

# Where to now?

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**IMPLICATIONS OF CHANGING RELATIONS BETWEEN DFID, RECIPIENT GOVERNMENTS AND NGOS IN MALAWI, TANZANIA AND UGANDA**





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# Acronyms

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<b>AAI</b>	ActionAid International	<b>JAS</b>	Joint Assistance Strategy (Tanzania)
<b>BLM</b>	Banja La Mtsogolo	<b>MAPCOI</b>	Malawi Parliamentary Coalition on IFIs
<b>CABS</b>	Common Approach to Budget Support group (Malawi)	<b>MDG</b>	Millenium Development Goal
<b>CAP</b>	Country Assistance Plan (DFID)	<b>MEJN</b>	Malawi Economic Justice Network
<b>CG</b>	Consultative Group	<b>MHEN</b>	Malawi Health Equity Network
<b>CHAM</b>	Christian Health Association of Malawi	<b>MPI</b>	Mwanza Policy Initiative (Tanzania)
<b>CIDA</b>	Canada International Development Agency	<b>MPRS</b>	Malawi Poverty Reduction Strategy
<b>CISANET</b>	Civil Society Agriculture Network	<b>MTEF</b>	Mid-Term Expenditure Framework
<b>CSCQBE</b>	Civil Society Coalition for Quality Basic Education	<b>MoU</b>	Memorandum of Understanding
<b>CSO</b>	Civil society organization	<b>NAC</b>	National Aids Commission (Malawi)
<b>CSUP</b>	Civil Society Umbrella Programme (Uganda)	<b>NGO</b>	Non governmental organization
<b>DAC</b>	Development Assistance Committee	<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>DAC</b>	District Aids Committee	<b>NWSC</b>	National Water and Sewerage Corporation (Uganda)
<b>DANIDA</b>	Danish Ministry of Foreign Affairs	<b>ODA</b>	Official Development Assistance
<b>DBS</b>	Direct budget support	<b>ODI</b>	Overseas Development Institute
<b>DENIVA</b>	Development Network of Indigenous Voluntary Associations	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>DFID</b>	Department for International Development (UK)	<b>PAF</b>	Performance Assessment Framework
<b>DPG</b>	Development Partners Group (Tanzania)	<b>PBS</b>	Poverty Reduction Budget Support
<b>ESRF</b>	Economic and Social Resaerch Foundation	<b>PEAP</b>	Poverty Eradication Action Plan (Uganda)
<b>EC</b>	European Commission	<b>PER</b>	Public Expenditure Review
<b>EU</b>	European Union	<b>PFNP</b>	Private Not for Profit (Uganda)
<b>FBO</b>	Faith based organization	<b>PGBS</b>	Partnership General Budget Support
<b>FCS</b>	Foundation for Civil Society (Tanzania)	<b>PPA</b>	Programme Partnership Agreement
<b>GBS</b>	General Budget Support	<b>PPP</b>	Private-Public Partnership
<b>GDP</b>	Gross Domestic Product	<b>PRS</b>	Poverty Reduction Strategy
<b>GONGO</b>	Government-owned NGO	<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>HIPC</b>	Heavily Indebted Poor Countries Initiative	<b>REPOA</b>	Research on Poverty Alleviation
<b>HIV &amp; AIDS</b>	Human immunodeficiency virus & Acquired immunodeficiency syndrome	<b>SAP</b>	Structural Adjustment Programme
<b>ICSD</b>	Information and Civil Society Department (DFID)	<b>SWAp</b>	Sector wide approach
<b>IDP</b>	Internally displaced person	<b>SWG</b>	Sector working group
<b>IMF</b>	International Monetary Fund	<b>TANGO</b>	Tanzania NGO Policy Forum
<b>INGO</b>	International non governmental organization	<b>TAS</b>	Tanzania Assistance Strategy
<b>ITDG</b>	Intermediate Techology Development Group (now Practical Action)	<b>TENMET</b>	Tanzania Education Network /Mtandao wa Elimu Tanzania
		<b>TGNP</b>	Tanzania Gender Networking Programme
		<b>UK</b>	United Kingdom
		<b>UN</b>	United Nations
		<b>UNDP</b>	United Nations Development Programme
		<b>USAID</b>	United States Agency for International Development
		<b>UWASNET</b>	Uganda Water and Sanitation NGO Network

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# Executive summary

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The context for aid delivery has changed significantly over the past decade. Amongst these changes are donors' shift towards strengthening the role of the state, their new emphasis on promoting national ownership of the development process with broad participation (including by poor people themselves), and the rise of 'partnership' and 'accountability' as key principles underpinning these policies. At the same time, many NGOs have moved away from pure service delivery towards supporting poor people's capacity to claim their rights and hold governments to account. All these changes have impacted on relations between the various stakeholders involved in poverty reduction – and ultimately on poor people themselves. Here we explore just one element of this new context: the implications of the changing relations for NGOs.<sup>1</sup>

This report brings together research conducted jointly by ActionAid International and CARE International in Malawi, Tanzania and Uganda in early 2006. It explores the implications for NGOs of the major changes in donor policies and aid delivery since the late 1990s from both a policy and funding perspective, with particular reference to the UK's Department for International Development (DFID) and the introduction of direct budget support (DBS).<sup>2</sup> It is intended as an initial scoping study of the key issues emerging for NGOs at a country level, posing some tentative recommendations for donors, governments and NGOs respectively, and suggesting areas for future research. Our findings are based largely on qualitative data, primarily interviews conducted with a variety of stakeholders in all three countries.

## **NGOs' participation in poverty reduction strategies**

Our report begins by assessing the extent to which donors' emphasis on national poverty reduction strategies (PRS), and the importance attached to civil society participation in the formulation and implementation of these strategies, has enabled NGOs (as a sub-category of civil society) to influence the policy process.

Our research found that new policy space had been created for NGOs by PRS, and that there were significant improvements in the various consultative processes during the development of second-generation poverty reduction strategies. In some cases, NGOs have been able to take advantage of this policy space to influence recipient government's policy making.

However, PRS participatory processes are still seriously flawed in all three countries. For example, PRS review processes invariably remain de-linked from the budgeting process, limiting the impact of civil society's contributions.

Generally, any small gains have been overshadowed by a government failure in all three countries to treat NGOs as serious partners and a tendency to ignore their inputs and recommendations.

Relations between NGOs and recipient governments are still characterised by mutual mistrust and suspicion in all three countries. But this may have more to do with the domestic political culture in these fledgling democratic regimes than with the changing aid delivery context.

## **Budget support and democratic accountability**

Alongside PRS, we also assessed the specific implications of DFID's introduction of direct budget support for NGOs' policy engagement. General budget support (GBS) – or what DFID calls poverty reduction budget support – is intended to support the implementation of PRS and recipient government leadership of these strategies. Theoretically, channelling aid through a recipient government's own accounting systems should improve domestic accountability over public expenditure. Donors recognise that downward accountability will only be improved, however, if domestic constituencies demand it. Accordingly, DFID has increased support for CSO policy and advocacy work so that NGOs (and other CSOs) are better able to hold governments to account.

However, our study questioned whether GBS really had increased recipient governments' accountability to their citizens. Instead it tended to confirm the findings of other GBS evaluations; that upward accountability to donors had increased. This has a lot to do with the trend towards the harmonisation of donors' interventions embodied in the GBS approach, creating a more unified and therefore more powerful donor bloc in-country.

NGOs interviewed believe they are excluded from the all-important policy dialogue between donors providing budget support and recipient governments. Crucial issues including conditionalities, budget allocations and spending limits are discussed in forums closed to NGOs, such as the GBS<sup>3</sup> performance assessment frameworks (PAFs). This sense of exclusion prompted a debate amongst our research teams as to whether it was appropriate for NGOs to engage in processes linked to the DBS contractual agreements between donors and government. Even though NGOs are not party to these contracts and therefore do not incur the same obligations or risks, the view was that this relationship between donors and government should be open to public scrutiny so that civil society organisations can perform their recognised role of holding governments to account. This does not mean that civil society representatives have to be present at every meeting, but it does mean government and donors demonstrating much greater transparency.

### **NGO accountability and legitimacy**

One by-product of the increasing emphasis placed on government accountability in the era of budget support is a growing pressure from governments and donor agencies for NGOs to improve their own accountability and transparency. NGOs themselves are aware of their shortcomings in this area. Ugandan NGOs, for example, are actively seeking to improve their accountability and transparency through the creation of an NGO quality assurance certificate.

Linked to the issue of accountability, the source of NGO legitimacy also surfaced in our research – including their legitimacy to sit at the policy making table with donors and government. The perception remains that NGO legitimacy largely derives from their experience of working on the ground with the poorest and most excluded communities, often through service delivery. This raised the question as to whether NGOs' increasing emphasis on policy and advocacy work as opposed to service delivery (a trend encouraged by DFID and several other donors) might remove the very source of their legitimacy in some cases. On the other hand, NGOs undertaking policy and advocacy activities may be able to establish new sources of legitimacy through, for example, their ability to mobilise a large number of voices behind a particular advocacy message or the high quality of their policy work.

### **NGOs and parliaments**

Another question raised was whether an overemphasis on the participation of civil society organisations (including NGOs) in PRS had usurped the central role of parliaments in domestic accountability processes. In theory, the increased amount of resources passing through the government budget as a result of GBS should have enhanced parliaments' authority, given that budgets have to be approved by parliament. But the weakness of parliaments to scrutinise or challenge governments was a recurring theme amongst those interviewed, in spite of various donor-supported initiatives designed to enhance parliamentary capacity (some in collaboration with NGOs). This may explain why NGOs (and other CSOs) have stepped in to breach this gap and continue to perform a watchdog function, supported by DFID and other donors.

### **NGO relations with donors**

In all the talk of accountability, it was noted that donors have tended to conveniently side-step the issue of their own transparency and accountability at a country level, and to deny they are political actors that can be lobbied at this level. Our research suggests that the opportunities for direct engagement between NGOs and donors in Malawi, Tanzania and Uganda in recent years have become increasingly limited. NGOs feel they have been barely or insufficiently consulted over key strategic DFID policies or operations at a country level, such as country assistance plans (CAPs).

A DFID official interviewed for this study pointed out that DFID has no legal or moral obligation to engage with civil society at a country level. Other donor officials argued that it is not necessary to engage directly with NGOs in situations where the bulk of a donor's assistance is provided (through direct budget support) for the implementation of PRS, as NGOs are already participating in these strategies. It is also apparent that a rise in the UK aid budget with no commensurate rise in DFID staff has reduced the capacity for DFID to engage with NGOs and their networks. The NGOs interviewed felt that, given the influence and role donors play in political and policy processes, there should be formal opportunities for CSOs to engage with donors on their current and intended policies. However, the experience of NGOs interviewed was that engagement with civil society is treated as an add-on by DFID country offices, marginal to its all-important relations with government.

### **Implications of changing donor policies for NGOs' resource base**

Our study did not detect any significant change in the *levels* of funding provided to NGOs by DFID – or indeed by donors as a whole – since the late 1990s. However, NGOs did perceive significant changes in *how* they now access their funds from official sources. These changes are mainly linked to DFID's concern to reduce transaction costs. They include a shift from stand-alone projects to larger-scale programmes and local funds (the latter targeted

at smaller, local organisations), the management of which are frequently sub-contracted to international NGOs (INGOs) through competitive tenders. Donors are also slowly moving towards harmonising their support to CSOs through pooled funds, though this trend is not universal and DFID appears to still favour a mix of instruments for supporting civil society. Unfortunately, some of the changes in DFID's CSO funding mechanisms at a country level (such as the practice of sub-contracting programme management to INGOs) appear to have adversely affected relations between INGOs and local NGOs on occasions.

There are also significant shifts in the *types* of activities DFID and other like-minded donors are funding. More funding is available for policy, advocacy and campaigning activities, partly reflecting DFID's efforts to equip NGOs with the capacity to hold governments to account (therefore linked to the switch to DBS). DFID is now less willing to fund pure NGO service delivery, especially when it is being undertaken in isolation from national strategies.

### **Government funding to NGOs**

Recipient government funding of NGOs was less marked than we had anticipated, considering the increasing amounts of aid now flowing into government budgets as a result of DBS. The exception to this rule was district authorities' practice of sub-contracting some service delivery to district-level NGOs in Uganda and Tanzania – a practice that is linked to decentralisation initiatives but prone to abuse in districts where patronage and corruption still prevail.

On the whole, the space for NGOs to deliver services independently of national plans and strategies may well shrink in future as governments take on an increasingly central role in service delivery. This trend also raises fundamental questions about NGOs' independence and identity. On the one hand, NGOs are being called on to act as independent watchdogs of government; on the other, they are being asked to align their development activities with those of government and donors. The crucial question is whether both roles can be fulfilled simultaneously.

### Key recommendations

- The policy process needs to continue to open up to non-state actors. This requires governments to fully recognise that CSOs have a legitimate role to play in domestic policy processes. It also requires donors to actively advocate for meaningful CSO participation in policy processes.
- The dialogue between government and donors over the use and allocation of aid, including DBS monies, should be opened up for public scrutiny.
- DFID country offices should consult civil society organisations over their strategies and plans and promote transparent decision making processes. They should also discuss and review their civil society funding instruments with NGOs when planning changes to these instruments.
- Donors are encouraged to maintain flexibility and a mixture of funding options, in order to promote diverse and innovative activity in civil society.
- Governments and donors should respect NGO autonomy and political independence.
- NGOs should demonstrate greater transparency with regard to income, expenditure, programmes and planning.

# Chapter One



# Introduction

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This report is based on research carried out in Malawi, Tanzania and Uganda in early 2006 by ActionAid International and CARE International. It was prompted by the increasing number of questions staff of these two organisations around the world were posing about the changes they had seen in their relations with donors, governments and with fellow NGOs following recent changes in the global aid architecture.

In the summer of 2005 ActionAid and CARE embarked on joint research to explore how such changes – particularly the trend towards direct budget support (DBS) – were affecting NGOs, and how NGOs themselves were responding to them.

Some major shifts in donor thinking had occurred in the late 1990s towards strengthening the role of the state, promoting national ownership of the development process, emphasising partnership with recipient governments rather than donor-led conditionalities, and promoting democratic accountability (explained in more detail below). At the same time, NGO thinking was also evolving towards a focus on accountability. Through what has become known as rights based approaches, a number of NGOs, including ActionAid and CARE, were moving away from service delivery towards supporting poor people's ability to claim their rights and hold their governments to account.

While there was a general feeling that all these changes were defining relations between donors, governments and NGOs in some way, neither ActionAid nor CARE yet had a definitive understanding of the precise links or implications.

This is an exploratory and initial study based on qualitative data collected primarily through interviews with a variety of stakeholders. It includes some tentative recommendations for how donors, governments and NGOs could each adapt their policy and practice in the interests of more effective poverty reduction in the future. It also sets out some important questions for further investigation and discussion.

## 1 Key changes in global aid architecture

The late 1990s were a key turning point for aid. Many of the world's major multilateral and bilateral donors had realised that their aid had not produced the results they had intended. Global poverty was still rife, and in much of Africa, human development indicators were lower than they had been 20 years earlier.<sup>4</sup> By contrast, the huge progress of the 'Asian Tiger' economies demonstrated very clearly what could be achieved through effective state management of the development process. The donor community was prompted to rethink not only their aid delivery mechanisms but also the entire nature of their engagement with poor countries.

The prevailing Washington Consensus of the 1980s and 1990s that markets could create the conditions for change and that states should be diminished (if not by-passed entirely) was replaced with renewed support for the idea that the state must enable development to take place and must also fulfil its obligations to provide for the welfare of its citizens. Consequently, the state now had to get back into the driving seat of the development process and developing countries had to really 'own' this process rather than having a blueprint imposed on them externally. Relations between donors and host governments were now to be underpinned by 'partnership' and 'mutual respect and accountability'.

### Poverty reduction strategies

The new thinking spawned a number of key changes towards the late 1990s. One of the most significant was a new mechanism for promoting national ownership of development – poverty reduction strategy papers (PRSPs)<sup>5</sup> – to be prepared by governments through a participatory process involving civil society, the private sector and other development partners. Initially linked to the Heavily Indebted Poor Countries (HIPC) initiative, the PRSPs were gradually extended to most of those countries receiving aid, to the point that the formulation of such a strategy has now become effectively a precondition not just for debt relief but for official aid in general.

### The rise of direct budget support

Direct budget support is a form of what is known as 'programme aid' (ie non-project aid intended to finance the government budget). Programme aid itself is not new. For example, the IMF and the World Bank have been providing it in the form of support to governments' structural adjustment programmes since the 1980s. Food aid, debt relief and other 'balance of payments' support are also classed as programme aid. But the late 1990s saw the rise of a new kind of budget support specifically intended to support national poverty reduction strategies.

#### DFID SHIFT TO DBS

DFID's strategy paper, *Making government work for poor people*, 2000, focuses on the need to support national governments in delivering national strategies for growth and poverty reduction. By 2004/05, DFID's departmental report showed that in four countries general budget support (GBS) made up 70% of DFID's programme and in another four countries, it was over 50%.

By this point, some donors thought that a more genuine partnership with recipient governments should be encouraged through more direct support and closer alignment of aid behind their plans and systems. Indeed, in the case of those governments that had produced national poverty reduction strategies, many donors felt it was time to move away from the piecemeal 'project approach' towards funding government budgets directly. Not everyone has embraced this approach, but for DFID and several other mainly European donors, direct budget support is the logical consequence of this new thinking.

#### DIRECT BUDGET SUPPORT – TERMS AND DEFINITIONS WE HAVE USED IN THIS REPORT

**Direct budget support** is a lump sum transfer of foreign exchange that is channelled directly to a government through its own allocation, procurement and accounting systems. Budget support is not linked to specific project activities.

There are two main forms of direct budget support:

- **General budget support** is funding that supports the government's budget as a whole.
- **Sector budget support** is funding earmarked for a discrete sector or sectors of the government budget (as part of a so-called 'Sector wide approach' or SWAP).

The '**new general budget support**' adopted by DFID and some other donors in the late 1990s is supposed to be different from earlier forms of programme aid. DFID calls this 'new GBS' **poverty reduction budget support**. Other donors have dubbed it **partnership GBS**; it is a package of financial inputs, associated conditionality, dialogue, technical assistance and harmonisation and alignment.

#### **Our use of the term 'direct budget support'**

Although there is a growing trend away from sector wide approaches towards GBS, nevertheless this study tends to use the term 'direct budget support' as a catch-all description of the budget support currently being provided in the three countries in our study. In Uganda and Tanzania, it is clear that general budget support is the new aid delivery mechanism and therefore needs to be the focus of any analysis of changing aid architecture in these two countries in recent years. However, in Malawi, the introduction of a sector wide approach for health in 2005 is a key new development that is arguably as significant as donors' provision of GBS. Hence our tendency to use the term DBS<sup>6</sup> when referring to all three countries in this study in order to incorporate the implications of the Malawian health SWAP as well as the implications of GBS in all three countries.

### **Projected rise in aid budgets**

The shift towards DBS is partly the consequence of donor pragmatism and a drive for greater administrative efficiency in the context of increased aid budgets. The commitments rich countries made in 2000 to attaining the Millennium Development Goals by 2015 obliged them to pledge significant aid increases at both the Monterrey Conference for Financing Development in 2002 and the G8 Summit in 2005. If realised, these pledges would increase annual aid by approximately \$50 billion a year by 2010.<sup>7</sup> A commensurate rise in DFID's budget (albeit not yet to the level of 0.7% of GDP) from £3.8 billion in the year 2004-05 to £5.3 billion by 2007-08 is certainly a factor behind DFID's enthusiasm for direct budget support. A rising aid budget is also a key factor shaping DFID's relations with CSOs – relations which are increasingly dominated by DFID's drive to reduce transaction costs.

### **Donor alignment and harmonisation**

It is now widely accepted that the huge number of individual projects funded by different donors in developing countries and the resulting multitude of agendas and priorities have mired the effectiveness of aid, creating parallel systems to those of developing country governments and reducing the amount of aid such countries are able to absorb. To give an indication of the extent of the problem, in 2003, the OECD reported that a typical African country was submitting 10,000 quarterly reports to donors each year and hosting more than 10,000 different missions.<sup>8</sup>

Disillusionment amongst donors with the project approach has been accompanied by a realisation that they need to harmonise their activities by dividing up areas and roles amongst them, and, where possible, by pooling their funding. This has been accompanied by a formal recognition that they also need to align their activities to recipient government plans (usually PRSPs) and systems.

The OECD Development Assistance Committee's High Level Meeting on Aid Effectiveness in Paris in March 2005 – the Paris Declaration – duly endorsed a commitment to donor alignment and harmonisation. Although achieving effective coordination amongst donors is still a major issue – not helped by their continued desire for visibility and profile – various mechanisms designed to improve coordination are now in place at a recipient country-level, particularly amongst donors providing direct budget support. Indeed, multi-donor committees and pooled funds are a key part of the DBS approach.

Whether changes in donors' engagement with recipient countries really are fostering greater national ownership of development processes and more genuine partnership between donors and recipient governments is the cause of continued debate amongst development practitioners and academics alike.<sup>9</sup> But the purpose of this report is not to review the effectiveness of these changes in their entirety, or indeed their impact on poverty reduction.

## NGOS AND CSOS: TERMS AND DEFINITIONS WE HAVE USED IN THIS REPORT

**Civil society organisations (CSOs)** encompass a range of organisations emanating from civil society. They include trades unions, employers' organisations, chambers of commerce, churches, rotary clubs, youth groups and many more. We use the term CSO only when we are referring to a broader group of organisations than purely development NGOs or when it is clear that a donor or government policy document is referring to this broader group.

**Non-governmental organisations (NGOs).** Our study focuses primarily on the experiences of NGOs working in development.<sup>10</sup> Within this category, we make the following important distinctions:

**International NGOs (INGOs)** are NGOs whose origins and headquarters are usually external to the country where they are operating and whose operations span more than one country.

**Local NGOs** are NGOs indigenous to an aid-recipient country, founded and managed from within that country. Their operations may have national coverage and they may seek to advance the fight against poverty in their country at an international level. But their focus, identity and origins are confined to the country concerned.

Within the definition of local NGOs, we distinguish further between **national NGOs** – those with national coverage and/or those engaging with national policy issues – and **district-level NGOs** – those operating at a district level that may engage in national processes and initiatives at times but are primarily focused on development and poverty reduction in their respective districts.

### Donors' changing attitudes towards NGOs

Our study is focused more narrowly on the implications of these changes for NGOs in aid-recipient countries, and on their responses to these changes.

