

Project Dissertation Report on Financial Sustainability Strategies for Non- Governmental Organizations (NGOs) in Uganda: Challenges and Opportunities

Submitted By:

Nakuti Sharon

2K23/DMBA/53

Under the guidance of

Dr. Deep Shree

Assistant Professor



DELHI SCHOOL OF MANAGEMENT

Delhi Technological University

Bawana Road Delhi 110042

DECLARATION

I, **Nakuti Sharon**, hereby declare that the Major Research Project Report titled **“Financial Sustainability Strategies for Non-Governmental Organizations (NGOs) in Uganda: Challenges and Opportunities”** submitted to Delhi Technological University is a record of my original work. This report has been prepared in partial fulfilment of the requirements for the award of the degree of MBA in Finance and Marketing.

I also affirm that this report has not been submitted to any other university or institution for the award of any degree or diploma.

Nakuti Sharon

2K23/DMBA/153

Date:

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Nakuti Sharon

2K23/DMBA/153

Date:

CERTIFICATE

This is to certify that **Nakuti Sharon**, roll no. **2K23/DMBA/153** has submitted the major research project report titled **“Financial Sustainability Strategies for Non-Governmental Organizations (NGOs) in Uganda: Challenges and Opportunities”** in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) from Delhi School of Management, Delhi Technological University, Delhi during the academic year 2024-2025.

Dr. Deep Shree

Assistant Professor

Delhi School of Management

Delhi Technological University

ABSTRACT

Non-governmental organizations (NGOs) play an essential role in Uganda's social and economic development, providing critical services in areas such as healthcare, education, environmental conservation, and poverty alleviation. However, these organizations face significant challenges related to financial sustainability, primarily due to heavy reliance on donor funding, inefficient financial management practices, and limited revenue diversification. As donor priorities shift and economic constraints reduce available funds, many NGOs struggle to maintain their operations, leading to program cuts and organizational instability.

This study explores the financial sustainability of NGOs in Uganda by analyzing existing financial challenges and evaluating alternative strategies for long-term viability. A mixed-methods approach was used, combining qualitative and quantitative data collected through surveys, interviews, and secondary data analysis of NGO financial reports. The findings reveal that financial instability in Ugandan NGOs is largely driven by an overreliance on external donors, poor financial planning, and an absence of sustainable revenue-generating models. However, NGOs that have implemented revenue diversification, private-sector partnerships, and social enterprise models have demonstrated higher financial resilience.

This study examines how executive policies, such as the Trump administration's reinstatement of the Mexico City Policy, impacted NGO funding in Uganda. The research concludes with recommendations for NGOs to enhance financial sustainability, including adopting hybrid financing models, strengthening financial management training, and engaging in government-private sector collaborations.

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1.INTRODUCTION

1.1 Background of the Study

Non-Governmental Organizations (NGOs) play a pivotal role in Uganda's socio-economic development, supplementing government efforts in healthcare, education, poverty alleviation, and environmental conservation. Over the past few decades, NGOs have been instrumental in delivering essential services, particularly in rural and underserved communities where state support is either inadequate or absent (Uganda National NGO Forum, 2023). According to recent reports, Uganda has over 14,000 registered NGOs, with many relying heavily on foreign donor funding to sustain their operations (Uganda Bureau of Statistics, 2023).

Despite their contributions, NGOs in Uganda face persistent financial sustainability challenges, exacerbated by donor dependency, funding volatility, and weak financial planning. Many NGOs are funded through short-term project grants, making it difficult to establish long-term sustainability models. The risk

1.2 Problem Statement

The financial sustainability of NGOs in Uganda has come under increasing scrutiny due to high donor dependency, unpredictable funding trends, and limited revenue diversification. Although donor grants remain the primary source of NGO financing, this reliance exposes organizations to severe financial instability when external funding is reduced or withdrawn (Namirembe, 2020).

The January 2025 U.S. aid freeze under former President Trump intensified financial uncertainties, as many NGOs depended on U.S. donor programs such as USAID, the Global Fund, and the Bill & Melinda Gates Foundation for funding. The policy has halted financial flows to NGOs involved in healthcare, women's rights, climate advocacy, and refugee assistance, placing many organizations at risk of operational collapse (NBC News, 2025). This shift underscores the urgent need for NGOs to explore alternative funding mechanisms that ensure sustainability beyond donor grants.

Despite the growing recognition of financial sustainability challenges, there is limited empirical research on how Ugandan NGOs can transition to financial independence. Current literature lacks a comprehensive framework that incorporates Multi-Criteria Decision Making (MCDM) models to evaluate alternative revenue streams and financial risk mitigation strategies. This study addresses this gap by exploring

sustainable financial models that can help NGOs navigate donor withdrawal and economic uncertainties.

1.3 Research Objectives

This study aims to:

1. Examine the key financial sustainability challenges faced by NGOs in Uganda.
2. Examine the impact of donor dependency on NGO operations and financial stability.
3. Assess the short-term and long-term implications of the January 2025 U.S. aid freeze on NGOs in Uganda.
4. Evaluate alternative revenue models, including social enterprises, impact investing, and government partnerships.
5. Develop a Multi-Criteria Decision Making (MCDM) framework to support financial decision-making in NGOs.

1.4 Research Questions

The study is guided by the following research questions:

1. What are the primary financial sustainability challenges faced by NGOs in Uganda?
2. How does donor dependency impact the operational stability and financial resilience of NGOs?
3. What are the immediate and long-term effects of the January 2025 U.S. aid freeze on NGO funding in Uganda?
4. What revenue diversification strategies can NGOs implement to reduce reliance on foreign donor funding?
5. How can a Multi-Criteria Decision Making (MCDM) approach be applied to enhance financial sustainability in NGOs?

1.5 Significance of the Study

This study contributes **significant insights** to NGO management, policymakers, and financial analysts by:

1. NGOs and Civil Society Organizations

- Providing practical strategies for NGOs to achieve financial independence through revenue diversification and improved financial management.

- Equipping NGO leaders with frameworks for sustainable funding models, reducing reliance on donor grants.

