

LOOKING BACK, LOOKING FORWARD

LESSONS LEARNT FROM UGANDAN NGOS

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Abstract

Donor funding for non-governmental organisations (NGOs) is not guaranteed, especially for NGOs in the developing countries of Africa that are mainly funded by external donors. However, the funding situation for NGOs has deteriorated since 2008 as a result of the global economic crisis. In addition to the difficult application requirements, donor funding is usually restrictive and intended only for specific purposes; it is often also granted for a specific time period. , Because of the impoverished environments in which NGOs operate, raising funds locally is not as easy as it is for NGOs in developed countries. Donor dependence has therefore become an increasingly challenging issue.

The bulk of the existing literature on NGOs relates to developed countries, especially the United States and United Kingdom with little coverage of issues of financial vulnerability in developing countries. The main reason for this is the lack of reliable data on NGOs in developing countries. To address this gap, this study aimed to gain an understanding of how NGO practitioners in developing countries respond to the financial challenges.

The study involved interviews with a sample of 35 Ugandan NGO practitioners during 2016. The participants were individuals who played key roles in the management of their NGOs. By using qualitative analysis, the study provides insight into the financial decisions and the strategies of NGOs to survive and to continue delivering services.

The study finds that there is a mismatch between donor expectations in terms of the actual capacity to deliver services and the reality on the ground, the result of which is that NGOs often battle to survive while still continuing to deliver services as per donor requirements. Accordingly, NGO practitioners implement a variety of strategies, such as to strengthen capacity to handle donor applications, to create financial reserves, to improve efficiency, to creatively seek alternative sources of revenue, and also to build reputation through partnering and networking. The study also finds additional factors that influence the system and the extent to which NGOs can effectively respond to their specific local conditions and challenges. For instance, experienced and forward-looking, innovative leadership is likely to take advantage of opportunities and to manage adverse events more efficiently than less experienced and less involved leaders.

Through a better understanding of the dynamics under which NGOs operate, the study makes two main contributions. Firstly, it adds value to the current body of literature by providing additional evidence on the strategies and coping mechanisms of NGOs to deal with financial vulnerability and by covering aspects that had been previously neglected, such as the impact of high staff turnover, which seems to be typical of the NGO sector in developing countries, and its impact on the efficiency of service delivery. The second contribution relates to the practical knowledge and insights gained from the experience of Ugandan NGOs that can be shared with practitioners in developing countries who may experience similar circumstances.

1. INTRODUCTION

Stable funding for non-governmental organisations (NGOs) is not guaranteed, especially for NGOs in the developing countries of Africa, which are funded mainly by foreign donors. The funding situation for NGOs has deteriorated since the 2008 global economic crisis and donor dependence has therefore become an increasingly challenging issue. In addition to the difficult application requirements, donor funding is usually restrictive and intended only for specific purposes, and often also granted for a specific time period. Because of the impoverished environments in which NGOs operate, raising funds locally is not as easy as in the case of developed countries.

The bulk of the existing literature on the financial vulnerability of NGOs is based on the experiences of developed countries, especially the United States and the United Kingdom (e.g. Tuckman & Chang, 1991; Greenlee & Trussel, 2000). The main reason behind this is the lack of reliable data on NGOs in developing countries. This is a considerable gap in the literature given that the nature and source of financial vulnerability differ dramatically for NGOs in developing and developed countries. This study aims to address this gap by exploring the typical strategies presented in the literature on NGOs, with a focus on Ugandan NGOs. According to the USAID report for 2015, Ugandan NGOs have been largely funded by foreign donors, whose funding has been reduced over the last decade, as has the support provided for institutional capacity building. As a result, Ugandan NGOs have been under pressure to find ways to become sustainable, which makes them particularly suitable for the purpose of this study and as a representative example of an NGO sector in an African developing country.

Drawing from in-depth interviews with a sample of 35 Ugandan NGO practitioners during 2016, the study intends, first, to gain a deeper understanding of the findings in the literature as well as from the previous studies (Silva & Burger, 2015) about strategies and coping mechanisms that help NGOs to deal with financial problems; secondly, the study aims to gain deeper insight into what the current financial strategies of NGOs are and to what extent they can be implemented in a developing country context.

The rest of this paper is organised as follows. Section 2 presents a review of the existing literature on NGOs strategies to deal with financial vulnerability, with a focus on the context of

developing countries. Section 3 will explain the method of data collection and data interpretation. Sections 4 and 5 outline the findings and present a discussion of the findings in the context of the literature, respectively. Section 6 offers a number of recommendations. Section 7 describes the contribution of the study to the existing body of knowledge related to NGOs in developing countries.

2. REVIEW OF THE LITERATURE

The financial conditions of NGOs in general are characterised by scarcity and uncertainty of funding, making these organisations financially vulnerable and dependent on resource providers (Froelich, 1999; Nunnenkamp, Öhler & Schwörer, 2013). Typically, NGOs in developing countries are more dependent on a few important sources of external funding from foreign donors than NGOs in developed countries are (USAID, 2015). While NGOs in developed country have a more diverse range of funding sources, which include grants from foundations and governments, earnings from commercial activities and contributions from individuals and companies (Anheier, Ben-Ner, 2003), NGOs in developing countries receive only small contributions from local individuals and the business sector, and little financial support from governments (USAID, 2015) .

Several authors recommend a diversification of funding sources as a strategy to minimise the risk of financial vulnerability (e.g. Tuckman & Chang, 1991; Greenlee & Trussel, 2000; Yam, Denison& Butler, 2009; Carroll & Stater, 2009). In contrast, a few other studies suggest that concentrating funding on a few stable sources enhances the growth of organisations by providing greater financial stability (e.g. Foster & Fine, 2007; Chikoto & Neely, 2014). Frumkin and Keating (2002) also point out that funding concentration saves costs associated with fundraising.

Another concern raised in the literature on developing countries is that external funding is usually channelled directly to NGOs without the involvement of governments and the use of local resources (Cannon, 1996; Collier, 1996). These authors claimed that working closely with the government would increase the potential of NGOs being sustainable and would also enhance the legitimacy and credibility of these organisations.

Tinkelman and Mankaney (2007) and Nunnenkamp and Öhler (2012), who examined donor motivation, found that donors are motivated more by specific targeted services or communities than by disclosed information on the use of funds (e.g. narrative and financial reports). This is in agreement with Aldashev and Verdier (2010), who found that NGOs diversified their services to match donor interests as a strategy to attract funding. Ebrahim (2005), Elbers and Arts (2011) and AbouAssi (2013) stated that the need to satisfy donor interests and requirements may have an adverse effect on NGOs at the expense of commitment to beneficiaries. The authors call for more flexibility in the use of donor funds and a change in programme evaluation, from process-based evaluation to result-based evaluation.¹

The risk of drifting away from the original core mission of the organisations in order to attract available funding is another concern raised about satisfying donors to ensure financial sustainability (Ebrahim, 2003; Edward & Hulme, 1996). In other words, NGOs start focusing more on survival objectives than on fulfilling their original missions. This problem also arises when NGOs engage in commercial, profit-making activities to generate revenue for their operations. However, some authors regarded commercial activities as a positive strategy for NGOs to generate internal resources towards fulfilling their social missions (Fowler, 2000; Svidronova & Vaceková, 2012).

