NON-GOVERNMENTAL ORGANIZATIONS IN UGANDA

A report to the Government of Uganda

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Abigail Barr, Marcel Fafchamps, and Trudy Owens

Centre for the Study of African Economies
Department of Economics
Oxford University

PREFACE

This is the first draft of a study on the NGO sector commissioned by the Office of the Prime Minister of Uganda. To our knowledge, it is the first study of its kind in the developing world.

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), the aim of which is to improve public service delivery. Ugandan NGOs consider themselves as service providers and at the time wanted to get a clearer picture of who does what and where. An issues paper was prepared by the NGO sector in which a number of matters were highlighted. In particular, NGOs expressed a desire to find out the major roles played by NGOs in Uganda; their strengths and weaknesses – institutional and otherwise; their working relationships with national and local governments; and the factors that enhance and hinder the growth of this relationship. These issues became part of this study.

The idea of undertaking a survey of NGOs in Uganda was subsequently relayed in early 2000 by Ritva Reinikka of the World Bank. A study project was then initiated in collaboration with the Office of the Prime Minister of Uganda. Funding for the survey was provided by the Japanese government and the World Bank.

After an initial period spent securing funding and identifying suitable local partners in Uganda, a survey of NGOs was undertaken in 2002. Pre-testing of the questionnaire and training of the enumerators took place in February 2002. Verification of the NGO registry and construction of the sampling frame turned out to be more challenging than anticipated and lasted until May. The survey itself was completed in September and initial data entry was completed in November. Data correction and cleaning extended until March 2003.

The present draft report was written with a view of informing the policy decision process. A new bill reforming the statute of NGOs is currently under consideration by the Parliament of Uganda. We sincerely hope that this report will assist policy makers and practitioners in their effort to foster the development of the NGO sector in Uganda.

SUMMARY

This report examines the NGO sector in Uganda. The report is divided into 6 sections. The first explores the conceptual framework including the nature of NGOs and their mode of operation. The next 2 sections define the data collection methodology and sample design, and briefly comments on the characteristics of the sample. Section 4 reports the main results from the NGO survey, namely what NGOs do and with what. In section 5, we document how Ugandan NGOs are perceived by beneficiaries. The report concludes with policy recommendations.

1. What do NGOs do?

We find that the Uganda NGO sector is essentially a form of charity work. It attracts many educated Ugandans who wish to help poorer members of society. Contrary to our initial expectations, 'secular humanism' seems to be their primary motivation, not faith: only a third of the surveyed NGOs are faith-based. Most NGOs do, however, operate in ways similar to religious charities.

We find that 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. The first thing many need to do is to visit the poor to get acquainted with their condition. Going to villages and poor neighbourhoods is then seen as an activity in itself, although it is but part of a learning process.

When NGOs are faced with the reality of poverty, their initial response is that poverty is due to ignorance and lack of organization. Consequently, they seek to 'educate', 'sensitize', 'train', and otherwise inform the poor about all kinds of issues they perceive as relevant – from AIDS and hygiene to nutrition and domestic violence. This is reflected by the fact that 'talking' to the poor is by far the dominant activity of surveyed NGOs. Nearly all Ugandan NGOs are involved in raising awareness in one way or another. This is normal: educated, well travelled Ugandans with limited financial means seek to have an immediate effect on poverty by sharing some of their knowledge with the poor. It also partakes to the implicitly held view that 'talking' is a service in itself – a bit like priests and nuns doing the rounds in hospitals and prisons. Talking to the poor shows that somebody cares, and the NGO sector is a caring sector.

Another initial response is a desire to organize local communities to deal with their own problems and to be heard by local and national government. This is reflected by the emphasis on advocacy and capacity building. Here the implicit assumption is that better leadership would yield better results. Again it is normal for better educated people, who often serve in leadership positions, to feel that better leadership could accomplish things.

Few Ugandan NGOs, however, go beyond these two basic activities, and when they do they typically see them as part of a larger concern. Virtually no NGO sees itself 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. There are exceptions of course, and a more refined analysis will help build a typology of NGOs. This will be the object of further analysis.

2. With what do NGOs do what they do?

There is extreme variation in the level of funding NGOs receive. The average NGO generates quite a bit of funds from members and individual donations. But at the aggregate level, these amounts are very small (2.5%). A handful of large NGOs attract most of the funding. They

are also those focusing more on service delivery. What is unclear at this point is whether they focus on service delivery because they receive more funding and can afford to, or whether funding goes to those NGOs that focus on service delivery.

Whatever the response to this question, the difficulty of securing grants – and the short-term nature of grants – explains why the sector remains unspecialized. Many well-meaning people register an NGO with the hope of securing a grant, but only a few of them actually get one. Others get small seed grants but fail to convince granting agencies that they can deliver.

At the aggregate level, most NGO funding comes from international NGOs. In this sense, the Uganda NGO sector is an offshoot of international charity, and the mode of operation of Ugandan NGOs largely reflects the agenda and concerns of international charitable organizations. Granting agencies do their own screening and monitoring. Other sources of funding, such as membership fees and individual donations, are monitored directly by members. There is apparently very little solicitation from the general public in Uganda. This has implications regarding government oversight.

Does this mean that there are no 'crooks' in the NGO sector? This kind of question is very difficult to answer on the basis of survey data since crooks are unlikely to answer a survey questionnaire truthfully. It is possible that the fluidity of the NGO sector and the focus on non-material services (e.g., 'talk' and 'advocacy') enable unscrupulous individuals to take advantage of the system. It also remains unclear whether pay in the NGO sector is lower than in other parts of the economy and whether people working there are volunteering anything – or whether they simply move to the sector because pay is better. It is difficult to generalize because there is a lot of variation within the NGO sector, much more than in the private sector: some people work for nothing, others are well paid. Detailed implications for policy are discussed in the conclusions.

3. How are NGOs perceived by beneficiaries?

The above discussion does not answer the question of whether NGOs do something useful, i.e., whether they spend the money they receive in a way that has a real impact on people's lives. Structured group interviews conducted with community members suggests that NGOs known to respondents are in general well appreciated and that most people regard them as honest and dedicated. At this stage of the analysis, however, it is unclear why some NGOs who claim to be operating in interviewed communities were not known by respondents and whether this might indicate poor performance or, worse, misappropriation of funds. More detailed analysis is needed.

Structured group interviews suggest that recipient communities value being consulted by NGOs: those NGOs that seek feedback from beneficiaries are better appreciated by respondents. By itself, however, this observation does not guarantee that NGOs perform a valuable social service. For one, it is conceivable that average citizens derive satisfaction purely from being talked to by educated Ugandans. There are many possible reasons for this. One may be that such conversations convey valuable information. Another possibility is that, even if they do not convey information, conversations are gratifying because they provide a sense of recognition and a distraction from the drudgery of everyday life. These issues will be investigated further in subsequent analysis.

We conclude the report with a lengthy section on policy recommendations.

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.

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 initiated 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. The Ugandan government is now considering relying more heavily on the NGO sector for a variety of welfare and development objectives. In particular, it is considering subcontracting the delivery of certain services to NGOs which would receive public funding to accomplish their task.

For the government to effectively enter in partnership with NGOs, it must ensure that public interest will indeed be better served by funding NGOs instead of relying on line ministries. At this moment, little is known about the NGO sector in Uganda so that it is unclear whether the sector can effectively be relied on to further social welfare. There is indeed a suspicion among policy circles that not all Ugandan NGOs genuinely take public interest to heart. There is, of course, the ominous example of the Movement for the Restoration of the Ten Commandments of God, a registered 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. Finally, there is the issue of the cost of service delivery: many NGOs may be too small and inexperienced to deliver services effectively.

The purpose of this report is to investigate the current state of the NGO sector in Uganda and to examine the relationship between NGOs and the national and local governments. Doing so should help assess the perceptions of development priorities between NGOs and Government. To this effect, we seek to clarify what Ugandan NGOs do and how they do it. We also examine how NGOs finance themselves and how they are being monitored. However preliminary, this report also provides useful guidance to the government and the NGO sector at a time when the country is revising its legislation on NGOs – with a new NGO bill presently being discussed in Parliament.

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. Policy recommendations are presented at the end.

CONCEPTUAL FRAMEWORK

The focus of this report is the NGO sector in Uganda. To understand the sector, however, it is useful to seek inspiration from the literature on NGOs, their nature, and their legal environment. This literature, which is briefly described here, is not specific to Uganda. The reader impatient to delve right away into the details of Uganda NGOs may therefore be frustrated by this literary detour. As will become clear in the subsequent analysis and in the policy section, however, basic conceptual tools are absolutely essential for understanding the sector and for promoting it effectively.

1. The nature of NGOs

Uganda has an NGO Statute as part of its legal system, so it is natural for Ugandan policy makers to think of NGOs as a well defined legal concept. In most developed countries, however, NGOs are not a single legal concept but several. As we shall see, these distinctions are of immediate relevance for the current reform of the Uganda NGO Statute.

The literature and legal practice have identified two main characteristics that distinguish NGOs from other organizations: NGOs are not motivated by the search for profit; and NGOs have a charitable purpose that leads them to solicit funds from the public or from grant institutions. It is important to understand the distinction between these two concepts because they have a bearing on the regulation of NGOs in other parts of the world.

Non-profit organizations are those that do not seek to generate a profit for their shareholders. 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. To maintain a non-profit status, a number of legal and reporting requirements have to be satisfied with the internal revenue service. The status of an organization may change from year to year. At liquidation, for instance, capital gains on assets distributed to shareholders may be subject to taxation, to avoid for-profit organizations posturing as non-profits. Wages and allowances paid to employees, however, are subject to income tax.

Non-profit organizations need not have a charitable purpose. Many only seek to serve the interests of their members. Condominium associations, for instance, are often registered as non-profit organizations. People coming together to form a choir or football club may opt for a non-profit status, even though their association benefits primarily their members. Many health maintenance organizations (HMO) in the US opt for non-profit status even though they obviously have a commercial purpose and primarily serve the interests of their members – doctors and nurses.

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 – the public at large, NGO members, the government, or international donors. Benefactors part with their money because they care about public good and they typically choose to fund those charities that promise to spend the funds on the socially valuable goal benefactors most care about. It is in benefactors' interest to sponsor charities that are more efficient than others at pursuing this goal. Ultimately, it is the benefactors who choose which social objective to pursue and which charity to fund.

Developed countries all have instituted sophisticated legislation regulating charities. This is because unscrupulous individuals may solicit funds from the public without actually serving the public good they are supposed to serve. Hit-and-run crooks may take the money and disappear. More sophisticated crooks may set up an organization that partly serves its

stated objective, but at the same time either divert funds directly to their pocket or spend part of the money on perks, allowances, and excess salaries. This kind of behaviour is damaging to charitable organizations at large because it undermines the public's trust in them and reduces funding. It is therefore in the interest of bona fide charities to regulate the industry so as to weed out crooks.

This has led many developed countries to institute various reporting requirements. In the UK, for instance, this task is handled by the Charities Commission. Charities that fail to satisfy their reporting requirements are blacklisted and their name is published on the Commission's website. Reporting requirements, however, impose an additional burden of work in charities. Moreover, they are useless unless they are combined with the Charities Commission's capacity to investigate the veracity of the reports provided. Crooks smart enough to defraud granting agencies are also smart enough to produce a fake report for the Charities Commission.

We have just seen that excess wages and allowances are an easy way for crooks to put charitable funds into their pocket. It should be emphasized, however, that 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 to run them. To the extent that they provide high quality social services, they need competent professional staff. The staff they recruit need not be motivated by a desire to contribute to the objective of the charity 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, especially in a country like Uganda, it is also difficult to ascertain whether a charity is operating in a fraudulent manner or not.

The principles presented so far apply to all countries, rich or poor. In practice, however, the situation of charities varies in developed and developing countries. In developed countries, charities operate primarily to attract funds from the government and the public and to channel these funds to a charitable purpose, often in a developing country. Non-profit status is very important because corporate profit tax rates are high and apply to nearly all firms and organizations. In developing countries, in contrast, non-profit status is less important, at least for small NGOs, because the state seldom seeks to collect corporate tax on all firms and organizations. Collecting funds from the public is also less important because poor people contribute to charities less in the form of money and more in the form of labour. When they volunteer their time, they are usually able to observe whether their work is put to a charitable use or not.

In poor countries, the bulk of NGO funding comes from international sources – non-governmental and governmental funding agencies. Many local NGOs de facto operate as agents for international NGOs and donors. We therefore expect the local NGO sector to operate as an extension of international benefactors and to largely reflect their objectives and priorities. In this context, the nature of the NGO sector is somewhat different from what it would be in a developed economy. Government oversight of local charities would serve not so much to protect the Ugandan public from fraudsters but rather to protect international benefactors and preserve the reputation of the country among the international community.[1]

In a context where most charity funding comes from international benefactors, new incentive problems emerge. One is that of opportunistic NGOs whereby talented Ugandans initiate a local NGO not so much because they care about public good but because they hope to attract external funding to pay themselves a wage. Although some may find this approach mercenary or uncharitable, there is nothing inherently illegal in this approach provided the

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[1] This observation abstracts from extreme cases of abuse, such as those perpetrated by the Movement for the Restoration of the Ten Commandments of God. In this instance, the victims were Ugandans.

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' charities.

In such a system, the presence or absence of abuse ultimately depends on how effectively the money is spent to serve public good. In this configuration, 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. Since those most at risk of being defrauded are grant providers, we expect them to closely monitor the performance of local NGOs both in terms of accountability and of efficiency.

Before we close this section on the nature of NGOs, it is useful to discuss briefly other legal issues surrounding the status of charities, namely liability and internal organization. Like firms, NGOs are organizations that seek to achieve a specific purpose. This purpose is typically distinct from the other activities of individuals involved in the NGO. The first question that arises therefore is whether the NGO has a legal personality, that is, whether it can contract and own property in its own name. This is an important practical issue because granting agencies want to deal with the NGO entity as such, not with private individuals.