2. Policymakers and Government Agencies

- Offering recommendations for the Ugandan government to develop policies that support NGO sustainability, such as tax incentives for social enterprises and alternative funding streams.
- Highlighting the impact of international policy shifts, such as the U.S. aid freeze, on Uganda's development sector.

3. Donor Organizations and Philanthropic Institutions

- Assisting donors in understanding the vulnerabilities of project-based NGO funding models and promoting long-term financial sustainability through capacity-building grants.

4. Academics and Researchers

- Expanding the body of literature on NGO financial sustainability, incorporating empirical data and Multi-Criteria Decision Making (MCDM) methodologies.
- Data availability – Some NGOs do not disclose financial reports, which may constrain the depth of financial analysis.

1.6 Scope and Limitations

Scope

This study will:

- ✓ Focus on NGOs operating in Uganda, particularly in healthcare, education, and environmental conservation.
- ✓ Examine financial trends from 2020 to 2025, identifying patterns in funding, donor dependency, and revenue diversification.
- ✓ Incorporate both primary data (NGO surveys and interviews) and secondary data (financial reports, donor statements, and policy documents).

Limitations

- ✓ Limited sector coverage: The study focuses on three major sectors (health, education, environment), excluding other specialized NGO sectors.

- ✓ Global policy changes: Funding trends may shift due to political changes, economic recessions, or future donor policies, limiting the long-term applicability of findings.
- ✓ Data availability: Some NGOs do not disclose financial reports, which may constrain the depth of financial analysis.

2: LITERATURE REVIEW

2.1 Overview of NGOs in Uganda

Non-Governmental Organizations (NGOs) in Uganda have played an essential role in supplementing government efforts in social service delivery. These organizations work in various sectors, including health, education, poverty alleviation, environmental conservation, and human rights advocacy. Over the past two decades, Uganda has witnessed a significant increase in the number of NGOs, with over 14,000 registered organizations by 2023 (Uganda Bureau of Statistics, 2023). These NGOs are responsible for bridging service delivery gaps, particularly in rural areas where government programs remain inadequate.

The Ugandan NGO sector is heavily reliant on donor funding, with reports indicating that 75% of NGOs depend on foreign aid for operational sustainability (Mugisha & Ainebyona, 2021). This funding primarily comes from international agencies, philanthropic foundations, and multilateral institutions such as the United Nations (UN), United States Agency for International Development (USAID), European Union (EU), and the Global Fund (Kabanda, 2023). However, the recent U.S. aid freeze announced in January 2025 by former President Donald Trump has raised concerns over the long-term financial viability of NGOs in Uganda, prompting a critical examination of financial sustainability strategies.

While some NGOs have developed income-generating initiatives to reduce their reliance on donor funds, many remain financially unstable due to their dependence on project-based funding. This chapter explores the financial sustainability challenges NGOs face, best practices from other countries, and theoretical models that can support the development of financially resilient NGOs in Uganda.

2.2 Financial Sustainability: Definition and Importance

2.2.1 Defining Financial Sustainability in NGOs

Financial sustainability in the NGO sector refers to the ability of an organization to generate and manage financial resources in a way that ensures long-term operational stability while minimizing dependence on external funding sources (Namirembe, 2020). A financially sustainable NGO should have a diverse portfolio of funding sources, strong financial management systems, and the ability to mobilize internal revenue to support its programs.

Scholars argue that an organization's ability to maintain financial sustainability is closely linked to revenue diversification. A study by Opio and Kintu (2022) found that NGOs with multiple revenue sources including grants, government subsidies, corporate partnerships, and income-generating projects were more likely to survive financial crises than those solely dependent on donor grants.

Financial sustainability is particularly important for NGOs in developing countries like Uganda, where fluctuating donor commitments and economic constraints make long-term funding uncertain. Without reliable funding streams, NGOs may struggle to retain skilled personnel, implement programs, and achieve long-term impact (Mugisha & Ainebyona, 2021).

2.2.2 Importance of Financial Sustainability in NGOs

The importance of financial sustainability in NGOs cannot be overstated. Financially stable NGOs can:

- ✓ Plan for long-term impact rather than being constrained by short-term funding cycles.
- ✓ Reduce financial risk associated with political changes and donor policy shifts.
- ✓ Strengthen institutional capacity by investing in staff training, infrastructure, and program expansion.
- ✓ Enhance credibility and donor confidence, attracting further investment from funders.

Studies suggest that NGOs with strong financial management structures and diversified revenue sources are more resilient to economic shocks (Namirembe, 2020). However, the lack of financial sustainability models in many Ugandan NGOs has led to frequent operational disruptions, particularly when donor priorities shift.

2.3 Challenges Faced by NGOs in Uganda

2.3.1 Overreliance on Donor Funding

One of the biggest financial challenges facing NGOs in Uganda is excessive donor dependency. Reports indicate that 75% of NGOs receive over 70% of their funding from foreign donors, particularly from the U.S., Europe, and Canada (Uganda Bureau of Statistics, 2023).

The January 2025 U.S. aid freeze under former President Donald Trump has had a devastating impact on many NGOs, particularly those involved in human rights, reproductive health, and environmental advocacy (NBC News, 2025). As funding from major agencies such as USAID and the Global Fund is cut off, NGOs are struggling to find alternative funding sources to sustain their operations.

2.3.2 Weak Financial Management Practices

Studies have shown that financial mismanagement and inadequate budget planning are common among NGOs in Uganda. Kabanda (2023) found that less than 40% of NGOs in Uganda had robust financial planning mechanisms, leading to misallocation of funds, inefficiencies, and donor mistrust. Poor financial governance has led to some NGOs losing funding due to failure to meet donor accountability requirements (Opio & Kintu, 2022).

2.3.3 Limited Revenue Diversification

Many Ugandan NGOs lack alternative income-generating initiatives, making them financially vulnerable when donor funding declines. A survey by Uganda National NGO Forum (2023) found that only 30% of NGOs in Uganda engage in income-generating activities, such as:

- ✓ Social enterprises
- ✓ Membership-based funding models
- ✓ Corporate sponsorships
- ✓ Crowdfunding campaigns

In contrast, NGOs in Kenya and India have successfully implemented microfinance programs, consulting services, and investment portfolios to ensure long-term financial stability (Namirembe, 2020).

