

ANNEX 11 FUND FOR LOCAL COOPERATION (FLC)

Instrument Objectives

The FLC is an independent aid instrument in the form of financing provided solely to local partners. The ultimate objective of the FLC has evolved considerably from 2002 to this present time. For simplicity, we state here the one that was clearest and most applicable to the transition period. That was: “supporting local activities that have a clear aim of developing civil society”. The instrument’s wider objectives relate to the achievement of Finland development policy (2004) objectives to reduce poverty, prevent environmental threat, promote equality, democracy and human rights and the increase of worldwide security and economic interaction. Partners for local cooperation can be NGOs, institutions of science and technology, independent media, public corporations and cultural institutions, chambers of commerce and commercial associations, interest organizations, foundations or religious communities. FLC can not support public authorities. There are two important points to be mentioned here:

During the transition phase (2005–2007), and according to the transition strategy document, further emphasis on the instrument as a means of strengthening cooperation with Egyptian NGOs and other civil society actors and institutions, was placed. This was also one of the transition strategy objectives.

Within the framework of the FLC itself, the transition specified Environment and the Situation of Women as particular focal areas.

Design, Implementation and Results of The Instrument

The FLC is not a newly introduced instrument. It has been introduced by the MFA of Finland since 2000 and has combined the previously used instruments: small grants, democracy fund and cultural funds. Over time, the norms and conditions governing FLC evolved according to the following:

1. Norm 8/2000
2. Norm 18/2002
3. Norm 15/2005
4. Norm 13/2009

FLC started to be implemented in Egypt in 2003, therefore projects implemented during and post the transition period 2005–2007 have been governed by norms 18/2002 and 15/2005. The 2002 norm was an early version of the instrument’s guidelines, while the 2005 norm provided further structure and details about beneficiaries, modes of implementation, eligibility and management of the fund.

Planning

Missions are not obliged to use the FLC, but can deploy it within their own framework of operational plan and available administrative resources. In Egypt, the Embassy of Finland set six priority areas for funding. These are mainly: Gender Equality and Women’s Rights (GWR), Community Development (CD), Human Rights, Democracy and Good Governance (HR, DM, GG), co-operation in the field of Envi-

ronment (ENV), Economic and Business Cooperation (EBC) and finally Institutional Cooperation (IC). The budget planning for each of these thematic areas is inspired partly by the number of applications submitted in the previous year and the mission's defined priority areas.

Application and Procedures

The application for the fund is quite simple; the application and its guidelines are available online at the Embassy's website and are ready to use by various civil society actors. Applications appraisal criteria are published online, however, when it comes to actual selection, there is less transparency both in documentation of decision making process and in communicating the decision to the applicant organizations. Although the applicant is informed officially with a letter of the mission's decision, the specific reason for application rejection is not necessarily mentioned to the applicant. The implementation of the project is the responsibility of the applicant organizations, and the Embassy maintains the right to audit and evaluate the project. Evaluation and audit of projects have been in form of visits by the Embassy's staff in charge to the project, followed by a report submitted to the MFA.

Implementation

From 2003 to 2008, the Finnish Embassy has funded a total number of 50 projects for the total amount of about €1.4 M (covering Egypt and Sudan). In absolute terms, the budget allocated for the fund has increased nearly four folds from 2003 to 2008, jumping from €100,000 in 2003 to € 350,000 in 2008. The most incremental increase was between 2003–2004 where the budget allocated increased by 100%. The trend slowed down afterwards, starting with a 55% increase in 2005, and varying between 9%-15% between 2006 and 2008.

The majority of projects (68%) have been conducted during the implementation of the transition period (11 in 2005, 11 in 2006 and 12 in 2007). The relative higher number of projects during these two years is attributed to the increased funds allocated for this period as already planned in the transition strategy document. On average and on yearly basis, from 2003–2008, 82% of the allocated budget have been disbursed, bearing in mind that the non-disbursed budget is usually transferred to the following year, and distributed as per the program officer's discretion to the appropriate thematic area.

