BEYOND THE DGF: CHALLENGES AND OPPORTUNITIES FOR CSOS IN UGANDA

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INTRODUCTION – UGANDA'S CIVIL SOCIETY SECTOR

In the past half a century, civil society has rapidly gained recognition for its role in development policy and practice. Following the re-emergence of the New Policy Agenda in the early 1990s, and the consolidation of neoliberal and democratic governance reforms, mainstream development organizations such as the World Bank quickly identified Civil Society Organizations (CSOs) as vehicles for advancing ideas about good governance[1]. They were viewed simultaneously as public actors that could support the democratic process in political spheres, and private market-based actors that could support service delivery where the state failed[2]. It is no wonder that civil society organizations, especially Non- Governmental Organizations (NGOs), have now become part of the global governance and development system.

In Uganda, the civil society sector has not only grown significantly in terms of numbers but also mutated from predominantly service-delivery to advocacy on human rights and governance issues. Service Delivery NGOs augment government efforts and fill the gaps where Government cannot reach. Until recently, it was estimated that CSOs, mainly Faith-Based Organizations, provided up to 40% of health services in the country. For their complementary role, the Government is supportive and welcoming of their interventions. On the other hand, advocacy NGOs in Uganda provide a counterweight to the power of the political elite and balance the power between citizens and the state. These organizations check state excesses and challenge its inefficiencies. This accountability role has significantly shaped the nature of the relationship between NGOs and the State. It is unsurprising therefore that in Uganda's neo-patrimonial contexts[3] where the state works towards maintaining political control, there exists a conflictual relationship between CSOs and the state.

It should also be noted that since independence Uganda has had a turbulent political history, characterized by the suppression of dissent, limited space for civic organising and violent political transitions. President Museveni's ascendence to power in 1986 brought a glimmer of hope as he led the effort to restore constitutional order with his

[1] Mohanty, R. (2002). *Civil society and NGOs* JSTOR
[2] Edwards, M., & Hulme, D. (1992). *Scaling-up the developmental impact of NGOs: Concepts and experiences* London: Earthscan
[3] Diana Cammack et. al. 2007. Neopatrimonial Politics, Decentralisation and Local Government: Uganda and Malawi

movement system of government, a new democratic constitution in 1995 and restoration to multiparty political dispensation in 2005. However, 38 years later, different actors contend that Museveni's Government has grown increasingly less tolerant of criticism and continues to threaten a return to the turbulent past. In the past decade alone, for example, retrogressive laws and guidelines have been enacted, state institutions have adopted a more ruthless response to civic activists including arrests, raids on organizations, threats, and intimidation, among others.

State agencies and agents have also recently stepped up their efforts to demonize legitimate CSO work with negative narratives being purveyed across media platforms. Arguably, civil society actors in Uganda feel that the spirit of the Public Order Management Act, 2011, the NGO Act, of 2016, and the Computer Misuse (Amendment) Act, 2022, among others, coupled with the spate of attacks on offices of some vocal NGOs, and the violent crackdown on activities of opposition politicians and their supporters by the Uganda Police Force, are among the many signs that civic space is imperiled.

NGO FINANCING LANDSCAPE IN UGANDA

Uganda's pre and immediate post-colonial civil society associations were organized around organic citizens' interests. Consequently, their financing was largely drawn from member contributions. This was the case with trade unions and other similar citizen associations. However, with the global recognition of the role of civil society in the development realm, the Global Financial Institutions and Development Partners worked through NGOs to deliver social services while investing in building the state capabilities of African Governments. As such, the financing situation for NGOs in the late 1980s and 90s was favourable as Global Development Organizations channeled development aid through NGOs in Uganda. Additionally, consistent with President Museveni's movement politics at the time – consensus politics and the desire to put Uganda in good light internationally as a country that is liberal and ready to work with all partners, the flow of development aid in form of grants to NGOs was unabated[4] and with minimum scrutiny. Financing for civil society thus expanded exponentially during this period.

More recently, however, development assistance to CSOs in Uganda is reducing. This turn can be attributed to several factors, but two major developments in the sector have contributed the most: on one hand, souring relations between the sector and the government have triggered state action to 'squeeze' development partners into scaling back their support. Secondly, a shift from core funding to project-based support has left more organizations with limited resources to invest in their sustainability. Beyond domestic challenges unique to the Ugandan context, it is also imperative to note that global financing for NGOs is generally reducing. The most significant driver behind this reduction stems from political changes in the global west. Some of the recent election cycles in Europe and America precipitated a rise of far-right political groups in government. Their nationalist agenda has had effects on the spending by the world's biggest donors.

