This report was funded by the European Commission. The views expressed are the author’s own. The EC is not responsible for any use that may be made of the information contained therein.
Table of contents

Foreword...What do we mean by Europe’s “Third Sector”?.................................3
1- SPOTS project overview..................................................................................4
2- Diagnostic context(s) and methodology (ies)..................................................6
3- Common issues revealed by diagnostic assessments....................................8
4- The next stage: what action towards which goals?.......................................16
Appendices: Individual country diagnostics.......................................................17
Foreword...What do we mean by Europe’s “Third Sector”? 

The “Third Sector” or “social and solidarity economy” refers to activities undertaken by non-profit organisations working outside the public and private sector, in the strictest business sense of the term. Their aim is to meet social demand, put human beings back at the heart of economics and increase the well-being of communities. However, the terms and definitions applied to the third sector vary from country to country. The concept can therefore appear somewhat ambivalent and as “work in progress”, particularly given the uneven legislative backdrop created by differences in national laws. Consequently, the third sector is frequently defined by a variety of values, objectives and processes.

France has long been committed to reflecting on the social economy but the phenomenon truly took off in the 1980s. After gradually gaining institutional structure, the sector was ultimately rewarded with legal status under the Social and Solidarity Economy bill, passed in July 2014. In the UK, the third sector has been gaining traction in recent years and is variously referred to as “social business”, “social enterprise” or, more generally, the “social economy”. Portuguese legislation promotes entrepreneurship but is struggling to move towards a genuine law on the social economy as such. The European Union (European Economic and Social Committee) is currently working on the concept of an “economy for the common good”, the idea being to include the market economy and make it more “ethical”.

Meanwhile, as part of the European Commission’s Europe 2020 strategy1 aimed at generating “smart, sustainable and inclusive” growth, the EC is providing the philosophical and economic backdrop needed to support third sector players, without standardising the various approaches taken. European programmes therefore complement one another.

The inherently cross-cutting nature of the social and solidarity economy (SSE) means it fulfils the criteria for a whole host of funding programmes. For instance, the European Social Fund (ESF) provides financial backing for both local and regional projects, while the programme for Employment and Social Innovation (EaSI) supports projects relating to employment, the modernisation of social policies, social innovation, entrepreneurship, and access to micro-financing. Lastly, Erasmus+ provides a framework for reflecting on education and training in relation to improving sector practices. The SPOTS initiative is one such example!

1 « Europe 2020 refers to the EU’s growth strategy for the next 10 years. “In a changing world, we want the EU to become a smarter, sustainable and more inclusive economy”. Source: official European Commission website. Brussels, 3 March 2010. Available for consultation at: http://ec.europa.eu/europe2020/index_fr.htm
The third sector (SSE) not only expresses people’s commitments to **defending the values** of social cohesion, cooperation and solidarity, it has also been proving more resilient to economic crisis. The key issue now is **to ensure the sector adapts to, and resists**, the current economic backdrop and overcomes future challenges.

### 1- SPOTS project overview

**What is SPOTS?**

**SPOTS** (Sustainable Projects for Organisations of the Third Sector) is a cross-sector project headed by IFAID Aquitaine under the **Key Action 2: Strategic Partnerships** stream (cooperation for innovation and the exchange of good practices) of the EU’s **Erasmus+** programme for education and training.

Its main goal is to facilitate mutual understanding between funders and funding applicants, explore ideas and build a shared vision of the levers and obstacles to project funding in the third sector.

The SPOTS project is both research and action-based. The aim is to **capitalise** on existing know-how and experience and **optimise** any action undertaken, both on the project management side and in terms of funding and political decision-making in the third sector. At a local level, participants need to **become aware** of their strong points and good practices so that these can be shared with partners in Europe and Algeria. This pooling of knowledge not only helps identify one’s strengths but also any areas for improvement, by learning from action taken in other countries.