The volatility of donor funding and the imposed restrictions have led several authors to highlight the importance of building capacity and the accumulation of reserves or precautionary savings (e.g. Bowman, Keating & Hager, 2007; Calabrese 2012). The literature shows that reserves are positively associated with lower financial vulnerability and allow organisations to manage their expenditures (Chang & Tuckman, 1990; Greenlee & Trussel, 2000; Calabrese, 2012). The value of building reserves is also highlighted by Fisman and Hubbard (2005), who claim that NGOs use reserves to guard against unpredictable shocks in revenue. The authors also identified the benefits of building reserves in the form of long-term investments. Investments enable NGOs to have a source of revenue for discretionary expenses (Bowman, Tuckman & Young, 2012).

¹ Result-based evaluation measures the programme effect by assessing key indicators and by comparing the actual results to results that the programme was expected to achieve. Conversely, process-based evaluation measures whether programme activities have been implemented as intended.

The literature has so far devoted little attention to governance in the NGO sector. Generally, NGO boards are perceived to play a more active role in providing strategic direction and taking operational decisions, in comparison to the way boards function in the for-profit sector (Coombes, Morris, Allen, & Webb, 2011). Generally, it is argued that the function of NGO board members is to oversee the NGO's operation and to ensure that it keeps to its social mission (O'Regan & Oster, 2005; Coombes, Morris, Allen, & Webb, 2011). However, board members are responsible not only for monitoring management, but also for strategic planning and fundraising (Jaskyte, 2015).

Coombes et al. (2011) and Jaskyte (2015) found that active boards influence positively the ability of NGOs to innovate, exploit external opportunities and take advantage of their resources as they are likely to encourage the NGO to be active in adapting to changes. Board members together with the executive directors are seen to influence donations positively through their valuable links and networks (Callen, Klein & Tinkelman, 2003; O'Regan & Oster, 2005; Ostrower & Stone, 2006; Coombes, Morris, Allen, & Webb, 2011). Similarly, a strong board reputation is often found to relate to the effectiveness and trustworthiness of NGOs (Herman & Renz 1997; Eldenburg, 2004; Szper & Prakash, 2011). Moreover, board members are also valuable resources with a variety of skills, knowledge and experience that are important to meet the needs of the NGO (O'Regan & Oster, 2005; Coombes, Morris, Allen, & Webb, 2011; Jaskyte, 2015). Jaskyte (2015) claims that organisations look for board members who have the right type of skills and competences needed for their organisation's performance.

It is also suggested that the size and age of NGOs contribute to their reputation, which is in turn associated with higher financial stability (e.g. Fafchamps & Owens, 2009; Trussel, 2002; Trussel & Parsons, 2007). While size reflects the ability of growing and attracting contributions, age represents the capacity to be financially sustainable. According to Ruben and Schulpen (2008), larger Dutch NGOs have a higher probability of being selected for funding and are deemed to have better networks and opportunities for partnership than smaller NGOs. Other researchers found a positive relationship between size and more experienced organisations and their survival, both in developed countries (Nunnenkamp, Öhler & Schwörer, 2013) and in developing countries (Burger & Owens, 2013).

Previous studies on Ugandan NGOs find that foreign donors are the main resource providers for NGOs in developing countries (Barr, Fafchamps & Owens, 2005; Burger & Owens, 2013). However, there is an unequal relationship between donors and recipient NGOs because of the financial dependence of NGOs in developing countries, which results in donors imposing certain conditions and restrictions on how recipient NGOs may use their funds (Rossouw, 2006; Elbers & Arts, 2011; Elbers, & Schulpen, 2013). These restrictions are meant to ensure the efficiency and transparency of the use of funds and may include time boundaries, specified application of funds, usually only for direct programme activities, and prescribed reporting and accounting procedures (Elbers & Arts, 2011).

The study by Elbers and Arts (2011) shows that NGOs in developing countries struggle to comply with such donor requirements. Easterly (2002) had warned about donors placing considerable demands on the weak and scarce administrative skills in developing countries, hence the human resource capacities of NGOs can barely keep up with the number of conditions imposed by donors.² Of special concern is the reluctance of donors to fund overhead costs (Trussel& Parsons, 2007; Ashley & Faulk, 2010). In this respect, Chikoto and Neely (2013) showed that overhead costs are important for helping NGOs to comply with donor conditions, such as monitoring and reporting requirements. Overhead costs also include fundraising costs, which Tinkelman and Mankaney (2007) and Nunnenkamp and Öhler (2012) found to influence positively donor contributions.

The asymmetrical power relationship is more severely felt and the ability to generate funds for overhead costs is more limited in developing country contexts compared to developed country contexts. This study, then, in particular sought to add value to the body of knowledge on NGOs by providing richer and more coherent insights into the functioning of the NGO sector in a developing country.

² The author refers to the high demands on staff in developing countries in terms of skills and time.

3. RESEARCH METHOD AND DATA COLLECTION

In-depth interviews were conducted with a sample of 35 Ugandan NGOs practitioners during 2016.³ Participants were individuals who played key roles in managing NGOs and they all had more than five years of experience. The interviews explored their experiences relating to the following themes through open-ended discussions: the way individuals respond to financial challenges; their concerns when funding is terminated; and what they learn from their experiences in managing NGOs. The advantage of this approach was that it stimulated a largely open discussion on their experiences to allow issues related to the operation of NGOs to emerge, which might challenge existing research assumptions.

The sample for this study was obtained in two ways. A core sample of 15 NGOs was purposively selected from a panel survey of approximately of 300 NGOs in Uganda for the years 2001 and 2008 based on the criterion that they had experienced a reduction in revenue of more than 15 per cent. The sample was then expanded through referrals (i.e. snowball sampling) by the initial participating NGOs to other NGOs that could make a valuable contribution for the purpose of this study. Twenty-five (25) per cent of the total sample was endorsed by the Uganda Networks of AIDS Service Organisation (UNASO),⁴ which NGOs are members of.

The sample consists of 35 NGOs. Out of those, 37 per cent work with youths and children by providing education services, 23 per cent are involved in the health sector, 14 per cent work in agriculture, livelihoods and community development, 9 per cent are dedicated to empowering woman and advocacy of women's rights, 6 per cent work with the elderly, and the remaining 11 per cent focus on cultural issues, transport and environmental matters, emergency relief and human rights advocacy. Seventy-seven (77) per cent of NGOs have offices in Kampala – Central region (i.e. 27 NGOs), 6 operate in the Eastern region (i.e. 17 per cent), and 2 operate in the Western region.

³ According to the NGO Board which oversees the NGO sector in Uganda, there were more than 13,000 organisations registered in 2015. However, the number is an underestimate, because there are many organisations operating in the country without registration (USAID report, 2015).

⁴ UNASO is an umbrella organisation formed in 1996 to provide coordination and representation among Civil Society AIDS Services Organisations (ASOs) in Uganda.

Thematic content analysis was used to analyse the data. The purpose was to derive the sense that the practitioners make of their environment and to understand their approaches to sustaining their organisations. The analysis incorporated the data-driven approach of Boyatzis (1998), where themes emerge from the data using inductive coding. The process to identify the themes involved a “careful reading and re-reading of the data” (Rice & Ezzy, 1999). The study was also influenced by the principles of Nygren and Blom (2010), according to which the degree of heterogeneity of the data determines the method of analysis and the identification of themes. First, the analysis provides a naïve understanding of the underlying narratives as a whole. The emerging picture was further developed by regular discussion between co-researchers before a coding structure underlying the data emerged and a comprehensive framework could be constructed.

The plausibility and credibility of the study were addressed by conveying the richness of verbatim examples shared by practitioners to illustrate the findings in a transparent way. Subsequently, interactions with peers allowed the notions of the researcher to be scrutinised and subjected to alternative interpretations before the final coding structure took shape.