Legal personality implies clear rules regarding the internal governance of the NGO: who decides which grant to apply for and what to do with the funds. Clear rules are also necessary about the distribution of NGO assets, should the NGO be terminated. For instance, if an NGO is registered with the Registrar of Companies, its internal governance follows that of companies, with a board of directors and a devolution of assets upon closure based on ownership shares. A share in the NGO can be bought or sold. In contrast, if the NGO is registered as a cooperative, assets are distributed on the basis of cooperative shares.

A second question is whether assets owned by an NGO can be seized by personal creditors of the NGO owners. In the case of firms, the answer is in general yes: a person can be forced to sell or liquidate a business to serve a personal debt. In the case of share companies the answer is basically the same: the person can be forced to sell its participation in the company. The situation is very different for charities. This is because much of the assets and funds of the NGO come from grants. Grant agencies presumably would not want funds granted for a charitable purpose to end up in the hands of personal creditors of NGO members. For this reason, it may be necessary to insulate funds and assets earmarked for a charitable purpose from the personal finance vagaries of NGO promoters. Of course, a balance must be found between the legitimate interests of creditors and those of granting agencies, otherwise debtors may be tempted to shield their assets from creditors by transferring them to an NGO.[2]

The reverse question arises as well: can promoters be held liable for the actions of the NGO?[3] For firms, this issue is expressed in terms of limited liability. By registering the firm with the Registrar of Companies, for instance, the assets of the owners become insulated from contractual liability the firm might incur – unless there is fraudulent bankruptcy. Similar principles can be applied to NGOs. In the case of Uganda, a difficulty arises for NGOs that have not registered as companies because it is not clear who may be held liable for the NGO. For instance, it is unclear whether all members may be obligated to serve an NGO debt. This issue deserves the attention of law makers.

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[2] One such principle may be that personal creditors may seize assets and funds contributed by the promoter but not funds or assets coming from grants or member contributions. In practice, distinguishing between the two is likely to be fraught with difficulties.

[3] This issue is distinct from that of criminal responsibility. If NGO promoters are crooks, they typically can be held liable for the NGO irrespective of whether the NGO has limited liability or not.

2. Service delivery

Having clarified the nature of NGOs in a country like Uganda, we turn to their mode of operation. Like firms, NGOs are organizations working towards a specific goal. They mobilize resources such as equipment, manpower, and finance to produce services. Unlike firms, however, NGOs do not typically sell their services to beneficiaries and do not generate profits. When firms under-perform (or embezzle their own funds), this puts a downward pressure on their profits. With sufficient competition, under-performing firms eventually go out of business, leaving only efficient firms.

This need not be the case with NGOs because the funds they manage to attract only depend indirectly on their performance: it is only if grant agencies cut funding to underperforming NGOs and reallocate it to efficient ones that the local NGO sector as a whole operates efficiently. There is no market force to penalize under-performing organizations. The very nature of NGO operation – the delivery of public services to the poor in many separate locations – makes measurement of efficiency extremely difficult. The small scale of many Ugandan NGOs further complicates evaluation. In view of these inherent difficulties, one would like to know whether Ugandan NGOs are reasonably efficient at what they do. To this we now turn.

a. Production

NGOs share many common traits with commercial firms. Both are organizations geared up to produce something useful to society. Both may benefit from returns to scale, so that large operations are more cost effective than small ones. Both have to deal with internal coordination and incentive problems and both have to interact with the market to secure manpower and equipment. On all these dimensions, NGOs can be studied using the same concepts and tools as commercial firms.

There is, however, a dramatic difference between firms and NGOs regarding the mix of goods they produce. The output of NGOs can be divided into three broad categories: private goods, public goods, and messages. Private goods are commodities and services such as meals for the poor, health care, home visits. Their defining characteristic is their rival nature: two different households cannot eat the same piece of bread, receive the exact same injection, or enjoy a home visit by the same person at the same time. Private goods closely resemble those provided by most commercial firms, with the possible exception that NGOs seldom charge recipients – or charge only a fraction of cost.

NGOs also produce public goods such as a workshop, a public information centre, or the construction of a well. Their defining characteristic is that they are non-rival (at least up to a point): the fact that one person attends a workshop does not subtract from others' capacity to attend it as well, at least up to the point where the room is full. Commercial firms occasionally produce public goods but when they do, they often operate with some form of government backing. For instance, a private contractor may be contracted by the government to build a series of wells. In this example, the physical service provided by the private contractor does not differ much from what an NGO could produce. But the institutional arrangement under which the well is provided is very different. In the case of the private contractor, the full cost of the service is billed to the government who has the choice to refuse to pay if the work is unsatisfactory. An NGO, in contrast, would typically raise grant money to build the wells. The grant may or may not cover the full cost of the well, depending on whether the local NGO incurs part of the building costs. NGO members, for instance, may volunteer part of their labour to the project and use their personal vehicles and assets. To the extent that they are not-for-profit, NGOs may also cost less than a commercial provider

because they do not factor in a profit. But they typically must be pre-financed.[4] NGOs also must satisfy various reporting requirements. This adds to their operating cost.

Messages are special types of public goods that rely on the transfer of information and the persuasion of information recipients. Examples of messages are workshops on the importance of pit latrines, the protection of human rights, the need to conserve elephants, or AIDS awareness. As we shall see, many Ugandan NGOs see their role primarily as one of disseminating valuable information to individuals and communities. Commercial firms could, in principle, be contracted to disseminate a message to the public. But NGOs are likely to be more effective in this respect if their mission or values coincide with the message to be disseminated. Personal conviction is important when disseminating a message. Someone paid to display a specific conviction is likely to be less credible to the audience than someone volunteering time. For this reason, NGOs may have a comparative advantage in the delivery of public interest messages.

Assessing the effectiveness of NGOs is singularly complicated by the mix of output they produce. This is because it is extremely difficult to construct an objective measure of the value of their production. Valuing private goods and services is not, a priori, impossible if comparable items are being provided by the private sector. The price charged by private operators can then be used as an approximate yardstick to value NGO output, even if it is distributed to beneficiaries free of charge. In practice, Ugandan NGOs seldom compete with private firms on the same market so that relying on market prices is not possible. Valuing public goods is even more difficult in the absence of information on how much beneficiaries would be prepared to pay for public provision. Finally, putting a monetary value on the dissemination of information on pit latrines or AIDS awareness is essentially impossible. Before beneficiaries receive the information, they do not know how useful it will be to them and cannot, therefore, assess its value. After they have received the information, they know how valuable it is but are no longer prepared to pay for it.

In order to assess the contribution NGOs make to society, we must first collect information on the resources they use. The survey collects detailed information on various types of resources – manpower, equipment, buildings, vehicles, management, and funding. Information is collected in a way that recognizes the possibility that NGOs obtain certain inputs without paying their full cost: gracious use of equipment; volunteer labour; free use of an office.

We also collect data on revenues and expenditures. NGOs, like any organization, have a cash flow: money comes in and money goes out. The study seeks to reconstruct the different components of cash flow. In particular, we are interested in the sources of revenue and the level and categories of expenditures. This is important in working out service delivery costs and levels of subsidization. We also collect detailed information on external sources of funds, such as credit, grants, gifts, and contributions of members.

Information on costs and factors of production does not, by itself, say much about how useful NGOs are. For this, we need data on what NGOs produce. As we have discussed, this is very difficult to measure. In this study, we use a variety of (imperfect) tools to assess NGO contribution. First, we collect information on the number of people reached by dissemination efforts. This measure is imperfect because it does not capture the quality of the information conveyed (relevance, clarity, redundancy). Second, we ask NGOs to estimate the market value of the services they provide. This rough measure is subject to serious measurement error because of the possibility of respondent bias. Even if the respondent is not biased, the difficulty to find a reference price for most NGO-provided services makes such

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[4] The profit charged by the commercial provider may contain an implicit interest cost if financing of the project is provided by the provider.

evaluation problematic. Our most ambitious measure of NGO performance is based on a series of structured group interviews with beneficiaries to assess their level of satisfaction and willingness to pay for the service they receive. While conceptually more satisfactory, this measure has its own problems which will be discussed later.

b. Beneficiaries

The goods and services provided by NGOs are consumed by beneficiaries. We are interested in who these beneficiaries are. In particular we wish to know whether NGOs target specific vulnerable groups or focus on the population at large. Targeted intervention is when beneficiaries have to satisfy eligibility conditions (e.g., women, children, refugees, orphans).

We are also interested in whether NGO delivers their services to the public at large or only to their own members. We have seen in the earlier section that many non-profit organizations in developed countries cater to the interests of their members. Charities, in contrast, tend to 'tax' their members to help others. We therefore investigate whether access to NGO services is open or restricted to members only. If beneficiaries must first join the NGO, this suggests that the NGO operates like a club to redistribute grant funding. In this case, the ease with which one becomes a member determines whether access is open or restricted.

It is also of interest to know whether NGOs charge beneficiaries for the services they give. Beneficiaries may purchase the good from the NGO, possibly at a subsidized price, or receive the good for free. If goods and services are subsidized, a quota system may be in place. The NGO may also practice price discrimination, i.e., lower prices for poorer beneficiaries. All these issues deserve investigation because they affect cost recovery and shape the way NGOs interact with other service providers – primarily the government and the private for-profit sector.

c. Governance

We have already discussed governance quite extensively when covering the nature of NGOs. We revisit some of these issues more in detail here. We will see that Ugandan NGOs are funded primarily through international NGOs and donors. This raises the issue of how local NGOs, some of which are quite inexperienced, gain access to grant funding. This means studying the grant application process and the circulation of information on grant opportunities, possibly through NGO networks.

Once a grant has been accepted, grant agencies typically impose various reporting requirements. Given that NGO oversight is a concern in Uganda, it is useful to assess how much monitoring of grant recipients is actually undertaken by grant agencies. If a lot of monitoring is performed by grant agencies, the need for government intervention is less urgent: Ugandan NGOs are already monitored by those who give them funds. At the same time, heavy monitoring and reporting requirements may indicate a low level of trust between grant recipients and international NGOs and donors. In this case, there may be a role for a government or industry-sponsored vetting mechanism that would improve screening and hence reduce the need for time-consuming monitoring.

We must also keep in mind the role of internal monitoring. NGOs may have to report their activities to members, trustees, external directors, or other oversight bodies (such as a Church or NGO network). Internal monitoring can be very effective because insiders are better informed about the activities of the NGO. For it to work, however, internal oversight bodies must have some effective authority on NGO decisions. If members or trustees cannot oppose bad leadership, internal monitoring is without purpose.

This leads us to examine in detail the membership system of Ugandan NGOs. Many NGOs have a cooperative-like structure organized around the concept of membership. Little is known, however, on how effectively this mechanism operates in practice. It is also unclear whether membership is open to all or whether certain NGOs restrict entry. The latter may have disquieting implications if restricted entry is used to fend off outside scrutiny or to restrict benefits.

Many NGOs emphasize that the process by which decisions are made and goods produced is as important as the goods and services themselves. They see 'participation' as an output in itself. Although choice is not part of the economist's standard utility function, Sen has shown that agency (and thus participation) can be included in a utility axiomatic approach. It is therefore important to collect information on how NGOs decide which service or good to provide to their beneficiaries. Indeed, to the extent that NGO services are provided free or heavily subsidized, the market cannot be relied upon to identify the goods and services most useful to beneficiaries. Another method of assessment is therefore required. Feedback from beneficiaries should thus be seen as an important determinant of production and marketing efficiency, quite separately from any benefit that could be obtained from the process of participation itself (e.g., empowerment, voice). Whether NGOs seek feedback from their user communities may also be an important diagnostic of the presence of internal capture, i.e. of an NGO only seeking to further the interests of its staff and management.

Finally, we also need to know about vertical and horizontal integration. Many Ugandan NGOs are small organizations operating in sectors where large returns to scale are likely to be present. Some of these returns to scale have to do with network externalities. For instance, once a curriculum and teaching materials have been designed for an HIV prevention workshop, they can be used in all such workshops. If many NGOs work on HIV prevention, there might be a lot of duplication of effort. There are many other possible examples of externalities, such as the sharing of facilities and equipment across activities or the organization of joint activities to economize on transport.

Short of favouring large NGOs, some externalities can be captured by forming NGO networks, e.g., sharing curriculum and teaching materials in our example. The same is true for international issues: network externalities exist in international sourcing, training, collaboration on grant application and reporting, etc. It is therefore important to examine the extent to which Ugandan NGOs seek to capture externalities by forming effective networks.

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

DATA COLLECTION METHODOLOGY AND SAMPLE DESIGN

1. Registration of NGOs

Since 1989, the NGO Registration Statute requires all NGOs in Uganda to register their organisation with the NGO Registration Board in the Ministry of Internal Affairs (MIA). On initial submission to register, the Organisation is required to fill in a form which establishes the following details of the NGO: name; country/area of origin; countries the Organisation is affiliated to; objectives of the Organisation; target group; membership (number of); titles of officers; names of officers; sources of funding (usually there is no specific source); property owned; bankers; privileges (currently the policy is that there is no tax exemption; however, some line ministries pay tax for deserving organisations); and promoters (owners). The Organisation is also required to provide a constitution which details the basic rules of internal governance; and 2 sureties for purposes of integrity of the person and relevance of ideas. While the NGOs are supposed to submit annual returns, budgets, and annual work plans indicating what activities they intend to carry out and what they have actually carried out, in between renewals most organisations do not submit these.

