The Governance of Non-Governmental Organizations in Uganda *

Abigail Barr
University of Oxford †

Marcel Fafchamps
University of Oxford ‡

Trudy Owens
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. Little monitoring is done by government. NGOs do not file an income tax returns and few respondents are able to provide coherent financial accounts.

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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, while the success of non-governmental initiatives, such as the Grameen Bank in Bangladesh, has been strongly suggestive of NGO potential. An increased role for NGOs has also been made possible by traditional donors' renewed interest in democratization and 'civil society' and, 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.

There is a substantial literature devoted to NGOs and their role in development (e.g. Edwards and Hulme 1995, Riddel, De Coninck, Muir, Robinson and White 1995, Farringhton, Bebbington, Wellard and Lewis 1993). But there is surprisingly little survey-based research on NGOs in developing countries, and especially in Africa. The purpose of this paper is to fill this gap by documenting the current state of the NGO sector in Uganda. Using original survey data collected by the authors, we clarify what Ugandan NGOs do and how, and we examine how NGOs finance themselves and to what extent and how they are kept accountable to their funders and true to their stated objectives. To our knowledge, this is the first analysis of a large representative NGO survey in Africa.

The literature has outlined the many different roles that NGOs play in society, especially as providers of services, catalysts of social capital, and advocates for vulnerable groups. The role of Bangladeshi NGOs in the provision of micro-finance, for instance, has long been recognized and heralded (e.g. Pitt and Khandker 1996, Morduch 1999). This recognition has spawned numerous copycat efforts elsewhere. The involvement of NGOs in humanitarian interventions is also well documented. The extensive works of the International Center for Not-for-Profit Law and of the Johns Hopkins University Institute for Policy Studies have extensively reported – and advocated – the role of NGOs as expressions of civil society and have emphasized their importance in the democratization process (e.g. Salamon, Anheier, List, Toepler and Sokolowski 1999, ICNL 1995, Simon 1995).

Even the most fervent enthusiasts of the NGO sector recognize that good governance is essential for

the sector to retain its credibility. NGOs serve their philanthropic purpose typically by collecting funds from the public or from donors. Their capacity to do so depends crucially on a reputation of integrity and efficiency. Abuse by a few can hurt the sector as a whole. Monitoring NGOs to eliminate or minimize abuse and to maintain public confidence is thus essential to the effectiveness of the sector as a whole. This important point has been repeatedly emphasized in the literature (e.g. Brett 1993, Edwards and Hulme 1995, Hulme and Edwards 1997, Farringhton et al. 1993), while recognition has also been given to the difficulty of striking a balance between the role of the state as protector of the public interest and the autocratic tendencies of many governments (e.g. Salamon et al. 1999, ICNL 1995). The duty of the NGO sector to monitor itself has also been emphasized (e.g. Brody 2002, Simon 1995).

The issues of governance and monitoring strike a particularly painful chord in Uganda where in the late 1990s the Movement for the Restoration of the Ten Commandments of God, a registered NGO, is thought to have killed more than 700 of its followers. Other, less dramatic, accounts speak of crooks and swindlers attracted to the sector by the prospect of securing grant money. Improvements in oversight for the growing Ugandan NGO sector need to be informed by a thorough understanding of what the sector does, how it is funded, and how it is currently monitored.

Providing such an understanding is the main purpose of this paper, which is organized as follows. After a brief review of the literature, we begin by discussing the relationship between governance and monitoring issues and the structure and activities of the NGO sector. To guide the discussion, we contrast the governance systems put in place in developed countries with the needs and realities of developing countries such as Uganda. We then present our data collection methodology and the main characteristics of the Ugandan NGO sample. The resulting data on NGO activities and resources are presented in detail, before turning to governance issues, with a special focus on monitoring and oversight. Conclusions are presented at the end.

2 The literature

Heterogeneity within the NGO sector has made it a difficult topic to research. To date, three main methods of enquiry have been used regarding NGOs in developing countries: legal studies; historical

studies; and case studies. Legal studies are best represented by the work of the International Center for Not-for-Profit Law, which acts as repository for laws and regulations regarding not-for-profit organizations in many developing countries ICNL (1995). The comparative project on the non-profit sector at the Johns Hopkins University has produced valuable knowledge on the NGO sector. Regarding poor countries, much of this work has taken the form of historical accounts of the development of the sector (e.g. Salamon and Anheier 1996, Salamon et al. 1999). Both strands of literature have devoted much work to transition economies and paid relatively little attention to sub-Saharan Africa.

The rest of the literature is dominated by small, specific case studies, more often than not restricted to a particular agency working in a particular sector (e.g. Edwards and Hulme 1995, Riddel et al. 1995, Farringhton et al. 1993). For instance, Farringhton 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 and 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 and 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 coherent comparative methodology. They conclude that the NGO sector is more complex and diverse in developing than in developed countries – 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. In their study of NGOs in Kenya, Tanzania and Uganda, Semboja and Therkildsen (1995) find that East African NGOs greatly depend on external support from the state and from foreign NGOs and/or donors. They argue that their links to the state are becoming more important for service provision rather than less. In contrast Cannon (2000), in a review of health programmes funded by Oxfam in eight districts in Uganda, highlights the tension that can exist between NGOs and government, a point also made by Goldsmith (2002) in a study of business associations in 8 African countries.

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. This point is also made by Johnson (2001) who, based on a study in Thailand, points out that the objectives of international NGOs need not match the needs of local people. Belshaw and 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 the experiences described by the researchers are.

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, organize to produce a non-rival good for their own consumption. Weisbrod (1998) has written extensively on the nonprofit sector and most recently on the growing commercialization of the nonprofit sector in the US. He compares an altruistic model in which the commercialization is a reluctant response to falling donations, to a model in which self-interest is a response to changing institutional and legal constraints.

Economic articles on NGOs proper fall under two main themes: NGOs as service providers (e.g. Leonard 2002, Bennett, Iossa and Legrenzi 2003, Jagannathan 2003, Lindelow, Reinikka and Swensson 2003, Reinikka and Svensson 2003); and NGOs as political institutions that mobilize populations and lobby governments or international organizations (e.g. Besley and Ghatak 1999, Scott and Hopkins 1999,

Cannon 2000, Johnson and Johnson 1990, Kennedy 1999). With the exception of Azam and Laffont (2003), Platteau and Gaspart (2003a) 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, and little on Africa.

3 NGO monitoring and oversight

As we have seen, NGO governance issues have attracted some attention in the literature. Much of the debate has been shaped by the form that monitoring and oversight of NGOs take in developed countries, the intuition being that institutions devised in rich countries could be replicated in poor ones to good effect.

Monitoring and oversight of NGOs in developed countries is organized around two legal concepts, non-profit (or not-for-profit) organizations and charities or philanthropic societies. Non-profit organizations do not seek to generate a profit for their owners (Glaeser 2003). If a profit is generated it is ploughed back into the organization. Non-profit status exempts an organization from corporate taxation. In developed countries where corporate taxation is high, maintaining a non-profit status is important. In developing countries, the state seldom seeks to collect corporate taxes from small firms and organizations, so the concept of non-profit organization is less relevant in practice.