The data from the interviews also achieved a satisfactory degree of saturation, as the same themes started to recur and hardly any new insights emerged from further interviews.

4. FINDINGS

From the transcribed interviews it can be derived that most contributions fell into two broad categories, which formed the higher-level themes produced by the data. These were: *the environment within which these NGOs operate* (Context) and *the responses of NGOs to this environment* in order to sustain themselves (Response). Each of these categories has, in turn, been broken down into a number of sub-categories. In addition, from the experiences that participants shared, two other categories that do not fit clearly into the two main categories emerged: specifically moderating factors that influence the system within which NGOs operate, and the size of the organisation that determines its capacity to secure funds and implement strategies. These categories help to provide a more holistic picture of NGO survival and service delivery in developing countries.

The following sections will present, first, the two main categories in terms of their identified sub-categories, and second, the other two categories will be addressed. Verbatim responses by the participants are used throughout to provide transparency as to the choice of conceptual codes.

4.1. Context: The environment in which NGOs operate

The context within which NGOs in Uganda operate presents real challenges to their sustainability. This is most likely also the situation in many other developing countries, especially in East Africa. The study finds a set of factors that may well apply to NGO environments in other developing countries, but which are not usually considered in the standard literature. The data associated with the context were further grouped into the following six sub-categories:

- High donor dependence;
- Fund application restraints;
- Restrictions on the use of donor funds;
- Uncertainty of donor flows;
- Close and tightly-knit donor community;
- High staff turnover.

The first five sub-categories have to do with the problematic context created through the way in which donors operate and the unaccommodating environment of a poor developing country. The last sub-category is the almost inevitable consequence of losing staff in difficult times. The sub-categories are discussed in the following sub-sections.

4.1.1. High donor dependence

NGOs in Uganda rely largely on funding from donors, e.g. foundations and external governments. Other potential forms of funding, such as membership fees, payments for services rendered, and even income from entrepreneurial activity, seem relatively small because of the low income level of the communities where they are located.

[T11]: “... we don’t even raise a small fraction of our income from members. [They want] ... to gain from the organisation, not to provide for the organisation as it is.”

[T03]: *“Is very difficult for community to contribute, but they contribute in kind.”*

[T19]: *“Yes, we thought about getting a place and put some entrepreneurship activities like having sowing machines and put that somewhere ... But when we put the sowing machines there, many people don’t have the money. We cannot run a business there.”*

4.1.2. Funding application restraints

In a context that is already highly donor-dependent, funding application has become quite difficult especially for small and young organisations. Recent mechanisms for funding applications expect organisations to apply in partnership, as well as to contribute pro rata for the duration of project (i.e. the matching funding principle).⁵The pro rata contribution may be drawn from their own resources or from another external sources.

[T14]: *“Now donors do not fully funding, they prefer cost sharing. So that means your reserves are being reduced.”*

[T18]: *“I saw two / three calls for proposal saying that should be at least a minimum of three organisations and it should be at least two countries. So if you operate in Uganda you need to know another organisation in Kenya or in Tanzania to partner with ... Trying to fit in to the donor, the donor conditions.”*

[T05]: *“One of my problems is basically regarding of the new concept of matched funding – it’s just likely to crash the organisation.”*

[T20]: *“Especially UK and US. They don’t like given you money unless they are partner a UK base organisation who is going to manage it for you. If you are partners they can give you part of that money. That one cannot empower organisations.”*

The requirements required by donors pose a lot of heavy demands in terms of staff time and financial resources, which is difficult for organisations to meet. Furthermore, some donors are changing their strategies of funding through a basket of funds managed by a local agency to fund local NGOs instead of channelled their funding directly to NGOs.

⁵ According to which NGOs have to match the funding of the donor by contributing *pro rata* to the project.

[T13]: “I stopped writing proposals even under those organisations [larger organisations] ... I’ve wasted a lot of time ... writing a proposal here in Uganda is expensive. And when you write, put it there and then it does not pass through. Yet you lose the money. Why don’t I use that money and put it on the ground?”

[T13]: “It takes money to make a proposal because I don’t know how to make it. I need to get somebody ... Then you put all that money and when it comes doesn’t pass through.”

[T20]: “Raising funds to sustain the organisation is very hard including now attracting staff who can stay and do the work.”

[T30]: “... but now in Uganda we have a centralised pool which is Democratic Governance Facility ... All donors are in one basket. Because of basket funding now you can’t go individual, because we now have a pool the numbers have go down ... The basket is a donor management basket. They have a management unit which oversees that. It is put in place by the donors themselves.”

4.1.3. Restrictions on the use of donor funds

In addition to the cumbersome application requirements, donor funds are usually restrictive and granted only for specific purposes, often also for a limited period. Given the impoverished contexts in which NGOs operate, donor dependence has even become more challenging.

[T09]: “everything has to be strictly in pursuit of the project objectives.”

[T11]: “if you are operating on a one-year grant it is quite a challenge to ... uh, you have to keep fundraising! And because of the challenge of human resources, you can’t have a focal person just for fundraising because no donor will give you money to maintain the fundraising ... It’s mainly direct implementation.”

[T35]: “most of the funders don’t plan long-term funding. They plan short-term funding ... comes in for 1 year, 2 years, 3 years.”

[T27]: *“That is the biggest problem. For an NGO if does not get capacity building support.”*

[T32]: *“The project has ended. What next? You keep on pressure; how am I going to get money ... We wanted to build our own offices ... we don't know where to get money because all the donors we have they can't allow to build an office.”*

From the evidence it seems that in rare cases NGOs receive support from donors to build capacity. Thus, after implementation of projects, organisations are left with few resources. It is difficult for them to build assets, such as premises, to sustain the organisation after the period of the grant, or while waiting for new funds to be approved.

4.1.4. Uncertainty of donor flows

Funding from donors is uncertain, because there is no guarantee that it will continue. Donors may withdraw at times and they may simply reappear again. This uncertainty may stem from donor policies or priority changes.

[T05]: *“So as the fact that the cycles come to an end it means that you have to re-apply and because of uncertainty of re-applying even if you have been with the donor for some time is not a 100% guarantee you going to get a grant.”*

[T03]: *“The last 10 years have been very tough and we always worried because projects are for short time. You get your funding for 6 months, 1 year, 2 years, then they are getting over, you have to get worried and terrified. I have been always worried.”*

4.1.5. Close and tightly-knit donor community

Participants generally felt that the international donor community was communicating among themselves, and influencing each other's decisions, more than in the past. Donors usually ask for references of current and past funders as a way to assess an NGO's work before granting funds.

[T12]: *“each donor that is given you money wants to know who has been given you money or who is currently giving you money ... and you know donors communicate.”*

[T11]: “any donor will look for references. Who have you worked with before and the donor in community is also small community. Donors also speak.”

[T34]: “...they [donors] usually have several meetings, so people usually actually very close. The minute you have a bad reputation and one of the donors blacklist you is really likely that the rest of them will blacklist too. The reputation matters a lot.”

[T10]: “... the paradigm is changing, there is more talk within the international community.”

4.1.6. High turnover of staff and low salaries

Because of the difficulty of securing funding and the low contribution from donors to cover staff costs, most organisations are not able to retain staff. Therefore, when projects are phased out, the contracts of staff directly allocated to the project terminate and many of them leave. Usually NGOs negotiate with these staff to become part-time staff or even to work as volunteers until new projects are funded. However, from the experiences shared, NGOs (especially the small and local NGOs) are often unable to retain them.