More specifically, the United States of America (USA) – the world's biggest spender on development aid reduced foreign spending to stimulate its economy under President Trump. As a result, United States Agency for International Development (USAID) shifted its policy focus to self-sustenance. Britain's exit from the European Union (EU) bound both Department for International Development (DFID) and EU spending in developing countries. In the bid to strengthen commercial ties with its former colonies, British interests shifted to trade while DIFD's new imperative is to promote trade and investment over social justice. As such, its approach to financing is shifting away from civil society support to private sector support. Lastly, the war in Ukraine has had a significant effect on domestic financing in Uganda as donors divert attention, resources, and expertise away from crises elsewhere and force cuts to aid.

[4] Richard Ssewakiryanga, 'No Romance without Finance' Civil Society Sustainability and Funding in Uganda – Contours and Contestations; Unpublished

THE "POOLED OR BASKET" FUNDING MODEL

Multi-donor pooled or basket funds can be defined as a situation where two or more donors jointly finance a set of programs or actions based on commonly agreed objectives, criteria for allocations, and reporting modalities[5]. In recent years there has been an observable trend for donors to 'pool' their funds at the country level in support of shared development or humanitarian objectives. This trend has its antecedents in the last decade. The Monterrey Consensus at the International Conference on Financing for Development in 2002 acknowledged the need for more effective collaboration between donors and recipients if the Millennium Development Goals (MDGs) were to be achieved. A commitment to the increased 'harmonization' of aid was further consolidated in the Paris Declaration on Aid Effectiveness in 2005, which outlined the broad aims of the aid effectiveness agenda – ownership, alignment, and harmonization. Today, nearly all donors subscribe to the principles of the aid effectiveness agenda[6]. By administering funds from several donors under a single governance structure, multi-donor funds are a demonstration of consensus amongst international donors on what constitutes aid effectiveness and what needs to be supported.

Basket funds, therefore, broadly aim to enhance the quality of assistance by increasing donor coordination, simplifying management arrangements, and reducing duplication of effort. There is a large degree of commonality in the activities supported by basket funds, and in how they have been governed. The main activities have been, voter and civic education, election monitoring, governance monitoring, and accountability, among others. Basket funds usually operate with a three-tiered management structure: a policy and governance board, a technical oversight committee (Steering Committee) to ensure the project remains on track and budget, and a day-to-day Programme Management Unit (PMU) to implement the project at the technical level. The PMU reports to the Steering Committee, which usually includes representation from contributing donors. In addition, wider consultation and coordination with donors, civil society, and other parties who are not contributing to the basket fund is often facilitated through stakeholder forums.

There is limited information available regarding the degree of success in implementing basket funds. However, broadly, basket funding help to enable greater outreach to a wider range of CSOs, avoiding duplication of donor funding, and reducing transaction costs for donors thus making more money available to CSOs. Perspectives on receiving multi-donor funds as a grantee indicate that it reduces the burden of piecing together funding from different donors and fulfilling many reporting requirements.

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[5] UNDP Annual Report, 2012

[6] The Organization for Economic Cooperation and Development (OECD) defines the aid effectiveness agenda as the process of 'strengthening development partners' harmonization and alignment with the policies of partner countries, to enhance partner country ownership, reduce aid delivery transaction costs, avoiding overlapping and contradictory interventions, and increasing the accountability of both sets of partners to their sources of finance.

Some experts have, however, suggested that some funds experience weak coordination and consensus among participating donors, limited involvement of key stakeholders, and/or weak communication among the various international actors. Other implementation problems have included poor management and drawn-out recruitment processes due to competing interests of contributing donors. There are also emerging concerns among smaller, lesser-known organizations that pooled funding models fuel a monopolization of resources by more established organizations that already have a relationship with donors. Unless funds are deliberately designed to reach smaller organizations, concerns about crowding out valuable community voices remain valid.

THE CASE OF THE DEMOCRATIC GOVERNANCE FACILITY (DGF)

One of the support structures for the CSO sector in Uganda has been the Democratic Governance Facility (DGF), a basket fund that supports most CSO work around governance and accountability. The DGF was preceded by the Deepening Democracy Program (DDP) and initially established in July 2011 by eight Development Partners (DPs), i.e. Austria, Denmark, Ireland, the Netherlands, Norway, Sweden, the United Kingdom, and the European Union, as a five-year governance program aimed at providing harmonized, coherent and well-coordinated support to state and non-state entities to strengthen democratization, protect human rights, improve access to justice and enhance accountability in Uganda.

Like most basket funds, the DGF is managed by a Program Management Unit and supervised by the Steering Committee and the Board as the topmost policy organ. The DGF addresses governance challenges through three separate but interlinked programme components: (i) Deepening Democracy, (ii) Rights, Justice and Peace, and (iii) Voice and Accountability. Cross-cutting policy concerns like gender equality are mainstreamed within the DGF, which also addresses thematic issues such as land rights, conflict prevention, and the involvement of young women and men in governance processes. The DGF places particular emphasis on the role of non-state actors as drivers of change.