Clearly donors' changing attitudes towards governments over the past decade have affected their attitudes towards NGOs too. In the early 1990s, the 'privatisation of aid' that accompanied donors' retreat from supporting governments directly actually benefited NGOs. Within this more market-orientated approach to development, both the private sector and NGOs were seen as viable alternatives, and frequently more efficient, deliverers of services (the private sector is still perceived in this light, even in the new era of DBS). Significant injections of official aid money from both bilateral and multilateral donors encouraged NGOs – both international and local – to scale up their operations accordingly.

The figures speak for themselves: between 1970 and 1996, the OECD estimates that resources of DAC members channelled through NGOs rose from 0.2% in 1970 to 17% in 1996. Of course, it is important to keep the apparent honeymoon with NGOs in perspective: the bulk of official aid during this period continued to be directed straight to poor country governments

(albeit largely for individual projects rather than as budget support). Nevertheless, the early 1990s were undeniably a heyday for NGOs and the explosion in their numbers at this point is one indication of this.

By contrast, the late 1990s and early 2000s ushered in a period of uncertainty and ambiguity for NGOs, at least when it came to their relations with donors. A re-evaluation of the role of the state – and the simultaneous trend towards DBS – has not necessarily prompted donors to withdraw their support to NGOs, as our study will demonstrate. But frustration with the poor progress made in the fight against poverty by the late 1990s did reinforce an impression that NGOs lacked the coverage, capacity and coordination to make any significant difference. NGOs now had to become a cog in a much larger, more coordinated and more strategic machine, complementing and supporting national, government-led strategies but not substituting them. Increasingly, donors like DFID are emphasising the role of NGOs not so much in service delivery, but in holding governments to account for the implementation of poverty reduction strategies that the donors themselves are directly supporting through their budget support.

## DFID'S STATED SUPPORT FOR CIVIL SOCIETY ORGANISATIONS

Since the late 1990s, the UK's Department for International Development has shifted significantly from working at a project level to more strategic engagement with NGOs in order to achieve the Millennium Development Goals. DFID categorises the contribution of CSOs as follows:

- **Empowering the poor.**  
Strengthening the capacity of poor people to understand their rights, demand their rights and influence decision makers to design, adopt and change policies in favour of the poor.
- **Global advocacy.**  
Facilitating and improving the effectiveness of global civil society engagement in global decision making via research, lobbying and campaigning.
- **Building a popular base for development.**  
Expanding strong domestic constituencies for development, with the International Development Act (2002) providing specific authority to promote development awareness.
- **Service delivery.**  
Although DFID believes that governments are ultimately responsible for ensuring universal provision of essential services for their citizens, these can be supplied by the voluntary and private sector so long as they are within nationally agreed frameworks.

In 2002/03 total DFID expenditure through CSOs of £228 million was broken down into approximately £94 million for humanitarian assistance, £59 million through country programmes and £75 million through DFID's Information and Civil Society Department.<sup>11</sup>

## 2 Research purpose and focus

The purpose of this joint ActionAid and CARE research can be summarised as follows:

- To examine the changing nature of NGOs' policy engagements and funding relationships with governments and with DFID (and to a lesser extent, other like-minded donors) in countries where DFID is funding poverty reduction through direct budget support to national governments (increasingly as general budget support).
- To establish the extent to which perceived changes in the relationship between NGOs and DFID and between NGOs and national governments (both policy engagement and funding relationships) stem from the introduction of DBS.
- To examine whether these changes have impacted *differently* on:
  - a) local NGOs and
  - b) INGOs respectively.
- To share the research findings with DFID and other donors and with national governments with a view to opening a platform for further debate.
- To internalise the learning from this research within ActionAid and CARE respectively, thereby enhancing these agencies' engagement with/support for local NGOs and also their strategies in relation to DFID and other major donors.
- Ultimately, to improve the effectiveness of poverty reduction work in the countries concerned (and beyond).

### **Why the focus on direct budget support?**

The initial rationale for focusing our research on the implications of direct budget support for NGOs was twofold. Firstly, the rise of the new form of DBS in the late 1990s/early 2000s – otherwise known as general budget support and described by DFID as poverty reduction budget support – was one of the most tangible and visible changes in aid delivery in recent years, and one which ActionAid and CARE country offices had perceived anecdotally as a key factor in the changes they themselves were experiencing at a country level. Secondly, DFID had become a particular champion of the DBS mechanism, and there was a strong view that this research project should focus on DFID's policy and practice, for reasons explained below.

However, as the project developed, it became clear that it would be artificial to confine our research to DBS alone, given that the introduction of DBS was intertwined with various other issues such as the trend towards poverty reduction strategies and donor harmonisation. Moreover, if we confined our analysis to DBS, we were in danger of closing our eyes to other key aspects of donor policies that were potentially of equal or greater significance to NGOs. Hence the shift in our research focus to examine the implications for NGOs of changing donor policies more broadly, but retaining a particular interest in the impact of DBS and of changes in DFID policy and practice specifically.

### **Why the focus on DFID?**

While mindful of the pressure towards donor harmonisation and the growing tendency for donors to operate in multi-party entities, our research maintained a focus on the policy and practice of one donor in particular – the UK's Department for International Development – as a working example for three main reasons. Firstly, it was clear that our research budget and timeframe would not stretch to examining a large amount of donors in detail. Secondly the original conversations that had generated this collaborative project had taken place amongst UK-based staff of ActionAid and CARE with a particular interest in DFID's operations. Both ActionAid and CARE are recipients of DFID funding through UK Programme Partnership Agreements (PPAs), the NGO equivalent of direct budget support, and of DFID project funding at a country level. Thirdly, DFID is regarded as a key and relatively progressive donor agency in both funding and policy dialogue terms.

This project has been funded through a combination of contributions from ActionAid and CARE internationally and from participating country offices, thereby fostering joint ownership of the project between staff of both agencies.

### 3 Research methodology

ActionAid and CARE teams in Malawi, Uganda and Tanzania carried out their research between December 2005 and April 2006. Although some of the research was contracted out to external consultants, staff from both agencies took an active part and worked closely with the consultants to ensure that knowledge acquired and new relationships established with donors or government officials were benefiting the two organisations (and not just the consultant).

The research methods were largely qualitative and based primarily on a series of semi-structured interviews (20-40 in each country) within the following main categories:

- International NGOs.
- Local NGOs and NGO networks (both national and district level).
- DFID personnel, plus personnel from at least two other like-minded donors.
- Central and local government personnel (mainly from finance ministries).

In addition to interviews, desk-based reviews of relevant donor, government and NGO policy documents were undertaken, as well as relevant secondary literature on donor engagement and aid in each country. There was also some limited analysis undertaken of financial data on both DFID and government funding of NGOs in the three countries, although the poor availability of this data made such analysis extremely limited.

Where possible, research teams also set up project reference groups involving a broader group of interested NGOs beyond just ActionAid and CARE to provide regular input and feedback on the progress of the research and draft country reports. In Malawi, the reference group has proved so successful that it has started to act as an NGO policy forum (the first of its kind in Malawi) that hopes to be self-sustaining beyond the life of this project.

### 4 Report structure

Our research explores two main dimensions with regard to the implications of the changing aid architecture for NGOs: one is the *policy* dimension – the implications for NGOs’ political engagement with donors and governments; the other is the *funding and resource* dimension – the implications for NGOs’ resources and activities. Chapters 2 and 3 deal with the first of these, while chapters 4 deals with the second. Chapter 5 focuses specifically on the changing relations between government and NGOs in the field of service delivery – again, with reference to changes in the aid architecture. The implications of changes for relations between NGOs – including relations *between* INGOs and local NGOs – are addressed at various points throughout the report but particularly in Chapter 4.

The final chapter comes to some conclusions about whether common changes experienced by NGOs in the three countries analysed can be attributed to changes in donors’ aid delivery mechanisms, and specifically the introduction of new-style direct budget support since the late 1990s. As an initial piece of research, the concluding chapter suggests certain areas for future investigation. It also contains some recommendations for how donors, developing country governments and also NGOs themselves could change their policy and practice in the interests of more effective poverty reduction. By including NGOs as a target for our recommendations, we are recognising that all three sets of stakeholders – donors, developing country governments and NGOs – have played, and will continue to play, their part in shaping the context for aid delivery and poverty reduction in the 21st century.

## Chapter Two



# Spheres of influence – implications of changing aid architecture for NGOs’ policy engagement

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On paper, the new aid architecture that evolved in the late 1990s and early 21st century was intended to promote new legitimacy and space in developing countries for poor people and the civil society organisations working with them to both engage with, and influence, the policy process. Before assessing the extent to which this has occurred in practice, we explore the current hypotheses surrounding CSOs’ policy engagement in more detail.

## THE NEW AID ARCHITECTURE AND NGOS’ POLICY ENGAGEMENT – DONORS’ HYPOTHESES

### 1 Poverty reduction strategies and participation

Participatory development had been part of development discussions for many decades, but it was during the 1990s that it really grew in popularity, particularly amongst NGOs. While participatory development was originally linked to projects and was mainly focused on rural development, during this time there was a shift in development thinking that linked participation to larger issues of policy and governance. This resulted in the use of participatory approaches for policy formulation, implementation and monitoring.

Following in the footsteps of NGOs, donors have also come to recognise the importance of participation and now acknowledge that poor people’s participation in problem analysis and policy-making improves the quality of information and therefore the quality of the resulting programmes and plans. Participation in the governance of a country, donors argue, can also help poor people hold policy-makers responsible for their performance, enhancing downward accountability. This reasoning informed the participatory aspect of the poverty reduction strategy approach.

As stated in the introduction, a core principle underlying the whole poverty reduction strategy approach is that strategies should be ‘nationally-owned’, not just government-owned. National ownership, say the IMF and World Bank (both leading architects of the PRS approach), should be promoted through broad-based participation of civil society in PRS,<sup>12</sup> and meaningful participation should consider:<sup>13</sup>

- i The role of key actors (including parliaments, labour unions, trade and business associations, NGOs, mass media)
- ii Mechanisms for participation
- iii Sustainability of participatory processes (moving beyond consultation in PRS formulation to implementation, monitoring and evaluation).

DFID also emphasises civil society participation. A background briefing on PRS states that *‘to ensure real ownership [of PRS], a wide variety of groups need to be involved in this debate and priority setting: the government, civil society and political opposition parties.’* It goes on to highlight the benefits that broad based participation can bring to poverty reduction:

*‘In particular, participation can improve the PRS process... The views and knowledge of the poor are important in diagnosing the causes of poverty. Policies are more likely to succeed if their choice has been influenced by civil society consultation and the voices of the poor. As a strategy comes to be implemented, the government will get clearer signals about what is happening if poor people are involved in monitoring the process.’<sup>14</sup>*

Significantly, this same DFID briefing paper presents Uganda as a model for how different stakeholders should participate in a PRS process.

## 2 General budget support and domestic accountability

Theoretically, the policy space created by PRS for civil society – including NGOs – ought to have been reinforced and consolidated by the introduction of general budget support.

The underlying assumption is that by focusing on government's own accountability mechanisms, general budget support will improve transparency and accountability to the country's parliamentary institutions and electorate.<sup>15</sup> Indeed, DFID's policy paper on its use of poverty reduction budget support lays out a whole hypothetical chain of enhanced democratic accountability that budget support could generate:

*'If budget allocations feed through into expenditure, and there are accompanying systems to track spending and provide accessible information to the public and their social and political representatives, that might start to change expectations. People might start to believe that government was able to deliver certain public services of a reasonable quality on the basis of rights. So, for example, parents might find it worth the time and risks involved in organising to demand improvements in primary education, and new forms of collective actions (eg school committees) could put pressure on bureaucrats to improve delivery. This could also start to change incentives of elected representatives, political parties and activist NGOs.'*<sup>16</sup>

Accordingly, the GBS evaluation framework produced by the Overseas Development Institute (ODI) and DFID in 2001 and endorsed by the OECD in 2003, includes 'enhanced democratic accountability' as one of five 'outputs' of GBS (now called the Causal Map. See Appendix 2).

But the framework recognises that enhanced democratic accountability is not an automatic consequence of GBS. The 'risks and assumptions' column acknowledges that democratic accountability is likely to be enhanced only if 'there are domestic constituencies and pressures for higher standards of accountability.'<sup>17</sup> In other words,

domestic organisations (including NGOs) need to actively demand greater accountability from their governments, and in this respect NGOs and other CSOs can play a key role. As an evaluation of general budget support to Tanzania stated in 2005, 'an additional dimension of democratic accountability is the extent to which civil society and the media are able to play a useful watchdog role over budgetary decision making.'<sup>18</sup>

Given the importance attached to civil society's 'watchdog role', it seems logical that donors like DFID would take civil society policy, advocacy and campaigning activity more seriously in the new GBS era than previously, considering the political pressures DFID faces at home. Many British taxpayers remain sceptical about donating funds directly to governments that are perceived to be corrupt. If a strong and influential civil society within a country is actively holding the government to account, the risks of corruption and financial mismanagement of funds donated by UK taxpayers could perhaps be lessened.

Given poor countries' apparent support for the PRS approach, their own governments might also be expected to take civil society organisations more seriously – albeit with some prompting by donors. A recent DFID paper explicitly commits DFID country offices to encouraging governments to engage with civil society: 'DFID country offices support civil society by directly working with governments to establish and improve the space for civil society to engage with governmental decision making and through consultations on policy and practice.'<sup>19</sup>

The same paper seems to confirm DFID's recognition of civil society empowerment as a counterweight to its support to governments: 'DFID has, since 1997, increased its focus on supporting developing country governments implementing their own strategies to reduce poverty. But at the same time, we have also recognised the need for citizens to be empowered to participate and to hold their governments to account.'<sup>20</sup>

### **NGOs' legitimacy to hold governments to account**

There is clearly a question as to where NGOs fit into this chain of domestic accountability and how they relate to the rest of civil society. NGOs are part of civil society but they do not speak for all of it. Member-serving CSOs (community-based organisations, trade unions, professional associations etc) are representatives of citizens and therefore have clearly defined constituencies. Third-party serving CSOs, on the other hand, are not formally representative, but nevertheless have legitimacy by virtue of their development work with poor and excluded communities, their expertise in development-related approaches and techniques (eg participatory approaches, disaster mitigation, humanitarian assistance etc) and/or the quality of their policy-related research.<sup>21</sup> It is these attributes rather than any kind of representativeness that provide NGOs with the legitimacy to engage with the policy process and to sit at the table with policymakers in government and donor agencies.

Donors and development commentators are increasingly wary of NGOs claiming to represent certain groups when in reality they do not have representative lines of accountability. In a functioning multi-party democracy, domestic accountability should hinge on the relationship between citizens, parliament (as citizens' elected representatives) and government, and NGOs must complement this all-important relationship rather than substitute for any weaknesses in it.

### **CSOs' relations with parliaments in the era of GBS**

Increasingly, emphasis is being placed on the role of parliaments in holding governments to account. Now that PRS has been formulated, parliaments have a crucial role to play with regard to the *implementation* of these strategies (through parliamentary scrutiny and approval of government budgets and public expenditure, for example) and ensuring that very high-level strategy documents are translated into concrete government plans and decisions. Under GBS, the whole process of

parliamentary scrutiny is supposed to have acquired much greater political weight as GBS has increased the overall level of budget spending (ie spending that is subject to parliamentary approval).

Donors' increasing emphasis on parliaments is partly a response to criticisms that the first generation of PRS placed too much emphasis on technical consultations and those with relatively 'apolitical' CSOs, and not enough on parliaments, thereby further weakening the latter (a concern that was echoed by our own research in Tanzania).<sup>22</sup>

The question is: how should CSOs complement the role of parliament? Some influential commentators urge CSOs to engage with existing domestic political structures, particularly parliaments, as much as with the new political processes and mechanisms created by PRS. Poverty reduction, they argue, is a political process and CSOs need to break out of the sanitised, apolitical and 'soft' environment donors and governments have tried to create for civil society's policy engagement.<sup>23</sup>

Others suggest that specialist, policy-orientated NGOs could support parliamentary scrutiny of government activities by providing parliamentarians with critical technical information and advice.<sup>24</sup> It is also argued in our Tanzania study that CSOs should contribute to the creation of a 'demand' culture amongst parliamentarians by encouraging constituents to make demands on their elected representatives who might then be more likely to hold the government to account.

Based on the views of people interviewed, the next section assesses the extent to which these theories on democratic accountability have been realised in practice and the extent to which they have had an impact on NGOs. This assessment is viewed through the three lenses of:

- 1 NGO-government relations**
- 2 Government-donor relations**
- 3 NGO-donor relations.**

## THE NEW AID ARCHITECTURE AND CSOS' POLICY ENGAGEMENT – THE REALITY

### 1 NGO-government relations

With a study of this nature there is a danger of automatically attributing certain observations to external factors such as changing aid mechanisms or new donor policies, when in fact many of the issues highlighted by our study can have as much to do with *domestic* political factors as with external ones. People interviewed in all three countries indicated, for example, that relations between NGOs and their respective governments have traditionally been punctuated by mistrust and suspicion, and that such attitudes predate the introduction of budget support or even poverty reduction strategies. However, it would be equally wrong to assume that the new aid architecture has had no bearing at all on relations between NGOs and government.

In spite of the new policy space created in recent years (which was acknowledged by almost everyone we talked to), it was unclear from our study whether the underlying suspicion between government and NGOs had been overcome in the era of PRS and budget support. To some degree, it appears that governments may be feeling even more defensive and suspicious towards NGOs as they become more active in scrutinising government performance, in line with the new approaches outlined in the previous section (though some might argue that government antagonism is a good sign in that it demonstrates governments are feeling the heat of NGOs' advocacy).

Government suspicion is not always overt but rather manifests itself in:

- Restrictive government-supported legislation
- The frequently unsatisfactory and defective nature of government consultations with civil society (described in more detail below).

### Government bids to control and regulate NGOs

Governments in all three countries seem to be increasingly concerned about trying to control and regulate NGOs' activities, including their advocacy activities. Could this be some kind of backlash against the ever more proactive advocacy and campaigning of certain NGOs, and against greater NGO scrutiny of government performance? Or is it just a case of new democratic regimes not having accepted the rules of the democratic game?

Whatever its roots, government suspicion of NGOs appears to be a major factor behind the passing of new NGO laws in all three countries (Tanzania in 2002, Malawi in 2003 and Uganda in 2006). All three laws seek to exert greater government control over the registration of NGOs (thereby enabling governments to deny registration to any seen to be against the 'public interest') and all involve the control or restriction of political activities in some way. The Tanzanian and Malawian laws also provided for the creation of new NGO umbrella organisations intended to represent and coordinate NGOs at a national level (the Tanzanian version, BARAZA, is shunned by existing NGO networks as a government-controlled body). All three laws are perceived negatively by NGOs who were either not consulted or had their views ignored in the run up to the laws being passed.

### NGOs' experiences of participation in PRS formulation and review: positive and negative

In spite of this underlying atmosphere of suspicion, evidence from Tanzania suggests there has been an improvement in government-NGO relations during the consultation process for the second PRS, 'MKUKUTA'. Furthermore in Malawi both government and NGO representatives explicitly recognised that the policy relationship between them was improving and moving from an adversarial one to one of partnership, partly as a result of CSO engagement in the formulation and annual reviews of the PRS. Does this indicate that PRS

has helped create a more collaborative and cooperative relationship between governments and NGOs?

NGOs interviewed for this study agreed that national poverty reduction strategies have indeed created new spaces for NGOs to engage with their governments and with national policy processes, even if these spaces have not always resulted in policy *influence*. At times, NGOs perceive this participation to have been

meaningful and can cite certain instances where they believe they have influenced national policymaking to some extent. In all three countries, NGOs cite sectoral working groups and approaches as particularly effective for influencing the direction and implementation of PRS and the allocation of resources, as revealed by the summaries of PRS-related participatory processes in each country below.

### PRS-RELATED PARTICIPATORY PROCESSES

#### Malawi.

Since 2002, the Malawi Poverty Reduction Strategy (MPRS) has been the overarching development framework for government, donors and civil society. The MPRS was the culmination of a consultative process that started with CSOs being initially marginalised and then, after donor insistence, more substantially involved. Over 100 civil society organisations participated in the process, led and coordinated by the Malawi Economic Justice Network. Jenkins and Tsoka<sup>25</sup> observe that the MPRS process was ‘one of the most participatory exercises in the country’s brief history of democratic policy-making.’ They also note that the inclusion of CSOs in the functioning of sectoral working groups allowed the process to move from simple consultation to more substantive participation. Following the launch of the MPRS in 2002, CSOs now play a central role in the annual MPRS reviews and the MPRS monitoring and evaluation master plan, the “road map” over which CSOs’ views on the inclusion of particular indicators have been taken on board. Partly as a result of these processes, Malawian NGOs expressed the view that their ability to influence government is increasing.

#### Tanzania.

In 2003, the country completed a three-year poverty reduction strategy (known as PRS-1). Although the quality and mechanisms for participation in PRS-1 were initially deemed to be poor,<sup>26</sup> the weaknesses were gradually addressed over the course of the strategy (partly because of pressure from NGOs) with the result that domestic stakeholders – including NGOs – proactively participated in the drafting of the successor programme, popularly known as MKUKUTA in Kiswahili (2005-2010). The main opportunities for NGO participation are the monitoring systems of the PRS (the technical working groups) and the budget monitoring processes, of which the public expenditure review and the mid-term expenditure framework, as well as the sector working groups are the most prominent.

With some reservations, people felt that NGOs had managed to influence the government’s position in the public expenditure review and the sector working groups. For example, NGO influence has led to significant changes to the school syllabus, and was also instrumental in ensuring that contracts with private mining companies were of greater benefit to local populations. With regard to the PRS technical working groups (reformulated under MKUKUTA), NGOs have been invited to participate but only to bring to light technical issues and not to lobby government, causing some frustration among NGOs. But our Tanzania research team points out that the very fact that the finer details of engagement are being discussed indicates that NGOs are no longer having to demand access to processes from the start.

#### Uganda.

Uganda’s PRS is known as the Poverty Eradication Action Plan (PEAP). It is a three-year rolling plan that has been revised twice, in 2000 and 2003/04. The 2003/04 revision was perceived by NGOs as a particularly effective process. Having participated in the formulation of the original PEAP in 1997 and in its first revision in 2000, CSOs were in the forefront of the 2003/04 revision. Unlike previous processes, the 2003/04 revision process was announced in good time, enabling CSOs to participate more strategically. CSOs carried out consultations<sup>27</sup> and organised themselves along similar lines to the government, arranging themselves into 13 sector working groups. A key achievement of the PEAP review was the extent to which district-level CSOs participated.