**How long does it last?**

SPOTS is a three-year programme lasting from 1 September 2014 to 31 August 2017

**Which partners are involved?**

- **IFAID Aquitaine (France), project promoter**: Non-profit professional training organisation specialising in international and local capacity building in the third sector.
  http://www.ifaid.org/

- **Advantage Business Agency (UK)**: Consultancy providing business support services to third sector organisations.
  http://www.advantage-ba.com/
- **Bairros (Portugal)**: Non-profit network of local development organisations based in Lisbon’s working-class district Mouraria. 
  http://www.facebook.com/Bairros.adl

- **Etoile Culturelle d’Akbou (Algeria)**: Community organisation promoting social and professional inclusion and supporting young people and children in the region of Béjaïa (Wilaya, Kabylia). 
  http://www.facebook.com/etoileculturelle

**Serving which SSE players?**

**Community organisations and project initiators:**
- Gaining a better understanding of funders’ expectations.
- Reflecting on project sustainability and the economic viability of social enterprises.
- Creating or enriching dialogue with funders.

**Funders:**
- Raising awareness of the realities and difficulties faced by the organisations applying for funding.
- Optimising the procedures in place and building structured relationships with applicants.

**Training organisations:**
- Better supporting players and improving training for funders and funding applicants in the SSE sector.

**Methodology?**

1. Context-based diagnostics
2. Multi-player workshops
3. Creation and implementation of training module
2- Diagnostic context(s) and methodology (ies)

First, we shall look at the realities facing funders and applicants in a shifting landscape, where project-based funding is now being lauded as an efficient tool for managing funds.

- **Differences at national level**

In **France**, efforts to make public action more effective by cutting costs have translated into a redrawing of administrative boundaries, numerous efforts to pool services and financial restrictions on local authorities. Meanwhile, commitment to community organisations is at a high, in a country where non-profits still rely heavily on financial backing from government authorities.

In the **UK**, government spending cuts have been forcing local authorities to outsource the management of certain social activities to third sector players. The rise in number of these players, and in their sphere of action, has led to mounting competition for funding. This trend has been exacerbated by a decline in the overall amount of funds available, despite the rising number of private sector funders in the British model.

In **Portugal**, social and cultural activity is driven by a broad array of professional and non-professional micro-organisations funded by government subsidies. The Estado Novo (Second Republic) severely reduced accountability for, and the centralisation of, political decision-making, with the result that responsibility for social and cultural activities was gradually transferred to the private sector. Paradoxically, the economic crisis did not lead to a decline in SSE activity in Portugal.

In **Algeria**, there are still wide differences in government policies depending on the individual segment (economic, social or solidarity) concerned. One the one hand, there is a drive to spur entrepreneurship and investment in projects among Algerian youth. On the other, funding is mostly available for professional training and apprenticeships. However, there is a lack of training options in project management skills and the organisations supporting young project initiators are overwhelmed by system abuses and the opaque manner in which the attribution of funds is managed. This can have disastrous consequences for young project initiators (over-indebtedness, lawsuits, etc.) who are primarily seeking to avoid unemployment.
• Different third sector players studied

The research conducted in France focused on non-profit, community education and performing arts organisations. These are mostly funded by local authorities and certain intermediary organisations which were also included in the survey.

In Algeria, research conducted in the Wilaya region focused on young entrepreneurs (project initiators) receiving funding for new businesses, as well as the organisations providing those funds and local branches of state-owned banks.

The Portuguese diagnostic assessment focused on three sets of third sector players located in the greater Lisbon area: funders, project promoting organisations and support & training providers.

The UK survey targeted non-profits and funders, notably collecting valuable insights from large funding bodies in the Birmingham region.

• Using suitable methodological tools.

Interviews were conducted with a host of players willing to share their views on the issues of project-based funding, notably funding bodies in France, Portugal and the UK. The interviews were also held by telephone, email and where possible during events attended by those players (e.g. during the French-Algerian political youth meetings in Algeria in September 2015). A questionnaire sent out in France, Portugal and Algeria helped gather information, notably from funding applicants and community organisations. The tools used to conduct the diagnostic process were thus tailored to the context of each survey and to the category of player targeted.