When it comes to thematic and priority areas identified by the Finnish Embassy in Cairo in the period 2003–2008, overall, HR, DM and GG had the lion's share of disbursements (30%), followed by GWR (26%) and CD at 17% of total disbursement. IC and EBC had the least shares with 1% and 3% respectively.

The figure below demonstrate the disbursed funds, particularly during the transition period 2005–2007. During these two years, CD projects had the largest budget disbursement shares (28%), followed by GWR (21%), HR, DM, GG at 19%, with the lowest disbursement being for IC and EBC at 1% and 5.4%.

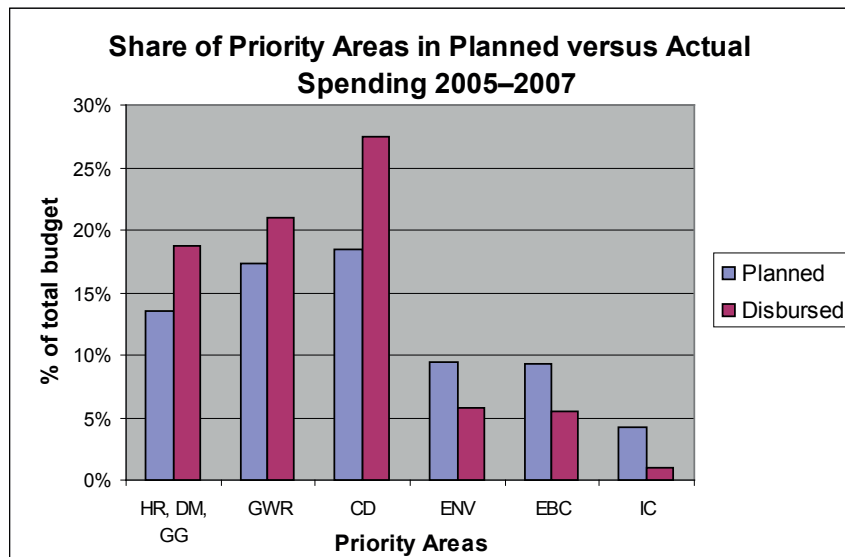


Figure 1 Share of Priority Areas in Planned versus Actual disbursement

Gender Equality and Women's Rights, Human Rights, Democracy and Good Governance

Both gender and good governance, although enjoying the highest shares of disbursed budget, witnessed a decreasing budget allocation trend by 1–2% over 2005–2007. Gender has been consistently ahead of HR, DM and GG by at least 3%. In 2008, the trend has been reversed dramatically, where HR, DM and GG surpassed GWR and reached 33% of the budget versus 11% for GWR of the budgeted projects. The trend as described above is illustrated through figure 2 below.

