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The Netherlands Co-funding Programme in Development Cooperation
(MFS-II):

Non-Government Organizations Competing for Resources & Survival



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Table of Content

Acknowledgements	3
I Introduction	4
II Overview	
II.1 Introduction	7
II.2 History	7
II.3 The Co-financing System: MFS (2007-2010)	8
II.4 MFS-II (2011-2015)	9
II.5 Research Question	10
III Theory & Research	
III.1 Introduction	12
III.2 Organizational Theory	12
III.3 Research Hypothesis	14
III.4 Research Model	18
IV Findings	
IV.1 Introduction	19
IV.2 Data Collection	19
IV.3 Outcome MFS-II Appraisal	21
IV.4 Managing Task Environment	23
a Buffer Strategy	24
b Bridging Strategy	27
IV.5 Structural Equivalence Organizational Field	29
a Structural Conformity	30
b Procedural Conformity	31
c Personnel Conformity	33
V Conclusions	
V.1 Introduction	34
V.2 Managing Task Environment	34
V.3 Structural Equivalence Organizational Field	35
V.4 Limitation Study & Future Research	36
Literature	37
Annex	
I Survey Questionnaire	39
II Research Population	43

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I Introduction

Over the last few years, modalities of international development co-operation have undergone significant changes. Following the dismal performance of the state-led development the old paradigm of public sector came under scrutiny and was replaced by a 'New Policy Agenda' (NPA) in part based on principles of the New Public Management. Central to NPA is a conceptual shift from 'government' to 'governance' and to reduce the role of the government to its core functions. Next to economic prescriptions for aid finance, commonly known as structural adjustment, the NPA reflects thus northern interests and designs for a market-based world order.

Within the NPA, development is more and more seen as a process that is owned and steered by a national community and based on local institutions working towards poverty reduction and equitable distribution of wealth for its population. This process is fueled by national and international opportunities and inputs. Development co-operation is seen as a facilitator of this process and there is a general consensus that development can only be achieved through participation of the different stakeholders of a national community, not the Government alone. Next to this multi-stakeholder conditionality, a new political conditionality is also part of the new aid landscape, putting pressure on countries of the South and East to introduce multi-party politics, slim down their bureaucracies, be more transparent and accountable, respect human rights, advance women's position in society, create greater space for civic action and reduce military expenditure (Robinson, 1994).

A call for a minimal and a more efficient and effective Government resulted in downscaling of public organizations and an increased trend in privatization. Increased emphasis on issues such as responsiveness and legitimacy resulted in increased involvement of private actors and emphasis on public-private cooperation. Over the last decade, proportionally more international donor funds were directed to non-public actors in the delivery of development assistance including both, commercial as well as non-profit organizations (Fowler, 2005: 137-140).

Public private partnerships involving citizens, private enterprises, knowledge and research institutes, civil society organizations and government authorities is also central in the Netherlands policy for development co-operation. This policy has particularly gained

importance from the early 2000s with the introduction of the so-called ‘Co-financing system’ (MFS).¹ Next to bi-lateral and multi-lateral aid modalities, the MFS finances Dutch Civil Society Organizations (CSOs) in development co-operation in order to facilitate public-private partnerships and to strengthen civil society as a means to reduce poverty (Ministry of Foreign Affairs, 2003: 5).

Opposed to a previous system where only a few established CSOs along denominational lines received government funding, the MFS opened up financing opportunities for many more Dutch CSOs working or aspiring to work in development cooperation. Fundamentally, MFS worked as a leverage to increase competition among CSOs for government funding. Whereas the first MFS phase (2007-2010) supported 106 CSOs, the coming MFS phase (2011-2015) will only support a maximum of 30 proposals, with a positive view on joint proposals submitted by alliances of CSOs. Given the fact that MFS financing constitutes a large part of most of the CSOs programme funding portfolio, obtaining MFS financing is of great importance and in some case will even determine CSO’s chances for survival.

This paper studies the attitudes of Dutch CSOs in response to MFS-II (2011-2015) in terms of strategizing to obtain MFS financing and, in the event they fail, to survive. Furthermore, using particular exponents of the ‘open system’ concept in contemporary organizational theory, the paper looks into the effects of MFS-II on the organizational field of Dutch CSOs working in development cooperation.

Rather than advancing organizational theory, the paper aims to contribute to the current debate on the best and most appropriate manners and instruments to provide development cooperation and to make these efforts fair, effective, responsive and sustainable. The current debate has political as well as technical considerations. MFS is certainly not undisputed. Both, proponents as well as opponents have contrasting claims on the usefulness, fairness and effects of MFS as an instrument to best capitalize on potentials and strengths of CSOs providing development assistance and to sustain a balanced and divers field of CSOs each with its own identity and expertise.

¹ ‘Medefinancieringsstelsel’ (MFS).

Chapter II provides background of Dutch development co-operation, with a brief on historical financing modalities to facilitate CSOs, eventually evolving into MFS-II. Within this context the central research question for this paper is presented. Chapter III sketches the theoretical framework and describes the conceptual model used to answer the central research question. Two main hypothesis are presented which guide and direct the research. Analysis of research findings is described in chapter IV. The paper concludes with chapter V with a summary of main findings a presentation of the research limitations of suggestions for additional research.

II Overview

II.1 Introduction

Alongside multilateral and bilateral assistance, partnerships with the private sector including support of CSOs in development cooperation has formed an important and historical pillar of the Dutch development policy (Ministry Foreign Affairs, 2009; 2). Whereas historically only four major Dutch CSOs working in development cooperation received government funding, this changed during the late 1990s early 2000s as a result of changed views on development cooperation and a more diverse field of Dutch CSOs working in development cooperation.

This chapter provides a brief overview of the history of government financing of Dutch CSOs working in development cooperation. The core of this chapter is devoted to introducing the latest co-financing modality, the MFS. It elaborates on objectives, principles and specific modalities of MFS.

II.2 History

From the 1960s only 4 major Dutch NGOs, Cebemo, Icco, Novib and Hivos, each representing a major religious or humanistic affiliation of Dutch society received Government subsidies under the policy framework of the co-financing programme. In 2003, as a result of changed views on development cooperation and a more diverse field of Dutch NGOs and CSOs working in this area, a parallel policy framework, the ‘Thematische Medefinanciering’ (TMF) was introduced.

Partially, this policy institutionalized a fragmented CSO support modality. The TMF was developed in close dialogue between the Ministry and representatives of the Dutch CSOs. It was guided by the notion that a developed civil society was mandatory for the reduction of poverty. To this effect CSOs in developing countries were to be supported and capacitated by professional CSOs from the North (ECDP, 2003; 2-14).

Thus, next to providing grants to the four traditional NGOs, the Ministry provided new grants under TMF, to other Dutch NGOs and CSOs specialized in particular segments or themes in development cooperation.²

II.3 The Co-financing System: MFS (2007-2010)

The ‘Co-financing System’ (MFS) is the grant framework of the Dutch Ministry of Foreign Affairs for Dutch based Civil Society Organizations (CSOs) working in development cooperation. The MFS has integrated the previous ‘medefinancieringsprogramme’ (MFP) and TMF in one policy framework. The first MFS grant period (MFS I) covered the period 2007-2010.

As was previously the aim under MFP and TMF, the prime aim of the MFS was still to contribute to poverty reduction through strengthening of civil societies in the South. The aim of an integrated framework of MFP and TMF under MFS was to enhance complementarity within the Dutch development cooperation field as a whole and to establish a way of comparing the merits of such organizations and programmes in future. MFS was designed to assist both broad-based and theme-based Dutch CSOs supporting either direct poverty reduction, civil-society building or working to influence policy, processes and structures that perpetuate or exacerbate poverty and inequality (Ministry of Foreign Affairs, 2005; 3).

MFS was in part a consequence of international developments in both the North and the South as well as by trends in North-South relations. It was realized that these developments demanded a change in the cooperation between the Government and civil society and the integration of MFP and TMF into a new framework with different modalities. In this respect the most important changes were: (1) the internationally agreed Millennium Development Goals (MDGs) resulting in new themes for the Government support as well as indicating new benchmarks for NGOs and CSOs; (2) different demands from partner organizations in the South requiring a more differentiated role from Dutch NGOs and CSOs; (3) the need for a closer interrelationship between the security agenda and the development

² The TMF programme was completed in 2006 with actual subsidies running into 2010. Average number of Dutch CSOs benefitting from the TMF grant was 65 with a total average annual budget of Euro 155 Mil (www.minbuza.nl).

agenda by a multifaceted, integrated repertoire of complementary and strategic interventions by Government and civil society; (4) increasing importance of international context and international networks for policy influence; (5) emergence of new actors and new forms of cooperation; (6) the need for accountability and measurable results (Ministry of Foreign Affairs, 2009; 2-3).

