

# Public funding of Societal Initiative

## Balancing Between Payment and Allocation

July 2015



## Profile

The Financial Relations Council (RfV) is an advisory body of the government and parliament. The RfV was established by the Act of 21 February 1997 (Act for the Council of Financial Relations, Bulletin of Acts 1997, no. 106).

## Task

The Council's legal task is to give advice to the government and parliament either on request or on its own initiative on how the financial resources of the State can best be divided among the municipalities and provinces. The RfV aims to establish a balance in the way financial resources are distributed, thus contributing to the effectiveness of the government as a whole.

## Composition

A maximum of nine independent experts in the fields of public administration, politics and public finance combine to form the Financial Relations Council. These experts are selected based on their expertise and experience in civil society and are appointed by Royal Decree.

## Procedure

The Council can provide advice upon request or on its own initiative. In general the advice relates to the funding of the municipalities and provinces, the tax system and to the distribution of specific grants - the advice covers all policy areas. It can also cover policy and its implementation. In the preparation of its advice the Council takes into account the advisory reports of citizens and organisations that have in-depth knowledge and/or experience in relevant to the policy areas in question. The Council also contributes to the political, administrative and social debate through other activities (publications, meetings). In its advice, the Council gives considerable attention to the basic principles of financial relations, policy and discretionary powers and financial risks. Attention is also given to equality of rights and legal certainty and transparency.

## Secretariat

A secretariat supports the Financial Relations Council, RfV (and the Council for Public Administration, Rob). The administrative secretary and his staff report directly to the Council. The yearly work programme and latest developments determine the course of the Council's activities.

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# Foreword

The relationships between public and private, between government and society are constantly changing. Increasingly, societal initiatives encroach on domains that have long been considered as public. At the same time governments reflect on their range of tasks and clarifying their own roles. On paper these shifts are all interconnected, and practice shows that they are a source of high expectations. On the one hand, it is not easy to let go of an administrative discipline on the other, there is still a persistent tendency to resort to government when something does not work out.

The aim of government is to achieve common interests, but it has by no means the monopoly in doing so. Businesses, civil society organisations and (groups of) citizens can also work on common goals. Common interests can inter alia be achieved by using public funds for societal initiatives. When public and private sectors converge to represent public interests it creates new problems and ways of working. These topics are the central part of this advisory report.

Based on its task to advise on the establishment and functioning of public administration and also on a balanced distribution of public funds, the Financial Relations Council, in cooperation with the Council for Public Administration, provides with this advisory report a further look at their earlier findings concerning new relationships between citizens and public administration. Whereas the report 'Distribution, Trust and Accountability' (2011) emphasized the possible effects of horizontalisation, the central theme of this advisory report concerns civil societisation<sup>1</sup>. In addition to the question of whether civil societisation affects the financial relations, this advisory report elaborates on how governments use public money to contribute to societal initiative.

It is about more than providing a subsidy. It concerns issues about the reallocation of responsibilities, powers and tasks. Ownership, risk and having one's say take on a new meaning.

The government itself can also be regarded as a societal initiative. Jointly building a dike to avoid getting wet feet evokes an over simplified but nonetheless powerful image of the essence of a society: together you can achieve something an individual cannot do. There are centuries between the time when the first dike was built and the formalised public task of the present in which governments and citizens' joint initiatives developed their own logic and competencies. The competencies of both areas are complementary if the distance between them can be bridged. The art of solving complex problems is to combine the flexibility of societal initiatives under the guarantee of the government system.

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1 Distribution, Trust and Accountability

During the preparation of this report, the Council noted that government and initiatives are working closely together and collaborate intensively in many places in the country. Through public funding, initiatives can extend beyond the capabilities of the initiators and create added societal value. Work is carried out on local and regional issues on the basis of a shared interest. This is often not easy. There are neither obstacles in the laws nor practical objections but there is no fixed relation between payment and decision-making either. The wishes and expectations are important conditions for a fruitful cooperation between governments and initiatives and this is why roles must be clear and communications transparent.

During the preparations of this project the Financial Relations Council worked closely with the Council for Public Administration. The joint preparation was headed by prof. Dr MA Allers (Rfv) and Prof. M.J.G.J.A. Boogers (Rob). This project was supported by staff members assisted by Kirsten Veldhuijzen, Eric Laken, Gerber van Nijendaal, Marjolijn Blom and Floor Kleemans. We would like to thank Hans Emmerich and Robert 't Hart for sharing their knowledge of theory and practice in relation to risk and local government.

The translation of this advice was in the capable hands of Vivianne Carter. Because of the many specifically Dutch aspects of Dutch financial relations, she had a difficult challenge. Her work has been invaluable and is much appreciated.

The Financial Relations Council

A handwritten signature in black ink, consisting of a large, sweeping horizontal stroke with a smaller, more intricate mark in the center.

M.A.P. van Haersma Buma, Chairman

A handwritten signature in black ink, featuring a large, stylized initial 'B' followed by a long, horizontal stroke.

Dr C.J.M. Breed, Administrative Secretary

# Summary

This advisory report answers the question whether civil societisation is of significance for the financial instruments of government and the system of financial relations.

To answer this question, the Financial Relations Council examined how local governments use public money to contribute to societal initiative and what the implications are for those governments.

During the preparation of this report, the Council noted that in many places in the country, government and initiatives come together and collaborate intensively. Through public funding, initiatives can extend beyond the possibilities of the initiators and create added value for society. Work is carried out on local and regional issues on the basis of a shared interest. This is often not easy. There are neither obstacles in the laws nor practical objections but there is no fixed relation between payment and decision-making either. The wishes and expectations are important conditions for a fruitful cooperation between governments and initiatives and this is why roles must be clear and communications transparent.

Financial involvement means more than providing a subsidy. It is about issues regarding the reallocation of responsibilities, powers and tasks. And also ownership, risk and participation take on a new meaning. This is what this advisory report is about.

The answer to the request for advice is essentially that for the time being, socialisation has neither any significance for central government's financial instruments nor for the system of financial relations.

When we take a closer look at the practice 'behind the scenes' we can establish that the existing financial instruments remain very effective for local governments to achieve common interests. This is still the case whether these common interests are achieved through financial participation in societal initiatives

The Council for Financial Relations observes that development occurs in work and in organisational forms between government and society. This development is reflected in the funding forms used by provinces and municipalities when they financially facilitate a societal initiative. There is a great variety of types of cooperation which have been systematically examined in this advisory report. An overview of funding forms illustrates the diversity in practice and provides concrete action strategy for local governments.

Civil societisation allows others to have a say about the use of public money or explicitly shared ownership of public interest. Thus, governments remain involved in achieving public interests, even outside the public domain.

The current financial relations system facilitates these changing relationships and there is currently no cause to revise the system merely for the sake of civil societisation.

Public interests invested or identified without government involvement could induce public funding, but not necessarily. Governments are not automatically financially involved when government and initiative come together to work in a shared interest. Not only do initiatives have different needs when public money is involved; there are other ways in which governments respond to initiatives. Governments are important for societal initiatives. Not only because they realise public interests in co-production with those initiatives, but also because they contribute to the continuity of initiatives, for example by providing financial support.

The Council believes that it is up to each individual government to determine whether it intends to support initiatives and, if so, which ones and whether this support should be financial. Government has expressed its wish to support and facilitate societal initiatives, to create room and pave the way to government's policy on societal initiatives. The most effective way to do this is to give local authorities 'room'. In the Council's view this calls for a more global distribution; a larger local and identifiable provincial taxation area. This will enable local authorities to meet social needs more adequately. The Council will provide the government with further advice on this subject.

As a result of socialisation and decentralisations in nature policy (provinces) and in the social domain (municipalities), the Council foresees the opportunity for the design of new public-private arrangements. If governments want to take this opportunity to collaborate with civil societisation initiatives, then this advice can be used as a guide.

From a financial perspective the Council will continue to closely follow the new relationships between governments and initiatives in both the physical and the social domain. This will allow for a quick response to the need for new financial arrangements, should these practices develop. The Council's attention will focus on the incorporation into the existing system of financial relations or redesigning the system for future sustainability.

In addition, the Council observes that resources other than public money (such as pension funds, private and charitable funds) are used for the realisation of public interests. It may involve combining public and private resources within a single policy domain, but also the effects of private money to achieve public interests. These phenomena are beyond the scope of this advisory report, but the increasing relevance of these flows of funds has led the Council to identify this as a follow-up question for further advice.

# Introduction and problem definition

## 1.1 Background

The reason for this advice is threefold. The concrete reason is the Minister of the Interior and Kingdom Relations' request for advice about the significance of civil societisation for the financial instruments of the Government.<sup>2</sup> In addition, in 2011 the Financial Relations Council noted that civil societisation<sup>3</sup> is imposing new demands on governments concerning risk and accountability.<sup>4</sup> Furthermore, the financial aspect has been a recurring theme in dialogues between local councils, regional political parties, municipal bodies and civil servants following the Council for Public Administration's advice, *Loslaten in vertrouwen* (Letting go and Public Trust).<sup>5</sup>

In their previous advice on civil societisation both Councils discussed the significance of this development, but they had not previously specifically addressed the financial aspects now covered by this advice.

## 1.2 Problem definition

At the suggestion of involving the expertise of the Council for Public Administration in this advisory report, the Minister of the Interior and Kingdom Relations asked the Financial Relations Council, 'What do the changing relationships in society mean for the financial instruments used by the government to support and facilitate societal initiatives?'

This question is based on the desire or necessity of using public money to support societal initiatives. In the Council's opinion, it is up to each individual government to decide whether it intends to support initiatives and, if so, which ones and whether this should be financial support. As the Council observed during the preparation of this advisory report, due to the changes in local governments' range of tasks on the one hand and, the scale and orientation of initiatives on the other means that provinces and councils are very preoccupied with this issue. All of the municipalities and provinces have interesting examples from daily practice to illustrate what methods are possible. This public-private partnership is largely in an experimental stage, especially in comparison with years of experience with subsidies to institutionalised parties or the execution of public tasks. At the same time this is a vital society in full swing with all its corresponding expectations and disappointments.

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2 See Annex 1 Request for Advice

3 This refers to whether solving societal issues are the subject of a private initiative and/or enterprise, whether or not in co-production with a government. RFV 2011, page 64 ff.

4 bid, page 80

5 Rob 2012a

When we take a closer look at the practice ‘behind the scenes’ we can establish that the existing financial instruments remain very effective for local governments to achieve common interests.

This is still the case whether these common interests are achieved through financial participation in societal initiatives. Public funding raises initiatives beyond the individual capabilities of the participants, resulting in a greater social return, but it is often the first step to launching a development. It is striking that in the spatial domain, many initiatives flourish, even without public funding, whereas this is (still) less the case in the care domain.<sup>6</sup>

The minister requested the Council to provide an advisory report on the significance of the changing relationships in society in regard to the financial instruments of government. The Council considers it too soon for a comprehensive assessment of governments’ entire financial instruments in light of civil societisation. There has been lively debate about it<sup>7</sup> but theory and empirical practice are still scarce and the level of experimentation in the evolving practice is high. It is also too early to analyse how much public money is involved in initiatives. According to the Council the resonance of restructuring the range of tasks and roles is greater than the amount of money currently involved.

Simultaneous with this civil societisation trend there is an unprecedented decentralisation of tasks, resources and responsibilities to municipalities in the fields of social care, participation and child and youth care. This has resulted in radical changes for administrative, financial and societal relations. It concerns a transformation task that not only covers a total budget of €10 billion but also involves austerity measures in the standard of services and a change in citizens’ claims towards government. As a result, the relationship between citizen and government as a whole will change significantly. After all, nationally assured rights are traded for services for which, the content, availability and scope are determined by local democratic decision-making and resource availability.

Because citizens’ rights are exchanged for municipal services, there is now room for designing arrangements that were previously unavailable. Delivering claims to individual rights to care and assistance leaves little room for societal initiative, while decentralisation paradigms like public service, self-reliance and local customised services offer more possibilities. This allows for room within the societal domain where new initiatives, profitable or otherwise, could develop although it is still too early to draw conclusions about their actual implementation.<sup>8</sup>

This advisory report builds further on the Council for Public Administration findings on the reorientation of the financial relations<sup>9</sup> and dialogues held in the country regarding the Council’s

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6 The Netherlands Institute for Social Research, SCP 2008

7 See Annex 2: literature

8 Putters 2013

9 Financial Relations Council 2011

view on civil societisation, *Loslaten in vertrouwen* (Letting go and Public Trust).<sup>10</sup> The question, ‘What do the changing relations in society mean for the financial instruments used by the government to support and facilitate societal initiatives?’<sup>11</sup> is answered by examining in detail a number of issues and providing insight into the way governments shape their relations with these initiatives.

The questions concerned in this advice are:

*What problems arise in public funding of societal initiatives?*

*How do governments go about using public funding for a societal initiative?*

The issues identified by the Council are the right of say, ownership, accountability and risk, the significance of civil societisation for financial relations and the design of public funding of societal initiatives.

### 1.3 Scope, definitions and terminology

Governments are dominant in many sectors of society when it comes to governing money or deciding on financial arrangements. They are empowered to make decisions in many areas, even when public funds are not directly at stake. Examples include declaring collective agreements to be universally applicable, banking supervision, regulation of mortgage lending or the introduction of the euro. On the other hand charities, pension funds, companies and civil society play an important role in the realisation of public interests.

This advisory report is limited to discussing the public funding of societal initiatives by the two general administrations in decentralised government levels in the Netherlands. This relates to the *transfer of financial resources to societal initiatives, with or without profit, on the basis of a decision made by a province or a municipality*. As the scope of the financial instruments is wider, there are also derived forms of direct money transfer involved. This concerns, for example, local fiscal measures or funding schemes.