[T15]: “We had requested them to volunteer but nobody can work with an empty stomach.”

[T20]: “... once staff salaries are not constant, staff are looking elsewhere for a job. So you have a high staff turnover.”

[T15]: “This is obvious you are paying somebody little money ... that is why people are running away.”

[T20]: “You find international NGOs getting a lot of money. They are paying their staff very well, but when it comes to local NGOs when you make a proposal they say 'no we are not paying staff', then you wonder how are they going to work without a salary.”

[T27]: “In most cases most donors underfund projects, have a very less component of salaries, of office rent, of electricity. So it becomes hard.”

[T31]: “... projects don't normally contribute a hundred per cent of the administration salaries. We have about three projects and each project is contributing maybe 10 per cent of the salaries.”

[T22]: “... some donors are not paying salaries.”

Losing skilled staff affects the organisation in many ways and is particularly harmful for smaller organisations that see their capacity draining quickly.

[T31]: “We had to let staff go which we had trained for many years.”

[T18]: “... is like you can't rest, even the staff you work with in the second year will be looking for jobs because they know the project is ending next year and when it ends they have no job. It puts a lot of stress around on the final year of the project ... whereas in a situation there you sure there is continuous funding, everybody works ... knowing the future is secure.”

[T20]: “Without funds people lose morale, so the work is not so good ... is no longer motivated.”

[T25]: “... If they [staff] get affected, even the organisation gets affected and also beneficiaries get affected.”

[T03]: “... And if you reduce on their hours of work and the remaining staff gets overloaded.”

[T08]: “... when everybody [donors] now wanted to come and evaluate ... they found that we were very weak organisation because we didn't have systems in place. The staff who were there all ran away and therefore we were working with volunteers, so nobody will be willing to fund ourselves with volunteers.”

In conclusion, the strict funding application procedure as well as restrictions on the use of funds together with the high degree of uncertainty of funding flows from international donors present enormous challenges for NGOs in a country such as Uganda, which relies heavily on foreign funding.

The next section focuses on the ways NGOs try to sustain themselves in this difficult funding context.

4.2. How NGOs respond to the environment

Contributions about responses and plans, or strategies for survival formed the second main category of themes extracted from the data. The ways in which organisations respond to different challenges were grouped into seven sub-categories. These sub-categories are:

- Strengthening donor applications;
- Repositioning strategically;
- Institutional reformation;
- Building reputation, partnering and networking;
- Building reserves and income-generating assets;
- Seeking additional income opportunities;
- Focus on efficiency;
- Focus on retaining key staff.

4.2.1. Strengthening donor applications

The low income of communities and restrictions set by donors on the use of funds force NGOs to continue sourcing other funds to broaden their revenue base. A common practice among NGOs is to scan for additional donors on a continuous basis and to write proposals, as well as upgrade their techniques of applying for funds. Some NGOs have even created dedicated teams for proposal development and ensuring compliance.

[T06]: "... continue looking out for more donors to have a wider base of income."

[T15]: "We prepare concepts, proposals written to different donors in a bid to solicit funding ... The organisation is really trying to tap from different donors left and right ..."

[T09]: "It was one of the first organisations, if not the first in Uganda with a grant office. An office which just look for money, regularly, without the pressure."

[T34]: *“The main change was having a fundraising committee ... people who are actually in charge of fundraising on top of their other jobs.”*

4.2.2. Repositioning strategically

NGOs reposition themselves strategically in the international community environment and seek new mechanisms of funding. Some organisations have tried to widen their scope of operations by going beyond their core focus areas to cross-subsidise their main work with projects that are more easily fundable.

[T12]: *“... come up with a shopping list with annual budgets ... We have through our interaction with different donors they interest in this shopping list. They pick out one or two items to fund. You pick out what the donor is most interested in.”*

[T33]: *“Because of the nature of the programme which we are doing is agriculture and the current situation of climate is changing ... we now have a second donor who is bringing money for climate-change interventions”*

[T09]: *“... a lot of money in HIV but you have to look at other infectious diseases that may not have so much money now but can sustain if once they find the cure for HIV.”*

[T09]: *“[NGO] had this patient pool [a clinic] ... Why don't we use as a source of both knowledge and sustainability. We went into research ... So research money helps us meet our mission of impact policy ... and research gives you a lot of publicity ... These products all feed of each other.”*

[T29]: *[NGO whose target beneficiaries are the elderly] “because we found that it was very difficult to get funds for the elderly, many people look at them as just finished ... so we decided to form another organisation ... working for the children because these elderly had children who are orphans, so at least that one you could someone about the children and at least he/she could listen to that more than as elderly problems ... but we get individuals easily, sometimes at least more easily that getting for elderly ... [NGO] started in 2004 as a strategy to raise some support for the families.”*

[T17]: “we had to look at our culture [NGO focus on culture] and see how it aligns with other issues that donor finance ... at different subjects ... We look at HIV/AIDs and culture. How culture influence the spread and prevention of HIV/AIDs at the time. That’s how able to generate confidence and trust in the partners and they were able to finance ... because of the relationship with other subjects like HIV/AIDS.”⁶

4.2.3. Institutional reformation

Other NGOs have undertaken institutional reforms, for example, by scaling down, by rebranding themselves, or by operating as subcontractors for larger NGOs to gain visibility and experience.

[T08]: “We start think about how could we make ourselves relevant and attractive to the donors. The fact what we did was downscale from about 6 districts to 1 district that was our strategy. We downscaled to attract the donors, to be focus so that the donors can say where you work you must have focus.”

[T08]: “... we had to even look at the kind of business we were doing was not related to the name of the organisation. So we had to rebrand. We changed our name focus on what we were supposed to do ... we were so wide so we changed our name.”

[T08]: “...what we did was look for organisation who can’t implement their own activities so we became activity-based organisation ... we started to become too small, the fact that we were implementing for other organisations and here the purpose was to ensure that we do it very well ... become credible and reliable.”

[T08]: “We never had anybody willing to give us funds because they look at you as inexperienced. So we started working for others who had the funds.”

[T30]: “You try as much as possible to live within your means to engage strategically. We also exploring how best broaden our investments. To be realistic you have to cut your clothing according to what you have.”

⁶ The two main causes of the spread of HIV/AIDS are sexual relations between young people and the culture practice of widow inheritance. Thus, in order to control the spread of HIV/AIDS the NGO promoted abstinence until youths get marry and, instead of having young people inherit the widow, the widow is taken by an older person who will be responsible to provide her with protection within the family and not having sexual relations.

4.2.4. Building reputation, partnering and networking

The evidence collected shows that NGOs are well aware of the need to build their reputations, not only in working with current donors, but also by satisfying beneficiaries and by networking and working with other important bodies such as the government.

[T33]: “This one donor that we have referred to since 2001 we are together. We can now discuss programmes, discussing budgets and says ‘no here I can manage, here I can’t manage’. It is through the mutual understanding and the capacity that we are building together.”

[T08]: “First of all, when you are working very well as an organisation, then you create satisfaction and the demand. Both things satisfaction and demand. In the event that you lose funding depending on any reason, because the project expired and it is not renewed. The demand of course will remain there, but the people would always be very positive about you. This was one of our keys strengths that when we lost funding we had a satisfied client. People were satisfied with our work and we had created a good relationship with the district leadership, the local government, so whatever it will go to any local government and ask they will talk good of us.”