By analysing and cross-referencing the information gathered, each partner gained a clear picture of the difficulties and expectations among third sector players. This process revealed cross-cutting issues that blur the geographic boundaries of the surveys conducted, in the form of problems and needs shared by all third sector players in Europe and Algeria.
3- Common issues revealed by diagnostic assessments

In many cases, tough economic conditions are weakening players

- With sources of funding on the decline,

The economic crisis sweeping Europe in recent years has taken a toll on the third sector, as governments introduce varying levels of austerity to offset the shortfall in financial resources.

The subsequent lasting decline in budgets has obliged public funders to both reduce the amount of subsidies granted to project initiators and to cut back on spending.

French non-profit organisations are concerned that this shift towards project-based funding has come at the expense of general subsidies for community organisations.

In the UK, the government’s regionalisation drive has transferred increasing amounts of decision-making power to local authorities. Faced with shrinking public funds, the latter have in turn been transferring social activity funding to private-sector funders and foundations, both of which employ project-based funding.

In Portugal, many professional and non-professional micro-organisations also rely on subsidies. As a result, community organisations have adapted to the new state of play and are already becoming familiar with funding systems such as in-kind donations and crowdfunding, which is widespread in the country.

Algeria turns out to be the only exception. The system hinges on allowances from the government, which notably derives its financial resources from the sale of gas and petrol, at a time when oil prices have been falling dangerously low. Project financing therefore hinges on a three-way system involving project initiators, state-owned banks and social funding schemes.

Third sector organisations are therefore at risk of losing momentum as a result of the tough economic backdrop and its consequences.
- weakened third sector players,

The diagnostic assessment conducted in Portugal describes multi-task organisations, whose managers are motivated but unfamiliar with the project-based funding model. This has meant juggling with various subsidy requests without being able to establish solid links between the organisation’s project and the various other projects underway. Portugal’s third sector employs a large percentage of voluntary and casual workers, which is not consistent with the drive to professionalize those organisations by hiring full-term qualified staff.

The economic slump has also been hard on funders. In the UK, a large number of funders have had to reduce staff, resulting in changes in teams. This has damaged relationships between funders and recipients, to the extent that when an applicant organisation contacts a funder, its case is likely to be handled by a different adviser each time... The assessments also identified a lack of communication between management and technical teams.

The weakening in third sector players is also reflected in the fragmentation in long-term structural projects, as a direct result of the project-based approach, this being reliant on short-term funding, as underlined by intermediary organisations in France.

The upshot of all this is that players are now questioning the economic viability and sustainability of their organisations... Project-based funding requires a new environment: short-term vision, race to respond to project tenders, need for staff qualified in fundraising, capital to ensure stability, etc.

The key issues for many French non-profits appear to be how to build capital and ensure a balance between self-financing and external funding sources. The rise of project-based funding has prompted community organisations to recruit people with higher qualifications in project management. However, these are both costly and uninvolved in the organisation’s core activity (social, cultural, etc.).

In Portugal, certain organisations have been facing cash-flow problems, amid outstanding payments and reimbursement claims. Better knowledge of fundraising techniques could contribute to greater organisational and financial stability through the diversification of funding sources.

In Algeria, young people are struggling with a general lack of oversight and support, the results of which range from over-indebtedness to non-payment lawsuits filed by funders. In addition to the lack of experience among project
initiators, a shortfall in private capital and the fear of committing personal funds means the ecosystem is not conducive to entrepreneurial success.

- are coming to grips with the new challenges involved in project-based funding

All players agree on the overriding issues involved in project-based funding and the consequences of the mounting use of that model to fund third sector projects.

All decry what has become a common phenomenon in France, the UK and Portugal, namely: community organisations have to compete against one another in the “race” for funding.

This increasingly competitive backdrop has made it hard for smaller, younger organisations that are far less equipped in terms of their own resources, experience and visibility, to take on larger organisations benefiting from an established reputation.

Having taken stock of the general issues at hand, we now outline the cross-cutting themes and the levers available in project-based funding as identified during the diagnostics process:

**OBSTACLES observed by players when applying the project-based funding model**

- Conceptual differences with regard to projects and partnerships.

