

## Where to now?

### Implications of changing relations between DFID, recipient governments and NGOs in Malawi, Tanzania and Uganda

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Civil society organisations (CSOs) – including international and national non-governmental organisations (NGOs) – play a central role in development and poverty eradication in poor countries. They provide humanitarian assistance and deliver services when states are unable or unwilling, they work alongside poor and excluded groups - supporting them to claim their rights, engage in local and national planning frameworks and processes and they hold governments to account through advocacy and campaigning.

Recent changes in the aid environment have significant implications for NGOs and other civil society organisations. These changes – ranging from changes to aid modalities and increasing aid volumes to donor harmonisation and government-donor partnerships to improve aid quality – are beginning to affect CSOs' policy and funding relationships with donor agencies and national governments in poor countries.

#### ActionAid and CARE budget support project

In 2005, ActionAid and CARE carried out joint research to explore how changing donor policies – particularly the shift from funding discrete projects to direct budget support – were affecting local and international NGOs, and how NGOs themselves were responding to them. The intention was to start piecing together coinciding trends and developments without necessarily finishing the jigsaw.

The research was carried out in Malawi, Tanzania and Uganda, where national teams talked to staff in donor agencies and local and central government, and peers across civil society. This country level research informed our synthesis report *Where to Now?* published in July, 2006. This briefing sets out the key findings and recommendations from the synthesis report.

#### National poverty reduction planning: the role of NGOs

The research shows that as aid agencies increase funding directly to national governments and push for greater domestic accountability, the space created for civil society to engage in policy dialogue, through invited spaces such as Poverty Reduction Strategy Paper consultations, is increasing.

Yet, while there are examples of civil society organisations influencing elements of both the design and implementation of national poverty strategies in Uganda, Malawi and Tanzania, there remains a gap between the rhetoric of civil society participation and the practice. In each of the countries there is little experience of open democratic process and accountability, and mutual suspicion and mistrust were seen to characterise relationships between NGOs and national governments. Additionally, civil society actors pointed to recent government legislation leading to a general curtailment of non-governmental organisations' freedom of expression and independence (Uganda NGO Registration (Amendment) Act, 2006; Malawi NGO Act 2000; Tanzania NGO Act 2002).

**Recommendations:** CSOs, representing the needs of poor and excluded communities, have a legitimate role to play in domestic policy processes. Consultation should not be seen as a rubber stamp. National governments (and donor agencies) must promote open and transparent policy processes with space for meaningful participation by an inclusive civil society at national and district levels in the design and implementation of poverty reduction strategies, including the budget allocation process.

*To promote a vibrant, active and representative civil society, governments should create an enabling environment and ensure that the regulatory and legislative environment for NGOs maintains and respects their independence. Governments should consult with NGOs over the content of legislation and other policies regarding the regulation of this sector.*

## Budget support negotiations: open to public scrutiny

While the space for civil society to engage in national policy processes appears to be opening to some degree, the research findings highlight that there is still insufficient space available for NGOs to effectively engage in discussions concerning the disbursement and allocation of aid. To date, civil society participation in national poverty reductions strategies has tended to be rather superficial poverty diagnostic consultations with perhaps some discussion about which sectors should be priorities. Discussions around the underlying principles of the aid relationship between donors and governments, funding levels and allocations, budget ceilings and disbursement triggers and conditions are rarely, if at all, opened up to civil society and wider public scrutiny.

This research supports a DFID-funded paper (Evaluability Study, 2003) that claims that, “the absolute weight of government accountability to donors may well have increased as a result of general budget support.” The result is that national governments continue to prioritise accounting for their decisions and actions to donors and not domestic constituents. Equally, DFID and other donors in poor countries remain reluctant to acknowledge the political and economic power they wield in national policy making forums and processes. Where discussions have traditionally been behind closed doors, the doors remain closed.

