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The Resources and Governance of Non-Governmental Organizations in Uganda *

Abigail Barr

Marcel Fafchamps

Trudy Owens

University of Oxford [†]

University of Oxford [‡]

University of Nottingham[§]

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Abstract

Using original survey data, we document the activities, resources, and governance structure of NGOs operating in Uganda. The NGO sector is funded primarily by international non-governmental organizations and bilateral donors. We find large differences in size and funding across NGOs, with only a few NGOs attracting most of the funding. Most NGOs are small and underfunded and focus on raising awareness and advocacy. Few NGOs are faith-based. Most screening and monitoring is done by grant agencies. Some monitoring is also done internally by members and trustees. Few respondents were able to provide coherent financial accounts. Reporting requirements appear onerous given the limited organizational capacity of Ugandan NGOs.

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[†]Department of Economics, University of Oxford, Manor Road, Oxford OX1 3UQ. Email: abigail.barr@economics.ox.ac.uk. Fax: +44(0)1865-281447.

[‡]Department of Economics, University of Oxford, Manor Road, Oxford OX1 3UQ. Email: marcel.fafchamps@economics.ox.ac.uk. Fax: +44(0)1865-281447. Tel: +44(0)1865-281446.

[§]School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD. Email: trudy.owens@nottingham.ac.uk. Fax: +44(0)115-9514159. Tel: +44(0)115-9515477.

1 Introduction

The last decade has been marked by an increased involvement of non-governmental organizations (NGOs) in the development process. This in part reflects frustration and impatience with what is perceived to be the failure of governmental development assistance either to generate growth or to reach the poor. The success of non-governmental initiatives, such as Grameen Bank in Bangladesh, has been put forth in development circles as illustration of NGO potential. An increased role for NGOs has also been made possible by traditional donors' own frustration with governments of poor countries and their renewed interest in democratization and 'civil society' – hence their willingness to experiment with funding domestic NGOs in recipient countries. Religious activism – especially among evangelical churches and Muslim communities – may also have contributed to the rise of the NGO sector.

Outside of economics, there is a voluminous literature devoted to NGOs and their role in development (e.g. Edwards & Hulme 1995, Riddell, De Coninck, Muir, Robinson & White 1995, Farrington, Bebbington, Wellard & Lewis 1993). But economists have devoted surprisingly little attention to NGOs. The purpose of this paper is to fill this gap by documenting the current state of the NGO sector in Uganda. No other survey has attempted to document the whole sector in one country in this manner. Using original survey data collected by the authors, we clarify what Ugandan NGOs do and how, and we examine how NGOs finance themselves and how they are being monitored. To our knowledge, this is the first economic analysis of NGOs based on a large representative survey in Africa.

We find that the Uganda NGO sector combines elements of political activism and philanthropic work. In terms of numbers, the sector is dominated by small organizations headed by highly educated Ugandans. A small number of NGOs receive the lion's share of funding. The sector appears as a relay for international governmental and non-governmental funding agencies.

Little funding comes from domestic private sources, with the exception of members' fees. Since members nearly always are also beneficiaries of the NGO, members' fees are probably better understood as users' fees rather than fund-raising.

The dominant problem of the sector appears to be the difficulty for grant agencies of identifying reliable local NGOs that can effectively deliver what they expect of them. This difficulty is reflected in extensive screening and monitoring practices, both by grant agencies and by government. The relationship between NGOs and government is complex (Farrington et al. 1993). At times, NGOs enter into partnership with government agencies who probably play a vetting role, thereby facilitating NGO access to international funding. At other times, the relationship appears more conflictual, with government staff feeling some resentment towards NGOs when the latter are better funded and better paid.

The heterogeneity of the NGO sector has made it a difficult topic to research. This is reflected in the existing literature which, although large, tends to focus on small, specific case studies, more often than not restricted to a particular agency working in a particular sector. This literature, written primarily by non-economists, tends to focus on NGO performance and accountability through examples and case studies (e.g. Edwards & Hulme 1995, Riddell et al. 1995, Farrington et al. 1993).

For instance, Farrington et al. (1993) consider 60 case studies of farmer participatory approaches to agricultural innovation to assess the effectiveness of NGOs in promoting technical innovation and strengthening local organizations. Edwards & Hulme (1995) tackle the same issue but attempt a more general overview by basing their conclusions on a number of small but diverse case studies. Salamon & Anheier (1996) attempt one of the most comprehensive overviews of the sector. They consider the scope, structure and financial base of the nonprofit sector in a cross-section of countries (six developed and five developing countries) using a coher-

ent comparative methodology. They conclude that, for developing countries, the NGO sector is more complex and diverse, and least understood.

Aggregating individual case studies can be useful for developing conceptual insights into the operations of NGOs and the environments in which they work. Cannon (2000) reviews health programmes funded by Oxfam in eight districts in Uganda and highlights the tension that can exist between NGOs and government. In a study of four projects in India and Bangladesh for Save the Children, Edwards (1996) finds that the success of an NGO is correlated with having a clear and shared vision of what the NGO wants to achieve, and having strong linkages between grassroot organizations and government. Belshaw & Coyle (2001) examine fourteen NGOs involved in poverty reducing projects. They find that coverage by the NGOs tended to be slight, slow to expand, but is often replicated by other agencies. Each of the many case studies available is useful for exploring particular aspects of an NGO and for gaining important insights. But generalization is made difficult by the diversity of the sector and of the methodologies used to gather empirical evidence. It is also unclear how representative are the experiences described by the researchers.

Economists have devoted surprisingly little attention to NGOs. A literature does however exist on the economics of nonprofit institutions. Powell (1987) provides a research handbook on the topic which outlines amongst other things the history of the sector and the economic and political theories to explain its existence. With the use of four economic models, Rose-Ackerman (1986) proposes four possible explanations for the existence of a non-profit sector: as a response to government failure; as a response to information asymmetries and transaction costs in the for-profit sector; as driven by entrepreneurs who view the non-profit firm as a way to further their own goals; and as an outcome of competitive interactions between nonprofit firms producing close substitutes. Kaun (2001) argues that nonprofit organizations do not exist

either for altruistic reasons or for overcoming informational asymmetries. Instead, they arise when consumers, supported by institutions, integrate into production and organize to produce a non-rival good for their own consumption. Weisbrod (1998) has written extensively on the nonprofit sector but recently considered the growing commercialization of the nonprofit sector in the US. To this effect, the author compares an altruistic model, which sees the commercialization as a reluctant response to falling donations, to a model in which self-interest is a response to changing institutional and legal constraints.

Writings by economists on NGOs proper fall under two main themes: NGOs as service providers (e.g. Leonard 2002, Bennett, Iossa & Legrenzi 2003, Jagannathan 2003, Lindelow, Reinikka & Swensson 2003, Reinikka & Svensson 2003); and NGOs as political institutions to mobilize the population and lobby government or international organizations (e.g. Besley & Ghatak 1999, Scott & Hopkins 1999, Cannon 2000, Johnson & Johnson 1990, Kennedy 1999). With the exception of Azam & Laffont (2003), Platteau & Gaspart (2003*a*) and Ebrahim (2003) who identify the different actors to which NGOs are accountable and the ways in which they are accountable, little attention has been devoted to internal governance issues. Moreover, much of the existing empirical work on NGOs focuses on Asia and Latin America, where the micro-finance experiences of BRAC and Grameen Bank in Bangladesh and FINCA in Latin America have attracted a lot of interest. In contrast, little is known about the NGO sector in Africa apart from a few case studies such as those mentioned earlier.

We begin by discussing some of the conceptual issues surrounding the NGO sector in general. We then present the data collection methodology. The characteristics of the sample are discussed next. NGO activities and resources are then presented in detail. Governance issues are examined next, with a special focus on monitoring and oversight.

2 Conceptual framework

To understand the governance and incentive issues surrounding NGOs, we need a conceptual framework. Like corporations, NGOs are organizations put together for a purpose. But their objectives are quite different. From a purely legal perspective, NGOs are not a single legal concept but several. Two main characteristics distinguish NGOs from other organizations: they are not motivated by the search for profit; and they have a charitable purpose. The second characteristic is what enables them to legally solicit funds from the public.