Many non-profit organizations, such as condominium associations or health maintenance organizations, do not have a charitable or philanthropic purpose. NGOs, in contrast, typically seek to serve the public good. It is this characteristic that entitles them to solicit funds from various benefactors such as the public at large, the government, other NGOs, and international donors. Benefactors give to philanthropic organizations because they care about the public good. Developed countries all have instituted legislation regulating organizations that solicit from the public. In the UK, for instance, NGOs are registered with and report to the Charities Commission. The rationale for regulation is that, by diverting funds, unscrupulous individuals may undermine the public's trust in NGOs and hence reduce funding to

the NGO sector as a whole.

Monitoring and oversight issues differ between developed and developing countries. In developed countries, developmental NGOs operate primarily to attract local funds and to channel these funds to a charitable purpose, for instance to fund development and humanitarian assistance. In developing countries, collecting local funds is less important because the bulk of NGO funding comes from international sources such as non-governmental and governmental agencies (e.g. Stiles 2002, Lister 2001). Thus, while in rich countries the financial risk of unscrupulous NGOs is borne largely by the general public is most at risk from unscrupulous NGOs, in poor countries it is international donors who are the most at risk financially.

Abuse can take various forms. Apart from outright diversion of funds, misappropriation can take place through perks, inflated salaries, or unwarranted per diems, and be much harder to detect as a result.[1] Identifying inappropriate behavior is made even more problematic when the organization does not hold proper records and accounts, in which case it is difficult to distinguish dishonest behavior from incompetence. Finally, it is also conceivable that the organization is honest but mismanaged and inefficient, in which case donor money does not maximize the 'bang for the buck'.

The above monitoring difficulties are common to NGOs in poor and rich countries alike. Some incentive issues, however, are more prevalent in developing countries. In a context where most funding comes from international donors, talented individuals – what Platteau and Gaspart (2003a) call 'development brokers' – may initiate a local NGO not so much because they care about the public good but because they hope to secure a grant to pay themselves a wage (Weisbrod 1998). Although some may find this approach mercenary or uncharitable, it is not inherently illegal provided the local NGO effectively and efficiently undertakes the task for which it secured external funding. Local NGOs operating in this manner are de facto 'for-profit' subcontractors of international donors.[2] The presence or absence of abuse

[1] Perks and excess wages and allowances are an easy way for crooks to divert charitable funds into their own pockets (e.g. Ebrahim 2003, Edwards and Hulme 1995). However, there is nothing illegal or inherently unethical in charities to paying 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.

[2] Here the non-profit dimension of the local NGO becomes secondary: excess revenues can be absorbed in high salaries, superfluous manpower, per diems, or perks. Even though such an NGO may not generate any accounting profit, it de facto operates as a business serving the private interest of its promoters. NGOs operating as consulting firms are good examples

then ultimately depends on how effectively the money is spent to serve the public good.

In practice, monitoring and oversight are greatly complicated by the way NGOs operate. 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 the services they provide. 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 granting agencies or a third party to ensure that what they report is accurate. Monitoring is particularly difficult and costly if NGO work involves awareness raising, lobbying, and advocacy, if they are serving the poor over a wide geographical area; and if they are undertaking many small and/or diverse interventions.

In the for-profit sector, when firms under-perform (or embezzle their own funds) profits fall. With sufficient competition, under-performing firms eventually go out of business, leaving only efficient firms. In the NGO sector of developing countries, 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 granting agencies. In principle, we expect grant providers to closely monitor the performance of local NGOs both in terms of accountability and efficiency. Presumably, the outcome of this monitoring process is that under-performing NGOs get blacklisted and good performers are rewarded with more funding. This assumes that granting agencies and international donors inform each other of the names of ineffective NGOs. Only if granting agencies collectively cut funding to under-performing NGOs and reallocate it to more efficient ones can we reasonably expect the sector to be efficient.

In a context where identifying competent and honest NGOs is problematic, granting agencies may enter into long-term relationships with satisfactory grant recipients in order to economize on screening costs. If this is the case, new unproven NGOs are likely to experience difficulties establishing themselves, for reasons similar to those noted for other markets (Fafchamps 2002). Furthermore, to the extent that grant agencies are unable to identify under-performing organizations or feel the need to patronize struggling organizations, they may continue to fund ineffective NGOs.[4] In contrast, if grant agencies rely

of such ventures.

[3]The 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.

[4]Coate and Loury (1993), for instance, construct a model of affirmative action in which employers required to employ more minority workers apply a weaker hiring standard to them. In their model, this has the effect of lowering minority

on a formal screening process, the allocation of grants tends to be more impartial and transparent but the application process generates higher application and screening costs.

The objective of our empirical analysis is to investigate these issues for Uganda. To this effect, we document the funding sources of Ugandan NGOs and examine the monitoring and oversight procedures to which they are subjected. To ascertain the degree of monitoring difficulty, we examine the type of activities NGOs undertake and the quality of accounts they provide. We seek to ascertain whether salaries and per diems constitute a large portion of their expenses and whether staff are provided with important advantages in kind. We also look for evidence that NGO managers are involved in commercial activities in addition to running an NGO, a possible (albeit remote) indicator of conflict of interest.

4 Data collection and sample design

In Uganda, the growth of the NGO sector goes back to the 1970's and 1980's, when many NGOs came in to fill the gap left by the collapse of the government. The movement was first initiated by faith-based organizations, principally large established churches. This movement was subsequently reinforced by international NGOs, then bilateral 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 the public interest to heart.

The study was first proposed by a group of NGOs during the preparation of the first Poverty Reduction Support Credit (PRSC). This group expressed a desire to find out the major roles played by their kind in Uganda, their strengths and weaknesses, their working relationship with government, and the factors that affect this relationship. In response, the World Bank initiated a collaboration with the Office of the Prime Minister of Uganda, with funding provided by the Japanese government and the World Bank. A survey was undertaken in 2002 by the Centre for the Study of African Economies (CSAE) of Oxford University in collaboration with International Development Consultants (IDC), based in Kampala.

workers' incentives to raise their standard. A similar perverse feedback mechanism could be at work in Africa where many donors regard local capacity as limited and perceive indigenous organizations as incapable of meeting international standards of competence and efficiency.

A two-step sample selection process was used. In the first step, we identified a list of districts in which data collection was to take place. The capital city Kampala was included because of its importance as a base for many NGOs. In addition, 14 districts were randomly selected from the 56 remaining districts.[5] A random sample of NGOs was then selected – 100 from the capital city of Kampala and 200 from the 14 rural districts. For sampling purposes, an NGO was said to belong to a particular district if its headquarters were in that district.

In order to draw a random sample of NGOs, we first constructed a listing of all active NGOs in the selected districts. Our starting point for this task was the record of the NGO Registration Board in the Ministry of Internal Affairs (MIA).[6] As of December 2000, approximately 3,500 NGOs were registered with the Board. However, not all of these are operational. So, before sampling the registers for the selected districts were updated and verified.

The results of this verification exercise are presented in Table 1. The first column reports the number of registered NGOs in each district, the second column reports the number verified as active, the third column, the number sampled and the fourth, the number surveyed. The Table indicates that, of the 1777 registered NGOs with headquarters in Kampala, only 451 or 25% could be traced. In contrast, in the rural districts 41% could be traced. For Kampala, a sample of 100 NGOs was drawn randomly from the 451 traced NGOs. For the rural districts, a self weighting sample of 200 NGOs was randomly selected from the verified listings for the 14 rural districts. The combined stratified sample (Kampala plus districts) is roughly representative of the national situation. The likelihood of being selected was 16% for a rural NGO and 22% for a Kampala-based NGO. However, if we assume that 25% of active Kampala-based NGOs could not be traced, the sampling rate is the same for all NGOs. Further details relating to the sampling procedure can be found in Barr, Fafchamps and Owens (2003).