This advisory report focuses on issues concerning the transfer and use of public money (spending) for the realisation of public interests. The collection of money by governments (funding) is briefly covered in Chapter 4. Although both aspects of societal initiatives could be addressed, this advisory report focuses on the financial implications of transferring money from public to private domains.

*What is societal initiative?*

Defining the term ‘societal initiative’ is complex. Strictly speaking, almost every joint activity undertaken ‘beyond the front-door’ can be grouped under the term ‘societal initiative’: people undertake all kinds of activities they or their environment can benefit from, regardless whether society as a whole will also benefit from these activities. Activities in which the negative effects are passed from private initiative to the collective (crime, unhealthy lifestyles, pollution, etc.)

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<sup>10</sup> The Council for Public Administration

<sup>11</sup> See Annex 1 Questions for Advice

seems clear, but determining where ‘social’, or (collective) interest transcends self-interest is less straightforward. This is also because, in the course of time, the term ‘societal’ has gained normative implications; something ‘societal’, is not only in an objective sense something ‘belonging to society’, but is also ‘good’.

The interpretation differs according to place and time. What one municipality considers as a societal initiative is, in another, considered as integral part of the regular societal interaction between individuals or parties with no government involvement. This can be deduced *inter alia* from the difference in the use of facilities. Even within a small country like the Netherlands there are relatively large differences in the extent to which citizens’ can call upon the government for their care needs. These differences are sometimes deeply rooted in society.

Then there is the reference to time. As described by Van Twist and others<sup>12</sup>, there are a large number of people who actively do something for the community but this is not a new phenomenon, and the focus on this has increased.<sup>13</sup> The development of government itself includes initiatives such as the *Maatschappij tot Nut van ’t Algemeen* (Nut for short; Society for Public Welfare, *Fonds 1818*)<sup>14</sup>, trade unions, reading rooms, youth care, the Royal Dutch Touring Club (ANWB) or *Natuurmonumenten* nature conservation in the Netherlands which can all be regarded as societal initiatives. Present-day examples include food banks, care and energy cooperatives, local community funds and community businesses.

A definition according to legal status, financial organisation or quantitative criteria is not possible, since societal initiatives are characterised by their freedom of form and informal structures. They cannot therefore be selected by ‘hard’ criteria.

In order to define on the one hand, the subject of this advisory report and, on the other to meet the requirements of the wide variety of forms, we have chosen to involve the initiators’ self-qualification in the definition. The term ‘societal initiative’ therefore identifies those activities in which (*groups of*) *citizens are committed to a task or interest to which they assign their own public value.*

This definition is based on two approaches. The first concerns the division of tasks between government and society as applied in the concept, ‘the enabling state’ in which in his inaugural speech Van der Meer defines as: ‘An enabling state can be described as a state in which public administration (comprising all governments and other bodies with public authority) create the

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12 Van Twist et al. 2014

13 Scientific Council for Government Policy (WRR) 2012, Council for Public Administration (Rob), Council for Social Development (RMO) 2013

14 *Fonds 1818* supports numerous societal initiatives focusing on care, welfare, art, culture, nature, the environment and education.

preconditions for an orderly social interaction, *in which society itself shapes the outlines and implementation of individual and common interests*'.<sup>15</sup>

The second approach is derived from the term, public value, which was introduced in 1995 by Mark Moore to describe the activities of public organisations. He defines public value, also called added social value, as the value public organisations contribute to society. What that value is or what it should consist of, will be determined in consultation with the community and therefore provide (local) politics and residents with an important say in matters.<sup>16</sup>

Thus, we can define the public value of initiatives as the *contribution initiatives make to society*. The main focus is on the self-qualification by the initiators themselves. Consultation with the community including the political governance is only involved when an initiative is institutionalised into a public organisation or when the political governance is approached for money or space.

#### *Definitions and terminology*

Due to the concept of the decision-making, this advisory report is restricted to the governments' perspective, focusing on and for local authorities' prospective action strategies. In the interest of readability, both tiers of government are not named or indicated individually each time. Municipalities and provinces have their own focus on and interaction with society, but with regard to the subject of this advisory report the similarities between the two tiers are greater than the differences.

In addition to using the generic term 'government' this advisory report also refers more specifically to 'politics', 'governance' and 'political governance'. When this advisory report refers to politics, it refers to its members, i.e. bodies elected by the people, the municipal council, the States-Provincial and the House of Representatives and the Senate as well as its members. Governance refers to the administrative bodies in the Netherlands: the Mayor and Aldermen, the Provincial Executive and the cabinet. When politics and government are referred together as 'political governance' this refers to the assembly of elected politicians and administrators.

The ministerial request for advice speaks about 'financing arrangements' and in its report Distribution, Trust and Accountability, the RfV uses both the terminology 'alternative financing' and 'alternative funding' as this relates to the way third party material is cited.

This advisory report uses the term 'funding' as much as possible. The distinction between funding and financing relates to whether or not financial returns are achieved. A distinction can be made between spending money for the realisation of a public objective (funding) and making an investment (financing), which can also serve a public objective. We see the governments' role in this advisory report as that of funder, hence the dominance of the term.

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<sup>15</sup> Van der Meer 2012 p. 10

<sup>16</sup> Moore 1995, Geuijen 2014 pp 87-96

The focus on the financial aspect in this advisory report means that, a sharp division is made between public and private as if public administration and society are two worlds that watch each other from a great distance. But if anything emerged from talks and contacts with governments and initiatives, it was precisely that in practice, both parties get along well in more or less formal frameworks, entirely in accordance with the principles and moral code of a network society. This does not rule out conflicting views and disappointments on both sides. The informal way in which governments participate in networks and initiatives is partly reflected in the provision of man hours and materials. The construction of many a city's community gardens was not based on a council decision but on discussions.

To summarise it can be said in this advisory report, the Council has made an analysis of a still relatively unexplored area both in practice and in terms of the scientific area, so as to meet the need for a strategy to deal with policy and implementation at various levels of Dutch public administration.

## 1.4 Summary

Chapter 2 discusses the context of financial participation. It deals with ownership, political primacy, accountability and risk. When it comes to using public money via a societal initiative, is it the municipal council's primacy or that of street level organisations? If the municipal council makes money available, how much say does it have? Is the logic of a framework and control by local councils and Provincial Executives still valid when administrators secure public interest through non-institutionalised ad-hoc partnerships?

The topic of chapter 3 is designing public funding for societal initiative. Different methods and constructions are listed and presented as a matrix. This chapter is the basis of this advisory report and acts as a guide for municipalities and provinces for concrete action strategies.

Chapter 4 discusses the importance of civil societisation for financial relations and gives reasons for government intervention from an economic perspective. It builds further on the findings in the RfV's report, Distribution, Trust and Accountability.<sup>17</sup>

Chapter 5 draws conclusions and recommendations regarding various issues. The main focus is the response to the request for advice and its significance for the State and local governments.

## 1.5 Accountability method

In writing this report, both the Financial Relations Council (RfV) and the Council for Public Administration (RoB) have particularly concentrated their efforts in fieldwork in addition to carrying out literature research and searching the websites of initiatives and local governments. Local authorities and societal initiatives were questioned about how they shape their relationships and how financial arrangements take place in this collaboration. Discussions were also held with representatives of various scientific disciplines.

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17 RfV 2011

# Between Payment and Decision-making

## 2.1 Introduction

Is it the municipal council's or the public's primacy when it comes to the use of public money via a societal initiative? And if the municipal council makes the money available, how much say does it have? The consequences for *governments* when public funds are channelled to societal initiatives are discussed in the following sections.

## 2.2 Public money creates obligation

It is an important role for a local administrator; he or she is invited by residents, businesses or institutions, or a combination thereof, to attend a festive event to launch an initiative. The invitation was accepted because the initiative contributes to the welfare or prosperity of the region, municipality or district. Words of appreciation, gratitude and encouragement are exchanged. By attending this ceremony the administrator endorses the public value or the importance of the initiative. The administrator is, after all, not there for himself but as a representative of the community where the initiative started.

And whether it is a regional company<sup>18</sup> or a care initiative where young people outside formal care frameworks receive assistance,<sup>19</sup> they all qualify as a societal initiative. Residents, in their role as volunteers, (social) entrepreneurs or employees, are committed to a task or interest to which they assign their own public value. The initiative can involve all kinds of initiatives; it can either be for profit or non-profit, a legal entity or an ad-hoc partnership.

By attending the event, the administrator has emphasised the societal value of the initiative and leaves with or without a gift of flowers or a regional product. The noncommittal encouragement arising from the event has a different connotation when the municipality sends a representative who awards public funds to the initiative. Financial commitment means that the mechanisms that characterise public administration are manifest in the initiative. The noncommittal encouragement leads - even unintentionally - to control: *public money creates obligation*. The logic of public accountability implies judgements on effectiveness and efficiency when that public money is used for an initiative. Good governance implies that municipalities and the Provincial Executives should not be deprived of their regulatory frameworks and democratic control, while the court of auditors should be able to judge effectiveness and legitimacy. The question is to what degree do the initiators, who previously claimed ownership of a public interest,<sup>20</sup> feel as though they are still the

<sup>18</sup> For example [www.wijkonderneming.nl](http://www.wijkonderneming.nl), [www.bewonersbedrijven.nl](http://www.bewonersbedrijven.nl)

<sup>19</sup> For example, [www.deoverbrugging.nl](http://www.deoverbrugging.nl)

<sup>20</sup> Council for Social Development (Raad voor Maatschappelijke Ontwikkeling) 2014

owner. In public funding, no matter how low the amount is, the initiative becomes part of the value system of the public domain.

The relevant question is then, who decides what happens to the money used by government to support the initiative.

### 2.3 Role clarity and distance

Where public and private sectors meet in a shared interest, co-productions and shared responsibility develop, which is partly reflected in the financial involvement of the parties. The art of solving complex issues is to combine the flexibility of societal initiatives under the guarantee of the government system. In order to do so, both domains have to maintain their clarity of roles and observe a certain amount of distance. Role clarity means that there is transparency about the responsibility from which parties contribute to achieve societal goals. Distance implies that parties recognise mutual (im)possibilities and act accordingly so that competencies are complementary.<sup>21</sup>

Thus, initiative and government acknowledge a mutually dependent relationship but neither claims ownership. They do however, share ownership with respect to the shared task and are explicit about their responsibilities. Financial contribution to an initiative does not therefore result in ownership of the initiative. The extent to which a government considers itself as owner is determined by its own concept of its role and not by the manner or extent of the funding. In part, the role of government is determined by regulations. The swimming pool has been made available quid pro quo to the residents who are now responsible for meeting fire safety requirements.

When an initiative is closely aligned with the existing policy, then its funding will be justified within those parameters. The initiative becomes a vehicle for policy and that is not problematic as long as initiative and government largely agree on the intended objective and keep their clarity of role and distance. This approach also contributes to bridging the differences in logic between government and the initiative. Governing is about steering, solving problems and achieving goals. Ideally, these are linear activities and these initiatives arise from the 'need for something'. The goal is to create the initiative itself, without necessarily underpinning a strategy or smart set of goals. Initiatives are redundant when the need no longer exists or the objective has been achieved. As practice shows, governments support public initiatives because of the goals and are funded on the basis of performance agreements. But this also happens merely because they exist without there being a question of any performance or policy achievement.<sup>22</sup> When initiatives institutionalise in civil society organisations, governments can then enter into structural relations.

Role clarity and distance require careful communications with all parties involved: administrators must communicate clearly and in advance, the nature and extent of their involvement, and especially where it ends.

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21 See i.a. overheidsparticipatietrap (scale of participation), The Council for Public Administration 2014

22 This is used for the so-called 'appreciation subsidy'

This does not mean that their public accountability is less but they must adequately justify their actions.

As the great variety of funding forms demonstrates in Chapter 3, it is possible to create role clarity through the design of support. When councils and Provincial Executives safeguard the public interest through non-institutionalised ad-hoc partnerships and check their daily management on their implementation, they need to take into account the logic that characterises initiatives. It is not about policy implementers rather parties with whom they are committed in a shared viewpoint or because their existence represents a public value. Thus the local or regional community where it started remains the owner of the initiative and political governance can fulfil its own tasks and responsibilities.

## 2.4 Public risk

Dealing with societal initiatives raises questions about the risks of governments. Initiatives are not noncommittal variations of mainstream society, but essentially different entities characterised by flexibility and commitment but also by discontinuity and personal relationships.

Issues about societal structure are best approached by questioning what the government can do rather than what should they do.<sup>23</sup> The challenge is to find the balance between what is expected from government when dealing with risks involving initiatives and, where societal initiative bears full responsibility, including risks.

Governing is about making choices. Governing means making the most of space, time, money and freedoms. These choices affect local government's risk discipline. Public accountability which is characteristic of local politics<sup>24</sup> results in people addressing administrators and councillors about everything that happens in their environment. This also applies to participation in or support of initiatives, where also limited (financial) facilitation can have a big political-administrative impact: whoever participates in part, is also accountable for the whole.

This mechanism presents obstacles for public funding. Successes can be shared and can reflect positively on all parties involved. However, when goals are unexpectedly not achieved, political governance formally no longer owns the problem just the problems arising from its ownership. Material wise the case is different. The reaction which occurs in all kinds of adversity in the public space including societal initiatives is, 'What is the councillor/ provincial government member going to do about it?'

This response and the understanding of the mechanism of accountability, contribute to a high risk awareness concerning initiatives. To whom and to what does governance link its fate?

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<sup>23</sup> The Council for Public Administration 2012b, p.7

<sup>24</sup> Tops and Zouridis (2002), p. 36

Governments often discuss risks in terms of manageability. The key risk management measures is clearly invested ownership; ownership of a task or interest means bearing the associated risks, unless this investment is explicitly borne elsewhere. Good governance, public and private also means that preferably ownership and risk go hand in hand. Initially, in societal initiatives, this will involve whoever owns the initiative. This is about the balance between holding on or letting go. Government cannot always act as a 'safe safety net' in case something goes wrong but it can support a societal initiative when a helping hand is needed. Considering whether those risks are acceptable for a government is something that makes it autonomous.