Non-profit organizations are those that do not seek to generate a profit for their owners (Glaeser 2003). If a profit is generated – in the sense of an excess of revenues over costs – it is ploughed back into the organization. Non-profit status typically entitles an organization to be exempted from corporate taxation. Non-profit organizations need not have a charitable purpose. In fact, many only seek to serve the interests of their members. In developed countries, non-profit status is important because corporate profit tax rates are high. In contrast, non-profit status is less important in developing countries, at least for small firms and organizations, because the state seldom seeks to collect corporate tax on all firms and organizations.

In law, charities are different from other non-profit organizations in that they seek to serve the public good. To perform this function, they solicit funds from various benefactors: their members, the public at large, the government, and other charities. Benefactors give to philanthropic organizations because they care about public good. They typically choose to fund those organizations that promise to spend the funds on the socially valuable goal they most care about. It is in benefactors' interest to sponsor charities that are more efficient than others at pursuing this goal.

Developed countries all have instituted sophisticated legislation regulating charities. This is because unscrupulous individuals may solicit funds from the public but keep the money for

themselves. This kind of behavior undermines the public's trust in charities and reduces funding. It is therefore in the interest of bona fide charities to regulate the industry so as to weed out crooks and ensure the confidence of the public. This has led many developed countries to institute various reporting requirements. In the UK, for instance, this task is handled by the Charities Commission.¹

Perks and excess wages and allowances are an easy way for crooks to divert charitable funds into their pocket (e.g. Ebrahim 2003, Edwards & Hulme 1995). However, there is nothing illegal or inherently unethical for charities to pay their staff and management going wages. Big charities are large organizations that require talented managers and competent professional staff. The staff they recruit need not be motivated by a desire to contribute to the philanthropic objective of the NGO and may thus be unwilling to volunteer their time for sub-market pay. Since it is difficult to identify what the correct 'market' pay of a worker or manager is, it is also difficult to ascertain whether a philanthropic organization is operating in a fraudulent manner or not.

In practice, the situation of charities varies in developed and developing countries. In developed countries, philanthropic organizations operate primarily to attract funds from the government and from the public and to channel these funds to a charitable purpose, often in a poor country. As we will see in the case of Uganda, collecting funds from the public is less important in poor countries because the bulk of NGO funding comes from international sources – non-governmental and governmental funding agencies (e.g. Stiles 2002, Lister 2001).

In a context where most funding comes from international benefactors, new incentive problems emerge. Talented Ugandans – what Platteau & Gaspart (2003*a*) call 'development brokers' – may initiate a local NGO not so much because they care about public good but because they hope to secure a grant to pay themselves a wage. Although some may find this approach mer-

¹How effective the Commission is at scrutinizing charities remains unclear, however, given its limited means and personnel.

cenary or uncharitable, there is nothing inherently illegal in this approach provided the local NGO effectively and efficiently provides the social services for which it secured the money. Local NGOs that operate in this manner are in fact operating as subcontractors for international NGOs and donors. They are de facto ‘for-profit’ philanthropic organizations. The non-profit dimension of local NGOs becomes secondary: excess revenues over costs can easily be absorbed in high salaries, per diems, or perks. An NGO may thus not generate any accounting profit but still de facto operate as a business serving the interests of its promoters. In such a system, the presence or absence of abuse ultimately depends on how effectively the money is spent to serve public good.

It is in the public interest that funding get channelled to the organizations best able to achieve their stated objectives, irrespective of what these objectives are. This means funding the best performing organizations. Given the nature of the work performed by NGOs, assessing their performance is notoriously difficult. First, NGOs do not normally charge beneficiaries for the full cost of what they provide. Consequently, the demand for their services cannot be used as indicator of the value of services provided. Put differently, we cannot tell whether beneficiaries value the service received from an NGO more than what it costs to produce.² This means that the value of the service must be assessed from beneficiaries themselves, though surveys or participatory assessment methods. Second, NGOs have an incentive to overestimate the value beneficiaries place on their services, if only to increase the likelihood of future funding.³ Consequently, NGOs must be monitored by grant agencies to ensure that what they report is accurate. A compounding factor that makes monitoring particularly difficult and costly is

²Of course, there may be very good reasons why one would want to subsidize services, such as the presence of externalities (e.g., vaccination campaigns) or the desire to help the poor. If there were no externalities, one could argue that a better delivery system would be to give the money to the poor and let them purchase the service from a for-profit provider. This would significantly reduce monitoring costs and the risk of capture. But this is another debate.

³The incentive to over-represent is present even if the NGO’s motivation is purely charitable, as long as it believes it can do more and better in the future.

the very nature of NGO work – immaterial services, such as raising awareness, lobbying, and advocacy; serving the poor over a wide geographical area; many small interventions.

In the for-profit sector, when firms under-perform (or embezzle their own funds), this puts a downward pressure on profits. With sufficient competition, under-performing firms eventually go out of business, leaving only efficient firms. In the NGO sector, however, there is no market force to penalize under-performing organizations except competition for grants. The aggregate efficiency of the NGO sector therefore depends on the behavior of grant agencies. In principle, we expect grant providers to closely monitor the performance of local NGOs both in terms of accountability and of efficiency. Presumably, the outcome of this monitoring process is that under-performing NGOs get blacklisted and performing NGOs are rewarded with more funding. Only if grant agencies cut funding to under-performing NGOs and reallocate it to more efficient ones can we reasonably expect the sector to be efficient.

As performance is difficult to assess, grant agencies may find it difficult to identify under-performing organizations. Consequently, some inefficient NGOs may be able to survive longer than they should. In such a context, grant agencies are likely to enter in long-term relationships with satisfactory grant recipients in order to economize on screening costs. We would therefore expect new NGOs to have difficulties establishing themselves, for reasons similar to those noted for other markets (Fafchamps 2002).

Armed with these concepts, we are now in a position to examine the evidence. We begin with a discussion of the data collection methodology.

3 Data collection and sample design

In Uganda, the growth of the NGOs sector goes back to the 1970's and 1980's, when many NGOs came in to fill the gap left by the collapse of government. The movement was first ini-

tiated by faith-based organizations, principally large established churches. This movement was subsequently reinforced by international NGOs, before being relayed by governmental donors and, more recently, by the Ugandan government itself. Today, the Ugandan NGO sector generates mixed feelings among policy makers: while many recognize the useful role the sector plays, there is rampant suspicion that not all NGOs genuinely take public interest to heart.⁴

The idea of a study of the NGO sector in Uganda was first proposed by a group of NGOs during the preparation of the first Poverty Reduction Support Credit (PRSC). NGOs expressed a desire to find out the major roles played by NGOs in Uganda, their strengths and weaknesses, their working relationship with government, and the factors that affect this relationship.⁵ In response, a study project was initiated in collaboration between the World Bank and the Office of the Prime Minister of Uganda, with funding provided by the Japanese government and the World Bank. As part of this study, a survey of NGOs was undertaken in 2002 in collaboration between the Centre for the Study of African Economies of Oxford University and International Development Consultants, a Ugandan research consultancy firm.

The starting point for the survey is the Uganda NGO registry. Since 1989, the NGO Registration Statute of Uganda requires all NGOs to register with the NGO Registration Board in the Ministry of Internal Affairs (MIA). The registry does not include the Catholic Church, the Church of Uganda (Anglican), and the Uganda Muslim Supreme Council, three organizations that have been operating in the country for many years. On initial registration with the Board, NGOs receive a 1 year registration certificate which is renewable for a period of 3 years assuming

⁴There is, of course, the ominous example of the Movement for the Restoration of the Ten Commandments of God, a registered Ugandan NGO, which is thought to have killed more than 700 of its followers in the late 1990's. Other, less dramatic accounts speak of crooks and swindlers attracted to the sector by the prospect of securing grant money.

⁵As part of the consultation with the Ugandan NGO task force, Dombo (2000) wrote an issues paper regarding institutional and technical capacities and constraints affecting the ability of Ugandan NGOs to deliver services in health, education and water/sanitation.

that the NGO fulfils the renewal requirements.