A detailed questionnaire was designed and pre-tested in Uganda by the authors. The survey was conducted through face-to-face interviews between enumerators and an NGO representative – usually the

[5] The 14 selected districts were Arua, Busia, Iganga, Jinja, Kabale, Kassese, Kibaale, Lira, Luwero, Mbale, Mbarara, Mukono, Rakai and Wakiso. One district (Gulu) that was initially included in the list was subsequently replaced because of the lack of security in the region.

[6] 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; for this reason, these organizations are omitted from the survey in spite of their large size. This must be kept in mind when interpreting the results.

head of the NGO. The enumerators and their supervisors received a week's training on the questionnaire and on interviewing techniques before the survey began. A copy of the questionnaire can be found in Barr et al. (2003).

In a survey of this kind, it is difficult to directly verify the veracity and accuracy of the answers provided by respondents without antagonizing them and jeopardizing the overall success of the survey. As will become clear from the analysis, we suspect that some of the answers provided correspond more to an ideal than to the actual situation. NGO umbrella organizations in Uganda have impressed upon their members the importance of good governance, transparency and popular participation. It is therefore possible that, with respect to these issues, respondents told us what they thought we wanted to hear, rather than what they were actually doing. For this reason, the survey questionnaire was designed in a way that enables us to cross-check some of the information provided by respondents. We find, for example, that nearly all respondents claim to keep accounts and to distribute them to members each year, but only a minority of the surveyed NGOs could supply consistent revenue and expenditure figures when asked. Similarly, while nearly all NGOs claim to involve beneficiary communities in the design and evaluation of their intervention, beneficiaries report that community participation either ex ante or ex post was sought in less than 60% of NGO interventions (Barr and Fafchamps 2003). These examples indicate that survey responses should be treated with caution.

5 Characteristics of surveyed NGOs

Having presented the survey methodology, we now turn to our findings. We begin with a description of the activities undertaken by sampled NGOs. Next we examine their revenues and expenditure as well as their human and physical resources. Armed with a better understanding of what Ugandan NGOs do and how they finance their activities, we then turn to the data relating to our main topic of interest, governance.

5.1 Activities

The ease with which NGOs can be monitored depends, in large part, on what activities they undertake. For this reason, much of the questionnaire was devoted to detailing NGO activities. Other studies have indeed found that the range of NGO activities is vast.[7]

Surveyed NGOs were first asked if they are involved in raising public awareness; nearly all (96.6%) responded that they were. Two thirds of the sample were actively involved in raising awareness about HIV/AIDS, reflecting the high incidence of HIV/AIDS in Uganda and the active stance taken by the government. Other health issues were the next most often cited topic, followed by nutrition and gender issues and, then, human rights and the protection of the environment.

Raising awareness is achieved primarily via meetings and workshops. A Few very large NGOs in the sample stated that they reach over 100,000 people per year. However, the median is 400 people and more than half of the sample reach fewer than 400 people per year. This already suggests that the scale of operation of most NGOs in Uganda is small and monitoring likely to be difficult as a consequence.

Surveyed NGOs were then asked whether they are involved in advocacy or lobbying; 60% state that they were. The primary mode of advocacy is meetings with local and national authorities. An average NGO has 18 such meetings per year, although the median is 6, reflecting once again the size disparities across Ugandan NGOs.

Respondents were also asked whether they are involved in financial services such as micro-credit. One third of the sample supplies credit but the number of recipients is small: the median is 150.[8] The sample of NGOs offering financial services is dominated by three NGOs responsible for three quarters of all the loans granted by the sample as a whole.

Surveyed NGOs were then asked to list their other most important activities. Table 2 presents a summary of their answers, some of which duplicate the information given above. Many NGOs describe their activities in terms of education and training although, in most cases, the education provided is of a

[7] In their study of six developed and five developing countries, Salamon and Anheier (1996) 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.

[8] In addition, 15% of surveyed NGOs provide grants to other NGOs or to community-based organizations (CBOs).

very short duration (i.e. workshops and meetings) and may be better described as awareness raising. Only a handful of NGOs provide vocational training. Around one third are involved in supporting farmers. Counselling services are cited by 17%. Curative health care is offered by 16%, and other, more targeted interventions are offered by a small number of NGOs.

Surveyed NGOs were also asked about their geographical coverage. Responses indicate that close to half operate only in one district, three quarters operate in 4 or fewer districts, and only 7 of the surveyed NGOs operate nationwide.

As well as diversity in activities across the sector, we also see diversity within NGOs. Most surveyed NGOs adopt a holistic approach rather than specializing in a specific service or activity.[9] During pre-testing, most respondents resisted, or even resented, being described as service providers, preferring to describe their activities in general terms such as 'community development'. While this approach guarantees maximum flexibility, it precludes gains from specialization and makes monitoring very difficult. The strong emphasis on 'talking' as opposed to the delivery of physical goods or services probably makes it easier for ineffective or unscrupulous organizations to hide within the sector.

This emphasis on talking may be grounded in the belief that ignorance is a major cause of poverty and unhappiness. Alternatively, it is possible that NGOs would like to do more but, given their limited financial means, find it the quickest and cheapest way to have an immediate impact. To test this idea, we split the sample into NGOs that have ever received a grant and those that have not and tested for statistically significant differences in their choice of activity. Results indicate that funded NGOs put slightly more emphasis on curative and preventive care; the difference, albeit significant, is very small (of the order of 10 percentage points). This suggests that the belief in the 'power of speech' is shared by many Ugandan NGOs, irrespective of whether they are well funded.

The activities of surveyed NGOs and the methods they use to spread their messages (workshops, open air speeches, and door-to-door visits) appear similar to the traditional charitable works performed by churches. However, there is very little evidence to suggest that the surveyed NGOs are, in fact,

[9] Pratt and 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.

'churches in disguise': only 30% of surveyed NGOs are faith-based and the content of their messages is highly varied.[10]

5.2 Revenues

We now turn to an analysis of NGO finances. The appropriate design of NGO monitoring institutions depends critically on the form that NGO financing takes. We first examine from where NGOs derive their financial resources. Then, we turn to NGO expenditures to look for signs of perks and inflated labor costs.

In their study of East Africa, Semboja and Therkildsen (1995) found that much NGO funding comes from international donors. Hulme and Edwards (1997) also emphasizes the role of international donors. In contrast, for their sample of NGOs in Europe, transition economies and Latin America, Salamon and Anheier (1996) find that funding comes from three main sources: 10% come from private charitable giving; 43% come from government support and public sector payments, including grants and contracts; and 47% come from private fees and payments, often originating in the sale of services or products. 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.

Although 93% of the surveyed NGOs claim to keep accounts and distribute them to members on an annual basis, a large number of respondents found it difficult to provide consistent revenue and expenditure figures to enumerators. One third of respondents were either unwilling or unable to provide any financial accounts. Of those who did provide figures (199 observations), 137 supplied revenue and expenditure figures that were internally inconsistent. Only 62 surveyed NGOs declared revenues that roughly matched expenditures. These findings suggest that many NGOs, especially small ones, keep only approximate accounts. This could reflect a lack of expertise or lack of interest, or it could result from a desire to dissimulate a for-profit motive. At this point, we cannot tell which explanation is most likely.