It is widely recognised that civil society did influence the content of the revised PEAP on the basis of the 2003/04 review, even if not all their concerns were taken on board. The increased numbers of thematic ‘pillars’, and the inclusion of pastoralism as a farming system to be supported by the PEAP are two revisions that can be entirely attributed to CSOs.<sup>28</sup>

### Gap between government rhetoric and practice

However the real picture is not as rosy as it might appear. In spite of the positive experiences described above, interviewees in all three countries identified a gap between the rhetoric surrounding civil society engagement and the reality (criticisms were made not just by NGOs but also by government and donor officials). This also coincides with much of the literature on civil society engagement with the first round of PRS.<sup>29</sup> A core concern is the continuing tokenism towards CSO participation and government failure to recognise that CSOs provide a direct link to, and share information with, poor and excluded people. NGOs assert that these links give them sufficient legitimacy to be party to political decisions and policymaking surrounding poverty reduction (albeit without undermining the principal role of parliaments in this regard). As it is, CSOs have largely been excluded from the political business of negotiation and decision-making inherent to democratic policy making, in spite of their involvement in poverty reduction.

In **Uganda**, in spite of NGO success in influencing some elements of the PEAP revision in 2003/04, several respondents pointed out that only a small part of NGO input into the revision process had been adopted. There was a frequent questioning by NGOs we spoke to of government commitment to considering the views of NGOs and complaints about the arrogance of some government officials.

An ActionAid Uganda representative also asserted that the agenda in various consultative forums is still set by donors and the government, which means that NGOs can only discuss topics that government and donors deem important or relevant. According to the ActionAid representative, the space for NGOs to influence policy is confined to the dominant framework of the World Bank and IMF; NGOs are not able to question the framework itself, in spite of their firsthand experience of its implications for poor communities. The same concerns were expressed by NGOs in Tanzania in relation to MKUKUTA: '...it has singled out the market economy and the promotion of the private sector (especially corporations) as key to poverty reduction strategies. NGOs on the

other hand do not support this approach as it does not benefit the majority of poor Tanzanians.'

This seems to support the criticisms made in various analyses of the first generation of PRS that NGOs tend to be included in discussions on relatively 'soft' and uncontroversial issues relating to social welfare areas, but are consulted much less on the larger, more controversial issues such as taxation, land reform or trade policy, which are often equally important to poor rural communities.

Another challenge in Uganda is the failure to extend sectoral approaches to all areas of development. Consequently, some of the NGOs working in areas of development not covered by any of the sectoral committees do not feel they have an adequate opportunity to participate in the policy process. Gender and the environment are two areas not explicitly addressed by any single committee (even if there may be an intention to deal with them as cross-cutting issues).

In **Tanzania**, the involvement of NGOs as important partners in policymaking, and indeed in all other aspects of economic and social governance, is now recognised in almost all major government policy documents. Yet NGOs in Tanzania continue to express frustration with the deficiencies in their government's approach in practice. For example, although Tanzania managed to install an elaborate PRS monitoring and performance management system, many admit that this system is linked only tenuously to the actual budgeting process, greatly reducing the influence of participatory processes over the allocation of resources.

Another major deficiency in Tanzanian participatory processes (acknowledged by both government and donor officials) has been the failure to roll down the sectoral working groups and public expenditure reviews to regions and districts (in contrast to the Ugandan experience) – in spite of the decentralisation of government resources to district level and the government's stated commitment to promoting participation at this level. 'In most districts,' states the Tanzania country report for this study, 'and more so at the lower levels of local

government, plans are substantially seen as budgetary application documents with little or no serious analysis of cross-cutting issues or national policy implications to the specific conditions of an area.'

Even though NGOs acknowledge they have had some influence in Tanzania's sectoral working groups with government and donors, they are frustrated by the extent to which funding dominates discussions. As NGOs are not actually contributing funds to sectoral plans, they believe the government does not regard them as development partners. There is also concern about the meeting/seminar format that makes in-depth engagement by NGOs difficult, especially when delegations of donors and government dwarf those of NGOs (for example, in a recent education sector review meeting, 125 government officials attended, 15 donor officials and 10 CSO representatives).

Experiences in both Tanzania and Malawi suggest that the more effective and influential NGOs become in advocacy, the less willing governments are to engage with them. In Tanzania, for example, one NGO representative commented that, 'as soon as you start being more keen and effective, the doors are shut! Invitations then become more selective in terms of who should attend.'<sup>30</sup>

### **Lack of resources for policy engagement**

One of the ways that governments curb NGOs (either consciously or sub-consciously) is by failing to provide an environment and the resources that might make them more effective. The shortfall in NGO capacity to engage in policy processes was a theme expressed by all those we spoke to – NGOs, donors and government spokespeople alike, as we shall explore later in this chapter. Nevertheless, several NGOs interviewed also criticised government for its failure to 'put its money where its mouth is' and its reluctance to resource NGOs' policy engagement capacity (as governments do in western countries). NGOs' perception (however true) is that donors and government officials are provided with resources to meet the costs of participating in meetings, whereas most NGOs are not. NGOs believe that donors and government should

make more resources available for civil society engagement in policy forums – so long as there are no strings attached to these resources that might compromise NGOs' independence.

### **Role of legislatures – the reality**

As already stated, parliaments and opposition parties are supposed to play an increasingly proactive role in the new aid context created by budget support.

As far as our own research is concerned, in none of the three countries did NGO, government or donor representatives seem to rate the role or performance of parliamentarians as particularly important to the existing architecture of domestic accountability. Indeed, parliament was rarely mentioned by those we interviewed and was viewed particularly sceptically by NGOs in Uganda, who point out that it hardly ever challenges the government. Here one has to take account of the prevailing political culture that pre-dates the introduction of budget support. Multi-party democracy is a relatively new phenomenon in all three countries in this study, and in the case of Uganda and Tanzania remains more academic than real, given the continuing dominance of the ruling party. The question is: has the introduction of general budget support prompted parliaments to become more proactive?

Our study seems to support the conclusions of a recent evaluation of GBS in Tanzania undertaken by ODI and Daima Associates (the only evaluation study to have assessed the impact of GBS on domestic accountability processes, to our knowledge). This study asserts that GBS has so far failed to significantly enhance parliamentary scrutiny of government's performance – in spite of predictions that parliaments would become more influential in the era of GBS.<sup>31</sup> The study emphasised that GBS is unlikely to automatically improve domestic accountability unless there are changes in the political context. Parliamentary influence is only likely to be significantly enhanced when the executive branch devolves real power to parliaments rather than using them merely as a 'rubber-stamping' function.

### **NGOs' relations with parliaments and political opposition parties**

Tanzanian representatives in our study (two donor representatives and two district councillors) painted a rather negative picture of the relationship between parliaments and NGOs. Indeed, they seemed to support the view that the emphasis on civil society participation in the various consultation processes created under the auspices of the PRS had actually *undermined* the legitimacy and influence of parliament: 'Emphasis on civil society participation has implicitly marginalised the role of legislative entities. NGO participation has not resulted in pressure being exerted on these bodies for enhanced responsiveness to people's demands. Thus, the legitimacy of the legislative institutions as counterpoints to executive power has been put at risk.'

On the other hand, experiences in Malawi suggest that it is possible for CSOs and parliamentarians to collaborate constructively and influence constitutional change or government policy. Many of the policy achievements attributed (at least in part) to CSOs over the past few years stem from their collaboration with parliamentarians in some way: for example, the fight against the former president's attempt to serve a third term or a strengthening of the electoral commission and the constitutional review process.

As one might expect, collaboration between NGOs and parliaments tends to happen when NGOs take the initiative, not the other way round. In Uganda, for example, ActionAid and Oxfam work with the trade committee, while the Ugandan Women's Network has engaged with parliament over the domestic relations bill – in both cases, through the lobbying efforts of the NGOs concerned. In Malawi ActionAid facilitated the formation of the Malawi Parliamentary Coalition on IFIs, a multi-party grouping of parliamentarians providing oversight over IMF agreements or negotiations with the government.

It is clear that donors are encouraging NGOs to work with parliaments in order to build their capacity to hold governments to account over the use of public expenditure (including GBS funds). In Malawi, for example, collaboration

between CSOs and parliamentarians with regard to public expenditure decision making is now being actively supported by the five-year Tikambirane project, jointly funded by DFID and the Canadian government. This project is intended 'to increase the capacity of civil society to participate in public expenditure decision making and to increase the capacity of the government of Malawi to receive and incorporate public input into public expenditure decision making.' Through this project, three Malawian CSOs work with seven parliamentary committees.

In Uganda, the EC funds staff positions in the Uganda joint Christian Council with specific responsibility for parliamentary affairs, while UNDP has supported one-off workshops between NGOs and parliament. Significantly, USAID – a non-budget support donor – has also funded Ugandan NGO engagement with parliament. In Tanzania, the Foundation for Civil Society (funded by multiple donors) recently supported NGO workshops with parliamentarians.

Ultimately, NGOs would be advised to weigh up the advantages and disadvantages of working with parliaments compared to other forms of policy and advocacy work – irrespective of donors' interests in promoting NGO engagement with parliaments. The parliamentary committees that are supposed to hold ministries accountable are usually drastically understaffed and underpowered and there is a danger that, in some cases, NGOs could end up substituting for this serious lack of resources. One policy analyst in ActionAid asserted that, 'until parliaments themselves have acquired real political power, 'parliamentary scrutiny' is a relatively meaningless notion and NGOs' advocacy efforts may be better applied elsewhere.'

### NGOs and political opposition

In Uganda, a more pertinent issue for NGOs than their engagement with a cowed and passive parliament is their relationship with political opposition parties. This relationship was placed under the spotlight before and during the 2006 election campaign when the president took an increasingly hostile attitude towards his political opponents (as demonstrated by the detention of the opposition leader, Dr Colonel Kizzy Besigye, in 2005). On several occasions it appeared that NGOs were being tarred with the same brush as the discredited opposition, with government ministers accusing NGOs of being opposition mouthpieces. On 15 April 2006, for example, the *New Vision* newspaper quoted the state minister for information, Dr James Nsaba Buturo, as saying, 'some NGOs, particularly foreign ones, used their financial resources [in the recent elections]...to influence voters' choice of political parties.' He went on to say that 'some NGOs sided with political parties at the expense of their work.'<sup>32</sup>

Perhaps the evidence from Uganda demonstrates the potential risks involved in NGOs working more closely with political parties, either within or outside parliaments. But the majority of NGOs in our study felt strongly that effective political opposition and strong legislatures were key ingredients of a national culture of accountability from which all citizens would benefit. NGO representatives were not averse to working with parliaments *per se* – frustrations were more to do with the weaknesses of *current* parliaments and individuals serving office than with the institutions themselves.

## 2 Government-donor relations and implications for NGOs

As stated in the introduction, donor influence is supposed to have receded in the new PRS/GBS era as governments have become more accountable to their citizens than to donors.

However, recent evaluations of GBS suggest that, if anything, the reverse is the case.<sup>33</sup> 'The absolute weight of government accountability to donors may well have increased as a result of GBS, states the DFID/ODI Evaluability Study of 2003, a conclusion which DFID bravely reproduced in its own policy paper on poverty reduction budget support in 2004.<sup>34</sup> 'Donor representatives are present in large numbers in a host of different policy forums, and some play highly influential roles as advisers or collaborators of key ministries. In aggregate, the donor voice is listened to and taken more seriously than when it took the form of a series of bilateral dialogues about projects or programme aid conditionalities.' This view is also supported by the recent OECD evaluation of GBS.<sup>35</sup> In sum, the combination of more direct donor engagement in the day-to-day running of public finances and government departments as a result of GBS, combined with the trend towards donor harmonisation, has concentrated the overall power and influence of donors at a country level.

The ODI evaluability study asserts that an increase in government accountability to donors does not necessarily preclude an improvement in government's accountability to its citizens at the same time.<sup>36</sup> Nevertheless, the subsequent ODI evaluation of GBS in Tanzania rather tempered this optimism when it admitted that 'there are signs that donor behaviour and demands for accountability may actually be undermining the role of domestic accountability.' It pointed to the concern raised by Tanzanian civil society that an increasing amount of policy documents were being prepared in technocratic, complicated English instead of in Kiswahili, suggesting that the government was reacting to the demands of donors rather than local concerns (the problematic use of English in policy documents and also in consultative policy meetings was also highlighted by the Tanzanians we spoke to).

Our own study likewise suggests that an increase in government accountability to donors may well be cancelling out some of the benefits NGOs have gained through PRSP processes in recent years, as we explain below.

### **Government-donor mechanisms for general budget support: a place for NGOs?**

A key criticism we heard from NGOs is that when things narrow down to specific areas such as negotiations over aid arrangements under GBS or Poverty Reduction Support Credit (World Bank), the details are closed to NGOs and cannot be found in general policy debates. Indeed, prevailing aid delivery mechanisms, including GBS, seem to have reinforced a highly technocratic relationship between donor staff (and donors' consultants) and government civil servants from which NGOs often feel excluded. 'This limitation,' states the Tanzania study, 'has often frustrated some NGOs keen to follow up on an issue to its conclusion.'

In Malawi, both donors and the government claimed to have consulted CSOs over the development of the new working group on health but NGOs charge that this was not the case and that very little information was given. NGOs also say they feel excluded from the quarterly budget meetings held between the donors providing budget support in Malawi (EC, DFID, Norway, Germany and the World Bank), as no civil society representatives are invited to these. In Uganda, NGOs expressed frustration at being excluded from donor-government discussions on spending limits and budget allocation.

In Tanzania, our research suggests that improved donor harmonisation – while laudable at one level and rightly presented as a model of donor cooperation globally – has led to a feeling of exclusion on the part of some NGOs. Experiences of the Tanzanian Assistance Strategy (TAS) and the development partners' group (DPG) are two cases in point. The TAS of 1999 was a three-year strategic outline for dialogue between the government and donors on policy and aid matters. In response to the assistance strategy, donors set up a formal DPG to coordinate their action and improve dialogue with government. Both the strategy and the

group have been off-limits to NGO participation. Some limited efforts were made to engage NGOs in the formulation of a new joint assistance strategy (to be launched in 2006, replacing the Tanzanian assistance strategy) but too late in the day for them to have any substantial influence over its content or direction.

However, it is interesting to note that some Tanzanian NGO representatives felt it was inappropriate for NGOs to participate in a process designed to promote government-donor dialogue.

This raises the question as to whether CSOs – and more specifically, development NGOs – are justified in claiming some kind of inclusion in the dialogue between governments and donors over the use of aid. GBS, after all, is an agreement between donors and government and NGOs have no direct stake in it. In other words, host governments and donor governments are parties to a legal contract and incur corresponding fiduciary obligations and risks. On the other hand, all citizens have a stake in the appropriate use of money given to their government and they have a right to know what happens to it, and what decisions are determining its use.

On the whole, transparency and access to information seem to be more important to NGOs than whether they are present at every meeting or not.

### **NGO engagement in GBS performance assessment frameworks**

Tanzanian NGOs, for example, are seeking greater transparency in relation to the GBS performance assessment framework. The PAF is a mechanism specifically designed for government and donors to evaluate their GBS partnership. It is generally closed to CSOs. As with the Joint Assistance Strategy and the Development Partners Group, some of those interviewed questioned what NGOs could bring to the PAF, considering it to be the realm of technical experts in finance and economic development. Others countered that the NGO Policy Forum and a few such policy networks could indeed contribute effectively to the PAF

process. They argued that certain areas of contention in the PAF in the past – for example, cases of budgetary allocations to non-priority areas – could have been ironed out more easily with the participation of NGOs that are independent of either government or donors.

This mirrors a wider debate amongst development analysts over the transparency of PAFs in a number of countries. Some argue that discussions and agreements between governments and donors within the PAF are not necessarily linked to, or reflected in, the various monitoring and review processes for national poverty reduction strategies, and that several issues dealt with in the PAF are not aired in PRS reviews. Therefore the PAFs should be opened up to more democratic scrutiny.<sup>37</sup> Those against argue that CSOs should concentrate on monitoring the implementation of PRS instead of trying to engage in the highly technical PAF process – a view expressed by DFID personnel in London.<sup>38</sup>

A donor official in Tanzania offered a variation on this view, cautioning that if NGOs were to be present in *all* policy processes, this could compromise their independence and therefore their usefulness as a watchdog, ‘You can’t criticise the food if you were involved in the cooking!’

But donors’ opposition to direct CSO engagement in performance assessment frameworks slightly misses the point that NGOs are largely calling for greater transparency about what is going on, not necessarily a seat at every meeting.

### **Do NGOs have the capacity to engage in donor-government processes?**

In Uganda, donor and government representatives seem to take the view that NGOs’ lack of capacity rather than government or donor intransigence is the reason why NGOs are not invited to engage in certain government-donor processes. The determination of inflation targets, quantities of donor inflows, setting of sector budget ceilings and projections of the mid-term expenditure framework remain beyond the reach of NGO participation, according to government officials.

An official from the Ministry of Finance went even further, claiming, ‘it is not right to say debates at that level are closed. Because of the technicality of issues, CSOs have often opted out because they lack the capacity to engage.’ In Malawi, a DFID spokesperson expressed a similar concern about NGOs’ lack of capacity to engage meaningfully in policy dialogue. He echoed the comment Malawian NGOs frequently receive from government – that partnering with local NGOs is impossible because of their lack of understanding of policy issues.

NGOs clearly recognise their capacity constraints as a major hindrance in their engagement, as we explain in Chapter 3. Nevertheless, on the basis of our research, we recommend that at the very least more open information should be available on the processes and negotiations going on between donors providing budget support and government (eg performance assessment frameworks) for those who have the capacity to carry out independent technical analysis of the PAF data. In addition, we believe that the drawing up of the DBS Memorandum of Understanding and the details of what each party will or will not accept in the budget-support relationship should be open to public debate.

It is also important that donors and government actively address NGOs’ capacity deficits rather than aggravate or exploit them. In Uganda and Tanzania, for example, NGOs counter that their apparent lack of capacity results from not being given enough time to prepare properly or only being wheeled in at the end of a process.

### 3 NGO-donor relations

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 them to play down their political influence and 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. According to this theory, if NGOs wish to influence these strategies, they should engage with *domestic* political processes, not with donors.

This thinking was confirmed by a representative of the Development Partners Group (donors) in Tanzania, who commented that there was now little need for NGOs to engage directly with donors on policy matters – given that the donors have aligned a large proportion of their aid behind MKUKUTA, and civil society has already participated in the formulation and review of it. The same donor representative also felt that any kind of standing forum between donors and NGOs that excluded governments could undermine the leadership role of governments in implementing PRS (though she did not rule out informal, bilateral engagement between an individual donor and NGOs).

The implication of this thinking might be for DFID to feel less and 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’. The rise in the UK aid budget, with no commensurate rise in DFID personnel at a country office level, may serve to reinforce the view amongst country office staff that they have less and less time to engage with civil society.

#### DFID’s accountability

Through what means, then, can NGOs in an aid-recipient country hope to influence the agenda of donors providing budget support? To who is a DFID country office accountable, asked our research teams? Presumably DFID staff are accountable to the British parliament and taxpayers. In aid-recipient countries, given the

emphasis on the donor-government partnership, DFID offices may also regard themselves as accountable to the host government. But accountability to the country’s civil society – let alone the poor citizens that DFID seeks to support – does not seem to enter into the equation. Clearly, the watchdog function donors are encouraging NGOs to fulfil is not supposed to extend to NGOs monitoring *donor* behaviour in aid-recipient countries. Significantly, the only reference made by DFID’s new paper, *Civil Society and Development*,<sup>39</sup> to the role of civil society in influencing donor policy is in relation to civil society in the UK. By that token, international NGOs with British headquarters, origins or constituencies would appear to have a legitimate prerogative to hold DFID to account. But no such role is envisaged for southern, non-British CSOs.

Most of the NGOs interviewed in this study disagreed with the thrust of DFID thinking described above. Given donors’ power and influence in their countries and the impact donor policies can have on aid-dependent countries, they believe local NGOs should have the opportunity to:

- A Inform and influence donors’ underlying strategies (e.g. a donor’s decision to channel more of their aid through GBS in the first place).**
- B Make donors aware of government deficiencies as they occur (and NGOs would be able to speak more freely if government were not present); indeed NGOs can play an important role in providing evidence to donors of government performance – both negative and positive – thereby acting as a signalling device for potential/impending risks. This role is actively promoted by DFID itself in its “how to” aid conditionality paper of 2006.<sup>40</sup>**
- C Build constructive and honest relationships with donors that enable NGOs to critique donor performance and policies, and vice versa.**

NGO representatives are keen to remind donors and governments that ‘national ownership’ of PRS should genuinely mean national – incorporating all citizens – and not just ‘government

ownership'. Therefore donors should discuss national policies and their implementation with civil society, not just government.<sup>41</sup>

### **TRIPARTITE FORUMS BETWEEN CSOs, DONORS AND GOVERNMENTS?**

If it is felt to be too politically sensitive for NGOs to engage bilaterally with donors, an alternative might be to encourage stronger tripartite forums in which all three groups – government, donors and NGOs – could meet. Our research suggests that opportunities for such engagement are increasingly rare, with the possible exception of sector-wide working groups (also known as SWAps), in which donor staff frequently participate quite actively alongside government and NGO representatives – but these are also attended by a number of other stakeholders from the private sector and elsewhere.

Ugandan NGO representatives assert that consultative group (CG) meetings provided a constructive forum for tripartite dialogue between donors, government and CSOs until they were disbanded in 2003 (they are still held in Malawi and Tanzania).<sup>42</sup> The consultative group was not just a fundraising event for the Ugandan government but also a forum for discussing key policy issues amongst development partners. NGOs were sometimes called upon to make inputs to government position papers or to express autonomous positions, as in 2003 during a discussion on the conflict in Northern Uganda. The *EU Uganda News* reported that 'donors were generally very impressed by the active and high-quality participation by civil society representatives in discussions and through prepared statements.'<sup>43</sup> The fact that CG meetings were planned and anticipated in advance facilitated effective NGO engagement. Today, on the other hand, NGOs' interactions with donors in Uganda are much more ad hoc and tend to be bilateral.

In Tanzania, NGO spokespeople were less enthusiastic about the opportunities provided by CG meetings and in Malawi, no one mentioned them. Nevertheless both Malawian and Tanzanian NGOs interviewed endorsed the value of tripartite engagement between donors, government and CSOs. Our Malawi study recommends that 'government should facilitate the establishment of an appropriate forum to enable government, CSOs and donors to discuss the national agenda and obtain political will, consensus and common understanding on issues of national development.'