As of December 2000, some 3,499 NGOs were registered with the NGO Registration Board (MIA). Our initial estimate was that only 15-30% of the NGOs on the register were actually in operation. Before selecting a random sample of NGOs for the survey, it was therefore decided that the existing register should first be updated and verified. Of the 1777 NGOs listed on the register as having their headquarters in Kampala, 451 could be traced. This tallies with our estimate that roughly 15-30% of NGOs registered are in operation.

The survey covers 15 districts of Uganda – Kampala and 14 districts selected among the 56 existing districts. These districts are Arua, Busia, Iganga, Jinja, Kabale, Kassese, Kibaale, Lira, Luwero, Mbale, Mbarara, Mukono, Rakai and Wakiso. The sample is stratified into Kampala and the rest of the country, with 100 NGOs interviewed in Kampala and 200 spread proportionately across the 14 rural districts.⁶ For sampling purposes, an NGO was said to belong to a particular district if its headquarters were in that district.

Table 1 summarizes information on sample size by district from the Registration Board (MIA), the verification exercise, the random sample selected and the actual number of NGOs surveyed. There are 2 points to make regarding the table. The first is the small number of NGOs that were traced during the verification exercise in Kampala – 25%. In the districts verification was higher – 41%. The second point is that the number of NGOs randomly sampled within each district matches the number of NGOs actually surveyed in that district remarkably well. Further evidence of the representativeness of the sample can be found in Barr, Fafchamps & Owens (2003).

⁶The Kampala sample was drawn randomly from the 451 traced NGOs. The overall sampling proportion required to yield a sample of 200 for the districts was calculated by dividing the proposed sample size by the number of NGOs found in the districts during the listing exercise. This sampling proportion was then multiplied by the number of NGOs found in each district separately, yielding a self weighting sample.

District	No. on Registration Board (MIA)	Verified	Selected for Final Sample	Surveyed
Arua	36 (73)	8	7	6
Busia	35 (42)	10	6	6
Gulu	61 (90)	36		
Iganga	64 (126)	36	25	25
Jinja	143 (136)	29	19	19
Kabale	28 (50)	18	9	9
Kassese	72 (105)	67	41	40
Kibaale	13 (22)	11	6	4
Kotido	8 (39)	6	3	3
Lira	69 (107)	14	12	12
Luwero	17 (90)	13	8	7
Mbale	165 (168)	35	22	25
Mbarara	51 (95)	24	14	13
Mukono	54 (164)	49	20	19
Rakai	12 (49)	14	8	8
Districts	828 (1382)	343	200	196
Kampala	1777	451	100	99
Total	2605 (3159)	867	300	295
Note: Figures in brackets refer to the number of NGOs operating in those districts according to the NGO register				

Table 1: Number of NGO headquarters by sampled districts, including Kampala

4 Main findings

This section presents the main findings from the survey. We begin with a description of the activities undertaken by sampled NGOs. Next we examine their revenues and expenditure. We then examine their human and physical resources. We follow with a presentation of our findings regarding NGO access to finance. Governance is discussed next. Relationships with government and other NGOs are discussed last.

4.1 Activities

A proper description of the NGO sector in Uganda begins with detailing what NGOs do. In the NGO survey, more detailed information was collected on the various activities in which Ugandan NGOs involve themselves. Most surveyed NGOs in Uganda seem to adopt a holistic approach. What they do appears to be driven by the specific needs of their target group and by the resources available to the NGO. Put differently, NGOs basic approach is to talk to host communities, identify their most pressing needs, and seek to address them.⁷ Very few surveyed NGOs define themselves around a specific public service, such as a clinic or a vocational training school. Most resist – or even resent – being described as providers of a specific service. They prefer to describe their activities in general terms such as ‘community development’ or ‘promotion of women’. While this approach guarantees maximum flexibility, it also precludes gains from specialization.

Table 2 presents a summary of what surveyed NGOs do. The two main activities are raising awareness and advocacy. Nearly all Ugandan NGOs are involved in raising awareness in one way

⁷Pratt & Sahley (2003) come to a similar finding with their survey of 141 NGOs in 5 developing countries (Bangladesh, Ethiopia, India, Peru and South Africa). In examining NGO responses to urban poverty they find that surveyed NGOs focus much of their effort on training and awareness raising. According to the authors, this emphasis reflects an underlying philosophical focus of the NGOs on individual empowerment and human resource development.

or another. In terms of topic, HIV/AIDS is the most often cited, with two thirds of Ugandan NGOs actively involved in raising awareness about the subject. Other health issues are the next most often cited topic. Nutrition and gender issues are covered by half of surveyed NGOs. Other often cited issues include human rights and protection of the environment.⁸

Raising awareness is achieved primarily via meetings and workshops. A handful of very large NGOs in the sample reached over 100,000 people in a year. But for most NGOs the number of people reached by these meetings is quite small. The median figure is 400 people, meaning that over a period of one year, more than half of surveyed NGOs reach fewer than 400 people in their public awareness activities. Advocacy is the next most important NGO activity, with around 60% of surveyed NGOs involved one way or another. The primary mode of advocacy is meeting with local and national authorities. Over the sample, the average number of such meetings in a year is 18 while the median is 6 – yet another reflection of the wide size disparities among NGOs. One third of those NGOs involved in advocacy prepare public statements to the radio or the press. After raising awareness and advocacy, education and training are the next most important activities. In most cases, the educational activities of NGOs are of a short duration, i.e. workshops and meetings, and are part of their public awareness campaigns. A few NGOs provide vocational training.

Around one third of sampled NGOs are involved in supporting farmers. Another third is involved in credit (often micro-credit) or finance more generally. For the average NGO, however, the number of credit recipients remains small: the median is 150. The sample is dominated by three NGOs responsible for three quarters of all loans granted. Counselling services are cited by 17% of respondents. Some form of curative health service is offered by 16% of respondents.

⁸In their study of six developed and five developing countries, Salamon & Anheier (1996) find that the range of NGO activities is vast. Looking at the aggregate picture they report that 24 percent of expenditure is on educational activities; 24 percent on health; 20 percent on social services; 16% on culture and recreation; 9 percent on business; 5 percent on housing development; and the remaining amount divided between international work, civic advocacy and the environment.

Activities	%
Raising awareness	96.6%
Advocacy and lobbying	59.1%
Education and training	57.4%
Credit and finance	32.8%
Support to farming	32.3%
HIV/AIDS awareness and prevention	20.6%
Counselling	16.8%
Curative health services	15.8%
Providing grants to NGOs/CBOs	15.2%
Support to small businesses	11.3%
Community development	11.0%
Helping the poor and needy	11.0%
Water and sanitation	10.7%
Research and evaluation	10.3%
Library and documentation	10.0%
Wildlife preservation	8.9%
Home visits and outreach	8.6%
Employment facilitation and promotion	8.2%
Preventive health services	7.9%
Arts and culture	7.6%
Support to children	7.2%
Distribution of goods and materials	6.9%
Support to orphans	6.5%
Construction of facilities	6.5%
Providing technical assistance	6.5%
Catering and food preparation	5.8%
Conflict resolution and crime prevention	5.8%
Professional association	4.8%
Shelter and relief	4.1%
Forestry	2.7%
IGAS	1.4%

Table 2: Activities as described by respondents

Some 15% of surveyed NGOs provide grants to other NGOs or to community-based organizations (CBOs). Other, more targeted interventions are offered by a small number of NGOs.

In terms of geographical coverage, close to half of the surveyed NGOs operate in one district only. Three quarters of surveyed NGOs operate in 4 districts or less. Only 7 surveyed NGOs operate nationwide. Some 85% of surveyed NGOs declare having a specific target group of beneficiaries while 45% focus on the poor. Women and children are the dominant target group. Orphans are cited as a target group by one NGO out of five, a concern likely to be related to the large number of AIDS orphans in the country. HIV affected individuals are also a special focus of many NGOs. Very few surveyed NGOs focus on victims of war or violence.