Regarding areas of operation NGOs are free to specify/choose their areas. However, the Board wishes in the future to be able to assess the NGO coverage at a glance and be able to advise the NGO to relocate to an area that is not congested but also requires the services. For foreign NGOs there are 3 additional points that need to be addressed in their registration, namely, issues relating to: immigration; labour laws in relation to foreign workers; and a recommendation from a Ugandan Embassy in the country of origin.

When the register was introduced, the main faith-based NGOs that had been working in Uganda for some time refused to register. They included the Catholic Church, the Church of Uganda, and the Uganda Muslim Supreme Council. Each of these organisations keeps a list of the health and educational units where they work. In theory these lists are available to the Government.

On initial registration with the Board, NGOs receive a 1 year registration certificate which is renewable for a period of 3 years assuming that the NGO fulfils the renewal requirements. After the 3 years the NGO is required to renew its certificate again and this time receives a certificate valid for 5 years. No life long certificate is issued for purposes of control and monitoring. However, through the current manual filing system, there is no way to trace NGOs that have not renewed their certification.

All registering NGOs are required to get a recommendation from the appropriate line ministry. This is because the Board believes it does not have the capacity to monitor the quality of services offered. The line ministry is supposed to play a technical supervisory role.

After registration with the Ministry of Internal Affairs, the NGO does not acquire legal personality. The NGO has to go to the Registrar of Companies of the Ministry of Justice to acquire legal personality. While the NGO Registration Board will reserve the NGOs name, it will not be legal until the Registrar of Companies incorporates the Organisation. An NGO law is awaited to waive this procedure so that NGOs can acquire legal personality in one step with the NGO Board of the Ministry of Internal Affairs.

2. Sample Selection

As of December 2000, some 3,499 NGOs were registered with the NGO Registration Board (MIA). The manual register and filing of NGOs in the Registration Board is well organised. However, it is impossible to trace NGOs that have not renewed their certificates or to monitor those which have not returned annual reports or budgets. Transferring this information to a

computer database and then drawing a random sample for the purpose of the NGO survey seemed an easy exercise. However, when computerising the manual database it became evident that a number of NGOs in the manual register had registration certificates that had elapsed. In some cases it was known that the NGO was still in operation but simply had not renewed its certification; in other cases the NGO was known to have ceased operation; yet in other cases it was not clear that the NGO had ever begun operating. There was also concern that many NGOs had changed their core functions and location without informing the Registration Board. Our initial estimate was that perhaps only 15-30% of the NGOs on the register were actually in operation.

In order to select a random sample of NGOs for the survey it was decided that the existing register should first be updated/verified. By gathering information from as many sources as possible the idea was to identify existing NGOs operating in Kampala and the districts that were to be covered by the survey, and to update their contact details. A number of sources were used to verify and update the NGO register: information from the NGO forum; lists from umbrella/network organisations; the phonebook; information from faith-based organisations that hold contact details of NGOs with which they work; and at the district level lists held by local government on all NGOs/CBOs which operate in their area. In addition, letters were sent to PO Box addresses and there was a radio appeal made asking registered NGOs to call and update their contact information. Contact was then made by telephone, and if that failed a visit was made to the physical address. A 'listing' questionnaire was completed for each NGO contacted. Of the 1777 NGOs listed on the register as having their headquarters in Kampala, 451 were traced which tallies with our estimate that roughly 15-30% of NGOs registered are in operation.

The survey covers 15 districts of Uganda. One is Kampala, the other 14 were purposively selected from the list of 56 (55 less Kampala) districts: Arua, Busia, Iganga, Jinja, Kabale, Kassese, Kibaale, Lira, Luwero, Mbale, Mbarara, Mukono, Rakai and Wakiso. It is worth noting that initially 15 districts were randomly selected from the list of 45 districts which existed in 1997. This list of districts was then amended: first, due to the cost implications of the decision to conduct a verification exercise; second, the Government wanted to include districts which they felt covered larger and more representative catchments than some of those which had been randomly selected; and finally, after the verification exercise had been completed and surveying was about to begin the war situation in Gulu worsened and became a no-go area, so the 22 originally sampled NGOs for this district had then to be redistributed to the other districts.

The sample is stratified into Kampala and the rest of the country. 100 NGOs were to be interviewed in Kampala and 200 spread proportionately across the 14 rural districts. The sample for Kampala was drawn randomly from the 451 NGOs verified during the listing exercise. 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. For sampling purposes, an NGO was said to belong to a particular district if its headquarters were in that district.

Table 1 summarises 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. The numbers refer to where the headquarters were located. From the register this was taken from the reported physical address of the NGO. As mentioned above, by taking the proposed sample of 200 NGOs and dividing this by the number of NGOs listed (343), this sampling proportion was then multiplied by the number of NGOs listed in each district separately. For example, if we calculate the number to be surveyed for Kibaale, we

take, (200/343)*11=6. Note, the procedure took place on 3 separate occasions hence not all the numbers of those randomly selected for surveying add up exactly (the district listing exercise was returned in 2 batches – the first included a listing for 12 of the 15 chosen districts, and the second included the remaining 3 districts; then those chosen in Gulu had to be redistributed).

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% – although it should be borne in mind that accurate information on the headquarters location was difficult to extract from the computerised register. Perhaps the number of NGOs operating in each district better reflects the number that were identified for verification. If this is the case then only 25% were verified. 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. This matching, however, masks the fact that a number of replacement NGOs had to be used despite the verification exercise. Even in the short time between verifying and surveying, a number of the NGOs were not traceable: they had closed; moved location; or given false information during verification. Further, when it came to interviewing, a number of NGOs were unwilling to complete the questionnaire.

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

District	No. on Registration Board (MIA)	No. Verified	No. Selected for Final Sample	No. Surveyed	No. Surveyed from Final Sample	No. Surveyed from Replacement Sample	No. Surveyed but not in Sample
Arua	36 (73)	8	7	6	6		
Busia	35 (42)	10	6	6	5	1	
Gulu	61 (90)	36					
Iganga	64 (126)	36	25	25	18	7	
Jinja	143 (136)	29	19	19	10	9	
Kabale	28 (50)	18	9	9	8	1	
Kassese	72 (105)	67	41	40	21	16	3
Kibaale	13 (22)	11	6	4	2	2	
Kotido	8 (39)	6	3	3	2	1	
Lira	69 (107)	14	12	12	11	1	
Luwero	17 (90)	13	8	7	7		
Mbale	165 (168)	35	22	25	17	7	1
Mbarara	51 (95)	24	14	13	10	3	
Mukono	54 (164)	49	20	19	13	5	1
Rakai	12 (49)	14	8	8	6	1	1
District Total	828 (1382)	343	200	196	136	54	6
Kampala	1777	451	100	99	65	28	6
Total Sample	2605 (3159)	867	300	295	201	82	12

Note: Figures in brackets refer to the number of NGOs operating in those districts according to the NGO register.

3. Community Sample

In addition to the survey of NGOs registered with the MIA, we also undertook a survey of communities potentially served by the selected NGO. The survey of communities involved

structured group interviews (SGIs) with representatives from parishes (LC2s) within which the NGOs claimed they operated. The aim was to conduct one SGI for every NGO in the survey except when: the NGO was involved in advocacy and lobbying and provided no other services directly to the members of communities in Uganda; the NGO was a faith-based organization involved in spreading a religious message and provided no other services; the NGO was an umbrella organization whose beneficiaries were other NGOs; the NGO was involved in supplying grants and in subcontracting other NGOs to supply services, and provided no other services; the NGO had its headquarters in Kampala, but operated in neither Kampala nor any of the 14 districts selected for inclusion in the study.

In the 14 districts the preparation for the SGIs started at the NGO interviews. During the interview the NGO was asked to list the districts within which they were active; and the sub-counties within the district of their headquarters, within which they were active (a list of sub-counties was included in the questionnaires so that the enumerators needed to only tick the ones that were mentioned). In these sub-counties they were asked to list up to 6 parishes in which they were active (again the enumerators were given a list of parishes against which they ticked those were the NGO was active). Then one of these 6 parishes was picked at random. The approach was implemented in the field by the enumerators, but was verifiable back at head office in Kampala.

Once the parish (LC2) in which the SGI was to be conducted was identified, the enumerator set up the SGI by contacting the LC2 chairman. It was made clear that the NGO should not be involved in this process. Once the survey was underway, it was important that the NGO did not have any idea which parish was going to be involved in their assessment. It was felt that if they did know, they could lobby or pressurise the parish members and thereby bias the answers received during the SGI.

A considerable proportion of the Kampala-based NGOs (i.e., NGOs that have their head office in Kampala) operate in many districts. For some, Kampala is included in the list of districts within which they operate, for others it is not. For this reason and because we wanted SGIs associated with as many of the Kampala-based NGOs as possible, we conducted SGIs for the Kampala-based NGOs throughout all of the 15 districts (Kampala + 14) included in the study.

The preparation for the SGIs in Kampala started during the list verification exercise in the 14 districts. When the enumerators went to the district offices, their aim was to complete a table which collected information on whether: the NGOs head office was in the district; if the NGO had headquarters in Kampala and a branch in the district; or if the NGO had headquarters in Kampala and operated in the district with no branch office. NGOs which simply had an office in the district were included in the list of district NGOs. Those NGOs with only branch offices in the district and headquarters in Kampala were included in the list of NGOs in Kampala. However, if any of these NGOs were sampled from the Kampala register, it was born in mind that corresponding SGIs could be conducted in one of the 14 districts.

During the interviews with the Kampala-based NGOs (headquarters in Kampala), the NGOs were asked to list the LC2s in Kampala within which they were active, the districts within which they are active, and if possible, asked to name up to 6 parishes in which they were active. In the event that they were active in none of the 15 districts (Kampala + 14) in the study, no SGI was conducted. If they were active in one or more of the 15 districts, one of these was selected at random. If the randomly selected district was Kampala, one of the Kampala LC2s listed by the NGO was selected at random for the SGI. If the randomly selected district was one of the 14 districts included in the study, the enumerator(s) covering that district went to the NGO's branch office and asked the NGO to list which sub-counties

and up to 6 parishes in which they were active. One of the listed LC2s was selected at random for the SGI.

As with the NGOs with headquarters in the districts, once the parish (LC2) in which the SGI was to be conducted was identified, the enumerator set up the SGI by contacting the LC2 chairman.

Other preparations for the SGIs involved transferring the names and lists of activities of the NGOs onto blank SGI questionnaires. This was done by the enumerators and supervisors in the field. The SGIs were conducted at the appointed time and place and the results linked to those of the corresponding NGOs within the study data base.

In total 268 SGIs were undertaken. 215 of these relate to the NGO they were selected to evaluate. Another 39 are linked to an NGO other than the one that the group was selected to evaluate. (Provision was made for this in the instrument. If the focus group had not heard of the NGO we were hoping to evaluate, rather than waste the SGI, they were asked to evaluate an NGO that they had heard of.) Further, within this sub sample, there are several large NGOs that have been evaluated more than once. Finally, there are 14 SGIs for whom the NGO to which they are linked is unclear.

CHARACTERISTICS OF THE SAMPLE

In an attempt to compare the characteristics of the NGOs on the MIA register with those that were verified, and those that were eventually surveyed, we have created a single variable that describes the NGO's main activity. This variable is derived from the NGO name. Although imprecise due to the difficultly in interpreting some names, distinguishing between activity and target groups, and simply narrowing a very general title, the variable is consistent with other definitions of NGO activity (see below). This should therefore give us an insight as to whether the sampled NGOs are representative of the NGO sector.

Table 2 reports the results of this exercise. For ease of reading we have excluded the smaller categories that register less than 1% of the sample, and have listed the activities in order of importance.[5] The most important point to note is that the 3 samples appear relatively consistent, indicating that the survey of NGOs is representative of those listed with the NGO Registration Board (MIA) and those verified during the listing exercise.

By sector, faith-based NGOs are by far the largest category, followed by those involved in community development. This latter category is extremely vague. Looking at the sectors listed in the register and the activities listed in the survey, these NGOs appear to be involved in a wide and diversified range of activities, such as education, health awareness, and/or income generating projects, aimed at improving the welfare of the community. In general, whether defined as an activity or a target group, the percentage of NGOs allocated to each category is similar across the 3 lists.

Table 2: Activity/target			
Activity	MIA Register	Verified	Surveyed
Faith-based	28	19	19
Community Development	13	14	18
Women	6	7	6
Youth	4	4	4
Agriculture	4	5	6
Children	4	4	4
Environment	4	4	4
Health	4	7	5
Education	4	4	4
Aids	2	4	4
Disabled	2	3	1
Networks	2	4	4
Orphans	2	2	2
Other	21	19	19
Total	100	100	100

In the computerised NGO register, there is a form which lists all the sectors within which the NGO operates. This information was gathered from the paper submissions NGOs made when applying for certification. While it is very difficult to match these with the activity information listed in the NGO survey, it is worth noting that the mode number of sectors in which NGOs operate is 4 in both samples; and that the main sectors account for half of the activities in both lists.

Table 3 reports the percentage of NGOs which operate in 1 to 12 sectors for the register and the survey. From the register we can see that the majority of NGOs operate in 1

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[5] The activities listed from the register refer to a random sample of 1122 NGOs of the 3246 listed on the computerised register.

to 5 sectors, with the mode number being 4. From the Survey NGOs operate in 1 to 6 sectors, with the mode being again 4.

Table 3. Number of Sectors

No. of sectors	MIA Register	Survey
1	11.2%	8.5%
2	18.7%	14.2%
3	25.4%	18.0%
4	21.4%	16.3%
5	13.0%	14.2%
6	6.4%	15.6%
7	2.6%	5.4%
8	0.8%	5.4%
9	0.3%	0.7%
10	0.1%	
11	0.1%	
12	0.1%	
Missing		1.7%
Total	100.0%	100.0%

Table 4 sums all the sectors in which the NGOs operates and then calculates the percentage involved in the main activities listed. It is reassuring to see that the percentages allocated to both the register and survey match extremely well, again suggesting that the NGO survey is representative of the list of NGOs on the NGO Registration Board (MIA).