**Recommendation:** *The dialogue between government and donors over the use and allocation of budget support monies and related matters should be opened up for public scrutiny. CSOs should have the opportunity to debate Memorandums of Understanding, which govern the agreement between donors and national governments, and should have access to information about donor led Performance Assessment Framework processes. In the interests of downward accountability, ActionAid and CARE recommend the establishment of tripartite forums that facilitate government, donor and civil society discussion on aid issues.*

## Direct budget support, NGOs and democratic accountability

An underlying assumption of donors' preference for DBS, or similar modalities, is that by focusing on government's own accountability mechanisms, general budget support (GBS) will improve transparency and accountability to the country's parliamentary institutions and citizens. Accordingly, the GBS evaluation framework, produced by ODI and DFID in 2001 and endorsed by the OECD in 2003, includes 'enhanced democratic accountability' as one of five 'outputs' of GBS. But the framework recognises that enhanced democratic accountability is not an automatic consequence of GBS but is likely to be enhanced only if domestic organisations actively demand greater accountability from their governments, and in this respect NGOs and other CSOs can play a key role.

However, the study questions how important the issue of democratic accountability is for donors, compared to other elements of the GBS modality, as there appears to have been little or no analysis of the extent to which either parliaments or civil society actors are effectively holding governments to account over public expenditure, and no overall assessment of what has happened to democratic accountability under GBS.

Incidentally, at the same time, civil society representatives who participated in the research recognised that in the future, NGOs will need to be more transparent about their own income, expenditure, and programmes if their demands for greater transparency and accountability on the part of government and donor agencies are to have real credibility.

**Recommendation:** *When evaluating the impact of their Direct Budget Support, donors should assess impact of DBS on democratic accountability, in recognition of its importance to the effectiveness of the aid provided.*

### Box 1: ActionAid Uganda Pallisa Project

- The district level Pallisa project supports poor people to realise their right to food, in part through improved agriculture production
- ActionAid and its partners talked with local groups and identified low local government spending on agriculture as a big constraint to agricultural productivity and hence food insecurity
- A strategy to increase budget allocations was developed, based on ActionAid and local community based organisations lobbying the district councillors and government representatives
- As a result, the budget allocation was increased from 3% to 6% of the total district budget in 2003/4

## Strengthening national parliaments

Through the research, ActionAid and CARE questioned whether an emphasis on civil society participation in policy processes had weakened the ability of national parliaments to fulfil their functions. However, in all three countries researchers found that it is not a case of CSOs usurping parliaments' roles but, rather, that national parliaments lacked the legitimacy, capacity and authority to fulfil their mandated role monitoring and scrutinising policies and expenditure.

The weakness of these institutions may in part explain why NGOs (and other CSOs) have stepped in to breach this gap and adopted a watchdog function, supported by DFID and other donors. The question then is whether CSOs, in filling this gap, might have inadvertently detracted attention from the roles and functions of national parliaments.

**Recommendation:** *Governments must build parliamentary capacity and give parliaments political authority to fulfil their role in policy processes and decisions regarding both public expenditure and aid. There should be time to debate these issues rather than just having a rubber-stamping process. Donors should also resource and build the capacity of parliaments to play their role in holding governments to account. Where appropriate, they should support civil society engagement to strengthen parliamentary scrutiny bodies.*

## Getting the balance right: ensuring poor peoples' access to services

The experience of local and international NGOs working in Tanzania, Malawi and Uganda was that funding for traditional service delivery is decreasing. This change has significant implications for the district and local level CSOs that have traditionally filled this niche and maintained essential services in poor and excluded communities.

In Uganda, fiscal decentralisation and funding through local government has supported NGOs to continue offering these services but poor people may be at risk if civil society service delivery is not replaced by effective local and central government services.

NGOs interviewed for this study were not averse to receiving funding direct from their respective governments so long as it comes without any political strings attached and their independence is respected. There were particular concerns raised in Uganda about the legitimacy of a new breed of NGO often created by local officials with the sole intention of capitalising on these funding opportunities.