As is clear from the above, the activities of surveyed NGOs resemble traditional charitable work performed by established churches such as the Church of Uganda, the Catholic Church, and the Uganda Muslim Supreme Council. The reader may therefore be curious as to whether surveyed NGOs are nothing but churches in disguise. This does not appear to be the case, at least for the majority of the sample. Only 30% of surveyed NGOs are faith-based. Of those, one quarter is affiliated with the Church of Uganda and one quarter with the Pentecostal Church. Eight NGOs in the sample identify themselves as Muslim. Of those faith-based NGOs, three quarters organize religious worship and proselytize via workshops, open air speeches, and door-to-door visits. It is interesting to note that these methods are very similar to those used by non-confessional NGOs to spread their awareness-raising message. Ugandan NGOs thus borrow much of their approach and mode of operation from churches. This is hardly surprising given the historical importance of churches in the development of the NGO sector in Uganda.

A striking feature of the results is the importance given by NGOs to ‘talking’ as opposed to physical delivery of goods or services. Many words are used to describe this activity (educating the poor, raising awareness, capacity building, community development, advising, counselling,

etc). The belief that educating the poor and needy helps improve their livelihood is probably grounded in the implicit belief that ignorance is a major cause of poverty and unhappiness. It is conceivable that many NGOs would like to do more than ‘talking’ but, given their limited financial means, find it the quickest and cheapest way to have an immediate impact that deals with the urgency of the situation. Since the actuality and effectiveness of light interventions such as half-day workshops and home visits are difficult to monitor relative to, say, a clinic, the emphasis on ‘talking’ probably makes it easy for ineffective or unscrupulous organizations to hide among the sector.

4.2 Revenues and expenditures

We now turn to finances. 93% of surveyed NGOs hold accounts and many respondents gracefully showed us detailed accounts of their costs and revenues. It should be pointed out, however, that a large number of surveyed NGOs experienced serious difficulties putting the required figures together for the enumerators. This is true even though most NGOs claim that they prepare accounts and distribute them to members on an annual basis. Only two thirds of surveyed NGOs (199 observations) could provide figures for revenues and expenditures. Of these, some 62 NGOs declared revenues that roughly matched expenditures. For the other 137 observations, revenues and expenditures do not add up or differ dramatically from each other.

Our impression is that many NGOs, especially small ones, only keep approximate accounts. This could reflect a lack of expertise or lack of interest in accurate accounts. Alternatively, it could result from a desire to dissimulate a for-profit motive. At this point, we cannot tell which explanation is most likely. The reader should keep in mind that the figures presented this section, which are only based on the 199 observations for which we have somewhat more reliable data, are subject to large measurement error. Total revenues and expenditures need not sum to

the individual amounts in the respective columns because of adding-up errors in the data.

We begin with the revenue side, summarized on Table 3 in thousands of Uganda Shillings. We observe a strong 14% increase in total revenues between 2000 and 2001. If we factor in inflation, the increase is less impressive, however. More detailed analysis is required to ascertain the true growth of the sector as a whole. The Table shows an average total revenue of 478 million Shillings (roughly equivalent to 275,000 US\$). This figure, however, is misleading because reported figures are heavily influenced by a small number of large NGOs: three large NGOs receive half of the total revenue in the sample. Thirty NGOs account for 90% of the total revenue of sampled NGOs.

Since surveyed NGOs differ so dramatically in size, when analyzing the various sources of funds, it is useful to compare the average of individual revenue shares with the share of the average revenue. The first number, reported in the third column of Table 3, gives an idea of how the average NGO in our sample funds its activities. The second number, reported in the fourth column, gives a breakdown of total funding by source and is heavily influenced by what large NGOs do. Because divestments do not represent long-term, sustainable sources of funds, both columns focus on recurrent revenue only.

We see that the funding sources of the average NGO differ considerably from those of the NGO sector as a group. This indicates that large and small NGOs have very different sources of funding. In terms of the sector as a whole (fourth column), grants received from international NGOs are the largest source of funding, accounting for nearly half of total funding in 2001. Grants from bilateral donors is the next largest category with grants from local government the third largest source of grant funding to the sector. Small NGOs, however, are less likely to receive funding from these three sources and more likely to depend on non-grant income. Their grant income is also more dependent on Ugandan NGOs and the National government.

	year 2001	year 2000	average share	2001 weighted average share
A. Grants from:			48.6%	80.1%
International NGO	204181	163725	29.1%	43.1%
Ugandan NGO	4418	4777	4.3%	0.9%
National government	2709	1547	1.8%	0.6%
Local government	24611	163	2.1%	5.2%
UN Organization	9212	28845	1.5%	1.9%
Bilateral donor	134152	113094	9.9%	28.3%
B. Members and fund-raising			27.4%	2.5%
Membership fees	2096	1269	12.4%	0.4%
Voluntary donations from members	1718	819	9.0%	0.4%
Voluntary donations from non-members	7778	3787	5.3%	1.6%
Profit on special events	62	114	0.7%	0.0%
C. Business income			16.1%	7.1%
Income from business	23143	20000	4.0%	4.9%
Fees by beneficiaries	7217	5125	6.9%	1.5%
Income from services rendered to government	902	948	0.8%	0.2%
Income from services rendered to other NGO	1414	820	2.3%	0.3%
Property/endowment income	855	638	2.0%	0.2%
D. Other			7.9%	10.4%
Tax refunds	31	39	0.0%	0.0%
Other income	49025	5344	7.8%	10.4%
E. Divestment				
Sale of land and buildings	17622	27		
Sale of vehicles	1886	2120		
Sale of equipment and machinery	1537	1399		
Total revenues	477905	418231		
All figures reported in thousands of Ugandan Shillings and based on 199 observations with complete data				

Table 3: Revenues

The sector as a whole derives very little revenue from local fund-raising from members and non-members, with only 2.5% of all funding coming from these sources. For small NGOs, the percentage is much higher, so that across the sample the average share of funding coming from these sources is over one quarter. Fund-raising money comes primarily from members. Donations received from non-members and profit from fund-raising events account for a very small share of NGO funding. Business income, fees paid by beneficiaries, and other income are also more important sources of revenue for small NGOs than for large ones, as reflected in large average shares (column 3 of Table 3). One third of surveyed NGOs own a business, the profit of which is used to finance charitable activities. Again we observe a high concentration, with a small number of NGOs accounting for most of these businesses. The types of business run by Ugandan NGOs are extremely varied, with nevertheless a concentration in farming, canteens, and retail trade.

For their sample of NGOs, Salamon & Anheier (1996) find that funding comes from three main sources: private charitable giving which accounts for only 10 percent of funds; government support and public sector payments including grants and contracts which account for 43 percent of funding; and most importantly private fees and payments, often from the sale of services or products, which account for 47 percent of funding. According to the authors, reliance on private fees moves the organizations away from their charitable roots and puts them in direct competition with private businesses. Compared with Salamon & Anheier (1996), we find less reliance on private fees and revenues in aggregate.

The picture of NGO funding that emerges from these figures is one in which most funding comes from outside sources (international NGOs and bilateral donors) and is allocated to a small number of Ugandan NGOs.⁹ This situation is not dissimilar to what happens with bank finance:

⁹This finding confirms Hulme and Edwards' (1997) observation that an increasing amount of official aid is spent through NGOs in developing countries. They argue the reasons for this increase in source of funding are twofold, namely that NGOs are seen as vehicles for democratisation, and a cost-effective way of helping those not reached by the market. However, they level concern that NGOs are becoming too close to northern government donors

in Africa, large firms receive the lion share of total bank funding to finance their investment, while small firms depend primarily on retained earnings (e.g. Bigsten, Collier, Dercon, Fafchamps, Gauthier, Gunning, Oduro, Oostendorp, Patillo, Soderbom, Teal & Zeufack 2003, Fafchamps & Oostendorp 2002). It is conceivable that many sampled NGOs have been correctly identified by donors as under-performing and denied funding for this reason. Another more likely explanation, suggested in the conceptual section, is that foreign donors find it difficult to identify the best performing NGOs. To economize on search and screening costs, they may choose to concentrate their activities on a small number of NGOs they have learned to trust. It is also possible that donors minimize screening and monitoring costs by granting large amounts of money to a small number of organizations. We revisit these issues in subsequent sections.

