putting the question of efficiency in the background, and an insufficient amount of independent evaluations. (Tweede Kamer, 2000, p. 2)

Based on debates in the House of Representatives on the conclusions and recommendations of the interdepartmental evaluation report, the Minister of Development Cooperation
suggested several programmatic and technological changes which were articulated in the newly developed funding program, MFP-Breed, to take effect from 2002.

8.2.3 The MFP-Breed funding scheme: Programmatic and technological changes between 2002 and 2006

While the funding schemes prior to 2002 were based on programme financing, wherein co-financing NGOs received funding to execute combinations of projects (programmes) (see section 7.2.1), MFP-Breed shifted to what was termed ‘core funding’. Core funding implied that NGOs participating in the funding program would receive a general contribution for their complete business plan rather than for specific programmes. In MFP-Breed, while the overriding rationale of quality improvement remained unaltered, two explicit, overarching programmatic aims were articulated: competition for funding and improved accountability.

The programmatic aim of competition for funding represented a framework for action based on an open, competitive tendering process for NGOs who wanted to receive (core) funding. Rather than only providing funding to a predefined number of organisations, as in prior funding schemes, application for participation in the MFP-Breed scheme was open to all Dutch development NGOs. In order to operationalise this programmatic aim, the Ministry re-introduced specific funding proposals as a technology of government. NGOs were required to submit a funding proposal to the Minister in order to be eligible for funding. The funding proposal, involving a ‘business’ plan for the complete funding period, required NGOs to report information in six different areas: general introduction of the organisation; mission and objectives of the organisation; management model; monitoring and evaluation system; resource use and budget; and control and accountability (Ministerie van Buitenlandse Zaken, 2001).

The Ministry assigned an independent advisory committee to assess the funding proposals on a number of criteria. These criteria were more extensive than those presented in prior funding schemes (see section 7.2.3). They required NGOs to work with one of three identified intervention strategies (direct poverty reduction, civil society building, and influencing policy), involve their own support base in developing and executing policies, be publicly accountable for executed policies, and work in an efficient, effective and professional manner.
Based on an assessment of proposals based on these criteria, the independent advisory committee advised the Minister of Development Cooperation on the inclusion of NGOs in the co-financing program.

The second programmatic aim was broadly articulated as *improved accountability*. This was to be achieved through introducing formal *quality systems*. Quality systems were to be developed by NGOs in consultation with the Ministry of Foreign Affairs and had to be based on accountability towards multiple stakeholders, taking into consideration individual donors, member organisations, boards of directors, and counterparts (Ministerie van Buitenlandse Zaken, 2001). The existing programmatic aims focused on cost-consciousness, increased professionalisation and increased cooperation between NGOs (see sections 7.3.3.1 to 7.3.3.3) were (implicitly) collapsed into this overarching aim of improved accountability. To operationalise this aim, the Ministry relied mainly on the existing accountability technologies - programme evaluations, annual reporting and external inspections (see section 7.2.4). It also introduced *external audits*, which were to be conducted (by an independent audit firm, such as KPMG or PriceWaterhouseCoopers) every four years to evaluate the efficiency of the co-financing program.\(^{45}\)

During the MFP-Breed funding period (2006 to 2006) several studies were performed to assess the functioning of this revised approach to funding. The conclusions and recommendations provided by these studies eventually led to the development of yet another funding scheme, MFS1, addressing issues that were considered deficient in MFP-Breed. These developments are discussed in the next section.

### 8.3 The initiation of MFS1: A more systematic approach to the assessment and comparison of NGOs

The MFP-Breed finding scheme ended in 2006 and was succeeded by a co-financing *system* (as opposed to a *program*). This new funding scheme, called MFS1, covered the period from 2007 to 2010 and embraced a more *systematic* approach to the assessment and comparison of

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\(^{45}\) Note that external audits were already being conducted on an organisational level within some of the co-financing NGOs, such as ICCO, prior to the inclusion of this technology in MFP-Breed (114).
NGO funding applications to ensure greater competition\textsuperscript{46}. Although MFS1 built on MFP-Breed, important changes were implemented in order to address concerns identified by an independent advisory committee with respect to the operationalisation of the programmatic aim of *competition for funding* in the application process within MFP-Breed.

The advisory committee concluded that while MFP-Breed sought to promote competition between NGOs, the influence of the existing co-financing NGOs meant that this was not (fully) achieved (Tweede Kamer, 2003). According to the committee, the Minister did not have the opportunity to select NGOs based on their ‘quality’, since the assessment criteria in MFP-Breed mainly focused on the *nature and structure* of the organisations applying for funding rather than on their activities (Tweede Kamer, 2003). The committee concluded that the programmatic aim of *competition for funding* was not operationalised in practice (section 8.2.4) and this was addressed in a policy memorandum published by the Ministry in 2003.