Table 4. Which Sectors

Sector	MIA Register	Survey
Education	13.3%	14.6%
Health	10.9%	12.9%
Agriculture	5.8%	8.3%
Environment	4.9%	3.0%
Finance	4.5%	5.2%
Advocacy	3.8%	3.3%
Poverty eradication	4.5%	4.9%
Relief	2.3%	1.1%
Total	50.0%	53.3%

The number of districts in which the NGO operates varies between the register and the survey. According to the register 22% of NGOs report they operate in all districts compared to only 2% in the survey. This may but reflect NGO promoters' desire to be as flexible as possible when registering their NGO, not actual geographical distribution of activity. The majority in both samples do indicate that they operate in only one district – 63% in the register and 44% in the survey. 75% operate in 1 to 5 districts in both the register and survey.

WHAT NGOs DO AND WITH WHAT

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.

Unlike NGOs in other countries which focus on a small number of key services they provide to their beneficiaries, 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. 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 5 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 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.

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 in 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 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. 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. Virtually by design, one third of our surveyed NGOs operate in

Kampala (see section on sample design). Mukono, Iganga, and Mbale are each covered by one fifth of surveyed NGOs.

Table 5. 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%

Some 85% of surveyed NGOs declare having a specific target group of beneficiaries. Some 45% focus on the poor. Women and children are the dominant target group. Orphans are cited as 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.[6] 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

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[6] The Church of Uganda, the Catholic Church, and the Uganda Muslim Supreme Council are not regarded as NGOs in Uganda, although they are probably the largest non-public providers of social services – principally health and education.

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.

We have seen that a striking feature of our data 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) but the similarity with preaching is cunning. The belief that 'talking' to the poor and needy will help them improve their livelihood must be grounded in the implicit belief that ignorance is a major cause of poverty and unhappiness.

We are not convinced that this interpretation is supported by evidence. First of all, what appears as ignorance may simply be low ability: clever individuals can make use of information to improve their life, less talented individuals find this difficult to do. Second, scientific information is useful only to those who have learned, through schooling for instance, that science is a reliable basis for decision making. Convincing people unfamiliar with science of the usefulness of scientific discoveries (e.g., how HIV/AIDS is spread) may be difficult.[7] Thirdly, while lack of education and vocational skills are a form of ignorance, correcting them requires long term intervention, not a few workshops. A few decades ago, international donors made the same mistake in their approach to development. In their initial enthusiasm, many thought underdevelopment was due to lack of information: if only poor countries knew better, they would rapidly catch up. This belief has been proven unfounded: Africans today are much better informed of the world than, say, 40 years ago. Yet they are still poor. There is more to poverty than simply ignorance.

It is also conceivable that many NGOs would like to do more than 'talking' but, given their limited financial means, find 'talking' as the quickest and cheapest way to have an immediate impact that deals with the urgency of the situation. If this was the correct interpretation, the situation could then be remedied by better funding.

The current situation has an unwanted externality that the NGO sector should be aware of. The actuality and effectiveness of light interventions such as half-day workshops and home visits are difficult to monitor. A clinic, in contrast, is more difficult to fake. The emphasis on 'talking' makes it easy for ineffective or unscrupulous organizations to appear to be doing something by hiding among the rest of the sector.

2. Manpower resources

Surveyed NGOs as a whole 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 that 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 6 breaks down staff and volunteers into 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

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[7] This point is brought most vividly to light by pointing out that the president of South Africa himself doubts that HIV is spread by a virus through sexual intercourse.

observation. Surveyed NGOs have some 15 full-time salaried staff members and another 18 part-time employees.

Table 6. Manpower resources	Full-time salaried	Part-time salaried	Full-time volunteer	Part-time volunteer	Religious staff	Unspec-ified	Total	of which foreign	on second-ment
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

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 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 7 breaks down highly qualified personnel into professional categories. Teachers and social scientists represent the largest categories of full-time qualified personnel, reflecting the emphasis Ugandan NGOs place on communication with beneficiaries and on social issues. 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.

Table 7. Highly qualified personnel	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

The NGO sector is expanding rapidly in terms of manpower – or at least the surveyed NGOs are. Table 8 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 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.

Table 8. Job turnover during the last 12 months

	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

3. Equipment

Ugandan NGOs need land and buildings to perform their task. Survey results show that 45% own real estate while 54% rent land and buildings. In addition, 37% have gracious (free) access to land and building 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 building NGOs use. Not surprisingly, the most frequent building type is an office, with 90% of the surveyed NGOs having at least one office. We also find a high average number of places of worship, but this figure is dominated by a single observation. More than 85% of surveyed NGOs do not have a place of worship. One quarter of surveyed NGOs have buildings for staff accommodation. NGO buildings are relatively well equipped: most of them have electricity, piped water, and telephone connection.

The type of buildings NGOs have is revealing about the kind of activity they are engaged in – and 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. On the other hand, 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 reinforces the idea that the average 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.

In terms of equipment, the situation is slightly better. 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, again emphasizing the lack of emphasis on the delivery of physical goods and services.

One third of surveyed NGOs own a business the profit of which is used to finance its 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.

4. 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 with an average age of 40. He nearly always is a Uganda national and speaks an average of three local languages. The director is very well educated by any standard, with on average 14 years of education – i.e., secondary level plus two. Two thirds of them come from the middle class. Only 30% consider their parents as being poor. 84% of directors have a tertiary or university degree. They are also experienced, half of them worked for another NGO before joining and half worked for government prior to becoming director.

Most directors are married with a spouse who is predominantly 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).

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 characteristics of NGO directors are quite high. Multiple occupations nevertheless dilute directors' effort while possibly generating externalities in terms of access to information and experience.

5. Networking and pooling of resources

We have seen that Ugandan NGOs have limited resources. We now examine whether some of the needed resources are provided by pooling resources among NGOs. Ugandan NGOs are heavily networked into each other. Some 72% of surveyed NGOs belong to a local NGO network or umbrella organization. The most commonly cited are the NGO forum (67%), DENIVA (30%), and UNASO (10%).

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.

From this section, we see that for most NGOs, networks provide useful services but do not offer a substitute for the equipment and office space they need.

6. 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.[8] 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 9 in thousands of Uganda Shillings. 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.

Table 9. Revenues				2001
A. Grants from:	**year 2001**	**year 2000**	**average share**	**weighted average share**
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 fundraising			**48.6%**	**80.1%**
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			**27.4%**	**2.5%**
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			**16.1%**	**7.1%**
Tax refunds	31	39	0.0%	0.0%

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[8] Some 45 respondents did not provide any account at all, 9 could only provide either revenues or expenditures, and 42 only provided extremely spotty information.

Other income	49025	5344	7.8%	10.4%
E. Divestment			**7.9%**	**10.4%**
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.

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.

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 9, gives an idea of how the average sample NGO 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.

The sector as a whole derives very little revenue from local fundraising from members and non-members, with only 2.5% of all funding coming from these sources. For small NGOs, however, the percentage is much higher, so that the average share of funding coming from these sources is over one quarter. Within fundraising, we note that most of it comes 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 9).

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. 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. One possible explanation is that foreign donors cannot identify the most promising NGOs and therefore concentrate their activities on a small number of trusted NGOs. Another possibility is that many sampled NGOs are engaged in a 'rent seeking' process by which they seek self-employment by attracting grants. Donors may have correctly identified them as undeserving and denied them funding. Finally, it is possible that donors seek to minimize transaction 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 some 10% below reported revenues. If true, this difference would mean that Ugandan NGOs are not non-profit organizations, in the sense of the previous section. Because the accounting

information provided by respondents is often inconsistent, 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. This indicates a mild for-profit motive. More analysis is needed on this issue.

In terms of the composition of expenditures, we observe a surprising similarity between columns 3 and 4, indicating a broad similarity 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 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 10. 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 include supplies such as stationary and utilities such as telephone. The large share of total costs represented by wages and allowances is consistent to earlier observations that the sector focuses more on 'talking' than on the delivery of physical goods and services.

Table 10. Expenditures			2001	
A. Program costs and payments to beneficiaries	year 2001	year 2000	average Share	weighted average share
Program costs	135199	115829	28.8%	33.6%
Per diems to beneficiaries	3569	3697	1.7%	0.9%
B. Manpower costs			**30.5%**	**34.5%**
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			**28.7%**	**25.3%**
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			**5.2%**	**2.2%**
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			**25.1%**	**32.5%**
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%
			10.5%	**5.5%**
Total expenditures	432065	385418		

All figures reported in thousands of Ugandan Shillings and are based on 199 observations.

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 bi-modal, 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. More work is required to analyze per diem data in detail. For now, we note that 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 10).

Payments and transfers to others represent a small share of total expenditures. Small NGOs appear more likely to pay for services rendered.[9] 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.

7. Credit

Before detailing how Ugandan NGOs secure grant funding, it is useful to remind the reader that NGOs have only limited access to credit. To some extent, this is understandable: NGO revenues are primarily made of grant income, and grant income is notoriously unpredictable. For the many Ugandan NGOs involved in micro-credit, lack of access to credit seriously limits their operations.

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. 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.

In the 12 months preceding the survey, only 11% (33 NGOs) applied for a loan. Many of the reasons for not applying were the usual ones (e.g., interest rates too high, process too cumbersome, or absence of collateral). For only those NGOs who did not apply, 20% thought the NGO had no way of repaying a loan while another 20% felt that banks do not lend to NGOs – reflecting our earlier point about NGO credit risk.

Of those who applied, only 10 stated receiving a loan in the last 12 months. The others were turned down or were still waiting to hear from the lender. At the time of the survey, 12 sampled NGOs had outstanding loans. Of those, only 5 borrowed from a bank or financial institutions. Others borrowed from NGOs or the local government. The amounts involved are relatively large. Only a handful of surveyed NGOs resorted to hire-purchase (leasing), mostly for vehicles or equipment.

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. This is left for future research.

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[9] Owners of an NGO could potentially use payments for services rendered to siphon off money from the NGO. Whether this is the case in our sample is unclear.

8. Grants

We have seen earlier that grant revenues are the life and blood of Ugandan NGOs as they represent 86% of the total revenues of surveyed NGOs. Not all NGOs, however, have access to grant money. In our sample, 30% of surveyed NGOs have never received a grant. Of those, only 47% applied for one in the year preceding the survey (compared to 24% for those who received grant funding since their inception). A number of NGOs applied for grants but were turned down.

Of those who applied for a grant in the 12 months preceding the survey, one third did not secure grant funding. The median waiting time to hear about an unsuccessful grant application is 1 month or less. There appears to be a slightly higher proportion of unsuccessful applicants among those who applied to local government or United Nations agencies. One third of unsuccessful applicants feel that the grant allocation process is not fair and objective. In most cases, no reason was given for rejection.

For those who did not apply, 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.

For those NGOs whose grant application was successful, the origin of grant funding mirrors the figures reported in Table 5: most grants come from International NGOs (43%) and bilateral donors (16%). Grants from the mother NGO account for 10%. 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.

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. 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). One out of six recipients thought the application process was not fair and objective.

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.

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. 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. Close to 80% of 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 as funds from the grant 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. 4% say they have to pay bribes to get the funds released, for a value ranging from 2% to 15% of the funds.

9. Sub-contracting

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, however, nothing precludes charities 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.

10. Relationship with government

We have seen that government often plays a role as partner or facilitator in grant applications. We now examine in more detail the relationship Ugandan NGOs have with 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 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 Ministry with whom they have a

partnership 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, usually with a single Ministry. The most often cited Ministries again are Health and Gender, Labour and Social Affairs.

While NGOs have a close relationship with line ministries, they often have an even closer relationship with local government. Some 70% of surveyed NGOs have been visited at least once by representatives of local government, while only 43% have been visited by someone from a line ministry. Half of surveyed NGOs declare showing their annual report to local government representatives and one third shows their annual accounts. The closeness of this relationship is not surprising given that most NGOs in our sample operate at the local level – mostly in one or two provinces only.

Surveyed NGOs were asked to identify and rank the constraints they face in doing their job. By far the most often cited constraint is lack of funding. Lack of equipment comes second, followed by lack of vehicles and lack of skilled staff. NGOs thus perceive their constraints as primarily financial and physical. Regulatory restrictions, insecurity, and insufficient public utilities rank are seldom cited.

Similar answers are typically given by for-profit enterprises all over the world, who nearly always complain of lack of credit. It is now recognized that giving more credit to commercial enterprises is not necessarily an appropriate policy response. More credit would probably enable firms to expand, but it is doubtful that all could generate a sufficient return on their investment, especially if all received additional funding at the same time. This simple observation may account for the fact that banks and other financial institutions do not provide more credit to firms.

The same caveat applies to NGOs: additional funding would enable individual NGOs to expand their activities, but not all of them would necessarily spend the money wisely and effectively. For this reason, grant agencies may prefer to fund NGOs with a proven track record. Screening by grant agencies may thus explain why many NGOs do not receive external funding – and complain about it. The real question therefore is whether screening by grant agencies identifies Ugandan NGOs capable of delivering the highest level of services to the population for the least amount of money. If this is not the case, the efficiency of the NGO sector could be increased by better allocating grants to deserving local NGOs. This issue deserves further investigation.

Some 98% of surveyed NGOs see a role for government to help them address the constraints they perceive. Again, funding comes up as the preferred mode of governmental intervention. Other often cited modes of intervention are improved information sharing between government and NGOs, and indirect financial assistance in the form of subsidized land or tax refund. Training and involvement in government decisions are also cited by a number of respondents. Improving the regulatory environment or the delivery of public utilities is seldom cited.