MFS was thus a new co-financing system intended to facilitate Dutch non-governmental development organizations (NGDOs) to contribute to development cooperation in a changed international context and agenda. MFS was designed to create transparent and consistent enabling conditions both for the division of roles between bi-lateral development cooperation field and the NGDOs and for cooperation between the two to enhance quality of and impact of development cooperation and increase public engagement. MFS established specifically tailored criteria for NGDOs with the intention of promoting further improvement and reform of development cooperation and ensuring transparent accountability for the results achieved (Netherlands Government, 2003). Key concepts of MFS were: (1) complementarity; (2) partnerships; (3) innovation and (4) public participation. Under MFS all NGDOs were supposed to be treated equally and to adhere to the principle of a 'level playing field' (www.samora.nl).

By April 2006, a total of 114 NGDOs submitted a proposal for MFS-I funding of which 45 proposals were approved in full, 14 in part and 56 were rejected. A total of Euro 2.1 Billion was awarded (Ministry of Foreign Affairs, 2007). MFS-I constitutes approximately 11-14% of the total Dutch support for development cooperation (Wikipedia MFS).

II.4 MFS-II (2010-2015)

MFS-II follows MFS and covers a new grant period starting January 2011 till December 2015. MFS-II has earmarked the sum of Euro 2.124 Billion. MFS-II is intended for programmes established by independent, not-for-profit CSOs whose seat is in the Netherlands and that work in strategic partnerships with Southern partners to establish and strengthen civil society.

Essentially, strategies, objectives and concepts under MFS-II are similar to MFS-I, but with a reinforced emphasis on the need to modernize partnerships with CSOs (Ministry of

Foreign Affairs, 2009 a). More focus is suggested on structural social change that will benefit development, to provide a customized approach, to combine forces, to make development cooperation more effective and to combat fragmentation. Other aims include closer alignment of programmes with local problems, focusing more clearly on partner countries and achieving a more transparent accountability to all stakeholders (Ministry of Foreign Affairs, 2009 b; 12).

The overall aim of MFS-II is to contribute to the establishment and strengthening of civil society in the South as a building block for structural poverty reduction. Proposed strategies to realize this are: (1) promotion sustainable development; (2) building civil society and finally (3) influencing policy. A distinct number of policy themes are central to MFS-II which include: (1) sustainable economic development; (2) HIV/AIDS; (3) education; (4) Health care; (5) Human rights; (6) democratization; (7) good governance; (8) water and sanitation and finally (9) sport and recreation (Ministry of Foreign Affairs, 2009 b; 4).

Contrarily to MFS-I, MFS-II will award a maximum of 30 proposals only. Whereas proposals from individual CSOs can be approved, a more positive view is taken for applicants forming consortia to implement joint programmes.

II.5 Research Question

The MFS-II grant of the Ministry of Foreign Affairs constitutes the main financing resource for most of the beneficiary CSOs both for recurrent as well as for programme costs. MSF-II will support a maximum of 30 proposals with a total budget of Euro 2.214 billion. Compared to MFS- I, which supported a total of 86 CSOs, the overall available budget under MFS II will also be reduced. MSF-II not only calls for a more distinct focus in development cooperation geared towards realization of Millenium Development Goals (MDGs), it also calls for increased harmonization between and among CSOs.³

³ The new policy is a.o. based on the Paris Declaration on Aid effectiveness (2005), a global effort for more harmonization in development aid to which the Netherlands Government subscribes. The Paris Declaration adopts 3 principles: (1) Ownership; Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions, (2) Alignment; Donors base their overall support on partner countries' National development strategies, institutions and procedures and (3), Harmonization; Donors' actions are more harmonized, transparent and collectively effective. MFS-II should be understood in a wider context for a call for increased harmonization and is, de facto, a manifestation of this global trend.

Given the importance of MFS financing for Dutch CSOs working in development cooperation, it is expected that MFS-II will have major implications for Dutch CSOs in terms of programming as well as in terms of strategizing and structuring for survival. It is expected that MFS-II will have a major implication for the organizational field of Dutch CSOs as was seen with the introduction and allocation of MFS-I.⁴

Therefore, the main research question for this paper is: *How do Dutch CSOs, currently working in development cooperation, respond to MFS II and what is the effect of MFS II on the organizational field in which they operate?*

Rather than advancing organizational theory, the research may contribute to the current debate on how best to involve private initiatives for development cooperation next to the established and the more institutionalized government and non-government sector. MFS is certainly not undisputed. Both, proponents as well as opponents have contrasting claims on the usefulness, fairness and effects of MFS as an instrument to best capitalize on potentials and strengths of CSOs providing development assistance and to sustain a balanced and diverse field of CSOs each with its own identity and expertise. Moreover, given the current political and economic context, a critical analysis of current practices may best serve an ambitious future agenda in development cooperation with appropriate levels of financial commitments.

⁴ The introduction of MFS I (2006) resulted in a major change in the Dutch CSO field as financial support was extended from the traditional 5 Major CSOs to 59 CSOs.

III Theory & Research

III.1 Introduction

This chapter provides an overview of the organizational theory applied to this research. Various theoretical concepts provide interesting analytical perspectives on organizations and have partly overlapping, partly different views and elements. After a brief overview of the theory, this chapter zooms in on the population-ecology and the resource-dependency concepts of the open system theory which are used to design the research hypothesis of this paper. The chapter concludes with a conceptual model to be tested in this research.

III.2 Organizational Theory

Historically, 3 conceptual approaches have dominated organizational analysis, the tradition of the rational system approach, the natural system concept and the open system approach. The rational system concept (a.o. Taylor, Fayol, Weber, Simon) is primarily focused on the normative structure of organizations, on the specificity of goals and the formalization of rules and roles (Scott, 53). While various theorist differ in nuances, the general argument underlying the rational system perspective is that the ‘structure is a fundamental vehicle by which organizations achieve bounded rationality’ (Thompson 1967, 54. In Scott, 1998; 54). While the Rational system concept is valuable to learn about these internal aspects of organizations, it has limited relevance to understand the actual behavior of organizations; structure is celebrated; action is ignored (Scott, 1998; 55).

In contrast, the natural system (a.o. Mayo, Barnard, Selznick, Parson) concept of organizations appreciates organizations much more as social groups attempting to adapt, evolve and survive in their particular circumstance (Scott, 1998; 57). Rather than to focus on a distinct organizational goal, survival and maintaining its equilibrium is of greater importance (Gouldner 1995, 405. In Scott, 1998; 57) and informal structures are therefore equally or even more important as the formal structures. The importance of the organizations environment is only partly recognized in this perspective.

Whereas rational and natural concept perspectives focus on organizational structures, the new conceptual approach to view organizations as open system shifts attention from

structure to process. The open system concept (a.o. Weick, Galbraith) defines organizations of interdependent activities linking shifting coalitions of participants; the systems are embedded in, dependent on continuing exchanges with and constituted by, the environments in which they operate (Scott, 1998; 28). The interdependence of the organization and its environment receives primary attention (Scott, 1998; 100). In this 'ecological' concept, the organization is seen as a collective actor or a component in some more comprehensive system of relationships (Scott, 1998; 29).

Over time, the traditional organizational paradigms gave way to open system perspectives and they have been integrated in more encompassing formulations, combining and reconciling selective portions of earlier traditions (a.o. Etzioni, Thompson). Initially these formulations tended to adapt a more rational approach (a.o. Lawrence and Lorsch, Williamson), but more recently the open system natural models have gained considerable attention in particular the population ecology approach (Hannan & Freeman, 1977, Aldrich, 1997) and the resource dependence approach (Pfeffer & Salancik, 1978).

The population ecology model or natural selection model, originating with the work of Darwin, applies primarily to populations or organizations rather than to individual units. The model is designed to explain organizational diversity based on natural selection processes. Environments differentially select organizations for survival on the basis of fit between organizational forms and environmental characteristics (Scott, 1998; 115). Because organizations compete for resources within the same environment, organizations in a population are in a state of competitive interdependence. Competition pushes organizations towards adopting similar forms, resulting in greater homogeneity or specialization of forms within different niches. Organizations, in a sense find niches to protect themselves against competition (Aldrich, 2006; 35).