Essentially, risk assessment of public funding does thus not differ from other risk considerations; it is a question of whether the value of participating in a societal initiative outweighs the (financial) risks associated with them. Therefore, there may be no need to be abstain from public funding simply because of risk itself.

In its advisory report on public administration, incident reflexes and risk acceptance<sup>25</sup> the Council for Public Administration argued that risks are often thought about in terms of prevention or elimination. In many cases, government has specifically been given the task of taking risks because it is not possible to bear these individually. The allocation and acceptance of risk is a part of the assessment process whether or not to facilitate a societal initiative.

#### *Financial risk*

Local governments' involvement can be seen as purely financial risks. This relates to the risks arising from, for example, open-end schemes or by invoking guarantees in the loss of a societal initiative, when a loan as start-up capital can no longer be repaid etcetera. Because local governments cannot go bankrupt they serve as an ideal back-up for third parties and can provide low interest rate loans. Providing guarantees has long been seen as a safe and inexpensive method of government intervention. Recent events involving (impending) bankruptcies show, for example, in the case of housing cooperations, that guarantees are not without financial risk. When there is an imminent loss of the initiative and there is a threat of losing public value this can be a reason for a government to step-in and decide to continue with public funding.

In the paragraph on financial resilience, local authorities are required to identify the risks (risk paragraph), and to identify their ability to absorb them (resilience capacity). Budgetary risks also include the consequences arising from collaboration with third parties, the related parties. Local authorities have a separate paragraph to related parties in their financial reporting. Related parties are organisations in which there is an administrative control and/or there is a financial interest. Financial interest may mean that the amount made available (loan) is no longer recoverable or that liability arises if the organisation fails to meet its obligations. In addition, local government also bears the financial risk. Guarantees require a realistic insight into the possible extent of incurred losses and the claim on municipal resources.

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<sup>25</sup> The Council for Public Administration 2012b

It is not a primary government responsibility for a municipality or province to act as a banker or guarantor. Financing support is only available for the implementation of a public duty. The complaint about state support going beyond these activities is well-founded. City Council and the Provincial Executive determine the scope of the public task. That is the context for payment, including the provision of loans and guarantees to institutions that, in the governance policy view, contribute to the significance of a public task.

## 2.5 Municipal or street level primacy?

When initiators assign a public value to their activities is it primarily because government is regarded as the dominant long-term societal problem-solver, a result of an automatism either because of the political agenda or because of public administration itself. This raises the question, 'what does the initiative entail?' Should local or provincial politics commit themselves to the task or interest? It is as though a claim is made to the ownership of a task.

The answer to the question as to where the primacy lies is, in principle, the result of a public debate. This certainly applies to tasks that cannot, by law or in co-governance, be carried out by local governments. The Provinces Act (Provinciewet) and Communities Act (Gemeentewet) recognise the principle of 'general competence'<sup>26</sup> in which governments are free to include actions in their tasks as a mission or interest, as long as higher legislation does not stipulate otherwise. Thus, it is for provincial/local democracy to decide about their responsibility.

This autonomy provides plenty of room to work together on societal initiatives, to transfer activities or to implement policies outside institutional settings, but primacy is not automatic. Primacy lies where society considers its needs and wishes are best served. The role either assigned to or claimed by governments keeps changing.<sup>27</sup> <sup>28</sup>The debate about who has the primacy in a public interest therefore does not only take place in council or state rooms but also elsewhere with (groups of) citizens who make a social task part of their activity.

This process changes when it concerns a government's financial involvement. Distributing public money is reserved for the highest bodies within the democracy, whereby the funding primacy lies with councils and the provincial governments. Several forms of joint participation involving public money have been developed in an effort to increase citizen participation. Budget monitoring (citizens participate in talks about the use of budgets), a citizens' budget<sup>29</sup> or competitions between initiatives facilitating the implementation of the winning proposal with public money are all types of public participation in the allocation of public funds.<sup>30</sup> However, these of types

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26 Article 124 Constitution, Article 105 Provinces, 108 Municipalities

27 See i.a. de overheidsparticipatietrap (scale of participation), The Council for Public Administration 2014

28 Van der Steen et al. 2013

29 A citizen budget is a decision-making process in which citizens participate and negotiate the distribution of public money. See also Hofman, 2011

30 For example [www.stadsinitiatief.nl](http://www.stadsinitiatief.nl)

of participation do not themselves result in the transfer of municipal and provincial governments' financial primacy to third parties. They cannot be substituted. However, it is possible, that further decision-making on transferring the use of budgets to (groups of) citizens or initiatives will take place and that municipal or provincial governments give outlines on how the funds may be spent.

## 2.6 Obstacle or matching arrangement?

The question is whether the primacy on funding of the municipal and provincial governments is an obstacle for initiatives. The criticism about a municipality or province not engaging with the initiatives of citizens or entrepreneurs is indeed omnipresent. At the same time, governments experience obstacles in the form of legislation and budget regulations that prevent them from actively responding to initiatives. However, during the preparation of this advisory report, the Council noted that individual aldermen and councillors play an active role in linking policy with initiatives or transferring the range of tasks. Also, many municipal plans established after the elections of March 2014, devoted separate sections in their plans to allow room for societal initiatives and for doing things themselves.<sup>31</sup> In addition, the research underlying this report shows that governments use the existing instruments to financially support initiatives. These instruments come from existing legislation and regulations and concern subsidies, guarantees, loans and funds, combinations thereof or variations thereon (see Chapter 3). The possibilities these instruments offer for customised work enables governments to enter into relationships with initiatives.

The design of the City of Delft subsidies enables non-performance-oriented activities to be subsidised:

The municipal policy is implemented in part through subsidies to a wide variety of organisations in the city. Subsidies are allocated in various forms:

1. Performance subsidies: the performance subsidy establishes a relationship between activities/results deemed essential by the municipality that contribute to achieving the main objective and or policy goals of the policy and the subsidy. The performance subsidy is often awarded to professional organisations where professionals are deployed. Agreements are made with these organisations on the deliverables, performance and quality (social effects, outputs and activities).
2. Appreciation subsidy: the purpose of the appreciation subsidy is to express the appreciation and approval of the municipality for certain activities where either result oriented activities are not required or they are required to a lesser extent. Instead of a product and performance agreement, a budget agreement is drawn up. This makes it clear that the amount (budget) for performing the agreed activity is the maximum amount of subsidy available. This type of subsidy is intended as a contribution to the costs the subsidy applicant believes to be needed.
3. Incidental subsidy: these can be awarded for events and incidental activities that contribute to municipal goals.<sup>1</sup>

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<sup>31</sup> Vriesema in, NRC, July 10, 2014

## 2.7 Public interest does not mean public funding

Distribution of public money remains the task for political governance. After weighing up many interests the conclusion may be that, after all, it is not a good idea to facilitate an initiative. Municipal and provincial governments have a broad responsibility for many policy areas and may come to the conclusion that funding is not in the public interest. There may be many reasons for this; an initiative represents a partial interest and is too limited, the pursued interest is not considered of public interest, there are doubts about the realisation of the plans, continuation of a task in the public domain is needed etcetera. For instance, where does encouraging financial support for community gardens become a financial advantage of a private partial interest? The decision is an assessment that takes place in the political arena.

Now that banks set high standards for lending, a similar situation arises where governments are seen as a platform for a second chance for initiatives that, at a certain moment, develop into a commercial initiative. Market failure has made the initiator take a fresh look at public money because not every added value initiative is able to support itself. But even if the political governance shares the belief that it is a worthy goal, funding does not happen automatically.

As described in Chapter 3, governments actively participate in the search for financing or contribute otherwise to maintaining the sustainability of an initiative so that, in time, it is able to continue. Connecting benefiter and payer is one aspect of sustainability. This approach implements measures of a shared responsibility, without draining the public budget. He who pays the piper calls the tune, but not always. The council's primacy ensures that other interests in the public domain are considered besides citizens' initiatives.

## 2.8 Accountability

Accountability is about who is accountable, to whom, and about what. In 2011, the Council wrote that civil societisation was creating new demands on governments regarding risk and accountability.<sup>32</sup>

In regard to local governments accountability, the Council wrote: 'accountability must take place in the local/regional environment: this not only applies to local authorities in relation to their democratically elected forums, but the Council believes this should be developed more widely. In this respect, the Council considers it realistic for a school board or housing corporation, which is closely involved in achieving policy objectives in networks with governments, to be collectively accountable for these objectives with these authorities, both to their own administration and to the municipal councils concerned. Only in very exceptional cases can tasks and responsibilities be organised by a single authority or organisation from civil society. Societal complexity indicates that multiple parties can only achieve success through social cooperation. Mutual accountability is a logical consequence of cooperation.'<sup>33</sup>

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<sup>32</sup> RfV 2011, p. 80

<sup>33</sup> Id., p. 71

This multiple accountability is not simple and the accountability for financial participation in societal initiatives accountability is even more complex. In the first instance, the accountability does not differ from that involving other money; the use of public money is a digital matter. Choices are explicit and political governance must be accountable for the amount and use of public resources and the achieved goals.

However, the considerations of ownership and the right of say illustrate that justification of public money in a societal initiative is problematic. An initiative has no obligation to professional civil society and this is reflected in accountability. Societal initiatives are, in many cases, non-institutionalised parties with a legal personality that are annually accountable to the municipal council. It stands to reason that in large projects where an initiative took over the policy implementation, a meeting of this kind with the municipal or provincial council forms part of the relationship between the councils and the public. But this is not automatically so. Municipal and provincial councils provide frameworks and check outlines. Therefore, they not only determine the extent of public funding, but also the extent to which they can exert some control over an initiative even if it is funded with public money. The variety of forms of funding available and the flexibility of existing instruments makes this possible.

As regards accountability, this means that the answer to the question of who reports what and to whom follows from the division of tasks between government and initiative. If a municipality provides an appreciation subsidy, then its responsibility is different than if it funds a performance, regardless of the outcome of the initiative. The first case concerns accountability for the budget. The second also addresses the extent the goals are achieved.

Public money implies public accountability. A project that does not rely on public funding and is free from preconditions such as public accountability can start straight away. In all other cases an accountability relationship begins upon the allocation of resources regardless of the form of participation or how difficult it is. The relationship is between the municipal council providing the money and the councillor responsible for the actual transfer and, between the initiative and the municipality and also between the parties and/or residents involved in the initiative. Accountability therefore also requires an arrangement matching the relationship which meets the logic model of the municipal executive and initiative.

## 2.9 Conclusions

There are multiple answers to the question of what it means for governments when public money finds its way to societal initiatives.

Public money creates obligation. The use of public money for the benefit of societal initiatives activates public responsibility logic. Steering can also be unintended here. It is important that the initiative and government recognise a mutually dependent relationship, but do not claim ownership against each other. Financial contributions to an initiative do not result in ownership of the initiative. The extent to which a government considers itself as owner is determined by its own concept of its role; not by the manner or extent of the funding. This role concept is partly reflected in communications and the form of funding applied.

In regard to risk, the broad accountability of governance may hamper the willingness to participate in societal initiatives. This can partly be overcome by clearly assigning ownership, part of which includes the risk. In essence, risk assessment in public funding does not differ from other risk assessments; it is whether the value of participating in a societal initiative outweighs the associated (financial) associated risks.

Allocating public money is reserved for the highest bodies within the decentralised democracy, i.e. councils and provincial governments. The municipal council's primacy ensures that other interests in the public domain are considered besides those initiatives of some citizens. It follows that any democratic forum not only determines for itself how much public funding is required, but also the extent to which it can exert some control over an initiative even when it is funded with public money. This means that the answer to the question about who reports what and to whom is a result of the division of tasks between government and initiative.

# Societal initiative funded with public money

## 3.1 Introduction

Societal initiatives have their own dynamics and are the outcome and source of changing relationships in society. Governments can be involved in societal initiatives in various ways. Involvement can be based on support through know-how or advice, linking with experts or networks, providing man hours and material, or providing a financial contribution. The extent and how this involvement develops depends on the choices made by the government and the initiative concerned. Chapter 2 describes how local governments can relate to societal initiatives and their significance for government.

There are different instruments available to governments to achieve collective interests. These instruments include formal authority, legal authority, know-how and organisational skills, but also financial means.<sup>34</sup> The financial instruments of governments to support societal initiatives consist largely of subsidies, loans, guarantees and funds and is the basis of several funding forms which are reviewed in this chapter. These instruments cannot always be very clearly distinguished from each other or are, in a legal sense, even one and the same.<sup>35</sup> In fact, local authorities may only enter into loans, release resources and provide guarantees when carrying out a public duty.

*Subsidy:* A one-time or periodic financial aid to individuals or institutions that can be subject to conditions regarding its use.

*Loan:* A money transfer for a period of time in exchange for a fee.

*Guarantee:* A financial obligation of a government to another party that can be revoked if a predetermined situation occurs.

*Funds:* A separate capital managed by a third party for expenditures.

## 3.2 Theory and practice

Scientific publications on the subject of civil societisation have been consulted to look into the development of theories and empirical research into funding. To this end, research was carried out on the basis of different search terms in various university research databases. An abundance of literature has been published about the changing relationships in society and the way in which

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<sup>34</sup> Rfv 2011, p. 62

<sup>35</sup> The General Administrative Law Act considers guarantees and loans as grants. That means that a legal basis is required for financial involvement.

governments support societal initiatives.<sup>36</sup> The financial aspect is hardly discussed in the literature. Most concluded that governments financial support can contribute to the promotion of citizens' initiatives. The use of subsidy schemes can be found everywhere.<sup>37</sup> There are in-depth discussions on how governments can encourage citizen initiative by, for example, facilitating initiatives with know-how and experience. There are also references to different ways of organising cooperation between governments and initiatives.<sup>38</sup>

The Council notes that changing relationships in society and the relationship between governments and civil society initiatives is widely published but the design of public funding or its effects on societal initiatives<sup>39</sup> has not as yet been broadly developed in the research fields. The Council is seeking an explanation for this in the wide range of applications of the existing financial instruments used by governments. Given the scale of application in practice, it complies with the requirements imposed on public funding of initiatives. Another explanation is that the practice is partly still in an experimental phase.