[T11]: “Here we do a lot of research on access to medicine and we do that with a lot of credible organisations. We do a lot of work even for the Ministry of Health, we do work with the World Health Organisation so those, because any donor will look for references ... So, uhm, your reputation is actually helped by you doing these things and other people talking for you.”

[T31]: “We’ve got a lot of support because of the good reputation we have had ... We have worked with Global Fund, with USAID fund all these websites and I’m sure they put us there, so the reputation is good. Our work is continuing protecting it, continuing to ensure that because it contributes directly to this fundraising.”

The other aspect brought out by the evidence is that several NGOs go the route of partnering with other NGOs. This not only helped with strengthening the submission of applications, which

was listed as a donor requirement earlier, but also helped to strengthen the capacity to deliver services.

[T12] “We have found out that we are much stronger in applying for funds as a consortium and not as an individual NGO ... It also helps us build network and expertise and on how to handle money but also big coverage in terms of service provision. We can always support each other here and there.”

[T22]: “... we plan for our networking because in case I am not there to do ... Then you are able to do what I would do; in case you have the money I don't have the money at this time, then you are able. They call it sustainable networking.”

[T27]: “By joining networks and working with others. It's very easier to get funding when you work with others and when you look around ... The project has more visibility and they can even replicate it. Working with others allows them to replicate when the organisation is not able to continue.”

4.2.5. Building reserves and income generating assets

Another strategy adopted by NGOs for dealing with the uncertainty of funding is to build reserves, particularly acquiring physical assets such as premises. NGOs need such assets for implementing their projects, but these also help in different ways to sustain them in difficult times.

[T09]: “...We really want to invest significantly so that we can increase our budget in the long run if you don't get donor money. Where are you going to get the money to run? In terms of future funding that should be a real priority. If we have the income, we would invest it in treasury bills and so on.”

[T14]: “[by building reserves and savings] you're able to be sustainable in financial challenges, growing ourselves by taking other income avenues, sometimes liquidity, selling assets you don't need.”

[T22] “Of recent we have developed a bicycle centre that is guide tours ... We have acquired land we want to put a bicycle workshop, we are now still searching for

resources to put up a bicycle workshop, where we can be able to fabricate bicycles, bicycles trailers.”

[T22]: “We have learnt to save. Everything that we do we try to save for the harder times. For example, even if we are implementing activities we try as much as possible to save money from those activities to be able to invest.”

This strategy also helps to fulfil donor requirements of matching funding.

[T08]:” Another contribution we say ‘we contribute with offices’ ... or we have several motorcycles, we are contributing transport. So it is easier for us to contribute, so once you have several resources then you can contribute. That one also brings on board more donors.”

Participants expressed a particular desire to acquire land and build infrastructure, such as offices, training centres, and schools, because these not only help NGOs to save on the cost of renting, but premises can also supplement income through, for instance, renting out space.

[T21]: “We were not here if we don’t have an office ... That one is a must”

[T03]: “That is a very important thing for an organisation. This land here is ours even that building, even though is not completed. Right now paying rent in Uganda either for individuals or organisations is very difficult. If you don’t have a stable funding, you keep on shifting and moving from bad places. So ya very unstable. One way of keeping organisation to grow is to own premises.”

[T15]: “[NGOs] with their own premises] they are raising a lot of money from those buildings when things get tough, they get their rent.”

[T18]: “I’ve seen our friends who have their own premises they are better off. They survive better than us. They have that kind of income coming in.”

4.2.6. Seeking additional income opportunities

The problem of uncertainty of donor funding together with the restrictions imposed by donors makes organisations financially vulnerable, particularly during times when organisations are

waiting for further funding. The lack of available reserves makes it hard for organisations to sustain themselves. Against this background, practitioners reported that they attempt to save out of donor funding and put more effort into other income-generating activities and community contributions.

[T32]: “[NGO] is a membership organisation owned by 15 members, so they pay some subscription fee every year. But, a small percentage, less than 10 per cent ... It goes to institution development. For example, making sure that the policies are there ... some part of assets like furniture.”

[T09]: “What continue help us to diversify is not necessarily from the funders that we are seeking money from, but from the activities side.”

[T28]: “We have ECD centres. The ECD centre they enrol these young, babies and children and they contribute some little money. Just very little to help run the schools.”⁷

[T03]: “if you have a car ... you can charge miles to the new donor or to the new project. .. [donors] have to contribute with fuel and then some little money for maintenance ... and it helps you to maintain the car. ... We negotiate with the donor we tell them please provides with miles for our car.”

[T15]: “They hired us to develop a training module for how best their counsellors can counsel people on telephone.”

[T12] “The catering classes hire out to go and give services on weddings and also do some baking on internal workshops.”

[T21]: “... most schools don’t have computers so they want to set exams for the end of term so they come and write, and we give someone to type for them and produce for them and make copies. They are charge for that.”

[T23]: “we also raise money through these projects like this medical facility. As people are getting treatment, receiving access in the health services, they are also bringing in

⁷ ECD refers to Early Childhood Development projects.

some little money. The health service charge a fee. They are not free. That is how we are able to raise income.”

4.2.7. Focus on efficiency

In most cases the uncertainty of donor funding and difficulty in generating sufficient local funding led practitioners to look at the efficiency of their operations. Efficiency was enhanced by organisations using available funding wisely and, in terms of programmes, by ensuring their sustainability. It was very interesting to note how practitioners were pressed to make positive changes. They started planning and thinking strategically in order to ensure the sustainability and continuation of their activities and the survival of the organisation.

[T31]: “... we’ve now done, we reorganised, we are restructuring to fit within the changing environment. I’ve used my experience and interactions that I’ve had and lessons that I’ve learnt to now reinvent the organisation and say ‘this is what we want’. We have to work with a strategy and list a proper strategy so we are not everywhere, we have these objectives and we’ve these strategies. We also have fundraising strategies which was also not in place; we are trying to put in place. Two, we are looking at programmes ... We don’t want to do a project that is not sustainable.

From the institutional perspective, practitioners have started making adjustments to administrative costs and by using their resources, including human resources, more effectively. For example, some NGOs use government facilities to implement projects such as training, and staff are used in more roles.

[T16]: “We had more staff than this but we had to lay-off some in order to fit the money we have. ... Actually the slogan is ‘more for less’. More people you have to add people but at a less of whatever amount of money ... We try to use the resources diligently.”

[T16]: “For example we have people who are entering data ... the doctors knew how to enter their own data in the system, you may do it without data keeper and then you just remain with data manager who can make reports. Having multi-task staff ... The nurses can also act as counsellors. We don’t have counsellors fully. If you can train the nurses to both to do counselling. The drivers can also counselling, they don’t have to sit always

in the cars. For example, if you go out to in outreaches, you can have the driver also counselling.”

Some practitioners have redesigned their projects to provide them with a greater degree of self-financing to build sustainability. For instance, NGOs provide short-term vocational training when donors fund for shorter periods. This training provides skills that can help children or youths generate income to sustain themselves and their families after a year.

[T23]: “We thought to reduce on some of the programme. Some we decided to merge them such that they are under one supervisor ... So we go for one activity at a go so that we are able to track the results and the impact. Few activities, efficient and creating impact.”

[T02]: “We form VSL⁸ groups and train CBT [community-based trainers] ... they link their groups to us ... In the end they become qualified at no cost, which guarantee the sustainability of the project.”

[T07]: “... when the funding stops our community mobilisation activities continue with volunteers as we looking for new funds.”

[T15]: “The volunteers create a lot of sustainability ... This mechanism of using the communities’ persons to disseminate information or any other resources are very significant. It creates a lot of financial sustainability.”