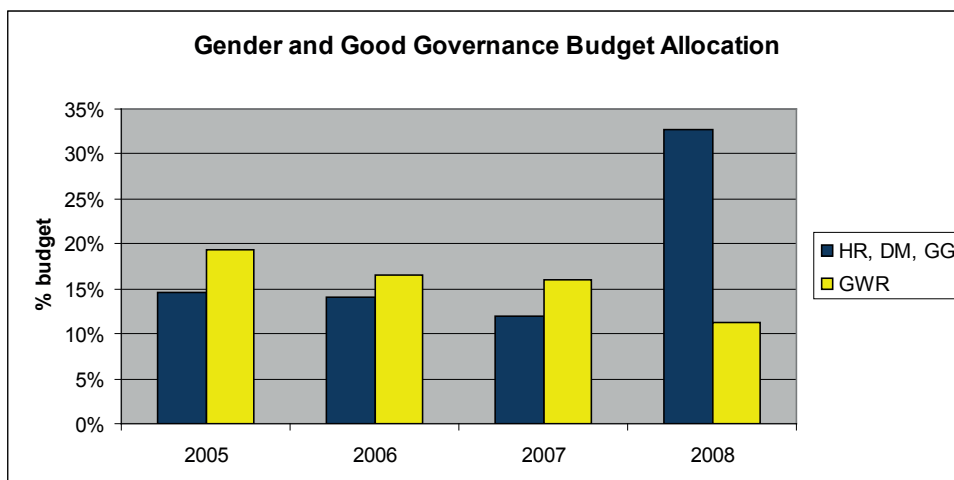


Figure 2 Gender and Good Governance- Budget Allocation

Other Priority Areas

The second priority area identified by the transition strategy; Environment, on the other hand, although identified as one of the priority areas in the transition strategy had an insignificant share in both disbursement (6%) and planning (9%) of the total available budget during the transition period.

On Coherence, Complementarity and Compliance:

3. To what extent are the Egyptian authorities interested in wider cooperation between Finnish and Egyptian civil society organisations? What is the Egyptian attitude towards this? Q 11.

Ad 3. Egyptian Authorities (Ministry of Social Solidarity) are interested in the Finnish FLC. Although NGOs are usually funded by multiple donors and there are usually overlaps and duplications in donors work, this does not cause a problem, because the need is so big and the fact that NGOs need to be self-financed obliges them to look for funding from multiple sources. On the other hand, the Finnish support to NGOs is so much appreciated because it is directed towards the direct and specific needs of the society; an example of this, is the introduction of “dry toilets”, which is a topic very much needed in the Egyptian country-side, and was addressed for the first time by Finland.

On the same note, Civil Society Organizations (CSOs) have been the focal point of Egypt’s attention since the issuance of the 2008 Egypt Human Development Report. This latter highlighted CSOs’ role as catalysts of change and constituted an invitation to them to consolidate for the purpose of integrating social development into economic development. The Finnish Government Resolution in 2004 addresses the issue of CSOs within the context of its goal to strengthen partnership between CSOs. However, in an explicit manner, the FLC instrument is targeted towards poverty alleviation- according to the instrument’s norms. This goes inline with the 2007 Finnish Government Decision-in-Principle which identifies eradication of poverty and ecologically sustainable development as the most important objectives of Finland’s development cooperation.

On Effectiveness

7. Do Egyptian counterparts understand the new instrument? To what extent are the Egyptian counterparts satisfied with the new instrument? (focus on capacity and resources to implement the instrument)

Ad 7. There have been generally little complications encountered by Egyptians to understand the FLC as the guidelines are simple and clear for the more experienced and well developed CSOs. In most cases, program officers provide necessary information/explanations by phone or e-mail to applicants. The application procedures however were regarded as cumbersome, for first time applicants. These procedures were found easier when both parties (Embassy and NGOs) work with each other more often. Egyptian CSOs find the tool effective to support their activities, given their status as not-for-profit and self financing organizations, external funds are important for their survival. On the same note, it must be emphasized that CSOs who are more ex-

perienced and stronger than others, are better able to manage the funds. Therefore, CSOs' resources and capacity (administrative and operational) especially for smaller ones are a major issue for project funding decision.

8. To what extent are the Finns satisfied with the functioning of the new instrument?

Ad 8. The FLC is considered to be a promising instrument given its flexibility and ability to address several development topics.

9. To what extent did the new instrument contribute to: Increased interaction between Egyptian and Finnish institutions

Ad 9. During the transition period, the instrument minimally contributed, if not at all, to the strengthening of cooperation between civil society actors. The reason behind this is the nature of the instrument; the FLC is designed to solely support local (Egyptian) NGOs, while Finnish NGOs as well as Finnish- Egyptian supported NGOs are not eligible to this source of funding. The funds available to support the latter two types of NGOs are available through a pool provided by the Finnish Ministry of Foreign Affairs. On the same note, Finnish NGOs are not obliged by any means to cooperate with Egyptian NGOs. Their interaction with Egyptian NGOs is conducted on voluntary basis. However, recently- in 2008- activities indirectly related to strengthening cooperation between civil society actors have started to take place. This has been in the form of financing offered to local civil society actors to attend conferences in Finland. This kind of activity, eligible for the FLC grant, is likely to result into establishment of contact with Finnish NGOs and could provide good opportunities for cooperation between the two parties. An example of this activity is; a representative from the Egyptian NGO Association for Advancement of Education and a representative from the Ministry of Education were sent for the purpose of capacity building to the PISA conference in 2008. On a more direct level, little of such cooperation evolved during the transition period. There is currently one registered Finnish NGO operating in Egypt, who had started work already since 2000 and that currently has one local NGO partner in the Governorate of Minia (Upper Egypt).