### **How relations between donors and NGOs are played out in practice**

Our research suggests that opportunities for direct engagement between NGOs and donors in Malawi, Tanzania and Uganda in recent years, particularly on policy matters that go beyond donor funding of NGOs, have been limited. As we did not undertake a thorough analysis of donor-NGO policy engagement prior to the introduction of general budget support we cannot verify whether CSOs' opportunities are greater or less than in the era of projects. Nevertheless it is clear that the new aid architecture promoted by budget support has had a bearing on how these donors engage with NGOs in all three countries.

With regard to DFID's overall strategic direction in a country – articulated through its Country Assistance Plans (CAP) – the opportunities for NGOs locally to influence these appear to be minimal. In neither Uganda nor Tanzania does there appear to have been any open consultations with local NGOs. In Malawi, the current CAP (2003-2005) implies that consultation with civil society did take place during its formulation but because of staff turnover in both DFID Malawi and the NGOs, no record could be found of how these consultations were done or when. DFID is currently working on its new CAP for Malawi, but none of the NGOs interviewed has yet been contacted or consulted. The ambiguity surrounding the status of DFID CAPs in the context of donor harmonisation has arguably served to compound NGOs' confusion as to how they go about influencing DFID strategy at a country level (the Tanzania CAP, for example, was not extended beyond December 2005 apparently on the basis that it is to be superseded by the multi-donor joint assistance strategy – a strategy over which NGOs were barely consulted).

GBS donors' policy engagement at country level appears to be largely confined to its dialogue with government and only minimally extends to other domestic stakeholders. This seems to be reinforcing an impression amongst NGOs that donors are politically very close to governments and vice versa. One Malawian NGO warned that 'DFID is too close to the government line'. To counter the danger of donors only seeing things

through a government lens, engagement with NGOs can provide exposure to alternative viewpoints, as emphasised by a Ugandan interviewee. A paper produced by the Norwegian donor agency NORAD, entitled *How to Deal with Direct Support to Civil Society*, supports this view. It states that civil society 'provides channels of information and insight in addition to established government and private sector contacts; it contributes to the establishment and maintenance of links to the local level – links that are often lost in the sector-wide approaches.'<sup>44</sup>

The willingness of DFID country offices to engage with NGOs varies considerably. Where DFID and other donors do engage with NGOs on policy matters, they tend to talk to international NGOs (INGOs) – particularly those originating from the donors' own countries (emphasised by people we spoke to in both Malawi and Tanzania). Very few opportunities exist for *local* NGOs to influence donors' agendas. In Malawi, for example, DFID and other donors hold a four-monthly meeting with INGOs to which no local NGOs are invited. DFID Malawi's lack of local engagement may account for the very different perceptions each party seems to have of the other. DFID rates its relations with INGOs as good (not surprisingly, as it meets them on a regular basis) but describes local NGOs as passive and lacking the initiative to come knocking on the door. Malawian NGOs, on the other hand, describe DFID as inaccessible and criticise it for its poor communication skills.

Our research in Tanzania suggests that even INGOs are increasingly finding donors' doors closed with the growing trend towards donor harmonisation. Beforehand, donors in Tanzania used to engage closely and bilaterally with INGOs on policy matters but nowadays donors are reluctant to engage in any kind of policy dialogue outside the established multi-donor frameworks.

The perception among NGOs interviewed is that there do not appear to be uniform, globally applied policies to guide DFID country offices with regard to how they engage with CSOs in-country – in spite of DFID's stated recognition that 'civil society plays an important and complementary role to government and the

private sector in poverty reduction,'<sup>45</sup> and its assertion that it wants to have a more strategic engagement with NGOs within its overall strategy of achieving the Millennium Development Goals (MDGs).<sup>46</sup> Alternatively, it may be that these policies do exist, but that they have simply not been communicated to NGOs at a country level. As one INGO in Malawi commented: 'The issue of support to CSOs is there, but do they have a strategy to engage CSOs?' The Malawi Country Assistance Plan actually states that DFID 'will be working towards clarifying their role further within a civil society strategy. The need for this was highlighted during the CAP consultation process. The strategy will place particular emphasis on PRSP monitoring, civic education and a rights based approach.' But in recent interviews with DFID Malawi officials, no mention was made of what had happened to this particular strategy. NGOs have never seen one. Meanwhile the Tanzania CAP says very little about DFID's engagement with civil society.

Globally enforced policies and strategies are not always preferable as there could be more space for CSO engagement if country offices retained flexibility in this area. However, those NGOs interviewed still believed that a stronger, global policy framework would definitely facilitate their efforts to engage with DFID in their countries and help to counter the influence of individual personalities or preferences in different country office teams.

DFID in the UK recently published a paper entitled *Civil society and Development: How DFID Works in Partnership with Civil Society to Deliver the Millennium Development Goals*. This was published in April 2006 – after our research for this study. It is a summary of DFID's support for civil society globally from a funding perspective rather than a strategy to guide individual country offices.<sup>47</sup> However the paper mentions that DFID has developed guidance for country offices on 'how to work with civil society'<sup>48</sup> which will be distributed shortly. We welcome this initiative as it addresses a shortcoming identified by NGOs in our study.

**Do donors have a harmonised strategy?**

It may be unfair to single out DFID policies vis-à-vis engagement with NGOs, considering that donors are increasingly harmonising their activities. Nevertheless, this study found little evidence of donors creating common approaches to engagement with CSOs that compare with the common approaches being developed towards recipient governments (apart from through the existence of a very small number of common CSO funding mechanisms). Even in Tanzania – where donors are more harmonised than anywhere else – it was noted that the Development Partners Group (comprised of donors) had not developed any common principles for CSO engagement.

## Chapter Three



# NGOs' responses to the new policy environment

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NGOs are by no means passive recipients of the recent shifts described in this paper. They have played their own part in shaping some of them and are therefore also aid 'architects' to some extent. Our research indicates that NGOs are actively adapting their own thinking in the changing policy context. Civil society as a whole will have developed multiple and diverse responses to the context in each country (whether it be petitions and other forms of public campaigning, citizens' juries, direct action such as demonstrations or strikes, investigative journalism, radio broadcasts or other forms of public education). This chapter focuses more narrowly on the evolution of NGOs' policy and advocacy work targeted primarily at state authorities (NGOs' responses to the new funding context are dealt with in Chapter 4).

## 1 Increase in NGOs' policy and advocacy activities

People interviewed in all three countries reported an increase in policy and advocacy-related activities amongst NGOs in recent years. This increase has coincided with the promotion of poverty reduction strategies by the donor community and the opportunities these have presented for civil society engagement in policy processes. Donors have encouraged NGOs to embrace PRS by providing funding specifically earmarked for policy and advocacy work (as we discuss further in Chapter 4). More recently, budget support donors have been particularly keen to encourage NGO monitoring of public budgets and expenditure.

But the causal link between PRS, budget support and the growth in NGO policy and advocacy work should not be exaggerated. Our research teams<sup>49</sup> noted that related but parallel drivers need to be taken into account, such as the realisation amongst a number of INGOs in the 1990s that they needed to challenge the underlying structures and power relations that gave rise to poverty, through a rights-based approach. This new approach affected both their activities and those of local NGOs, as a large proportion are funded and supported by INGOs (probably more so than by official donors). The availability of donor and INGO funds for policy and advocacy work are therefore both key factors in the growth of this area, as we explore in Chapter 3.

It would be inaccurate to suggest that local NGOs have only responded to either donor or INGO agendas in an effort to access fresh resources. Domestic political factors are also partly responsible for the rise in NGO policy and advocacy activity. All three countries have seen the introduction of multi-party elections over the last decade, after years of single-party domination, and a gradual shift from authoritarian to more open and tolerant political cultures (even if this process is still not yet complete and may be drifting in the other direction in Uganda). In Malawi, a new democratic constitution drawn up after the fall of the Banda regime enshrined the right to freedom of association and led to a proliferation of new-style CSOs, either solely or partially dedicated to policy and advocacy work. Banda had only permitted certain faith-based organisations to operate and had restricted their work to straightforward service delivery.

## 2 NGOs' capacity deficit and their responses

DFID staff often seem frustrated that NGOs are not moving fast enough to embrace new areas of work in policy and advocacy. A DFID representative in Malawi, for example, asserted that NGOs were reluctant to venture out of the traditional 'comfort zone' of service delivery. Malawian NGOs, on the other hand, would counter that it is a capacity deficit in these new areas that is holding them back.

NGOs' perceived lack of capacity to engage meaningfully in policy processes remains a predominant concern amongst a range of stakeholders in all three countries (by 'capacity' we mean physical resources, time and dedicated staff, but also skills and capabilities of staff). Apart from a handful of very specialised, policy-orientated NGOs, most still have few staff dedicated solely to policy/advocacy work and rely heavily on external consultants for specific policy-related activities, particularly research.

Ironically, NGOs' policy capacity deficit seems to have been accentuated by the introduction of PRS and the accompanying array of opportunities for NGOs to engage in the development, review and implementation of strategies (even though this has been partly addressed by increased donor funding available for policy and advocacy work – see Chapter 4). The problem is compounded by the holistic, multi-sector nature of PRS, covering a range of areas identified as strategic for poverty reduction. NGOs may be invited to attend a meeting on agricultural extension services one day, and a meeting on water and sanitation services the next (this problem was particularly highlighted in Tanzania).

Rather than trying to cover a spectrum of issues and activities, NGOs may respond to these demands by specialising – either in a certain thematic area, or in a certain activity. Consequently we may see more of a differentiation between policy-oriented NGOs and those delivering services in the future. The fact that there are now NGOs in Malawi, Tanzania and Uganda dedicated solely to policy and advocacy suggests that trends are already moving in this direction, although the majority still combine this work with service delivery.

A key challenge is that NGOs' legitimacy in the eyes of governments tends to come from their role in delivering services, as our research in Malawi illustrates. More established and recognised local CSOs such as CHAM and Banja La Mtsogolo are closely engaged with government at the policy level and are included in a number of implementation committees. In contrast, the Malawi Health Equity Network, which is advocacy focused, enjoys relatively less trust and engagement.

Donors' esteem for NGOs often comes from their proximity to poor communities on the ground – a closeness that is frequently sustained through service delivery. A NORAD policy paper, for example, recognises that direct support to civil society actors 'contributes to the establishment and maintenance of links to the local level – links that are often lost in the sector-wide approaches.'<sup>50</sup> Engagement at a grassroots level does not have to depend on service delivery. Even at this level, many NGOs are shifting the focus of interventions from simply the provision of direct benefits to the empowerment of poor communities to claim basic rights, often through advocacy and campaigning.<sup>51</sup> Nevertheless, the perception that NGO legitimacy is derived from their role in welfare and service delivery may discourage many from confining their activities solely to policy and advocacy.

Aside from specialisation, the other logical response to the capacity deficit is to share and pool policy capacity through networking.

*'Government is a highly structured organisation; therefore CSOs have to be structured.'*

**Malawian NGO representative.**

### NGO policy networks

Mirroring the trend towards harmonisation and greater resource management efficiency amongst donors, individual NGOs have likewise responded to their policy capacity deficits by increasingly pooling their resources and forming networks from which representatives are drawn (or in some cases, staff recruited) to

engage in policy processes on behalf of the whole network (see Appendix 3: policy networks and coalitions).

Some of these networks are general, such as the NGO Forum in Uganda or the NGO Policy Forum in Tanzania, while most are sectoral. In Uganda, for example, the Uganda water and sanitation NGO network (UWASNET) represents over 100 NGOs active in the water sector. In Malawi 25 local NGOs and INGOs have organised themselves into an advocacy and users group around the new working group on health.

### **Pros and cons of working in networks**

Collaboration in NGO networks is time-consuming and frequently problematic as it involves bringing diverse and often competing groups together to develop a common agenda and strategy. 'The formation of NGO networks has been a continuing process,' comments the Tanzania study, 'but strong solidarity among the NGOs has been missing.' Meanwhile in Uganda there are complaints that the secretariats of some networks have a tendency to express a position or take action on something without consulting other members, sometimes functioning like an individual NGO rather than acting on behalf of the network.

Nevertheless, the view from agencies in all three countries (mainly NGOs but also donors and governments) is that the creation of NGO policy networks has significantly increased and facilitated NGO/CSO influence over policy processes. In Malawi, where NGOs' experience of policy and advocacy work is arguably not as extensive as in Tanzania or Uganda, it was observed that their policy interaction with government is stronger now that they are organising themselves into sectoral structures. Networks such as the MEJN, MHEN, the civil society agriculture network and the civil society coalition for quality education are now an accepted part of the policy process in Malawi. Clearly, the representative nature of NGOs' networks – often representing tens if not hundreds of organisations – enhances the legitimacy of the NGO sector (given that the individual NGOs making up the network are generally *not* representative bodies).

### **Governments and donors: a hindrance or a help to networks?**

As explained, the growing number of NGO policy networks has been driven by increased support such networks now receive from donors. Donors and governments have consistently appealed to NGOs to harmonise and coordinate their activities for the same reasons that donors are harmonising (ie to avoid duplication, reduce transaction costs etc), yet government and donor behaviour has sometimes hindered rather than helped the effectiveness of networks.

With regard to donor behaviour, for example, it was noted that the incidence of sectoral NGO networks in Tanzania is quite uneven, with a plethora of networks in some sectors and very few in others. Information gathered by the Tanzanian NGO Policy Forum indicates that there are 16 national networks addressing the environment, gender, HIV and AIDS, human rights, disabled rights, youth and children. But there is only one policy network each for agriculture, pastoralism and education, and there is no formal NGO network on health. One NGO representative suggested this reflected donor funds for certain policy areas and less for others. Whether or not this is the case, there is clearly an argument for donors harmonising their support to sectoral NGO networks in order to reduce such imbalances and to help ensure NGOs are adequately represented in all sectoral forums.

With regard to government behaviour, the frequent failure of governments to respect or recognise the representative nature of NGO networks was mentioned by several NGOs (mainly Uganda and Tanzania). Governments may invite candidates to policy meetings simply because they know the individuals or NGOs concerned. In doing so, they are bypassing and undermining the delicate processes agreed by participating NGOs as to who should represent the network at what meeting/forum (this was highlighted as a particular problem in Uganda and Tanzania). In Tanzania, the national network TENMET was forced to boycott an education sector review meeting in early 2006 because the government did not allow it to choose its own representative for the meeting.

### 3 Addressing potential domination of policy space by INGOs and national-level NGOs

In spite of the plethora of NGO networks that have sprung up in recent years, district-level networking for advocacy purposes appears to be weak, particularly in Tanzania and Malawi. In Malawi, our research team pointed out that the dearth of NGO policy and advocacy activities at a district level was disappointing, but less of an issue than in Uganda or Tanzania because of the absence of any real decentralisation of public funds to the district level in Malawi compared to the other two countries. Consequently, there is little point in NGOs lobbying district authorities that have no resources. The situation is qualitatively different in Tanzania and Uganda where a significant proportion of the government budget, including GBS funds, is now being allocated to district authorities.

In Uganda, however, there is evidence of networking and advocacy work at a district level and some of this is feeding into national policy processes. The PEAP review in 2003/04 (mentioned in Chapter 2) demonstrated how even the smallest community-based organisations could participate in consultations about national strategies. Although there are a variety of reasons why district-level advocacy may be stronger in Uganda than either Tanzania or Malawi, our Ugandan research team believes donor funding has played a part (see Chapter 4 for further details). At the same time a number of INGOs — including ActionAid — have been funding and nurturing district-level advocacy for some time in Uganda (see below).

#### ADVOCACY AT THE DISTRICT LEVEL: THE CASE OF ACTIONAID PALLISA

ActionAid Uganda supports a district initiative called the Pallisa project, which focuses on supporting poor people to realise their rights to food, in part by improving agricultural production. Through this project, ActionAid and its partners learnt that low local government spending on agricultural production was a big constraint to increased production and hence food security. As a result of lobbying councillors and government staff, the agricultural budget was increased from 3% to 6% of the district budget in 2003/4.

Aside from advocacy activity at a district level, a concern in all three countries is the extent to which district-level CSOs and CSO networks can participate in and influence *national* networks. Theoretically, national networks provide an opportunity for grassroots organisations to contribute their experiential knowledge to national NGO advocacy, thereby enhancing the validity and evidence-based nature of the network's recommendations. In Uganda, most of the national networks have membership that is representative to the lowest level, and some have district branches. In Tanzania, Dar es Salaam-based networks are linked with district/regional networks and individual CSOs. TANGO (aka the NGO Policy Forum), TENMET and TGNP are national umbrella organisations with members drawn from district/regional networks across the country. Around 25% of NGO Policy Forum members are non-Dar based CSOs. Two regional networks – Mwanza policy initiative and Tanzania natural resource group (based in Arusha) are affiliate members of the Policy Forum and actively input their grassroots experience to discussions.

However, the formal representational character of national policy networks frequently belies the reality, which is that these networks tend to be dominated by national-level and/or urban-based NGOs and INGOs.

A major obstacle to the participation of district-level NGOs and networks in national networks is a lack of resources. In Tanzania, for example, most of the meetings of TANGO, the NGO Policy Forum, TENMET and TGNP are held in Dar es Salaam, and district-level CSOs simply cannot afford to pay transport costs to get there. Likewise in Malawi, a member of the user and advocacy grouping of CSOs organised around the health sectoral working group admitted that a lack of funds was preventing the group from involving district-level CSOs. National NGOs, INGOs and donors all need to make more resources available for district-level CSO participation in national networks to ensure that the policy work of these networks reflects experience at the rural and district level where most poor people live.

#### 4. Improving NGO accountability

Calls for greater NGO accountability and transparency resonated across all three countries, particularly amongst government staff. In Malawi, for example, a government official expressed the view that NGOs are more accountable to their donors than to the people they are serving. 'You can vote out a government but not CSOs,' he asserted. This could be interpreted as a government backlash to the increasing challenges mounted by NGOs to government's own accountability. But it probably also reflects a growing disquiet amongst governments and donors alike about NGOs' legitimacy in general. Who do NGOs represent? On whose behalf are they advocating? Have they contributed sufficient resources to warrant admittance to high-level policy processes? Is their work of sufficiently high calibre to be taken seriously? As donors' focus shifts more towards state institutions, and as NGOs' role in the bigger picture arguably recedes, NGOs are clearly going to have to work harder to justify their right to a place at the table.

Our research revealed some defensiveness on the part of NGOs to these accusations. In Malawi, NGOs responded to the criticisms of the Malawian government official by saying that the funds they receive to implement their activities are not Malawian taxpayers' funds and that they are therefore not accountable to government.

Nevertheless, most NGOs we spoke to are increasingly conscious of the need to improve

*'The NGO sector in Uganda has grown rapidly and is increasingly recognised as an important player in our country's well-being, But this growth is not without its problems: sometimes we are embarrassed by some of our own failings; sometimes we see unethical behaviour in our sector; sometimes we are open to accusations but do not have any instrument to respond.'*

**Ugandan NGO representative.**

their transparency and standards of accountability. In both Tanzania and Malawi, NGOs are calling for data and information on NGOs to be made more publicly available. Indeed, the lack of such information was noted as a serious hindrance to the work of our research teams in both countries.

In Uganda, under the auspices of the national NGO forum and the Development Network of Indigenous Voluntary Associations (DENIVA), NGOs have developed a NGO certificate mechanism designed to help the sector regulate and monitor itself. This is partly in response to criticism from government and donors regarding NGOs' lack of transparency, and partly a response to claims of corruption and unethical behaviour on the part of some NGOs (as we explore in more detail in Chapter 5). It is in the light of this that NGOs in Uganda have decided to develop and implement a voluntary quality assurance certification mechanism.

#### **THE UGANDAN NGO QUALITY ASSURANCE CERTIFICATE**

The NGO Quality Assurance Certificate, a voluntary initiative developed for and by NGOs working in Uganda, promotes shared ethical standards and operational norms. It establishes principles and standards of behaviour for responsible practice, to protect the credibility and integrity of certified NGOs and their networks. The certificate is not a legal requirement, but once issued, it is binding and mandatory. A national certification council is also proposed, jointly appointed by DENIVA and the NGO forum, to oversee certification procedures. It will further establish a district quality assurance certification committee to enable public vetting of NGOs.

Although the certificate is a voluntary initiative, NGOs are not necessarily averse to more binding regulation. The objections of Ugandan and Tanzanian NGOs to recent NGO legislation (mentioned in Chapter 2) relate to the perceived authoritarian nature of some of the clauses included, plus the lack of proper consultation with NGOs and their consequent inability to influence their final content. NGOs do not object to regulation *per se*.

## Chapter Four



# Winners and losers – implications of donor funding policies for NGOs’ resource base and activities

Few NGOs analysed in our study rely solely on official donor funding and most have tried to diversify their funding base so as not to be beholden to a single agency. But money from private sources remains limited, particularly for local NGOs, and in the medium term it is likely that NGOs – both international and local – will continue to seek funding from official sources so as to rise to the challenge of poverty reduction with the scale and capacity necessary.

The following chapter tries to identify the trends and unravel the complexities of donor funding to NGOs in the new aid context, and to alert donors and NGOs to challenges that need to be addressed.

## DIFD’s support to CSOs

Since 1999, DFID support to civil society has remained constant at 9% of overall DFID funding, although year-on-year increases in the UK aid budget have increased the *volume* of funding. DFID asserts that country offices are now a major source of support for CSOs, providing at least £90 million in 2004/05 through at least 20 different schemes and arrangements.<sup>52</sup>

These figures show that DFID’s gravitation towards budget support and its attempts to put governments back in the driving seat have not led to a reduction in funding towards CSOs, at least at a global level. Indeed DFID asserts that GBS has provided an added impetus for DFID support to CSOs: ‘since 1997, DFID has provided more of our support directly to governments to implement their national poverty reduction strategies. Alongside this, there has been an increase in our support to civil society to work on voice and accountability.’<sup>53</sup>

## WHY DFID SUPPORTS CIVIL SOCIETY ORGANISATIONS

Civil society plays an important role in reducing poverty, complementary to the roles played by governments and the private sector, including:

- **Building voice and accountability:** civil society helps build effective and accountable states and supports voices for change.
- **Providing services and humanitarian assistance:** civil society can play an important role, particularly in fragile states, by delivering services to poor people and developing new innovative approaches to reducing poverty. It also has an important role to play in responding to humanitarian crises.
- **Promoting awareness and understanding of development:** a strong UK development community is important for building public support for development, contributing to policy debates and holding the international community to account.<sup>54</sup>

## Focus of our research on donor funding of NGOs

This chapter explores how donors’ stated support for CSOs – and specifically DFID’s apparent increased support (in volume terms) – has manifested itself in Malawi, Tanzania and Uganda since the late 1990s. We will examine how changes in the global aid context have affected NGOs’ resource base, activities and relations with other actors. Before doing so, there are a number of methodological clarifications that need to be made.