### 3.3 Practice

The Council has identified how governments fund societal initiatives. The identified funding forms have been tested in a large number of societal initiatives in the Netherlands. In addition, interviews were held with the parties concerned, including governments and civil society organisations. As a result, the Council has been able to gain insight into the manner in which funding forms are used and, whether and to what extent governments finance initiatives remain the result of local or provincial political decision. The work carried out has been customised whereby needs, facts and circumstances determine the outcome of the discourse.

The forms are described in section 5.6 and include the following:

1. one-off/structural: money made available once or on a structural basis?
2. money/services: is funding provided in money or in other facilitation/support/services?
3. donation/reciprocal services: is funding seen as a donation or as a loan where interest is paid (in money or through reciprocal services)?
4. direct/indirect control: do authorities directly or indirectly influence the institution which provided funds, is decision-making power transferred to the institution?
5. ownership/participation: does a government hold its power of disposal of funds or is this transferred and, if so, to whom?
6. single (bilateral)/multiple (multilateral) relationship: is there a 1-to-1 relationship between the funding government and beneficiary or are there multiple parties involved in the construction?

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36 See list of literature: Voorberg et al. 2013 and Van de Wijdeven et al. 2013

37 Bakker et al. 2012 p. 405

38 Janssen et al. 2014

39 See Annex 2: Literature

### 3.4 Findings

The study shows that there is a wide range of financing forms based on the existing financial instruments. The form expresses the relationship between the initiative and government. The importance of civil societisation for government financial instruments is to develop new methods and relationships. These funding forms precede the use of the existing financial instruments. The instruments as such do not change, but the context in which they are deployed does. This has implications for issues such as ownership and right of say (Chapter 2).

#### *Care Cooperative*

Austerlitz Zorgt<sup>2</sup> was founded with the objective of ensuring that the elderly can live independently in their village with access to all the necessary care and welfare in the area for as long as possible. The cooperative organises support, care and assistance. This assistance varies from transport, meals, handyman services, home help and home care needs and assessment under the Social Support Act (WMO). Many of these activities are carried out by volunteers. Members of the cooperative pay contributions. The cooperative was established in collaboration with the municipality of Zeist which also provided a subsidy. There is also collaboration with welfare organisations in the community.

#### *Energy Cooperative*

TexelEnergie's<sup>3</sup> objective is to manufacture and supply sustainable energy. The cooperative invests in projects to create its own energy and save energy. Residents can participate by buying shares. Revenue is generated from energy retail. The goals of the cooperative fit in with the sustainability objectives of the municipality of Texel. The municipality has also invested in the cooperative project with money from a fund of the province of North Holland. The cooperative works with various partners from the private and public sector in energy projects.

The form of funding keeps varying based on the nature of the involvement of governments. The choice of a particular working method depends on what involvement a government has in mind. This can vary from promoting citizens' participation, to obtaining ideas from society, to transferring a previously public task to starting up initiatives as an independent goal.

#### *Residents' budgets*

In communities in Hoogeveen<sup>4</sup> residents have a say about an earmarked budget. The money comes from the municipality, which determines the preconditions for expenditure. The residents together with stakeholders (housing cooperatives, welfare organisations, the police, municipality) decide how the budget is spent. A steering committee and district teams (residents are represented in both groups) coordinate together the expenditure of the various residents' budgets.

#### *Budget Monitoring*

In the City of Amsterdam, East District *Amsterdam Oost*<sup>5</sup> the municipal budget is divided into products and services at community level. This enables residents to see where the budget is spent, and they can indicate how it should be deployed. When preparing the budget the municipality takes the residents' preferences into consideration.

Sometimes initiative alliances consisting of governments, civil society organisations and/or businesses also emerge and collaborate in a shared interest that they then design together. During this process the initiative's earning potential is often scrutinised so as to safeguard its continuity.

#### *Public procurement*

In Maassluis<sup>6</sup> local government tasks are awarded to a combination of parties. Societal institutions have been invited along with residents and businesses to come forward with proposals on themes of safety and participation of vulnerable groups. The municipality provides support through (external) expertise. A number of the submitted proposals are selected and executed (including support to enable the elderly to continue to live independently, cleaning and renovating a neighbourhood). The projects are supported by subsidy from the municipality.

#### *Nature Foundation*

Broekpolder Federation<sup>7</sup> aims to improve the quality of the *Broekpolder*. The Federation manages and organises a number of activities in the nature reserve concerning substantive issues. A large number of volunteers are committed to the federation. The municipality of Vlaardingen, the Province of South Holland and the Ministry of Economic Affairs contribute with a financial subsidy to the management of the nature reserve. There is also support from institutions, associations and businesses. The municipality and the other parties have drawn up an establishment plan for Broekpolder. The initiative fits in with the province's objective to involve more residents and businesses in the management of green spaces.

The funding matrix in Section 3.6 mainly shows types of money transfer, but that is not always the case. There are possibilities that can be considered such as, the temporary reallocation of land for a community garden, offering expertise or making property or material goods available. In all cases it concerns contributions that can be valued in money. But the government can also share and promote the use of ideas or obtain know-how and experience from society to solve societal problems. In these cases it concerns a different way of organising citizens' involvement in societal issues.

### *Swimming pool*

The objective of the Association Friends of the Outdoor Swimming Pool Zwolle, *De vereniging Vrienden Openluchtbad Zwolle*<sup>8</sup> is to exploit the open-air swimming pool in Zwolle. The association manages the pool with the help of volunteers. Revenue comes from membership contributions. Members are obliged to do volunteer work. The pool was on a list to be demolished. The pool was renovated with financial support from the municipality and the province of Overijssel. The municipality has made the open-air swimming pool *quid pro quo* available to the association. Maintenance is carried out in cooperation with the municipality and at the cost of the association.

### *Theatre*

Theatre Foundation New Regentes<sup>9</sup> runs a community theatre in the Hague. The foundation hires, programmes and organises cultural activities together with artists and residents in the district. Many volunteers work for the theatre. Income is generated from theatre rental and ticket-takings or exchanging services. The municipality of the Hague has made the building *quid pro quo* available to the Foundation. Maintenance is carried out in cooperation with the municipality and at the cost of the foundation. There is collaboration with various community organisations and entrepreneurs.

In the case of money transfers, we identify subsidies, guarantees, loans and funds. The use of these types of instruments can be explained as they are socially widely acceptable and meet the requirements of both the funder and recipient. Within limits they provide flexibility to justify the use of the allocated financial resources for societal initiatives, while allowing governments plenty of room to meet conditions for good governance.

### *Direct and indirect funding*

A government can directly fund an initiative. This enables it to have maximum direct control over the initiative, as far as that is the intended and accepted role (Chapter 2). The accountability for the use of those resources is regulated by a decision or agreement.

A societal initiative can directly be funded by a government but it can also be indirectly financed through an intermediate construction like a fund. Management and assessment for the provision of financial resources is delegated to a third party. Influencing expenditure comprises providing guidelines or performance agreements to the funding party. Accountability for the distribution and use is made through the intermediary party - the fund administration.

### *Revolving funds*

The National Restoration Funds provides mortgages at low interest rates for the renovation, maintenance or reallocation of national monuments. The Restoration Funds also manages regional funds for provincial and municipal monuments. Financial resources in various funds come from central government, provinces and municipalities. There is collaboration with other funds and private parties. Societal initiatives can also make use of the Restoration Funds. Plans are tested for viability.

Municipalities and provinces are increasingly aiming to achieve societal objectives by working together with funds.<sup>40</sup> These funds can have both public and private origins or combine functions. The expertise and experience of existing funds is combined with the local community expertise and networks of municipalities and provinces.

#### *Single and multiple funding*

It is not just governments that support (financially) initiatives. Health care, education, housing cooperatives, science, business or private funds also fulfil this role.<sup>41</sup> An initiative can therefore be funded from several financial sources. It may be from several public or private sources, but also the combination of public and private sources. Thus, it involves market players who also run (part of) the financial risk. This means that private sector financial instruments and expertise are used to achieve a societal objective. This combination makes demands on accountability because the traceability of the funds contributed by individual parties is limited. This calls for transparency concerning the parties' responsibilities.<sup>42</sup>

#### *Social Impact Bond*

In Rotterdam private investors (ABN Amro Bank and Start Foundation) are assisting with financing an effort to tackle youth unemployment.<sup>10</sup> The project is implemented by the company Buzinezzclub that coaches young people to find work or undertake educational training. If the project succeeds, the municipality pays back the invested amount to the investors through a subsidy.

Attracting private funding requires a business model. A business model illustrates how an initiative can generate revenue to repay financing. This allows them to see whether an initiative can continue without or with a lower (structural) government funding. This creates the possibility, alongside public funding, to also acquire funding from other financial sources. Co-financing by a government can encourage private parties and make a step towards to also making a financial contribution.

### 3.5 Conclusions

It can be observed that the existing financial instruments are suitable for public funding of societal initiatives and that innovation is taking place by experimenting with new forms of cooperation and the development of business models. During that process new methods of approach have developed to encourage and facilitate societal initiatives. Initiatives are not only financed with public but also with private resources. The combinations of public and private offer opportunities to address complex issues using the best of both worlds but it also demands an uncompromised role and accountability that is customised to the logic of the public and the private domain.

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<sup>40</sup> See among others: [www.lokalfondsen.nl](http://www.lokalfondsen.nl), [www.cultuurfonds.nl](http://www.cultuurfonds.nl), [www.restauratiefonds.nl](http://www.restauratiefonds.nl)

<sup>41</sup> See among others: [www.stichtingvoorschot.nl](http://www.stichtingvoorschot.nl), [www.federatiebroekpolder.nl](http://www.federatiebroekpolder.nl), NWO research programme Urban Innovation Programme (STIP), The Prince Bernhard Cultuurfonds <http://www.cultuurfonds.nl/english/the-prins-bernhard-cultuurfonds>, <http://www.fonds1818.nl/content/english>

<sup>42</sup> Rfv 2011, p. 69

### 3.6 Description of funding forms

The following format has been used to describe the funding form:

- Form: the name of the form of funding;
- Description: what does the form of finance mean in terms of a one-off or structural funding in money or services and, as a donation or through a reciprocal service;
- Objective: what is the aim;
- Resources: sources of funding;
- Decision-making: empowered to make decision about the resources (who pays, who decides?);
- Accountability: who is responsible to whom?;
- Stakeholders/network: parties involved and the type of relationship between the parties;
- Legal; legal form;
- Comments: additions and additional facts in the context of civil societisation;
- Examples.

Form	Revolving Funds
Description	Provides financing (loans, guarantees, units of participation) to third parties. The loan is repaid including (low) interest. The repaid loans are used to replenish the fund. The fund's assets are maintained by investing in projects where recovery payment is guaranteed. Most of the investments financed have a long-term repayment commitment.
Objective	Funds operating from a societal objective are used where the market does not pick up on a development fast enough or in projects which banks or other financial market participants find too risky to invest in. The objective is to combine societal and financial returns.
Resources	Assets can be obtained from contributions from the government, private parties, but also from a combination of public and private payments. In some cases material resources (land, buildings) are also made available.
Decision-making	An external funds manager is responsible for the management and expenditure of resources. The funds manager is empowered to make investment decisions based on an investment strategy. This is determined by the funds' participants (upon the foundation of the fund), and possibly together with the funds manager. The fund investors can increase their influence on the investment by setting up an advisory committee.
Accountability	The funds manager is accountable to the funds participants for the funds investments.
Stakeholders	Initiators who receive funding.
Legal form	There are different legal forms possible for revolving funds (public limited liability company, private limited liability company, limited partnership, foundation, executive agency).
Comments	Private parties can deposit money in a fund. At the funding level private financing is complex because financiers have no direct impact on investment decisions. Investment at the project level is generally easier to achieve. Revolving funds can be used to provide funds against soft loans for initiatives with a strong societal objective. It is also a way to use flexible funds for specific purposes without having to follow long-term decision-making procedures.
Examples	<a href="http://www.startfoundation.nl">www.startfoundation.nl</a> <a href="http://www.restauratiefonds.nl">www.restauratiefonds.nl</a>

Form	Social Impact Investment (performance-funding)
Description	A financial arrangement where (socially motivated) private parties invest in the (preventive) approach to a societal issue. If the societal objective is achieved, the government pays them back with (part of) the money it is saving, including a possible return. Governments only pay if the project has achieved its objectives.
Objective	To tackle societal problems.
Resources	The initial funding consists of private resources. Performance compensation is paid from public funds. Depending on the results, the entire investment, including any increment could eventually be financed through public funding.
Decision-making	The implementation of the project lies with the private parties, they jointly make decisions about investments and their utilisation. Governments have a say in drafting the performance contracts and indicators. The indicators are monitored by an independent third party.
Accountability	The executive parties are accountable on the basis of the input from the independent third party that monitors the performance.
Stakeholders	Stakeholders are a social enterprise (a company working on the societal issue), an investor (bank, fund, etc.) and a government. In addition, there is a party that quantifies the intended effects and a party that monitors the performance.
Legal form	The intermediary party that links the various parties involved and manages funding through a foundation.
Comments	This form has the characteristics of a public-private partnership on a 'no-cure no-pay' basis. Payment/compensation occurs when a result has been achieved. It helps to promote outcome. A point of concern is how the societal value is calculated and the factors it includes. This form can be used in several (social) domains. In Rotterdam it is focussed on youth unemployment. Different names are used such as, social impact bond (SIB), health impact bond (HIB), innovation impact bond (IIB), development impact bond (DIP) depending on the domain where the form is used. The form is ideal for raising private funds to solve societal problems on the basis of performance agreements.
Examples	<a href="http://www.sibrotterdam.nl">www.sibrotterdam.nl</a>