**8.3.1 MFS1: Further unpacking the rationale of quality improvement - Decomposing effectiveness and efficiency**

The Ministry’s policy memorandum referred to the previous evaluation study performed by the interdepartmental research committee on the effectiveness of development cooperation (see section 8.2.2), as not all the issues raised by the committee, such as increased competition in the funding application process, were successfully resolved in MFP-Breed. In this memorandum the ideal of quality improvement was decomposed more explicitly.

While quality improvement was already unpacked into *structural (sustainable) poverty reduction* and *efficiency and effectiveness*, efficiency and effectiveness were made more explicit by decomposing them into four key ideals: concentration; complementarity; coordination; and harmonisation (Ministerie van Buitenlandse Zaken, 2003). *Concentration* related to focusing development policy on specific themes (such as education, environment and water, preventing AIDS and reproductive health); specific countries (reducing the amount of countries where aid is provided with Dutch governmental funding); and sectors (addressing less sectors per country should lead to better quality and stimulate effectiveness).

\textsuperscript{46} MFS1 also combined the previous MFP-Breed with the TMF, a funding program aimed at funding smaller, thematic, development projects.
Improving *complementarity* was aimed at generating ‘added value’ through cooperation with other donors, such as governments, multilateral donors and NGOs. Improving (donor) *coordination* and *harmonisation* involved ensuring better adaption of policy and procedures to the receiving capacity of developing countries which would lead to better quality of aid and lower transactions costs. *Harmonisation* involved harmonising development policies at an international level (Ministerie van Buitenlandse Zaken, 2003). In order to link this newly unpacked notion of quality improvement with specific programmatic aims, an open policy dialogue was organised by the Ministry of Foreign affairs.

**8.3.2 MFS1: Unpacking programmatic aims in order to operationalise the decomposed rationale of quality improvement**

An open policy dialogue, consisting of a number of meetings, was initiated in 2004 in order to centralise discussions on developing the new more systematic funding scheme. The policy dialogue was mainly steered by a committee comprised of representatives from co-financing NGOs and the Ministry of Foreign Affairs. It was, however, open to all interested parties and also involved business people, civil society organisations, semi-governmental organisations and academics (Stuurgroep beleidsdiaaloo, 2004).

Two important bottlenecks were addressed in the dialogue in order to better work towards realising the quality improvement ideal: the ‘semi-monopoly’ position of co-financing NGOs (already identified as an area of attention in the political discussions taking place prior to and during the MFP-Breed funding scheme); and the overall effectiveness of development cooperation. These concerns were fleshed out and summarised in a report that further unpacked the MFP-Breed programmatic aims of *competition for funding* and *improved accountability* (section 8.2.3).

*Competition for funding* was seen as a problem in practice as the Minister could not easily compare and select NGOs based on their ‘quality’. As noted earlier, the access and assessment criteria in MFP-Breed (section 8.2.3) emphasised the *nature and structure* of the NGOs rather than their *activities* (Stuurgroep beleidsdiaaloo, 2004). The competition for funding aim was therefore unpacked by including a more explicit aim focused on systematically assessing the ‘quality’ of NGO activities. The NGOs, however, argued that
there was a lack of insight into the consequences of increased competition on the quality of development cooperation and that this potentially conflicted with the desire of the Ministry to improve cooperation between co-financing NGOs and the Ministry (see section 8.3.1) (Stuurgroep beleidsdialoog, 2004).

The programmatic aim of improved accountability, which in MFP-Breed was articulated in a framework of action involving the development of formal quality systems, was unpacked by emphasising a focus on making results visible in a more systematic manner. Participants within the policy dialogue agreed that internal quality and results assurance driven by mutual accountability, learning, and reinforcement of the support base for development cooperation was required (p. 5). NGOs, however, emphasised the danger of operationalising this proposed focus on results, since it could potentially lead to a situation where more time was being spent on making results visible than on achieving them (Stuurgroep beleidsdialoog, 2004).

These programmatic aims were linked to existing and new ex-post and ex-ante accountability technologies. Ex-ante accountability technologies assessed funding proposals, while ex-post accountability technologies sought to monitor and evaluate NGO actions.