Firstly, we confine our analysis to the funds available to NGOs from official donors in Malawi, Tanzania and Uganda and did not look in detail at donor funds available to INGOs in European or other OECD countries (ie through programme partnership agreements or the Civil Society Challenge Fund in the UK, or the European Commission’s co-financing budget lines).

Secondly, for reasons explained in the introduction, we focus primarily on DFID funding policies and practices but sometimes to the policies of other donors providing budget

support in the same countries. Regrettably, we did not have the scope to investigate the CSO funding policies of non-budget support donors.

Although our study focuses on the experiences of NGOs (as defined in the introduction), DFID and other donors tend to use the term 'civil society organisation' (CSO), encompassing a broader group of organisations including the media, trades unions, faith groups and social movements. Therefore we use 'CSO' when referring to donor policies or to this broader group, and 'NGO' when referring to the organisations that were analysed in our own study.

### **The view from the ground: donor funding levels**

Our study found no observable changes in *levels* of funding to NGOs from official sources in Malawi, Tanzania or Uganda since the introduction of budget support. Hard and fast data from donors on their NGO funding remains on the whole difficult to obtain at country level, but on the basis of available data and NGO experience, our research confirms that there are winners and losers in the new aid context. There was no perception amongst NGOs interviewed for this study that donors had either reduced or significantly increased their support to CSOs overall.

Although there was no perceived change in the amount of funds NGOs receive from official sources, the majority of people interviewed noted significant changes in *how* NGOs now access these funds and what the funds are being provided for – changes which have largely evolved since the late 1990s and of which DFID has been a driving force. These can be roughly sub-categorised as changes in:

- 1 The mechanisms and modalities through which NGOs access donor funds.**
- 2 Funding relations between donors and NGOs, and between INGOs and local NGOs.**
- 3 The types of activities donors are now funding NGOs to do.**

## **1 Changes in funding mechanisms and modalities for CSOs and implications**

The following section describes the key changes in the mechanisms through which NGOs access donor funds and assesses the pros and cons of the new mechanisms, based on the views of NGOs in this study. As to *why* DFID and other donors have introduced these changes, the rise in the UK's aid budget with no commensurate rise in DFID staffing levels seems to be an over-riding factor. Changes in CSO funding mechanisms do not appear to bear much relation to the changes in DFID's funding of governments and the introduction of DBS.

### **Decentralisation of funding**

There is now more donor funding available to NGOs (both INGOs and local NGOs) at a country level. It is less the case that southern NGOs can only access donor funds via INGOs based in the donor's home country, through INGO grant applications submitted to donor headquarters (although this still occurs). DFID reports that at least 30,000 CSOs are now supported directly or indirectly through country programmes. Decisions on how DFID funds CSOs in-country are largely made independently of DFID headquarters, by DFID country programme staff within the overall framework of their country assistance plans and budgets. This is in line with DFID decentralisation, illustrating a broader donor trend of devolving decision making and programming to the actual field of operation and to those most attuned to local contexts. DFID decentralisation may mean fewer uniform CSOs funding policies and mechanisms than before and considerable variation from one country to another, as indicated by our research.

### **From projects to programmes**

Within DFID there has been a significant move away from funding stand-alone projects implemented by a single NGO towards larger programmes involving a number of local CSOs – designed either by DFID in-country (like many local funds – see below) or developed through negotiation with DFID (such as in-country programme partnership agreements with INGOs, as in Uganda until recently). These

programmes – developed in the era of PRSPs and DBS – are based on the same principles as the aid being directed straight to national governments. The aim is to reduce transaction costs and rationalise support to CSOs.

As part of this shift to programme funding, donors have adopted the commercial practice of competitive tendering in order to disburse larger amounts of funding with the same amount of staff and to pass on the transaction costs of managing funds to NGOs (albeit large NGOs and INGOs). INGOs and their local partners now participate in joint competitive tenders for programming sometimes worth many millions of pounds over a number of years. These tenders devolve responsibility for programme design and management from DFID to INGOs and their local partners.

#### **Growth of local funds for civil society**

Linked to the trend towards programmes has been the increased incidence of local funds, intended to provide funds for small-scale projects often executed at a district/community level. Local funds are replacing donors' 'small project' budgets that tended to be accessible only to development NGOs. Through local funds, a more diverse group of CSOs can access donor funds, in line with DFID's professed commitment to broadening its base of support to civil society.

Local funds in the countries in our study included the Foundation for Civil Society (FCS) in Tanzania, the National AIDS Commission's Umbrella Programme in Malawi and DANIDA's National District Network Support Programme in Uganda.

#### **LOCAL FUNDS**

There is no universally agreed definition of donor local funds but they share the following characteristics:

- Target disadvantaged groups or areas.
- Small amounts of money to a large number of local and micro-level projects.
- Quick disbursing and demand-led.
- Independent of government structures and procedures.

The development analyst Jo Beall asserts that the mushrooming of local funds complements donors' budget support policy: 'For those donor agencies pursuing a policy of direct budget support, where no-strings-attached transfers are made to partner governments and/or sectors, local funds offer a compatible mechanism to channel much smaller amounts of less ambitious and more circumscribed initiatives at the local level.' In other words, local funds enable donors to target funding to specific groups – namely the most vulnerable and marginalised groups – in a way that budget support does not allow them to do.<sup>55</sup>

### THE FOUNDATION FOR CIVIL SOCIETY

The Foundation for Civil Society is a Tanzanian non-profit company and 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.** The role of CSOs is key to allowing the voices of the people to be heard in the policy process.
- **Governance.** CSOs are vital to ensuring that public institutions function in a transparent manner, and that people are aware of their rights.
- **Safety nets.** Community organisations play an important part in providing the most vulnerable members of society with mechanisms through which their concerns can be voiced. Community organisations also play a vital role in protecting the most vulnerable from risk.
- **Advocacy strengthening.** Links amongst CSOs need to be strengthened in order for effective advocacy to take place and individual organisations need to develop their advocacy skills.

When the Foundation was first set up in 2002, it was funded entirely by DFID. Since then, 'other donors have also been clamouring to support it,' in the words of a CARE Policy Analyst<sup>56</sup> – notably the Swiss Agency for Development Cooperation, Royal Netherlands Embassy and Development Cooperation Ireland (now Irish Aid). Initially DFID contracted out the management of the fund to CARE International. Largely at CARE's instigation, the foundation has now become a non-profit Tanzanian company.

The Foundation for Civil Society is a pilot – if not a model – for how budget support donors might support and strengthen local civil societies in other countries in the future. In September 2004, Ugandan donors arranged a fact-finding visit of donor, NGO and government representatives to Tanzania to explore whether this style of fund would work in Uganda and to draw lessons for improved donor coordination of support to CSOs in Uganda (given that FCS is a pooled fund).

In Malawi, the reference group of some 15 NGOs created for our in-country research project recommended that a similar fund be created in Malawi, in recognition of the pressing need to build the capacity of civil society.

If the local-fund model is replicated, donors and CSOs should note CARE International research in Tanzania, Zambia and Bangladesh, which shows that local funds remain heavily dependent on donor support and have largely failed to tap into local resources, raising questions about long term sustainability.<sup>57</sup>

### Donors harmonising their support to CSOs

Although some new CSO funding programmes mentioned above are frequently created and supported by just one donor (especially in the initial stages), they sometimes become pooled funds, supported by more than one donor, as demonstrated by the history of the FCS in Tanzania (see box above). In Malawi, the National AIDS Commission umbrella organisations initiative is designed to support community and district-level HIV and AIDS interventions and is funded by a group of donors. This shift towards pooled funds for CSOs mirrors donor attempts to harmonise their support to governments.

But compared to the now well-established mechanisms and processes for ensuring donor harmonisation of funds to governments in all three countries, this study found little evidence of a similar drive towards harmonising support to CSOs, with the possible exception of Tanzania. In Uganda, for example, there does not appear to be any civil society fund in which donors have pooled their contributions. Although there are a number of local funds/CSO programmes in Uganda – the civil society umbrella programme funded by DFID,

the EC's civil society capacity building programme, and DANIDA's human rights programme – each of these is funded bilaterally.

Could it be that donors' quest for individual attribution and visibility, so embedded in foreign policy norms, makes them reluctant to pool their funds to civil society in Uganda, if not elsewhere? Perhaps the relative anonymity of budget support makes donors even more eager to put their individual stamp on other initiatives they fund in country, including CSO programmes. Alternatively, the absence of pooled funds in Uganda may reflect differences between donors with regard to how they each wish to support civil society.

### **Pros and cons of pooled funds**

NGOs see some advantages in donors coordinating and harmonising their support to civil society. Following the above-mentioned fact-finding mission to observe the FCS in Tanzania, for example, the Ugandan NGO Forum produced its own report of the mission which recognised that such a foundation, if created in Uganda, would have the potential to address issues of outreach beyond what any individual donor agency could manage, and it could therefore help to build a critical mass in the CSO sector in Uganda.

However our study also came across considerable ambivalence towards such pooled funds amongst NGO representatives in both Uganda and Tanzania. The criticisms focus on the potential for such pooled funds to become the only funding mechanism for CSOs, thereby blocking off existing bilateral sources of funding which individual NGOs have accessed from individual donors up until now, and leaving CSOs – whose activities do not fit with the pooled fund's priorities – out in the cold.<sup>58</sup> One NGO representative in Uganda stated that, 'CSO diversity should be seen as a strength'. Therefore funding ought to be diverse, and just because budget support has provided a mechanism for donors to pool their funds to government does not mean that they also have to pool their funds to CSOs. However NGOs' concerns are speculative as this study found no evidence of donors terminating bilateral funding

relations with individual CSOs in Tanzania because of the existence of the FCS.

NGOs support pooled donor funds for civil society, so long as donors do not put *all* their money into these funds. Their mechanisms for supporting CSOs need to remain diverse to reflect the diverse nature and needs of civil society.

### **Donors' preference for flexibility**

In fact, donors appear reluctant to put all their eggs in one basket. In Tanzania, a few NGOs such as Research on Poverty Alleviation (REPOA) and the Economic and Social Research Foundation (ESRF) continue to be funded directly by bilateral donors, including DFID, in spite of the existence of the FCS. In Malawi, DFID directly funds individual CSOs (primarily INGOs) as well as collaborating with other donors over certain CSO programmes such as the National AIDS Commission umbrella programme and the Tikambirane governance programme (funded jointly by DFID, CIDA and USAID).

Officials from DFID and NORAD in Malawi saw their approach as outcome-focused, with CSO funding decisions influenced more by effective poverty reduction outcomes than the validity of different methods of funding. In the same way that donors have resisted putting all their bilateral funds for government into budget support, likewise donors prefer to maintain a mix of instruments for supporting CSOs.

Sometimes donors are even contracting NGOs to undertake research for their own purposes rather than to support NGOs as an end in itself. In Tanzania, for example, certain NGOs have been commissioned by donors to carry out specialised assignments such as expenditure tracking studies. This may suggest that donors are turning to specialist, policy-orientated NGOs as neutral bodies to investigate the government's resource use (including the use of GBS) in order to enhance their own understanding of progress. (Interestingly, the Tanzanian government has also sub-contracted Tanzanian research and policy NGOs to undertake special assignments on its behalf).

### Predictability of funds

In this regard, NGOs are frustrated by the lack of change. For all donors' talk of making aid more predictable in their Paris Declaration of 2005, funding of CSOs appears to be no more predictable now than it was before. Funding from the new CSO programmes established in recent years is still usually restricted to two to three years, making it difficult for CSOs to make long term and sustainable plans. In Uganda, both the in-country PPAs (until they were terminated in 2004) and the Civil Society Umbrella Programme have stipulated a maximum time-span of three years for project execution, with no clarity provided by DFID on potential support after that time. In the case of the Ugandan PPAs (awarded to three prominent INGOs), one NGO representative argued that the strategic outcome anticipated in the agreement required a longer period than three years to be realised, and yet it was terminated after just one round.

## 2 Funding relations between INGOs and local NGOs

Changes in funding mechanisms have contributed to significant changes in relations between INGOs and local NGOs, as the following section reveals.

### Sub-contracting to INGOs

A particularly notable feature of changing aid relations in all three countries appears to be donors' increased practice of sub-contracting the management of CSO programmes to INGOs (and sometimes large, established local NGOs) – a practice explicitly recognised by DFID: 'Most of the country offices' work supporting civil society is managed through intermediaries. These intermediaries can be local institutions, civil society networks or local civil society organisations. Country offices also use international civil society organisations as intermediaries.'<sup>59</sup> Although INGOs are mentioned last in this list, in practice INGO intermediaries are usually contracted in Uganda, Malawi and Tanzania – at least in the initial stages of programme establishment – because of their size and capacity in comparison to local NGOs.

### MALAWI NATIONAL AIDS COMMISSION SUB-CONTRACTING TO INGO UMBRELLA ORGANISATIONS.

The National AIDS Commission Malawi now supports district and community HIV and AIDS interventions through sub-grants. These sub-grants are managed by five international NGOs (Canadian Physicians for Aid and Relief, ActionAid, World Vision, Save the Children USA and Plan International) that have responsibility for managing funding to community and faith-based organisations in specific districts.

These INGOs submit budget proposals to the commission for consideration on the basis of district work plans and once funding is agreed encourage CBOs and faith-based organisations to apply for funding. The INGOs carry out needs assessments and support local partners through training in areas such as proposal writing, project and financial management and in how to work with local assemblies to mainstream HIV and AIDS in local development planning.

In Malawi, the National AIDS Commission umbrella organisations programme has contracted four INGOs to manage the programme in different parts of the country.

In the words of a DFID official in Malawi, DFID regards itself as a 'wholesaler' of funds to CSOs, not a 'retailer'. In the context of a rise in the UK aid budget with no commensurate rise in staff numbers, bilateral engagement with large numbers of individual local CSOs is not regarded as an efficient or advantageous use of DFID country office resources. In DFID Malawi's view, it is more appropriate for the retailing of funds to local CSOs to be carried out by international CSOs (and occasionally by large, well-established local NGOs).

Importantly, our research suggests there is a qualitative difference between:

**A The traditional INGO-local CSO 'partnership' based on a mutual decision to form such a partnership entirely independently of donors, even if the local CSO's work is subsequently funded by a donor grant secured by the INGO.**

**B The new practice of channelling funds to a CSO via an INGO that has been contracted to do so by a donor.**

With the latter arrangement, there is a tendency for local CSOs to perceive the INGO sub-contractor as a representative of the donor concerned, rather than as an independent partner and collaborator. 'This situation of where international CSOs 'retail' funds to local CSOs has the potential of these local CSOs being perceived as donors by other local CSOs', comments our Malawi study.

There is some evidence that local NGOs resent donors' perceived preference for contracting INGOs to manage CSO programmes. With regard to the National AIDS Commission's umbrella programme in Malawi, NGOs argued that some of the larger and better-established Malawian CSOs would have the capacity to manage such programmes. It was implied that INGOs were creaming off resources that could have been channelled through local organisations.

In Uganda a sub-contracted DANIDA-funded programme (Danish government) seems to have altered existing relations between the INGO, ActionAid Uganda, and some local CSOs. This programme supports the governance work of district-level NGO networks, and was started in 2001. Due to capacity constraints, DANIDA chose to contract out the programme management to intermediary organisations that already had experience in this area – namely ActionAid Uganda and DENIVA. ActionAid Uganda had already been supporting the formation of district advocacy networks for some time, as both partner and facilitator – 'walking along with them, nurturing them, with little financial support,' comments a former staff member. However, when DANIDA came on board and contracted ActionAid to manage its own programme with the same district

networks but with more funds and resources, the relationship between ActionAid and the networks changed completely. The networks now viewed ActionAid as a conduit for accessing DANIDA funds and became suspicious that ActionAid was withholding 'their money' from them. (We understand that DENIVA was not happy with the process either).

This evidence underlines the need for DFID to ensure that its changing relations with certain INGOs, including its increasing tendency to use them as intermediaries, does not undermine constructive partnerships already established between INGOs and local NGOs, and does not reinforce any dominance of INGOs over local ones. Donors should ensure that their policies and practices enhance local civil society and should avoid substituting for any perceived lack of capacity as far as possible. Malawian NGOs suggested that international and local NGOs should make *joint* bids in competitive tendering processes, as a result of which INGOs would help to build the capacity of local NGOs to bid for such tenders on their own in the future.

### **Competition for resources?**

The sub-contracting of CSO fund management was not the only area identified in this study where DFID policy had possibly fuelled tension between INGOs and local CSOs.

The decision of DFID's country office in Uganda in 2004 to wind up its PPAs with INGOs was another case in point. These were strategic agreements between DFID Uganda and three British INGOs operating in Uganda (ActionAid, Oxfam and Save the Children). Although similar to the PPAs introduced by DFID in the UK in the late 1990s for British INGOs based in the UK, these PPAs were entirely separate and negotiated locally with DFID Uganda. Priority areas of work were negotiated between DFID Uganda and each 'partner' INGO, aligned as far as possible with the INGO's existing plans and strategies. Indeed, the determining features of PPAs – the alignment behind NGOs' own strategies; the less earmarked, non-project character of the funding; the emphasis on 'partnership' – echo the principles underpinning donors' budget support to governments. The three INGOs concerned found the flexibility of PPA funding

extremely useful for areas of work difficult to fund from other sources, such as experimental programming, and for policy work that does not lend itself to project-type prescriptions.

However, only a handful of DFID country offices have developed a PPA-style instrument for INGOs in-country and now it seems these instruments are no longer in vogue at the country office level. In 2004 DFID Uganda decided not to extend or renew PPA agreements beyond the initial ones negotiated – a decision taken unilaterally and prior to an external evaluation of PPAs that DFID had commissioned in June 2004.<sup>60</sup>

One advantage of the Uganda PPAs was that they created a clear distinction between sources of DFID funding available to INGOs and sources of DFID funding which local, Ugandan CSOs could access. The PPAs were explicitly targeted at UK INGOs. When they were terminated, this distinction blurred as the subsequent DFID CSO programme, the Civil Society Umbrella Programme II (CSUP II), was opened to both local CSOs *and* INGOs. This has resulted in both now competing for funds from the same pot, in spite of the advice contained in the review of Ugandan PPAs commissioned by DFID itself: '[The CSUP's] current conditions will need to be applied in such a way that the fund does not become more accessible to international NGOs than smaller, less 'sophisticated' local CSOs.'<sup>61</sup>

This advice does not appear to have been heeded. By setting a minimum threshold for grants at \$55,000, DFID Uganda arguably fell between stools. It excluded smaller CSOs without the capacity to absorb grants of over \$55,000 and made the CSUP II an attractive funding source for INGOs, who may not have been so interested in it had DFID incorporated a maximum threshold confining the programme to small grants. As it happens, three INGOs have been awarded large grants by the CSUP II. In 2004, for example, ActionAid Uganda won a bid of approximately 700 million Ugandan shillings (US\$385,000 out of a total CSUP fund of US\$5 million) for two years to undertake various advocacy and awareness raising activities. Although small CSOs are effectively excluded because of the minimum grant threshold,

nevertheless ActionAid Uganda could still be seen to have out-competed its fellow Ugandan NGOs, some of which do have the capacity to absorb grants of this size.

By comparison, the Foundation for Civil Society in Tanzania has recently instigated a policy of not funding INGOs, thereby protecting the source for local NGOs. This may be one reason why there appears to be less competition between INGOs and local NGOs in Tanzania compared to Uganda.

To avoid further aggravating competition between INGOs and local NGOs over resources, donors would be advised to differentiate between these two groups when designing in-country funding arrangements, so that they do not have to access funds from the same pot. Ultimately, donor policies should encourage diverse groups of NGOs to work *together* in the interests of poverty reduction, sharing and pooling their respective skills, resources and knowledge for mutual benefit.

### **DFID's consultation with CSOs over its funding policies**

In February 2006, a DFID representative in the UK acknowledged to ActionAid and CARE staff that the shifts in DFID's thinking will have been challenging for many NGOs as it requires them to make a shift in working practices towards making strategic macro/micro linkages and policy influencing. 'But while some areas [of cost activity] have closed down, others have opened,' she stated. 'The question is, have we got the balance right?' The NGOs we talked to would welcome the opportunity to respond to this question in more detail with their respective DFID country offices and we trust that this study will provide useful background material for such engagement.

In the meantime, NGO representatives in Tanzania, Uganda and Malawi believe that:

- There are few opportunities for NGOs to discuss with DFID country offices its underlying approaches or strategy regarding CSO funding (just as there are few possibilities to engage with DFID on policy matters more generally).
- When there is engagement with CSOs over funding issues, it is largely in relation to a particular funding opportunity or an existing CSO programme or project.
- Where DFID does have funding strategies towards CSOs, these are poorly articulated to them at a country level.
- CSOs (particularly local CSOs) are rarely or insufficiently consulted over significant changes in DFID's funding arrangements for CSOs in-country. In addition to the scrapping of PPAs in Uganda, the termination of a civil society, advocacy-orientated capacity building programme, TRANSFORM, in Malawi in 2003 before it had barely got off the ground, was another case where DFID neither consulted CSOs before taking this decision nor communicated the reasons for it (Malawian NGOs suspect government interference in this decision as a backlash to NGOs' successful campaigning against a third presidential term).
- When consultation over funding strategies has occurred, NGOs do not always feel that their views are taken on board. In Uganda, for example, INGOs expressly alerted DFID to the drawbacks of disbanding the PPA mechanism and yet DFID Uganda ignored this advice.

### 3 Changes in the types of activities donors are now funding NGOs to do

#### Donor support for policy and advocacy work

As already stated, there is now more donor funding available to CSOs for policy, advocacy and campaigning activities,<sup>62</sup> whether it is CSO monitoring of public expenditure and the implementation of poverty reduction strategies, support for evidence policymaking, or encouraging citizens in poor countries to campaign for the realisation of a diverse range of rights, from social, economic and cultural to civil and political.

Theoretically, donor funding in these areas is intended to strengthen the capacity of civil society to hold to account those bodies that have power, influence or responsibilities over local populations and resource use, whether it be the government, the private sector or international institutions (less funding is available for southern CSOs to scrutinise donors' *own* practices). In this way, country ownership of the development process is supposed to be strengthened, extending beyond government to the population at large, in accordance with PRS philosophy. In a number of aid-recipient countries – including the countries analysed in this study – the national processes created to promote civil society participation in PRS formulation and in subsequent PRS revisions have been part-funded by donors. The review of the Poverty Eradication Action Plan in Uganda in 2003/04, for example, was part-funded by DFID and UNDP.