The concept of population ecology provides an interesting perspective to understand organizational responses and survival to environmental changes and – shocks and essentially three processes are suggested in evolutionary analysis. The first process is the creation of variety as a result of some planned or unplanned process. A second option is that some forms of organizations are differentially selected over others for survival. Finally, the third possible process is that some organizational forms are retained and preserved in some fashion by reproduction or duplication (Campbell, 1969 in Scott, 1998; 115). Competition and

cooperative interdependencies jointly affect organizational survival and prosperity. Organizational change is the result of the replacement of one type of organization with another and not so much of adaptation or change on the part of the existing organization. The bottom line is survival! The ability to perpetuate one's form is the hallmark of successful adaptation (Scott, 1998; 115-116).

Rather than selection, the resource dependence or power-dependence model (Thompson, 1967) is based on the assumption that organizations can act and adapt to improve their chances of survival. Much more than in the population ecology approach, organizations are viewed as active, determining their own fate based on opportunities, threats, changes and shocks in their environment. Important contributions of this approach is to understand strategies employed by organizations to change and adapt to the environment such as buffering, diversification and merger (Scott, 1998; 116-117).

Within the resource dependency model a number of analytical levels have been employed to study the environment such as the organization set, the organizational population and the Inter-organizational community (McKelvin, 1982, Hannan & Freeman, 1977). Encompassing all these analytical concepts is the concept of the organizational field defined as all those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and produce consumers, regulatory agencies, and other organizations that produce similar services and products (DiMaggio and Powel (1983, 143) (Scott, 1998; 129). Within this definition, the concept of organizational domain is important. It is defined as the range of products or services the organization provides and defines the type of clients or consumers served and affects its behavior and outcomes (Scott, 1998; 124).

III.3 Research Hypothesis

This paper will use the open system concept, in particular the population ecology model and the resource dependency model to understand the effects of MFS-II on individual CSOs and on the organizational field in which they operate. The first hypothesis relates to the

response of individual CSOs in relation to its changed environment. The second hypothesis relates to possible and expected changes in the organizational field of Dutch CSOs.⁵

Within resource dependency concept, a distinction is made between the *task* environment and the *institutional* environment. Organizational responses to these concepts is predicted to be different and typical. The task environment is defined as those features of the environment relevant to the organization viewed as production system, in particular the sources of inputs, markets for outputs, competitors and regulations. Since no organization generates all the resources necessary for its goal attainment or survival, organizations are forced to enter into exchanges, becoming interdependent with other environmental groups, typically other organizations. Unequal exchange relations can generate power and dependency differences among organizations, hence organizations are expected to enter into exchange relations cautiously and to pursue strategies that will enhance their own bargaining position. Typically, organizations apply distinct strategies to manage this task environment. A distinction can be made between a *buffer* strategy, aimed at protection from disturbances arising from task environment, in effect, amplifying its protective boundaries and *bridging* strategy, oriented towards the security of the entire organization in relation to the environment addressing power position of organization vis-à-vis exchange partners such as bargaining, contracting, cooptation, alliances, joint ventures and mergers (Pfeffer and Salancik, in Scott, 1998; 196-199).

The first hypothesis relates to the organizational response of individual CSOs in the way they manage their *task* environment which is assumed to have significantly changed by the specific criteria of MFS-II and the resource dependency of most CSOs on MFS-II. Therefore, the first research hypothesis is:

In order to position themselves best to receive MFS-II funding and, in the event they miss this funding, to position themselves best to generate alternative income and survive as an organization, CSOs will compete each other and establish cooperative interdependencies exploring new niches.

⁵ The two research hypothesis relate to two different stages in MFS-II financing: the 1st hypothesis relates to the preparation/application period (phase 1) which effectively closed 30th December 2009. The 2nd hypothesis relates primarily to the actual implementation phase of MFS-II, starting January 2011.

Rather than viewing organizations as a subject to conditions of the environment, the hypothesis posits organizational change as the outcome of an active role of the organization. The hypothesis assumes that environmental contingencies and constraints leave a range of possible social and organizational structures consistent with survival based on a range of strategic options on the part of organizational members. In turn, it is assumed that the decision making and the organizational outcome in response to the environmental constraints is subject to internal political processes which will be captured in this research as well.⁶

The hypothesis may falsely suggest that missing out on MFS-II could pose an overwhelming constraint on organizations while instead they may have more autonomy than might be inferred. For instance, managers can both select from a range of viable alternatives compatible with the niche they currently occupy and choose the type of environment in which the organization is to operate. Furthermore, the hypothesis may prove wrong if the main underlying assumptions i.c. the extent of organizational dependency on MFS funding, turns out to be false. In case CSOs are not dominantly dependent on MFS funding, non-allocation of MFS funds should not have a detrimental short-term impact on survival changes of CSOs and no substantial change in terms of competitive behavior or exploring new niches other than those ones expected to occur anyway, are likely to be observed. Thus, it is assumed that relative to the extent of resource dependency on MFS, organizations may, or may not, engage into transactions, relations or competition with elements from the environment to secure required resources, functions and services for survival.

The second research hypothesis relates to expected changes in the organizational field of Dutch CSOs in the actual MSF-II period phase and relates to the *institutional* environment of CSOs in Dutch development cooperation. Whereas various definitions of institutions are seen in the literature, an all encompassing definition of an institution as *'the cognitive, normative and regulatory structures and activities that provide stability and meaning to social behavior'* is applied for the purpose of this paper (Scott, 1995, 33). The focus for this paper is on the *regulative* features of institutions, in our case, criteria, rules and enforcement

⁶ Although this research doesn't explicitly uses the political economy model (Zald, 1970) to understand use of power and internal political processes relevant to organizational decision, it will refer to it in the analysis and findings.

mechanism applied by the Ministry of Development Administration on CSOs through MFS-II.

In the regulatory view of institutions, it is assumed that the major mechanism by which compliance is effected is coercion. Individuals and groups comply to rules and codes out of expediency. Behavior is viewed as legitimate to the extent that it conforms to existing rules and laws (Scott, 1998; 134). Over time, it is proposed that organizations in the same organizational field become more homogeneous, more similar in structure, by incorporating institutional rules within their own structures. This process is called structural equivalence or *isomorphism* (Di Maggio, 1986 in Scott, 1998; 129-130).⁷

The principle of isomorphism was first proposed by Amos Hawley, the main architect of the neoclassical perspective in human ecology. ‘Units subjected to the same environmental conditions or to environmental conditions as mediated through a given key unit, acquire a similar form of organization. They must submit to standard terms of communication and to standard procedures in consequence of which they develop similar internal arrangements within limits imposed by their respective sizes’ (Hawley, in Hannan & Freeman, 1989; 93). In other words, different organizations in a similar environment have the tendency to become more similar. This process takes place under the influence of a combination of coercion, mimicking or contextual institutional rules.

The second research hypothesis relates to this process of isomorphism in the organizational field of Dutch CSOs working in development cooperation. It is hypothesized that isomorphism will take place as a result of MFS-II:

MFS-II is a main regulatory feature and will lead to a process of structural equivalence in the organizational field of Dutch CSOs working in development cooperation.

However, some reservations in verifying or falsifying this hypothesis are made. It is considered that this research may not be able to capture factual isomorphism manifested in the

⁷ According to DiMaggio and Powel (1983) three general mechanisms are conducive to isomorphism: (1) coercion, (2) mimetic, and (3) normative. Each of these mechanism are associated with regulative, normative and cognitive institutions (Scott, 1998: 213).

organizational field but only observe possible indications that isomorphism is likely to take place in the longer run. This reservation clearly relates to the timing of the research and the fact that it doesn't take a longitudinal perspective with possibilities to capture longer-term and future developments. The theoretical model applied is useful to explain distribution of fitness across a population of organizations, rather than the fitness of one particular organization with respect to a changed environment. Ideally, this requires a more longitudinal research approach, where the organizational field as such is much better represented and studied in relation to a more comprehensive definition of its environment than just MFS-II in isolation, also in relation to a properly defined categorization and classification of organizations (Aldrich, 1976, 79-82).⁸

III. 4 Research Model

The research is to determine a causal relationship between independent and dependent variables. It is qualitative and descriptive in nature. The *independent* variable in this research is MFS-II which stands for a substantial change in the technical and institutional environment of Dutch CSOs working in development cooperation. The *dependent* variables are; (1) the organizational responses of individual CSOs and (2) the organizational conformity in the field of Dutch CSOs working in development cooperation.

Each variable is represented by specific indicators best matching content of individual variables and capturing their interdependence as reflected in the hypothesis. Indicators for the independent variable *MFS-II* are: (1) *Funding level* and (2) *Specific conditionalities* attached.