While responses to such questions are a useful way of taking the pulse of the NGO sector, it is important to acknowledge that they do not, by themselves, represent a solid foundation for government action. Regarding funding, the issue from the point of view of government is whether funds are allocated to their best use. Individual NGOs would undoubtedly benefit from securing more funding. But unless they are effective in delivering services commensurate to the funds they receive, it is far from clear that granting them more funding is in the public interest.

We also note that individual NGOs do not regard the regulatory framework as something important to them. This is natural: the regulatory framework is something that benefits the whole sector, not individual NGOs. Consequently, individual NGOs take it as

given and they fail to perceive how a different regulatory framework would facilitate or hinder their action. It is even conceivable that some of the surveyed NGOs have ambivalent feelings towards regulation, either because they fear public scrutiny or because they see it as a way for a corrupt government to extract rents and interfere with their action.

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

11. 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. Some respondents claim to have been registered as an NGO as early as 1931. This appears unlikely since the NGO Statute and NGO register at the MIA were introduced in Uganda law only recently. What is clear, however, is that many respondents feel they have been registered in one way or another for a long time. Legality is important to them. Respondents were also asked when they last renewed their registration. The median year is 2000.

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).

12. Self-assessment and governance structure

Now that we have a better sense of resources under the control of Ugandan NGOs and of their interaction with funding sources, we turn to their internal organization. We first examine how NGOs assess the needs of the people they serve. We then discuss internal oversight and reporting.

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. One fifth of NGOs base their evaluation in part on surveys run by organizations other than themselves.

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. Some 80% of surveyed NGOs have some kind of membership system. Members are predominantly individuals – mostly adult males and females, occasionally youth and children. In 42% of NGOs with a membership system, members are other organizations such as NGOs and CBOs. Most NGOs who have member organizations also accept individual members – only 18 limit their membership to organizations. This suggests a relatively low level of vertical integration and is consistent with the near-absence of funding intermediation by umbrella organizations and Ugandan NGOs.

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, at least for the NGOs in the sample. These numbers again appear to be heavily influenced by reported membership figures for two of the largest NGOs in the sample, so these figures should be taken with caution.

Some 14% of surveyed NGOs restrict their services to members only. The overwhelming majority cater to members and non-members alike. Less than 5% cater to non-members only. This suggests that, in the context of Uganda, members are primarily intended beneficiaries. This is in contrast with many charities 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 close to 60% of the cases, NGOs screen their new members either by requiring a recommendation by existing members or by screening the applicant with the NGO staff. 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. In one third of surveyed NGOs, members are expected 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 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. For half the surveyed NGOs, however, the number of members present was less than 50.

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 number of trustees is 7; the average number of directors as well.

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. How effective this system is in preventing abuse remains unclear, however. Also it is unclear to whom abuse can be reported if it is uncovered.

In nearly half of the cases, the director of the NGO is elected by members. In one third of the cases, it is chosen by the Board of Trustees or oversight committee. For subsidiaries of another NGO, a director is often appointed by the mother NGO. Only in 7% of

cases is the director self-appointed. This is reassuring because selection by members or trustees provides another safeguard against abuse. It is of course unclear whether members simply rubber stamp decisions taken by the leadership, or get actively involved in management.

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 much fewer of them were able to provide enumerators with consistent sets of accounts.

In addition to reporting requirements, NGO directors are also subject to authorization. Three quarters of surveyed NGOs with a membership system state that a vote by members is required for them to expand into new activities. Half say a vote of members is required to expand into another district or purchase a building. A similar pattern arises with respect to authorization by the oversight committee, which is required in 83% of the cases to expand into new activities and in half the cases to move into a new district or purchase a building. This pattern of responses should be taken with a grain of salt and probably does not provide a correct reflection of NGO procedures. As we have discussed earlier, most surveyed NGOs see their objective in a holistic manner and choose which activities to undertake in response to perceived needs of host communities. In this context, expanding into new activities must take place quite often and is unlikely to be delayed until a member meeting. In contrast, purchasing a building is a rare event that has serious repercussions on NGO finances and is more likely to require scrutiny. Expanding into new activities must therefore have been understood by respondents to mean a new strategic orientation or target group. In these cases, consensus building within the organization is required, a point that is correctly reflected by the survey.

Around half of surveyed NGOs feel they require outside authorization to expand into new activities. What they have in mind is authorization from their Church, the Registration Board (MIA), or district authorities. Many also feel they need the authorization of district authorities to start operating in a new province. Few, however, feel they need outside authorization to purchase a building.

Before we close the discussion of the NGO survey, we would like to express some doubt regarding some of the answers surveyed NGOs gave to questions regarding internal reporting and scrutiny by members and trustees. We observed a contradiction between respondents' claims that reports and accounts are made available to members and even the public, and the fact that most sampled NGOs were unable to provide these reports and

accounts. We also find it unlikely that half of directors are chosen by members, as claimed by respondents. Our personal observation is that the NGO sector is quite entrepreneurial. The success of an NGO depends critically on the quality of its leadership. Leaving the choice of a director to the vagaries of member politics is a recipe for disaster. We suspect that in most cases members simply rubber stamp the choice of the trustees or promoters of the NGO.

HOW NGOs ARE PERCEIVED BY BENEFICIARIES

In this section of the report we present our preliminary findings from the Structured Group Interviews (SGIs) conducted within the NGOs' (potential) recipient communities. The section provides an overview of the data collected during the SGIs, while highlighting our preliminary findings relating to two issues of particular interest. The first issue relates to NGO involvement in the meeting of community developmental needs. Our measures of NGO involvement are crude, but nevertheless provide some insights into the coverage of the NGO sector. Particularly interesting are the results that emerge if we link these measures to our proxies for community remoteness and wellbeing.

The second issue is NGO performance. NGO performance is very difficult to measure, especially using data collected only from NGOs themselves. The SGIs provide an alternative perspective – the perspective of potential and actual beneficiaries.

1. Description of SGI participants

We involved 2566 individuals distributed across 268 communities in a series of SGIs designed to provide us with an independent evaluation of the NGO sector in general and the NGOs in our sample in particular. Table 11 presents the characteristics of the participating individuals and shows how they were distributed across the SGIs. The average age of the participants was 37½ years, although across groups the average age varied between 18 and 65. Some groups comprised entirely of youths under the age of 25, some entirely of people between the ages of 25 and 40, some entirely of people between the ages of 40 and 55, and some of people over the age of 55. However, most groups were mixed and the average group comprised of 13%, 46%, 31%, 10%, from each of these age groups respectively. 43% of participants in the SGIs were women. Some groups were entirely male and others entirely female, but the majority were mixed.

Christians made up the large majority of participants with 36% being protestant, 32% Catholic, and 7% Pentecostal. Muslims made up a further 20% of the participants. Levels of education among the participants were high: 21% had some tertiary education; 41% had primary and some secondary education; 32% had primary education only; and only 6% had no education at all. There was considerable variation in educational attainment across the groups. By occupation, 30% of participants were farmers or fisherfolk, 20% were public servants, 32% were self-employed, primarily running small businesses, 18% were employed in the private sector, and 16% were inactive, either unemployed, studying, or retired. Only just over 2% of the SGI participants turned out to be staff members of the NGOs they were being asked to evaluate, although at least one such NGO staff member was present in 14% of the SGIs. 39% of the participants turned out to be linked to the NGOs they were being asked to evaluate, either because they were members or beneficiaries or both, and at least one such NGO contact was present in 75% of the SGIs. The presence of NGO staff affected the evaluations the NGOs received, but not to the extent that we had to discard the results of the SGIs in which they were present.

Table 11. Structured group interviews - participant and group characteristics

	Individuals		Groups			
	Number of obs.	Means and proportions	Number of obs.	Means and proportions	Minimum	Maximum
Demographic characteristics						
Age in years	2523	37.59	263	37.43	17.90	65.00
Age < 25	2566	12.59%	265	12.81%	0.00%	100.00%
Age 25 - 40	2566	45.17%	265	45.55%	0.00%	100.00%
Age 40 - 55	2566	30.87%	265	30.42%	0.00%	100.00%
Age > 55	2523	9.87%	263	9.77%	0.00%	100.00%
Females	2562	42.66%	265	42.58%	0.00%	100.00%
Married	2547	76.33%	264	75.60%	0.00%	100.00%
Religion						
Catholic	2562	31.81%	265	32.44%	0.00%	100.00%
Protestant	2562	36.18%	265	35.65%	0.00%	100.00%
Moslim	2562	20.30%	265	19.96%	0.00%	100.00%
Penetcostal	2562	7.22%	265	7.38%	0.00%	100.00%
Other	2562	4.49%				
Education						
None	2504	6.03%				
Primary education only	2504	31.99%	264	31.69%	0.00%	100.00%
Secondary education	2504	41.25%	264	41.57%	0.00%	90.91%
Tertiary education	2504	20.73%	264	20.96%	0.00%	90.00%
Occupation						
farmer/fisherman	2409	30.10%				
public servants	2409	19.88%				
self-employed	2409	32.21%				
other employed	2409	17.80%				
inactive	2409	16.02%				
Link with NGO being evaluated						
Staff of NGO	2474	2.26%	259	2.38%	0.00%	75.00%
Member or direct beneficiary of NGO	2474	38.80%	259	37.71%	0.00%	100.00%
At least one member of staff of NGO present			265	13.96%	0.00%	100.00%
At least one member or beneficiary of NGO present			265	75.47%	0.00%	100.00%
Size of SGI group			265	9.67	4.00	33.00

2. The Communities

Table 12. Distribution of SGIs across districts

District	Freq.	Percent
KAMPALA	66	24.63
KASESE	38	14.18
IGANGA	27	10.07
MBALE	23	8.58
MUKONO	20	7.46
JINJA	18	6.72
MBARARA	14	5.22
LIRA	12	4.48
KABALE	10	3.73
LUWERO	10	3.73
RAKAI	9	3.36
BUSIA	6	2.24
ARUA	5	1.87
KIBALE	5	1.87
KOTIDO	5	1.87
Total	268	100

Of the 268 SGIs, 25% were conducted in Kampala. The remaining 75% were conducted throughout the 14 districts listed in Table 12. In order to have some idea of the remoteness of the communities within which the SGIs were conducted, we asked the group members to estimate how far in kilometers their community was from three key institutions and from the nearest tarred road (See Table 13). The distance to the district headquarters varied from under half a kilometer to 64 kilometers. The average was 10 kilometers, with the Kampala communities being nearer to the district headquarter. The distance to the nearest hospital varied between a few hundred meters and over 100 kilometers, with the average being 8 kilometers. And once again the reported distances were considerably lower in Kampala. Local council level 3 (LC3) offices were between zero and 23 kilometers away, with the mean distance at 3 kilometers. Finally, the nearest tarred road was between zero and 400 kilometers away, with the average distance being 10 kilometers.

To gain some insights into the standard of living or wellbeing within the communities we asked the groups to assess the prevalence of particular housing characteristics, of ownership of certain consumer durables, of paid employment, and of land access within their communities. The average SGI group estimated that 75% of the households in their community had iron roofs, 48% had cement floors, 22% owned TVs, 73% owned radios, 37% owned bicycles, and 8% owned cars. 18% had at least one member in paid employment, and 60% had no access to land upon which to grow food. However, these proportions vary between zero and 90 to 100% across the communities involved in the SGI exercise. Also note that we find more iron roofs, cement floors, and landlessness within the Kampala communities.

Table 13. Remoteness and wellbeing of communities involved in SGIs

	Full sample				Kampala		Other Regions	
	Number of obs.	Means and proportions	Min.	Max.	Number of obs.	Means and proportions	Number of obs.	Means and proportions
Kampala	268	24.63%						
Distance to…								
district head quarters	264	9.73	0.40	64	66	5.41	198	11.17
nearest hospital	264	7.60	0.01	106	66	4.16	198	8.75
LC3	262	2.89	0.00	23	66	3.44	196	2.70
nearest tarred road	256	10.09	0.00	400	65	0.70	191	13.28
Proportion of families with…								
iron roofs	263	74.96%	0.00	100	65	90.43%	198	69.88%
cement floors	263	48.02%	0.00	100	66	67.62%	197	41.46%
TVs	259	21.77%	0.00	100	66	28.17%	193	19.58%
Radio	268	73.00%	0.10	100	66	79.00%	202	71.05%
Bicycle	267	36.99%	0.01	98	66	10.18%	201	45.79%
Car	264	7.97%	0.00	92	66	7.13%	198	8.24%
at least one member in paid employment	263	18.34%	0.00	90	66	16.92%	197	18.81%
no land	262	59.91%	0.00	100	66	75.42%	196	54.69%

These indicators suggest that the groups of individuals and the communities from which they are drawn may not be representative of Uganda as a whole or even of the districts within which our survey was executed. In particular, our SGI respondents tend to be better educated and are more likely to be in paid employment than the average Ugandan. This needs to be born in mind as we move onto their assessment of their communities' needs, the role of NGOs in meeting those needs, and their evaluations of particular NGOs.

3. Community needs

To gain some understanding of how the SGI groups perceived the needs of their communities, we asked each group to perform three tasks. First, we asked them an open question: namely, to list their communities' needs. Second, we prompted on a set of thirteen needs. So if a group had not already listed clean water, for example, we asked specifically whether this was a community need. Finally, we asked the groups to rank the needs they had either listed or agreed were important. In executing the third task the groups used picture cards.

The results of these tasks are reported in Table 14. The most frequently mentioned needs were for health care, clean water, education for children, and access to credit. Of the 268 groups that performed these tasks, 82% stated that health care was a community need and a further 11% agreed that it was a need when specifically prompted. 79% stated that clean water was a community need and a further 9% agreed that it was a need when specifically prompted. 75% stated that education for children was a community need and a further 15% agreed that it was a need when specifically prompted. 69% stated that credit was a community need and a further 23% agreed that it was a need when specifically prompted. The corresponding results for roads, sanitation, adult education, electricity, agricultural training, other training, land, transport, and telephones can be read from Table 14. Some 26% of communities added 'income earning opportunities' to our list of thirteen community needs and 21% added 'security'.