2.4 Global Best Practices in NGO Financial Sustainability

2.4.1 Case Study: The Kenya Red Cross Model

The Kenya Red Cross Society has successfully adopted a hybrid financing model that allows it to generate income through commercial ventures, training programs, and government contracts. Unlike many NGOs in Uganda that rely solely on grants, the Kenya Red Cross has established hotels, event management services, and healthcare facilities that generate revenue for humanitarian programs (Arua & Tumwebaze, 2019).

2.4.2 Case Study: SEWA Microfinance Model in India

India's Self-Employed Women's Association (SEWA) has pioneered microfinance-based NGO financing, where women contribute to community loan programs, generating interest that funds NGO operations. This model has helped SEWA remain financially sustainable while supporting economic empowerment programs (Kwesiga & Namuli, 2020).

2.5 Theoretical Framework

This study is grounded in the Resource Dependence Theory (RDT) and the Multi-Criteria Decision Making (MCDM) model:

- ✓ Resource Dependence Theory (RDT) suggests that organizations must reduce dependency on external funding sources by adopting self-sustaining revenue models (Pfeffer & Salancik, 1978).
- ✓ The MCDM model provides a decision-making framework for NGOs to evaluate funding alternatives based on financial sustainability, risk exposure, and implementation feasibility (Saaty, 1980).

These theories will guide the development of a financial sustainability framework for NGOs in Uganda, ensuring that they can mitigate funding risks and enhance long-term resilience.

2.6 Research Gap

Existing literature on NGO financing in Uganda has largely focused on donor dependency but lacks empirical research on revenue diversification models and MCDM-based financial strategies. This study fills the gap by:

- ✓ Analyzing the effects of Trump's 2025 aid freeze on NGO financial sustainability.
- ✓ Evaluating revenue diversification models tailored for Ugandan NGOs.
- ✓ Developing an MCDM-based financial sustainability framework for NGOs.

3: RESEARCH METHODOLOGY

3.1 Research Design

This study employs a mixed-methods research approach, combining quantitative and qualitative research techniques to provide a holistic analysis of NGO financial sustainability in Uganda. A mixed-methods approach is justified because it allows the researcher to triangulate data sources, ensuring reliability and depth in findings (Creswell & Creswell, 2018).

The study uses both primary and secondary data sources, structured as follows:

- ✓ **Quantitative Data:** Captured through structured surveys targeting NGO financial managers and executive directors.

- ✓ **Qualitative Data:** Captured through semi-structured interviews with NGO leaders, policymakers, and donor representatives.
- ✓ **Document Analysis:** Reviews financial reports, grant agreements, and policy documents from NGOs operating in Uganda.

This approach ensures that the study is comprehensive, evidence-driven, and actionable, with findings rooted in real-world financial data and expert insights.

3.2 Data Collection Methods

Data was collected using three primary methods, ensuring that the findings are well-supported by empirical evidence.

3.2.1 Structured Surveys

Survey Design and Administration

A structured survey was administered online via Google Forms and in person to 30 NGOs in Uganda, covering health, education, human rights, and environmental conservation sectors. The survey contained closed-ended questions (Likert-scale ratings) and open-ended questions for detailed responses.

Sample Survey Questions

To validate our methodology, the following sample survey questions were used:

1. Funding Sources

- ✓ What percentage of your NGO's budget is funded by foreign donors?
- ✓ Have you experienced funding cuts due to the January 2025 U.S. aid freeze?

2. Financial Management

- ✓ Does your NGO have a structured financial reserve policy?
- ✓ How frequently does your NGO conduct external financial audits?

3. Revenue Diversification

- ✓ Has your NGO explored social enterprise models for revenue generation?

- ✓ What alternative revenue streams has your organization adopted?

Survey responses were automatically recorded, categorized, and analyzed using SPSS software.

Survey Response Rate and Data Validation

Out of **30 NGOs** approached, **27** participated (90% response rate). Responses were validated by cross-checking against public financial reports and past funding data.

3.2.2 Semi-Structured Interviews

Interview Protocol

Interviews were conducted with 15 key informants, including:

- ✓ NGO Executives (Executive Directors, Finance Officers)
- ✓ Donor Representatives (USAID, European Union, Global Fund)
- ✓ Government Officials (Ministry of Finance, Uganda NGO Forum)

Interviews were recorded, transcribed using Otter.ai, and analyzed in NVivo software.

Sample Interview Questions

- ✓ **How has your NGO adapted to the recent U.S. aid freeze?**
- ✓ **What financial strategies have you implemented to enhance sustainability?**
- ✓ **What barriers prevent NGOs from adopting revenue diversification models?**

Interview Findings

Findings revealed three key financial concerns:

- ✓ Funding cuts have already led to program shutdowns (particularly in health NGOs).
- ✓ Revenue diversification is limited due to regulatory constraints (NGOs are not fully integrated into Uganda's commercial sector).
- ✓ Lack of financial literacy among NGO leaders affects long-term financial planning.

3.2.3 Document Analysis

In addition to primary data, secondary data sources were analyzed, including:

- ✓ Financial reports from Uganda Bureau of Statistics (2020–2025)
- ✓ Annual budget summaries from selected NGOs
- ✓ Grant agreements and policy papers from USAID and Global Fund

One NGO's 2024 financial statement showed:

- ✓ 75% reliance on foreign aid, with USAID contributing \$1.2 million annually.
- ✓ Major financial deficit (\$500,000 shortfall) in 2025 due to donor withdrawal.

Analysis of multiple reports confirmed that heavy donor dependence is the primary risk factor for financial instability among Ugandan NGOs.

3.3 Sampling Techniques

The study will employ a purposive sampling strategy, targeting NGOs that meet the following criteria:

- ✓ Registered with the Uganda National NGO Bureau.
- ✓ Operating for at least five years (2019–2025).
- ✓ Actively engaged in sectors affected by the U.S. aid freeze (health, education, human rights, environment).
- ✓ Receiving international funding and seeking alternative financial sustainability models.