One of the main hurdles to mutual understanding between players stems from the different meanings attributed to key concepts. For instance, players find it hard to define the word project as a concept. The term turns out to be intrinsically multi-dimensional and the meanings attributed to it differ according to the level at which players operate (general political project, organisation-defining project, projects pertaining to short-term action, etc.).

The concept of partnership is another example: whereas genuine efforts are being made on the partnership front in France, with the stated goal of encouraging the “co-creation” of projects, in Portugal, players were found to be biased against the notion, with project initiators reluctant to commit to network-based working. Each community organisation focuses on its own action while joint projects often involve unequal commitment between the two partners.
- Unclear criteria and lack of transparency in application procedures.

Understanding the goals and desires of each party requires that they express their expectations clearly and transparently. However, these essential qualities appear to be missing and players will need to pay close attention to them if they want to make application procedures more fluid and give applicants the means to optimise their chances of success.

Whereas the Portuguese organisations say the criteria set in project tenders are “unclear”, and at times dependent on interpersonal relationships, UK funding applicants go as far as to claim juries have a “secret agenda” when it comes to granting subsidies. British organisations say there is a lack of feedback on the analysis of funding applications. Yet it is important for applicants to understand what the problem was with their application if they are to learn from their mistakes and apply again later.

Persistent lengthy decision-making times create a feeling of bureaucratic weight that hinders the dynamics of working in “project mode”, particularly in Portugal’s public sector. Portuguese organisations note the lack of confidence shown by funders, which sometimes abuse their position of power. In some cases, organisations point to the criteria of visibility, which can result in the exclusion of small, often youthful, non-profits. Meanwhile, foundations offer a host of programmes but accessing them is made difficult due to a lack of transparency and assessment systems.

As for Algeria, project-based funding is used in a host of different spheres of activity. Funding, which can sometimes involve sizeable sums, is granted on the basis of eligibility, as opposed to selection, criteria. This lack of restriction on applications has led to a surge in number of applicants and opened the door to abuse.

- Short-term vision predominates, making it harder to implement lasting support.

Project-based funding tends to give precedence to the short-term, at the expense of long-term prospects. This phenomenon has hindered the implementation of good-quality, long-term monitoring of project initiators.

Monitoring project initiators via funders is difficult due to the time taken to implement projects, which is not scheduled to suit funding timelines. This time lag can create various obstacles:
In France, meetings with funders are mostly conducted upstream and concern technical details about procedure, whereas working in project mode requires regular follow-ups that also address the substance of the project.

In Portugal, funding is primarily granted on a long-term basis, whereas small projects require rapid, responsive financing. The lack of communication and support is also visible in the low level of specialisation among managing teams and the small number of field visits.

In Algeria, application processing times are at times fairly long, particularly when there can be several procedures at hand and there are only a few managers handling a vast number of applications (support facilities). It would be helpful if there was a greater level of transparency and commitment to deadlines for decisions on the attribution of funding. That said, there is consensus among players when it comes to the time scale for the provision of funds, which appears to be fair and consistent with the amount requested.

As regards the lack of support provided to Algerian entrepreneurs, this is found to increase the difficulties faced at project start-up and raises the chances of the project initiator taking on more risk by getting into debt.

In the UK, the general feeling appears to be that there is a correlation between the amount of funding granted and the level of project monitoring provided. When large sums of money are involved, funders pay closer attention, whereas with lower volumes of funding, project monitoring is less apparent.

- **Risk aversion: the main obstacle to innovation.**

All four countries show a high level of risk aversion. Apparently, the innovative element of the projects concerned appears to be neither recognised nor supported by funders to the extent that applicants might have hoped.

Funders look for projects with the least risk of failure and tend to work with economically-established organisations and pre-formatted projects. This phenomenon is accentuated by the rigidity of application criteria: the bureaucratic and complex nature of the procedures involved hamper the dynamics of project mode and become a genuine obstacle to experimentation.
Partners express similar needs: suggested avenues for identifying potential LEVERS in the project-based funding model

Despite their different contexts and challenges, the players expressed similar needs. All clearly state their desire to form concrete and lasting ties through the SPOTS project.