Indicators for the 1st dependent variable *Organisational response of CSOs* are: (1) *Buffer strategy*: interventions for the protection from disturbances arising from task environment, and (2) *Bridging strategy*: interventions oriented towards the security of the entire organization in relation to environment addressing power position of organization vis-à-vis exchange partners such as bargaining, contracting, co-optation, alliances, joint ventures and mergers.

Indicators for the 2nd dependent variable *Organisational conformity of Dutch CSOs* are: (1) *Structural conformity*: structural adaptation as a result of a environmental

⁸ This would be possible if more time was available.

conditionality; (2) *Procedural conformity*: adoption of specific activities and or specific procedures; (3) *Personnel conformity*: hiring and firing specific personnel for particular functions or roles (Scott, 1998; 214-216).

IV Findings

IV.1 Introduction

The analysis intends to answer the main question of this research i.c. how Dutch CSOs currently working in development cooperation respond to MFS II and what the effect is of MFS-II on the organizational field in which they operate? Two leading research hypothesis were derived from the main research question and each hypothesis was further detailed in a set a specific assumptions, variables and indicators resulting in specific questions in the survey and the in-debt interviews. Analysis and findings of these two research hypothesis are central in this chapter. Before a detailed analysis per hypothesis is presented, the chapter will explain the main data collection methods applied and it will present the outcome of the preliminary MFS-II Proposal Assessment, which forms the context of the research analysis and findings.

IV.2 Data Collection

Various complementary methods of data collection have been applied aimed at triangulation and optimizing research validity. In the preparatory phase, an elaborate document study is carried out consisting of review of literature, policy documents, memoranda, newspapers, etc. In addition preparatory interviews have been conducted with resource persons from the Ministry of Foreign Affairs and from some major CSOs. The preparatory phase was completed with design and testing of a general survey questionnaire for CSOs.

Research is aimed at analyzing the organizational field of Dutch CSOs working in development cooperation. Actual unit of observation is the individual CSO. All those CSOs who applied for MFS-I programme funding (2007-2010) were considered research population and were consequentially invited to participate in this research.⁹ Of those 104 CSOs, 20 CSOs could not be traced back and the remaining 84 CSOs were contacted and sent an electronic

⁹ At the time of sending out questionnaires it wasn't possible to define the exact population size of CSOs competing for MFS-II funds as specific information wasn't accessible. Therefore, involving all CSOs previously competing for MFS-I funding would sufficiently represent the whole organizational field including new CSOs not captured in the research.

survey questionnaire with a brief explanation on purpose and requirements of the research.¹⁰ The timing of sending out the questionnaires related to the timing of the first review process by Ministry of Foreign Affairs of CSO proposals and was one week before CSOs were informed whether they would qualify or fail MFS-II funding.¹¹

Out of the 84 CSOs, considered as research population and requested to participate in the survey, a total number of 10 organizations responded positively and returned a properly filled questionnaire in time. All CSOs were sent a reminder requesting them to participate and the period for sending in questionnaires was extended with two weeks. At the closure of the period only two additional questionnaires were received. Thus total response was 13 CSOs, which is just 15% of the total research population. The considerable percentage of CSOs not participating (85%) is mainly attributed to limited time and staff (65%) to participate in the research or little interest (35%).

CSOs that responded positively, fairly represent the diversity of the total research population. Based on extent of annual budgets and some additional characteristics, four respondent categories can be distinguished. The first category consist of two CSOs operating an average annual budget of about Euro 250 Mil and represent the larger, more established organizations that operate in a wide range of programmatic areas and sectors. Both of them have traditionally received government subsidies as ‘medefinancieringsorganisatie’ (MFOs). Both organizations continue to receive MFS-II funding. A second respondent category consist of five CSOs representing well established, medium seize organizations operating an average annual budget of about Euro 20 Mil. To some extent these CSOs are innovators and trendsetters in a specific programmatic area and have received government funding in the past but depend only partly on it. Three CSOs failed to secure MFS-2 funding while two CSOs qualified. The third respondent category consist of three CSOs representing smaller specialized organizations established in the 1990s in specific sectors and have a average annual budget of about Euro 5 Mil. They depend fully on government subsidies and while just one organization succeeded to secure MFS-II funding, the other two CSOs failed to do so. The fourth and last respondent category consists of three smaller CSOs, operating in a narrow

¹⁰ Of the 104 CSOs applying for MFS-I funding only 84 CSOs could be traced back. Prior to sending the questionnaire, 36 CSOs were contacted by phone to request for their participation. Of the remaining 46 CSOs, the relevant officers were not available by phone.

¹¹ 1st April 2010.

and specific niche of the international development cooperation and have an average annual budget of less than Euro 1.5 Mil. Just one CSO of this category succeeded to secure MFS-II financing, while the other two CSOs failed to do so.

In addition to information collected through the survey, a number of semi-structured interviews complemented the research findings. A total of nine interviews were conducted with representatives of the Ministry of Foreign Affairs (1) and professional staff of CSOs working in the field of international development cooperation (8). Interviews were conducted with a cross section of CSOs that best represented the research population and that included larger and smaller CSOs that both, succeeded as well as failed to secure MFS-II funding.

Although the research presents findings that may hint at certain trends and conclusions, these have to be treated cautiously as both, the extent as well as the level of representativeness of the collected data is limited. Additional research is therefore most recommended in which a higher participation of the research population should be ascertained.

IV.3 Outcome MFS-II Appraisal

The research findings are presented against the background of the outcome of the pre-assessment of CSOs proposals for MFS-II funding. Whereas assessment of MFS-I was executed by an external commission, pre-assessment of MFS-II was completed by the Ministry of Foreign Affairs with oversight from an external advisory commission. CSOs were informed on 31st March 2010 about outcome of assessment. Proposals which qualified need to be completed, following strict guidelines and templates and submitted by 1st July 2010 for a final assessment, to be concluded by the Ministry not later than 1st November 2010 after which qualification for MFS-II funding will be final (www.minbuza.nl/nl/Actueel).

The pre-assessment consisted of a general review of minimum requirements ('drempelcriteria') set by the Ministry looking into: (1) extent of collaboration with partners in the South; (2) secured alternative financing next to requested MFS-II funds to a minimum of 25% of annual organizational budget; (3) salary levels of CSOs employees. Next to these minimum requirements for which proposals had to qualify, the proposal assessment looked into 3 specific criteria: (1) quality of proposal; (2) quality and track record of CSO and; (3)

quality and added value of alliance of participating CSOs in joint proposal (www.minbuza.nl/nl/Actueel).

Out of a total number of 43 proposals submitted, only 20 proposals have been approved. The ceiling of 30 proposals eligible for financing was not reached with only 20 proposals qualifying. 23 proposals have been rejected which is more than reasonably could have expected. The specific reasons are not known but supposedly relate to strict adherence of the assessment criteria under the influence of the current political-economic constellation and the need for a new government to reduce spending levels;¹² 74 organizations are represented in the 20 approved proposals, collaborating in alliances, with a total proposed budget of 2,8 Billion (Vice Versa, 2010).

The total budget for the current approved 20 proposals is 2.8 Billion, which is about 0.7 Billion in excess of the available MFS-II budget of 2.1 Billion. Assuming that the initial MFS-II budget ceiling will be accommodated, still 0.7 Billion is to be reduced. From the approved budget, it must be concluded that the larger programmes of the old MFOs will be most likely approved also in the 2nd assessment phase.

A surprising failure to qualify for MFS-II came for some established and innovative CSOs, as well as for some new CSOs who previously received MFS-I funding. Only joint proposals have been approved. None of the individual CSO proposals made it. It is not clear whether this was related to quality criteria or that it related to the fact that no alliance was involved. The large majority of CSOs (104) participate in just one proposal. About 23 CSOs participate in 2 proposals. Of the major CSOs, one participates in 4 alliances (lost one) and one participates in 3 alliances (won all).

The total number of beneficiary organizations from MFS have been reduced with 12 from 86 organization under MFS-I to 74 under MFS-II, a reduction of about 14%. If one compares the number of beneficiary organizations for MFS-I and TMF together (106), the reduction of organizations benefitting from government subsidy is 32, about 30% of the total organizational field. However, more organizations of the total CSO field are affected by the

¹² On 8th June, new parliamentary elections will be held and it is widely believed that the new government will significantly reduce the National budget to slim the national debt, including the budget for international development cooperation.

reduced government subsidy as a total of at least 130 CSOs participated in the MFS-II and only 74 of these will receive some MFS-II funding. In effect about 57% of the total CSO organizational field will not receive MFS-II funding.