Form	Residents Budget form (or community budget)
Description	(Parts of) the municipal budgets are set aside for a community and are made available to residents within frameworks specified by the municipality. Residents can have their say by submitting collective ideas. The municipality coordinates the overall consistency of initiatives submitted.
Objective	To give residents the opportunity to decide on the allocation of the budget in a community.
Resources	Resources come from the municipal budget with possible additional allocations from semi-public institutions (e.g., a housing cooperative).
Decision-making	The decision to allocate funds to a resident's budget is agreed to by the government involved.
Accountability	The municipality is accountable to the municipal council for the expenditure of the budget. Residents are accountable to the municipality.
Stakeholders	The municipality works with (groups of) citizens and civil parties regarding the allocation of public funds.
Legal form	Citizens generally organise themselves in an association or foundation. This can be a community enterprise that is focused on the development of a district or community.
Comments	It is a way of stimulating societal initiative and bringing the needs of society to light. This way budget expenditure is transferred to citizens (power of disposal of the budget goes to citizens or stakeholders). Representation is very important for this type of citizen participation. Residents budgets are a form of citizen budget in which citizens participate and have a right of say about the deployment of (part of) the municipal budget. In addition residents' budgets, citizens can also submit a list of ideas and recommendations to the municipality to complete or make cuts to the municipal budget items.
Examples	<a href="http://www.hoogeveen.nl/smederijen">www.hoogeveen.nl/smederijen</a> <a href="http://www.gemeente.emmen.nl/wonen-en-leven">www.gemeente.emmen.nl/wonen-en-leven</a>

Form	Cooperative Model
Description	The Cooperative is a form of enterprise in which its members pursue a common benefit. Achieving financial return is not the primary goal. Cooperatives with a societal or public mission seek to combine societal and financial returns.
Objective	To achieve benefits for associated members through either a good price, service, favourable conditions, etc.
Resources	Members provide resources to finance the cooperative. Contributions can be both from public and private resources. Input can sometimes also be in material goods as well as intangible components (know-how, experience, labour). Funding can also be obtained by issuing membership rights, membership shares, certificates or participation evidence.
Decision-making	The members have power to make decisions about policies and use of the cooperative's funds.
Accountability	The (daily) administration - appointed by the members from among the members - is accountable to the members for policy and expenditure of resources.
Stakeholders	Parties in a cooperative work together in the public or private sector or in combined partnerships.
Legal form	A cooperative is a legal entity in the form of an association.
Comments	Residents can organise themselves in cooperatives as a party that executes public tasks paid for by regular government budgets. The advantage is often that they are more efficient, cheaper and more in tune with the needs of citizens. Cheaper because they work with a lot of volunteers. Governments can participate in a cooperative with private parties to serve a public good. Governments can work in a cooperative to achieve common benefits.
Examples	<a href="http://www.zorghelenaveen.nl">www.zorghelenaveen.nl</a> <a href="http://www.echtvoor.nl">www.echtvoor.nl</a> <a href="http://www.gebiedscooperatiewesterkwartier.nl">www.gebiedscooperatiewesterkwartier.nl</a> <a href="http://www.cooperatiewehelpen.nl">www.cooperatiewehelpen.nl</a> <a href="http://www.wigoqit.nl">www.wigoqit.nl</a>

Form	Tax arrangement
Description	Schemes in which governments provide financial benefits (to initiatives with a societal objective). For example, reduced taxes (additional deductions), exemption from property tax or licensing fees.
Objective	The objective of fiscal arrangements is to support societal initiatives or social entrepreneurs, often in the start-up phase, by facilitating cost reductions thereby increasing their chances of success.
Resources	Using public funds, special tax arrangements are a way of providing indirect public financing by reducing burdens (tax expenditures).
Decision-making	A decision-making system is established by the relevant authorities. The administrative bodies involved influence a proposed scheme.
Accountability	The political-administrative institution accounts for the elaboration of a plan to the bodies represented by the people.
Stakeholders	The respective governing bodies are involved in designing a scheme.
Legal form	Different forms of legal initiatives are possible.
Comments	This arrangement also includes the (partial) waiver of (beneficial) loans provided by governments upon completion of the initiative's objective. Tax legislation indicates 'social interest institutions' as parties receiving tax concessions.
Examples	<a href="http://www.rijksoverheid.nl/onderwerpen/duurzame-economie/green-deal">www.rijksoverheid.nl/onderwerpen/duurzame-economie/green-deal</a>

Form	Budget Monitoring
Description	Method giving full transparency of financial data to (groups of) residents, communities and other organisations so that they can gain insight into budgetary processes and the use of funds by government.
Objective	Residents determine priorities and develop alternatives for using government budgets.
Resources	It concerns insight into the full use of available public resources (district budget, community budgets, etc.).
Decision-making	Decision on the allocation of resources remains with the district or council but is now done in more consultation with residents.
Accountability	Municipalities are accountable to the local council, but also to citizens on expenditure of community budgets. Citizens thus gain more insight into the budgetary processes and costs of public services.
Stakeholders	(Groups of) citizens and the municipality work together to allocate public funds.
Legal form	Residents are often organised in an association, foundation or community enterprise.
Comments	Budget monitoring can be applied to social participation, policy formulation and in monitoring the expenditure of governments' adopted budgets. Budget monitoring seems to best fit active community organisations and communities that want to understand more about the use of available resources in their communities and districts. Budget monitoring can boost public procurement. It starts a dialogue between citizens and between organisations and government on priorities, needs and approaches to problems. Representation is an important item in this type of citizen participation.
Examples	<a href="http://www.oost.amsterdam.nl/buurten-o/buurtenpaginas/around-budget-2014">http://www.oost.amsterdam.nl/buurten-o/buurtenpaginas/around-budget-2014</a> <a href="http://www.budgetmonitoring.nl">www.budgetmonitoring.nl</a>

Form	Public Procurement
Description	The procurement of (local) government tasks to a (combination of) (a collective of) citizens, (social) entrepreneurs and/or community organisations. The procurement initiative can be a government responsibility or that of a (combination of) third parties.
Objective	To involve citizens and civil parties in policy and implementation. Societal issues will fall under the responsibility of society.
Resources	Procurement tasks are financed from the regular budget of a government. It is also possible to use input from material resources or services.
Decision-making	Society can greatly influence which societal task is carried out. Joint solutions are achieved through cooperation among all stakeholders. Frameworks and conditions (process, financial, legal) can be prepared in advance by (local) government. A government involvement can be different for each project. Joint agreements are made on the transfer of tasks.
Accountability	The completion of the contracted task is left to (a combination of) third parties. The residents are subsequently accountable for the achieved results. Sometimes local authorities assume the role of commissioning party. In these cases residents are accountable to governments. Transferring tasks also means transferring responsibility.
Stakeholders	Societal parties (collective citizen participation), (social) entrepreneurs and/or civil society organisations can (collectively) take over government tasks. There is a multilateral relationship with local government.
Legal form	Residents organise themselves in an association, foundation or community enterprise (in legal terms, an independent company).
Comments	Societal issues require an integrated solution involving multiple parties. A jointly supported result can be achieved by bringing these parties together. Public procurement can start this process. By letting go of certain government tasks public procurement can become a tool to stimulate the rise of citizen initiatives. This could lead to (a combination of) third parties working more efficiently and/or more effectively and therefore able to operate at costs lower than the original ones. The closure of a public facility can be a reason for residents to take on a government task.
Examples	<a href="http://www.maasluis.nl/zorg-en-welzijn/de-betrokken-stad_44155">www.maasluis.nl/zorg-en-welzijn/de-betrokken-stad_44155</a> <a href="http://www.maatschappelijkkeanbesteden.nl">www.maatschappelijkkeanbesteden.nl</a>

Form	Collective Private Commissioning Party (CPO)
Description	A group of residents who jointly organise themselves in a non-profit-making legal person to realise a housing project. They act jointly as the client/project developer. Governments' role is to facilitate, inform and provide encouragement but it can also call on the participation of residents' initiatives.
Objective	The objective (in the case of residential building) is to build a house at cost price according to an individual's housing needs or environmental ideology, architecture, living space, care needs. Better quality affordable housing.
Resources	CPO projects are financed with private funds. However, governments can also contribute through a start budget.
Decision-making	The initiators are empowered to make their own decisions on funding. Homes should be in keeping with the municipalities' housing policy. An external process supervisor can assist with guidance.
Accountability	Residents arrange in consultation the housing construction and are accountable to each other. Possible subsidies are accountable to the provisioning government.
Stakeholders	Both private and public parties are involved. Sometimes there is a direct relationship between governments and citizens and sometimes an external process supervisor is involved.
Legal form	A CPO is a non-profit-making legal form of association or foundation. It can also be a cooperative. When the new homes have been completed, the association or foundation acts as a Home Owners Association (HOA).
Comments	This form is used in housing construction, for both owner-occupied and rental housing. It is useful to promote initiatives in the field of community development and the realisation of (cooperative) forms of housing which combines housing and care needs.
Examples	<a href="http://www.kersentuin.nl">www.kersentuin.nl</a> <a href="http://www.stichtingvoorschot.nl">www.stichtingvoorschot.nl</a> <a href="http://www.bouwenineigenbeheer.nl">www.bouwenineigenbeheer.nl</a> <a href="http://www.co-op-adam.nl">www.co-op-adam.nl</a>

Form	Collective purchasing
Description	Collective purchasing through collective associations to benefit from economies of scale in large-scale investments. Individuals, companies or governments can participate/be member of a collective association.
Objective	To achieve a price advantage in large-scale investments by pooling purchasing power.
Resources	Investments are financed with private or public funds depending on the participants in the collective association. In the cases of group buying with private funds, governments can provide an initial contribution to meet certain costs.
Decision-making	Decision-making empowerment over the funds rests with the collective.
Accountability	Participants buy in consultation and are accountable to each other. Possible subsidies are accountable to the provisioning government.
Stakeholders	Individuals and/or companies work together in order to get the best price/ quality ratio for the purchase.
Legal form	The most widely used legal form in the private domain is that of a cooperative. In the public domain this is often based on a (regional) partnership.
Comments	Collective purchasing occurs mainly in the field of energy conservation or energy generation. When a large number of citizens participate in collective purchasing it is often a sign that there is a good deal of support for a specific societal issue. Collective purchasing can also contribute to creating support for a societal theme.
Examples	<a href="http://www.zonopnederland.nl">www.zonopnederland.nl</a>

Form	Microfinancing
Description	Providing financial services under attractive conditions to (starting) entrepreneurs who do not have sufficient resources or have too little collateral for a loan from a regular financial institution. There must still be an earnings/ well-researched business plan so that there is a prospect of loan repayment.
Objective	To provide financing to entrepreneurs who lack access to business financing.
Resources	The organisation providing microfinance obtains funds from regular financial institutions and individuals. Government can also provide resources.
Decision-making	The financier determines the conditions under which funding is provided and is empowered to make decisions on its use.
Accountability	The financier formulates an expenditure policy and is accountable to the parties who contribute funds.
Stakeholders	Private and public organisations and individuals can invest in the financier. The entrepreneur has a direct relationship with the financier.
Legal form	Often a non-profit foundation.
Comments	Mainly used by starting entrepreneurs and as a way to finance entrepreneurs in developing countries. This is particularly suitable to help to start societal initiative.
Examples	<a href="http://www.qcredits.nl">www.qcredits.nl</a>

Form	Public Private Partnership (PPP)
Description	A collaboration between government and private-sector parties in large investments projects. Joint tasks and risks are divided as favourably as possible between government and the private-sector parties so that the best use is made of all expertise. The costs are pre-determined and the client (government) is obliged to pay this amount upon delivery of the agreed services.
Objective	To achieve better quality end products for less money.
Resources	Investments to fund a project come from both public and private resources. During the term of the contract, the contractor is paid on the basis of the delivered services.
Decision-making	During the execution of the project decision-making takes place as agreed in the contract. The government holds decision-making power over the project.
Accountability	The political-administrative institution is accountable to the elected body for the implementation of the PPP policy. Central government is the commissioning party and remains responsible for the project's funding. For example, in the case of government-PPP projects, the Minister of Finance is accountable to parliament on how the policy is implemented.
Stakeholders	A collaboration between public and often involving several private parties (united in a consortium).
Legal form	Projects are performed by market partners often in a consortium.
Comments	Projects require a specific (investment) scope and the private-sector parties' activities and risks must be acceptable to these parties before a project is suitable for a PPP. This form is still mainly used by central government for government buildings, infrastructure and regional development. This form is suitable for achieving and maintaining a public good.
Examples	<a href="http://www.groengas.nl">www.groengas.nl</a>

Form	Crowdfunding
Description	To raise money through a large audience who feel closely involved in a project's objective. Each individual invests a small amount that ultimately creates enough capital to finance the project. Investors donate a contribution to either gain financial return or access to a privilege or benefit.
Objective	To acquire through a large audience, enough capital to start a project/initiative. The goal of the project/initiative varies.
Resources	The resources accrued from crowd funding come from private and public parties and individuals. In some cases where there is a certain limited amount of funds available and because an initiative fulfils a public good, a government can play a role by co-investing. In some cases material resources (land, buildings) are also made available.
Decision-making	The initiator is empowered to make decisions about money. The crowd can be seen in some cases as a shareholder and therefore receives a certain amount of say in decision-making.
Accountability	The initiator is accountable to investors for the use of the collected funds. A platform that mediates the acquisition of funds falls under the Act on Financial Supervision Financial Supervision Act ( <i>Wet financieel toezicht Wft</i> ). The Netherlands Authority for the Financial Markets (AFM) and the <i>De Nederlandsche Bank (DNB)</i> have powers to regulate this.
Stakeholders	Public and private parties and individuals invest in a project. Fund raising mostly takes place via an online platform. Fund raising also occurs without an intermediary and there is direct contact between investor and project.
Legal form	Different legal forms are possible for both the platform and for the initiative.
Comments	If enough money is collected for an initiative, this could mean that there is sufficient support or a need for that theme in society. In some cases, the money raised will only (partially) be reimbursed to the crowd if insufficient money has been collected to finance the project. This form is suitable for areas where many people feel involved. It is also suitable for creating support. A related concept is crowdsourcing: gathering ideas, knowledge and experience from a large audience.
Examples	<a href="http://www.voorjebuurt.nl">www.voorjebuurt.nl</a>