The rest of this section is based on the 199 NGOs that provided some accounting information. The reader should keep in mind that these figures are probably subject to large measurement error. In

[10] 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.

particular, 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 in the first two columns of Table 3 in thousands of Uganda Shillings. The large discrepancy between the sum of individual items and the total revenues reported by respondents is but one manifestation of the inconsistent nature of the financial figures provided by respondents. Based on reported total revenues, we observe a strong 14% increase in total revenues between 2000 and 2001, suggesting that, on average, surveyed NGOs are growing rapidly. However, if we factor in inflation, the increase is less impressive.

The Table shows an average total revenue for 2001 of 478 million Shillings (roughly equivalent to US$ 275,000). This figure is heavily influenced by a small number of large NGOs. Funding appears extremely concentrated, with three large NGOs receiving half of the total revenue across the sample and thirty NGOs accounting for 90%.[11] Two thirds of surveyed NGOs have revenues of less than US$ 50,000 per year. The median revenue is 38.4 million shillings, or US$ 22,000.

In the third column of Table 3 we report the aggregate share of total recurrent revenues that each line item represents.[12] This provides an idea of how the sector as a whole finances its activities. Since surveyed NGOs differ dramatically in size, this measure is strongly influenced by the large NGOs. To gain insights relating to smaller NGOs, we computed the revenue share of each line item for each NGO separately and then averaged these shares across the whole sample. The result is reported in the fourth column of Table 3. These figures indicate from which sources the average NGO finances its activities. Because divestments do not represent long-term, sustainable sources of funds, both columns focus on recurrent revenue only.

The structure of funding by sources of the average NGO differs considerably from that of the NGO sector as a whole because large and small NGOs have very different funding structures. For the sector as a whole (fourth column), grants received from international NGOs account for nearly half of total funding in 2001. Grants from bilateral donors are the next most important source with grants from local government third. However, on average, NGOs are less likely to receive funding from these three sources

[11] The Gini coefficient for revenues is 0.89, indicating extreme inequality.
[12] Put differently, shares in column 3 are obtained by dividing line items in column 1 by total revenue.

and more likely to depend on non-grant income. Further, their grant income is more likely to come from Ugandan NGOs and the National government.

The sector as a whole derives very little revenue from members and non-members, with only 2.5% of all funding coming from these sources. For the average NGO (column 4), the percentage is much higher (over one quarter). Raised funds come primarily from members, while donations from non-members and profit from fund-raising events account for a very small share of revenue.

In contrast with Salamon and Anheier (1996), we find little reliance on private fees and revenues among Ugandan NGOs. Only one third of surveyed NGOs own a business, the profit of which is used to finance NGO 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 farming, canteens, and retail outlets most common. Business income, fees paid by beneficiaries, and other income are nevertheless more important sources of revenue for small NGOs than for large ones, as reflected by the difference between columns 3 and 4 of Table 3.

To summarize, the bulk of the funding to the sector comes from outside sources (international NGOs and bilateral donors) and is allocated to a small number of Ugandan NGOs.[13] This situation is not dissimilar to what happens with bank finance: 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 and Zeufack 2003, Fafchamps and Oostendorp 2002). There are two possible explanations for the high concentration of international grant funding on a small number of Ugandan NGOs. First, it is conceivable that many sampled NGOs have been correctly identified by donors as under-performing and denied funding as a result. If this were the case, the concentration of grant funding would constitute evidence that the selection of grant recipients is efficient. Second, as suggested in section 3, foreign donors find it difficult to identify the best performing NGOs. So, to economize on search and screening costs, they

[13] This 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 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.

choose to grant funding and concentrate their activities on a small number of NGOs they have learnt to trust. We revisit this issue in subsequent sections.

Before concluding this sub-section on revenues, note that NGOs are no stranger to banks: the overwhelming majority have a current account and half of them have a savings account. This may be important because monitoring movements of funds in 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 have an overdraft facility and only 15% have ever borrowed money. Of those who have borrowed, more than half borrowed from other NGOs or from the government rather than a bank or financial institution. Only a few of the surveyed NGOs resort to hire-purchase (leasing), mostly for vehicles or equipment.

To some extent, these findings may reflect the notorious unpredictability of grant income. Financial institutions are likely to be wary of the doubt this casts on an NGOs continuing ability to keep up with repayments. However, from the perspective of the NGOs, an inability to smooth fluctuations in grant revenues through borrowing could severely constrain operations. Furthermore, for the NGOs involved in micro-finance, insufficient access to credit could seriously limit their operations. As anticipated, we find a significant relationship between borrowing and involvement in micro-finance activities, although it is unclear whether it is those NGOs able to borrow who venture into micro-finance or those NGOs already in micro-finance are better able to borrow.

5.3 Expenditures

Turning to NGO expenditures, we first note that reported expenditures are 10% lower than reported revenues. Taken at face value, this difference would suggest that Ugandan NGOs are either accumulating reserves or not strictly speaking non-profit organizations. Given the other inconsistencies in the accounting information provided, however, we would be ill advised to draw firm conclusions from these figures. At the median, revenues are only 3% higher than reported expenditures.

Total expenditures by item are presented in columns 1 and 2 for years 2000 and 2001, respectively. Recurrent expenditures are divided into program costs, wages and allowances, and other costs. The latter

category is dominated by miscellaneous costs – items that respondents were unable to breakdown into the detailed categories listed in Table 4. Some NGOs, for instance, report 'seminar costs' but are unable (or unwilling) to break them up into per diems to beneficiaries, per diem for staff, costs of venues, and so on. 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. In columns 3 and 4 we report the aggregate and average share of each line item as we did in Table 3. The figures in columns 3 and 4 are very similar, indicating a broad similarity in the structure of expenditures of small and large NGOs.[14]

Grants and payments to other NGOs are minimal, representing less than 1% of the total expenditures of the sample. This contradicts the common perception that Ugandan NGOs relay part of the funding they receive from International NGOs to smaller NGOs and CBOs. If the reported numbers are to be believed, bribes paid by NGOs are virtually non-existent; they come from a small number of NGOs which report paying bribes to release funds from local government.

Per diem rates paid by surveyed NGOs vary dramatically across the sample. The information provided by respondents is often inconsistent or missing. However, 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.

According to respondents, per diems to staff and beneficiaries account for less than 2% of total expenditures for the sample as a whole (slightly more for small NGOs). However, we suspect these data are not fully accurate and that there may be additional per diems included in program and miscellaneous costs. Ugandan NGOs are well aware that they are scrutinized by members and donors for excessive salary and per diem payments. They may therefore be tempted to hide these payments in other costs, or to simply misreport them. Given the poor quality of financial accounts provided by surveyed NGOs,

[14] A comparison of columns 3 and 4 does, however suggest that small NGOs are more likely to pay for services rendered and also spend more on rent - probably because they are less likely to have buildings of their own.

it is difficult to determine the extent to which NGO profits are redistributed to staff via the payment of per diems. What is clear, however, is that most surveyed NGOs do not have transparent accounts.

5.4 Resources

We have seen that Ugandan NGOs are an important channel for developmental assistance: together, the 199 surveyed NGOs with financial data raised and spent around 55 million dollars of revenue in 2001. We now examine the productive resources - labor, land, equipment, and managerial and leadership skills – that Ugandan NGOs have at their disposal to fulfil their function.