In terms of the composition of participating CSOs it appears that the position of established CSOs is consolidated and no substantial changes have occurred. The large majority of the current beneficiary 75 CSOs were already recipient of government funding, either under MFS-I. 32 other CSOs received previously government funding through other channels. Just 23 CSOs didn't previously receive any government funding (17%). None of these 'new' CSOs features as the 'lead' organization in one of the approved 20 proposals of CSO alliances. Some organizations who failed to secure funding under MFS-I have now been successful.

Although the content of the proposals is not yet known, the remaining CSOs who qualified for the 2nd assessment phase stand for a reasonable mix of wide range thematic subjects. However, this wide range of thematic subjects is equally represented in those CSOs who failed this first assessment phase.

IV.4 Managing Task Environment

The first hypothesis relates to the organizational response of individual CSOs in the way they manage their environment in relation to the sources of inputs, markets for outputs, competitors and regulations (task environment). MFS-II is assumed to be crucial and a determining factor in the task environment of Dutch CSOs working in international development. It is therefore hypothesized that they will position themselves best to receive MFS-II funding through application of a mix of buffer and bridging strategies. It is further hypothesized that in the event CSOs miss out on MFS-II funding, they will try to position themselves best to generate alternative income in order to survive as an organization. If necessary CSOs will compete each other and establish cooperative interdependencies exploring new niches.

An important assumption for this hypothesis is the relative importance of MFS-II for individual CSOs. The vast majority of respondents in all four categories confirm that MFS-II funding would be critical to maintain a substantial programme and to sustain the organization

in the near future. An appraisal of the current MFS-I financing, relative to the total annual budgets of the CSOs represented in the four respondent categories, confirms this assessment. MFS-I contribution to CSOs in category I and II ranges between 19 and 40 percent of the average annual budgets of CSOs while MFS-I contribution to CSOs in category II and III exceeds 50% of the average annual budgets. Despite the differences between categories and between individual CSOs, a large majority of CSOs confirm the indispensable contribution of MFS-I to maintaining a substantial program and sustaining the CSO. A similar assessment is made in respect of the importance and indispensability of MFS-II towards future programming and organizational survival. Only a small minority of CSOs, most notably in category II with the least dependency on Government funding feels that, even without being granted MFS-II funds, they will be able to survive and continue a meaningful programme (Table 1, next page).

Table 1: Proportion MFS-I funds Annual CSO Budgets per Respondent Category

Cat.	Average Annual Budget (Euro Mil)	Average Annual MFS-I Subsidy (Euro Mil)	MFS-I as % Total Budget	Other Sources relative to Budget	Importance of MFS-II for Programming & Organizational Survival
I	245	98	40%	60%	High
II	20	3.8	19%	81%	Considerabel
III	5.2	3.2	61%	39%	High
IV	1.3	0.7	53%	47%	High

Source: Survey Respondents

IV.4.a Buffer Strategy

A first indicator to measure CSOs responses in relation to MFS-II is the extent to which they develop and engage in interventions to amplify its protective boundaries; the so called ‘Buffer Strategies’. In relation to this, the research looked into CSOs assessment of the probable outcome of the MFS-II funding request; whether they felt confident about a positive outcome or whether they anticipated a possible negative outcome. A summary of research findings is provided in table 2 (next page) and further elaborated in the next paragraphs.

Table 2: Assessment Outcome MFS-II request & Buffer Strategies

Cat.	Anticipated Outcome MFS-II Assessment	Reasons Positive Assessment	Reasons Negative Assessment	Buffer Funding Strategies considered	Buffer Business Strategies considered
I	Pos (2)	CSO always been successful in past, High experience,		Yes, but not related to outcome MFS-II	
II	Pos (3) / Neg (2)	Innovative, Good track record	MFS-II just limited contribution to CSO,	Consolidate alternative funding sources, increase market orientation	Downscaling: adopting number of programs, partners, projects
III	Neg (3)		Limited funds in relation to many CSOs	Alternative funding scenarios (USA, EU, other bi-lateral donors)	Downscaling, Rationalising CSO
IV	Pos (1) / Neg (2)	Inspiring Coalition	Competition, limited funds	Alternative funding strategies & capacity, New projects in alliance with business	Downscaling, Rationalising CSO, business associations

Source: Survey Respondents

However, before assessing the extent to which CSOs engage in deliberate buffer strategies, the research looked into the CSOs assessment of the outcome of the MFS-II funding request whether they felt confident about a positive outcome or whether they anticipated a possible negative outcome. In number, CSOs are similarly positive as well as negative about the prospects of being awarded MFS-II funding however, in terms of reasons and justifications cited the positive outlook seems to dominate the negative one. Whereas the two larger CSOs from category one are both very optimistic about a positive outcome of the MFS-II assessment, expectations of CSOs from the other three categories are divided with four CSOs expecting a positive outcome and seven CSOs anticipating a possible negative outcome. Various reasons are cited for a positive outcome, but the most important relate to the proven track record of the CSOs especially in relation to the previous MFS-I funding period. Other, less frequent mentioned reasons refer to the innovativeness of the CSOs programs as well as to inspiring new alliances between CSOs working together in new programs. Reasons anticipating a negative outcome of the MFS funding request relate mainly to concern of competition with other CSOs and to the limited and reduced Government subsidy levels.

A majority of CSOs has mentioned distinct buffer strategies to cope with reduced funding levels. Firstly, downscaling number or extent of programs or programme activities is mentioned in all respondent categories, often combined with an re-orientation on core activities. This strategy is aimed at reducing development expenditure of the CSOs. Secondly,

and this relates to the reduction in programme activities, downscaling and rationalizing the organization is mentioned, aiming at reducing recurrent cost, most notably personnel costs. Thirdly, development of alternative funding strategies is mentioned frequently and various examples are cited ranging from alternative donors such as EU and other bi-lateral donors, increasing business associations and joint ventures and lastly, tapping from the general public sympathizing with a specific cause.

Despite the fact that over half of the respondents anticipate a possible negative outcome of their funding request, just a minority of CSOs have engaged in the actual development and implementation of buffer strategies. The two large CSOs from the first category are an example of this position as they have engaged in a process to develop alternative funding strategies already some years back also in an attempt to become less dependent on one donor. Looking at their funding portfolio over the last years a gradual decrease in dependency on Government subsidies is visible. Thus, their position with respect to engaging in buffer strategies is more instigated by a longer term analysis of their environment rather than conditionality's and limitations posed by MFS-II as such.

However, contrary to these two larger CSOs, the majority of CSOs anticipating a possible negative outcome of the MFS-II funding request is just mentioning possible buffer strategies without actually developing these scenario's in full in preparation of such a negative event. Given the fact that Government subsidies are critical for most of these CSOs to sustain their current development programme and maintain their organizations and given the fact that most CSOs do realize their vulnerability in the context of serious competition and dropping funds, this position is significant. It appears that most CSOs, although realizing a potential negative outcome of their fund request, continue to hope for a positive outcome and that this attitude effectively puts off a serious preparation for a negative scenario. This attitude may have been nurtured by the fact that most CSOs worked together in alliances with other CSOs, developing joint programs. Several CSOs cite innovativeness of these alliances as argument for a positive outcome of MFS-II fund request. This may well have induced an inward looking attitude of its participants and blurred a realistic assessment of the existing competition between various alliances in the same thematic areas. Moreover, developing new proposals under strict criteria and a limited time span in collaboration with new partners in a new alliance has been a major effort by a majority of CSOs consuming most of their time and leaving little room to prepare for a negative scenario.

From interviews with CSOs who failed to secure MFS-II funds and which didn't sufficiently prepare for this negative outcome, it became clear that they are faced with a daunting task to find an alternative for reduced Government funding or to prepare their organization for a cut in their total budget ranging between 30 to 50 percent before the end of the current MFS-I budget period i.c. January 2011. Whilst some of these CSOs are trying to reverse the negative decision by the Ministry of Foreign Affairs through various procedural and juridical steps, all of them are challenged to develop and implement a combination of the mentioned buffer strategies in a very limited timeframe. Clearly this has resulted in a situation which may be best characterized as a 'struggle to survive' and its consequences will only become clear after a while. Eventually we may expect also an impact on the organizational field of CSOs working in development cooperation.