[T17]: “... needs to identify more activities that they can do in the community with less funding, with less donor funding. Like community museums, because community museums are initiatives that are meant to preserve the heritage of that community ... So if the community appreciate that they need to preserve the heritage, they can identify a space within the community, they can offer land within the community and so put up a structure and call it our community museum. They’ll collect items for the museum within the community. Like community contributions.”

⁸ VSL is the term used for village savings and loans group. These are community-based groups whose main purpose is to provide access to financial services such as small amounts of local capital to poor.

[T33]: *“this project is ... self-sustain, because it involves selling the solar systems to the communities ... demand that has been generated from the sells will create an evolvment fund [after the project ends].”*

[T33]: *“we [NGO] give you a goat, you take care of the goat, after kidding, you pass the first kid to your friend, to a neighbour in the group. So those goats also kept moving in the groups up to all people have and we having over like 700 goats in the community.”*

[T14]: *“when we place livestock [with a beneficiary], then they ... pass on the first-born to your group member, then the last person to receive it in the group, passes on to Send a Cow [give it back]. So meaning, we have livestock, so we can sell that as a source of income. When we are cost sharing, we can use that as our contribution ... advertise that, that is in fact our biggest source of income.”*

4.2.8. Focus on retaining key staff

By widening their funding providers and by interlinking projects, it is also possible for NGOs to secure their staff, especially for NGOs that do not have many financial resources. With this strategy, they attempt to avoid losing knowledgeable and experienced staff when projects end, and so save the cost and time to recruit and train new staff.

[T17]: *“... the organisation has tried to do is to manage the staff in such a way they are not tie to a specific programmes ... So what the organisation does is collect support or contributions to personnel costs from the different projects into a pool and then from that pool is where staff are paid for ... at least we keep the staff so we have not had a situation where we had to lay off staff.”*

[T15]: *“We are lucky because some of the staff is attached to some other projects. We did work for this project, gave 30 per cent of their time and then we attached the same staff to another project so they could have a better salary. So we managed to maintain them.”*

[T08]: *“... ensure that one staff had to do more than one programme, one activity so that you are maximising skills.”*

[T15]: “... through the internal fundraising mechanism, we have to make very quick appraisal to see who do we retain and meet just their basic allowance, transport, meals, to work for us until we get more donor funding.”

4.3. Moderating influences

Ultimately, the NGO community in a country is about delivery of services to people in need. In the previous sections the focus was on how the context within which NGOs operate demands different responses in order to survive and be sustainable. However, the sector is ultimately about how much of the capacity of NGOs is channelled towards effective delivery to beneficiaries as opposed to their own survival activities. In other words, the issue is the efficiency of the system within which NGOs operate. Other influences were picked up that seem to play a further role in moderating the different factors in the system and the extent to which NGOs can channel their capacity and efforts to render effective service to beneficiaries.

4.3.1. Government’s role

Firstly, the government can influence indirectly, or even directly, the flow of donor money to NGOs and consequently the success of NGOs as it governs the regulatory environment in the country,⁹ provides established structures and certainly influences the willingness of the donor community to channel development funding to the country.

[T34] “That time was a bit worrying because many donors were pulling out ... It came up when our government said anti-homosexuality. Then of course that human rights organisation weren’t happy about it, and some governments.”

[T03]: “And also sometimes the conditions at home. If I told that the government has political and democratic issues, it can lead donors to turn away ... and sometimes donor priorities change, they may leave Uganda to go to Congo and therefore the NGOs suffer.”

Participants seemed to attempt to work with government for sustainability purposes.

⁹ To operate in the country organisations need permission from government and give an account of their activities to it.

[T14]: “... as an NGO you cannot work outside the government, before you enter into an area of operation then you need to seek government’s approval. So in a way you cannot operate without government’s support. If you’re going to operate within a district, you need to get the district officials’ support and give us a go-ahead in terms of implementing.”

[T08]: “without work through government establishment systems and structures that one help us to ensure sustainability and cost effectiveness. For instance, if I am going to work with schools, I don’t need to go and establish a new system when I know that the whole infrastructure in position.”

[T18]: “... we work with government staff, because then they will continue interact with the same farmers and offering the same advice. It’s very rare we do things on our own.”

4.3.2. Board’s role

Secondly, an active and experienced board can positively contribute to fundraising efforts through their networks and reputation and, for the effectiveness of NGO activities, through their financial status and knowledge.

[T11]: “board members have networks ... they will move with us to some donors, they will know some donors that say oh, you will need to contact these donors, they will know something about what is happening.”

[T21]: “The Chairperson is also a leader in the church ... For mobilising community contribution because they know her ... So they think that the children will be well protected ... That is what should be the role of the Board to raise funds; to create a good image among the public; to speak for the organisation.”

[T08]: “They can be able to advocate, including resources, does not only mean finance but also networking”

[T17]: “... their [board members] reputation earns the organisation quality profit value, so value addition to the organisation, their presence in the organisation as added value in terms of reputation because they are known people.”

[T09]: "... a certain skills set we want on the Board which that person because of the international status will bring to the Board ... one of our most really influential Board members right now is Dutch. He was working for McKinsey ... So he brings a certain level ... the standards he had set for us in terms of reporting, in terms of certain analytic it's nowhere amongst our peers."

However, in many cases they seemed not to be so active and committed in Uganda.

[T23]: "The Board has not been so much effective as far as fundraising is concerned and they are not readily available. They are busy people."

[T13]: "... you make an organisation here in Uganda especially an NGO they [board members] think that ... you are going to get sponsors from America ... They are going to bring in money ... so some members come with those kind of thinking. When ... they've not seen those kind of things, some start pulling out slowly."

4.3.3. NGO leadership

Thirdly, the leadership character and mindset represented by the executive of the NGO determine the kinds of strategies that are implemented and how programmes are designed to be sustainable. Throughout the sample one could see how qualities of innovativeness, tenacity, commitment to the values underlying the NGO services kept certain NGOs going, while others seemed more desperate and were hardly surviving. For instance, one executive director of an NGO had the vision to request a donor to provide the budgeted amount for rent in the beginning of the project to acquire land to save future costs of renting.

[T09]: "We are not here to just do projects. Well, we do projects, but we are not a project. Projects will come and go therefore ... we must make sure they contribute to sustain us in terms of overhead."

[T09]: "Having business sense. Saying 'this is not good for us even if is a lot of money'. Having some analytical skills to see. Move away from the programme. Programme will do wonderful things in one way or another. Means free money anyway. So it will go and give people food, will give people drugs. But you, who is doing it, what are you getting out of it and how is it helping you to develop as an institution ... In other words, to have

some capacity. Foreseen how do you sustain yourself on a regular basis ... but ultimately we don't want to do good and sink."

[T33]: "We [NGO] have realised the need of sustaining the activities if donor funding ceases. As an organisation we started a business arm ... a company that is looking at marketing, farmers produce, especially coffee and beans ... then the profit which we get could be able to [support] activities of the organisation ... It's working with the cooperatives, they are part of our beneficiaries ... The products that they are getting from their farms, especially maize, are being marketed through the company and the organisation is getting some commission, profit from the sell. It's a shareholding company where the farmers have shares and the organisation has shares. The organisation has the biggest share in the company ... if the donor funds cease for the organisation, the farmers will have gained the knowledge on how best they can produce quality maize and they will continue supplying the company to go to the markets. And the company still gets dividends that will sustain the organisation."