8.3.3 MFS1: Linking the programmatic aim of competition for funding with ex-ante accountability technologies

The application procedure for MFS1 involved assessing and comparing NGO applications on their relative and absolute quality in order to operationalise the programmatic aim of competition for funding emphasising the quality of NGO activities. The quality of NGO activities was determined by assessing the NGOs’ ability to link their strategy and contextual analysis with operational goals and their ability to report qualitative and quantitative results of their activities (Ministerie van Buitenlandse Zaken, 2005c). As with MFP-Breed, the Minister assigned an independent advisory committee to assess NGO funding applications on absolute and relative quality. NGO applications were assessed using a framework developed by the committee, based on the objectives and criteria set out the MFS2 funding scheme, and approved by the Minister (Ministerie van Buitenlandse Zaken, 2005c). The assessment framework consisted of three main criteria: threshold criteria, such as ‘the organisation has demonstrable public support in The Netherlands’ and ‘the organisation is working towards
structural reduction of poverty in development countries that are on the DAC-1 list\(^\text{47}\) (Ministerie van Buitenlandse Zaken, 2005c, p. 16); assessment criteria regarding the characteristics and quality of the applying organisation; and assessment criteria regarding the content and quality of the application.

NGOs complying with the threshold criteria were subsequently subjected to more specific criteria regarding their organisation and the content of their funding application. Criteria focused on the quality of the organisation examined relations with stakeholders, achieved results, efficient service delivery and the quality of policies, procedures and financial and administrative management. The criteria were used by the advisory committee to develop indicators for the assessment of NGO funding proposals, thereby providing more clarity on how NGO funding proposals were being assessed (Ministerie van Buitenlandse Zaken, 2005a). For example the efficiency of service delivery was linked to the following indicators: 1. the management of the NGO controls the efficiency of the organisation by using key (performance) indicators and targets; 2. the management of the NGO sets priorities for improving the efficiency of the organisation; 3. for organisations that have conducted an efficiency audit, the actions undertaken based on the recommendations of the audit have resulted in improved efficiency; 4. for organisations that have not conducted an efficiency audit, actions have been undertaken in order to improve the efficiency of the organisation (Ministerie van Buitenlandse Zaken, 2005a).

\textbf{8.3.4 MFS1: Linking the programmatic aim of improved accountability with ex-post accountability technologies}

In order to work towards the programmatic aim of improved accountability, now involving an explicit focus on making results visible, a number of ex-post accountability technologies were included in the MFS1 funding policy. Some of these technologies were already included in prior funding schemes, such as annual reporting and programme evaluations (see sections 6.5.2 and 7.2.4). However, increased emphasis was now placed on the role of monitoring aimed at improving the visibility of the results of development activities. The ex-post accountability technologies introduced can be categorised into two interrelated groups: a

\footnote{The DAC principles for monitoring are developed by the OECD in order to assist funder and NGOs in evaluating development assistance. For more information, see www.oecd.org/dac/evaluationofdevelopmentprogrammes.}
required (tailor-made) quality system (incorporating what came to be widely known as tailor-made monitoring) and annual reporting. Annual reporting now specially distinguished between performance accountability reports and financial accountability reports.

As with MFP-Breed, quality systems were to be developed by the NGOs themselves and needed to incorporate adequate planning, monitoring and evaluation systems aimed at improving the efficiency of co-financing NGOs’ activities. The quality systems had a tailor-made character as they allowed the NGOs flexibility to tailor them towards their own organisational needs and activities. The Ministry did however provide some guidance by suggesting that the quality systems be based on ISO (International Standards Organisation) standards and the Dutch Institute for Quality (INK) quality model. This guidance was based on discussions between the Ministry and NGOs on which standards would be most useful.

Performance accountability technologies required co-financing NGOs to report on organisational-specific key performance indicators which could be suggested by NGOs but had to be approved by the Ministry. Organisations were required to report on five different areas: input; output; outcome; effect/impact; and sustainability. Finally, financial accountability required NGOs to generate an annual statement incorporating an overview of revenues and expenditures and a specification of governmental funds received and spent. An approved audit report (produced by an independent auditing firm) was required for the annual statement (Ministerie van Buitenlandse Zaken, 2005b). The NGOs also had to report on their sanctioning policy, i.e. the policy that described how they dealt with counterparts that did not act in line with the criteria set out in the co-financing policy.

After the assessment of their proposals, more specific guidance was provided to NGOs on the tailor-made monitoring system required as part of their overall quality system. A one page

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48 The INK or Dutch Institute for Quality was founded by the Dutch Ministry of Economic Affairs in 1991 and later started operating as a separate foundation. The INK developed a management model based on the EFQM model, an international model which helps both non-profit and for-profit organisations to improve their performance. The INK model can be seen as a Dutch interpretation of the EFQM model. The INK management model is aimed at continuously balancing the needs of diverse stakeholders of organisations, balancing the results and efforts which affect the results and continuously working on qualitative growth. The main goal of the model is to help organisations keep performing in changing environments, such as the NGO environment.