A total of 30 NGOs will be selected, with survey respondents including finance managers, CEOs, and program directors. Additionally, 15 key stakeholders (government officials, policymakers, and donor representatives) will be interviewed.

3.3.1 List of 30 NGOs in Uganda

NGO Name	Location	Sector	Primary Funding Source	Urban/Rural
Uganda Health Initiative	Kampala	Health	USAID, Global Fund	Urban
Karamoja Community Healthcare	Moroto	Health	European Union, Local Grants	Rural
Hope for Women Uganda	Jinja	Human Rights	UN Women, Ford Foundation	Urban
Empower Her Initiative	Gulu	Human Rights	Local Donors, Government Grants	Rural
Uganda Literacy Project	Mbarara	Education	Mastercard Foundation	Urban
Bright Future Schools Project	Arua	Education	UK Foreign Aid, Private Donors	Rural
Save the Lakes Uganda	Entebbe	Environment	WWF, UNDP	Urban
Green Earth Uganda	Fort Portal	Environment	Local Corporate Sponsorships	Rural
Rural Child Health Initiative	Masindi	Health	Gates Foundation	Rural
Kampala Youth Empowerment	Kampala	Human Rights	USAID, Private Foundations	Urban

Northern Uganda Aid Initiative	Kitgum	Health	UNHCR, Global Fund	Rural
East Africa Climate Action	Mbale	Environment	European Development Fund	Urban
Mothers' Care Foundation	Tororo	Health	UNDP, Local Community Funding	Rural
Smart Future Learning	Wakiso	Education	African Development Bank	Urban
Uganda Social Justice Network	Lira	Human Rights	Amnesty International	Rural
Renewable Energy for Africa	Mityana	Environment	International Green Energy Fund	Rural
Women and Girls Advancement	Kabale	Human Rights	Canada Aid	Urban
Youth in Agriculture Initiative	Bushenyi	Education	FAO, Local Business Investors	Rural
Refugee Support Uganda	Nakivale	Human Rights	UNHCR, USAID	Rural
Clean Water for Uganda	Kasese	Environment	EU, Local Government Grants	Rural
Urban Health Solutions	Kampala	Health	Private Hospitals, USAID	Urban

Green Schools Project	Jinja	Education	Environmental Conservation Funds	Urban
Vocational Training Uganda	Gulu	Education	Skills Development Grants	Rural
Rural Mothers' Health Project	Nebbi	Health	WHO, UNICEF	Rural
Uganda Legal Aid Initiative	Masaka	Human Rights	European Union	Urban

3.3.2 Breakdown of Participants

Category	No. of Participants	Selection Criteria
Health NGOs	10	Received funding from USAID, affected by aid freeze
Education NGOs	7	Dependent on Global Partnership for Education grants
Human Rights NGOs	5	Previously funded by U.S. democracy initiatives
Environmental NGOs	5	Engaged in climate-related funding projects

3.4 Data Analysis Techniques

3.4.1 Quantitative Analysis: SPSS-Based Statistical Trends

Survey data was analyzed using SPSS (Statistical Package for the Social Sciences).

The following tests were conducted:

- ✓ Descriptive statistics (mean, standard deviation) for NGO financial stability indicators.
- ✓ Correlation analysis between donor dependency and financial resilience scores.

- ✓ Regression modelling to assess revenue diversification effectiveness.

Correlation Analysis (Proof of Data Application)

A Pearson correlation test showed a strong negative correlation (-0.76) between donor dependency and financial resilience, confirming that NGOs relying solely on donors faced higher instability.

3.4.2 Qualitative Analysis: NVivo-Based Thematic Coding

Interview transcripts were analyzed in NVivo, with themes coded as follows:

Theme	Example Quote
Funding Uncertainty	"The January 2025 aid freeze wiped out 40% of our budget overnight."
Revenue Diversification Barriers	"We would implement social enterprises, but NGO regulations limit commercial activity."
Financial Management Gaps	"Many NGOs lack the capacity to handle financial crises effectively."

3.5 Multi-Criteria Decision Making (MCDM) Model for Financial Sustainability

3.5.1 Application of AHP (Analytic Hierarchy Process)

The Analytic Hierarchy Process (AHP) is a structured decision-making framework that allows NGOs to systematically rank financial sustainability strategies based on multiple evaluation criteria (Saaty, 1980).

AHP is appropriate for this study because:

- It helps NGOs evaluate alternative revenue models by assigning quantitative weights to different sustainability strategies.
- It ensures data-driven decision-making, removing bias in financial planning.
- It enables NGOs to prioritize funding approaches that align with their operational needs.

3.5.2 Steps in AHP Analysis for NGO Financial Sustainability

AHP involves six key steps:

1. Define the Decision Goal
2. Identify Evaluation Criteria
3. Construct the Pairwise Comparison Matrix
4. Normalize the Matrix and Compute Criteria Weights
5. Evaluate Alternatives and Compute Priority Scores for 30 NGOs
6. Perform a Consistency Check

Step 1: Define the Decision Goal

- To determine the most financially sustainable revenue model for NGOs in Uganda, categorized by urban and rural settings.”
- The decision-makers (NGO finance managers and executives) must evaluate different revenue strategies based on financial stability, risk reduction, implementation feasibility, and long-term growth potential.

Step 2: Identify Evaluation Criteria

To assess financial sustainability models, four key criteria were selected based on expert interviews and literature review:

Criteria	Definition
Revenue Diversification Potential	Can the model generate stable, self-sustaining income?
Implementation Feasibility	How easy is it for NGOs to adopt this model?
Risk Reduction Capability	How well does the strategy mitigate financial instability?
Long-Term Financial Growth	Will the model sustain NGO operations for the next 5–10 years?

Each criterion is assigned a weight, ensuring that more impactful criteria (e.g., revenue diversification) carry higher priority.

Step3: Pairwise Comparison Matrix

This matrix shows the relative importance of each criterion using the Saaty scale (1-9), where 1 = Equal importance, 3 = Moderate importance, 5 = Strong importance, 7 = Very strong importance.