[T13]: "I've tried hard, especially in the beginning. At the end you end up get nothing ... I got discouragement."

[T16]: "We have been trying. We have been thinking and we have failed. The only thing I think of is writing more proposals."

4.3.4. Flexibility and involvement of donors

And, fourthly, the donor approach in grant-making decisions and the level of their involvement in building institutional capacity of organisations could not only ensure that money is efficiently spent, but could also enhance the quality of services delivered. Thus, the flexibility of donors in showing interest in improving the capacity of NGOs may play quite a substantial role in the effectiveness of the sector. The sample showed that very few organisations received institutional support from donors, although there is reason to believe that the ones that did receive support performed better and were able to strengthen their capacity.

[T08]: "[donors] now wanted to come and evaluate – due diligence where they found that we were very weak organisation because we didn't have systems in place. The staff

who were there all ran away and therefore we were working with volunteers, so nobody will be willing to fund ourselves with volunteers.”

[T14]: “they [donors] do an assessment ... some of them will even come and see how you report. Sometimes even they come to see if the report that you reported is actually true. They are involved in ensuring that what we are reporting is actually true. And they also ensure before they give you money that the organisation has capacity ... they come before signing an agreement with the organisation, do an assessment, give out a report, and if there are gaps they will indicate the gaps. Then we agree with the donor the improvement plan.”

[T32]: “Some donors have changed strategy, they don’t put call for proposals but they come to the districts and say ‘can you give us a good partner here to work with?’ ... around 3 grants through that process ... The donors come to our office and assess us. They find you some needs, some weaknesses that you have. They will tell you: before we can give you money, can you fill those needs. For example, they may find your policies are outdated or your accounting system is somehow weak ... So they will tell you first do that, after doing that, we can talk. Because they fear, we don’t want any risk use their money. So they want their money to be in safe hands. They will make sure that you can perform.”

[T09]: “The money [from donors] helped us to do the first construction, set up the clinic.”

[T20]: “...they gave us funds not restricted and it empowered this organisation to the level that it is still alive when most of the organisations have died.”

[T17]: “...they offered to give us administrative support ... And it was really good money.”

[T28]: “[The umbrella organisation] that comprises of four communities ... They are independent but they just federate ... [Donor] said: let’s have an umbrella Then, [donors] posted their managers to [NGO], one programme manager and the finance and sponsorship. Their staff are sitting here. So it’s an extension.”

4.4. The Influence of NGO size

Besides the moderating influences encountered in the data, NGO size was observed as a further relevant factor. Based on practitioners' statements, larger NGOs are in a better position to have their funding approved because of their greater visibility and reputation. Moreover, larger NGOs are also more capable of dealing with different challenges as they have more capacity and also better developed processes and policies than smaller NGOs. The smaller NGOs appeared to be struggling more to survive.

[T19]: "They [donors] want to see organisations that are famous, which have big branches, which have directors who go out in conferences and they meet them there they can trust them ... and those people at the grassroots they are covered. They are under looked."

[T30]: "...they [donors] want to listen people who have records, have experience, knowledgeable, who have something to offer."

[T13]: "To this people who do the real things on the ground, you don't want to facilitate us ... Especially people who work in big organisations don't understand. They don't take us serious who have these small organisations. Yet we are the people on the ground. Those one they just write the proposals pass. They come and say 'we've already paid', but they don't come down [the big ones]. They don't come down, but we applied."

[T13]: "These organisations, especially those who facilitate this small kind of things, they have received a lot of papers and they don't come down on the ground to see what is taken place. If you know how to arrange your papers properly, the organisation can receive you and finally you get finances. Even government, yet there is nothing on the ground."

[T05]: "...an organisation that is just starting is bound to have relative weak structures"

[T11]: "Of course the big organisation ... donors go to them. They don't go to donors. Donors go to them for them to implement."

[T09]: “And we [big NGO] always went for the best. The best system, the best setting up even before we grew the volume to an extent to build all that systems, they were there because we had the money.”

[T09]: “... because we are big enough we start using our money, because the grant will come through eventually, but you take a risk because there is a time lag and the things are going through the bureaucracy.”

[T09]: “You get a certain level of clout when you reach a certain size and value. Because you can afford to be audited by the best in the world and standards, global standards. You can afford to do, have a lot of controls, which small organisations might not be able to afford and also to push back.”

[T32]: “Because when you see most donors now, they are not investing in small organisations. You find donors given money to national organisations; Uganda-based organisations. So you find that they get a lot of money. They don’t come here. But we who are here we keep on struggling, so our coverage we are keeping on expanding so that we can attract.”

[T09]: “For us as [NGO] cash flow is not such a big problem but for some small organisation even cash flow is a problem.”

[T19]: “... these donors need to be educated. They should look out to those small organisations at the bottom there. Because those people at the bottom they have passion ... We have not so big expenditures, so I think donor should come down and look at this people at the grassroots. In fact the project we brought is because of that. That donor said instead of funding big and established organisations with branches and so on, wanted to look at the small CBOs on the ground. That how we got that opportunity, otherwise, we wouldn’t.”

5. DISCUSSION

This section interprets the research findings in the light of the literature and explains any new insight into the way NGOs operate and respond to financial challenges.

Continuous tension between survival and service delivery

The study found that there is a mismatch between the donors' expectations of the capacity of NGOs to deliver services and the country context in which these NGOs operate. In order to satisfy donors, NGOs appear to be under constant pressure. While they are striving to remain committed to the delivery of their services, NGOs are putting in much effort just to survive. For example, an uncertainty of funding in the poor resource environment of a developing country constrains the ability of an NGO to retain staff and continue implementing projects while it is unable to generate sufficient local revenues.

Richer evidence about the effect of stricter donor requirements in a donor-dependent context

As Barr, Fafchamps and Owens (2005) found, NGOs in Uganda are highly dependent on donor funding. Another finding consistent with the literature (Easterly, 2002; Trussel & Parsons, 2007; Ashley & Fauk, 2010; Elbers & Arts, 2011) is the negative impact of donor requirements on NGO operations. This is particularly severe for small and young organisations with low capacity and fewer resources. A paradoxical situation exists whereby extensive procedural requirements are imposed by donors – such as comprehensive proposals and progress reports – while they are unwilling to pay for staff and administrative capacity to fulfil those requirements. Even in countries like Uganda with a young and qualified population, small organisations have difficulties in attracting and retaining skilled staff because of the low salaries NGOs can afford. This is of special concern as it overburdens existing staff with paperwork instead of letting them focus on programmes.

High staff turnover has a major capacity constrains

Although literature on the impact of donor restrictions is vast, research on the human resources situation has not yet gained prominence. This study provides valuable insight into the reality of the high staff turnover while NGOs are struggling to fulfil donor requirements and deliver services efficiently. In an effort to overcome the staff problem, some NGOs try to retain staff by interlinking projects and allocating staff time among different funding sources. These types of practical responses have also not been addressed in the literature.

Better justification for commercial activities to supplement donor funds

The way NGOs in Uganda generate internal resources to ensure organisation sustainability by allocating resources to sustain their mission is consistent with the view of Svidronova and Vaceková (2012), Bowman, Keating and Hager (2007) and Calabrese (2012). However, certain authors argue that, based on research in developed countries, commercial activities remove the real focus of the NGO's work (e.g. Ebrahim, Battilana, & Mair, 2014; Mersland, & Strøm, (2010). This research in Uganda has shown that most NGOs, regardless of size, have alternative sources of revenue. Because of the uncertainty of donor funding and other challenges, other sources of finance and even commercial activities should be seen as crucial for survival, and not as a way just to accumulate profits that deflect from their core missions.