The trend towards funding policy and advocacy is not unique to budget support donors. CSO activities designed to promote domestic accountability in Malawi and Uganda are funded by USAID, which does not favour budget support.

Nevertheless, increased donor support for NGOs' scrutiny of public expenditure is clearly linked to the eagerness of donors providing budget support to ensure that aid channelled through government budgets is spent on poverty reduction. In a recent study undertaken of the Foundation for Civil Society by CARE

International, Gerard Howe, Poverty Policy Adviser for DFID Tanzania, suggested that DFID's support to the foundation could be seen as a mirror to the way it works with national governments.<sup>63</sup> As more funding goes through budget support, the foundation has a role to play in counterbalancing this support to government and helping to provide a voice to ensure accountability for those funds. In Malawi the DFID country office noted that its support to CSOs in public expenditure management and its promotion of an interface between CSOs and parliament<sup>64</sup> are directly related to the new role DFID sees for civil society.

Partly as a result of the increased resources donors have made available for such work, there is now an increased incidence in all three countries of NGOs or NGO networks dedicated entirely to policy and advocacy work. Ten years ago, such NGOs barely existed.

Some of the NGOs that participated in this research admitted that they had realigned their activities partly in order to respond to donor funding opportunities reflecting donors' new priorities. 'A significant number of CSOs have indicated that they have changed their work and structures in recent years in response to changes in donor funding and policies,' states our Malawi study. 'A number of international and national CSOs have added policy and advocacy work to their mission briefs.' On the other hand, the view that individual development projects alone would not overcome global poverty and that the structural causes of poverty had to be tackled was a view embraced by many NGOs well before donors had come to this realisation. What is clear is that the introduction of general budget support has given donors added impetus to provide resources for NGO advocacy activity and NGOs have been keen to access those resources accordingly.

### **Is donor support biased towards urban-based policy networks?**

Some commentators have argued that donors' apparent embrace of CSOs' policy and advocacy work is deceptive in that funding has tended to be directed towards the more moderate and less political CSOs rather than to grassroots activists with a real social cause or to social movements, thereby neutralising radical political dissent through this selective support.<sup>65</sup> Our study found no evidence of an overtly political agenda behind DFID's CSO funding strategy or behind that of any other donors providing budget support (although admittedly most of the NGOs we consulted were in receipt of donor funds and therefore did not reflect the views of CSOs completely outside the fold).

However, some NGOs interviewed did feel that there is a donor bias towards funding the policy and advocacy work of urban-based, national NGOs – usually dominated by educated professionals – rather than the advocacy initiatives of district-level CSOs, in spite of the amount of government resources now flowing to the district level in Tanzania and Uganda. In Tanzania, for example, very few district-level NGOs had the means to participate in the various monitoring and review processes related to the PRS, such as the annual public expenditure reviews or the SWAps processes, even though the experience of these NGOs arising from their proximity to poor, rural communities would be extremely valuable to urban-based NGOs, governments and donors alike.

But some donors are now actively addressing this imbalance. In Uganda, for example, DANIDA's human rights and good governance programme (2001-2005 and now extended for another phase from 2006-2010) focuses on supporting district-level advocacy networks, while a new EU CSO capacity-building programme is mainly orientated towards district-level initiatives. Likewise, in Tanzania, DFID is clearly aware of the skewed nature of CSO policy and advocacy work towards Dar es Salaam and the national level: a DFID official told our research team that DFID now wishes to support more policy engagement by NGOs at the lower levels of government – through the Foundation for Civil Society, for example.

### Less DFID support for CSO service delivery

What is beyond dispute is that DFID is now more reluctant to fund the service delivery activities of NGOs, especially when it is being undertaken in isolation from, or in parallel to, the state. This shift in DFID policy was observed in all three countries. The whole thrust of DFID thinking is now to strengthen the ability of the state to coordinate and oversee service delivery (even if the state does not always directly provide such services), rather than to use NGOs to bypass or substitute for the state's deficiencies. The role of civil society is now to play a part in *improving* state services through monitoring, demanding transparency and accountability, and ensuring inclusive access to services.<sup>66</sup>

Where DFID does continue to fund more traditional NGO 'development activities' at the community level, its emphasis is on enabling poor and excluded people to claim their rights and participate in the development process, rather than passively receiving services. In this regard, DFID recognises that: 'Civil society can play an important role in identifying, piloting and replicating innovative approaches to service delivery.'<sup>67</sup>

Donors may also be unwise to withdraw support for CSOs' service delivery work completely as it is from this kind of work that CSOs often derive their legitimacy and influence. In Malawi our research in relation to the health-sector working group suggests that MHEN, which is primarily dedicated to advocacy work, enjoys *less* influence in relation to governments than CSOs primarily engaged in service delivery such as CHAM and Banja La Mtsogolo. Governments tend to interact more with service delivery CSOs and to respect their expertise in this area (even if governments are sometimes resentful of NGOs' unwillingness to collaborate more closely).

ODI's evaluability study also raised this potential problem in relation to Uganda: 'It is assumed that there is limited space for NGOs devoted entirely to advocacy, and that authority to participate in policy development comes from knowing sectoral realities first-hand.'<sup>68</sup> As NGOs become increasingly specialised in response to the demands and opportunities created by the current aid context, the dilemma is how to ensure that such specialisation does not unwittingly remove NGOs from any knowledge or experience of service delivery at a grassroots level, on which their credibility often rests. Perhaps this is where the role of networks in linking the different roles and competencies of CSOs is particularly relevant.

## Chapter Five



# In the heat of the kitchen – government funding of NGOs and service delivery relationships

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## Do aid-recipient governments fund CSOs?

Before embarking on this project, we had imagined that our research would reveal a significant trend towards CSOs accessing resources directly from aid-recipient governments rather than from donors – given the increased amounts of external aid now being disbursed through government budgets as a result of budget support. Indeed, we had thought that CSOs would be obliged to access more of their funds from governments, as it was our assumption that donors providing budget support would gradually close down avenues for financing development activities at a country level other than through the government budget. But as the previous chapter indicated, donors do not appear to be taking such drastic action and prefer to maintain a mix of aid instruments, both in relation to government and to the funding of CSOs.

In practice, therefore, the incidence of NGOs accessing funds directly from government proved to be less of a feature in our research than anticipated. The only country where it is an acknowledged phenomenon is Uganda. In Tanzania and Malawi, government officials actively denied that NGOs were receiving state funds (when, in fact, there *are* mechanisms through which state funds are transferred to NGOs in Tanzania). Our Tanzanian research team's opinion is that the government presents this public posture so as to avoid being inundated by NGOs soliciting funds.

The precise extent of direct government funding of NGOs may require further research. But what is clear is that the introduction of budget support and other changes in the prevailing aid architecture – including changes in donors' funding of CSOs – have all had an impact on how government and CSOs relate to each other in the field of service delivery and 'direct benefit' development activities (as opposed to policy and advocacy which we addressed in Chapter 2). These changing perceptions and relationships are explored in more detail in this chapter.

## Government support for NGO service delivery

In Uganda, there appears to be an increasing incidence of state authorities funding NGOs to undertake service delivery activities at a community/district level – usually through sub-contracting, but not exclusively so. We believe that this is partly related to donors' introduction of general budget support for the following reasons:

**A Budget support has increased the funds in the government's budget for delivering services.**

**B As a result of the decentralisation of government's administrative functions, a significant proportion of the Ugandan government budget is now being disbursed at a district level.**

Another obvious reason for state authorities contracting NGOs to deliver services relates to capacity. The state does not always have the experience, personnel, expertise or infrastructure to deliver services itself, in spite of the increased resources at its disposal. Although the NGO sector's capacity is extremely variable, in some districts NGOs may have more capacity than state authorities.

Much of Uganda's healthcare, for example, is still provided by 'private not for profit' (PNFP) entities, mainly faith-based organisations, to whom the government makes substantial financial transfers. Officials from the Ministry of Health interviewed for this study noted that, in some cases, government units are also supervised by PNFP health facilities in order to ensure that these services complement rather than duplicate government health services. This would seem to be a positive example of government-NGO collaboration over service delivery. As public sector wages rise, however, PNFP workers are moving to the state sector, perhaps signalling that state health services will supplant the role of these PNFPs over the longer term.

In addition to collaboration with PNFPs, a number of other joint funding ventures for direct service delivery between the Ugandan government and NGOs have been set up in various sectors. For example, in partnership with government, NGOs in northern Uganda are complementing the government's provision of water to internally displaced people's camps whereby the government, through the National Water and Sewerage Corporation, provides the basic infrastructure while NGOs provide stand pipes for the actual distribution of water. The Office of the Prime Minister pays for the water.

Similar examples of government support for NGO service delivery were also witnessed in Tanzania where a number of voluntary agencies – mainly faith-based organisations – receive government subsidies for delivering health services. Likewise, some Tanzanian private educational institutions receive government loans or grants.

### **Government sub-contracting of service delivery: experiences in Uganda and Tanzania**

To some extent, government sub-contracting to NGOs in Uganda and Tanzania reflects a gradual trend towards the privatisation and contracting out of state services globally, often through private-public partnerships (PPPs). Although PPPs have largely benefited private companies (sometimes at the expense of existing NGO service organisations), some NGOs also seem to have taken advantage of this trend, at least in the case of Uganda. In Uganda, as in the majority of other aid-dependent countries, the trend towards contracting out state services to private entities has been actively encouraged – if not forced on countries – by conditions attached to aid and loan agreements throughout the past 15 years or so, for example through structural adjustment programmes in the case of Uganda. This trend may account for the plethora of new NGOs that have sprung up at district level to take advantage of sub-contracting opportunities.

### **The new breed of service delivery organisations**

More established NGOs do not always regard these new service delivery NGOs as genuine, independent organisations. In their opinion, many have been created by self-interested, unscrupulous individuals with the sole purpose of financial gain through government service delivery contracts. Local politicians or district-level civil servants head a large number of these new NGOs, which has prompted accusations of corruption and paternalism within local government. As a consequence, Uganda's existing NGO community seriously questions the integrity of these new organisations that it dubs 'GONGOS' (government-owned NGOs). 'It has been alleged,' states our Uganda report, 'that some NGOs have been formed by allies of those in government in order to siphon money from government systems to personal interests.'

A primary concern with corruption of this nature is that some of the government resources disbursed at a district level – a proportion of which is donors' budget support – may be wasted and fail to reach poor people. But another problem for the NGO community is that scandals of this nature leave a lurking impression in the Ugandan public's mind that *all* NGOs are inherently corrupt. 'The position of NGOs is bound to be badly compromised by the infiltration of many politically friendly NGOs, some of which may have been formed for opportunistic financial reasons,' states our Uganda report.

The increased incidence of unscrupulous and potentially corrupt NGOs is one of the key factors that has prompted Ugandan NGOs to develop the NGO quality assurance certificate (mentioned in Chapter 3) as a means of setting principles and standards of behaviour for responsible practice, and to protect the credibility and integrity of certified NGOs and their networks in Uganda.

In Tanzania, our research team noted a similar trend to Uganda in that NGOs are being sub-contracted by district authorities on occasion to deliver services. As in Uganda, there are indications that some Tanzanian district-level officials may also be creating 'dummy' NGOs in

order to tender for lucrative government contracts or donor funds. However, in Tanzania this phenomenon does not appear to be such a topic of debate as it is in Uganda, or as tainted by corruption or scandal.

### **NGOs' autonomy compromised?**

A risk anticipated prior to undertaking this study was that NGOs receiving funds directly from the government would find their independence compromised and would be less likely to actively challenge the government. NGOs would be reluctant to 'bite the hand that feeds them', thereby undermining efforts to hold governments to account just at a time when the introduction of budget support had enhanced NGOs' potential role in domestic accountability. The ODI study of general budget support captured the concerns of Ugandan NGOs in relation to this very problem (based on discussions held in 2002): '[Ugandan NGOs] argue that the limited capacity to call the government to account that they have enjoyed in the past has been based on their position as major service providers that are not dependent on government funding. They maintain that, as official donors move funds from projects, including NGO projects, into general budget support, they will be obliged to become contractors to government – mostly local government, which currently has a justified reputation for being the most corrupt and arbitrary. In this process, they will lose the autonomy vis-à-vis government that makes them effective as interlocutors and critics.'<sup>69</sup>

Our own Uganda study comes to a slightly different conclusion. The problem is not so much that NGOs that were previously independent and actively criticising government are now accessing their resources from government and have stopped criticising them as a result. In reality, little evidence came to light of NGOs that are active in advocacy work also receiving funds from government for service delivery. More to the point was the general weakness of advocacy work amongst district-level service delivery NGOs, period (which recently established donor-funded CSO programmes in Uganda at a district level are starting to address). If government service delivery contracts continue to be awarded to

'government friends' – ie NGOs created by government officials or politicians – then this will potentially undermine efforts to promote domestic accountability at a district level, as organisations with such close ties to government are unlikely to have any inclination to hold authorities to account.

This does not mean that NGOs are opposed to receiving government funding per se. In spite of the potential risk that government funding might compromise the independence of NGO engagement in policy processes, NGO staff felt this risk could be avoided if government were to provide funds without any political strings attached, as already occurs in many donor countries.<sup>70</sup> To date, district authorities in Uganda and Tanzania have only sub-contracted NGOs to perform specific service delivery activities; governments have not made direct allocations of district resources for NGOs' own development programmes or for NGOs' general support purposes.

### **Government-NGO funding relations in Malawi**

In Malawi, this study found no evidence of the government sub-contracting service delivery to CSOs at present. This may be linked to the absence of any real decentralisation of state resources to the district level in Malawi. Consequently, NGOs are frequently the big players and district authorities the poor relations. Collaboration between NGOs and Malawian authorities on the ground over service delivery appears to be either poor or non-existent.

The only resources that NGOs in Malawi currently access from the government are donor funds earmarked for particular projects being executed with government institutions. Since this funding is for specific projects and is not part of the government budget, it cannot really be described as 'government funding.' The NGOs receiving these funds tend to be INGOs, perhaps indicating donors' lack of trust in the capacity of both local NGOs and the Malawian state, and apparently causing some resentment amongst civil servants. CARE Malawi, for example, has been able to access DFID funds through the Ministry of Education to

strengthen community involvement in primary school management. Conversely, the Ministry of Education has accessed DFID funds through ActionAid Malawi for an HIV and AIDS behavioural change project in schools.

Although relations between CSOs and government service providers appear poor in Malawi, these could improve in the health sector with the creation of the new health SWAp in which both government stakeholders *and* CSOs are participating. Once it becomes operational, two large health service CSOs – the Christian Health Association of Malawi (CHAM) and Banja La Mtsogolo – are both due to receive funding from the resources donors have pooled in the health SWAp, alongside government stakeholders.

### **NGO development activities and poverty reduction strategies**

Across Malawi, Tanzania and Uganda, government officials shared a view that services delivered by CSOs outside the framework of national poverty reduction strategies undermine national planning processes and resource allocation, and encourage duplication and parallel service provision. 'CSOs must contribute to district resources, but some CSOs have established a parallel system,' asserted a Malawian government official. Likewise, Malawi's Ministry of Finance has indicated that all donor funding, including that to CSOs, should be reflected in the national budget. In Tanzania, the 2002 NGO Act (see Chapter 2) 'requires NGOs to harmonise their activities with national development plans.'<sup>71</sup>

Behind the expressed desire for better coordination with NGOs lies an eagerness on the part of government to tap into NGOs' often substantial resources. In Tanzania, for example, a government spokesperson suggested that the formation of district-level consultative councils would help draw in private sector and NGO (especially faith-based organisation) resources to supplement local government resources. In so doing, asserted the official, the district would be able to formulate more balanced priorities, based on wider resource support than just government funds.

It may be that governments have always sought to mobilise NGO resources, but changes in the aid context may have brought this issue to the fore. The enhanced role of governments through their leadership of poverty reduction strategies, plus the resources they can now command as a result of budget support, have given governments a much more pivotal role in service delivery than in the past. Moreover, shifts in donor thinking have arguably provided governments with the moral high ground from which to challenge the separateness of NGOs. Given that NGOs have participated in the formulation of the PRS, implied several government officials, why should they not also participate in its implementation? Donors are aligning their resources behind PRS, so why can't NGOs follow suit? DFID would seem to share this concern stating that, 'to achieve universal provision of services and avoid duplication and uneven distribution, civil society's service provision should aim to fit within nationally or locally owned strategies.'<sup>72</sup>

In response, NGOs interviewed in Tanzania and Uganda tended to argue that NGOs should *complement* the PRS, pointing out that NGOs frequently address areas of poverty reduction not addressed by it. NGO support of the most excluded communities, for example, is often beyond the reach of the PRS. NGOs' reluctance to completely align their activities with those of government partly stems from the flawed nature of the participatory processes that have accompanied PRS development (flawed to varying degrees). As examined in Chapter 2, recommendations and proposals emanating from civil society have not always been taken on board or reflected in final drafts of PRS. Therefore CSO ownership is not as strong as governments might expect or hope for. Ugandan and Tanzanian NGOs interviewed in this study, for example, regard the macroeconomic approach underpinning the PRS as a product of the neoliberal Washington Consensus projected by donors. NGOs are willing to participate in the various participatory forums with other stakeholders in order to influence the content and implementation of the PRS towards their own visions of how poverty should be reduced, but they are less willing to completely reorient their own activities behind a strategy whose premise they

do not necessarily agree with. Significantly, our Malawi study indicates that Malawian CSOs are willing to align their *policy* activities to the four pillars of the Malawi poverty reduction strategy, but 'policy' seems to be the operative word; they are not suggesting an alignment of *all* their activities.

Arguably governments are not suggesting such a drastic realignment by NGOs either. Nevertheless it is possible that the space for CSOs to deliver services autonomously from governments may well shrink in the future, as governments themselves become more established as drivers and leaders of the national development process.

#### **NGO transparency over income and resource allocation**

The growing challenges to NGOs' right to deliver services outside national and local strategies are also increasing the pressure on them to improve the transparency of their income, activities and resource allocation. Those interviewed in this study tended to acknowledge that improvements do need to be made and some are already taking action, as demonstrated by the introduction of the NGO quality assurance certificate in Uganda.

On the other hand, there is some debate amongst NGOs as to *who* they ought to share information about their income and activities with, and for what purpose. In Malawi, NGOs pointed out that the funds they receive are not Malawian taxpayers' money and that they are therefore not accountable to the government for its use. Their accountability is to their funders (whether they be donors or private) and to the partners and communities with whom they work.

NGOs interviewed were consistently wary of government pressure for transparency, arguing that governments might reduce or withdraw support in places where NGOs are delivering services. In all three countries NGOs had encountered this phenomenon. In other words, greater NGO transparency, some argue, could *increase* NGO substitution of the state, just at a time when the perceived wisdom amongst development practitioners is that the role of the state in service delivery should be enhanced. But perhaps the logical conclusion to this dilemma is to actively engage with government to discourage such practices, rather than resist justified calls to be more transparent.

Better coordination and information flows between governments and NGOs over their respective activities would clearly make poverty reduction interventions more effective overall. But governments also need to respect the autonomy and complementarity of NGOs. They (and donors too) should applaud the crucial role NGOs play in promoting innovation and alternatives to prevailing approaches to poverty reduction. This role can only really be nurtured if NGOs are given the space in which to develop autonomously. Moreover closer collaboration with government has to be balanced against the risk of compromising the ability of holding that same government to account – even if our study found little evidence of this so far.

# Conclusion



# Recommendations for donors, governments and NGOs

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This study is an initial exploration into the implications of changing donor policies for NGOs, with a particular focus on DFID. The intention was to start piecing together coinciding trends and developments without necessarily finishing the jigsaw. Accordingly, this closing chapter identifies a number of key issues that we think warrant further discussion and research in the future. It also presents some tentative conclusions and recommendations for donors, government and NGOs respectively. These are based on qualitative evidence collected from Malawi, Tanzania and Uganda, corroborated by various policy documents and secondary literature.

Our research focused on the implications for NGOs of DFID's shift towards direct budget support, recognising that this is now one of the main mechanisms through which the UK's aid to developing countries is provided (at least to relatively stable governments) and through which policy dialogue is conducted with recipient governments. Clearly, direct budget support is a major feature of the aid context we reviewed, particularly in Uganda and Tanzania. However, it proved almost impossible to isolate the introduction of DBS from a number of other trends and factors, particularly those that DBS is supposed to promote or complement, such as donor harmonisation and poverty reduction strategies.

## **NGOs' participation in poverty reduction strategies**

The rise of DBS is intertwined with the spread of poverty reduction strategies: PRS represents the policy framework for aid delivery and budget support is the aid delivery mechanism that donors are using to support the implementation of these strategies. In answer to the question, 'Do NGOs enjoy more policy space in the era of GBS?', those interviewed in this study tended to dwell on the various mechanisms, processes and forums created to encourage civil society participation in the formulation and subsequent monitoring and review of PRS.

In this regard, our study seemed to confirm that PRS has created more policy space for CSOs, and there are some examples of CSOs having influenced specific elements of both the design and implementation of PRS in all three countries. However there remains a gap between the rhetoric on civil society participation and the practice. In practice, NGOs continue to find governments dismissive of NGOs, with their recommendations frequently ignored. There is also frustration that crucial decisions about the management of the economy or the budgeting process are taken outside the PRS process.

*Civil society organisations have a legitimate role to play in domestic policy processes. Consultation should not be seen as a rubber stamp. Governments must promote open and transparent policy processes with space for meaningful participation by civil society organisations at both national and district levels in both the design and implementation of PRS, including the budget allocation process.*

## **Direct budget support mechanisms and CSOs**

Interviewees' emphasis on PRS was perhaps a reflection of the relative privacy of donors' dealings with government over GBS, compared to the much more public processes surrounding PRS. Donor agencies and governments have advanced the PRS as the most appropriate mechanism for civil society engagement with national policies. Meanwhile the DBS Memorandum of Understanding (MoU) between donors and government, and the performance assessment framework (created by donors to monitor and evaluate government's allocation and disbursement of general budget support) have been fairly non-transparent processes from which CSOs have been almost entirely excluded. And yet performance assessment frameworks often address critical issues such as budget ceilings, conditionalities and sectoral allocations from the national budget that are not addressed in the various poverty reduction strategies or sectoral review forums in which CSOs do participate. Increasingly, it appears that PAFs are becoming donors' main operational tool for policy dialogue. Equally, MoUs set out the commitments from both

sides and also the procedure for dealing with any of these issues should they arise. These again are issues that should be accessible to CSOs engaged in political and policy processes.