**Recommendation:** *Governments and donor agencies should investigate and respond to allegations of corrupt practices in the sub-contracting of service delivery to NGOs at the district level in Uganda and Tanzania. Governments should make funding available to NGOs in a way that respects and protects their autonomy and political independence.*

## Funding levels

While the donor shift to direct budget support has not perceptibly changed funding levels to non-governmental organisations, the shift has meant changes in the types of activity funded. Research teams in each of the three countries found that, as donor agencies have increased levels of direct funding to national governments, they have also supported, both financially and in their public statements, the role of civil society in formulating policy, monitoring government expenditure and supporting poor and excluded people to hold national governments to account. As a result of these changes, and changes in civil society perspectives – particularly amongst international NGOs (INGOs), many are changing their activities and acquiring new skills.

The perceived reduction in donor funding for service delivery brings particular challenges for local NGOs, whose policy and advocacy capacity is not yet sufficient to be seen as a credible in many government and donor policy forums. Attempts to build this capacity and support innovation through Local Funds managed by international agencies have had some success – especially the Tanzania Foundation for Civil Society (see Box 2) – although critical challenges in design and sustainability should not be underestimated.

Donors' civil society funding plans and policies are rarely discussed or reviewed with NGOs. In Uganda and Malawi, the design of new funding policies exacerbated tensions between local and INGOs. For example, in Uganda, there had originally been separate funding mechanisms for international and national NGOs but when these were combined international and national NGOs found they were competing for the same resources causing tension between the groups.

**Recommendations:** Donor offices should consult CSOs over their strategies, plans and activities and adopt communication policies that promote transparent decision-making processes.

Donors should also work with INGOs to build the capacity of local NGOs. Where INGOs are contracted to manage CSO funding programmes, the INGOs should devolve this management to independent boards as soon as possible. Donors should work with local and INGOs to design funding instruments that promote collaboration, not competition.

#### Box 2: The Foundation for Civil Society

The Foundation for Civil Society in Tanzania was set up in 2002. It was originally funded entirely by DFID and managed by CARE International. Largely at CARE's instigation, the Foundation has now become a non-profit Tanzanian company funded by a group of like-minded donors, and governed by an independent board.

The Foundation aims to establish a support mechanism for civil society organisations in Tanzania which will enable effective engagement in poverty reduction efforts as set out in government policies such as the Tanzania Assistance Strategy and the poverty reduction strategy paper, MKUKUTA. The foundation funds organisations to carry out activities in policy, governance, safety nets and advocacy strengthening.

### Donor/civil society relationships in the new aid environment

The research clearly showed that donors do not engage strategically with NGOs and wider civil society in the countries they work. Donor strategies and operations remain largely opaque to all but a few INGOs; prompting calls for donors to develop more in depth strategies for working with civil society.

In spite of the immense and arguably growing influence that budget support donors such as DFID enjoy in all three of the countries analysed, there is a tendency for staff to downplay political influence, to give the impression that their role is simply to support the implementation of poverty reduction strategies that have been nationally agreed by domestic stakeholders and are led by governments. In line with this theory, if NGOs wish to influence these strategies, they should engage with *domestic* political processes, not with donors.

The implication of this thinking might be for DFID and its staff to feel less obliged to engage with any stakeholders in aid-recipient countries other than the government. A DFID official interviewed in Uganda went as far as to say that 'there is no legal or moral obligation for DFID to engage with or strengthen civil society'. This approach does not take account of the serious deficiencies in the participatory processes linked to policy processes or the difficulties CSOs face in trying to influence fledgling democratic regimes not used to responding to demands from below.

**Recommendation:** DFID and other donors need to take a more strategic approach to engaging with NGOs and wider civil society, recognising the diverse views, perspectives and experiences of poverty they can share.

#### Box 3: DFID Support for Civil Society

DFID sees the contribution of NGOs as:

- Empowering the poor
- Global Advocacy
- Building a popular based for development

In 2002/03 total DFID expenditure through CSOs of £228 million was approximately:

- £94 million for humanitarian assistance,
- £59 million in country programmes
- £75 million through DFID's central civil society department

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Where to Now? and the national research reports are available on the [ActionAid](#) and [CARE](#) websites, along with a record of a London seminar convened to discuss the research findings. For further information talk to:

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