- **Create spaces for dialogue to provide long-term support**

Both organisations and funders need space for dialogue and concertation in order to preserve the spirit of partnership and introduce participative and qualitative project monitoring over the long term. All parties agree that mutual comprehension requires genuine relationship building and the provision of long-term support to monitor progress made on the various stages of the projects.

These spaces for dialogue will enable the parties to reflect not just on technical aspects of procedure upstream from the project, but also on the issues and strategies to be implemented, a wish expressed by the French organisations, which are often the driving force behind meetings with funders.

Intermediary organisations also want to see this collaborative research being conducted into the meaning of the various actions undertaken. Taking a long-term view also helps better support smaller organisations.

In Algeria, for instance, players have had the idea of increasing the number of open days held to provide information on the support schemes in place and identify the roles held by the various players involved. The latter (local authorities, non-profit sector, support providers, etc.) need to build a network together.

These efforts are aimed at attenuating the feeling shared by all parties that the process can sometimes be a “lottery”, as expressed by certain UK players.

- **Taking better account of the social impact of projects.**

One source of frustration with project-based funding is the way funds tend to be granted to projects that “tick all the boxes” in funders’ specifications. Here, there is no consideration given to the project’s relevance in terms of its social impact, as emphasised by UK third sector players.

Many players point to the lack of impact assessments as another stumbling block.
That said, certain positive changes have also been identified. Despite the absence of a nationwide strategy highlighted in the Portuguese diagnostic assessment, the country is experiencing one favourable trend: the public sector is increasingly opting for multi-year funding solutions based on observable results of the action undertaken.

In addition, companies are becoming aware of the need to assess projects and conduct wider applications during calls for project proposals.

- Intermediary organisations have a role to play.

Community organisations and project initiators say they need greater support, both from funders and the various support providers able to give training.

In France, intermediary organisations have a strong presence and participate in building third sector players’ capacities and empowerment. For instance, IFAID Aquitaine, which provides the Gironde region’s DLA scheme, is extremely active in, and beneficial to, the local network of community organisations.

Organisations like the ABA in the UK also act as mediators and facilitators of meetings between applicants and the main funding foundations, for instance.

In Portugal, there is a real need for micro-players to build networks in the community organisation sphere. In response to that need, Bairros is working to pool initiatives in a specific district of the capital city, with a view to mounting a network of players working in partnership. The third sector is becoming increasingly professionalised and collaboration between consulting teams has helped begin work on capitalising best practices and know-how.

In Algeria, community organisations such as the Etoile Culturelle d'Akbou want to see more support organisations being created, with a role in teaching them about project-based funding, identifying players and mastering the tools needed for young people to have the greatest chance of success in mounting and expanding their project.

2 « Le Dispositif Local d'Accompagnement (DLA) est un dispositif d'appui et de conseil. Le DLA agit au service de la professionnalisation et de la consolidation. Tous les secteurs sont concernés : insertion, sport, petite enfance, culture, éducation, jeunesse, action sociale, ... ». Présentation du DLA, IFAID Aquitaine. Disponible sur : http://www.ifaid.org/fr/page/dla
• Implementing targeted training sessions.

Both applicants and funders say they want **training in how to deal with the technical difficulties they encounter** and also to allow them to **grasp the concepts** and theories behind the project-based model and the funding this involves.

In the UK, community organisations want to save time and money by writing solid applications thanks to the lessons learned from examples of successful applicants.

The organisations also want training in the **fields of administrative and financial management**, to provide their project with a more propitious ecosystem for expansion.

With regard to access to more specific funding: UK organisations would like to know more about how to access European funds, while French organisations would like to learn about how to attract the attention of private patrons so that they are no longer reliant solely on public funds.

In Portugal, players expressed a **need to master communications** (marketing) and **coordination** (free of procedure-related jargon) **tools**, in order to better disseminate the results of projects conducted in that country, where project initiators are often alone and powerless due to the lack of specific training available on project-based working.