Some of those interviewed for this study argue that it is inappropriate for CSOs to participate in the drawing up of MoUs and in the performance assessment frameworks, as these form part of the legal contract between host and donor governments which CSOs are not party to. Donor and government representatives in this study also argued that CSOs lack the technical capacity to engage with these processes. But this argument can be self-fulfilling. If CSOs are denied access to the information that would enable them to engage in certain processes meaningfully, they will continue to lack the required technical knowledge and capacity. Furthermore, the commitments and decisions in MoUs and PAFs are likely to affect governments' policy decisions and therefore need to be accessible to all those engaging in policy dialogue.

We do not suggest that CSOs should be present at every single meeting, but we do recommend that donors and government at least make more information about performance assessment frameworks available to CSOs so that they can monitor progress. This requires more than simply putting the information on a website; it needs donors and governments to proactively ensure the information is circulated and accessed. In addition, we believe that the drawing up of MoUs and the details of what each party will or will not accept in the budget support relationship should be open to debate by CSOs.

*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 MoUs and donors and government should disseminate information about performance assessment framework processes.*

### **Implications of donor harmonisation**

The closed nature of the donor-government dialogue over budget support is a manifestation of the more intense and exclusive relations that are now perceived to exist between the two groups. One key factor behind this trend appears to be donor harmonisation – a trend closely associated with general budget support but not unique to it. Although welcome in efficiency and effectiveness terms, donor harmonisation appears to have concentrated the overall power and influence of donors at a country level, thereby crowding out other stakeholders, including NGOs.

*In the interests of downward accountability, we recommend the establishment of tripartite forums between government, donors and CSOs to share information and discuss the aid relationship (eg underlying principles, funding levels and allocations, disbursement triggers and conditions etc).*

### **NGOs' relations with DFID**

Our study indicates that it is difficult for NGOs to have any kind of policy dialogue with donors in the current environment (with the possible exception of INGOs headquartered in the donor country). This is partly related to donor harmonisation for reasons explained above. In DFID's case it is also a matter of efficiency and cost-effectiveness. The rise in the UK aid budget with no commensurate rise in DFID personnel at a country office level suggests that DFID staff simply do not have the time to engage with civil society, particularly local NGOs. DFID's priority is its engagement with government, as it receives the most funding. Moreover, now that DFID has thrown its weight and resources behind poverty reduction strategies, DFID staff assert that there is no need to engage directly with CSOs because DFID is simply supporting government leadership of the strategies and CSOs are already participating in the formulation and review of them.

In our opinion, this approach does not take account of the serious deficiencies in the participatory processes linked to PRS or the difficulties CSOs face in trying to influence fledgling democratic regimes not used to responding to demands from below. It ignores

the fact that donors still have more sway with governments than NGOs and that direct budget support has actually *increased* governments' upward accountability to donors, as other studies have shown. It also contradicts DFID's acknowledgement that CSOs play a useful role in providing independent and alternative assessments of government's progress to those of the government itself.<sup>73</sup>

It appears that some DFID officials are themselves concerned about DFID's commitment towards engagement with civil society. In May 2006, a DFID adviser in London asked: 'Are the opportunities for civil society influencing actively encouraged across the board in DFID and seen as part of DFID's mainstream agenda around budget support, PRS and country-led approaches? Or is civil society engagement seen as something marginal and an add-on and not sufficiently valued?'<sup>74</sup> Our research suggests that the latter is the case.

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

### **Direct budget support and NGO-government relations**

Distinguishing the implications of DBS from other trends was a constant challenge for our research teams, particularly when analysing relations between NGOs and governments. Here we had to grapple with the very nature of democracy in these three countries, as the relative novelty of the multi-party system and the lack of a political culture of challenge and opposition were arguably more important in shaping NGOs' policy environment than donors' policies. Against this backdrop, there appeared to be mutual suspicion and mistrust between NGOs and governments.

In spite of the new policy space created by PRS since the late 1990s and NGO success (albeit limited) in influencing these strategies, those NGOs interviewed did not think that their relations with government had changed significantly since before the introduction of PRS and GBS. If anything, NGO representatives believed that government attitudes had hardened. They pointed to new NGO laws passed in all three countries through which governments are seeking to exert greater control over NGO operations, particularly in the sphere of policy and advocacy.

It is possible that moves by governments to control and regulate the political activities of NGOs are a reaction against NGOs' increasingly vocal challenges of government policies. In other words, NGOs are the victims of their own success. If this really is the case, then arguably this backlash is linked to PRS and to budget support (albeit indirectly), given that budget support donors have actively supported NGOs' advocacy work as a means of improving the domestic accountability so vital for the effective use of DBS funding.

There may be some truth in this hypothesis, but the prevailing domestic political culture that predates the introduction of PRS and GBS, remains a key determinant of NGO relations with government. Our research resonates with the ODI/Daima Associates evaluation of GBS in Tanzania of July 2005 – namely that, 'if domestic political change is not generating improvements in accountability, a GBS programme cannot create it.'<sup>75</sup>

*Governments need to create an environment that promotes a vibrant and active civil society. To do this, they should 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.*

### **NGO accountability and legitimacy**

An alternative perspective on the suspicion and mistrust between NGOs and government is that NGOs are themselves encouraging this suspicion through their own lack of accountability and transparency, as several interviewees pointed out.

Accountability and transparency are hallmarks of the policy and aid environment donors are promoting – indeed, stronger domestic accountability is one of the intended outputs of direct budget support. While the emphasis is on improving government's accountability, this has also extended to NGOs. In order to maintain their credibility to hold governments and donors to account, NGOs themselves need to walk the walk, as many NGO interviewees in our study recognised.

*NGOs need to demonstrate greater transparency with regard to income, expenditure, programmes and planning if their demands for greater transparency on the part of government and donor agencies are to have real credibility.*

The subject of accountability raises questions as to the source of NGOs' legitimacy. One analyst pointed out that our NGO interviewees appear to assume that they *should* be taken more seriously by government and donors and that they automatically have a right to a place at high-level policymaking tables by virtue of their being civil society organisations. But a place at the table may no longer be guaranteed unless NGOs can demonstrate why they should be included.

NGOs' legitimacy often rests on their proximity and accountability to the poor and excluded communities they support and, in the eyes of governments, on their experience in service delivery. But this poses a dilemma for a number of NGOs. The complexity of the policy environment requires NGOs to increasingly specialise in certain activities rather than trying to cover all bases, with the result that some NGOs now only undertake policy and advocacy work and do not reckon to deliver services or direct benefits to poor communities. DFID itself has actively encouraged this shift from service delivery to policy and advocacy, often with the

explicit intention of enhancing CSOs' 'watchdog' role in the context of its provision of DBS. But what are the implications of such a shift for NGOs' legitimacy and accountability? This issue clearly warrants further debate and reflection. On the other hand, NGOs undertaking policy and advocacy activities may be able to establish new sources of legitimacy through, for example, their ability to mobilise a large number of voices behind a particular advocacy message or the high quality of their policy work.

### **NGOs, parliaments and democratic accountability**

Some commentators argue that it is parliaments who should act as government's watchdog rather than unelected NGOs. In theory, parliaments in aid-dependent countries should have an enhanced role under DBS because of the increased amount of aid now captured in the government budget that they must debate and approve. But one feature common to many countries receiving budget support is the relative weakness of parliaments. Conscious of this, some NGOs are actively collaborating with parliamentarians, often with the support of donor funding. In spite of some positive initiatives (particularly in Malawi), our interviewees implied that parliaments were no more effective now than in the pre-budget support era. Improved democratic accountability, as already stated, will depend on domestic political change which is likely to be slow and subject to a range of domestic political factors.

*Governments must build parliamentary capacity and give parliaments political authority to fulfil their role in policy processes and decisions regarding both public expenditure and external aid. They should give them time to debate these issues rather than calling on parliaments to simply approve decisions at the end of the 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 CSO engagement with parliamentary scrutiny bodies.*

In the meantime, we wonder how important the issue of democratic accountability is for donors, compared to other elements of the GBS modality. In 2006, a major joint evaluation of general budget support was published under the auspices of the OECD Development Assistance Committee and includes seven individual country case studies conducted during the course of 2005. Within this huge report, democratic accountability barely receives a mention.<sup>76</sup> There is little or no analysis of the extent to which either parliaments or civil society actors are managing to hold their governments to account over public expenditure and no overall assessment of what has happened to democratic accountability under GBS. While we accept that democratic accountability is a difficult area to evaluate, the absence of this element from the evaluation suggests it is not a central element of donors' dialogue with governments.

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

### **Funding levels**

Our study found no observable changes in *levels* of funding to NGOs from DFID or from other donors in Malawi, Tanzania or Uganda since budget support was introduced, in spite of a volume increase in DFID spending on CSOs at a global level since 1997. From this we conclude that DFID's emphasis on strengthening the state through direct budget support has not drawn funds away from CSOs, as might have been anticipated. But we can also conclude that funding to civil society has not been given any more priority in recent years compared to the pre-budget support era. In fact, at a global level, the proportion of DFID funds allocated to civil society has not changed since 1999 (even if an overall rise in the UK aid budget has led to a volume increase).

There is a caveat to our findings: at a country level we were often unable to verify the perception that overall donor funding levels to CSOs had remained constant, as this information was not available either in

aggregate (regarding total funding over time from all official donors) or regarding DFID funding to CSOs specifically. The general lack of quantitative data on funding to CSOs – not just from donors but also from government, INGOs (in aggregate) and other sources – was a challenge for all of our research teams.

*DFID and other donors need to improve information sharing by keeping records and making detailed financial data on its support to CSOs at a country level available over time.*

Although there was no perceptible change in donor funding levels to CSOs, significant changes were noted in the mechanisms through which funds are now delivered to CSOs, including: the decentralisation of funding and fund management to country offices, and the shift from funding individual projects implemented by a single NGO to larger programmes benefiting a number of NGOs. The management of these programmes is frequently contracted out to INGOs (and occasionally large, local NGOs) through competitive tendering processes in order to reduce transaction costs.

Some of these new programmes (but not all) are specifically targeted at small-scale projects executed by CSOs at a district/community level (so-called local funds). Some are jointly funded by two or three donors and, in the case of the foundation for civil society in Tanzania, multiple donors. However, our study did not detect a strong trend towards donors harmonising their support to CSOs (with the possible exception of Tanzania) and certainly not to the extent that some donors are harmonising their funds to government through budget support.

It was recognised that pooled funds can provide the coverage that individual donor agencies are unable to. But generally NGOs were wary of donor harmonisation of CSO funds for fear that this might remove bilateral sources of funding and reduce the flexibility and diversity of donor support for what is a very diverse CSO sector. CSOs who do not conform to the focus or stipulations of pooled funds, it is feared, could be left out in the cold (although evidence from Tanzania suggests that pooled funds can co-exist with bilateral arrangements).

*Donors, including DFID, should discuss and review their civil society funding policies with NGOs when planning changes to funding instruments.*

*Where donors pool their funds to CSOs – whether to promote a more coordinated approach to this sector or to extend their CSO outreach or simply to reduce transaction costs – they should consult with CSOs over the design of pooled funds.*

*Donor agencies are encouraged to maintain flexibility and a mixture of funding options, including bilateral support for CSOs, in order to promote diverse and innovative activity in civil society.*

It is important that CSOs coordinate and collaborate, both to maximise their influence over policy processes in advocacy terms but also to avoid duplication and inefficiency in their development work. Good working relations between NGOs are key to fostering such coordination. Consequently donors have to be alert to the implications of their funding policies and programme design for the relations between different groups of NGOs, particularly between local and international NGOs. Several instances emerged in our research where the policies of DFID or other donors had either favoured INGOs over local organisations, or had obliged INGOs to compete with local NGOs for the same source of funding, or where the sub-contracting of CSO programmes to INGOs had negatively affected the relationship between an INGO and local NGOs.

*Donors should 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 international NGOs to design funding instruments that promote collaboration, not competition, between INGOs and local NGOs.*

### **Government funding of NGOs**

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. In fact, government funding to NGOs was less a feature of the new aid context than we had anticipated. It was our assumption that DFID's channelling of more of its bilateral assistance through budget support would lead to CSOs having to access more of their resources from government rather than directly from DFID and other donors. But to date, this does not appear to be the case. Government funding is limited to the district level in Uganda and Tanzania, where the combination of administrative decentralisation and outsourcing has created opportunities for some service delivery NGOs. Concerns were raised in Uganda in particular about the legitimacy of a new breed of NGO often created by corrupt local officials with the sole intention of capitalising on these funding opportunities. Presumably, contracts with these NGOs are paid for partly by direct budget support.

*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 NGOs' autonomy and political independence.*

### NGO service delivery and national strategies

Although government funding of NGOs in the three countries under review is still infrequent, the relationship between the state and NGOs over service delivery is likely to become more complex, as direct budget support and government-led poverty reduction strategies give these same governments an increasingly pivotal role in managing and coordinating services. Some of those interviewed in this study believed that the space for NGOs to deliver services independently of governments might shrink in future. In the meantime, NGOs are facing growing pressure from governments and donors to coordinate their development activities with national plans and strategies.

Few could question the benefits to poverty reduction of improved coordination and transparency between NGOs, government and donors. But does DFID want to have its cake and eat it, we ask? If DFID and other like-minded donors are looking to NGOs to help create a dynamic and independent local civil society that holds government to account, and if they value the innovative and alternative approaches developed by NGOs (as many say they do), then they must respect the distance NGOs may sometimes maintain between themselves and other development actors in government and donor institutions. Ultimately it is the contribution that NGOs make to poverty reduction that matters, and the means to that end may be as diverse as poverty itself.

### Possible areas for further research

#### 1 CSO policy engagement

- How to promote greater transparency and public scrutiny of DBS negotiations and the subsequent monitoring framework between donors and government.
- How to realise the potential of DBS in strengthening domestic accountability.
- The effectiveness of CSO engagement with parliamentarians and how this could be developed.
- The sources of NGOs' legitimacy and the basis on which their inclusion in high-level policy processes is justified.
- The role of INGOs and national NGOs in strengthening the capacity of local CSOs and communities to engage in policy processes.

#### 2 CSOs and donor funding

- Implications of donors harmonising their funding of CSOs through pooled funds.
- Implications of donors sub-contracting fund management to INGOs for INGOs' relations with local NGOs and for INGOs' role and identity.

#### 3 CSOs and government relations over service delivery

- State funding of NGO service delivery work at a district level.
- How CSOs' development activities at a community level should relate to national plans and strategies.

# Appendices



# Appendix One

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## Summaries of direct budget support to Tanzania, Uganda and Malawi

### TANZANIA

While Tanzania has experienced strong economic growth (between 5-6%) over the last decade the government budget remains highly aid dependent. Between 30-40% of government expenditure is usually funded by aid. Fourteen Tanzanian donors, known as like-minded development partners, currently allocate funding via general budget support and sectoral budget support programmes.

In 2004/5 the World Bank, UK, EC and Netherlands accounted for over 80% of donor GBS contributions, with funding levels reaching US\$398 million. Five years ago total budget support receipts were only US\$88 million, but increasing levels of budget support, and increasing numbers of donors using it, have driven this rapid but unpredictable 400% growth. The US, while one of Tanzania's top ten donors by volume, continues to prefer programme aid rather than budget support.

DFID support to the Tanzanian budget grew quickly between 2000-2005, from US\$50 million to US\$121 million. Over 70% of DFID's resources were channelled directly to the government of Tanzania via GBS in 2004. This compares to an average of 34% among other budget support donors. DFID remains Tanzania's largest bilateral donor.

### UGANDA

From 2000-2004 aid flows in Uganda averaged 50% of public expenditure, which itself increased by a third during 1998 to 2004. Donor on-budget aid flows have increased from US\$91 million in 1995/96 to US\$365 million in 2004. This reflects volume increases from an increasing number of donors. A combination of direct and sectoral support is provided, with notionally earmarked funds provided via the Poverty Action Fund (established in 1998) targeting pro-poor sectors.

The World Bank, US and the UK are Uganda's largest donors, with the EC, Germany and Nordic donors consistently other major donors. The US and Japan remain resolutely outside of budget support processes but most other large donors are providing on-budget funding. Around 41% of aid to Uganda is received as budget support. DFID Uganda allocates between 50-70% of its annual funding as direct budget support, despite ongoing concerns about domestic political processes. In 2005, planned budget support of US\$75 million (£50 millions) was reduced by 40%, reflecting concerns about political processes and state expenditure. This followed previous reductions in 2004 over concerns about the electoral process and is in line with similar action taken by Ireland, Norway, The Netherlands and Sweden.

### MALAWI

Malawi began receiving budget support in 1994, as untied programme aid. Since then levels have varied significantly, both in real terms and as a proportion of government spending. In 2002/3 donors suspended budget support and disbursements have not yet reached pre-suspension levels. In 2001, budget support represented 4.91% of central government spending, but in 2004 this figure was only 3.70% (despite government expenditure at levels 20% lower than in 2001).

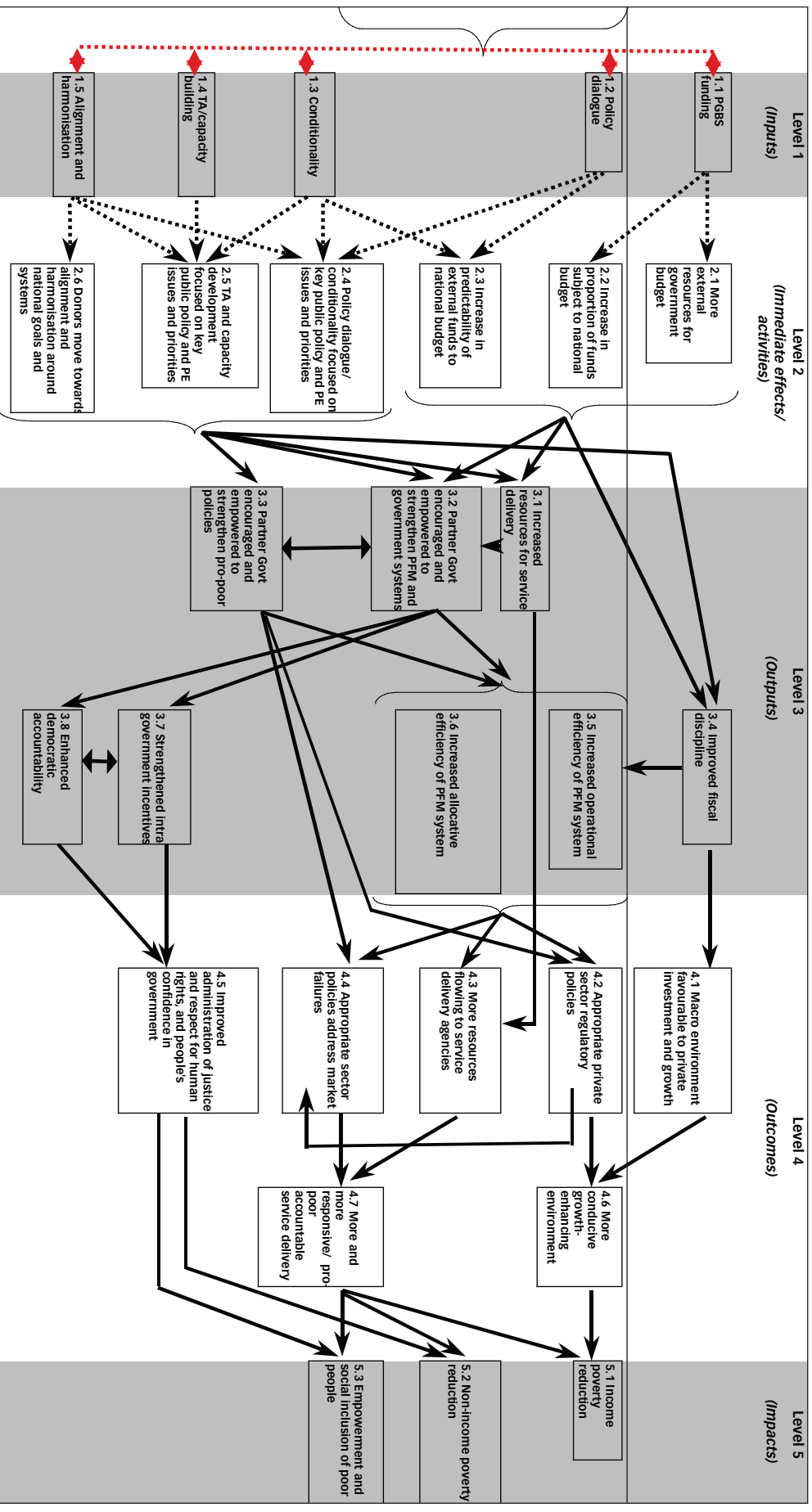
The Common Approach to Budget Support (CABS) group was established in 2004, to improve coordination between major direct, and sectoral, budget support (especially in education and health) donors. Current members are the UK, Norway, Sweden, and the European Commission. The World Bank and Germany, who are the other significant budget support donors, are CABS observers. The African Development Bank and the US complete the list of donors using budget support. Neither Japan nor Canada, who are both large bilateral donors, have adopted budget support.

DFID is Malawi's major bilateral donor and provides both direct budget support and sectoral support to the Malawian government. In 2004 general budget support represented half of DFID's ODA spending in Malawi (total of £56.8 million).

# Appendix Two

## Causality Map for the Enhanced Evaluation Framework

From the Joint Evaluation of General Budget Support 1994-2004, IDD and Associates, May 2006.



# Appendix Three

## Policy networks and coalitions

The majority of the networks and coalitions mentioned below have been formed since the late 1990s/early 2000s.

(NB the following is not an exhaustive list of NGO policy networks in each country).