Data on NGO manpower is particularly scarce in the literature. Salamon and Anheier (1996) report that, in the developed countries they surveyed, 1 in every 20 workers is employed in the non-profit sector. Within the services sector, 1 in 8 is employed by NGOs. However, these figures exclude 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 certainly appears to be the case in Uganda. The average total number of staff and volunteers is 96. As was the case for financial revenues, this figure masks large disparities between NGOs. Just three of the sampled NGOs account for two thirds of the manpower resources in the sample as a whole. This notwithstanding, the median of 18 staff members and volunteers, while smaller, is still high compared to for-profit enterprises which, in countries like Uganda, most commonly have only one or two workers (e.g. Daniels 1994, ILO 1989).

Table 5 reports the distribution of staff and volunteers across various categories. Full- and part-time volunteers account for most of the manpower available to surveyed NGOs. There are few foreigners and even fewer staff working on secondment from other organizations working in Ugandan NGOs.

Table 6 focuses on highly qualified personnel breaking them down into professional categories. The numbers reported are averages over all surveyed NGOs. Most of the full-time qualified personnel and teachers or social scientists, reflecting the emphasis Ugandan NGOs place on social issues and on communication with beneficiaries. Most of the part-time qualified personnel are nurses, although this is due to a single observation. 65% of surveyed NGOs do not employ nurses at all.

The surveyed NGO are expanding rapidly in terms of manpower. Table 7 shows the number of people who have left and joined NGOs over the 12 months preceding the survey. In all categories the number of those who joined exceeds the number of those who left. The table also reports funded vacant positions at the time of the survey. Some NGOs thus appear to be experiencing difficulties finding managerial and professional staff.

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. A small proportion of NGOs also rent out land and buildings. Combining the various sources, we find that 94% of the surveyed NGOs have access to a building or piece of land. The values involved are small relative to NGO revenues: the median property value of those NGOs who own real estate is 5.4 million shillings, which is roughly equivalent to US$ 3100 or one seventh of median revenues. Consequently, it would be quite difficult to recover embezzled funds on the real estate of NGOs.

We also have information on the type of buildings NGOs use. Not surprisingly, 90% of the surveyed NGOs use at least one office. One quarter of surveyed NGOs have buildings for staff accommodation. Less than 15% of the surveyed NGOs have a place of worship. NGO buildings are relatively well equipped: most of them have electricity, piped water, and a telephone connection. In accordance with the data on activities, one quarter of the sampled NGOs have at least one building they use as a school, while only 6% have a hospital, 15% a clinic, and 13% one or more shelters. More than 60% of surveyed NGOs have none of these specialized buildings and so can offer no health care, shelter, long-term schooling, or vocational training.

In terms of vehicles, NGOs are poorly equipped. Half of the surveyed NGOs do not have any motorized four-wheel vehicle. 37% own no transport equipment, not even a bicycle or motorcycle. However, one quarter of the sample use vehicles belonging to other people or organizations, although even if we include these and two-wheelers, 35% of the sample is still without transportation.

The situation is slightly better regarding equipment. Two thirds of surveyed NGOs own equipment such as computers, medical equipment, or farm implements and one quarter uses equipment belonging to other people or organizations. Counting both owned and borrowed equipment, 82% of NGOs have

some equipment available for use. Finally, consistent with the lack of emphasis on the delivery of physical goods and services, only one quarter of the surveyed NGOs hold inventories.

5.5 Leadership

A good leader is arguably one of the most precious resources any organization, non-governmental or otherwise, can have. Our survey suggests that Ugandan NGOs are directed and managed by individuals who are well above the national average in terms of education and experience. The NGO directors in our sample are very well educated by any standard, with on average 14 years (secondary level plus two) of schooling and with 84% holding a university degree or other tertiary-level qualification. Their average age is 40 year. Two thirds of directors come from 'middle class families and only 30% described their parents as poor. Most are Ugandan nationals and speak an average of three local languages. Only 15% have a formal religious vocation (e.g., priest, pastor, mullah). Prior to becoming a director, half had experience working for another NGO and half had experience working for the government. Directors are generally well connected both locally and abroad. On average, they included 18 local government civil servants.

For many respondents, NGO leadership is a part-time occupation. One third of directors are involved in another NGO as a staff member and one half has another occupation outside the sector, usually as a professional or involved in farming, trade, or business. Furthermore, most directors are married and many have a spouse who is 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 summary, the concentration of competence in the NGO sector is impressive but surprising given that most of the surveyed NGOs mobilize fairly limited financial resources. The NGO sector appears to attract many talented individuals wishing to participate in development activities but unable to attract sufficient funding to have much impact. Because success in grant applications is unpredictable, most of these individuals and/or their spouses hedge risk by involving themselves another income earning activity. This kind of diversification of effort is common among African entrepreneurs. Multiple occupations nevertheless dilute directors' effort and fails to capture gains from specialization while possibly generating

externalities in terms of access to information and experience.

6 Governance

Now that we have a better idea of what Ugandan NGOs do and with what, we turn to the focus of our analysis: governance. We begin by examining grant application procedures and the reporting requirements to which successful applicants are subjected.

6.1 Grant application and monitoring

We have seen that grants from international NGOs and donors are the life and blood of Ugandan NGOs, but that not all NGOs have access to grants. 30% of our sample had never received a grant and, of those, only 47% applied during the year preceding the survey.[15] The most common reason cited for not applying is that the grant application process is too complicated and time consuming.

Of those who applied for a grant during the year preceding the survey, one third were unsuccessful and 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. For those NGOs whose grant applications were successful, the breakdown of granting agency-types reflects the figures reported in the revenues section above.[16] One out of three unsuccessful applicants and one out of six successful applicants feel that the grant allocation process is neither fair nor objective.

The majority of Ugandan NGOs hear about the availability of grants directly and formally from the granting agencies: 27% of grant recipients heard about the grant from an individual in the granting agencies, while another 20% received an official call for proposals. 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

[15] 24% of those who have received grant funding applied during the preceding year

[16] Most grants received in the year preceding the survey come from International NGOs (43%) and bilateral donors (16%). Grants from the mother NGO account for 10%.

from local government. Similar proportions are observed among unsuccessful grant applicants, so we can probably rule out lack of support from government as a reason for rejection.

The grant application process appears fairly cumbersome. 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, including descriptions of planned activities, budgets, timetables, evidence of beneficiary assessments, CVs and quotes for materials. The median time lapse before hearing about a successful application is 4 months (average is 6 months).

This suggests that most donors rely on formal screening rather than previous acquaintance or informal contacts to identify grant recipients. Further confirmation of this derives from the fact that less than half of the grants are renewable - the application process must be repeated each time. A formal screening process tends to be more impartial and transparent, but generates higher application and screening costs.

The least often cited type of required supporting documentation is the NGO's balance sheet, income statement, and cash flow projections. This lack of emphasis on NGO accounts by granting bodies may explain why surveyed NGOs often appear to have incomplete accounts. It nevertheless raises the possibility of double counting: an NGO could report the same activity and expenditure to two different granting bodies at the same time.

Reporting requirements to granting bodies are highly variable. 16% of grant recipients declare having no reporting requirements at all, but most satisfy at least two reporting requirements while a small number of NGOs claim that they must satisfy up to 8 different requirements. The most common type of requirement is a 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.

NGOs are also subject to direct monitoring. Nearly 80% of surveyed NGOs receive visits from representatives of the granting body. Some NGOs are visited every week, but the average number of visits is 5 per year. In addition, 61% of grant recipients claim to conduct assessments with their target group or host community, with an average frequency of 5 per year. These survey results suggest that grant recipients are subjected to a fairly high level of monitoring by granting bodies.