Table 14. Community needs

	Number of obs.	Proportion of groups that mentioned … as a need without prompting	Proportion of groups that confirmed that … was a need when prompted	Mean needs ranking (normalized to between 0 (low) and 1 (high))
Health care	268	81.72%	11.19%	0.65
Clean water	268	78.73%	8.96%	0.58
Education for children	268	75.37%	15.30%	0.58
Credit	268	69.03%	22.76%	0.51
Roads	268	63.43%	17.54%	0.37
Sanitation	268	59.33%	25.00%	0.90
Education for adults	268	54.85%	30.22%	0.33
Electricity	268	46.27%	23.88%	0.22
Agricultural training	268	40.67%	32.46%	0.92
Other training	268	39.93%	37.31%	0.23
Land	268	38.81%	24.25%	0.26
Transport	268	33.96%	29.10%	0.18
Telephones	268	25.75%	32.09%	0.10
Income earning opportunities	268	26.12%		0.11
Security	268	21.27%		0.09
Access to markets	268	9.70%		0.05
Drainage	268	7.46%		0.04
Agricultural inputs	268	7.09%		0.03
Community centre	268	6.34%		0.01
Help for orphans	268	4.85%		0.02
Food	268	4.10%		0.02
Other needs	268	4.10%		0.01
Housing	268	3.73%		0.01
Environmental protection	268	3.73%		0.01
Water for agriculture	268	2.24%		0.01
Reduced taxes	268	2.24%		0.01
Refuse collection	268	1.87%		0.00
Grants	268	1.87%		0.02
Care for the old	268	0.75%		0.00

The needs which achieved the highest mean rankings were sanitation and agricultural training. The more classically recognised basic needs, such as health care, clean water, education for children, all received high average rankings but nowhere near as high as sanitation and agricultural training. This suggests that many of the communities in our sample may, to some extent at least, have their classically recognised basic needs met.

4. NGO involvement in the meeting of community needs

Once the SGI groups had identified their needs, we asked them to tell us who was helping them meet those needs. In Table 15 we focus on whether they listed NGOs among those meeting each of the thirteen needs that we listed prior to the start of the SGIs. For each need we state the proportion of SGI groups that indicated some NGO involvement. 62% of the groups indicated that NGOs were involved in meeting their community's need for credit. 47% of the groups indicated that NGOs were involved in meeting their community's need for

clean water. 40% of the groups indicated that NGOs were involved in meeting their community's need for health care. Between 20 and 30% of the groups indicated that NGOs were involved in meeting their community's need for education for children, agricultural training, adult education, sanitation, and other training. And less than 10% of the groups indicated that NGOs were involved in meeting their community's need for land, roads, electricity, telephones, and transport. The latter three are, of course, most usually provided by nationalized industries or private companies. Roads are almost exclusively provided by the government. And land is generally allocated in accordance with traditional institutions with the government becoming involved only sporadically or when disputes arise.

Table 15. NGO involvement in meeting community needs

Need	Number of obs.	NGO involvement in the meeting of the need	Mean needs ranking
Credit	268	61.94%	51.22%
Clean water	268	46.64%	58.26%
Health care	268	39.93%	64.91%
Education for children	268	29.48%	58.03%
Agricultural training	268	28.73%	91.75%
Education for adults	268	27.61%	32.72%
Sanitation	268	26.49%	90.36%
Other training	268	25.00%	23.45%
Land	268	5.60%	25.77%
Roads	268	3.36%	36.75%
Electricity	268	1.12%	22.49%
Telephones	268	1.12%	9.60%
Transport	268	0.75%	17.57%

The third column of Table 15 contains the mean needs rankings previously reported in Table 14. Note that the mean needs rankings by the communities and the ranking of needs by level of NGO involvement in meeting the need do not match. In particular, according to our rather crude measures, NGO involvement in sanitation and agricultural training is low relative to the importance that our responding communities placed upon them.

We can construct two crude measures of the extent of NGO involvement in meeting the communities' developmental needs. The first is simply a count of the number of sectors within which NGOs are actively helping. Restricting this count measure to the 13 needs listed *ex ante* eliminates any bias relating to variations in the SGI groups' willingness or ability to add to the list of needs during the interviews and yields a count measure ranging from zero to 13. The mean number of sectors within which the SGIs reported NGO involvement was 3 (See Table 16). However, there is considerable variation across districts. The SGI groups in Kotido reported a mean of 6 sectors whereas those in Jinja reported a mean of less than 2.

Table 16. Community involvement - sector counts and proportions

District	Mean number of sectors	District	Mean proportion of sectors
KOTIDO	6.00	KOTIDO	53.00%
RAKAI	4.11	KIBALE	50.17%
IGANGA	3.70	IGANGA	43.77%
ARUA	3.60	RAKAI	40.56%
BUSIA	3.50	KAMPALA	37.12%
KIBALE	3.40	BUSIA	34.09%
KAMPALA	3.27	JINJA	33.55%
MBALE	3.26	ARUA	33.27%
MUKONO	2.60	MBALE	25.41%
KASESE	2.50	MBARARA	24.47%
LUWERO	2.50	MUKONO	24.19%
MBARARA	2.43	KASESE	23.95%
KABALE	2.10	LUWERO	20.72%
LIRA	2.00	KABALE	19.44%
JINJA	1.83	LIRA	17.97%
Full sample	2.98		31.44%

The second measure takes this count and divides it by the number of needs out of the *ex ante* list of 13 that the community either listed or agreed to when prompted. This proportional measure incorporates a control for the fact that poorer communities are likely to have a greater number and diversity of developmental needs. On average, NGOs are perceived to be involved in 31% of the developmental needs acknowledged by the SGI groups. However, here too we see considerable variation across districts. Kotido appears at the top of the ranking once again with 53%, while Lira is now at the bottom with 18%.

It is also interesting to look at the relationship between these measures of NGO involvement in meeting community needs and measures of community remoteness and wellbeing. Table 17 reports the correlation coefficients between both the number and the proportion of sectors in which NGOs are perceived as being involved on the one hand and measures of remoteness and wellbeing on the other. As expected the correlations are stronger when the simple count rather than the proportional measure is used. This follows from the tendency for more remote and poorer communities to list more developmental needs. This does not invalidate the simple count measure, but it does suggest that we should also look at the correlations with the proportional measure as this will give us a better idea of whether NGOs are targeting the poor.

The correlations suggest that in general NGOs are targeting more remote and poorer communities. NGO involvement is greater in communities that are more remote, especially when remoteness is measured by distance to the nearest hospital. NGO involvement is also greater the lower the proportion of households with at least one member in paid employment. Results relating to other wellbeing measures yield somewhat ambiguous results although the overall picture is one of greater NGO involvement in less well-off communities.

Two correlations work against this trend. The proportion of households in the community that are landless is significantly and negatively correlated with both the count and the proportional measure of NGO involvement. This is worrying as the landless are likely to be very poor. However, it is understandable if landlessness is greater in areas where there is more conflict. Like all organizations, NGOs need to consider the security of their personnel when deciding where to locate. This is an issue that deserves greater attention.

Table 17. NGO involvement, remoteness and wellbeing

	NGO involvement - number of sectors		NGO involvement - proportion of sectors	
	Correlation coefficient	Statistical significance	Correlation coefficient	Statistical significance
Distance to…				
district head quarters	0.0980		0.0096	
nearest hospital	0.1605	high	0.1079	low
LC3	-0.0182		0.0160	
nearest tarred road	0.1497	high	0.0819	
Proportion of families with…				
Iron roofs	-0.1415	high	0.0040	
cement floors	-0.1471	high	0.0130	
TVs	-0.1469	high	-0.0406	
radio	-0.0855		-0.0195	
bicycle	-0.0751		-0.0584	
Car	-0.2203	high	0.0182	
Paid employment	-0.1706	high	-0.1066	low
no land	-0.1818	high	-0.1359	high

5. Assessment of specific NGOs

5.1 Access

The accessibility of an NGO to the community it is serving could have a significant impact on its responsiveness to the community's needs and on the efficiency with which it helps to meet those needs. Of course, proximity to resources is also important and might reasonably cause an NGO to locate outside the communities it is aiming to serve. Further, if an NGO is to serve many communities it is not always efficient to have a permanent presence in each or even a proportion of them.

In the SGIs, we simply aimed to measure the communities' perceived access to the NGOs under investigation and look at how this might affect their stated level of satisfaction with the NGOs performance. Table 18 reports our findings on access. 62% of the community evaluated NGOs have an office/clinic or other type of structure in the evaluating community. Such structures are reported to be open for an average of 5 days a week. A further 30% of the evaluated NGOs visit the evaluating communities regularly (just under once a week on average). And 22% of the evaluated NGOs are visited by community members. The distance of the NGOs from the evaluating communities varies considerably. The mean distance traveled by regularly visiting NGOs to the communities is 7 kilometers. In the case of to NGOs that neither have a permanent structure in the community nor visit regularly, the mean distance traveled by community members is 5 kilometers.

Table 18. Community access to NGOs

	Number of obs.	Means and proportions
NGOs with a permanent structure in community	261	62.45%
Open (days per week)	133	5.40
NGOs that regularly visit the community	260	30.38%
Visits (per week)	56	0.85
Distance (km)	73	7.18
NGOs visited by community members	258	22.48%
Distance (km)	56	5.08

The accessibility of the NGOs appears to be strongly correlated with the remoteness and level of wellbeing of the community responding to the SGI. Table 19 shows that NGOs are likely to have permanent structures in communities that are nearer to LC3 offices and tarred roads, with which a larger proportion of households have cement floors and own TVs and cars. The greater the distance to a tarred road, the more likely it is that the NGO only visits or that it is up to community members to visit the NGO. NGOs are less likely to visit communities in which rates of paid employment are higher.

Table 19. Access, remoteness, and wellbeing

	NGO has office or clinic in community		NGO visits community		Community visits NGO	
	Correlation coefficient	Statistical significance	Correlation coefficient	Statistical significance	Correlation coefficient	Statistical significance
Distance to…						
district headquarters	-0.0031		-0.0001		-0.0352	
nearest hospital	-0.0640		0.1026		0.1190	low
LC3	-0.1601	high	0.2067	high	0.0171	
nearest tarred road	-0.1076	low	0.0622		0.1913	high
Proportion of families with…						
Iron roofs	0.0620		0.0236		-0.0313	
cement floors	0.1781	high	-0.1363	high	-0.1170	
TVs	0.1600	high	-0.1215	low	-0.0801	
Radio	0.0598		-0.0360		-0.0828	
Bicycle	-0.0418		0.0243		-0.0607	
Car	0.1354	high	-0.0978		-0.0675	
Paid employment	0.1020		-0.1112	low	-0.1461	
no land	0.0167		-0.0576		0.0193	

The accessibility of the NGOs to the communities has a positive impact on the SGI groups' evaluations. Those with permanent structures within the communities are perceived as being more responsive, better at what they do, more important to the community, and generally more satisfactory in terms of their overall performance. In the light of the preceding paragraph, we might tentatively conclude that while NGOs are making an effort to reach remote and less well off communities, they may not be providing them with the same level of service. This raises questions about the NGO sector's *capacity* to reach Uganda's more remote communities.

5.2 Community involvement in NGO decisions about activities and in feedback

According to the SGI groups, 55% of the evaluated NGOs involve the community in decisions about what activities were to be undertaken and 57% elicit feedback from the communities. Modes of communication with communities take various forms (see Table 20), with workshops involving community members and workshops involving LC2 executives being most common. NGOs who interacted with communities in these ways received better overall evaluations.

Table 20. Community involvement in decision making and the provision of feedback

	Number of obs.	Proportions
Proportion NGOs that ask the community about activities to be undertaken	260	55.38%
Mode of communication		
meeting/workshop with community members	144	61.81%
meeting/workshop with LC2 exec	144	52.08%
meeting with selected individuals	144	30.56%
survey of community members	144	22.92%
communication with community in writing	144	20.14%
survey of beneficiaries	144	17.36%
communication with selected individuals in writing	144	13.19%
Proportion NGOs that ask the community for feedback	259	57.14%
Mode of communication		
meeting/workshop with community members	148	58.78%
meeting/workshop with LC2 exec	148	43.24%
meeting with selected individuals	148	30.41%
survey of beneficiaries	148	19.59%
survey of community members	148	17.57%
communication with community in writing	148	13.51%
communication with selected individuals in writing	148	9.46%

5.3 Feedback to third parties

Between 30 and 40% of the SGIs state that third parties have asked them for feedback. A third party is more likely to have asked for feedback if the NGO itself has also asked for feedback. The identity of the third parties varies. Of the 90 groups who reported such interaction with a third party: 50% mention local government; 25% mention national government; 35% another NGO; 30% international donors; and 10% other third parties.

Such feedback is elicited in a variety of ways: 40% report meetings/ workshops with the LC2 executive committee for feedback; 50% report meetings/ workshops with parish inhabitants; 30% report meetings with individuals; 10% report 3rd parties writing to community; 5% report 3rd parties writing to individuals; 10% report surveys of parish inhabitants; and 15% report surveys of beneficiaries.

5.4 SGI evaluations of NGO performance

In order to establish how the communities feel about the NGOs they have been asked to evaluate, we first presented them with seven statements about the NGO and asked them

whether and to what extent they agreed with the statement. Figure 1 presents the seven statements and the frequency distributions of the SGI groups' responses. Four of the statements are positive and three are negative. For the latter, we have reversed the horizontal axes of the graphs so that bars to the right of the graphs always correspond to more positive evaluations and bars to the left of the graphs always correspond to more negative or critical evaluations.