49 Input was defined as the costs of executing projects, such as costs for material and staff. Output was defined as changes that results from development activities that are relevant in achieving the initial objectives of activities. Outcome was defined as the intended or unintended changes resulting from outputs. Effect/impact was defined as the positive and negative, primary and secondary, effect or impact on a longer term that are produced in order to achieve the set objectives. Sustainability was defined as the extent to which partners and beneficiaries are able to continue to achieve results in an independent way.
document on this tailor-made monitoring system indicated that NGOs were no longer required to report on specific activities; instead, they were required to formulate key indicators and targets on input, output, outcome and sustainability levels (note that impact was not included in the indicators, since this was not considered relevant for monitoring purposes). The Ministry indicated that indicators and targets had to be developed prior to the funding period, but could be changed throughout the funding period in order to anticipate unexpected changes in the execution of programmes and projects. It is important to reiterate that the co-financing NGOs were allowed to develop indicators and targets tailored to their organisational structure and activities rather than being required to use predefined indicators. The tailor-made monitoring was aimed at improving the policy dialogue between NGOs, the Ministry and other parties such as academics and the Dutch NGO representative group, Partos\(^50\). It was contended that the system would lead to a more informed discussion of the specific strengths and weaknesses of co-financing NGOs which was expected to translate into better policy making.

During the MFS1 funding period, several studies were undertaken in order to assess the functioning of (aspects of) the funding system. This eventually led to the initiation of the most recent co-financing scheme, called MFS2.

### 8.4 Moving to MFS2: More stringent accountability technologies

This section examines shifts in the programmatic aims and accountability technologies with the move from the MFS1 to MFS2 funding scheme. The MFS2 funding period started in 2011 and ends in 2015. It has initially been characterised by a shift towards the adoption of much more stringent accountability technologies. However, as with MFS1, the broader ideal driving the co-financing scheme remains focused on supporting Dutch development NGOs in working towards structural (sustainable) poverty reduction in developing countries.

This section is structured into four sub-sections. The first sub-section discusses how the programmatic aim of competition for funding was linked to newly adjusted accountability

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\(^{50}\) Partos is the Dutch national platform for civil society organisations active in the international development cooperation sector. The sector includes organisations active in poverty alleviation, humanitarian intervention, human rights and sustainable development. The aim of Partos is to support organisations in reaching their goals by working to increase professionalism in the sector and helping it to position itself more visible in the community (Partos, 2008a).
technologies. The second sub-section focuses on the suggested programmatic and technological changes in a policy memorandum preceding the MFS2 funding scheme. The third sub-section describes how the programmatic aim of *competition on funding* was translated into adjusted funding application procedures and how the programmatic aim of improved accountability was translated into more inflexible accountability technologies.

### 8.4.1 Questioning the achievements of MFS1

An evaluation study conducted by the IOB in 2009 assessed the functioning of the tailor-made monitoring system introduced as part of the required quality system in MFS1 (Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie, 2009). The study concluded that while the monitoring system led to better insights into the results of NGO activities, it did not provide much information on how these results were achieved, thereby not fully realising the programmatic aim of *improved accountability* through an explicit focus on results (section 8.3.2). Additionally, despite promising to reduce the administrative burden on NGOs, the tailor-made monitoring system required NGOs to gather information which was not being used by either the Ministry or NGOs thereby leading to an increase, rather than a reduction in the administrative burden (Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie, 2009). Although the monitoring system was labelled as tailor-made, after proposing revised monitoring systems to the Minister, NGOs were also sometimes required to further change their systems to accord with governmental requirements. Moreover, while much was being expected from NGOs with respect to developing monitoring systems, the study further claimed that there was a lack of capacity within the Ministry to ensure proper functioning of the system.

The IOB report offered several specific recommendations for the new MFS2 funding scheme. These included: increasing attention to evaluations; developing more specific guidelines for monitoring; reducing the administrative burden on the Ministry and NGOs by only demanding information that would actually be used; and requiring NGOs to report in a uniform manner (with uniform indicators for a selection of prioritised sectors/areas) (Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie, 2009)\(^{51}\).