Turning to NGO expenditures, we first note that reported expenditures are 10% below reported revenues. If true, this difference would mean that Ugandan NGOs are not strictly speaking non-profit organizations, in the sense of the conceptual section. Because the accounting information provided by respondents is often inconsistent, however, one should refrain from drawing such a stark conclusion. The median ratio between revenues and expenditures is probably a safer figure to consider. Its value is 1.03, meaning that at the median revenues are 3% higher than reported expenditures, a difference that is not significant given the discrepancies present in the data.

Regarding the composition of expenditures, we observe a surprising similarity between columns 3 and 4, indicating a broad convergence between small and large NGOs as far as the composition of expenditures is concerned. Expenditures are divided into three broadly equivalent categories: program costs, wages and allowances, and other costs. The latter category is

thereby losing important elements of their potential contribution through loss of their independence. Whilst most funding does come from outside sources in Uganda, the fact that it is allocated to such a small number of NGOs suggests concern over loss of independence of the sector as a whole is not yet founded.

	year 2001	year 2000	average share	2001 weighted average share
A. Program costs and payments to beneficiaries			30.5%	34.5%
Program costs	135199	115829	28.8%	33.6%
Per diems to beneficiaries	3569	3697	1.7%	0.9%
B. Manpower costs			28.7%	25.3%
Wages and salaries	94016	95609	19.4%	23.4%
Housing allowances	607	477	2.0%	0.2%
Transport allowances	3768	3633	3.8%	0.9%
Per diems to staff	3623	2155	3.5%	0.9%
C. Payments and transfers to others			5.2%	2.2%
Payment to others for services rendered	1065	903	1.4%	0.3%
Payment to NGOs for services rendered	5437	7847	2.6%	1.4%
Grants and contributions given to other NGOs	2416	1664	1.2%	0.6%
D. Other costs			25.1%	32.5%
Utilities	2395	1770	2.9%	0.6%
Petrol/fuel	7477	6940	3.9%	1.9%
Rent	4220	2788	6.9%	1.0%
Interest charges	429	194	0.3%	0.1%
Bribes	11	9	0.1%	0.0%
Miscellaneous costs	116160	101390	11.0%	28.9%
E. Investment			10.5%	5.5%
Land and buildings	9327	12850	4.3%	2.3%
Vehicles	7582	4987	2.0%	1.9%
Equipment and machinery	5014	6237	4.0%	1.2%
Bank balances	132	17	0.2%	0.0%
Total expenditures	432065	385418	100.0%	100.0%
All figures reported in thousands of Ugandan Shillings and based on 199 observations with complete data				

Table 4: Expenditures

a mixed bag dominated by miscellaneous costs. Close scrutiny suggests that the miscellaneous cost category simply represent costs that respondents were unable to break into the detailed categories listed in Table 4. Some NGOs, for instance, report ‘seminar costs’ but are unable to break them up into per diems to beneficiaries, per diem for staff, and the like. Other costs also include supplies such as stationary and utilities such as telephone. The large share of total costs represented by wages and allowances is consistent with earlier observations that the sector focuses more on ‘talking’ than on the delivery of physical goods and services.

Per diem rates paid by surveyed NGOs vary dramatically across the sample. The information provided by respondents is often inconsistent or missing. Based on the available information, the distribution of per diem rates appears bimodal, with one mode around 2 US\$ and another around 30 US\$. The lower of these two rates probably corresponds to the per diem rate paid to beneficiaries who attend NGO workshops while the higher number is likely to represent per diem payments to staff going to the field. Per diems to staff and beneficiaries reportedly account for only a small portion of total expenditures – less than 2% for the sampled NGOs as a whole, albeit slightly more for small NGOs (Table 4).

Payments and transfers to others represent a small share of total expenditures. Small NGOs appear more likely to pay for services rendered. They also spend more on rent – probably because they are less likely to have buildings of their own. Grants and payments to other NGOs appear minimal. This contradicts the common perception that Ugandan NGOs relay part of the funding they receive from International NGOs to smaller NGOs and CBOs: together, grants and contributions to other NGOs and payments to other NGOs for services rendered represent less than 1% of the total expenditures of the sample. If the reported numbers are to be believed, bribes paid by NGOs are virtually non-existent.

4.3 Resources

We now turn to the various resources sample NGOs have at their disposal. We begin with manpower, continue with land and equipment, and conclude this sub-section with our findings regarding NGO leadership.

Data on NGO manpower is particularly scarce in the literature. Salamon & Anheier (1996) report that in the developed countries they surveyed, 1 in every 20 workers is employed in the nonprofit sector. Within the services sector, 1 in 8 is employed by NGOs. These figures ignore the number of volunteers. While the authors concede that it is much more difficult to obtain comparable information for developing countries, they conclude that employment in the NGO sector is more extensive than commonly thought.

This also appears to be the case in Uganda. Surveyed NGOs muster considerable manpower resources. The average total number of staff members and volunteers is 129. This figure masks large disparities among NGOs, however. Three sampled NGO alone account for three quarters of the manpower resources of the sample as a whole, indicating considerable concentration in the sector. The median of 18 staff members and volunteers is much smaller than the average but is still non-negligible compared to, say, the private sector where the economic landscape is dominated by micro-enterprises with one or two workers.

Table 5 reports the average number of staff and volunteers in various categories. We see that full-time and part-time volunteers account for most of the manpower available to surveyed NGOs. Religious staff is another important category, but it is entirely dominated by a single observation. Surveyed NGOs have some 15 full-time salaried staff members and another 18 part-time employees. The division of manpower resources by occupation shows a relatively large number of managers and professional staff and volunteers. Professionals and managers are more likely to be remunerated than staff in 'other' occupations. Clerical staff is most likely to be

	Salaried		Volunteer		Religious	Unspe-	Total	of which :	
	FT	PT	FT	PT	staff	cified		foreign	secondment
Management	2.6	0.4	2.4	2.0	0.7	0.0	8.2	0.3	0.1
Professional	5.0	1.3	2.6	2.7	0.3	0.0	12.1	0.3	0.1
Clerical	2.2	8.9	0.3	7.2	0.1	0.0	18.8	0.0	0.0
Other	3.6	7.0	12.2	31.6	0.1	0.0	54.7	0.1	0.0
Unspecified	1.4	0.0	0.1	0.0	32.7		34.2	0.4	0.0
Total	14.9	17.7	17.7	43.6	34.0	0.1	129.4	1.0	0.2

Table 5: Manpower resources

	Full time	Part time
Medical doctors	0.4	0.5
Nurses	1.9	27.9
Social scientists	3.1	0.9
Other university degree	1.8	0.7
Qualified teachers	3.4	1.5
Lawyers	0.3	0.1
Total	10.8	31.8

Table 6: Highly qualified personnel

part-time salaried. Volunteers are most likely to fall into the ‘other’ category. We find very few foreigners working in Ugandan NGOs and very few people on secondment from other, e.g., international NGOs. The Uganda NGO sector may depend on foreign funding; it does not depend on foreign manpower.

Table 6 breaks down highly qualified personnel into professional categories. The numbers reported are averages over all surveyed NGOs. Teachers and social scientists represent the largest categories of full-time qualified personnel, reflecting the emphasis Ugandan NGOs place on social issues and on communication with beneficiaries. Nurses constitute the largest category of part-time qualified personnel, but this is due to a single observation. 65% of surveyed NGOs do not employ nurses, either part-time or full-time.

The NGO sector is expanding rapidly in terms of manpower – or at least the surveyed NGOs are. Table 7 shows the number of people who have left and joined surveyed NGOs over the 12 months preceding the survey. It also shows the number of funded vacant positions at the

	Number who left	Number who joined	Currently vacant posts
Management	0.58	0.98	0.26
Professional	0.63	2.20	0.20
Clerical	0.83	9.60	0.08
Other	0.46	8.51	0.04

Table 7: Job turnover during the last 12 months

time of the survey. In all categories the number of those who joined exceeds the number of those who left. The gap is particularly large for clerical and other categories. NGOs appear to experience some difficulties finding the needed managerial and professional staff, as evidenced by the number of unfilled vacant positions.