10. How many new applications have been submitted under the new instrument?

Q. 16

Ad 10. Fifty projects were conducted between the years 2003–2008, the majority of which 68% were during the transition period. Other projects were rejected due to in-compliance with the set criteria, or insufficiency of funds.

Ad 11. Between the Embassy of Finland and the Egyptian government, are there joint committees on the new instrument? How many people from the Egyptian side and the Finnish side?

There is no joint committee on FLC where the Embassy of Finland, the Ministry of International Cooperation and the Ministry of Social Solidarity are members. However, FLC is usually brought up by the Embassy in meetings at the Egyptian Ministry of International Cooperation.

On Potential Sustainability:

12. How was the instrument introduced? Was it based on a proper needs assessment?

Ad 12. There is no information about whether or not the instrument was introduced based on a needs assessment.

13. Were there ongoing activities related to the instruments before the introduction of the new instrument?

Ad. 13. There were already ongoing projects' funds before the official introduction of the FLC in 2003. The instrument builds upon and is a continuation of an already existing instrument that had started earlier in 2000- "Democracy fund"- with a budget of 1 M FIM in 2000.

14. To what extent have users of the new instrument taken initiatives to finance the activities on their own costs?

Ad. 14. Given the nature of NGOs, and their dependence on external funding, the likelihood that NGOs would take initiatives to finance activities on their own cost is almost nil. The amount of funds granted by the Embassy vary considerably. It depends on the funds available and planned at the Embassy for the particular priority area. The funding provided to projects could be full or partial funding. In the case of partial funding, the remaining amounts are usually raised by NGOs through other donors.

On Value Added

15. What has been the added value of the new instrument to the Finnish public sector and society?

Ad 15. Given the nature and restrictions around the use of the fund, there is currently no added value to the Finnish civil society. The instrument is currently a mere "development assistance" means and a one-way stream to support the civil society in Egypt. However, there is still a potential for increased partnership between Finnish and Egyptian civil society (see Ad.2).

17. What are the reasons for a potential low level of added value on the Finnish side?

Ad 17. The issue of potential added value to the Finnish civil society is unclear to the Finnish civil society actors, particularly NGOs. The general perception is "a one-way stream", where the main beneficiaries are the recipients of the funds. Therefore, the FLC, given its design and nature, does not generate added value to the Finnish civil society (with the exception of funding activities that would result into contact with Finnish society).

Forward looking

18. What have been the strengths and weaknesses of the instrument?

Ad 18. The strengths of the instrument lie in the fact that it is a flexible tool that provides quick money to NGOs. In addition, the budget allocated under each thematic area can flexibly move through the various focus areas as needed. In addition, its budget planning, although dependent on priorities set by the Embassy (in theory), is dependent to a large extent on the demand generated from Civil society actors towards the instrument.