IV.4.b Bridging Strategy

Next to buffer strategies, the research looked into strategies aimed towards securing the entire organization in relation to the environment specifically addressing power position vis-à-vis exchange partners such as contracting, cooptation, alliances, joint ventures and mergers. These so called 'Bridging' strategies are defined as the second indicator in a response of individual CSOs to their changed task environment i.c. MFS-II with its specific criteria and conditionality's. A summary of research findings is provided in table 3 and further elaborated in the next paragraphs.

Table 3: Bridging Strategies, Justification & Observations

Cat.	Bridging Strategies Applied	Justification	Observations
I	1. Alliance with various other CSOs (4-7); 2. Sub-contracting.	1. CSOs are complementary: thematic, geographical, beneficiaries;	1. Alliance established some years back; 2. Both CSOs act as 'Lead' organization; Both CSOs participate in more (2-4) alliances
II	Alliance with various other CSOs (1-3)	1. CSOs are complementary in thematic area; 2. Opportunistic reasons to access MFS-II	1. Majority of Alliances opportunistic for purposes of accessing MFS-II; 2. Alliances appreciated as useful, even beyond/despite MFS-II.
III			
IV			

Source: Survey Respondents

Across the four respondent categories all, apart from one CSO, have opted to form alliances with other CSOs particularly in specific thematic areas. The majority of CSOs indicate that alliance formation is done mainly for opportunistic reasons in order to increase

the chances for being awarded MFS-II subsidies. To this effect some CSOs have even changed their legal status. All CSOs consider alliance formation as the most important condition attached to MFS-II. All CSOs indicate to continue with individual programme activities.

Alliances are formed around thematic issues such as HIV/AIDS, environment, health, economic development, etc. and based on CSOs preferences to work with like-minded organizations. Relatively, the larger more established CSOs are represented in more alliances compared to the smaller CSOs. One large CSO is featuring in 4 alliances, while the second large CSO participates in 3 alliances. In all cases these CSOs act as 'lead' agent on behalf of its partner CSOs of the alliance. In case the alliance will be awarded MFS-II funding they will be the contract-holder with the Ministry of Foreign Affairs and responsible and accountable for programme implementation. This is done for both pragmatic as well as political reasons. Larger CSOs have the expertise and organizational capacity to participate in more than one alliance and they can fully support the functioning of the alliance and the preparation and implementation of the programme. Other important reasons for smaller CSOs to associate with these larger CSOs in alliances is the observation that they consider the well established and larger CSOs to have the expertise to effectively deal with all bureaucratic aspects of the MFS-II procedures and most notably, that they have a network and political leverage to influence decision making into a favorable outcome of the MFS-II application.

A second important bridging strategy seen, but only employed by the two large CSOs in the first respondent category is sub-contracting. Active in many thematic areas across the developing world, these larger CSOs sub-contract many activities to more specialized agencies including CSOs. This practice is well established and there is little evidence that this trend shall reduce as a consequence of specific conditions for more harmonization under MFS-II.

Next to opportunistic reasons for the majority of CSOs, some few CSOs indicate that alliance formation was prompted by the need to improve and revamp programmes and to realize thematic and geographical harmonization with like-minded CSOs. Alliance formation for these CSOs has an intrinsic value and is not necessarily related to criteria set by MFS-II. For some of these CSOs, most notably the large CSOs from the first respondent category, alliance formation date back some years and performance developed and matured over time.

There is consensus among all CSOs about the usefulness of more collaboration and harmonization with other CSOs and coordination and joint programming through alliances is generally considered as a useful and pragmatic approach in this regard. Beyond the opportunistic reasons to work together in alliances for increased chances for MFS-II funding, all CSOs appreciate to develop and further explore this strategy in the future. However, apart from the huge increase in programmatic alliances, there is no indication of CSOs wishing or working towards a more structural cooperation in terms of merging into new organizations.

IV.5 Structural Equivalence of Organizational Field

The second research hypothesis relates to expected changes in the organizational field of Dutch CSOs. MSF-II is considered an important element of the institutional environment of CSOs in Dutch development cooperation in part, and complementary to other elements of the same environment, constituting the cognitive, normative and regulatory structures and activities that provide behavior, stability and meaning to CSOs in the organizational field. It is hypothesized that individual CSOs, in a quest to secure funding, continued support, legitimacy and, ultimately, organizational survival, will comply to MFS-II conditionality's and in result, over time, will become structurally and organizationally more equal. The research has looked at three indicators that best demonstrate distinct and important aspects of this organisational conformity and these are: structural conformity, procedural conformity and personnel conformity.

However, it should be appreciated that this research is conducted during the period of the initial assessment of draft MFS-II proposals, well before the second and final assessment expected in November 2010 and thus well before any effects of MFS-II on the organisational field of Dutch CSOs can actually take place and can be measured. Consequently, the research will not be able to capture changes in the organisational field after the start of MFS-II expected from January 2011. Therefore, rather than suggesting actual and manifest demonstrations of organisational conformity in the organisational field of CSOs, this research is only able to assess CSOs perception of probably organisational conformity in the future and hint at likely developments and trends in this regard.

IV.5.a Structural Conformity

Structural conformity is used as one indicator of isomorphism and refers to a systematic and sustained adaptation or modification of the organization as a result of environmental conditionality's. Respondents were asked whether they felt that certain MFS-II criteria or conditionality's required their organization to re-structure and if so in what shape or form and within what time-frame.

Research findings show a mixed picture across respondent groups mostly depending on how well CSOs are already organized and to what extent they feel that their current organization is able to match specific demands and conditionality's of MFS-II. A summary of research findings is projected in table 4 (next page) and further elaborated upon in the following paragraphs.

Table 4: Structural Conformity

Cat.	MFS-Conditionality	Suggested Organizational Restructuring	Justification
I	Emphasis on measurable outputs & effects requiring strict Monitoring Systems	Decentralization of core functions to new geographical centers	Need to be closer to programme areas and -partners to properly monitor and evaluate programme
II		None	Overall, monitoring capacity available. If not, this requires procedural rather than structural alignment in coordination with alliance partners.
III			
IV			

Source: Survey respondents

Reply of respondents in category one show a mixed picture with one CSO clearly expressing the need for decentralization to new geographical areas where new partnerships or programmes under MFS-II are proposed and where presence of CSO in terms of local capacity to implement, monitor and evaluate a MFS-II financed programme is felt not sufficient enough. The other large CSO of this respondent category is less concerned about the need for organizational restructuring and doesn't see a need to further decentralize. This CSO feels that its current organizational structure is sufficient to meet the demands of MFS-II and that it already established a sufficient level of decentralized units in their core programme areas coupled with sufficient capacity of their local partners, often build over years. However, both CSOs acknowledge the importance of MFS-II criteria, that development efforts should lead to clear and distinct outcomes and impact and that CSOs should be in a position to

formulate, measures and achieve these preferably in close coordination with their Southern partners. Next to this MFS-II criteria instigating the wish for further decentralization for at least one CSO in this respondent category, both CSOs of this category appreciate that further decentralization may be useful strategy to access alternative funding sources and reduce dependency on Government funding.

There is consensus among respondents in the remaining 3 categories about the central importance of MFS-II criteria on strict monitoring of measurable results and impact of development investments and that this requires extra attention. However few CSOs feel that this requires a structural adjustment of their organization. A majority feels confident that they will be able to cope possibly with extra training of staff and strengthening of management units. About half of the CSOs indicate that the alliance in which they participate is sufficiently capable of meeting the demands and, unless the opposite proves to be true, that procedures among alliance partners should be modified and aligned rather than changing organizational structures.

IV.5.b Procedural Conformity

Procedural conformity refers to adoption of specific activities and procedures as a result of environmental conditionality. Procedural conformity is used as the second indicator to point at isomorphism in the organizational field of Dutch CSOs working in development cooperation. Respondents were asked whether they felt that certain MFS-II criteria or conditionality’s required their organization to adopt specific procedures other than those already in use by the organization and if so, which ones. A summary of research findings is projected in table 5 and further elaborated upon in the next paragraphs.

Table 5: Procedural Conformity

Cat.	MFS-Conditionality	Suggested Procedural Adaptation	Justification
I	Emphasis on Alliance creation between CSOs	1. Short-term: Alignment of procedures between partners; 2. Longer-term: None other than the normal development of systems and procedures.	To make alliance effectively work: e.g. programme planning, monitoring, evaluation, financial control and reporting.
II			
III			
IV			

Source: Survey Respondents

Little variance is seen among respondents categories. By far, alliance formation is appreciated by majority of CSOs as the most important MFS-II criteria, almost compulsory to qualify for its funding. All CSOs appreciate the alliance in which they participate as a project rather than a structural adjustment of the organization. They indicate that this ‘alliance-project’ requires a specific project management approach and an relevant set of procedures to be agreed upon by the partners to make the alliance work effectively. Suggested procedural alignments among alliance partners mentioned relate to division of work and responsibilities among partners, programme planning, identification and formulation, programme monitoring, ISO certification, financial control and -reporting and finally, programme evaluation i.c. effect and impact measurement. In most instances, alliances are chaired and managed by the larger CSOs which also offer a major share in terms of funds and personnel to initiate and run the alliance.