Form	Private Lending Circle
Description	Provides loans to persons linked to the circle and (usually) on a temporary basis. The participants know each other from a close social network and have a strong social bond. Loan circles can also be organised by (small) businesses in a specific sector.
Objective	To gather the required capital needed to launch an initiative.
Resources	Capital from a private loan circle is raised from private resources.
Decision-making	Decision-making powers on providing loans rests with the participants in the lending circle.
Accountability	In some cases, the initiator is accountable to the financiers for the investment.
Stakeholders	The financiers invest directly in the project without third party intervention.
Legal form	Initiatives are often united in a foundation, association or cooperative.
Comments	The loans are considered as a private loan because of the direct contact between the financier and the one who lends the money. Because of the strong personal ties in a loan circle, recipients also often receive advice, supervision and/or offered support. Long-term lending circles have many similar characteristics to a revolving loan fund, so that the participants can also call upon them. In some cases, financiers have a say over the initiative/the company. This form is suitable for encouraging societal initiatives. Governments can play a role by co-investing a certain amount when an initiative fulfils a public good.
Examples	<a href="http://www.solidair.nl">www.solidair.nl</a>

Form	Complementary Currency System
Description	A currency to exchange goods or services other than by legal tender. The exchange can be through direct service exchange or other units (time, coupons, alternative currency, etc.). The systems are complementary and are not a substitute for legal tender. A system often works on local or regional level. Complementary currency systems operate through an online platform or exchange circle.
Objective	Complementary currency systems with a social objective aim to achieve or maintain specific services (health, work, education, etc.) that are otherwise not provided. The systems are based on reciprocity and contribute to strengthening the informal economy.
Resources	Use of an alternative means of exchange. An alternative currency can be covered by a legal tender. Legal tender is then exchanged for the alternative currency.
Decision-making	Decision-making on the system lies with the participants in the platform or exchange circle.
Accountability	Participants are accountable for the functioning of the system to each other and to the organisation.
Stakeholders	Participants are individuals and companies and/or governments.
Legal form	Participants draw up a legal cooperation agreement, sometimes managed by an association, foundation or cooperative.
Comments	This form is suitable as a tool for local governments to encourage and support societal initiatives. There are also complementary currencies with a commercial objective to support local economy or a network of entrepreneurs. Sometimes a complementary system expands to include credit facilities.
Examples	<a href="http://www.makkie.cc">www.makkie.cc</a> <a href="http://www.niksvoorniks.nl">www.niksvoorniks.nl</a>

Form	Capital Funds
Description	Manages and reinvests in capital. This capital is maintained and the return on equity is used for the funds' objective. It is a one-off financial donation (quid pro quo) to projects.
Objective	Capital funds support societal objectives. Depending on the objective and ambitions of the fund, the aid is for the common good and its funds can go to individuals, projects and organisations.
Resources	Capital comes from individuals or companies.
Decision-making	The fund's management lies with the board. The board is empowered to make decisions about donations made from the funds. Depending on the size and ambitions of a fund, daily business operations can be carried out by a business office.
Accountability	The fund's board is responsible for formulating and defining the investment and spending policies.
Stakeholders	Initiators are those who receive support.
Legal form	The legal status of most capital funds is a foundation.
Comments	Capital funds focus on many areas of society such as welfare, culture, education, development, etc. They can be used to provide donations or initiatives on soft terms to provide (starting) financing. Capital funds can use fundraising to increase their resources. Authorities and funds can work together to jointly fund community initiatives for example, the cooperation agreement between Amsterdam and capital funds to address societal issues.
Examples	<a href="http://www.vsbfonds.nl">www.vsbfonds.nl</a> <a href="http://www.fonds1818.nl">www.fonds1818.nl</a> <a href="http://www.cultuurfonds.nl">www.cultuurfonds.nl</a>

Form	Canvassing Funds
Description	An institution that actively canvasses funds in order to achieve a societal objective. Canvassing funds can be given one-off basis and also on a structural basis.
Objective	To support societal objectives. The aid is for the common good and can be made available to individuals, projects and organisations depending on the objective and ambitions of the fund.
Resources	Capital is obtained from private parties and individuals. Income can also be acquired from public funds or from civil society organisations. There can also be a contribution of material (goods) resources.
Decision-making	Decision-making power over the resources lies with the administration of the fund. Depending on the size of a fund these are made by a business office.
Accountability	The board of the fund is responsible for formulating and outlining canvassing and expenditure policies.
Stakeholders	Parties receiving funding.
Legal form	The legal status of most canvass raising funds is a foundation.
Comments	There is a variant of this form called local community funds that finances civil initiatives. These are local funds that appeal to the local community to fund citizens' initiatives and rely on donations from private, public parties and/or individuals. Canvassing funds can also focus on a theme (sustainability, nature, human rights, etc.).
Examples	<a href="http://www.lokalefondsen.nl">www.lokalefondsen.nl</a> <a href="http://www.oranjefonds.nl">www.oranjefonds.nl</a> <a href="http://www.doen.nl">www.doen.nl</a>

Form	Partnership
Description	A partnership focuses on network cooperation between different parties to share competencies and possibly resources so as to achieve a common goal or perform a specific task. A partnership brings knowledge and experience from different backgrounds together to solve problems.
Objective	The optimum use of know-how, experience, inputs and resources in the network.
Resources	Partnerships draw upon their knowledge, experience and access in a shared pool. Also possibly any financial (public and private) and/or material resources (land, buildings).
Decision-making	Decision-making power concerning resources lies with the contributing party.
Accountability	Parties are accountable for cooperation and use of resources to each other and to their own organisation.
Stakeholders	Several parties are involved in a partnership such as governments, companies, research institutions, civil society organisations and/or initiatives.
Legal form	A partnership operates in an agreement.
Comments	Participating in a network partnerships allows governments to share expertise and experience to link to societal initiatives or to address societal issues. Government's task is increasingly shifting from acting solely as financier to a role of broker to bring parties together. Partnerships are widely applied in the field of development cooperation (public-private partnerships).
Examples	Meeting point OpMaat Nijmegen <a href="http://www.beursvloer.com">www.beursvloer.com</a>

Form	Crowdsourcing
Description	Sharing and using ideas, knowledge and experience from society to solve problems (societal) issues. Involving a large cross-section group of individuals (professionals, volunteers, interested people) for advice, innovation, policy and research. A financial or material compensation may be given for contribution.
Objective	To obtain as much input from as many diverse areas as possible for solutions to a problem/issue.
Resources	Crowdsourcing involves the collection of ideas, knowledge and experience from society.
Decision-making	The decision-making power on the use of the obtained input lies with the initiator. In certain cases, the 'crowd' can vote for the best idea in order to have an indirect say.
Accountability	Initiators give feedback on what has been done with the input.
Stakeholders	It is an (informal) cooperation between several parties with room for exchanging ideas, know-how and experience. An internal or online crowdsourcing platform can also be used.
Legal form	Different legal forms are possible in both a platform and an initiative.
Comments	This form is often used in citizen participation or in developing co-creation policies in areas where many people are socially engaged or have views on a subject. The reason why parties participate is often because they want to make a contribution to civil society or to influence a policy. Crowdsourcing can also be used to set up a societal initiative. A related concept is crowdfunding: raising money through a large audience.
Examples	<a href="http://www.platformparticipatie.nl">www.platformparticipatie.nl</a> <a href="http://www.zwolle.nl/doemee/ideeenmakelaar">www.zwolle.nl/doemee/ideeenmakelaar</a>

Form	Business and Investment Zone (BIZ)
Description	A BIZ is aimed at, via an entrepreneurial fund, investing in the improvement of the business environment in a particular area. The initiative to invest in the specific area comes from the entrepreneurs. They formulate a plan and set a budget. The investments serve a public interest in public space and are complementary to those of the municipality.
Objective	The aim is to improve the quality of the business environment in a specific area.
Resources	Resources come from the entrepreneurs in a specific area and are collected via a levy by the municipality. The revenue is paid to the association or foundation carrying out activities in the BIZ. A municipality can provide supplementary resources.
Decision-making	The entrepreneurs determine the activities in which they invest. The municipal council review and approves these.
Accountability	The association or foundation is accountable for the expenditure of funds to the entrepreneurs in the BIZ and to the municipality.
Stakeholders	Entrepreneurs and the municipality are involved in setting up a BIZ.
Legal form	Entrepreneurs in a BIZ are organised in an association or foundation.
Comments	<p>Entrepreneurs in a BIZ are actively involved in the business zone and investment is collectively financed.</p> <p>At present, a variation of the BIZ is the model for Community Improvement Districts (NID or <i>Wijk Investerings Zones experimentenprogramma</i> where interested owners and residents invest in the immediate area to improve housing quality. The initiative comes from the residents.</p>

# The importance of civil societisation for the financial relations system

## 4.1 Introduction

This chapter focuses on the significance of civil societisation or what it should be for the system of financial relationships as we now know them. If the relations between government and society change, does this also affect financial relationships?

## 4.2 Reasons for government intervention

Why do authorities intervene, for example with money, in what happens in society? This question was answered in Chapters 2 and 3 from a political-administrative perspective. An approach from the economic perspective expands on this view.

According to the theory of welfare economics, the market itself is able to supply a sufficient amount of goods and services. There should be a market for everything and these markets are above all characterised by fully competitive market structures. However, these conditions are not always met.

There is a problem with public goods because they have two characteristics: they are non-excludable and non-rivalrous. Non-excludable means that no one can be excluded from using them even if they do not wish to do so. For example, a dike or an army, protects everyone (including pacifists) against floods or attacks. Non-rivalrous means that individual use will not be at the expense of another. In other words, the cost of an additional user is zero. Dikes and armies are again examples; if more people come to live in an area this will not cause any detriment to the protection of the existing residents.

Sometimes public goods are generated without government intervention, but not sufficiently. That's because peoples' incentive is not to pay for them. After all individuals cannot be excluded from using them so they are free riders. This makes it difficult to finance public goods. Government uses taxation as an instrument to do this purpose. Public goods are therefore often provided by government because they have the power to organise a greater availability.

Pure public goods are scarce, but many goods and services have their characteristics. For example, services can be excludable (potential users can be excluded) and yet non-rivalrous (additional use will not lead to additional costs). In that case it would not be efficient to ask a price that reduces the use. In such cases, tax money can also be used to cover the costs.

Another reason for government intervention is, from the political governance point of view, people do not always adequately perceive it to be good for them to put aside sufficient funds to cover their

pension and therefore pensions are mandatory. For similar reasons, government (partially) funds sports, culture and education. These are called merit-goods. The extent to which governments intervene and the nature of public goods is increasingly dependent on the dominant viewpoint of society but also on the economic opportunities decided by the political community.

### 4.3 Task distribution

The government's objective is to achieve public goals whether delivering a public good or otherwise. What these goals are is a political consideration, but they are also bound to place and time. Within the decentralised unitary state, there is a difference in tasks and responsibilities between governments. The administrative relationships determine how tasks, responsibilities and powers are divided between the various territorial and functional tiers of government. Financial relations are about how these different tasks are funded. This refers to the vertical distribution of resources. In horizontal relations this concerns the relationship between governments and civil society actors involved in fulfilling a public task. Financial relations reflect the administrative relationships; 'money follows (administrative) task'. The objective of financial relationships is to generate sufficient resources from diverse local authorities, so that there is a consensus about tasks, powers and responsibilities.

Money is a means to achieve societal goals. Government obtains these means mainly by imposing taxes on citizens and businesses. Within the Dutch administrative relations, central government is responsible for the collection of the majority of tax revenues. Central government is also responsible for the allocation of tasks and resources to (including the power to tax) local authorities.

To finance decentralised tasks, the central government allocates monies to local authorities through various funding methods. To fund decentralised tasks a simple traditional distinction is made in prices, taxes, general and specific grants. This distinction is too simple to represent reality. In recent years, new financial arrangements have been introduced such as decentralisation grants and collective grants.<sup>43</sup>

#### *Changing administrative and societal context*

Radical changes are taking place between governments partly because their tasks in the social domain (child and youth care, work and income, and care for the chronically ill and elderly) are being decentralised. The municipality is now considered to be the first level of government responsible for a great deal of citizen care. The objective of decentralisations is to create greater coherence in the social domain because of the proximity of local authorities municipalities are deemed to be more effective and efficient in providing customised solutions for their residents. At the same time, citizens' entitlement to public care are exchanged for facilities leaving it to local government to decide whether and how it can meet its citizens' care needs. It is about a change in the approach to requests for help (a paradigm shift), where the government takes a step back and the citizens'

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own responsibility becomes paramount. This also constitutes the foundation upon which societal initiatives can be developed. Decentralisations thus serve as a vehicle for a participatory society. Because consideration factors now take place closer to the citizen, there is room for customisation. Cooperation of local authorities with civil society organisations that are familiar with local conditions can also contribute to this and consequently, passing on tasks to other levels of government or other public bodies can be avoided.

Since the recent decentralisation, a similar change is also taking place in the provinces where, to a certain degree, nature conservation and management of natural areas is being left to societal initiative, sometimes in combination with parties from civil society.