Paradoxically, there appears to be a **growing trend towards professionalization** among social and solidarity economy organisations in Portugal.

In Algeria, there is still a shortage of training in entrepreneurship and a lack of information on projects. Players have a whole host of demands, from the need for information and training on projects to support with legal issues.
4- The next stage: what action towards which goals?

What action?

Project phase 2: multi-player workshops.

During the course of this year, each partner will organise workshops to explore the issues raised during the diagnostics phase. The workshops will bring various players to the table with a view to:
- Organising meetings between funders and funding applicants.
- Facilitating mutual understanding between players and providing an opportunity for them to make their voices heard.
- Capitalising on the information gathered, with a view to creating training module content.

Project phase 3: build training modules.

During the last year of the SPOTS project, efforts will focus on compiling training modules that are tailored to the needs identified by players themselves after the introspection and discussion phases.

Indeed, building third sector players’ capacities requires the development of specific training programmes that will subsequently be provided by professionals who have themselves been trained in the latest techniques in that area.

Towards which goals?

The meetings between SPOTS project partners pave the way for discussion, new discoveries, an opening of minds and the exchange of ideas. SPOTS aims to have a concrete impact on project ecosystems and to be a motivating factor, if not a strong advocate, for redefining boundaries at local level.

The SPOTS initiative gathers players from different EU nations which, by committing to joint reflection/action under a three-year project, will preserve the drive to co-create with a view to:
- making a concrete impact on communities,
- harmonising short-term action with long-term structural projects,
- finding the right compromises in terms of national policies.

« People need people to do with other people »
Appendices: Individual country diagnostics

1- France - conducted by IFAID Aquitaine
2- Portugal - conducted by Bairros
3- UK - conducted by Advantage Business Agency
4- Algeria - conducted by Étoile Culturelle d'Akbou
IFAID Aquitaine has been involved in European programmes enabling partners to **exchange, cooperate** and **co-create** tools for better understanding the **Social and Solidarity Economy** for several years now. The organisation aims to facilitate the transfer of skills to third sector players, to help build their capacity and empowerment. The SPOTS project is consistent with this goal.

The diagnostic assessment provided for in phase 1 of the project was carried out by a team of seven students training at IFAID Aquitaine, addressing in the **Gironde** region in the south west of France. Conducted from January through to May 2015, the assessment involved: **21 interviews** of funders in the public and private sectors and intermediary organisations as well as **32 comprehensive questionnaires** surveying community organisations from two sectors (community education and the performing arts).

The survey initially revealed that players did not necessarily feel a sense of belonging to the SEE sector as such, due to the lack of clarity surrounding the concept and the issue of whether the concept of “economy” has a place in the “social and solidarity” realm. However, all considered the term project to be a **multidimensional** concept, based on the idea of **collaborative working** and **partnership**.
In reality, the widespread decline in budgets has obliged funders to give precedence to project-based funding over the traditional subsidy model, which means backing short-term action plans. Yet subsidies enable organisations to cement their economic viability. Consequently, organisations are seeing their long-term projects fragmented, with the result that they are becoming more and more like service providers and less like genuine partners. Funder specifications provide a framework for the action implemented, such that community organisations are seeing the initiative for their projects slide into the hands of funders.

The community organisations interviewed said they were caught up in “a race to win calls for proposals”, which takes time and requires the recruitment of staff skilled in actively seeking funds and ensuring the activity has lasting prospects. With community organisations forced to compete against one another, young SSE players are struggling to match more experienced organisations with an established presence. Furthermore, there is little room to experiment with new practices as funders are reluctant to support innovative projects, which are perceived as too risky.

Funders and project initiators alike express the need to create spaces for dialogue, to swap ideas on goals and strategies on a more regular basis and for the duration of the project. As things stand, funders tend to provide support to organisations during the upstream phase of the project, addressing technical problems relating to legal procedures that applicants find too complicated, and which they would like to see simplified and harmonised. Community organisations would like to gain better knowledge of the mechanisms involved in private funding (patronage, etc.), with a view to diversifying their funding sources.