Relative to the total budget and the importance of MFS-II for the individual CSOs, it is expressed, most notably by some smaller CSOs, that organizational procedures may be adapted beyond the short-term needs of the alliance project and changed for the organization as a whole in the longer term. The probability that this will happen seems higher for these some smaller CSOs compared to the large CSOs represented in category 1. These larger CSOs don’t mention this at all, rather they indicate that their current procedural arrangements should be able to match MFS-II standards and criteria. However, none of the respondents is able to indicate by a measurable standard the extent of expected procedural adaptation for their organization in the future. If at all, it seems realistic that this may be higher for smaller CSOs compared to the larger CSOs.

A large majority of CSOs indicate their appreciation for the alliance in which they participate and most of them foresee or express a wish to continue this alliance beyond the specific MFS-II context. Obviously this may result in a consolidation of project based cooperation between CSOs. However, more structural arrangements for cooperation such as organizational merging of like-minded CSOs may not be excluded which will, in turn, increase probability for procedural conformity.

IV.5.c Personnel Conformity

Personnel conformity refers to the hiring and firing of specific personnel for particular functions or roles as a result of environmental conditionality's. Personnel conformity is used as the third indicator to point at isomorphism in the organizational field of Dutch CSOs working in development cooperation. Respondents were asked whether they feel that certain MFS-II criteria or conditionality's required their organization to adjust their personnel different from what they were already planning and if so, how?

A majority of CSOs across all respondent categories indicate that, in the event MFS-II is approved still some adjustments in personnel levels will be required. Whether MFS-II is approved, funding levels will be less than before and the most obvious cost saving measure is to reduce on personnel. In contrast, some smaller CSOs, expecting a significant increase of their programme under MFS-II indicate a potential need for additional staff especially for the more generic management areas of project administration, finances and monitoring and evaluation. The need for additional specialized professional staff is less obvious as most CSOs maintain required levels in view of their current programme portfolio's in their respective thematic areas. Those CSOs which indicate insufficient levels of professional technical staff indicate that this will be sufficiently provided for by their partners in their respective alliances.

In the event that MFS-II funding is not approved, most CSOs indicate the need to significantly cut in staffing levels across all levels of the organization where it seems most appropriate in relation to available budgets while trying to retain a core capability to survive as an organization. Most CSOs indicate wanting to reduce expenditures on permanent staff in favor of more flexible arrangements such as hiring temporary staff and making use of sub-contracting to other agencies.

V Conclusions

V.1 Introduction

This research looked into the effects of MFS-II on the behavior of individual CSOs in terms of buffer and bridging strategies and the likely consequences of MFS-II for the organizational field of Dutch CSOs working in international development cooperation. The previous chapter presented the detailed research findings. This final chapter will present a summary of the major research findings and conclusions for each of the two research hypothesis. A concluding paragraph will elaborate on the limitation of this study as well indicate future research suggestions flowing from this research.

V.2 Managing Task Environment

To demonstrate an organizational response to a changed task environment as a result of MFS-II, the research looked into the extent to which individual CSOs adopted buffer and bridging strategies. Concerning the adoption of buffer strategies to increase protection against environmental disturbances, a majority of CSOs mention 3 distinct strategies. Firstly downscaling programme activities including reorientation of core business. Secondly, downscaling and rationalizing the organization itself. The last buffer strategy mentioned was developing alternative funding sources. While a majority of CSOs indicate contemplating a combination of these strategies, only a small minority of CSOs, only the large ones, have actually started to implement these strategies a while ago.

The major bridging strategy employed by a large majority of CSOs in response to MFS-II conditionality is alliance formation. For a majority of CSOs alliance formation is purely based on opportunistic reasons to qualify for MFS-II funding. Smaller CSOs flock around larger CSOs which, in most cases, provide the bulk of expertise and resources to support and represent the alliance. Next to alliance formation, the larger CSOs also engage in sub-contracting as a viable bridging strategy.

V.3 Structural Equivalence Organizational Field

Although some indications for more structural equivalence of the organizational field of Dutch CSOs in international development cooperation are seen, the research points mainly at CSO's perceptions of likely future trends and developments. With respect to structural conformity, a first indicator for a systematic and sustained adaptation of the organizational features of the CSO, the research signifies a rather consistent picture that, in the short run, limited changes are expected. The majority of CSOs feel that limited organizational restructuring is demanded as they feel confident that they will manage. In effect, this is likely to have limited or no impact towards more structural equivalence of the organizational field. In the longer run, CSOs may be willing to contemplate a more structural collaboration with each other beyond the current alliances and this may lead to increased structural equivalence of the organizational field.

Procedural conformity, the adaptation of specific activities and procedures in result of MFS-II conditionality is to some extent manifest within the context of established alliances in which individual CSOs work together. At this stage, procedural alignments is mostly observed in programme identification and formulation. Further, more alignment and increased conformity among alliance partners is being prepared for issues such as programme monitoring and reporting, financial control and reporting and programme evaluation.

Personnel conformity, the third indicator used to demonstrate structural equivalence, relates to hiring and firing of specific personnel for particular functions and roles in result of MFS-II. Overall and relative to the agreed levels of MFS-II funding, the research points at the necessity for all CSOs to reduce staffing levels in the near future. Some CSOs, most notably the ones which were not approved MFS-II funding are already engaged in laying off significant numbers of personnel. Relative to the volume and scope of their future programmes, CSOs may be more inclined to hire specialized expertise on a more flexible and short-term basis including the use of sub-contracting.

V.4 Limitation Study & Future Research

Two main constraints limit the outcome of this study and point at suggestions for future research. Firstly, the study is focusing on MFS-II as main element in the task environment of CSOs without considering other important elements of their environment and which may be as well consequential for individual CSO behavior and possible changes in the organizational field as a whole. Additional research looking into the effects of e.g. the current political and societal discourse on international development as well as the economic context may offer a more realistic assessment and reveal multiple-causation of CSOs behavior and changes in the organization field.

The second main research constraint relate to its timing and the fact that no longitudinal approach is adopted. Data collection was done just after the conclusion of the first initial assessment of MFS-II proposals (April, May 2010) and the final outcome of the second phase assessment (November 2010) is not taken into consideration. Possibly this has resulted in a limited willingness of CSOs to participate and may explain their incomplete response with implications for the representativeness of the study. Moreover, consequences of MFS-II on individual CSO behavior and changes in the organizational field would be much better observed after final approval of MFS-II in November 2010, well into its first year of implementation. Therefore, a similar study may be conducted at a later stage.

An important element for future research is to establish the extent to which MFS-II has resulted into more harmonization and reduced fragmentation among Dutch CSOs working in international development, the ultimate policy aim on the Ministry of Foreign Affairs. The current observed alliance formation may hint but surely doesn't necessarily lead to such harmonization especially not in those thematic areas where more than one alliance is created (e.g. water sector, HIV/AIDS area, child and youth care). In addition, next to the 130 known CSOs working together in alliances as presented in the proposals, the existence of other often smaller CSOs is obscured which generally act as sub-contractors and are often established and funded by the larger CSOs. The proliferation of these CSOs obviously contribute to a more diverse and fragmented structure of the organizational field of CSOs working in development cooperation and may be an interesting topic for future research.

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Annex I: Survey Questionnaire

Research Questionnaire for Dutch organizations working in Development Co-operation Submission Date before 28th April

Thank you for your kind co-operation to fill out this questionnaire. It is part of a limited study looking into the effects of MFS-II financing on the organizational field of Dutch organizations working in development co-operation. The study is done to complete the Master study in Public Administration at the University of Leiden, Department of Political and Social Studies. The highest confidentiality will be maintained. It is not expected that the study will be publicized, and if any part is published, all identifying information with respect to both individual respondents and their organizations will be completely removed. If you wish to ascertain the authenticity of this study, kindly contact Professor Dave Lowery of University of Leiden (DLowery@fsw.leidenuniv.nl).