At the end of the SGIs we asked the groups to imagine that they find out that the NGO is going to stop doing its work in Uganda, that a large sum of money is needed to make it possible for the NGO to carry on doing its work, and that their parish has been asked to help find this money. Then, they were asked to imagine that the government gave their parish a grant. The SGI group is the committee that has to decide what to do with the grant. The government tells the group that they can share all, some, or none of the grant equally among the households in the parish and can contribute all, some, or none of the grant to the NGO to help keep it working. The group is given a pile of beans representing the grant and asked to separate it into two piles, one representing the money that they wish to be shared among the households and one representing the money that they wish to help keep the NGO working. The proportion of the beans allocated to the NGO is an additional evaluation of the NGO by the group. These proportions are presented in the graph in the bottom right-hand corner of Figure 1.

In general the graphs suggest that the SGI groups think highly of the NGOs they were asked to evaluate. 40 to 60% of the evaluated NGOs received the highest possible evaluations for each of the seven performance-related statements. In particular, over 60% of the groups strongly disagreed with the statement that the NGO 'exists to serve the purposes of its own staff rather than to help the community', over 50% strongly agreed that the NGO 'is an important part of their lives', and a similar proportion strongly agreed that NGO 'representatives are good at what they do'. Further, nearly half of the evaluated NGOs received at least 60% of the beans, suggesting a considerable willingness to pay, conditional on the availability of funds, for the continuance of the NGOs' activities.
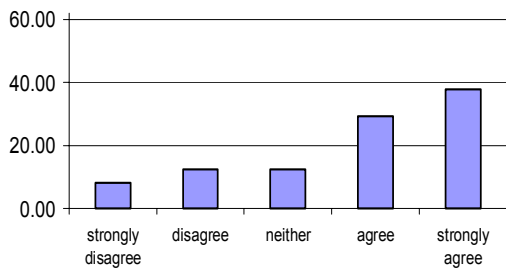
This notwithstanding a small proportion of NGOs received poor evaluations. In particular, nearly 20% of the SGI groups strongly agreed that 'if the NGO disappeared they would hardly notice' and a similar proportion strongly agreed that NGO 'representatives are hardly ever available when they say they are going to be'. Further, around 3% of NGOs were allocated no beans at all by their evaluating SGI groups.

The true value of these SGI evaluations will be realized only when we start to link them to one another, to the SGI groups' perceptions of the NGOs' *modus operandi*, and to the data collected directly from the NGOs relating to their characteristics. Our preliminary results in this area suggest that:
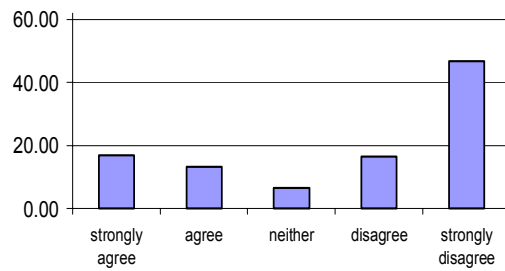- NGOs with offices, clinics or other permanent structures in the community are perceived as being more responsive to requests for help from the community;
- the staff of NGOs with offices, clinics or other permanent structures in the community are more likely to be perceived as unavailable;
- an SGI's overall level of satisfaction with an NGO is strongly and positively related to the perceived responsiveness of the NGO and the perceived availability and effectiveness of NGOs representatives, and strongly negatively related to perceptions about how self-serving rather than community serving the NGO's representatives are;
- faith-based NGOs receive higher evaluations;
- international and large NGOs do not receive higher evaluations.

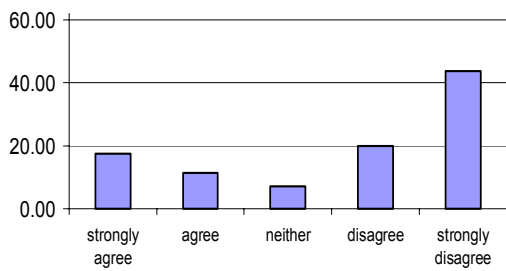# Figure 1: Community evaluations of NGOs – statements task

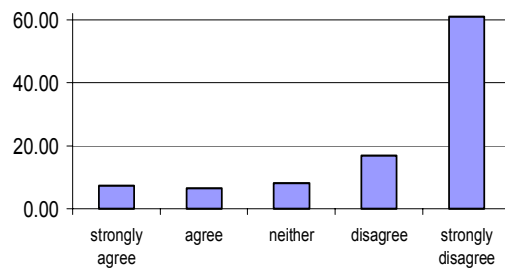*[NGO] is always quick to respond when inhabitants of this parish or the parish as a whole ask for help*
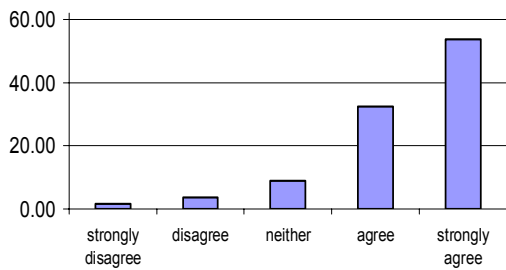

If [NGO] disappeared we would hardly notice

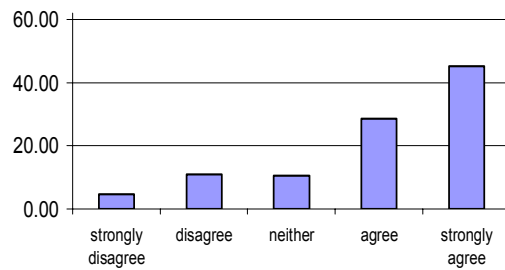*[NGO] representatives are hardly ever available when they say they are going to be*

[NGO] exists to serve the purposes of its own staff rather than to help us
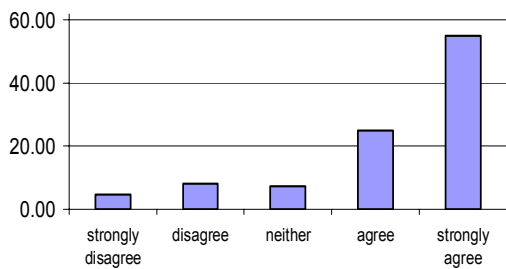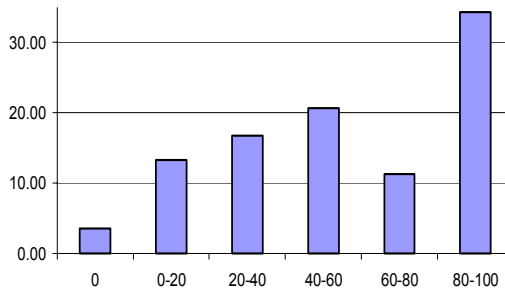

[NGO] representatives are good at what they do

The people who live in this parish are satisfied with the performance of [NGO]

[NGO] is an important part of our lives

Percentage of beans allocated to NGO

POLICY RECOMMENDATIONS

It is somewhat perilous to draw detailed policy recommendations before data analysis is entirely completed. Given the urgency of the situation, however, we nevertheless venture a number of ideas and suggestions for policy makers. These suggestions are based on our understanding of incentive problems and efficiency issues in the NGO sector in Uganda and elsewhere.[10]

1. Ideas and concepts

Sound policy must be based on a sound understanding of underlying social and economic forces. This is why we begin this section on policy with a discussion of ideas and concepts.

a. NGOs in developed countries

In developed countries, collecting funds from the public and from government is a major activity of the NGO sector. To facilitate this function, legal statutes seek to protect the public from fraudulent charities. Protection is organized around reporting requirements to the Charities Commission and investigative capacity vested in the Commissioner. The names of charities who fail to satisfy their reporting requirements are listed on a website accessible to the public. Investigations are initiated at the initiative of the Commissioner (e.g., insufficient or suspicious reporting) or upon request from the public. Members of NGOs who suspect wrongdoing are invited to report suspicious activity to the Commission, who can then decide what action to take. Possible actions include the loss of charity status and the listing of the charity's name on the Commission's website. The Commissioner may also decide to refer more serious cases to the police if fraud is suspected. The NGO sector is the primary beneficiary of such regulation because the protection increases the public's confidence in the sector and facilitates the collection of donations.

b. Advantages of NGOs in developing countries

In a developing country such as Uganda, the primary purpose of the NGO sector is to spend money collected abroad. NGOs are part of the development sector since they receive funds from foreign donors and are trusted to deliver goods and services to the population. In this respect, the relationship foreign donors have with Ugandan NGOs is not fundamentally different from the relationship they have with the Uganda government. There are three important differences, however: flexibility, volunteer work, and incentives.

Let us first discuss flexibility. When channelling funds through NGOs instead of the government, foreign donors potentially have more say in the details of service delivery. This is because NGOs are small and more dependent on external funding, and can thus be expected to be more responsive to the specific concerns of the donor. In contrast, the government has set procedures and priorities that do not necessarily correspond to what specific donors wish to accomplish. Working through NGOs is a way of bypassing these procedures and priorities.[11]

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[10] A companion survey of NGOs has been initiated in Bangladesh and is currently at the survey collection stage. Feedback from pre-testing of the questionnaire on a number of NGOs is already available.

[11] Church-driven development efforts are a good example of this situation: since the government is non-confessional, it cannot be asked to proselytize for a specific religion. Churches must therefore put in place their own parallel organization if they wish to deliver public services in ways that promote or support their faith.

Second, charities in developed countries are partly based on the idea of giving and volunteering. This is natural since one of their primary purposes is to collect donations. Those who cannot give money can volunteer their time. When operating in developing countries, charities may, rightly or wrongly, expect local NGOs to act in a similar fashion: Ugandans may not have a lot of money to give, but they can volunteer their time. If this is true, donors may hope to increase the 'bang-for-the-buck' effect of their development funding because some of the labour required is provided free or at sub-market wages. Volunteer workers may also be more productive because they are highly motivated.[12] This stands in contrast with government where civil servants expect to be paid and are not, as a rule, expected to volunteer their time and effort.

Third, NGOs compete with each other to attract donor funding, while the national government is unique. Competition among NGOs generates incentives to perform in order to attract and retain funding. In contrast, donors face many incentive problems working through government, such as corruption, poor motivation, diluted responsibilities, etc. To a foreign donor, working through NGOs is potentially appealing because it provides a viable alternative to working through the government. Of course, NGOs also suffer from incentive problems of their own, primarily the temptation to misrepresent the NGO's expertise in order to attract grants and the temptation to appropriate funds for personal use, either directly or through perks and high salaries.

The above reasoning applies similarly to the Ugandan government itself if it decides to sub-contract to NGOs some of its service delivery activities. So doing offers similar advantages compared to working within the existing bureaucratic structure, namely, flexibility, volunteer work, and better incentives.

It is interesting to note that, of the three potential advantages of NGOs, only one – volunteering – is specific to NGOs. The other two – flexibility and incentives – can be achieved by sub-contracting development activities to private, for-profit enterprises. As we have seen from the survey, the level of NGO commitment to the volunteering concept varies significantly from one organization to another. In Uganda the NGO sector attracts dynamic, entrepreneurial leaders who are also involved – directly or through their spouse – in for-profit businesses. There are many features of the sector that makes us suspect at least some NGOs are either for-profit operations or at the very least employment generation schemes for their promoters.

Until now the legislator has not paid much attention to the distinction between for-profit and non-profit organizations in its regulation of the sector. Perhaps this is a reflection of donors' main concerns, namely flexibility and incentives. Ugandan NGOs often are formally modelled after foreign NGOs albeit not all are underpinned by a charity motive. In the long-run, it may be healthy to distinguish between for-profit and non-profit NGOs. There is nothing reprehensible about for-profit service delivery, provided it is not fraudulent. There is also nothing reprehensible about service delivery being performed by commercially minded non-profit organizations without charitable purpose. For instance, in the US, clinics and health maintenance organizations (HMOs) are often organized as non-profit organizations because they do not aim to generate a financial profit. Their commercial nature is nevertheless apparent since their purpose is to provide a commercial service to the public while generating employment for their promoters (doctors and nurses). Nothing precludes a similar development in Uganda. Distinguishing among charities, non-profit, and for-profit organizations would clarify the legal environment in which Ugandan NGOs operate. We revisit this point below.

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[12] Think of hospitals and clinics run by nuns, for instance.

c. Constraints to NGO effectiveness

Compared to government intervention, delivering public services through NGOs or for-profit enterprises also has potential drawbacks: high transactions costs; duplication of efforts; and lack of specialization.

High transactions costs arise because of the large number of small NGOs, each of which must report to its granting agency and each of which must be monitored. There are fixed costs in reporting: a 20 page report takes about the same time to write whether it is about a 1 million shillings grant or a 1 million dollar grant. There also are fixed costs in monitoring: for the grant agency, visiting a grant recipient takes about the same amount of time and effort whether the grant is small or large. As a result, the parcelling of small grants to a large number of organizations entails high reporting and monitoring costs per grant dollar. In contrast, the delivery of public services through large organizations – whether public or private, whether for-profit or non-profit – reduces transactions costs.

Duplication of effort also may arise because many NGOs undertake similar tasks and must all incur the cost of developing these activities from scratch. To take the case of HIV/AIDS awareness, for instance, this means developing a curriculum, creating teaching materials, testing them, training instructors, setting up a structure to contact host communities, defining protocols, etc. A large organization shares these costs over a much larger base, thereby reducing average cost.

Small, flexible organizations often are unable to capture gains from specialization. Everyone is doing a bit of everything without being given the chance of becoming really good at something. Lack of specialization is clearly apparent in the survey data, with most NGOs undertaking many activities simultaneously in spite of their small size. As we have seen, many NGOs are even reluctant to specify what activities they undertake, preferring to define themselves in terms of target group – e.g. women or children. We suppose they do so in fear of losing the opportunity to bid for a grant. But if NGOs switch from one set of activities to another from year to year in response to changes in funding, gains from specialization are not achieved and the sector is likely to remain unfocused and 'unprofessional'.