One quarter of grant recipients are also monitored by the government when grant funds are channelled through local government. However, this procedure is problematic. One sixth of recipients whose grants are channelled through local government complain of difficulties getting the government to disburse the funds and a small minority (4%) state that they have to pay between 2 and 5% of the disbursed amount in bribes in order to secure release of the funds.

Funding agencies also sub-contract specific tasks to Ugandan NGOs. In practice, the difference between a grant and a contract is not large, although we expect monitoring to be more intensive in a contract because the funding agency is probably more closely involved in the definition and implementation of the activities. A little under one quarter of surveyed NGOs have at some time been paid to provide a service on behalf of another organization which, 40% of the time, is another NGO and 25% of the time is the government. The process of setting up a contract is not very different from a grant application and the reporting requirements are equally extensive and variable. Monitoring by the sub-contracting organization is less likely, occurring in only 58% of the cases, but more intensive in terms of number of visits. Other features are similar to grants.

6.2 Regulation by government

The first step in the government's regulatory process is registration with the Registration Board of the Ministry of Internal Affairs. At registration, NGOs must provide information on the identity and address of the promoters and on their intended activities and geographical coverage. This information is essential for tracing NGO promoters in case of abuse. NGOs must also show their statutes in order to satisfy certain legal requirements, for instance regarding the involvement of NGO members in decisions. Proof of registration is required by most granting bodies.

86% of the NGOs in our sample declare being registered with the Registration Board of the Ministry of Internal Affairs. The rest are registered with district authorities and, thus, maybe better classified as CBOs.[17] Of those registered, most have been registered for a long time. The median year of registration

[17] All surveyed NGOs should have declared themselves registered since the sampling frame was based on the NGO registry. However, some respondents may not be aware that their NGO is registered, perhaps because the registration process was conducted by another individual. It is conceivable although unlikely that CBOs were mistakenly added to the sampling frame at some point in the verification exercise.

is 1997. 60% of surveyed NGOs are also registered with the Registrar of Companies, Ministry of Justice. This grants them legal personality and enables them to own land.

The NGO Board, initial supplies a 1 year registration certificate. This is renewable for a period of 3 years as long as the NGO fulfils the renewal requirements. At renewal, NGOs are expected to provide accounts and reports documenting their activities. NGOs run the risk of being denied renewal of their status if they cannot demonstrate a sufficient level of activity.

Respondents were asked when they last renewed their registration. The median year is 2000. We suspect that a number of NGOs are overdue with respect to renewal, most probably because they have not been very active and fear losing their status. Indeed, while creating an NGO is relatively easy, we have seen that many NGOs find it difficult to raise operating funds.

Year-by-year monitoring is also done by line Ministries. 70% of surveyed NGOs are in partnership with at least one Ministry – meaning that they work on close collaboration with that Ministry. The most often cited partners are the Ministry of Gender, Labour and Social Affairs and 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 Ministries mean that NGOs can approach funding agencies with support from the authorities, thereby facilitating the screening process. Since their creation, 43% of surveyed NGOs were visited by someone from a line Ministry. In contrast, only 17% have been visited by a representative of the NGO Registration Board (MIA).[18]

NGOs are also subjected to scrutiny from government authorities at the local level. 70% of surveyed NGOs claim to have been visited by a representative of local government. Half of them declare showing their annual report to a local government representative and one third say they show their annual accounts. Ugandan NGOs are thus subject to more monitoring by local authorities and line ministries than by central government. However, judging from field observation and discussions with the sector, the purpose of such monitoring is to coordinate and standardize NGO interventions to avoid conflict and duplication, not to deter abuse.

[18] This 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 co-ordinating 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.

The survey also collected valuable information about NGO taxation. In developed economies, fiscal administration plays a very important role in the monitoring of non-profit organizations. Because distributed profits are taxable, the fiscal administration has incentives to expose perks, inflated salaries and other ways by which revenues are distributed to staff and promoters. Since tax returns have to be filed each year, monitoring is done on a regular basis. Filing a return also forces non-profit organizations to produce annual financial accounts.

Such monitoring appears totally absent in Uganda, so much so that taxes are not a topic surveyed NGOs feel comfortable talking about. NGOs appear 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 a corporate tax return. They enjoy a de facto non-profit status without having to demonstrate to the tax collecting agency that they do not distribute profits to staff or management. It is also unclear whether, as employers, NGOs pay income taxes on the salaries and advantages in kind that they provide to their staff. After pre-testing, questions on income and corporate taxes were dropped from the questionnaire as they created too much anxiety.[19]

Surveyed NGOs were also asked whether the government staff with whom they interact are 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% think that local government staff face their own constraints that make it difficult for them to help NGOs. The most often cited constraint is lack of funding. Over half of the respondents also cite constraints dictated by national government. One third of respondents think that local government staff feel resentment towards NGOs. The most often cited reason for this state is dissatisfaction with public service 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 government staff as competitors who divert resources away from government and are better paid for doing the same job.

[19] According to answers to questions about other forms of taxation, about 25% of the respondents claim to be exempt from paying taxes on their supplies and 14% state that they are exempt from import tariffs on vehicles and equipment. Since only 7 respondents list 'tax refunds' as a source of revenue, 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.

6.3 Monitoring by beneficiaries

Ugandan NGOs appear very keen to involve host communities in the delivery of services and execution of projects, with 90% of respondents claiming to do so. Surveyed NGOs claim to 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 said to be used to evaluate how well the NGO fulfils the needs of the communities it assists.[20] One fifth of NGOs say they base their evaluation in part on surveys run by organizations other than themselves. However, these responses need to be treated with caution. Facilitating the participation of beneficiary communities is a key element of 'good NGO conduct', as defined by NGOs themselves. However, following a survey of beneficiary communities in Uganda, Barr and Fafchamps (2003) report that less than 60% of beneficiary communities are involved in ex ante or ex post NGO evaluation.

Whether participatory 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, Riddel 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 and Riddel 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 and Fafchamps (2003), in contrast, uncover some evidence that Ugandan NGOs seek to target poorer albeit less isolated communities. We cannot, however, tell whether and how often the value that beneficiaries derive from the service an NGO provides outweighs its cost.

[20] This 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) .

6.4 Internal monitoring

Monitoring and oversight are also performed internally by NGO members and trustees. 80% of surveyed NGOs have some kind of membership system. Most often members are individuals, although in 42% of NGOs with a membership system, members are 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 very large memberships: two NGOs account for close to 80% of all NGO members in the sample. Membership appears to be on the increase, but this finding is heavily influenced by these same two NGOs; so it may not be representative of the sector as a whole.

While 14% of surveyed NGOs restrict their services to members only, the overwhelming majority serve both members and non-members. Less than 5% serve non-members only. This suggests that, in the context of Uganda, members are nearly always included among the intended beneficiaries. This contrasts with many philanthropic organizations in developed countries for which 'members' are primarily expected to contribute and 'membership' is a way of generating revenues.[21]

Nearly all the surveyed NGOs accept new members; they are open organizations. However, joining procedures differ markedly. The most common steps are the payment of a membership fee and filling in of a form. In 10% of surveyed NGOs, membership supposes religious conversion. Membership fees are very low and in general commensurate with the low income level of the Ugandan 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.