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\(^{51}\) Three studies influenced the development of MFS2. In addition to the IOB study, a study was executed by a group of academics and consultants and a study was initiated by the Ministry of Foreign Affairs and the NGO representative group, Partos.
8.4.2 MFS2: Discussing suggested programmatic and technological changes

As with MFS1, an open policy dialogue was organised in order to develop the MFS2 policy framework. A report of the policy dialogue was published and ‘accountability’ was identified as ‘the most important issue in political and public debate on development cooperation’ (Stuurgroep beleidsdialoog, 2008, p. 2).

The necessity of accountability over public and private resources is not debatable. It is obvious that accountability as such is required, upwards to donors and the general public and downwards to partners and beneficiaries […] What is debatable is how accountability is taking place. (Stuurgroep beleidsdialoog, 2008, p. 5)

Accountability technologies, as operationalised in MFS1, were perceived as having led to a misalignment between attention to management and control and the recognition of the complexity of development cooperation, thereby negatively influencing the quality and effectiveness of NGO activities. For example, according to participating NGOs, accountability, as operationalised within MFS1, was based on the perception that ‘everything [could] be controlled, planned, [was] quantifiable and [could] be aggregated’, a view, they claimed was inconsistent with the reality of development cooperation work (Stuurgroep beleidsdialoog, 2008, p. 6).

Participants in the policy dialogue agreed that the design of accountability technologies needed to more explicitly consider the complex operational reality of co-financing NGOs, which was expressed in the following conclusion in the summary report of the policy dialogue:

The possibilities of reducing the current accountability pressures, whilst maintaining high quality accountability standards should be further investigated. Adjustments in the accountability system should do more justice to the complex reality of development, innovation and learning. (Stuurgroep beleidsdialoog, 2008)

However, in stark contrast to this shared desire to seek an approach to accountability that took into consideration the complexities of development cooperation, the programmatic aim of competition for funding was operationalised by the Ministry of Foreign Affairs through the development of (even) more quantitative-oriented funding proposals and a more extensive
assessment of proposals. Additionally, the programmatic aim of *improved accountability* was translated into more specific and demanding ex-ante accountability technologies. This, to some extent unexpected, shift towards increasingly stringent accountability technologies resulted in critiques from various co-financing NGOs regarding aspects of the introduced accountability technologies which they considered problematic. These are considered in detail in Chapter 9.

8.4.3 MFS2: Linking the programmatic aim of *competition for funding* with more stringent ex-ante accountability technologies

The open funding application procedure in MFS2 was more specific and much more demanding than in MFS1. In MFS2, NGOs were incentivised to apply for funding as an *alliance* of Dutch development NGOs rather than as individual organisations. One NGO had to be put forward as the leading organisation that was responsible for submitting the funding application and served as the point of contact for the Ministry on behalf of the whole alliance. A two phase funding process evolved. The first phase assessed whether applying organisations met basic entry criteria. It also involved an assessment of the quality of internal management, control and policies over the previous five years, the capacity and added value of the cooperation within the proposed NGO alliance and the quality of the concise programme proposal. The quality of the proposal was assessed by assigning scores to each of the four entry criteria. A minimum score was required in order to be considered for inclusion in the second phase. In contrast to MFS1, governmental officials, rather than an external advisory committee, were now responsible for assessing NGO funding proposals. An external advisory committee was, however, used in order to monitor the quality, consistency and objectivity of the assessment procedure in phases one and two (Ministerie van Buitenlandse Zaken, 2009c).

Based on the total score assigned to the four criteria, the Ministry selected a maximum of 30 organisations who were invited to submit a more extensive programme proposal for the second phase. The second phase assessed the ‘quality’ of this more extensive programme proposal and based on this assessment the Ministry determined whether and how much
funding applying organisations would receive for the subsequent five years.\textsuperscript{52} It required NGOs to prepare and submit a more detailed version of the concise programme proposal submitted in the first phase of the application process. The extensive programme check consisted of seven sections on which the Ministry assessed the proposal: a context analysis; goals and strategy; planned results; monitoring, accountability and evaluation; harmonisation and complementarity; efficiency of the programme; and sustainability of the programme (Ministerie van Buitenlandse Zaken, 2009c). The planned results and monitoring, accountability and evaluation sections of the programme proposal are central to this focus of this study.