The weaknesses of the instrument are as follows:

- Against its flexibility, the instrument lacks targeted planning; despite the fact that the Embassy sets priorities, there is no guarantee that these priorities would be somehow addressed either in planning or implementation of projects. Discrepancies between the prioritized areas and the planned and actual budgets have been the trend in the FLC functioning as demonstrated below:
- While the Transition strategy prioritizes Gender, Women's Rights and Environment, the Embassy's placed more emphasis on Community Development. Similarly, while environment has been targeted as a priority area in the transition strategy document, it was much less emphasized in both planning and implementation during 2005–2007.
- Subsequently, while budget allocation has been a successful tool in orientating the FLC towards specific thematic areas as reflected by the positive correlation- in figure 1- between the allocated budget and the implemented projects, its has been insufficient in inducing demand for the topic of "Environment" as a priority area, therefore ranked at the 4th place in the list of priority areas as opposed to its positioning as one of the two priority areas during the transition period. Interviews at the Embassy indicated that the reason behind the smaller shares of environment's disbursement is the little demand, as well as the poor viability of project proposals submitted under this thematic area.
- The instrument lacks a "capacity building" dimension; an issue that has been highlighted by NGOs, and Embassy's staff, who on voluntary basis provide support to NGOs when it comes to proposals preparation and improvement. In addition, one of the findings of the recent Evaluation of the FLC in 2008 is that the FLC did not achieve its objectives related to NGOs capacity building in reporting, monitoring and evaluation. Subsequently, only NGOs who are able to "communicate" and are well experienced with donor funding are the main recipients of funds. There are currently over 30,000 CSOs in Egypt, only 300 of which are regular recipients of donor funding, while the remaining CSOs have insufficient capacity and are excluded at the application stage for the fund.
- Embassy's resources are insufficient to provide operational support to NGOs, for example in proposal writing and/or designing monitoring and evaluation system
- The current provisions of the local NGOs law present a number of constraints to the functioning of local NGOs as well as to the cooperation with the Finnish NGOs. One of these constraints is the supervision of the National Security Agency (NSA) over the NGOs work. Therefore, individual NGOs projects need to be approved first by the NSA before they can receive the FLC financing. This factor causes delays in project implementation. In a similar manner, other regulations rigidly obstruct International NGOs (INGOs) presence. For example, INGOs are allowed to work in the country only when they are legally registered in the country, and when they recruit 9 local staff member against every foreign staff. This factor translates into huge financial costs for INGOs and which positions Egypt in a dis-

advantaged position compared to other countries like Lebanon and Syria, which do not have these regulations

19. How can the instrument and its handling be improved in the future?

Ad 19. The Capacity building dimension should be added to the fund design.

20. Do you have suggestions for ideas on other possible new instruments?

Ad 20. The Embassy could fund other organizations that would provide capacity building to NGOs, or include a capacity building dimension to the fund.

Recommendations

- Given the nature of the instrument, and the fact that it is directed at local NGOs, the likelihood that it would increase cooperation between the local Egyptian and International NGOs or institutions is very minimal. In fact, its impact would be felt more on the micro rather than the macro level. In order for the instrument to become a means of up scaling the relation between Finland and Egypt, and strengthen cooperation, there should be more emphasis on interactions between civil society actors both on the local and international levels. However, since much of these interactions are in most cases demand-based, it is opportune to adopt a further proactive approach by organizing and funding events between local civil society actors, and facilitating communication between local and Finnish NGOs. The trips organized in 2008 for some civil society actors to Finland are good examples of such interaction.
- On the instrument functionality, there is a window of opportunity to maximize the benefits of the instrument, particularly as a means of establishing and maintaining contact with grass root organizations:
- Induce demand by civil society actors working/interested in these priority areas if another dimension is added to the FLC; this could be in the form of advertising requests for proposals from civil society actors through the Embassy's web-site. This will imply also the reconsideration of Embassy's capacity to provide this kind of support.
- Focusing grants towards a smaller number of priority areas (ex. Institutional cooperation), which should be in line with the priority sectors (examples: environment and ICT), to allow better results.
- To this, should be attached a viable monitoring system on projects results in order to allow decision review in the future.
- The new norm issued in 2009, has addressed the capacity building dimension where it provided for the possibility of procuring services to NGOs for the purpose of increasing NGOs capacity.
- Increasing learning opportunities for FLC applicants through more transparency about decision making especially when it comes to refusal of applications. Through communicating the reasons for rejection, applicants may be able to identify their weaknesses and work on them.