Holding members meetings is yet another element of 'good NGO conduct' promoted in Uganda. Nearly all NGOs with a membership system claim to hold meetings. The average NGO held its last

[21] Some NGO analysts have drawn a distinction between membership organizations, whose main purpose is to serve their members, and service organizations, whose purpose is to provide a serve to the public. This distinction is blurred in the case of Uganda: while virtually all surveyed NGOs aim to serve the public, many do so by setting up a membership system. Thus virtually all surveyed NGOs are both membership and service organizations. How open to the public they are depends on how difficult it is for someone to become a member. A detailed treatment of this issue is beyond the scope of this paper, which focuses on governance.

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. Nearly all surveyed NGOs also have a committee that oversees its activities. 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, that members are nearly always beneficiaries and 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.

Surveyed NGOs claim to do some reporting to their members and oversight committee. 88% of surveyed NGOs state they prepare an annual report. In one quarter of these cases, however, the last annual report was prepared more than 12 months before the survey, suggesting that a sizeable proportion of NGOs slack on their reporting duties. Annual reports are presented to members and, in a large number of cases, the funding agency.[22] Around 80% of sampled NGOs also state that they prepare a balance sheet and income statement each year. However, one fifth of respondents say they prepared their last accounts more than a year before the survey. Two-thirds of those who prepared 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 said to be shown primarily to members and trustees.[23] Furthermore, 73% of respondents claim accounts are available to the public upon demand.

If all these claims regarding reporting and financial accounts were true, given the high frequency of member meetings, they could play an important oversight role. However, we have seen that many NGOs were unable to provide to enumerators the consistent sets of accounts they claim to circulate to their members and even to the public. We therefore suspect that in reality only a small number of NGOs circulate figures and reports that are sufficiently detailed, accurate and up-to-date to enable members to

[22] 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.

[23] One third of respondents claim they give a copy of their accounts to the NGO Registration Board (MIA) – presumably to satisfy re-registration requirements

perform a real oversight role.

6.5 Monitoring by NGO networks

It is in the collective interest of Ugandan NGOs that their reputation of credibility and reliability be maintained. For this reason, the sector may seek to monitor its own members. This could be accomplished for instance by forming a network of NGOs that, through a certification or vetting process, would guarantee the reliability of its members. To investigate this possibility, surveyed NGOs were asked questions about membership in NGO networks and umbrella organizations and the services they provide. Networks can potentially provide a wide variety of services apart from certification, including coordination and the prevention of wasteful replication of activities.(e.g. Acharya 1999, Belshaw and Coyle 2001).

Survey results show that Ugandan NGOs are heavily networked with each other. 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. While some NGO networks[24] have actively sought to promote good governance among their member organizations, to our knowledge none has sought to set up a formal certification system. Instead, networks and umbrella organizations have sought to be inclusive and have welcomed new members with little or no attempt at quality control.

The certification that is not provided by Ugandan networks could potentially be provided from abroad. 38% of Ugandan NGOs are indeed members of international or regional NGO 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%).[25] Here too, little appears to have been done in the direction of quality control and certification is not a service that international networks

[24] Such as the NGO Forum.

[25] International networks appear to be a little stronger on physical services, with 16% of affiliated NGOs getting access to office space or vehicles.

provide.

7 Conclusion

The importance of performance and accountability is stressed throughout the literature on NGOs - so much so that the future of the sector would appear to rest on its ability to convince the public that it is performing and accountable.(e.g. Edwards and Hulme 1995, Salamon and Anheier 1996, Brody 2002) Using original survey data, we have examined in detail the governance structure of Ugandan NGOs. To our knowledge, this is the first attempt to examine NGO governance using a large-scale representative survey in an African country.

It is usually assumed that two main characteristics distinguish NGOs from other organizations: they are not motivated by profits; and they have a charitable or philanthropic purpose. These two characteristics are what enables NGOs to seek funding from the public and international donors. In developed countries, these two principles also form the basis for NGO monitoring by governments.

The situation in Uganda is quite different, with less monitoring by the government and more by donors. This is largely a reflection of what the sector does and how it finances its activities. Our survey results suggest that the Uganda NGO sector is populated by a large number of small organizations headed by highly educated Ugandans. The sector as a whole acts as a relay for international governmental and non-governmental agencies and the activities of Ugandan NGOs largely reflect the agenda and concerns of these international actors.

There is apparently very little solicitation from the general public in Uganda by local NGOs. Little funding comes from domestic private sources, with the exception of members' fees. Since members are nearly always beneficiaries, members' fees are probably better understood as users' fees rather than fund-raising. Contrary to widely held beliefs in local policy circles, Ugandan NGOs do not perceive themselves as service providers. Advocacy and awareness raising loom large in their objectives, a characteristic that makes their performance particularly difficult to evaluate. Religion does not seem to be their primary motivation: only a third of the surveyed NGOs are faith-based.

Surveyed NGOs do not see themselves as service providers but rather as holistic organizations, prefer-

ring to describe their activities in general terms such as 'community development'. This approach gives NGOs a lot of flexibility in terms of the kind of grant they can bid for. But it precludes gains from specialization and makes monitoring very difficult. The strong emphasis on 'talking' as opposed to the delivery of physical goods or services probably makes it easier for ineffective or unscrupulous organizations to hide within the sector.

There are enormous disparities across NGOs. 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 most grants – probably explains why most NGOs remain unspecialized. Many NGOs are probably 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 slightly more on service delivery but what is unclear is whether they do so because they receive more funding, or they receive more funding because they focus on service delivery. This issue deserves further research.

Most monitoring of Ugandan NGOs is done by granting bodies, who appear to encounter difficulties identifying reliable local NGOs that can effectively deliver. This is reflected in extensive screening and evaluation by granting bodies. Reporting requirements appear fairly onerous given the limited administrative capacity of most NGOs. Some monitoring is also done internally, either by members directly or by trustees. Government oversight is present but fairly limited and problematic. In particular, Ugandan NGOs do not appear to file a tax return and therefore are not subjected to the scrutiny of the fiscal administration regarding the possible distribution of profits to management and staff.

Although a stated objective of the sector, transparency is in practice problematic for many NGOs. Most respondents claim to circulate their annual accounts and reports to the public upon request, yet few were able to provide this information to enumerators. Indeed, less than 60% of respondents were able or willing to provide any data on their revenues and expenditure. Furthermore, for those that did provide accounts, figures on revenues and expenditures seldom agree. These findings should not be taken as evidence of widespread misappropriation of funds, but as suggestive of severe constraints on administrative capacity. In such an environment, it would not be difficult for unscrupulous individuals

to successfully pose as bona fide NGOs.

The analysis presented here indicates that the Uganda NGO sector is quite entrepreneurial in the sense that it is led by educated individuals interested in attracting international aid (Stiles 2002). Many Ugandan NGOs indeed de facto or de jure operate as sub-contractors for international donors. There is nothing wrong with this state of affairs provided Ugandan NGOs deliver the service expected of them (e.g. Azam and Laffont 2003, Platteau and Gaspart 2003b). Evidence that NGOs are, in general, enhancing the wellbeing of their beneficiaries is provided by Barr and Fafchamps (2003). They show that Ugandan NGOs are generally well perceived in the country, especially when they make an effort to communicate with and be accessible to the beneficiary population.