The \textit{planned results section} required applying NGOs to specify their planned or expected results on an outcome and output level by using certain established principles and identified key indicators that were going to be used to measure the realisation of planned results (Ministerie van Buitenlandse Zaken, 2009c).\textsuperscript{53} An important difference between the MFS1 and MFS2 funding application process was the required baseline measure for results. The baseline involved reporting on the situation prior to intervention. NGOs were required to report on how they had included their Southern counterparts in developing their baseline measures and needed to include specific milestones and indicators that would allow tracking the progress of their programmes. The \textit{monitoring, accountability and evaluation} sections required NGOs to describe how they were planning to monitor results by using the outcomes of the baseline measure and indicate how monitoring outcomes would be used for steering the execution of programmes. The example below from the co-financing NGO ICCO illustrates how baseline measures were performed:

\begin{quote}
Data [for the baseline measure] are collected on all result indicators as defined [by the Ministry of Foreign Affairs]. This will be done in 4 ways. Firstly, in a significant number of countries the ‘final’ results of MFS1 are used as baseline data; the data are available from the partner organisations. This will
\end{quote}

\textsuperscript{52} The specific criteria can be found on the MFS2 website of the Dutch Ministry of Foreign Affairs. See: http://www.minbuza.nl/producten-en-diensten/subsidies/medefinancieringsstelsel-2011-2015-mfs-ii

\textsuperscript{53} The Ministry of Foreign Affairs required applying organisations to use the SMART principles in developing their application for the first (and second) phase. The SMART principles are part of a management tool developed in the 1980s as a way of developing and checking key performance indicators. Reporting on results according to the SMART principles involves reporting results that are specific, measurable, attainable, relevant and timely. Within the MFS2 funding scheme, NGOs were required to use these principles where possible. If not considered possible NGOs were required to provide an explanation of why the SMART principles could not be used in formulating the objectives of their programmes on an output and outcome basis (Ministerie van Buitenlandse Zaken, 2005c; Ministerie van Buitenlandse Zaken, 2009a).
be complemented by the data from external evaluations and mappings. In countries that were not yet included in the MFS1 program, the [ICCO Alliance] will start from newly collected data. Secondly, district level data from sources such as UN-organisations, World Bank, local ministries and departments will be used. Thirdly, the data collected through partner consultation workshops is used. Finally, partners may need to collect data on indicators that were not yet in use during MFS1 and need field surveys. Partner organisations that haven’t been assessed with the organisation scan in 2010, are assessed before January 2011 by means of the organisational scan [ICCOs internal accountability information system]. The baseline survey serves as a benchmark for yearly internal assessment and an external evaluation in 2015 which will assess to what extent the specific objectives of this program have been achieved”. (ICCO, 2010, p. 73)

Additionally, NGOs were required to report how they would organise ‘good quality’ evaluations to ensure that 75 per cent of activities executed with governmental funding were evaluated at the end of the MFS2 funding period. Prior to MFS2 there was less emphasis on evaluations and an absence of a specific requirement regarding the percentage of activities to be evaluated. Hence, the main ex-post accountability technologies were embedded in the monitoring and evaluation requirements. These requirements represented an attempt to better operationalise the reconceptualised programmatic aims of competition for funding and improved accountability (see sections 8.4.1 and 8.4.2). The purpose of monitoring was to trace the progress of programmes by focusing on predetermined results indicators (to be discussed in subsequent sub-sections), while the purpose of evaluations was to determine after an extended period of time whether the expected or planned results as stated by NGOs in their funding proposals had been achieved, again by focusing on predefined results indicators (Ministerie van Buitenlandse Zaken, 2010b; Ministerie van Buitenlandse Zaken, 2010a).

8.4.4 MFS2: Linking the programmatic aim of improved accountability with more stringent ex-post accountability technologies

Ex-post accountability in MFS2 sought quality improvement by translating the programmatic aim of increasing the focus on results into specific results-focused requirements for monitoring and evaluation. In the MFS1 funding policy, ex-ante accountability mainly involved monitoring and while evaluations were required, there were few specific requirements for executing evaluations. With the introduction of MFS2, both monitoring and
evaluation became more stringent in order to ensure a more systematic approach to measuring results and holding NGOs accountable for their ‘results’.

8.4.4.1 The MFS2 guidelines for monitoring

While NGOs had some flexibility in developing their monitoring system in MFS1 due to its tailor-made nature, monitoring within MFS2 was based on more specific requirements. In MFS1 the tailor-made monitoring system allowed NGOs to formulate key indicators on input, output, and outcomes (see section 8.3.4). The qualitative and quantitative indicators on which they wished to be monitored were proposed to the government and discussed with the Ministry. The tailor-made monitoring approach also allowed NGOs flexibility to adjust indicators throughout the funding period in order to generate the best insight into desired results and to provide a basis for learning why some programmes succeeded in obtaining their objectives while others did not.