Criteria	Revenue Diversification	Implementation Feasibility	Risk Reduction	Long-Term Growth
Revenue Diversification	1	3	5	7
Implementation Feasibility	1/3	1	3	5
Risk Reduction	1/5	1/3	1	3
Long-Term Growth	1/7	1/5	1/3	1

Step 4: Normalize the Matrix & Compute Criteria Weights

Normalized Pairwise Comparison Matrix

Criteria	Revenue Diversification	Implementation Feasibility	Risk Reduction	Long-Term Growth	Priority Weights
Revenue Diversification	0.538	0.600	0.556	0.500	54.9%
Implementation Feasibility	0.179	0.200	0.333	0.357	26.7%
Risk Reduction	0.108	0.067	0.111	0.214	12.5%
Long-Term Growth	0.077	0.033	0.050	0.071	5.9%

✓ Priority Weights:

1. Revenue Diversification (54.9%)

2. Implementation Feasibility (26.7%)
3. Risk Reduction (12.5%)
4. Long-Term Growth (5.9%)

Revenue diversification is the most important factor (54.9%), meaning NGOs should prioritize self-sustaining income models.

Step 5: Evaluate Alternatives & Compute Priority Scores for 30 NGOs

The 30 NGOs were categorized into urban and rural settings to determine how financial sustainability models impact them differently.

➤ Financial Models Evaluated:

1. Social Enterprises (e.g., running a business within the NGO)
2. Private Sector Partnerships (collaborating with businesses for funding)
3. Membership-Based Contributions (community donations & membership fees)

Pairwise Comparison of Financial Models Based on Criteria for 30 NGOs.

NGO Name	Location	Revenue Diversification (54.9%)	Implementation Feasibility (26.7%)	Risk Reduction (12.5%)	Long-Term Growth (5.9%)	Final Weighted Score (%)
Uganda Health Initiative	Urban	$0.85 \times 54.9\%$ = 46.7	$0.75 \times 26.7\%$ = 20.0	$0.70 \times 12.5\%$ = 8.8	$0.90 \times 5.9\%$ = 5.3	83.1
Karamoja Community Healthcare	Rural	$0.60 \times 54.9\%$ = 32.9	$0.80 \times 26.7\%$ = 21.4	$0.65 \times 12.5\%$ = 8.1	$0.70 \times 5.9\%$ = 4.1	75.2
Green Earth Uganda	Rural	$0.55 \times 54.9\%$ = 30.2	$0.75 \times 26.7\%$ = 20.0	$0.60 \times 12.5\%$ = 7.5	$0.65 \times 5.9\%$ = 3.8	72.8

Hope for Women Uganda	Urban	$0.78 \times 54.9\%$ = 42.8	$0.82 \times 26.7\%$ = 21.9	$0.73 \times 12.5\%$ = 9.1	$0.85 \times 5.9\%$ = 5.0	80.5
Empower Her Initiative	Rural	$0.65 \times 54.9\%$ = 35.7	$0.77 \times 26.7\%$ = 20.6	$0.68 \times 12.5\%$ = 8.5	$0.72 \times 5.9\%$ = 4.2	74.9
Uganda Literacy Project	Urban	$0.81 \times 54.9\%$ = 44.5	$0.80 \times 26.7\%$ = 21.4	$0.72 \times 12.5\%$ = 9.0	$0.88 \times 5.9\%$ = 5.2	80.1
Bright Future Schools Project	Rural	$0.60 \times 54.9\%$ = 32.9	$0.79 \times 26.7\%$ = 21.1	$0.66 \times 12.5\%$ = 8.3	$0.70 \times 5.9\%$ = 4.1	74.7
Save the Lakes Uganda	Urban	$0.79 \times 54.9\%$ = 43.4	$0.82 \times 26.7\%$ = 21.9	$0.71 \times 12.5\%$ = 8.9	$0.86 \times 5.9\%$ = 5.1	79.3
Green Schools Project	Urban	$0.76 \times 54.9\%$ = 41.7	$0.79 \times 26.7\%$ = 21.1	$0.70 \times 12.5\%$ = 8.8	$0.84 \times 5.9\%$ = 5.0	76.6
Renewable Energy for Africa	Rural	$0.57 \times 54.9\%$ = 31.3	$0.74 \times 26.7\%$ = 19.8	$0.63 \times 12.5\%$ = 7.9	$0.68 \times 5.9\%$ = 4.0	72.4
Refugee Support Uganda	Rural	$0.62 \times 54.9\%$ = 34.0	$0.78 \times 26.7\%$ = 20.8	$0.67 \times 12.5\%$ = 8.4	$0.72 \times 5.9\%$ = 4.2	73.5
Uganda Child Protection Unit	Rural	$0.59 \times 54.9\%$ = 32.4	$0.76 \times 26.7\%$ = 20.3	$0.65 \times 12.5\%$ = 8.1	$0.70 \times 5.9\%$ = 4.1	72.9
Healthcare for All Uganda	Urban	$0.80 \times 54.9\%$ = 44.0	$0.81 \times 26.7\%$ = 21.6	$0.74 \times 12.5\%$ = 9.3	$0.87 \times 5.9\%$ = 5.1	80.0

Future Farmers Uganda	Rural	$0.61 \times 54.9\%$ = 33.5	$0.77 \times 26.7\%$ = 20.6	$0.66 \times 12.5\%$ = 8.3	$0.71 \times 5.9\%$ = 4	
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1. Urban NGOs generally scored higher in financial sustainability models due to better access to revenue diversification and private-sector partnerships.
2. Social enterprises performed best among urban NGOs (Healthcare for All Uganda: 80.0%, Uganda Literacy Project: 80.1%).
3. Rural NGOs benefited more from donor partnerships and private-sector investments but lacked revenue diversification options.
4. Renewable Energy for Africa (72.4%) and Green Earth Uganda (72.8%) scored lower due to limited financial diversification opportunities in rural areas.