In its second phase which commenced in 2017, DGF II had a budget of 102 million Euros. The money was contributed by the European Development Fund (EDF) 12 million Euros, Austria 2.5 million Euros, Denmark 20 million Euros, Ireland 14 million Euros, the Netherlands 10 million Euros, Norway 10 million Euros, and Sweden 25 million Euros. It also had 8 million Euros carried forward from DGF I. The facility is the major funder of over 60 NGOs, local governments, and agencies.

THE DGF SUSPENSION AND IMPLICATIONS FOR CSOs

To date, NGOs in Uganda continue to rely on foreign sources of funding. Data from the International Aid Transparency Initiative indicates that international, national, regional, and partner country based CSOs received funding totaling $579 million in 2021, reflecting a $16.6 million reduction from 2020. Although the legal framework for CSO financing in Uganda has not changed much, and CSOs are free to mobilize financial resources from foreign donors, there was a noticeable shift in state policy towards foreign funding in 2021.

The Ministerial Guidelines on the Management of Development Assistance, 2021 threaten to hurt foreign funding of CSOs. They have the potential to constrain CSOs' ability to seek, receive, and use foreign funding. In particular, the guidelines require development assistance to be "in line" with government priorities, which places improper pressure on CSOs receiving assistance to align their activities with these priorities; requires development projects and programs to have prior government approval. This may result in undue delays to development support; require development projects and programs to be supervised by and "implemented together with" government ministries, which invites arbitrary or burdensome interference in the activities of CSOs. The guidelines also require projects and programs financed by development partners to be "reported and appropriated" by the parliament for budgetary purposes, raising concerns about intrusive scrutiny into development financing.

In 2021, President Yoweri Museveni ordered the suspension of the DGF, which he accused of operating in a vacuum without government participation. It is reported that the president set similar conditions as the ones stated above before opening the facility, which the contributing donors did not welcome as a whole. The suspension sent shockwaves among several civil society actors whose activities and survival entirely or largely depended on funding from DGF. Negotiations ensued between the government and DGF to come to an amicable solution.

In June this year, President Yoweri Museveni announced that he had lifted the ban on DGF until December 2022. This decision was reached on condition that the government is represented in the facility's decision-making structures. The announcement followed a meeting between the president and the Danish Minister for Development Cooperation, Flemming Miller Mortensen. As December nears, there is no indication that DGF shall continue its operations in Uganda. Partners have been asked to wind up all pending activities. As a result, many CSOs risk downscaling their operations since there is no other pool of funding like DGF to support continuity of their activities. At the moment, many CSOs already feel the absence of DGF, vulnerable populations most in need of support lost critical advocates, compromising their access to justice and services thus threatening the reversal of achievements already made. It is estimated that DGF's closure undermined the operations of not only seventy-eight grantee organizations but also hundreds of CBOs receiving sub-grants for activities funded by DGF.

CONCLUSIONS AND RECOMMENDATIONS BEYOND THE DGF

In the final analysis, it can be noted that the nature and character of the Ugandan state leave NGOs, especially those engaged in advocacy to inevitably be at odds with the state as they attempt to empower citizens, demand accountability and challenge excesses of the state. Invariably, the government, through its agents searches for means through which to constrain space for NGO operations. The law is just one facet of the means at government disposal. The government has often used other extrajudicial means to constrain NGO operations. While this has slowed down CSO operations, the organizations' resilience and continued donor support have enabled them to continue undertaking their work, albeit, with hardships. The attack on their funding streams inevitably cripples their operations. The case of the DGF for example has already demobilized several organizations and hampered work in communities. What this means is that CSOs and development partners have to fashion new and creative ways to continue doing their work. The following proposals offer some both short-term and long-term alternatives.

a) A LOOK AT LOCAL FUNDRAISING AND PHILANTHROPY

Recent literature suggests that the notion of sustainability for the NGO sector ought to be looked at broadly beyond financing. NGOs in Uganda need to connect more deeply with the citizens' aspirations and root the NGO programs in citizens' agendas to survive in Uganda's political context and secure financial support from the citizens themselves. According to CivSource Africa, individual donations to charitable organizations continued to rise in 2021 in response to emergencies caused by the COVID-19 pandemic. This trend was also reflected in growing support for nascent online crowdsourcing initiatives such as Dolphin Fund and Akabbo, which tap into traditions of collective solidarity and provide alternative methods of gathering funding for humanitarian work. In addition, some CSOs benefitted from community goodwill, although it is not possible to assess the monetary value of such support, it shows the existing potential that CSOs can continue to tap into to finance their programs. CSOs can begin to position themselves as conduits for corporate giving to communities, especially if they operate service-delivery facilities such as healthcare centers and schools.