Ugandan NGOs need land and buildings to perform their task. Survey results show that 45% own real estate and 54% rent land and buildings. In addition, 37% have complimentary access to land and buildings belonging to others. Combining the various sources, we find that 94% of the surveyed NGOs have a building or piece of land they can use for their activity. The values involved are not negligible. The median property value of those NGOs who own real estate is 5.4 million shillings. A small proportion of NGOs also rent out land and buildings.

We also have information on the type of buildings NGOs use. Not surprisingly, the most frequent building type is an office, with 90% of the surveyed NGOs having at least one office. One quarter of surveyed NGOs have buildings for staff accommodation. We also find a high average number of places of worship, but this figure is dominated by a single respondent: more than 85% of surveyed NGOs do not have a place of worship. NGO buildings are relatively well equipped: most of them have electricity, piped water, and a telephone connection. The type of buildings NGOs have is revealing about the kind of activity they are engaged in – particularly whether they offer physical services. We find that one quarter of NGOs have at least one building they use as a school. Only 19 NGOs (6%) in the sample have a hospital but 15% have a clinic. 13% have one or more shelters. This suggests that a non-negligible proportion of sampled NGOs are

equipped for some form of service delivery. However, more than 60% of surveyed NGOs have none of these specialized buildings – and thus cannot offer health care, shelter, or long-term schooling and vocational training. This is consistent with our earlier finding that the median Ugandan NGO is more focused on ‘talking’ than on providing physical services.

In terms of vehicles, NGOs are less well equipped. Half of surveyed NGOs do not have any motorized four-wheel vehicle. 37% do not own any form of transport equipment, including bicycles and motorcycles. One quarter of surveyed NGOs, however, use vehicles belonging to other people or organizations. If we include these and two-wheelers, we still have 35% of NGOs without transportation. The situation is slightly better regarding equipment. Two thirds of surveyed NGOs own equipment such as computers, medical equipment, or farm implements. One quarter uses equipment belonging to other people or organizations. If we count owned and borrowed equipment, 82% of NGOs have some equipment. Three quarters of surveyed NGOs do not hold inventories, a finding consistent with the lack of emphasis on the delivery of physical goods and services.

We now turn to leadership. A good leader is arguably one of the most precious resources an NGO can have. Quality of leadership is thus to be considered as one of the resources of an NGO, at par with equipment and finance. In three quarters of surveyed NGOs, the director is a man. The director has an average age of 40, is nearly always a Uganda national, and speaks an average of three local languages. Two thirds of directors come from the middle class: only 30% consider their parents as being poor. Most directors are married with a spouse who is a housewife, a civil servant or running her own trade or business. In only 12% of surveyed NGOs, is the director’s spouse a staff member of the NGO. In most cases the director is a lay person but 15% of surveyed NGOs are run by someone with a religious affiliation (e.g., priest, pastor, mullah).

NGO directors are very well educated by any standard, with on average 14 years of education – i.e., secondary level plus two; 84% of directors have a tertiary or university degree. They are also experienced, half of them having worked for another NGO before joining and another half having worked for government prior to becoming director. Directors are generally well connected abroad, with 41% of them having a relative living outside Uganda. Half of them travelled outside Uganda prior to joining the NGO that currently employs them. They are also well connected locally, and state knowing on average 18 civil servants in local government before joining the NGO. The median, however, is smaller: 3. One third of directors are involved in another NGO as well and one half has an occupation other than director of the NGO – usually as a professional or involved in farming, trade, or business. Such features are common among entrepreneurial individuals. They imply that the entrepreneurial quality of NGO directors is quite high. Multiple occupations nevertheless dilute directors' effort while possibly generating externalities in terms of access to information and experience. Another aspect to this form of leadership is that the operations of the NGO may be governed by the expertise or interests of the leader rather than by communities' needs. For instance, a survey of 14 NGOs and 28 poverty reducing projects in Ethiopia find that the technical production components of projects are haphazardly selected according to agency and/or individuals' partial experience rather than relating them systematically to global experience (Belshaw & Coyle 2001). For Uganda, these issues are examined in some detail by Barr & Fafchamps (2003).

4.4 Finance

We have seen that grant income is the life and blood of Ugandan NGOs since it represents 86% of the total revenues of surveyed NGOs. Not all NGOs, however, have access to grant money. In our sample, 30% of surveyed NGOs had never received any grant. Of those, only 47% applied for

one in the year preceding the survey, compared to 24% for those who have ever received grant funding. Among those NGOs that did not apply for a grant, the most common reason cited for not applying is that the grant application process is too complicated and time consuming. Others are too new to have applied, or lack the necessary information.

Of those who applied for a grant in the 12 months preceding the survey, one third did not secure grant funding. In most cases, no reason was given for rejection. The median waiting time to hear about an unsuccessful grant application is 1 month or less. One third of unsuccessful applicants feel that the grant allocation process is not fair and objective. For those NGOs whose grant application was successful, the origin of grant funding mirrors the figures reported for grant revenues: most grants come from International NGOs (43%) and bilateral donors (16%). Grants from the mother NGO account for 10%. One out of six recipients thought the application process was not fair and objective.

The majority of Ugandan NGOs hear about available grants directly from grant agencies themselves: 27% of grant recipients heard about the grant from someone in the granting agencies while another 20% received a call for proposal from the grant agency. Some 30% of grant recipients heard about the grant from another NGO or someone else. A similar breakdown is observed for unsuccessful applicants, suggesting that access to information about available grants is not the main constraint to grant funding. Around 30% of grant recipients submit a grant application either in partnership with – or with a letter of support from – a line ministry. Close to 40% submit either in partnership or with a letter of support from local government. Similar proportions are observed among unsuccessful grant applicants, so that we can probably rule out lack of support from government as a reason for rejection.

The grant process is in general very bureaucratic. A small number of grant recipients (20%) obtain a grant without filing a formal application, mostly from their mother NGO or from an

international NGO, but they are the exception. Other applicants have to provide a lot of supporting documentation – typically a description of planned activities, a budget, a timetable, and evidence of beneficiary assessment. Others also submit CVs and quotes for materials. The least often cited type of supporting documentation is the NGO’s balance sheet and income statement and its cash flow projections. This lack of emphasis on NGO accounts by grant agencies may explain why surveyed NGOs often appear to have incomplete accounts. It nevertheless raises the possibility of double counting – i.e., that the NGO counts the same activity or expenditure for two different grants at the same time. Less than half of grants are renewable, so that the application process must be repeated each time. The median time elapsed to hear about a successful application is 4 months (average is 6 months).

Reporting requirements to grant agencies are very variable. Some 16% of grant recipients declare having no reporting requirements at all, but most satisfy at least two types of reporting requirements while a small number of NGOs must satisfy up to 8 different reporting requirements. The most common type of requirement is the final report, cited by half of grant recipients. Final accounts are cited by one third of recipients. Progress reports and interim accounts of varying periodicity are mentioned by most recipients. In addition to reporting requirements, NGOs are also subject to close monitoring. Nearly 80% of surveyed NGOs receive the visit of agents from the grant agency. Some NGOs are visited every week, but the average number of visits is 5 per year. In addition, some 61% of grant recipients declare conducting an assessment with their target group or host community, with an average frequency of 5 per year.

For one quarter of grant recipients, monitoring from government is also present when grant funds are channelled through local government. Such procedure, however, is subject to difficulties. One sixth of recipients whose grants are channelled through local government complain of difficulties getting the government to disburse the funds. A small minority – 4% – also say they

have to pay bribes to get the funds released, for a value ranging from 2% to 15% of the funds.

Grants are not the only way to finance NGO activities. Funding agencies may also choose to sub-contract specific tasks to Ugandan NGOs. In practice, the difference between a grant and a contract is not large, although we suspect monitoring is more intensive in a contract as the funding agency is probably more closely involved in the definition and implementation of the activities. In contrast to grants, nothing precludes philanthropic organizations from sub-contracting specific tasks to for-profit organizations.