What remains unclear is why Ugandan NGOs are exempt from filing a tax return. If NGOs wish to be exempted from corporate income tax, they should be asked to demonstrate that they deserve a non-profit status. Doing so should reduce the potential for abuse while at the same time forcing NGOs to prepare financial accounts. The Ugandan government may also want to publicize the tax returns of all NGOs, as is done for non-profits in other countries. Doing so would satisfy the transparency objective professed by the sector, thereby empowering members and beneficiaries and reducing the monitoring burden of grant agencies. It would also encourage the myriads of currently existing NGOs to merge into larger, more efficient entities similar to those in developing countries with more mature NGO sectors.

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

District	Registered NGOs with hq in:	Registered NGOs active in:	Number of NGOs Traced	Number of NGOs Selected	Number of NGOs Surveyed
Kampala	1777		451	100	99
Selected districts outside Kampala:					
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
District Total	828	1382	343	200	196
Total	2605		867	300	295

Notes: Registered NGOs are those registered with the Ministry of Internal Affairs Registration Board.
Registration information lists the districts in which the NGO has its headquarters and the districts in which it is active. Figures listed in columns 1 and 2 were constructed using this information.
Traced NGOs are those that could be located during an extensive tracing excercise conducted in Kampala and the 14 selected districts. Traced NGOs form the sampling frame.
The number of selected NGOs gives the size of the self-weighting randomly selected sample in each district.
The number of surveyed NGOs gives the actual sample size after replacement for non-responding NGOs.
Replacement NGOs are selected randomly from the sampling frame.

Table 2: NGO activities

Percentage of NGOs involved in:	
Education and training	57.4%
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%

Notes: Percentages based on responses to open question about activities. Multiple responses allowed.

Table 3: NGO revenues

	2000 Amount in Uganda shillings	2001 Amount in Uganda shillings	For 2001 Aggregate share of recurr. rev. (1)	For 2001 Individual share averaged across NGOs (2)
A. Grants from:				
International NGO	163725	204181	43.1%	29.1%
Ugandan NGO	4777	4418	0.9%	4.3%
National government	1547	2709	0.6%	1.8%
Local government	163	24611	5.2%	2.1%
UN Organization	28845	9212	1.9%	1.5%
Bilateral donor	113094	134152	28.3%	9.9%
Total grants	312151	379283	80.1%	48.6%
B. Members and fundraising				
Membership fees	1269	2096	0.4%	12.4%
Voluntary donations from members	819	1718	0.4%	9.0%
Voluntary donations from non-members	3787	7778	1.6%	5.3%
Profit on special events	114	62	0.0%	0.7%
Total members and fundraising	5989	11654	2.5%	27.4%
C. Business income				
Income from business	20000	23143	4.9%	4.0%
Fees by beneficiaries	5125	7217	1.5%	6.9%
Income from services rendered to government	948	902	0.2%	0.8%
Income from services rendered to other NGO	820	1414	0.3%	2.3%
Property/endowment income	638	855	0.2%	2.0%
Total business income	27531	33531	7.1%	16.1%
D. Other recurrent revenues				
Tax refunds	39	31	0.0%	0.0%
Other income	5344	49025	10.4%	7.8%
Total other recurrent revenues	5383	49056	10.4%	7.9%
Total recurrent revenues (A+B+C+D)	351054	473524	100.0%	100.0%
E. Divestment and non-recurrent revenues				
Sale of land and buildings	27	17622		
Sale of vehicles	2120	1886		
Sale of equipment and machinery	1399	1537		
Total non-recurrent revenues	3546	21045		
Total revenues (A+B+C+D+E)	354600	494569		
Total revenues reported by respondents	418231	477905		

All figures based on 199 observations with non-missing information. At the time of the survey, US$1 was approximately equal to 1740 UShs.
Discrepancies between total revenues (A+B+C+D+E) and the total reported by respondents are due to inconsistencies in responses.
(1) Line items in column 2 divided by total recurrent revenues (A+B+C+D+E).
(2) Obtained by computing the share of recurrent revenues for each NGOs separately and taking the average of this share over all NGOs.

Table 4: NGO expenditures

	2000	2001	For 2001	
	Amount in Uganda shillings	Amount in Uganda shillings	Aggregate share of expenditures (1)	Individual share averaged across NGOs (2)
A. Program costs and payments to beneficiaries				
Program costs	115829	135199	33.6%	28.8%
Per diems to beneficiaries	3697	3569	0.9%	1.7%
Total program costs and payment to beneficiaries	119526	138768	34.5%	30.5%
B. Manpower costs				
Wages and salaries	95609	94016	23.4%	19.4%
Housing allowances	477	607	0.2%	2.0%
Transport allowances	3633	3768	0.9%	3.8%
Per diems to staff	2155	3623	0.9%	3.5%
Total manpower costs	101874	102014	25.3%	28.7%
C. Payments and transfers to others				
Payment to others for services rendered	903	1065	0.3%	1.4%
Payment to NGOs for services rendered	7847	5437	1.4%	2.6%
Grants and contributions given to other NGOs	1664	2416	0.6%	1.2%
Total payments and transfers to others	10414	8918	2.2%	5.2%
D. Other costs				
Utilities	1770	2395	0.6%	2.9%
Petrol/fuel	6940	7477	1.9%	3.9%
Rent	2788	4220	1.0%	6.9%
Interest charges	194	429	0.1%	0.3%
Bribes	9	11	0.0%	0.1%
Miscellaneous costs	101390	116160	28.9%	11.0%
Total other costs	113091	130692	32.5%	25.1%
E. Investment and assets				
Land and buildings	12850	9327	2.3%	4.3%
Vehicles	4987	7582	1.9%	2.0%
Equipment and machinery	6237	5014	1.2%	4.0%
Bank balances	17	132	0.0%	0.2%
Total investments and assets	24091	22055	5.5%	10.5%
Total expenditures (A+B+C+D+E)	368996	402447	100.0%	100.0%
Total expenditures as reported by respondent	385418	432065		

All figures based on 199 observations with non-missing information. At the time of the survey, US$1 was approximately equal to 1740 UShs.
Discrepancies between total expenditures (A+B+C+D+E) and the total reported by respondents are due to inconsistencies in responses.
(1) Line items in column 2 divided by total expenditures (A+B+C+E+D).
(2) Obtained by computing the share of expenditures for each NGOs separately and taking the average of this share over all NGOs.

Table 5: Personnel by type of employment and by occupation

Occupation	Salaried Full Time	Salaried Part Time	Volunteers Full Time	Volunteers Part Time	Religious staff	Total	Foreign nationals	On secondment
Management	2.6	0.4	2.4	2.0	0.7	8.2	0.3	0.1
Professional	5.0	1.3	2.6	2.7	0.3	12.1	0.3	0.1
Clerical	2.2	8.9	0.3	7.2	0.1	18.8	0.0	0.0
Other	3.6	7.0	12.2	31.6	0.1	54.7	0.1	0.0
Unspecified	1.4	0.0	0.1	0.0	0.0	1.5	0.4	0.0
Total	14.9	17.7	17.7	43.6	1.3	96.3	1.0	0.2

The figures reported in the table are averages over all surveyed NGOs.
The 'foreign nationals' columns gives the number of foreign nationals in the total. The 'on secondment' column gives the number of staff who are on secondment, that is, who are temporarily detached from another employer or organization in order to work for the NGO.

Table 6: Highly qualified personnel by professional category

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

The figures reported in the table are averages over all surveyed NGOs.

Table 7: Staff turnover over the last 12 months

Occupation	Number of staff who: left NGO	joined NGO	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

The figures reported in the table are averages over all surveyed NGOs.