#### *Involvement of civil society actors*

In addition to the question of which level of government is responsible for which task, each level of government is now faced with the problem of how that task should be designed. Local government can execute the task themselves, or they can call upon market parties and/or societal institutions/societal initiatives. There is certainly an interaction between the latter group whereby societal institutions/societal initiatives look to the government to help achieve societal goals. Citizens take responsibility for the realisation of public values because they can do them better and/or cheaper. They gather the necessary resources (money, expertise) themselves. This tendency is reinforced by the financial crisis as governments face shrinking budgets.

While there is a 'business model', it is mainly to finance the plan with funds other than those of public funding provisions. It is primarily about shifting the responsibility for funding. In some cases, this is dictated by austerity measures. Concrete examples are the management of a swimming pool, the maintenance of green areas or the delivery of a welfare facility. An important consideration is to limit the financial involvement (and the risk) of local government. This does not mean that in all cases the government's financial involvement is withdrawn. It often develops into another form, for example, as a start-up contribution or a guarantee.

Characteristic of a decentralised unitary state is that local governments have their own democratically-elected representatives. Local authorities also have general competences. This means that within the legal framework, they determine the content of their task, their priorities and are responsible for this policy and its implementation. They are accountable to their own elected representatives. This involves tasks undertaken autonomously by the provincial or municipal authorities themselves in view of local and regional societal needs.

In addition to decentralised autonomy, decentralised authorities are responsible for the implementation of co-governance tasks. They have different degrees of policy freedom. A major restriction of policy freedom is due to the idea that is often still present on a national level, being that it is desirable for the same basic level of facilities to be available everywhere. However, when the provision of facilities is left to societal initiatives, then it is a case of also accepting differences.

## 4.4 Funding of public tasks

Different aspects need to be taken into account when considering who carries out a public task and from which source these tasks should be funded. With regard to the distribution of tasks, the adage is: decentralise where possible, unless centralisation is the only other alternative.<sup>44</sup> The decentralisation of tasks contributes to a more effective and efficient balance of costs and benefits: it encourages innovative policy, strengthens citizen involvement in policy making and contributes to policy competition. This means that local authorities should also have the freedom to determine the degree in which they provide or allow room for societal initiatives. In a network society where many (societal) partners play a role, it is particularly municipalities and provinces that establish cooperative relationships with these partners which sometimes leads to financial involvement. Considering whether a societal initiative represents an added value to society and whether this justifies the financial involvement of the local government is a decision for the local government itself. This consideration should take into account the societal benefits but also the financial risks. How this financial involvement develops can be diverse (Chapter 3). The financial relationship should match the government which is also in the best position to offer financial opportunities.

Local governments can finance tasks from various funding sources such as prices, rates, levies, own resources, taxes, general grants and specific grants.<sup>45</sup> According to mainstream economic theory prices and rates are the preferred funding instrument. Since citizens can weigh the benefits and disadvantages of price mechanism themselves, from the (cost) allocation viewpoint there is a preference for prices. Decision, payment and enjoyment are closely related when it concerns paying for facilities via (admission) prices. It is about a purely profit-making principle.

Contributions from participants are therefore the primary funding source for funding civil society initiatives. That is indeed also the core of a societal initiative. Yet it is conceivable that a politically desirable societal initiative cannot be launched without any financial involvement of government. If an appeal is made for public funds then local authorities' general funds (tax revenue and the revenue support grant) are the designated funding source. In this case, administrators must themselves directly weigh the advantages of the facilities against sacrificing their own resources or other possible uses. The basic principle is to optimally balance all the costs and benefits. The last euro spent by government should afford as many advantages as the last euro spent by the citizen himself. Local governments are only accountable to their own democratically-elected representatives for the use of tax revenue and the revenue support grant. This single accountability allows maximum space to respond to societal initiatives.

### *Decentralised taxes*

The distinction between tax revenues and the revenue support grant in the local government budget is fictitious. The difference is that, in the case of tax revenues, local government itself

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44 Council of State 2009

45 RfV 2011, p. 26

raises taxes to achieve public objectives. In the case of revenue support grant, central government distributes a portion of the collected central income tax to local authorities. The next question is, which government level can best assess the trade-off between the benefits and disadvantages of the societal initiative? It is obvious that this should be best aligned with the scope of the initiative to be supported. In as far as it concerns local and regional community initiatives, it seems obvious that decision-making also lies with them. Balancing between tax disadvantages and societal benefit will then be made by the municipalities and provinces. This makes the link between decision, enjoyment and payment much stronger than when funding comes from grants from other government levels.

Provinces and municipalities that are more successful in involving citizens and civil society organisations in the implementation of tasks in the social domain should also be able to pass the benefits on to their citizens by, for example, lowering costs, providing a qualitatively higher level of facilities or even both. This is in line with the idea of decentralisation. This presumes financial resources are available - the amount and expenditure of which can be determined independently by the local administration. Municipalities must be allowed not to have to spend the money, but to be able to give it back to citizens. It is not possible for the revenue support grant from the municipal funds to be used in this way, but it can be done through local taxes. This argues for a different system to fund decentralised tasks from locally generated revenue: a larger local taxation area for municipalities and a recognisable taxation area for provinces.

#### *Distribution of the revenue support grant*

The starting point for the distribution of the revenue support grant is that in the case of an equal tax burden, each municipality/province must be able to provide its citizens with the same package of local or regional public services.<sup>46</sup>

Therefore, distribution not only takes into account differences in opportunities to generate income (financial capacity principle), but also the differences in costs (cost orientation). The question arises as to what extent distribution should take into account the differences in opportunities for social capital, for example, using initiatives to implement public tasks. The idea of introducing a separate yardstick for societal initiative in the municipal and provincial funds to support and facilitate societal initiative is, however, inherently contradictory. Quite apart from the question of whether societal initiative is objectively measurable (see also the definition in Section 1), a basic requirement for any measure is whether such a measure is contrary to the nature of the revenue support grant. The revenue support grant should not be seen as a steering instrument to pursue desired national policy, but the objective is specifically for local governments to seek the most efficient use of public funds. In principle, a municipality able to delegate tasks to a societal initiative can save costs, but this does not happen automatically just because the task was transferred.

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<sup>46</sup> RfV 2011, p. 34; Lower House, Meeting Year 1995-1996, 24 533, no. 3, p. 8

There is a certain friction between the existing system and the logic behind transferring tasks to initiatives because within a cost-orientation distribution, local governments would get a lower revenue support grant by allowing room for initiatives. Thus, their revenues might be lower than planned. This argues more for increasing the local taxation area than introducing a distribution yardstick for societal initiatives. Municipalities are then in a position to pass on lower costs to citizens through lower local taxes and/or a higher level of facilities, part of which can be support for initiatives.

It is conceivable that within a polycentric municipality, certain individual centres take over part of the public tasks. In this context, it would be desirable if a municipality had the opportunity to also reflect its self-efficacy through lower charges to its citizens. Therefore, the possibility of applying differential taxation rates within a municipality should be examined. Regarding provinces, a tax that is not only based on motoring taxes but one more consistent with provincial tasks will be beneficial in terms of visibility and recognition. A recognisable tax contributes to the quality of the considerations concerning levy and use of public money.

#### *Specific benefits*

If central government wants to encourage societal initiatives on a local level, it might be an option to offer, in very special cases, a specific grant to local authorities for this purpose. It may involve temporarily encouraging certain initiatives through start-up or experiment funding to promote new working methods between societal initiatives and local governments. The disadvantage to using a specific grant is that the conditions hamper expenditure because they do not match the logic of initiatives. When central government wants to encourage societal initiatives it should check whether the conditions fall within the logic model of the intended scope of local authorities and initiatives.

The same applies to state funding of societal institutions. Receiving public funds generally entails legal requirements that impose restrictions on alternative uses and accountability requirements that do not fit in with the way societal initiatives work. The model of logic dictates that government is accountable for the legitimacy, effectiveness and efficiency of public resources. When multiple parties are involved in societal initiatives, government has less insight about how public funds help to achieve societal goals. This will require central government to stand back and develop a broader accountability arrangement.

## 4.5 Concluding observations

At present the vertical distribution of resources matches the horizontal allocation of resources. We are still a long way off from the point where they no longer match one another. A shift is taking place, partly due to the financial needs of local authorities and decentralisations, where there seems to be more room for societal initiatives. The degree which local governments use public money to support initiatives is related to its availability. However, the influence of societal initiatives in the operation of the system of financial relationships should not be overestimated. For the time being, the present system suffices and copes with these developments.

The Council notes that, at present, its research does not indicate that civil societisation calls for revision of the distribution system. However, it is conceivable that over time distribution of the provincial and municipal funds based on cost orientation will become aggravated due to transferring large-scale tasks to societal initiatives. Local authorities will then partially lose an overview of the costs incurred.

Government has expressed its wish to support and facilitate societal initiatives, creating room and paving the way towards government's policy on societal initiatives. The most effective way to do this is to give local authorities more 'room'. In the Council's view this calls for a more global distribution, larger local taxation area and a recognisable provincial taxation area. This allows local authorities to respond better to societal needs.

Matching decision-making and resources will lead to a more effective assessment that is also more in line with local preferences, the Council reiterates its advice to broaden the local taxation area.<sup>47</sup> The urgency has increased with civil societisation: more say over the collection of own resources leads to broadening the opportunities to participate, if desired, in local initiatives.

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47 Rfv 2007, 2010a, 2010b, 2011a, 2012, 2014

# Conclusions and recommendations

## 5.1 Conclusions

This advisory report addresses the question of whether civil societisation is of significance for the financial instruments of government and the system of financial relations. This question is answered by examining in detail a number of relevant issues. The Council identified issues such as the right of say, ownership, risk, accountability and system effects. The Council has also itemised the design of financial relationships between local authorities and societal initiatives.

### *No new instruments*

The answer to the request for advice is essentially that, as yet, civil societisation has no significance for central government's financial instruments nor for the financial relations system. As for field research, there is no empirical evidence or theories on this topic, which indicate that there is an ongoing development in working and organisational forms between government and society. This is illustrated by the forms of funding used by provinces and municipalities when they financially facilitate societal initiatives. There is a wide variety of types of cooperation. These are systematically identified and described in this advisory report. The overview shows the multifaceted practice and provides concrete action strategies for local governments.

### *No System Review*

Civil societisation leads to other forms of the right of say over the use of public money or explicitly shared ownership of public interests. Thus, governments remain involved in the realisation of public objectives, even outside the public domain. The current financial relations system facilitates these changing relationships and there is currently no cause to revise the system merely for the sake of civil societisation.

The Council previously examined the significance of horizontalisation and the network society for financial relationships. It looked at how resources flow through the distribution system from national to local level. In this advisory report, the Council looked at provincial and local workings of public monies characterized by horizontal practice. The Council notes that vertical distribution of public money does not hamper cooperation or support of societal initiatives.

### *Public interest does not automatically mean public funding*

Public interests organised or identified without government could encourage public funding, but not necessarily. Governments are not automatically financially involved when government and initiative work together in a shared interest. Not only do initiatives have different needs when public money is involved, there are other ways in which governments can help initiatives: for example, by sharing know-how, helping to find financing or opening up networks.

The Council believes that it is up to each individual government to determine whether it intends to support initiatives and, if so, which ones and whether this support should be financial. The Council notes that the existing financial instruments remain effective for local governments to achieve common interests. This is still the case when these are realised through financial participation in societal initiatives.

#### *Room for new arrangements*

The fact that no new instruments have been developed and the conclusion that, as of yet, for the sake of civil societisation, there is no reason to redesign the financial relationships system does not mean that the relationship between public money and societal initiative is at a standstill. Relationships are in full development due, for example, to decentralisations in the societal domain. This operation involves scaling down the level of services and changes to citizens' claims to government. Because entitlements to benefits are exchanged for facilities, there is room for the design of new public-private arrangements. This is space where new profit or non-profit initiatives can develop.

#### *Follow-up questions for further advice*

The Council wants to continue to closely monitor these developments from the financial perspective, given the new relationships between governments and initiatives in both the physical and the societal domain. This will enable a quick response to the need for new financial arrangements, should the practice develop in that direction. The Council's attention will focus on the integration into the existing financial relations system or redesign of the system for future sustainability.

Furthermore, the Council observes that besides public flows of funding such as pension funds, private and charitable funds, other resources are also used for the realisation of public interests. It may involve the combination of public and private resources within a single policy domain, but it also includes the effects private money for the realisation of public interests. These phenomena are beyond the scope of this advisory report, but the increasing relevance of these flows of funding has prompted the Council to pinpoint this as an item to follow-up for further advice.

## 5.2 Recommendations

Recommendations for Central Government:

The government's wish to support and facilitate societal initiatives, creating room and paving the way towards government's adopted policy on societal initiatives is most effective by allowing local authorities more 'room'. In the Council's view this calls for a more global distribution, a larger local and identifiable provincial taxation area. This will enable local authorities to better respond to societal needs. The Council will further advise government on these aspects.

To meet local governments needs for customisation and to encourage initiatives, the Council advises government to examine the possibilities of differentiation between provincial and local taxes. The Council would also like to include this aspect in its advice.

The Council is not in favour of expanding the number of specific benefits and prefers to see the number of these reduced. Should government wish to promote local authorities' support for societal initiatives within the current system, then, in very special cases, a specific benefit could be an option. For such a benefit to be effective, its terms must be consistent with the logic of the intended working scope of local authorities and initiatives.

Recommendations for local authorities:

It is important that local governments can use the 'room' resulting from decentralisations in the societal domain. They can occupy this room themselves but they can also use it to anticipate initiatives: for example, through the development of new arrangements.

Public money creates obligation

It is important that local authorities acknowledge the mechanism that activates the logic in public accountability when using public money for societal initiatives. Clearly assigned ownership limits obstacles for participation in initiatives. The allocation and the acceptability of risk is a part of the assessment process as to whether or not to facilitate a societal initiative.