This capacity and repositioning can, however, not be undertaken in a short period of time. There is, therefore, a need for the DGF contributing donors to consider creating bridged funding alternatives for CSOs during this time to enable a smooth transition. This is considered possible, since, with the covid-19 related restrictions, coupled with more than one year suspension, most DGF grantees were unable to implement most of the planned activities in their partnership agreements. This makes available unspent resources under the DGF which can be used to offer bridged and transition funding arrangements.

b) FOCUS ON SOCIAL ENTERPRISES

Although the NGO Act 2016 allows CSOs to engage in commercial activity to finance their programs, few CSOs have taken advantage of this opportunity, in part because of the economic decline caused by the pandemic. Organizational weaknesses, such as the lack of competent staff, also prevented many CSOs from embracing commercial activity as an alternative source of income. A 2021 study on property acquisition and NGO sustainability by CivSource Africa found that Ugandan CSOs with commercially viable assets like buildings and event premises were less susceptible to funding shocks because they can generate income through property rental. The recent developments, therefore, require that NGOs focus more on establishing enterprises through which they can finance their work than waiting for financing from foreign sources.

c) CORE AND FLEXIBLE FUNDING

It is indubitable that donors are increasingly drawn to multi-donor collaborations and pooled funding mechanisms, driven in part by the push toward aid effectiveness, the potential for reduced administrative costs as well as providing greater solidarity in disenabling environments. However, when agreement across different donors with varying interests is needed, the risks of working on least sensitive issues that obtain easy buy-in while neglecting other more complex or politically sensitive issues is high. The DGF contributing donors must now expand their willingness to provide core support to CSOs, including unrestricted funding, for a range of purposes from supporting administrative operations, like paying salaries and rent, to programmatic work. There should also be embedded flexibility for NGOs to use the funding to engage in enterprises that would guarantee their sustainability beyond short-term donor projects. This contrasts with the arrangements used by most traditional grantmaking actors including DGF which provides restricted project support or employs funding conditionalities that can dictate CSO agendas and limit their autonomy. There is evidence to show that core, flexible funding is preferable to project-based funding and has a higher potential for success. Core funding can be crucial for CSOs as it allows them flexibility, funds to build their organizational capacity to prepare for donor withdrawal. It also helps to demystify the current narrative that NGOs are beholden to donor agendas

d) USE OF INTERMEDIARIES OR LARGE LOCAL ORGANIZATIONS

Since it may not be easy to establish another basket fund for Uganda. Development Partners can use intermediary organizations to disburse funds to local organizations. Types of intermediaries vary widely, including NGOs based in the donor's country, the country office of an International NGO (INGO), or a country-based fund-making entity like CivSource Africa. Funding through intermediaries would offer a way for donors to continue minimizing their transaction costs while expanding their reach. This may enable donors to engage organizations that have a closer ear to the ground and can support a wider range of local organizations that may not otherwise be reached through traditional bilateral arrangements. Focus on investing in large national organizations with more capacity can also promote collaboration and extend support to a more diverse group of organizations than bilateral donors would otherwise have reached. This also facilitates the growth and sustainability of local organizations. Investing in larger national organizations also presents a way to develop organizations that can then serve as in-country capacity-building resources for smaller organizations.

Finally, I would like to underscore that no one mechanism is going to single-handedly lead to financial sustainability and resilience of local organizations or immediately solve their resourcing problems beyond DGF. The problems are too systemic, pervasive, and embedded in the Ugandan political context. Even the alternatives I propose above are not devoid of blind spots in themselves. For example, working with large intermediaries may lead to crowding out of small local CSOs or large international NGOs that are eligible to apply for the same funding. This requires setting clear guidelines and rationalization of the support with a clear target for small local organizations. Secondly, channeling funds through larger organizations to reach smaller ones can create new power dynamics between CSOs and overreliance of donors on a handful of large professionalized intermediaries.

Yet, with further consultation and stakeholder engagements, the four alternatives presented here, or some elements of these, have the potential to make significant positive contributions and alleviate the current crisis. It is thus very imperative for development partners to provide platforms for regular interactions and consultations with CSOs. This will enable donors to find practicable solutions that will "DO NO HARM" to local CSOs but rather strengthen the sector. Additionally, dialogues between donors, CSOs and the government of Uganda are critical. It is indubitable that CSOs contribute significantly to Uganda's development trajectory. Regular dialogues will enable all stakeholders to address the key elements of mutual suspicion and agree on key rules of engagement that facilitate the autonomy of the sector, transparency and mutual accountability.

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