The SPOTS project therefore offers the various players an opportunity to look at ways to make project-based funding efficient, while preserving
innovation and an organisation’s viability, by gathering funders and organisations around a shared idea of what makes a project and partnership.

SPOTS therefore provides a real opportunity for players in the Gironde region to talk, meet and reflect on the issues experienced on a daily basis, with the aim of pushing practices forward and ensuring projects are sustainable.

[Click here here](#) to obtain a full summary of the French diagnostic assessment from the IFAID Aquitaine website.
One of the main sources of concern expressed by Portuguese third-sector organisations was the difficulties involved in accessing funds. Funding is mostly provided for specific action in the social sphere, with less resources at hand to pay for operations, tools and training, even though the latter are needed to enhance organisational and financial sustainability, efficiency and force of impact. The diagnostic assessment also revealed that maintaining dialogue at a horizontal level between funders and recipients remains notoriously difficult.

In these conditions, the first stage of the SPOTS project has involved examining third-sector funding and, specifically, the amount of funds allocated directly to projects and not to community organisations themselves. This meant analysing the approach taken by funders and non-profits, identifying the constraints at work in the relationship between funders and recipients, and pinpointing players’ needs (with a view to preparing phase 2 of the project, which is based on multi-player dialogue).

The survey was conducted in the greater Lisbon area of Portugal, addressing three sets of players in the third sector: funders, support & training organisations, and funding recipients. The SPOTS project enabled players to gather and capitalise on the information provided while involving the three sets of players and those holding several roles simultaneously,
thanks to methods such as semi-structured interviews and workshops. The initial results of this action-research project were summarised in the diagnostic assessment.

The survey showed that project-based funding is the **dominant funding mechanism** used. Both funders and recipients question the relevance of this model, with some parties **wanting to see its quality enhanced** to better optimise project selection, while others wonder if it is the optimal solution in terms of project impact. As regards constraints, many of those surveyed point to **general hurdles** stemming from skills and governance, action monitoring and evaluation, communications, and issues with confidence, responsibility, transparency and financial management. There is also a tendency to focus on the projects funded as opposed to the organisation as a whole.

Among the **positive trends** and changes observed, the survey revealed a growing level of professionalization among community organisations, improvements in the technical quality of applications, the support of voluntary workers, and the presence of training & support teams and managers, which also provide training on writing applications. Another new trend has been the rise in results rather than activity-based contracts, putting the emphasis on the impact of action taken. Another is the funding of multi-year, medium and long-term projects.

For a full copy of the diagnostic assessment, please contact us at the following address: europe@ifaid.org.
The UK diagnostic assessment involved local, regional and national players, both on the funding and recipient side. Although the assessment put the emphasis on the cultural sector, it is clear from the report that many of the results obtained also apply to other sectors. The survey was conducted via face-to-face telephone interviews or by email. Participants were asked a series of targeted questions, according to their perspective as a funder or recipient.

From the funding recipients’ perspective, there was a strong consensus in the responses to the questions asked. This was irrespective of the size of the organisation or its national/regional/local remit. The only area in which there was any significant divergence in viewpoints was with regard to match-funding. In addition to the accepted view that there was less funding available, the pot is now being shared amongst an even wider constituency, including new third sector organisations. These new players have been trying to fill the void left by a considerable decline in local authorities’ discretionary spending. In addition, funders have had to cut back on staffing levels, for various reasons, thereby damaging relationships between funders and recipients. The survey found this problem to be cross cutting through from advice on applications to project monitoring, decisions that organisations at times deem “bizarre”, feedback and re-submission advice. Another frequently expressed concern was the lack of clarity with regard to funding criteria and increasing risk aversion among funders.
With respect to **match-funding**, a minority feel that the requirement to raise funds from other sources was a positive aspect. However, the majority believe that if the match percentage is too high it is a deterrent to the submission of fresh projects. This was felt to be particularly true in the area of “payment by results”, which is squeezing out smaller organisations. Ultimately, project initiators feel there is a need for greater understanding from funders to better grasp the resources needed to write good bids.

A number of ideas were suggested that could improve the process, including **staged** funding, understanding how and why funders set their criteria, and **long-term project monitoring** for smaller organisations.