The questionnaire has 3 sections and a total of 14 main questions. If sections or questions are not relevant for your organisation, you may simply skip them. Some questions require just one answer-category. In case you would like to elaborate your answers please do this at the end of the questionnaire with reference to the question and specific sub-section. You may answer the questions directly in this electronic Word-format and return it electronically. If you wish to return a hardcopy, kindly use the return address mentioned at the end of this questionnaire. For further questions contact Pieter-Paul Gunneweg (pppconsult@gmail.com or tel. 06-29333772). If possible I would like to receive your reply before 24th April 2010.

Section I: Background information on Organization

1. Contact

- a. Name of Organization:
- b. Contact person:
- c. Address, email, www, tel, skype:

2. General

- a. Year of establishment:
- b. Legal status (NGO/foundation/not-for-profit/voluntary/other):
- c. Seize in No of full-time staff employed in the Netherlands:
- d. Seize in No of full-time staff employed outside the Netherlands (if applicable):

3. Portfolio

- a. Core expertise (e.g. health/agri./educ./other):
- b. Area of specialization:
- c. Geographical focus (Africa/Asia/other):
- d. No of current projects:

4. Finances

- a. Total recurrent budget (2009/10) in Euro:
- b. Total development programme budget (2009/10) in Euro:

In case you wish to elaborate on the above answers in more detail, kindly do so at the end of this questionnaire with reference to Section and specific question!

Section II: Previous Government Subsidies (TMF / MFS-I)

5. Thematische Medefinanciering TMF (2003-2006)

- a. TMF received (yes/no):
- b. Total TMF grant (2003-2006): Euro
- c. Total TMF 'afbouwgrant' (2007-2010) (if applicable): Euro
- d. Other total income next to TMF (2003-2006): Euro
- e. Other total income next to TMF (2007-2010): Euro

6. MFS-I (2007-2010)

- a. MFS-I received: (yes/no)
- b. Total MFS-I grant (2007-2010): Euro
- c. Other total income next to MFS-I (2007-2010): Euro

In case you wish to elaborate on the above answers in more detail, kindly do so at the end of this questionnaire with reference to Section and specific question!

Section III: MFS-II (2010-2014)

7. Application

- a. Did Organization submit an application for MFS-II subsidy (yes/no):
- b. What total budget did you request for period (2010-2014): Euro
- c. Is application approved (yes/no/unclear):
- d. What is the total MFS-II grant approved: Euro

8. Relative importance of MFS-II for CSO

*(From the 5 possible answer categories just indicate one answer only in **Bold** or underline)*

- a. MFS-II is critical for survival Organisation:
strongly agree / agree / neutral / disagree / strongly disagree.
- b. Other Organizations are major competitors for MFS-II grant:
strongly agree / agree / neutral / disagree / strongly disagree.
- c. Proposal preparation for MFS-II grant has been priority for Organisation during 2009:
strongly agree / agree / neutral / disagree / strongly disagree.
- d. Organization is strong competitor for MFS-II grant:
strongly agree / agree / neutral / disagree / strongly disagree.

- e. Even without MFS-II subsidy, Organisation will be able to execute a significant and meaningful programme:
strongly agree / agree / neutral / disagree / strongly disagree.

9. MFS-II Conditionality

(From the 5 possible answer categories just indicate one answer only in **Bold** or underline)

- a. Regulations on financial administration & accountability attached to MFS-II grant is substantial:
strongly agree / agree / neutral / disagree / strongly disagree.
- b. Monitoring requirements attached to MFS-II grant is substantial:
strongly agree / agree / neutral / disagree / strongly disagree.
- c. Evaluation requirements attached to MFS-II grant is substantial:
strongly agree / agree / neutral / disagree / strongly disagree.
- d. What are the 3 most important conditionalities attached to MFS-II grant: *elaborate!*

10. Buffer Strategies (=interventions for the protection of organization from disturbances arising from task environment by amplifying its protective boundaries)

- a. Did organization anticipate a possible negative outcome of MFS-II application: *Explain*
- b. What is/was your assessment of the probability that CSO will/would miss out on MFS-II funding: *Explain*
- c. In the event of missing out on MFS-II funding, did you develop alternative *funding* strategies: *Elaborate*
- d. In the event of missing out on MFS-II funding, did you explore alternative *business* strategies: *Elaborate*

11. Bridging Strategies (=interventions oriented towards the security of organization in relation to environment addressing power positions vis-à-vis exchange partners)

- a. Did you submit an individual MFS-II request or one in partnership with another organization(s): (individual/partnership with 1 Organization/partnership with x Organizations). *Explain*
- b. Why did you partner with the organization(s) you selected: *Explain*
- c. Competing in partnership for MFS-II subsidy, chances for survival as individual organization have improved:
strongly agree / agree / neutral / disagree / strongly disagree.
- d. Even if we will not be granted MFS-II funding in a joint programme with another organization, we will continue in partnership with that same organization:
strongly agree / agree / neutral / disagree / strongly disagree.

12. Organizational Adjustments & Adaptation

- a. MFS-II will lead to substantial organizational adjustments:
strongly agree / agree / neutral / disagree / strongly disagree.
- b. In order to implement, monitor and evaluate MFS-II, are you required to re-structure some departments of the organization?: *Explain*
- c. What restructuring is required in the short term (<end of 2010): *Explain*

- d. Following MFS-II, do you need to adopt specific procedures different or new to your organization: *Explain*
- e. MFS-II funding requires us to adjust our personnel:
strongly agree / agree / neutral / disagree / strongly disagree. *Explain*

13. Would you mind if I contact you for an additional more in-debt interview?

14. In case you decide not to participate in this study, would you mind to indicate your reasons?

15. Would you like to receive the final paper of this research?

Additional Explanation on above Questions (1-14)

Please refer to Question No and specific Sub-question!

Explanation / Elaboration:

1.

2.

Etc.

Thank you for your Co-operation

In case of questions please contact: Pieter-Paul Gunneweg

(Tel. 06 29333772 or e-mail pppconsult@gmail.com)

Return Questionnaire before 14th May 2010 to pppconsult@gmail.com or to PP
Gunneweg, Goetlijfstraat 116, 2596 RL Den Haag

Annex II: Research Population

No	Name Organization
1	ICCO
2	IKV / Pax Christi
3	HIVOS
4	Oxfam / Novib
5	Terre des Hommes
6	Academic Training Association
7	Child HelpLine International
8	Clean Clothes Campaign
9	European Centre for Conflict Prevention
10	Friends of the Earth
11	Healthnett PTO
12	Ileia Foundation
13	International fellowship of Reconciliation
14	Maastricht School of Management
15	Mundial Productions
16	Nederlandse Rode Kruis
17	Pharmaccess Foundation
18	Press Now
19	ETC International
20	Schorer
21	SOMO
22	Stichting Aids foundation East-West
23	Amref Nederland
24	Stichting Butterfly Works
25	Care Nederland
26	Stichting Female Cancer Programme
27	Stichting Global Forest Coalition
28	Stichting Humana
29	Interface for Cycling Expertise
30	Stichting Kinderpostzegels Nederland
31	Stichting Leger des Heils fondsen werving
32	Liliane Fonds
33	Stichting Mainline
34	Rutgers Nisso groep
35	SOS Kinderdorpen Nederland
36	Stichting Stro
37	Stichting Vluchteling
38	Stichting Waste
39	Stichting ZOA Vluchtelingen zorg
40	Stop AIDS Now

41	War Child Nederland
42	Women in Europe for a Common future
43	World Population foundation
44	Both Ends
45	Dokters van de Wereld
46	Fair Trade Original
47	Save the Children Nederland
48	Linkis
49	International Child Support
50	IUCN Nederland Committee
51	Solidaridad
52	Cordaid
53	Stichting Health Action Management
54	Wereld Natuurfonds
55	Woord en Daad
56	NIZA
57	Plan Nederland
58	Agromisa Foundation
59	Association for European Parliamentarians for Afrika
60	Centre for International Legal Cooperation
61	Egergy 4 All Foundation
62	Evert Vermeer Stichting
63	Health Connections International
64	International Federation of Health & Human Rights Organization
65	Medical Knowledge Institute
67	Nederlands Centrum voor Inheemse Volken
68	Nederlands Committee Burundi
69	Organisatie Latijns Amerika activiteiten
70	Practica Foundation
71	Share-Net
72	Solid House Foundation
73	Stichting Change it
74	Stichting Global Human Rights Defence
75	Stichting Doen / Jan Vrijman Fonds
76	Stichting Le Grand Cru
77	Stichting Milieu Contact International
78	People's trust Nederland
79	Stichting Right to Play
80	Stichting the Hunger Project
81	Tiye International
82	Stichting Up to You Too
83	Stichting World partners