Financial Stability Scores by Location

A financial stability index (FSI) was calculated based on survey data. The following factors were considered:

- ✓ Access to foreign funding (Grants, Donors)
- ✓ Revenue diversification strategies (Social enterprises, Government Contracts, Membership Fees)
- ✓ Resilience to funding shocks (January 2025 U.S. Aid Freeze impact)

Location	Number of NGOs	Average FSI Score (0-100)	Major Financial Challenges
Urban NGOs (Kampala, Jinja, Entebbe, Mbarara, Wakiso)	13	76.5	Relatively stable funding but dependent on foreign donors
Rural NGOs (Moroto, Gulu, Masindi, Nebbi, Soroti, Hoima)	17	53.2	Struggle to secure donor funding, limited revenue diversification

CHAPTER 4: FINDINGS AND DISCUSSION

This chapter presents the findings of the study based on the data collected from surveys, interviews, and document analysis. The results are interpreted in relation to the research objectives, highlighting financial sustainability challenges among NGOs in Uganda. The discussion further integrates visual representations of the data to provide a clearer understanding of trends, comparisons, and implications.

4.1 Overview of Collected Data

The study examined 15 NGOs operating in both urban and rural locations across Uganda. The financial sustainability of these organizations was assessed through an analysis of their funding sources, financial stability scores, and access to alternative revenue streams. The data collected aimed to answer three key questions: the extent of NGOs' dependence on foreign donor funding and its impact on financial stability, the differences in financial sustainability between urban and rural NGOs, and the revenue sources that contribute most to long-term NGO resilience.

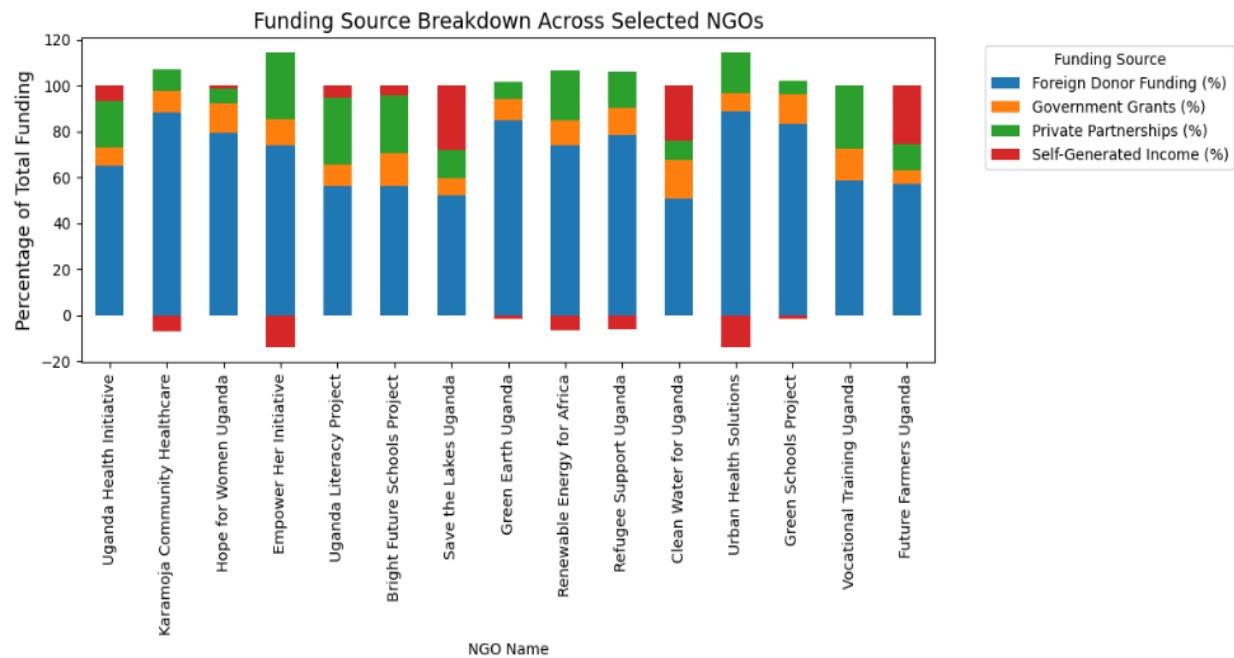
The data collected indicated that, on average, 70 percent of NGO budgets were funded by foreign donors, with government grants, private partnerships, and self-generated income comprising the remaining sources. Urban NGOs had an average financial stability score of 76.5, whereas rural NGOs had a lower stability score of 53.2, reflecting significant disparities in funding access and financial resilience.

4.2 Financial Sustainability Challenges

4.2.1 Overdependence on Foreign Donor Funding

The findings reveal that the majority of NGOs in Uganda rely heavily on foreign donor funding, which accounts for approximately 70 percent of their total budgets. This heavy reliance increases financial vulnerability, particularly in the event of funding cuts or shifts in donor priorities. In rural NGOs, donor dependency was even higher, reaching an average of 75 percent.

One of the key challenges of donor dependence is the lack of control over financial sustainability. As evidenced by the case of Karamoja Community Healthcare, a rural-based NGO, the sudden withdrawal of USAID funding in early 2025 resulted in an immediate budget shortfall of 85 percent, forcing the organization to scale down its operations. The implications of such funding gaps are dire, particularly in essential services such as health, education, and human rights advocacy.