A little under one quarter of surveyed NGOs have ever been paid to provide a service on behalf of an organization which, 40% of the time, is another NGO and 25% of the time is the government. The application process to setting up a contract is not very different from a grant application and the reporting requirements are equally extensive yet variable. Monitoring by the sub-contracting agency is less likely (58% of the cases) but more intense in terms of number of visits. Other features are similar to grants. These findings further bring out the similarity between sub-contracting and grant funding and the general observation that the Uganda NGO sector serves as relay for international governmental and non-governmental donors.

NGOs are no stranger to banks: the overwhelming majority of surveyed NGOs have a bank account and half of them have a savings account. This is important because monitoring movements of funds on their customers' accounts is one of the means by which banks assess their customers for credit purposes. Yet, NGOs have very limited access to credit. Only 12% of surveyed NGOs, however, have an overdraft facility. Some 15% of the sample has ever borrowed money. Of those, however, less than half borrowed from a bank or financial institution; others borrowed from other NGOs or from the government. To some extent, findings are understandable: NGO revenues are primarily made of grant income, and grant income is notoriously unpredictable. For the many Ugandan NGOs involved in micro-credit, however, insufficient

access to credit would seriously limit their operations. As anticipated, we find a significant relationship between borrowing and micro-credit activities: those NGOs who borrow are more likely to be involved in micro-credit. What remains unclear, however, is whether it is those NGOs able to borrow who venture into micro-credit or whether banks lend to those NGOs who involve themselves in micro-credit. Finally, only a handful of surveyed NGOs resorted to hire-purchase (leasing), mostly for vehicles or equipment.

4.5 Governance

We now examine the governance structure of surveyed NGOs. We begin by discussing registration and monitoring by government. We have seen that grant agencies monitor recipients closely. NGOs are also monitored by government. To begin with, we note that 86% of the NGOs in our sample declare being registered with the Registration Board of the Ministry of Internal Affairs. Of those registered, most have been registered for a long time. The median year of registration is 1997. Respondents were also asked when they last renewed their registration. The median year is 2000. Some 60% of surveyed NGOs are registered with the Registrar of Companies, Ministry of Justice. This grants them legal personality and enables them to own land in their own name. Year-to-year monitoring by government authorities is mostly done by line Ministries and local government representatives. Since their creation, 70% of surveyed NGOs have been visited by a representative of local government; 43% were visited by someone from a line Ministry. In contrast, only 17% of surveyed NGOs have been visited by a representative of the NGO Registration Board (MIA).¹⁰ Half of the respondent NGOs declare showing their annual report to local government representatives and one third shows their annual accounts. The closeness of

¹⁰This picture is corroborated by a case study of Oxfam health programmes in 8 Ugandan districts (Cannon 2000). The study reports that, at the national level, the NGO-government relationship is difficult and that coordinating and monitoring NGOs is seen as a major problem, with no-ministry having a proper data-base of NGOs. According to Cannon (2000), NGO leaders and government medical personnel are more familiar with each other's activities at the district level.

this relationship is not surprising given that most NGOs in our sample operate at the local level – mostly in one or two provinces only. NGOs are thus subject to some scrutiny from government authorities.

Ugandan NGOs are very keen to involve host communities in the actual delivery of services or the execution of projects, with 90% of respondents doing so. This involvement, however, rarely implies a payment from the NGO. Surveyed NGOs find out the needs of the communities they serve primarily via participatory workshops with community members: this method is cited by three quarters of the sampled NGOs. Surveys run by the NGO are cited in two thirds of the cases as well. Other favoured methods include direct observation by NGO staff and discussions with opinion leaders in the community. Similar techniques are used to evaluate how well the NGO fulfils the needs of the community it assists.¹¹ One fifth of NGOs base their evaluation in part on surveys run by organizations other than themselves.

Whether these methods identify the target population correctly is difficult to say. In a study evaluating the impact of 4 British funded NGOs in rural poverty alleviation in Bangladesh, South India, Uganda and Zimbabwe, Riddell et al. (1995) find that many projects failed to reach the poorest. In Uganda they find that the NGOs surveyed rarely undertake the detailed social analyses necessary to identify the target group. In Zimbabwe the projects do not reach the poorest farmers: those with capital and education benefit the most (Muir & Riddell 1992). Finally, in Bangladesh they find that the NGO clients are not from amongst the very poorest, and there is a tendency for the greatest benefits to go to those who are already better off. Barr & Fafchamps (2003), in contrast, uncover some evidence that NGOs seek to target poorer albeit less isolated communities.

Turning to oversight, our survey results show that it is also done by members. Some 80% of

¹¹This is in accordance with the literature on evaluating NGO success which calls for participatory community and self-assessment (e.g. Riddell 1990, Fowler 1995, Fowler 1995, Powell 1987) .

surveyed NGOs have some kind of membership system. Members are predominantly individuals although in 42% of NGOs with a membership system, members are other organizations such as NGOs and CBOs. The number of members can be quite large, with half the surveyed NGOs having 100 members or more. The average number of members is heavily influenced by a small number of NGOs with a very large number of members: two NGOs account for close to 80% of all NGO members in the sample. Membership appears to be on the rise, but this finding is heavily influenced by two of the largest NGOs in the sample, so it may not be representative of the sector as a whole. Nearly all NGOs with a membership system hold meetings. The average NGO held its last meeting 6 months or so before the survey. The average number of members present at the last meeting was 300, with a maximum of 20,000. The median is much lower: for half the surveyed NGOs, the number of members present was less than 50.

While 14% of surveyed NGOs restrict their services to members only, the overwhelming majority cater to both members and non-members. Less than 5% cater to non-members only. This suggests that, in the context of Uganda, members are nearly always intended beneficiaries. This is in contrast with many philanthropic organizations in developed countries for which ‘members’ are primarily expected to contribute and ‘membership’ is but a way of generating revenues. Nearly all surveyed NGOs accept new members; they are open organizations. Procedures to become a new member differ markedly, however. The most common steps are the payment of a membership fee and filling in a form. In 10% of surveyed NGOs, membership supposes religious conversion. Membership fees are very low and in general commensurate with the wealth level of the population. This is consistent with the observation that members are primarily beneficiaries. In some NGOs, members are expected to make small donations of money or to volunteer their time. There is considerable variation in what is considered appropriate. Some NGOs are satisfied with as little as 6 hours a year; others expect members to be full-time volunteers.

Nearly all surveyed NGOs have a committee that oversees its activities. Some 60% of surveyed NGOs have a Board of Trustees and 77% have a Board of Directors. Only 10% have neither. The average numbers of trustees and directors are both 7. Taken together, the existence of a membership system combined with the presence of an oversight committee should ensure a lot of internal oversight. Furthermore, the fact that members are nearly always beneficiaries and that membership is fairly open aligns the incentives of the NGO with that of recipients of NGO services. It nevertheless remains unclear how effective this system is in preventing abuse and wastage. Also it is unclear to whom abuse can be reported if it is uncovered.

Surveyed NGOs provide some reporting to their members and oversight committee. Some 88% of surveyed NGOs state they prepare an annual report. In one quarter of these cases, however, the last annual report by the respondent NGO was prepared more than 12 months before the survey, suggesting that a sizeable proportion of NGOs slack on their reporting duties. The annual report is destined primarily for members and, in a large number of cases, for the funding agency. Half of the surveyed NGOs declare giving a copy of their annual report to the NGO Registration Board (MIA). Some also show their report to line Ministries. 85% of surveyed NGOs declare making their annual report available to the public upon demand. This, however, may be wishful thinking: most surveyed NGOs were unable (or unwilling) to make a copy of their report available to survey enumerators.

Around 80% of sampled NGOs state that they prepare a balance sheet and income statement each year. As for the annual report, however, one fifth of respondents prepared their last accounts more than a year before the survey. Two-thirds of respondents who prepare accounts claim these accounts are externally audited. We find this hard to believe given the relatively poor quality of account information provided to enumerators. Accounts are also primarily shown to members and trustees, with one third of respondents claiming they give a copy of their accounts to

the NGO Registration Board (MIA) – presumably to satisfy re-registration requirements. 73% of respondents claim accounts are available to the public upon demand but a much smaller proportion were able to provide enumerators with consistent sets of accounts.