The conclusion from the above is that using small organizations operating with short-term, uncertain funding to deliver public services entails massive costs. Delivering the same services via large organizations could potentially minimize these costs. Doing so, however, raises other difficulties. For a large organization to operate effectively, whether it is public or private, there are costs of organizing, monitoring, and motivating workers within the organization. As mentioned earlier, the dissatisfaction of donors and international charities with the performance of large governmental organizations may have contributed to growing interest in NGO-mediated interventions. This dissatisfaction suggests that running large public organizations effectively is not easy.

The alternative is for NGOs themselves to become large. In practice, this would mean giving large grants to a small number of large NGOs. This is the situation currently in Bangladesh, for instance, where 5 very large NGOs represent most of the sector. Each of these NGOs employs tens of thousands of employees and volunteers and has hundreds of branches throughout the country. At the present time, similar forces appear to be at work in Uganda: a small number of surveyed NGOs account for the bulk of grant funding. Ugandan NGOs, however, remain small by international standards. There is much potential for growth and consolidation of the sector. Whatever regulatory system is put in place in Uganda, it must not prevent the NGO sector from an evolution similar to that of Bangladesh.

Of course, as is true for private firms, entry and competition must remain lest NGOs lose their incentive advantage over other organizational forms. Even if the Ugandan NGO

sector consolidates over time, it must remain possible for new NGOs to be created that innovate in one way or another and keep the sector from stultification and inertia.

2. Policy interventions

Armed with the concepts and objectives outlined in the preceding section, we are now ready to outline a number of principles for policy intervention. We first discuss issues of NGO regulation and focus on three main issues for possible intervention: (1) legal definition; (2) registration, monitoring and oversight; and (3) coordination. We then present some recommendations for the sector itself and for international donors.

a. Legal definition

1. There should be no discrimination between NGOs on the basis of ethnicity, gender, or faith, provided NGOs operate within the law.
2. The definition of an NGO should be clarified. In drafting the NGO statute, it is useful to distinguish at least four different legal concepts: (1) non-profit and for-profit organizations; (2) charitable and non-charitable organizations; (3) organizations with or without legal personality; and (4) limited and unlimited liability organizations.
3. In developed countries, maintaining a non-profit status implies filing a non-profit tax form with the tax administration. In the case of charities, this guarantees that income from donations and grants is not siphoned off directly as profit. An experienced tax auditor may also be able to identify excessive perks and salaries. Taxation, however, is not currently a concern as far as the Uganda NGO sector is concerned.
4. International donors may choose to work with for-profit or non-profit service providers. It is their responsibility to monitor compliance with contractual obligations.
5. A charity is an organization allowed to solicit donations from the public. To this effect it is subjected to certain reporting requirements and to public scrutiny. In Uganda, this is not currently an issue, albeit increased protection may favour donations to NGOs by individual Ugandans.
6. NGOs with a legal personality would be able to enter in contracts and to own property in their own name. Currently, NGOs who wish to acquire a legal personality register with the Registrar of Companies, Ministry of Justice. It is our understanding that those that do not do so have no legal personality.
7. Granting legal personality to all organizations who apply for NGO registration without any restriction would make it possible for for-profit enterprise to acquire legal personality by registering as an NGO. This may create confusion. This issue deserves further attention.
8. NGOs with a legal personality may achieve a limited liability status that protects the assets of NGO owners from liability incurred by the NGO – provided no fraud was committed. Our understanding is that Ugandan NGOs who currently wish to acquire a limited liability status can register as a company with the Ministry of Justice.
9. The legal status of NGOs not also registered as a company with the Ministry of Justice is currently ambiguous. In particular, it is unclear how a grant can be attributed to an organization that has no legal personality. It is also unclear who owns NGO assets and how liability would be apportioned for non-performance on a grant or contract.

The above discussion suggests the following recommendations:

1. The NGO statute should contain a no-discrimination clause that states that NGOs are free to register irrespective of the faith, ethnic background, or gender of their promoters, provided they vouch to operate within the confines of the law.
2. In the registration process, the candidate NGO must state that it is a non-profit organization with a charitable purpose. Failing to subsequently satisfy this requirement leads to de-registration.
3. Registered NGOs gain the legal personality but not unlimited liability. NGOs wishing to acquire unlimited liability status would continue to register with the Registrar of Companies with the Ministry of Justice.
4. The NGO statute defines a default NGO status determining who owns NGO assets and who is liable for NGO actions. The statute also specifies who gets NGO assets upon dissolution of the NGO.
5. NGOs wishing to depart from the default statute can do so by registering a specific statute, typically tailored after existing options open to for-profit enterprises.
6. There is no point insisting on NGOs filing a tax form at this point, although this possibility should be revisited at a subsequent date as the sector develops further.

b. Monitoring and oversight

1. We distinguish two types of monitoring: (1) against fraud; and (2) against low performance. Fraud is when funds gathered for a charitable purpose are misappropriated. Performance relates to how effectively an NGO achieves the objectives assigned by members or the grant agency.
2. Monitoring NGO performance is ultimately the responsibility of grant agencies, trustees, and NGO members. If an NGO does not provide value for money, grant agencies should refrain from working with it. If an NGO director is incompetent, he or she should be replaced by members or trustees.
3. Line ministries or local government administrations that provide grants to NGOs are responsible for monitoring their performance.
4. Protection against fraud is the responsibility of the NGO Board (MIA). The regulatory system must protect grant agencies and the Ugandan public against fraudulent NGOs and NGO personnel. This means monitoring NGO activity – albeit this does not imply direct monitoring of all NGOs by the government (see below).
5. Monitoring must be achieved at the lowest possible cost to society that is compatible with a satisfactory level of protection. Complete elimination of fraud is impossible. What must be aimed for is a level of safety sufficient for donors and the public to feel confident in the sector.
6. Cost-effective monitoring must build on existing forms of monitoring, namely by grant agencies, NGO members, trustees, and beneficiaries. It is unrealistic to expect the government alone to monitor all Ugandan NGOs at a level compatible with a sufficient level of safety. Doing so would be extremely costly to society, either directly (government monitors) or indirectly (sharply increased reporting requirements for NGOs).
7. The first step in any monitoring system is unambiguous identification. Registration of NGOs provides this essential step. Two essential pieces of information must be captured at the registration stage: the identity and address of the promoters and owners of the NGO; and the initial capital of the NGO (e.g. land, equipment, vehicles).
8. Grant agencies may deal with unregistered NGOs at their own risk, just like anyone can deal with unregistered businesses ('informal sector') at their own risk. This is

already the situation today, with many international NGOs choosing to deal with CBOs and other informal organizations.

From the above principles, we derive the following recommendations:

1. NGOs registration is a service available to all NGOs, irrespective of size or scope.
2. Upon registration, the NGO receives a unique identifying number (similar to a business registration number). This number must appear on all correspondence and invoices originating from the NGO as well as on all grant applications and contracts.
3. The Registry maintains a computerized, up-to-date registry of registered NGOs. Information on the address and identity of owners is made available to the public upon request, in exchange for a fee (similar to business registry).
4. The NGO is obligated to keep the Registry informed of its current address and that of its owners. It is the NGO's responsibility to do so. An NGO that fails to report a change of address may be struck from the Registry. To facilitate the process of changing addresses, a website is designed at which NGOs can change their current address.
5. The Registry periodically sends to NGOs a registration renewal form by post.[13] Payment of the registration fee can be made by postal order, check, or equivalent. Since it is the NGOs responsibility to maintain a current address in the Registry's database, NGOs who cannot be reached at their registered address have de facto failed to keep the Registry informed of their current address and incur the risk of being struck from the Registry.
6. The Registry maintains a website with the names and identifying number of all NGOs struck from the Registry. The Registry publicizes separate lists of names and identifying numbers of NGOs failing to satisfy reporting requirements or failing to renew their registration. This website can be checked by grant agencies when screening grant applications. It is the responsibility of grant agencies to verify this information.
7. To enable the NGO sector to monitor itself, a specialized monitoring unit is set up, possibly in the Ministry of Internal Affairs, to investigate fraudulent behaviour by NGOs or their personnel. This unit has powers similar to those of a public prosecutor. It is habilitated to gather information, with the assistance of the police if necessary. It may act of its own initiative if it suspects fraudulent behaviour, or act upon information received from grant agencies, NGO members, beneficiaries, other NGOs, and members of the public.
8. If the monitoring unit finds sufficient reason to suspect fraud, the matter is pursued in court. This approach offers the advantage of building on existing oversight practices by members, trustees, grant agencies, and beneficiaries, instead of seeking to duplicate them. As long as collaboration with the NGO sector is good, the monitoring unit need not be large. This approach is cheaper – for the government (fewer monitor) and for society (less reporting) – than a heavy-handed monitoring approach based on direct reporting and monitoring.
9. Grant agencies are responsible for monitoring the performance of their grant recipients. They are obligated to report suspicion of fraudulent behaviour to the NGO Board.

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[13] As protection against misplaced mail, the request could be send two or three times before the name of the NGO is struck from the Registry.

c. Coordination

1. Given the small size of many Ugandan NGOs, there is much room for gains from coordination to reduce duplication and to share curriculum, protocols, and materials.
2. Through its networks and umbrella organizations, the NGO sector has a major role to play to increase coordination so as to maximize the effectiveness of its members.
3. With time, it is likely that the NGO sector in Uganda will consolidate. NGO networks and umbrella organizations should accompany this movement by fostering deeper integration between NGOs with similar or complementary objectives.
4. To facilitate integration in the sector, the NGO statute should specify a default Statute on how ownership of assets, control, and membership are affected when two or more NGOs decide to merge.
5. Line ministries also have an interest in ensuring a minimum of coordination between the activities of multiple NGOs in their sector of interest – e.g. to ensure a more equitable geographical coverage and to avoid duplication of efforts. It is the responsibility of line ministries to pursue this objective as they see fit, depending on the perceived most pressing needs.
6. The Prime Minister's office may seek to ensure a minimum of coordination between NGOs regarding issues common to all line ministries, such as per diem range for attendance to workshops, procedures for beneficiary assessment, and minimal reporting standards to grant agencies. It is the responsibility of the Prime Minister's office to pursue this objective as it sees fit in collaboration with NGO networks and umbrella organizations.
7. An important task at hand is the definition of an NGO policy in collaboration with national and local government. The Law is but an empty shell: it defines a framework in which civil society can operate. For the Uganda NGO sector to thrive, the law must come to life, it must be complemented by an NGO policy, that is, by a set of goals and objectives shared between the government and NGOs. We recommend that the dialog continue between the government and the NGO sector.
8. To facilitate this dialog, it may be useful to set up an apex body composed of representatives of the government, NGOs, and faith-based organizations. Both national and local government would be represented. Representation would also include key line ministries such as the Ministries of Health, Agriculture, Gender, etc. On the NGO side, representatives would come from the main NGO networks and umbrella organizations, such as the NGO Forum, DANIVA, etc. Faith-based organizations involved in service delivery but not formally registered as NGO (such as the Church of Uganda, the Catholic Church, and the Uganda Muslim Supreme Council) should be included as well. This body would meet to discuss issues of general NGO policy according to the needs of the country.
9. We have seen that most NGOs operate at the local level, usually in one or two provinces. Many coordination issues therefore arise not only at the national level but also at the local level. It is our understanding that many local authorities take upon themselves to organize regular meetings with NGOs operating in their region. These initiatives are useful and deserve to be assisted. The Uganda government may consider setting up a small fund to which local government can bid for partial financing of the incidental costs of such meetings. In collaboration with NGO representatives, the government may also consider issuing a policy statement describing best practice regarding meetings between NGOs and local government.

d. Recommendations for the NGO sector and international donors

We also have a number of recommendations for the NGO sector itself and for international donors. As we have seen, the Ugandan NGO sector is still in its infancy. With the exception of traditional faith-based organizations (which are not registered as NGOs under Ugandan law but have a very extensive network of service delivery centres – clinics, hospitals, shelters, orphanages, schools, etc), Ugandan NGOs are small. Many NGOs remain unspecialized and unfocused, perhaps for fear of losing a grant opportunity. NGOs tend to favour 'talk' over the delivery of tangible goods and services. We see this as a transitory situation driven largely by donor fragmentation and impatience.

As the sector matures and Ugandan NGOs gain in professionalism, concentration is likely to occur as more efficient NGOs attract more funding and eliminate less effective competitors. We see this process as healthy and necessary. It is to be encouraged, not resisted. NGO networks and umbrella organizations can do much to help vertical and horizontal integration of same-minded organizations.

Concentration must not imply restriction on entry. What has made the Uganda NGO sector a thriving hotbed of talent and ingenuity is the relative ease of entry into the NGO sector. This is what has enabled NGO entrepreneurs to rise to the many challenges faced by the country, putting their experience and expertise to the service of public development. It is absolutely essential that this precious quality is preserved even when concentration begins to occur. Put differently, concentration must not be synonymous with the capture of economic rents by a few.

To improve the efficiency of the NGO sector, grant agencies should encourage a transparent grant allocation process based purely on merit. To facilitate the emergence of a mature, high performance NGO sector in Uganda, grant agencies should consider setting up a shared NGO rating scheme. In such a rating scheme, grant agencies would rate the performance of grant recipients according to an agreed upon scale – e.g., *A* for best performance to *F* for failed performance. Sharing NGO ratings across grant agencies would facilitate screening and encourage the build-up of reputation. NGOs that perform poorly with one grant agency would fear losing a good rating and hence lessening their chances of obtaining a grant from another agency. Pooling reputation across agencies would also speed up the natural process of concentration.