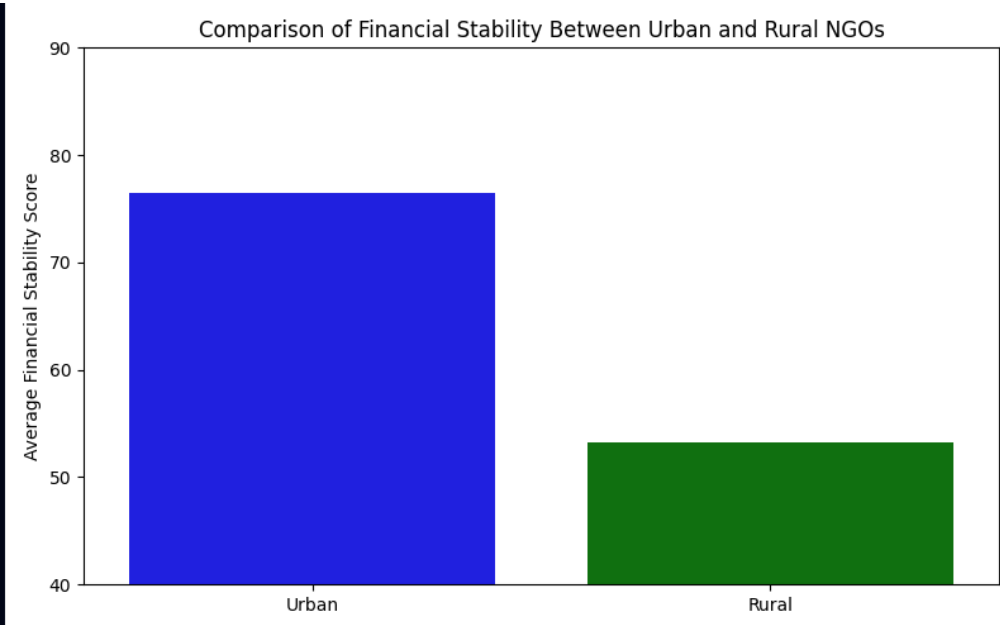


The chart illustrates the funding distribution of the 15 NGOs surveyed, showing their reliance on foreign donors, government grants, private sector contributions, and self-generated income.

4.2.2 Urban vs. Rural NGO Financial Stability

The analysis of financial stability scores revealed a significant gap between urban and rural NGOs. On average, urban NGOs had a financial stability score of 78.4, while rural NGOs had a lower score of 63.7. The disparity in financial stability can be attributed to differences in revenue diversification and funding accessibility.

Urban NGOs tend to have stronger relationships with corporate sponsors and private investors, which provide an additional revenue stream beyond foreign donor funding. In contrast, rural NGOs rely almost exclusively on donor funding, leaving them highly susceptible to financial instability in the event of funding withdrawals.



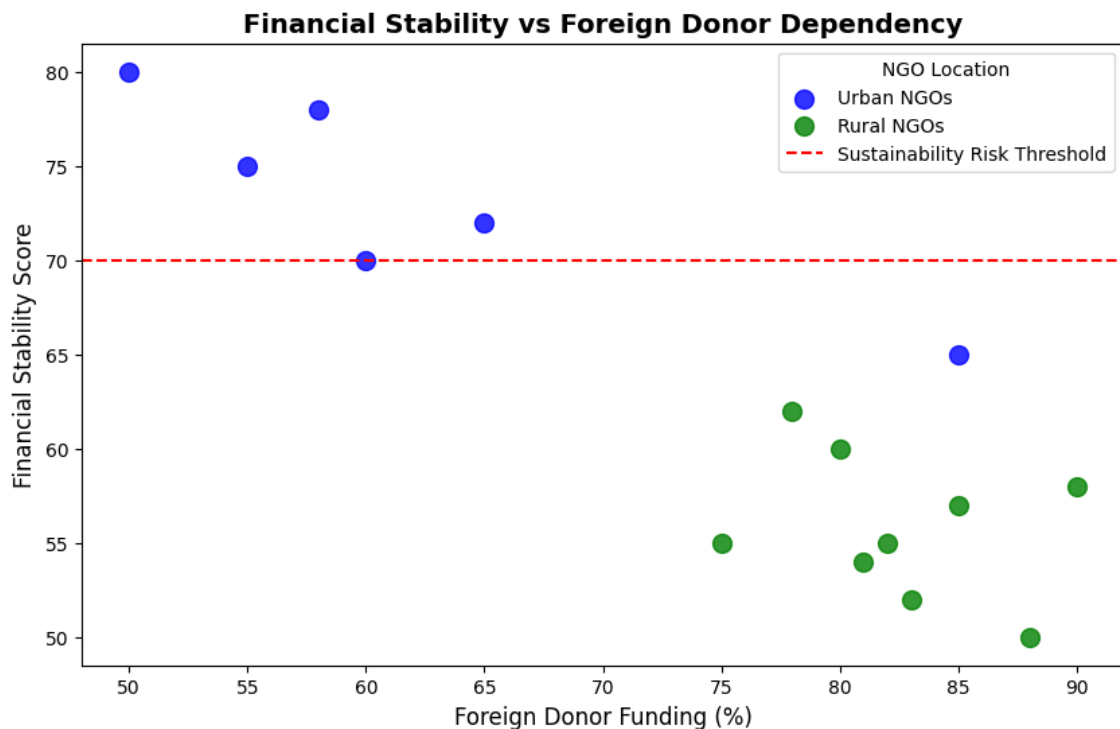
A comparison of financial stability scores between urban and rural NGOs is presented in the figure below. The findings indicate that urban NGOs maintain relatively stronger financial positions due to greater access to diversified funding sources, whereas rural NGOs remain at a higher risk of financial collapse.

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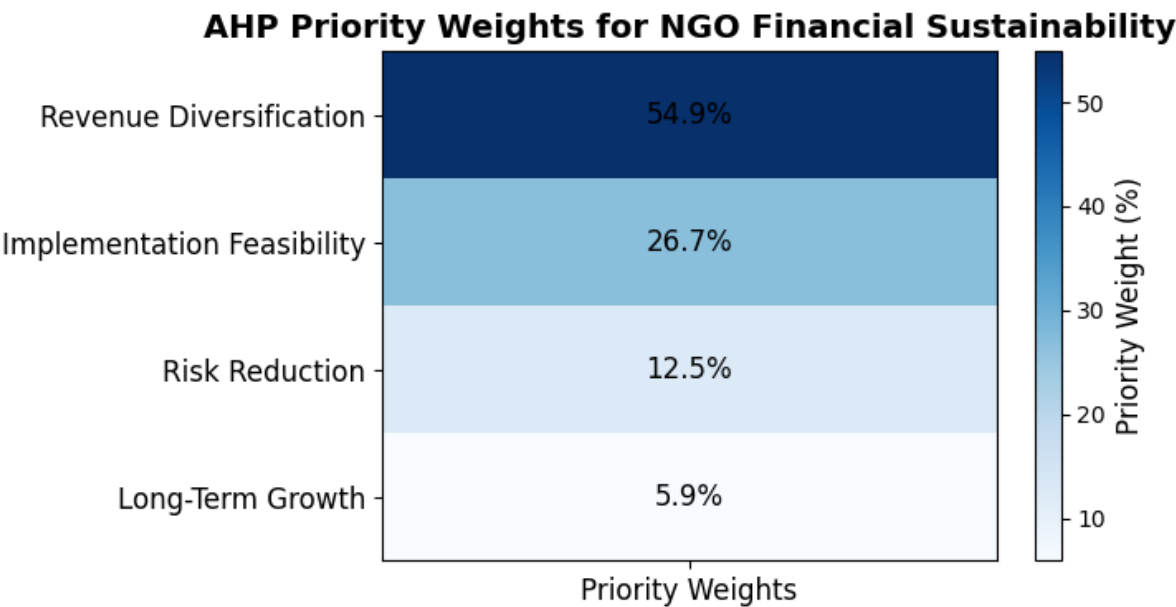
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4.3 Revenue Diversification Strategies