The policy regarding monitoring in MFS2 required NGOs to develop a monitoring system that assessed progress on a number of predefined priority result areas, mainly at the outcome level. Priority result areas were determined by the Ministry of Foreign Affairs and included results that were considered as having priority due to their assumed importance for working towards the broader ideal of the co-financing policy, i.e. structural (sustainable) poverty reduction embedded in the rationale of quality improvement. The Dutch Ministry of Foreign Affairs identified four main categories of priority result areas: results relating to civil society; results relating to Millennium Development Goals or themes; results relating to southern partner organisations; and results related to international lobby and advocacy (Ministerie van Buitenlandse Zaken, 2010a).

In order to monitor on results contributing to civil society in MFS2, the Ministry based their approach on the Civil Society Index developed by the International Alliance for Civil Society, i.e. CIVICUS. The CIVICUS model introduced 65 indicators, which were

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54 Outcome was defined as the intended or unintended changes that result from the generated outputs, whereby outputs are defined as the changes that result from specific activities aimed at achieving certain objectives, i.e. outputs is also referred to as ‘performance’. While outputs are considered to be within the span of control of NGOs, outcomes are considered to be outside of the span of control of NGOs but within their span of influence (Ministerie van Buitenlandse Zaken, 2009b).

55 CIVICUS is a group of international civil society leaders that aim at strengthening civil society and civic participation by generating knowledge through research.
organised into 27 sub-dimensions, which were assumed to capture the ‘structural and cultural features of civil society’ (Dörner, 2011, p. 14). These 27 sub-dimensions were aggregated into five dimensions that were considered conditions for the strengthening of civil society, i.e. civic engagement, level of organisation, practice of values, perception of impact, and external environment. The Ministry selected a number of the indicators developed by CIVICUS as the priority result areas on which NGOs were required to monitor and report on results related to civil society (Ministerie van Buitenlandse Zaken, 2010a).

Results focusing on capacity building within Southern partner organisations were to be monitored by reporting on five core capabilities developed by the European Centre for Development Policy Management. These capabilities comprised: the capability to adapt and self-renew; capability to act and commit; capability to deliver on development objectives; capability to relate to external stakeholders; and capability to achieve coherence (Ministerie van Buitenlandse Zaken, 2010a).

8.4.4.2 MFS 2 guidelines for evaluation

As discussed in section 8.4.3, the Ministry required co-financing organisations to evaluate at least 75 per cent of their executed programmes at the end of the five year funding period in order to allow the Ministry to assess to what extent the objectives as presented by co-financing NGOs in their funding applications were achieved. As with monitoring, evaluations focused on outcomes in the predetermined priority results areas described in the previous sub-section 8.4.4.1. Evaluations executed by NGOs during MFS2 were to be assessed on their relevance, efficiency and effectiveness according to the DAC evaluation principles and

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56 The European Centre for Development Policy Management is a think (and do) tank aimed at strengthening the policy management capacity of institutions in Africa and improving relations between the European Union and Africa (http://www.ecdpm.org/).

57 Working toward improving these five core capabilities within counterparts was considered to improve (and sustain) their capacity. Monitoring according to the five capabilities involves reporting on the quality of the institutional capacity of the counterpart and outlining how supported activities within specific counterparts contributed on an output level to the five core capabilities. The Ministry allowed NGOs to report on an aggregated level for their total amount of counterpart organisations, if possible categorised per country. This approach is assumed to allow the Ministry (and NGOs) to track the progress of counterparts (Ministerie van Buitenlandse Zaken, 2010a).

58 As noted earlier, the DAC principles for monitoring are developed by the OECD in order to assist funder and NGOs in evaluating development assistance. For more information, see www.oecd.org/dac/evaluationofdevelopmentprogrammes.
the guidelines for evaluations developed by the IOB (Ministerie van Buitenlandse Zaken, 2010b).

In addition to basing evaluations on these principles and guidelines, the Ministry required NGOs to perform baseline measures at the start of interventions. As outlined in section 8.4.3, the required baseline measurements involved analysing the situation prior to development interventions in order to enable the assessment of progress during and after interventions (Ministerie van Buitenlandse Zaken, 2010b). Baseline measurements were executed by using samples of NGO programmes combined with a control group (or comparable activity) as a point of reference. The baseline measurement was to be executed by qualified researchers in cooperation with local counterparts of the co-financing NGOs (Ministerie van Buitenlandse Zaken, 2010b). Co-financing NGOs were held responsible for selecting qualitative or quantitative indicators for evaluations. These, however, had to be based on the priority result areas defined for monitoring (see the previous sub-section 8.4.4.1) and had to be specific, time bound and measurable and relevant for the specific intervention strategy and fit within the boundaries of the specific result areas and intervention objectives as defined by the Ministry.