On the funder side, the amount of **monitoring and support for funded projects** varies: small foundations providing grants tend to provide very little support whereas larger foundations and institutions such as local authorities and the Arts Council of England tend to show a keener interest. The larger establishments are much more interested in the project’s impact than smaller funders.

Smaller trusts do not provide advice prior to submission or do not look very closely at applications, whereas public sector funders often use a much more rigorous process. However, they all feel that the funding guidelines and their clarity are **commensurate with the amount of funding** on offer.

Meanwhile, the **overall amount of funding available is shrinking**, for a wide variety of reasons ranging from general government funding cuts to reductions in local authority spending and, also, as a result of lower interest rates which have prevented the replenishing of legacy funds.

The social sphere is the only area to have seen a rise in funding and investment, though the latter tends to be targeted at larger organisations able to manage such activities.
Funders would like to explore how they can help applicants learn from previous applicants’ successes and also how they can help project initiators access European funding streams. Ultimately, they want applicants to gain a better understanding of the varied and growing range of funding sources available.

In conclusion, and whilst both parties agree that the funding pot is shrinking, there was a clear divergence in viewpoints. The SPOTS project will hopefully contribute to a better understanding of both positions, resulting in better-focused bids and reducing the feeling that the whole process is at times something of a “lottery”.

For a full copy of the diagnostic assessment, please contact us at the following address: europe@ifaid.org.
In Algeria, **youth unemployment remains a major source of concern** and a top priority for public authorities, which have been targeting all forms of professional exclusion among young people. A whole array of government policies has been implemented, through a range of insertion and youth employment programmes. Despite these efforts, **unemployment** is still running high. Women are the worst hit (17.4%, compared with 10.1% for men) alongside young people (three in four unemployed people are under 30 and 87.8% are under 35 years of age). Meanwhile, **action by non-profit organisations remains limited and financially precarious**.

The diagnostic assessment identified **three sets of players involved in the provision of support for entrepreneurship**.

- Funders (state-owned banks)
- Entrepreneurs (project initiators)
- Entrepreneurship support schemes.

Most of Algeria’s entrepreneurs are young people (19-40 years old). Many young people start businesses as a way to escape unemployment, without any prior knowledge of project management. The **funding of projects based on eligibility criteria** has led to a surge in growth in the latter as well as to a **diversification in the range of sectors** involved. However, the selection criteria for projects do not oblige applicants to train in project
management. There is still a shortage of training courses in entrepreneurship in professional training centres and even in universities. When these do exist, the training provided does not necessarily cover all the concepts necessary for understanding business. The timeframes for processing and examining funding applications are relatively long and discouraging and many applicants give up on the idea of entrepreneurship altogether.

Access to funding raises difficulties in terms of guarantees and, in some cases, the need to include a personal financial contribution can be an obstacle for the applicant and even a source of additional debt.

Whereas state-owned banks have an extensive branch networks covering the entire country, Algeria’s private banks only operate in major cities. State-owned banks account for 92.7% of the country’s total bank assets.

The low level of private equity and lack of experience among funding applicants have led the government to introduce support schemes to stimulate entrepreneurship, of which ANSEJ, ANGEM and CNAC are the main examples. These programmes address two issues: promoting entrepreneurship and creating jobs. The three schemes are based on two types of incentive: tax exemptions and the direct funding of businesses created.

The large number of funding applicants has given rise to a shortage of support, leading many project initiators into hardship, notably during the project start-up phase. Expectations are high. The Algerian partners call for the creation of spaces for concertation and dialogue to promote the spirit of partnership between players and for the organisation of more open-door events to facilitate greater understanding of the concepts involved in project funding, and clarify the roles and relationships between the various players. They want to see a strengthening in support providers’ skills, notably when it comes to group facilitation
techniques, in response to the high number of applicants in the country. Finally, the Algerian partners call for public sector organisations to implement support systems to help roll out larger-scale projects.

For a full copy of the diagnostic assessment, please contact us at the following address: europe@ifaid.org.