<b>TANZANIA</b>	<b>MALAWI</b>	<b>UGANDA</b>
<ul style="list-style-type: none"> <li>● NGO Policy Forum</li> <li>● Tanzania Association of NGOs (TANGO)</li> <li>● Tanzania Gender Network</li> <li>● Women’s Economic Group Coordination Council</li> <li>● Tanzania Education Network (TENMET)</li> <li>● Tanzania Association of Disabled Persons (SHIVYAWATA)</li> <li>● Tanzania Coalition on Debt and Development (TCDD)</li> <li>● Tanzania Council for Social Development (TACOSODE)</li> <li>● Health Equity Network</li> <li>● Tanzania Network of Organisations of People Living with HIV/AIDS (TANOPHA)</li> <li>● PINGO: Pastoralist and Indigenous NGOs Forum</li> <li>● Tanzania Natural Resource Group (TNRG)</li> <li>● Network of Tanzanian Women with HIV/AIDS (NETWO+)</li> <li>● Tanzanian Council of Churches</li> </ul>	<ul style="list-style-type: none"> <li>● Malawi Economic Justice Network (MEJN)</li> <li>● Civil Society Coalition for Quality Basic Education</li> <li>● Universal Access Coalition</li> <li>● Civil Society Agricultural Network</li> <li>● Malawi Health Equity Network (MHEN)</li> <li>● Christian Hospital Association of Malawi (CHAM)</li> <li>● Gender NGO Coordination Network</li> <li>● Council of non-governmental organisations of Malawi (CONGOMA)</li> <li>● Malawi Social Forum</li> </ul>	<ul style="list-style-type: none"> <li>● Uganda National NGO Forum (NGO Forum)</li> <li>● Civil Society Organisations for Peace in Northern Uganda (CSOPNU)</li> <li>● Development Network of Indigenous Voluntary Associations (DENIVA)</li> <li>● Uganda Debt Network (UDN)</li> <li>● Human Rights Network – Uganda (HURINET – U)</li> <li>● Civil Society Steering Committee on ACP/EU (CSSC – ACP/EU)</li> <li>● Forum for Education NGOs in Uganda (FENU)</li> <li>● Uganda Water and Sanitation NGO Network (UWASNET)</li> <li>● Uganda Network of AIDS Service Organisations (UNASO)</li> <li>● Uganda Child Rights NGO Network (UCRNN)</li> <li>● National Union of Disabled Persons of Uganda (NUDIPU)</li> <li>● National Association of Women’s organisations in Uganda (NAWOU)</li> <li>● Food Rights Alliance (FRA)</li> <li>● Uganda Land Alliance</li> <li>● Uganda Joint Christian Council (UJCC)</li> </ul>

# Appendix Four

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## Research questions addressed by each country-based research team

### 1 Context (brief, summary responses)

- i) Relevant information on the political and socio-economic situation in your country.
- ii) Who are the major bilateral and multilateral donors in your country providing development assistance? How much aid have these donors provided in recent years? (See OECD Development Assistance Committee figures) What proportion of GDP is this?
- iii) Taking the top five donors, what main funding instruments do each of these donors favour for supporting poverty reduction in your country? (eg direct budget support; sector wide approaches; GBS; basket funding; project funding etc)? What proportion of funds does each of the donors disburse across different instruments? What are these donors doing to harmonise their development assistance (eg is there a multi-donor budget support committee)?
- iv) How did DBS evolve in your country?
- v) Brief details re effectiveness of aid, including any recent evaluations of the impact of DBS (referring to key secondary sources).
- vi) What are the predominant perceptions and attitudes amongst civil society organisations (CSOs) with regard to a) the main foreign donors? b) the government's efforts to reduce poverty?
- vii) What is the nature of relations between the government and the country's major donors? Have there been efforts to reduce conditionality in favour of common agreed principles? Does the government's accountability to DFID and to other donors providing DBS appear to have increased or decreased over the past five years?
- viii) What forms of government accountability to different stakeholders have been developed over the past five years? What are the main mechanisms for holding national and/or local governments to account and how effective are they perceived to be?

ix) Map out the nature and make-up of civil society (including CSOs examined in this research) – relative strengths, level of dependence on official donor funding, laws relating to CSOs.

x) In the views of CSOs themselves, what role and contribution do they think they play in relation to government and donors? Have their perceptions of their role changed over the past five years?

### 2 Funding to CSOs – general context (brief, general answers)

i) Where does each of the CSOs (both local and international) examined in this study access its resources from? What proportion of their funds comes from where? How has this changed over the past five years? Are any patterns emerging between the nature of each CSO (ie income/turnover, age, INGO vs local) that have affected the ability of CSOs to access funding?

ii) What main sources of donor funding are currently available to CSOs in your country?

By 'donor funding' in this context, we mean funding from:

- foreign donor governments
- multilateral institutions such as the World Bank
- your national government or from provincial/state authorities
- INGOs – ie funding that was originally provided by an official donor and then passed onto local NGOs by an INGO or sub-contractor.

iii) Overall, is there a perception that donor funding to a) local NGOs and b) INGOs has risen or fallen over the past five years? What main sources of donor funding to CSOs seem to have fallen? What main sources of official funding seem to have risen?

iv) In the opinion of those interviewed, what are perceived as the contributing factors behind these changes?

v) How have changes in donor funding impacted on the work of the CSOs?

### 3 Policy engagement with DFID

i) What role does DFID seem to think a) INGOs and b) national NGOs should play in poverty reduction in your country? Has DFID's perception of the role of a) local NGOs and b) INGOs changed in any way over the past five years? Do DFID's expectations of CSOs appear to have changed as a result of DFID's shift to a direct budget support relationship with the national government? Why?

ii) What mechanisms and opportunities exist for influencing DFID policies in your country? Have the CSOs examined in this study actively sought to influence DFID policies? Has the space for policy engagement with DFID increased, decreased, or remained the same over the past five years? Why?

iii) What opportunities and obstacles does DFID perceive in engaging with CSOs?

### 4 Changes in funding mechanisms from DFID

i) Give details of the other donors with whom DFID works closely – sometimes referred to as 'pool donors' or 'like minded donors' – ie how DFID works with them and what funding is available to CSOs from these other donors.

(NB it may sometimes be difficult or inappropriate to single out DFID from other donors. While DFID is the focus for this research project, inevitably we shall also capture trends across the donor community as a whole in your country, or at least across donors providing DBS.)

ii) Have the sources of funding from DFID for CSOs changed in any way over the past five years? What new sources of DFID funding have become available over the past five years? What sources of funding are no longer available from DFID? Based on the experiences of those interviewed, does funding from DFID appear to have risen or fallen for a) local NGOs and b) INGOs over the past five years? Is there financial data available that indicates whether funding to CSOs has risen or fallen?

iii) What have been the changes among the other donors identified in question 3.i) in relation to funding of CSOs?

iv) What types of activities is DFID currently funding CSOs to do? What changes can be observed in the types of activities DFID now wants CSOs to undertake, compared to five years ago? What are the strengths and weaknesses of the types of activities DFID is currently funding?

v) With reference to CSOs, how easy is it to access funds from a) DFID in the UK and b) DFID in-country? How onerous are the application requirements for DFID's main funding streams? How onerous are the monitoring and reporting requirements? Is it easier to access funds from DFID in 2005 than it was five years ago?

vi) What have been the differing experiences of different groups of CSOs in relation to accessing DFID funds (in particular, local NGOs vs INGOs)?

vii) Based on the views and experiences of those interviewed, what key factors might account for the changes in CSOs' funding relationship with DFID in recent years?

viii) In recent years, DFID has devolved considerable authority from the UK to country offices. How does this appear to have affected DFID's support to CSOs? Do DFID's CSO funding streams managed from DFID headquarters in the UK complement, duplicate or contradict DFID's 'in-country' funding streams accessed via DFID country offices?

ix) Leaving aside the implications for CSO funding, does the approach DFID is currently taking seem appropriate for achieving poverty reduction in your country? What elements have improved over the past five years and which have got worse?

x) How have all these recent changes affected relations among CSOs?

## 5 Policy engagement with the government

i) With regard to each of the local NGOs and INGOs examined in this research project, have their work and structures changed in recent years in response to changes in donor funding and policies?

ii) What scope is there for CSOs to engage with, and/or influence government policies that have a bearing on poverty reduction? Have the possibilities decreased or increased over the past five years?

iii) What role does the government appear to want CSOs to play in poverty reduction? Has the government's perception of the role of CSOs changed in any way over the past five years?

iv) What factors might account for a decrease or increase in the space for CSOs to either engage with or influence the state (both national and local) over the past five years?

## 6 Changes in funding available from the government

i) What funds (if any) are currently available for CSOs from a) national government and b) local state authorities? What new sources of funding have become available from the state (both national and local) over the past five years? What are the different forms of accessing government funds by CSOs (including matching funds to donor grants and services contracted out to CSOs)? Are there any sources of funding from the state that CSOs used to access and which are no longer available? Based on the experiences of those interviewed, does funding from the state (both national government and local authorities) appear to have risen or fallen over the past five years? Are the sources of government funding for CSOs transparently available to all CSOs?

ii) What types of activities is the state (both national and local) funding CSOs to do? Have these activities changed in any way over the past five years?

iii) How easy is it to access funds from state authorities? How onerous are a) the application requirements; and b) the monitoring and reporting requirements?

iv) What factors might account for the changes in CSOs' funding relationship with the state (both national and local) over the past five years?

v) What are perceived to be a) the main opportunities and b) the main threats to CSOs of entering into a funding relationship with national or local government?

## 7 Questions to be addressed by the conclusions of each country report

i) Do different groups of CSOs have greater or lesser opportunities for engaging with DFID policies and practices and for receiving DFID funding since DBS was introduced? And what evidence is there that DBS is responsible for the increase/decrease?

ii) Do CSOs have greater or lesser opportunities for influencing government policies in relation to poverty reduction? And what evidence is there that DBS is responsible for the increase/decrease?

iii) What have been the key trends over the past five years in relation to the access to donor funds by different categories of CSOs?

iv) What major obstacles are CSOs currently having to confront when trying to access a) funds from official donors (include definition) and b) funds from recipient governments? (Specify differences between different sectors.)

v) To what extent does the introduction of DBS account for the opportunities and obstacles that have arisen in relation to the funding of CSOs in recent years?

vi) How have the CSO activities funded by DFID changed in recent years?

vii) How have recent changes and trends in donor aid affected relations between INGOs and local NGOs in your country?

viii) Based on the above, what actions could a) donors (particularly DFID); b) national governments; c) CSOs take to mitigate or overcome any obstacles or negative trends identified in this research?

## Appendix five

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### Report discussion seminar, 22 June 2006

ActionAid and CARE held a seminar on 22 June 2006 in London, UK to engage donor agencies, NGOs and other stakeholders in discussions about the implications of the findings in this report. Tony Killick, ODI Associate, chaired the meeting, noting that despite a growing awareness of the limitations of the traditional project approach and a shift towards programme aid and PRSPs, until the ActionAid and CARE study, no one had yet asked the question: what does this mean for civil society and specifically for NGOs?

ActionAid and CARE began by presenting their findings, followed by an overview of related initiatives from DFID representatives and ending with a plenary session. The following is a brief summary of key points raised in the plenary discussion.

#### Commoditisation of democracy

- Concern was expressed with DFID's use of macro-economic terminology ('supply' to describe donors and governments and 'demand' to describe CSOs), arguably signifying a commoditisation of democracy.
- Debates continue within DFID about the use of this terminology, although DFID representatives believed that this language enables them to communicate with colleagues who have embraced the 'supply' and 'demand' approach.

#### Power relations

- Power relationships are complex and a broader understanding of these must be promoted. Invisible power relationships and those inherent in political and social ideologies need to be given attention. It was observed that there was no mention of Drivers of Change studies (or other political analysis) and the question was posed: how are the Drivers of Change studies commissioned by DFID feeding into DFID's budget support work?
- Getting governments to recognise that participation is an essential part of developing a healthy society is an ongoing struggle. It was commonly agreed that donors can play a more direct role in facilitating open spaces and should assist participation by ensuring timely access to information.
- Emphasis was placed on the role of NGOs as critics. It was suggested that with financial support from a range of sources, NGOs are more likely to be able to independently challenge donors and recipient governments.
- Drawing from the lessons of debt relief campaigns, the question was posed: what does it take to bring inclusive participatory elements to the aid system? Perhaps DFID and other donors should acknowledge that they are political players, state their aims explicitly and develop communications strategies that are not only web based but also reach out to poor people.

*'How can we challenge hegemonic language and the concentration on the visible elements of power?'*

**Koy Thompson, ActionAid International**

### How many NGOs does it take to...

- One participant questioned the assumption that having more and more NGOs is a good thing. Would it not be more efficient to have less? Could a reduction in NGO numbers actually strengthen NGOs' role? How does/would this affect the efficiency of NGO advocacy?
- In response, it was argued that the diverse and organic development of the NGO sector is a strength - emanating from local people seeking to address a given situation. It was suggested that as state institutions become more effective, there might be a reduction in NGO numbers, but that at present the diversity of the NGO community enables NGOs to reach the parts that macro-structures do not.
- Should NGOs pay more attention to lobbying private sector organisations rather than focusing so much on governments and donors?

*'NGOs are at a crossroads. Donors are supporting advocacy and monitoring but governments want NGOs to provide service delivery.'*

**Christine Achieng, CARE Uganda.**

### Legitimacy and credibility

- When looking at what gives CSOs legitimacy to sit at the policy making table with donors and government, we need to distinguish between legitimacy (based on an organisation having a broad constituency base) and credibility (quality and effectiveness of work). Arguably, organisations may have legitimacy without credibility or vice versa.
- How much is dependent on changing fashions in development? What happens if it is decided that PRSPs are not appropriate anymore? Will the focus on domestic accountability continue, even if donors abandon PRSPs or DBS?

*'How can you ensure that external politics adds value to internal politics yet doesn't substitute it?'*

**Collins Magalasi, ActionAid Malawi**

### Domestic accountability

- The notion of accountability as multidimensional was previously considered a radical viewpoint within DFID. However, these 'radical' viewpoints are becoming increasingly mainstreamed within DFID. But does DFID yet know enough about domestic accountability and how to build it?
- In response, a concern was raised that DFID is focusing too much on how it can strengthen domestic accountability and not enough on its own accountability. Who is holding DFID country offices to account? DFID needs to recognise that it is a political player itself. There is a need for the donor community to be more transparent and we need mechanisms for scrutiny at a national level. NGOs need a system that allows them to challenge donor country offices effectively when problems arise.
- Related to this was the big question of whether increased accountability actually leads to more effective development. More research is needed to explore the relationship between accountability and types of development. DFID isn't the only actor - there is a need to move the whole donor community towards working on accountability issues. To achieve this we need specific, concrete recommendations outlining how to increase accountability. Attention was drawn to the Paris Declaration as a potential entry point for NGOs to hold DFID to account to the commitments made

- Yet all the discussions on accountability (particularly on the role of parliaments) use the concepts of modern Western politics – concepts which are often very divorced from the way from the way politics works in non-western countries. There is an evident value bias and more attention must be paid to what drives change rather than to western donors’ assumptions about what will deliver positive change.
- Concretely, DFID representatives at the seminar recognised that there is a need to open up the DBS relationship between DFID and recipient governments to public scrutiny.

*‘We must recognise that people don’t eat policy. The ordinary person is interested in the availability of a particular service, how it can be accessed and utilised. PRSPs and other processes are fantastic in terms of participation and strengthening government but in practice are frustrating.’*

**Zabdiel Kimambo, CARE Tanzania**

# Endnotes

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- 1 See chapter 1, page 12 for our definition and use of the term, NGO, in this study.
- 2 See chapter 1, page 10 for a full explanation of direct budget support.
- 3 See chapter 1, page 10 for a full explanation of general budget support.
- 4 See for example Commission for Africa, Our Common Interest – Report of the Commission for Africa, UK government, London, 2005 and United Nations Development Programme, Human development report, United Nations, New York 2005.
- 5 To read more about the introduction of PRSPs, read Christiansen K. and Hovland I, The PRSP initiative: Multilateral Policy Change and the Role of Research, ODI working paper 206, Overseas Development Institute, London, 2003.
- 6 In Malawi, commentators have argued that GBS provided is more akin to ‘traditional’ programme aid with objectives limited to macro-economic stabilization. See David Booth et al, Drivers of Change and Development in Malawi, page 6, ODI 2006.
- 7 OECD-DAC, Secretariat Simulation of DAC members’ net ODA Volumes in 2006 and 2010, Development Assistance Committee, Paris, 2005.
- 8 DAC figures quoted in Real Aid: an Agenda for Making Aid Work, ActionAid, London, 2005.
- 9 ActionAid, for example, made its own contribution to this debate through its 2005 publication Real Aid: an agenda for making aid work in which it was very critical of the PRS process and of efforts towards donor harmonisation and alignment.
- 10 Only in Malawi did our research team favour the use of the term ‘CSO’ over the term ‘NGO’, as indicated in the Malawi country report. Here, the research team felt strongly that the term ‘NGO’ had little resonance and that ‘CSO’ was the more commonly used term to describe non-governmental organisations working in development.
- 11 Information taken from [www.dfid.gov.uk](http://www.dfid.gov.uk), 2005.
- 12 IMF factsheet, Poverty Reduction Strategy Papers, September 2005, [www.imf.org/external/np/exr/facts/prsp.htm](http://www.imf.org/external/np/exr/facts/prsp.htm)
- 13 Joint World Bank and IMF report on poverty reduction strategy papers, Progress in Implementation 2005 PRS Review Concept Note, Feb 2 2005, <http://www.imf.org/external/np/pp/eng/2005/020205.htm>
- 14 DFID information department, Background briefing: Poverty Reduction Strategies, June 2001 – Second Edition, <http://www.dfid.gov.uk/pubs/files/bg-briefing-prs.pdf>.
- 15 Lawson A, et al, General Budget Support Evaluability Study Phase I Final Synthesis Report, Oxford Policy Management and Overseas Development Institute, 30 December 2000.
- 16 DFID, Poverty Reduction Budget Support: a DFID Policy Paper, London, May 2004.
- 17 OECD DAC, Evaluation of General Budget Support Inception Report, June 2005, [www.dfid.gov.uk/aboutdfid/performance/files/evd2-inception-report.pdf](http://www.dfid.gov.uk/aboutdfid/performance/files/evd2-inception-report.pdf).
- 18 Lawson A et al, Does General Budget Support Work? Evidence from Tanzania, Overseas Development Institute and Daima Associates, July 2005.
- 19 DFID information and civil society department, Civil Society and Development: how DFID Works in Partnership with Civil Society to Deliver the Millennium Development Goals, page 11, April 2006, <http://www.dfid.gov.uk/pubs/files/civil-society-dev.pdf>.
- 20 Ibid page 6.
- 21 This view was expressed informally to the author by Trish Silkin of Mokoro Consultants.

- 22 Piron H, with Evans A, Politics and the PRSP Approach: Synthesis Paper, Working Paper 237, page 18, Overseas Development Institute, London, March 2004.
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- 26 Gould J, Ojanen J, Tanzania: Merging in the Circle, published in The New conditionality: the Politics of PRS's, Zed Books, 2006. Gould and Ojanen are very critical of the participatory process with regard to PRS-1.
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- 29 See: ActionAid, Inclusive Circles Lost in Exclusive Cycles: an ActionAid Contribution to the First Global Poverty Reduction Strategies Comprehensive Review. Based on experiences from ActionAid staff and partners in Haiti, Kenya, Malawi, Nepal, Rwanda, Uganda and Vietnam, ActionAid USA.
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- 30 This was a subtle reference to NGO participation in the Education Sector Review in 2005. Meetings were postponed twice and the number of NGO invitees was progressively reduced to such a low level that the number of donor representatives exceeded that of NGOs; eventually some NGOs refused to attend in protest.
- 31 Lawson A et al, Does General Budget Support Work? Evidence from Tanzania, op. cit.
- 32 New Vision, Uganda, 15 April 2006.
- 33 Lawson A, Booth D, Harding A, Hoole D and Naschold F, General Budget Support Evaluability Study Phase I Final Synthesis Report, Oxford Policy Management and Overseas Development Institute, 30 December 2002, and Lawson A., Booth D, Msuya M, Wangwe S, and Williamson T, Joint Evaluation of General Budget Support, Tanzania 1995-2004, Overseas Development Institute and Daima Associates, 2005.
- 34 Poverty Reduction Budget Support, a DFID policy paper, para 4.20, May 2004.
- 35 A Joint Evaluation of General Budget Support 1994-2004, Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam, synthesis report, IDD and Associates, University of Birmingham, May 2006.

## Endnotes

- 36 Lawson and Booth, GBS Evaluability Study paras 195–200.
- 37 This view was expressed by NGO representatives at an informal seminar attended by DFID, ActionAid and CARE staff and other stakeholders in February 2006.
- 38 This view was expressed by a DFID representative at an informal seminar attended by DFID, ActionAid and CARE staff and other stakeholders.
- 39 DFID, Civil Society and Development, op. cit page 2.
- 40 DFID, Draft How to Note: Implementing DFID's Conditionality Policy, DFID, January 2006.
- 41 This latter point was made strongly at a workshop with ActionAid and CARE staff from Uganda, Tanzania and Malawi in April 2006.
- 42 Consultative Groups were periodic meetings between multilateral and bilateral donors, the government and a number of other stakeholders, including civil society, and originally the brainchild of the World Bank.
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- 44 NORAD, How to Deal With Direct Support to Civil Society, <http://norad.no/items/2792/38/4371941298/directsupport.pdf>, page 5.
- 45 Civil Society and Development, DFID op. cit. page 6.
- 46 The UK's contribution to achieving the Millennium Development Goals, page 44, HM government 2005.
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- 49 Ref to discussions at workshop for the research teams in this study, Tanzania, April 2006.
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- 58 Concerns raised during an NGO forum organised for this research in March 2006.
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- 60 De Conick J, *Review of Programme Partnership Agreements in Uganda*, Kampala, June 2004.
- 61 De Conick J, op cit , pages 4-5.
- 62 This is the anecdotal perception of interviewees. Figures disaggregating the amount of funding dedicated to different types of CSO activity was not available from DFID or indeed from any other donors contacted in relation to this study.
- 63 Wiseman K, *Letting the Baby Grow*, op. cit.
- 64 Through the Tikambirane programme which DFID funds jointly with USAID and CIDA

(Canada), for example, plus the NDI project also co-funded with USAID and originally with DANIDA.

- 65 See Gould J, and Ojanen J, Tanzania: Merging in the Circle, op.cit.
- 66 Civil Society and Development, op. cit. p.6.
- 67 Civil Society and Development, op. cit p. 8.
- 68 Lawson A, Booth D, Harding A, Hoole D, and Naschold F, General Budget Support Evaluability Study Phase I Final Synthesis Report, Oxford Policy Management and Overseas Development Institute, 30 December 2002. See Application of the framework to country case studies, pp. 67-68.
- 69 Lawson A et al, General Budget Support Evaluability Study Phase I Final Synthesis Report, op. cit.
- 70 This matter was discussed at length at a workshop with research teams in Tanzania in April 2006.
- 71 NGO Act 2002, Tanzania, Section 7, sub-section 1
- 72 Civil Society and Development, op. cit p.7.
- 73 DFID, Draft How to Note: Implementing DFID's Conditionality Policy, op. cit.
- 74 Input by DFID adviser at an ActionAid/CARE informal seminar with DFID staff and policy analysts in London in February 2006.
- 75 Lawson et al, Does general Budget Support Work? Evidence from Tanzania, ODI/Daima Associates, July 2005.]
- 76 See A joint evaluation of general budget support 1994-2004, Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam, op.cit.





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