The required evaluation approach developed by NGOs, either on an individual basis or together with other co-financing NGOs, had to cover the entire five year funding period and include all counterparts and projects executed during this period. Evaluations, as required in MFS2, were primarily aimed at enabling the Ministry to assess the effectiveness of the use of governmental funding. This was ensured by requiring NGOs to provide insight into the following: achieved changes (mainly) on an outcome level in the predefined priority result areas; the achieved results in comparison with the control group or comparable intervention activity; the extent to which achieved results could be attributed to the evaluated intervention; the effects of interviews outside of the targeted objective; and the possible additional unexpected results achieved with the intervention (Ministerie van Buitenlandse Zaken, 2010b). Overall, this approach was much more restrictive and demanding than the approach adopted prior to MFS2.

Objectivity was to be ensured by having an (observer) independent measurement of results by using SMART indicators. Transparency was to be ensured by having a transparent process for gathering, processing and analysing results which involved documenting the whole process. In order to ensure independence, the final conclusions on the evaluation were to be made by others than those who had a direct, financial or institutional, stake in the outcome of the evaluation. The sample used for evaluations had to be representative for the whole population in order to be able to generalise conclusions.
8.5 Chapter summary

This chapter assessed the development of three distinct co-financing schemes, MFP-Breed, MFS1 and MFS2, from the late 1990s to 2012. The first section discussed how members of the Dutch House of Representatives started questioning the power of the existing four co-financing NGOs and the functioning of existing accountability technologies. This resulted in the articulation of two revised programmatic aims: competition for funding and improved accountability. Competition for funding was operationalised by introducing an open, competitive, tendering process for NGOs who wanted to receive governmental funding. The Ministry re-introduced funding proposals as a technology of government (now focusing on entire organisations rather than on individual projects as in the 1960s - see section 6.4.3), which required NGOs to submit a business plan for the complete funding period. The programmatic aim of improved accountability was underpinned by the three programmatic aims introduced in the 1980s (section 7.3.3): a focus on cost consciousness; increased professionalisation; and increased cooperation. To operationalise this overarching aim of improved accountability, the Ministry relied mainly on existing accountability technologies (annual reporting, programme evaluations, and external inspections), but also introduced external audits focused on assessing the efficiency of the co-financing program as a whole.

The second section revealed how several studies indicated that the programmatic aim of competition for funding was not fully achieved in MFS-Breed. This concern was addressed in the shift towards MFS1 by further unpacking the rationale of quality improvement into the notions of concentration, complementarity, coordination, and harmonisation (as more specific articulations of effectiveness and efficiency). Subsequently, the programmatic aim of competition for funding was articulated into a more explicit aim focused on assessing and comparing the quality of NGO activities in the funding application process. The programmatic aim of improved accountability was articulated into a more specific framework for action emphasising an explicit focus on making results visible in a more systematic manner. In order to operationalise these reconceptualised programmatic aims, they were linked to existing and new ex-post and ex-ante accountability technologies. Competition for funding was operationalised by linking it to a more extensive funding application procedure, whilst improved accountability was operationalised through existing technologies, such as annual reporting, programme evaluations and external inspections, and by emphasising the (key) role of a new accountability technology, monitoring reports.
Section three then discussed how the functioning of MFS1 was criticised in several studies and in discussions between the Ministry and co-financing NGOs. This resulted in the development of (even) more stringent accountability technologies. The open funding application procedure became more extensive, now involving two distinct phases and required more specific (quantitative) information from NGOs, and the ex-post accountability technologies became more systematic. Whilst monitoring in MFS1 was of a tailor-made nature, in MFS2 co-financing NGOs had to develop a monitoring system based on predefined results indicators provided by the Ministry of Foreign Affairs. In comparison to MFS1, more emphasis was put on (programme) evaluations in MFS2, involving more specific and stringent requirements, such as developing baseline measures for all programmes in order to be able analyse situations prior to and after NGO interventions. The more stringent nature of accountability technologies in MFS2 contrasted with an apparently agreed upon desire to develop more flexible, context specific, accountability technologies which was articulated in an open dialogue preceding the development of the MFS2 funding scheme.

Having outlined the key features of the move to the MSF2 co-financing scheme, the next chapter examines the operationalisation of the accountability technologies embedded in this scheme from the perspective of the NGO managers interviewed. This allows us to better understand how these technologies operated on-the-ground in the attempt to realise the quality improvement ideal and the various programmatic aims attached to this ideal - particularly those related to increased competition on quality and an increased focus on results.