The study provides detailed examples of alternative ways of mobilising financial resources. These could take many forms, from simple ones like renting out premises and vehicles, to establishing more complex business arms. Moreover, the need to generate revenue has also led organisations to change their programme approach by stopping with the traditional 'handouts' (i.e. providing goods or services for free) that could create dependence on the NGO, and request community contributions where beneficiaries pay a small price for the services provided. From the development point of view, this turns out to be more efficient as it shows commitment from beneficiaries, while ensuring project sustainability by empowering the communities.

Practical examples of adaptation strategies to survive in funding environment

The contextual realities pointed out in earlier – like the matching funding principle, applications in partnership, and a close donor community that relies on referrals and endorsements – pose significant challenges for small and young NGOs. Several examples of rescue strategies, and even restructuring, were found as ways to survive in this challenging environment. A particularly interesting finding, which is counter-intuitive when compared with the for-profit sector, was that downscaling seemed to be a viable, even positive, option for revitalization by NGOs. Examples include opting to work as subcontractors for larger NGOs, which is seen as an opportunity to gain experience, visibility and partners. However, it is a concern that organisations may lose

some of their identity and independence. In addition, those small organisations may lose capacity when exposing their staff to larger partner NGOs.

It was also found that NGOs try to align their work to match the available funding or to accommodate a shift in donor interests without necessarily compromising their mission and identity. From the examples studied, NGOs integrate their development and social objectives with newer opportunities emerging from changing donor interests. One can say that organisations were able not only to create synergies among projects, but also cross-subsidise projects in their efforts to attract funding. An example verified in the research was an environmental project that pays for itself. Solar panels are sold for small price to beneficiaries that are also involved in an agriculture project. The NGO gets money from the sales, which subsidises both projects, especially for administrative expenditures (e.g. office costs). This model of selling solar panels has been shown to be significantly more effective than simply given them away. Beneficiaries from agriculture projects attend to agriculture training to receive or to access a subsidised solar panel. In addition, everyone who buys solar panels uses them, whereas it is not guaranteed that beneficiaries who receive them for free will use them.

Adding the need to consider other moderating influences

Another insight of this study is that the success of NGOs in surviving and making progress is not solely a function of the organisation and its strategies. Research on NGOs in developing countries should also consider other important influences in the broader system of this sector and how these, in combination, impact on NGOs' decisions and ways of operating. The factors identified by this study are the degree to which donors are open to support NGO capacity building, the way government provides a supportive climate to the NGO sector, the degree to which NGO boards are committed and bring additional skills, and, finally, the leadership mindset of the NGO.

It was found that some NGOs had been working with donors that showed an interest to redefine their funding approaches to be more flexible and to give the opportunity to the recipient organisation to address their gaps and improve their systems before disbursing their funds.

A more elaborate concept of development of capacity

The study provides evidence of capacity development initiatives rather than only capacity building. For example, NGOs build relationships with government and use government facilities in order to secure the continuation of their projects by government. NGOs form partnerships with other organisations that contribute towards more coherent and effective delivery of services, in case the organisation would be unable to continue. The capacity to be able embark on these initiatives develops over time.

The way NGO size changes the dynamics of the system

Finally, according to the literature (Ruben & Schulpen, 2008; Burger & Owens, 2013), larger NGOs usually have higher capacity and more visibility and, hence, are more likely to receive donor funding. This is partly because donors' assessments of potential recipient NGOs are often based on office evidence rather than on services delivered. Donors rarely show an interest in conducting field visits, especially when programme interventions are not easily accessed. Therefore, it is especially difficult for small NGOs to get access or proximity to donors to attract funding.

Smaller NGOs have to deal with a type of vicious circle in that they have difficulty hiring quality staff and have fewer resources to document their experiences to promote the organisation; they typically would put forward relatively lower-quality proposals. In a competitive market for funding, they would likely be unsuccessful with funding applications, and remain in a situation of having a financial capacity that is too weak to implement projects and build systems.

Based on the above research findings and discussions, offering certain recommendations seems the logical next step. These are presented in the next section.

6. RECOMMENDATIONS

In view of the above reality, the following recommendations can be made to three stakeholders (i.e. NGOs, donors and Ugandan government). The first recommendations are directed to NGOs. NGOs should find their own ways to sustain themselves either by generating alternative sources of income and/or become more efficient in the use of the available resources. In fact, NGOs remember that they are not the final consumers of donor funding and the donor is not responsible

for fully funding their core costs. An example of improving efficiency is to ask for a community contribution, e.g. in-kind contributions (such as labour) to the project. In this way, the organisation is able to ensure continuity of the work and decrease the reliance on donor funding. Equally important is the structure of the NGOs that should enable the organisation to do a proper risk assessment of their environment to cope effectively with challenges. Therefore, NGOs should draft and put in place strategic planning including fundraising strategies.

The second set of recommendations is directed to donors. Donors should consider support to NGOs to help them to build capacity and meet their growth needs. This can be done through capacity building of NGOs' executives and by providing governance training to enhance their governance and organisational ways of operation. Donors should also participate in such training, as this will contribute towards increasing trust and ensuring alignment in terms of project objectives. Another action recommended to donors is to include a fund drawn from the total amount approved that should be retained until completion of the project and after final evaluation. This fund is meant to be a reserve for capital investment, which includes an underlying investment plan. This will not only empower NGOs by giving them the resources (financial or physical assets) to use at their discretion, but it will also create an incentive to implement projects well.

Other important recommendations are directed to both NGOs and donors. They should work together from project inception. If the donor is involved and allows an open dialogue with implementing NGOs even before granting the funds, it is more likely that projects will be suitable for their context and meet the real needs of target communities. The other advantage of working together in the initial phase is to create the grounds for those projects to be sustainable. The benefits of working together is weighed against the cost of assessment, monitoring and supervision. As a result of gaining trust in the partner NGO, donors will likely reduce the number of restrictions, in turn allowing NGOs to focus on programme delivery rather than on complying with donors' requirements.

The last recommended actions are directed to the government, which should create an environment conducive to NGOs and donors working together. First, as the oversight and monitoring body of NGOs work, it should integrate efficient NGOs into programmes to be

undertaken where they are more needed and provide capacity to improve and maximise the provision of services and sustain projects after their completion. This is reached directly through the relationship with NGOs networks. In an indirect way the government should promote a good international environment that reflects respect for human rights and freedoms in order to attract international development funds.

7. CONTRIBUTION OF THIS STUDY

By understanding the dynamics in terms of which NGOs operate, the study adds value to the current body of literature in three ways. First, it provides additional evidence to the body of literature on this topic. Second, it covers fields in which of the lack data inhibits research, particularly in developing countries, by providing comprehensive and detailed examples of the NGO sector in Uganda. A final contribution of the study is the thoughts shared by practitioners on the topic of research. On the one hand, this helped to understand better the actual point of view and revised concepts. This revision involved “re-seeing” and critically examining previous findings, which helped to refine the research and generate new ideas that were not originally considered. On the other hand, by sharing personal experiences and lessons learned – learning from experience – whether positive or negative, practitioners reveal “good practices” that suggest how and why different strategies work in different situations (i.e. valuable information that needs to be documented). It is also important to note that the experiences reveal challenges and possible situations that could inform future efforts in the same context as well as in other contexts.

In sum, this study hopes to expand the current knowledge about NGOs in developing countries and to provide practical insights to practitioners who might be facing similar dilemmas.

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