Distributing public money is reserved for the highest bodies within the democracy, i.e. councils and central government. This primacy ensures that other interests in the public domain are considered besides those initiatives of some citizens. It follows from this primacy that every democratic forum not only determines for itself how much public funding is required, but also how much say it has about the operation within an initiative, even though it is funded with public money. This means that the answer to the question of responsibility about who reports about what and to whom is a result of the distribution of tasks between government and initiative. When deciding on financial involvement in societal initiatives, it is not only up to local authorities to consider the question of accountability, but also to continue to weigh the aspects of their role clarity, distance, ownership, right of say and risk and to clearly communicate these.

# Annex 1 | Request for an Opinion



Letter from the Ministry of the Interior and  
Kingdom Relations

> To

Financial Relations Council  
Mr M.A.P. Van Haersma Buma

P.O. Box 20011  
2500 EA The Hague

Reference: 2013-0000230155  
Date: 27 June 2013  
Subject: Request for an Opinion on Financing arrangements  
Do Democracy

Dear Mr Van Haersma Buma,

Horizontalisation within our society and the ensuing societal transitions has led to relationships between government and citizens (read: social entrepreneurs, neighbourhood businesses and social institutions) becoming unbalanced. There is a move from less hierarchical relationships towards a relationship based more on equality and reciprocity.

I would like to request your opinion on what these changing relations in society mean for central government's financial instruments to support and facilitate societal initiatives. In addition, I would like to ask you to take into consideration aspects such as the function and use of these instruments, as well as the opportunities, risks and responsibility involved. I would like you to focus more explicitly on the assessment framework used in the response to this advice.

Please send me your advice before October 1, 2013. In accordance with Article 23 of the Advisory Bodies Framework, I request you to include the expertise of the Council for Public Administration in your advice.

You will find more details regarding my request for advice in an annex to this letter.

Yours Sincerely,  
The Minister of the Interior and Kingdom Relations

  
dr. R.H.A. Plasterk

## Annex 1 - Explanation of request for advice

In civil society societal initiatives arise where government and citizens' objectives meet. The initiative lies in the public domain and government has an interest and should, in any case, display 'some involvement'. This can either be in an organised initiative or one that starts spontaneously. The initiative can be started by one or more citizens, a neighbourhood business or a resident's enterprise, a social institution or a (social) entrepreneur. But an initiative can also arise from the government's need. One where it seeks to collaborate and engage with people and organisations outside the government; a cooperation based on equality, partnership and not one in which government "dominates" the parties involved and pulls all the strings and decides everything on its own.

In some cases, the tasks involved in the societal initiative can be carried out by both parties but these can also be performed entirely by government partner(s). This could mean that there is a shift from a purely government task, to one of government and partner or one involving just the partner. Specific examples are the management of a swimming pool, the maintenance of green areas or the provision of a welfare services.

The financing and funding of these initiatives need a new impulse and approach to respond to government's financing and funding model and its consequential risks and accountability. It is clearly evident that the existing government funding models, subsidies or contract assignments are, in practice, often insufficient.

Both the Ministry of the Interior and Kingdom Relations departments Citizenship (*Directie Burgerschap en Informatiebeleid*) and Housing & Environment/Liveability (*Directie Bouwen en Wonen*) and their partners need to know more about the consequences and capabilities - existing and new - regarding financing and funding models for societal initiatives. Experience shows that financial needs for societal initiatives are becoming increasingly diverse.

In addition, the nature of the 'revenue models' is also changing: social or public values are going to play a role in business plans. Furthermore, there is the awareness of the political context where this occurs.

Many related questions about this need and awareness are still unanswered. Your advice can be the impetus for answers and thereby contribute to the Cabinet's strong wish to support, to facilitate and to create space for societal initiative, and to give government directions to adopt policies regarding societal initiatives.

### Request for advice

The (new) positioning of government towards its partners concerns not only an issue in the field of the Council for Financial Relations but also that of the Council for Public Administration. For example, how does this influence the political processes in government as regard the changing needs and attitudes with respect to the financing and funding models for societal initiative, including the corresponding related issues of opportunity, risk and responsibility? As regards these risks; these quickly become too large for bureaucracy but from a civil society perspective they are acceptable.

How will this affect the funding and (ways of) financing and their models?

*The questions*

1. Which existing, new or to be developed financing and/or ways of funding and thereby related models can governments apply to support and facilitate societal initiative?
  - a. What are the opportunities and risks involved and
  - b. What does it entail for their accountability?
2. What is the effect of these financing and funding methods and the corresponding models?
  - For the financing system of subsidiary government bodies?
  - For the system of financial relationships between the central government and subsidiary government bodies?

The answers to these questions will help to give more insight into:

- the appropriate degree of financing and methods of funding to support and/or facilitate societal initiatives;
- the benefits and drawbacks for government of these financing and funding methods so that a well-considered choice can be made which financing and funding method(s) a government uses for its participation in societal initiative;
- the scope for public authorities to give their social values an appropriate place in their financing and funding methods;
- determining where more relaxation within the existing budget system is necessary;
- whether and where a division between public duties and economic activities is needed.

## Annex 2 – Points of departure on the issue

### Sources in relation to the problem

'De koopman als dominee – Social ondernemerschap in publieke domein'- (The Merchant as a Pastor – Social Entrepreneurship in the Public Domain) [NSOB, 2013](#). Section 6.3 describes various stages of a societal initiative (SI) including the associated complex financial government contributions.

In section 7, the NSOB also distinguishes various sources of funding for (SI): sponsorship, crowdfunding, private equity and venture philanthropy. Table 9 also mentions the risks for government in such sources.

Flor Avelino – 'De sociale economie & alternatieve vormen van financiering' (The Social Economy and Alternative Forms of Financing) Drift, EUR 2012.

PWC – 'De agile overheid' — oktober 2012, (The Agile Government) - October 2012. PWC refers here to the agile, compact and resilient government and names 10 principles to achieve this. One of which is funding based on smart business models. It states that in order to successfully implement this alternative, the existing budget system, in many cases, needs the financing models to become more flexible.

Business & Industry practical cases: Jesse van de Zand from [Enviu](#) and Sadik Harchaoui from the [Foundation Society Impact](#) both indicate that a societal initiative has difficulties in finding funding especially during the second phase. This is the phase between the start-up with the aid of charity money and the growth rate with financial assistance of large investors. Harchaoui indicates that the government can help in this phase by acting as guarantor. [The TNO report 'Sociale ondernemingen en werknemers met een arbeidsbeperking'](#) (Social enterprises and workers with a disability' dated 2011 mentions government providing guarantees as a solution.

### Own practical experience

#### Subsidy policy

Question: How can government continue to deal with societal initiative in a changing subsidy policy?

Various municipalities change their policy on subsidies. This is understandable if we look at the increasing relationship of equality between government and citizen; a subsidy seems like an instrument more suited to a vertical relationship. But is this true? Perhaps it is merely a question of approaching the subsidy scheme differently? What should it look like then? To what extent can you mould/design the form of subsidy so that it is suitable for funding a societal initiative? Should you then focus on the conditions? Differently?

Case Study Business and Industry network: Municipality of R'dam Alexander.

#### New forms of financing

Many social entrepreneurs indicated that they had difficulty in finding providers of capital for the necessary financial support of their societal initiative.

Can government provide an alternative source of capital by adopting the role of a 'bank'? And what would the appropriate (new) forms or instruments be? Can a municipality, for example, set up a separate fund for a societal initiative which, much like the entrepreneurial funds, can be supplemented by increasing property tax? Or can the funds be used which have been freed as a result of the envisaged plans to reduce municipal councils? Are there other good options to supplement such a fund?

Looking at the systematics of the municipal and provincial funds, to what extent would a separate yardstick like societal initiative, increase the financial capacity to support and facilitate societal initiative?

*Revolving funds:*

Practical cases W&L network: the municipalities Rotterdam, Leeuwarden and The Hague have forms of revolving funds, in this case known as social impact bonds.

*Crowdfunding:*

The city of Delft was asked to subsidise a street festival but thanks to crowdfunding the subsidy turned out to be much lower than originally requested.

The city of Almere was advised to only agree to finance initiatives after citizens had raised 40%. Councillors would then use their right to spend their social budget, to determine for themselves which initiatives they were going to spend the remaining money on. Are these appropriate tools for societal initiatives? How should municipalities deal with this type of societal initiative, how do you design them, and what does that mean for municipalities in terms of risk and accountability? Partly for these reasons the city of Almere decided to withdraw from the crowdfunding proposal.

**Potential know-how experts**

*Business models:*

Prof. Jan Jonker, professor of Sustainable Entrepreneurship at the Radboud University Nijmegen

Under the assignment the Ministry of the Interior and Kingdom Relations (BZK) Org-ID staff members Robert de Graaff, Hans Nuiver en Caroline van de Veerdonk have carried out an exploratory research into: 'De waarde van nieuwe verdienmodellen — verslag van een speurtocht naar succes en falen van innovatieve waardencreatie, vooral in binnen- en buitenstedelijke gebiedsontwikkeling' — november 2012. (The value of new business models - report on a quest for the success and failure of creating innovative values, especially in inner and outer city development areas) - November 2012.

RebelGroup director Jeroen in 't Veld's expertise lies in financial issues concerning the interface of public and private initiative. He previously worked for the Dutch Ministry of Finance.

## Annex 2 | Literature

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## Annex 3 | List of people and organisations interviewed

Martijn Arnoldus	Kennisland
Vera Bauman	Gemeente Rotterdam
Arie van der Berg	Hoeve Ackerdijk
Willem Bongaarts	PvdA Tilburg
Gabriël van den Brink	Universiteit Tilburg
Bart Budding	RebelGroup
Marjan Delzenne	Centrum voor budgetmonitoring en burgerparticipatie
Henk Deuling	Gemeente Haarlemmermeer
Mark van der Eerden	Bestuurder verschillende maatschappelijke organisaties
Ronald Fredriksz	Interprovinciaal Overleg
Marten van der Gaag	Interprovinciaal Overleg
Andrea van de Graaf	Meermaker
Eveline de Graaff	Interprovinciaal Overleg
Mark Haanstra	Gemeente Sint-Michielsgestel
Kees Handstede	Gemeente Zwolle
Jurgen van der Heijden	AT Osborne
Marieke Hellevoort	Gemeente Utrecht
Marja Hilders	Vereniging van Nederlandse Gemeenten
Paulien van der Hoeven	Ministerie van Binnenlandse Zaken en Koninkrijksrelaties
Andries de Jong	SUN Nederland
Jan de Jong	Provincie Zuid-Holland
Jan Jonker	Radboud Universiteit Nijmegen
Emiel Kamman	Vereniging Vrienden Openluchtwembad Zwolle
Hans Koot	Provincie Zuid-Holland
Kristel Lammers	Vereniging van Nederlandse Gemeenten
Gea Lunsing	Gemeente Hoogeveen
Pascal Maas	Opmaat Nijmegen
Thijs Malmberg	Malmberg Consult
David van Megen	Provincie Zuid-Holland
Jeroen te Molder	Energie coöperatie Hof van Twente
Tine De Moor	Universiteit Utrecht
Anja Niewind	Provincie Overijssel
Stefan Nijwening	RebelGroup
Rinske van Noortwijk	Greenwish
Miranda Ooijevaar	Gemeente Utrecht
Arnout Potze	Provincie Overijssel
Anne de Raaf	Fonds 1818
Bert Ravelli	Provincie Gelderland

Wim van Rijn	't Geertje
Wim van Rijswijk	Coresta
Silvia de Ronde Bresser	Kracht in NL
Piet Romkes	Gemeente Kampen
Alexander de Roo	Provincie Gelderland
Jurri Rooyackers	De Nieuwe Regentes
Roelant Schenk	Vereniging van Nederlandse Gemeenten
Barend Jan Schrieken	Nationaal Restauratiefonds
Martin Schulz	Bestuurskundig onderzoek & advies
Yolanthe Sinnige	Interprovinciaal Overleg
Jan Smelik	Austerlitz Zorgt
Martijn van der Steen	Nederlandse School voor Openbaar Bestuur
Robert Steenks	Uitvoeringsorganisatie Bedrijfsvoering Rijk
Ilan Stoeltinga	Gemeente Amsterdam
Fred Stol	Gemeente Zuidhorn
Lucien Stöpler	Justice in Practice Network
Frans van Suylekom	Ministerie van Binnenlandse Zaken en Koninkrijksrelaties
Peter Tangel	Gemeente Delft
Marcel Tankink	Buurtbedrijf Bilgaard
Menno Tummers	Prins Bernhard Cultuurfonds
Mark van Twist	Nederlandse School voor Openbaar Bestuur
Timo Veen	Duurzaam Hoonhorst
Björn Vennema	Social Impact Consultancy
Rene Verschoor	Prinses Máxima Centrum
Henk-Jan Vinken	Gemeente Hengelo
Patricia Vogel	Vereniging van Nederlandse Gemeenten
William Voorberg	Erasmus Universiteit Rotterdam
Pieter de Vries	Texel Energie
Annemiek Wevers	Provincie Zuid-Holland

Furthermore we spoke to representatives of many provinces and municipalities.

# Annex 4 | Members of the Financial Relations Council

## Chairman

Mr M.A.P. van Haersma Buma, LL.M

Dike warden of Delfland and also acting member of the Council for Public Administration

## Deputy chairman

Ms H. van Rijnbach-de Groot,

Mayor of the Municipality of Etten-Leur

## Members

Prof. M.A. Allers

Professor of Economics of Sub-National Government at the University of Groningen and director of the Researchcenter for the economics of Sub-National Government

## Temporary members

Mr Th. A.J. Peters

Prof. Th.A.J. Toonen

Drs. F.H. Buddenberg