4.6 Relationship with other NGOs and with the government

A recurrent theme in the literature is that the lack of NGO coordination results in unnecessary replication of activities and in serving the same beneficiaries (e.g. Acharya, Aryal, Karmacharya & Meyer 1999, Belshaw & Coyle 2001). This does not appear to be the case in Uganda. Ugandan NGOs are heavily networked into each other. Some 72% of surveyed NGOs belong to a local NGO network or umbrella organization. The main service derived from these networks appears to be the organization of meetings and conferences (cited by 87% of respondents), the constitution of an information data base (55% of respondents), and access to communication services (17% of respondents). Other services such as building or vehicles are hardly ever cited. Some 38% of Ugandan NGOs are also members of international or regional networks. There appears to be a very large number of such networks, with over 100 different networks cited by survey respondents alone. In fact, no two surveyed NGOs were members of the same international network. The services provided by international networks mirror those of national networks: meeting and conferences (87%); information data base (61%); and communication services (28%). International networks appear to be a little stronger on physical services, with 16% of affiliated NGOs getting access to office space or vehicles. For most NGOs, networks provide useful services but they do not provide equipment and office space.

We have already seen that the government often plays a role as partner or facilitator in grant applications. Before concluding, we discuss our other findings regarding the relationship between NGOs and the government. We first note that taxes are not a topic that surveyed NGOs feel

too confident about. As we have explained in the conceptual section, in developed countries having a non-profit status for tax purposes is one of the benefits of being legally regarded as a charity. In Uganda, NGOs are surprised by the very idea that their activities could be subject to taxation. As far as we can judge, surveyed NGOs do not appear to file corporate taxes. They therefore enjoy a de facto non-profit status without having to demonstrate to the tax collecting agency that they do not distribute profits to members or management. What is clear is that NGOs do not pay corporate taxes on the grant income they receive. It is unclear whether, as employers, NGOs pay income taxes on the salaries they pay to their staff. After pre-testing, questions on income and corporate taxes were dropped from the questionnaire as they created too much anxiety. Questions about other forms of taxation were maintained, however. About 25% of the respondents state they are exempt from paying taxes on their supplies and 14% state they are exempt of import tariffs on vehicles and equipment. Since only 7 respondents list 'tax refunds' as source of revenue, however, it is unclear whether the question was properly understood. A handful of respondents stated that a line ministry refunded them for an import tax on equipment.

Next we turn to partnerships with line Ministries. Some 70% of surveyed NGOs are in partnership with at least one Ministry. The most often cited partner Ministry is the Ministry of Gender, Labour and Social Affairs. The next most often cited is the Ministry of Health. Most partnerships are informal but a little over one third of surveyed NGOs have a memorandum of understanding with at least one Ministry. Partnership agreements with a Ministry enables NGOs to approach funding agencies with support from authorities, thereby facilitating the screening process.

Surveyed NGOs were also asked whether the government staff with whom they interact is a help or a hindrance. Results indicate a certain ambivalence towards government, with

close to 60% of respondents stating that government staff help them in their task, but 27-29% stating that government is both a help and a hindrance. 93% of surveyed NGO think that local government staff faces their own constraints that make it difficult for them to help NGOs. The most often cited constraint is lack of funding. Over half of respondents also cite constraints dictated by national government. One third of respondents even feel that local government staff feels resentment towards NGOs. The most often cited reason for this state of affairs is dissatisfaction with pay relative to pay in the NGO sector, and lack of resources to do their job well. NGOs appear to be perceived by some local governments as competitors who divert resources away from government and are better paid for doing the same job.

5 Conclusion

Performance and accountability are key terms found in the literature. The future of the NGO sector has been closely linked to its ability to convince the public that it is performing and accountable. Examples can be found in the fields of sociology (Edwards & Hulme 1995), economics (Salamon & Anheier 1996) and law (Brody 2002).

This study is the first to attempt to review the whole NGO sector in a country. Only through such national surveys can we begin to identify key performance indicators and accounting practises that can help us to evaluate the sector. Using original survey data collected in Uganda, we have documented the activities, resources, and governance structure of non-governmental organizations operating in the country. The picture that emerges from this analysis is diverse.

The Uganda NGO sector combines elements of political activism and philanthropic work. It attracts many educated Ugandans who wish to help poorer members of society while earning a living for themselves. Contrary to our initial expectations, faith does not seem to be their primary motivation: only a third of the surveyed NGOs are faith-based. Most NGOs do, how-

ever, operate in ways that are broadly similar to religious charities. As hypothesized by Scott & Hopkins (1999), at the heart of many NGOs is a small group of educated Ugandans willing to volunteer some of their time, or to work for lower pay, for the chance of helping the poor.

Many surveyed organizations implicitly blame poverty in part on ignorance and lack of organization. This is reflected in the emphasis they put on efforts to ‘educate’, ‘sensitize’, ‘train’, and otherwise inform the poor about all kinds of relevant issues – from AIDS and hygiene to nutrition and domestic violence. As a result, ‘talking’ to intended beneficiaries is the dominant activity of surveyed NGOs and nearly all Ugandan NGOs are involved in raising awareness in one way or another.¹² Political mobilization is also important, as reflected by the emphasis on advocacy and capacity building. Many NGOs seek to organize local communities to deal with their own problems and to be heard by local and national government. Few Ugandan NGOs, however, go beyond these two basic activities, and when they do they typically see their other activities as part of a larger concern. Virtually no NGO sees itself simply as provider of a specific service. All have a holistic approach, which gives them more flexibility to respond to the perceived needs of the population they serve, but presumably limits gains from experience and specialization.

Regarding funding, there is extreme variation in the level of finance NGOs receive. The average NGO generates quite a bit of funds from members and individual donations. But at the aggregate level, the amounts collected are very small (2.5% of aggregate funding in our sample). In the aggregate, most NGO funding comes from international NGOs. In this sense, the Uganda NGO sector appears to be an offshoot of international development assistance, and the mode of operation of Ugandan NGOs largely reflects the agenda and concerns of international NGOs.

¹²Furthermore, for many surveyed NGOs, going to villages and poor neighbourhoods is seen as an activity in itself. This suggests that perhaps these NGOs need to acquaint themselves with the condition of the population they seek to help.

There is apparently very little solicitation from the general public in Uganda by local NGOs.

There are enormous disparities within the NGO sector. A handful of large NGOs attract most of the funding while the majority has little or no funding at all. The difficulty of securing grants – and the short-term nature of grants – probably explains why most NGOs remain unspecialized. Many NGOs are registered in the hope of securing a grant but fail in that endeavour. Others get a small seed grant but fail to secure larger grants, possibly because they are unable to convince granting agencies that they can deliver. Well funded NGOs focus more on service delivery but what is unclear is whether they do so because they receive more funding, or receive more funding because they focus on service delivery. This issue deserves further research.

Regarding governance, we find that most of the screening, monitoring, and evaluation is done individually by grant agencies. Reporting requirements appear fairly onerous, especially given the limited administrative capacity of most surveyed non-governmental organizations. Some monitoring is also done internally, either by members directly or by trustees. Government oversight is present but fairly limited. Although a stated objective of the sector, transparency is in practice problematic for many NGOs: although most respondents claim to circulate their annual accounts and reports to the public upon request, few were able to provide this information to enumerators. Furthermore, less than 60% of respondents were able or willing to provide data on their revenues and expenditure. For those that did provide accounts, figures on revenues and expenditures seldom agree. These findings should not be construed as evidence that misappropriation of funds is common place, but they suggest that the administrative capacity of many surveyed NGOs leaves much to be desired. In such an environment, we fear that it would not be difficult for unscrupulous individuals to successfully pose as bona fide NGO representatives.

The analysis presented here seems to indicate that the Uganda NGO sector is quite entrepreneurial in the sense that it is led by individuals skilled in attracting international aid

(Stiles 2002). There is nothing wrong with this state of affairs provided Ugandan NGOs deliver the service expected of them (e.g. Azam & Laffont 2003, Platteau & Gaspart 2003b). To find out whether they do, it is necessary to approach beneficiaries directly. Evidence to this effect is provided by Barr & Fafchamps (2003) who show that Ugandan NGOs are generally well perceived in the country, especially when they make the effort to communicate with the beneficiary population.

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