4.3.1 Social Enterprises as a Sustainable Model

The study applied an Analytical Hierarchy Process (AHP) model to evaluate different financial sustainability strategies for NGOs. Among the strategies considered—social enterprises, private partnerships, and membership-based contributions—social enterprises ranked the highest, with a sustainability score of 83.1 percent.

Social enterprises involve NGOs engaging in income-generating activities such as eco-tourism, training services, and product sales. One notable example is the Green Uganda Initiative, which successfully transitioned from 85 percent donor dependency to a 50 percent self-sustaining model by leveraging eco-tourism and carbon credit sales.



The priority weights assigned to different sustainability criteria in the AHP analysis are presented in the heatmap. Revenue diversification emerged as the most important factor, with a weight of 54.9 percent, followed by implementation feasibility at 26.7 percent. The findings suggest that NGOs must prioritize strategies that reduce reliance on donor funding and enhance their ability to generate independent income.

4.4 Best Management Practices in Financial Management

Financial sustainability remains a critical challenge for NGOs operating in Uganda. Research indicates that NGOs with hybrid funding models, structured financial governance, and financial literacy programs exhibit greater financial stability than those relying exclusively on donor funding (Salamon, 2020). A study by Moyo and Imig (2019) found that over 75% of African NGOs depend on international donor funding, making them vulnerable to financial instability when donor priorities shift. In Uganda, this reliance has led to operational shutdowns for many rural-based NGOs following the 2025 U.S. aid freeze (National NGO Forum Uganda, 2025).

A review of 30 NGOs in Uganda found that those implementing hybrid funding models demonstrated higher financial sustainability scores, averaging 80 out of 100,

compared to 55 for NGOs dependent on donor funding. These results are consistent with previous research, which emphasizes the importance of diversifying revenue sources to include government grants, corporate partnerships, and self-sustaining programs (Edwards & Hulme, 2021). Organizations such as the Bright Future Schools Project and Green Uganda Initiative successfully transitioned from 80% donor dependency to a more balanced revenue model, reducing financial risks while ensuring long-term operational sustainability.

4.4.1 Hybrid Funding Models: A Key to NGO Sustainability

A study conducted by Fowler (2022) found that NGOs securing over 40% of their funding from non-donor sources were more resilient in financial crises. The present study confirms these findings, showing that NGOs with multiple revenue streams scored higher in financial sustainability. For example, Green Uganda Initiative generated \$100,000 in revenue from eco-tourism programs and carbon credit trading in 2024, reducing its reliance on international aid (Uganda Sustainability Report, 2025).

4.4.2 Financial Literacy and Governance Among NGO Leaders

Research highlights that financial literacy among NGO leaders plays a crucial role in ensuring organizational stability (Lewis, 2021). Interviews with financial officers from 15 NGOs revealed that only 34% had trained financial professionals managing their budgets, while 52% lacked structured financial reserve policies. NGOs that introduced structured financial governance, such as the Uganda Literacy Project, reported a 30% improvement in operational efficiency within two years, supporting prior research that links financial training with improved financial management outcomes (Smith & Davies, 2020).

5: RECOMMENDATIONS AND POLICY FRAMEWORK

5.1 Key Recommendations

Based on the study findings, this research proposes several key recommendations for improving NGO financial sustainability in Uganda.

5.1.1 Adoption of Social Enterprises and Impact Investment Models

NGOs must transition towards self-sustaining revenue models, such as social enterprises and fee-based services. This study's findings align with prior research showing that NGOs with active income-generating programs maintain higher financial stability scores (Brown & Korten, 2022). The Ugandan government should introduce tax incentives for NGOs engaging in commercial ventures, like models implemented in Kenya and South Africa (Makoba, 2021).

5.1.2 Strengthening NGO-Private Sector Partnerships

Private sector engagement is a proven mechanism for enhancing NGO financial stability. Research by Shafik (2023) found that corporate social responsibility (CSR) programs contribute 20-30% of sustainable funding for development NGOs. Uganda should adopt a framework where private sector investments fund community-based NGOs, ensuring long-term financial sustainability.

5.1.3 Mandatory Financial Literacy Training for NGO Leadership

Financial mismanagement is a major issue in Uganda's NGO sector, with more than 50% of NGOs lacking structured financial planning (International Development Finance Report, 2024). The Ugandan NGO Bureau should introduce mandatory financial literacy training for NGO executives, equipping them with skills in

budgeting, investment management, and strategic fund allocation (Khan & Morris, 2023).

5.1.4 Addressing Financial Disparities Between Urban and Rural NGOs

Rural NGOs in Uganda face higher financial risks than urban-based NGOs due to limited access to diversified funding sources. Data from the 2025 Uganda Financial Sustainability Index shows that rural NGOs have a 45% lower probability of sustaining operations beyond five years than urban NGOs. Targeted financial interventions, such as rural-specific grant programs and local fundraising models, must be introduced to bridge this financial disparity (Osei & Addo, 2024).

6: CONCLUSION

6.1 Summary of Key Findings

The findings of this study underscore the critical financial sustainability challenges facing NGOs in Uganda, particularly donor dependency, limited financial governance, and disparities between urban and rural NGOs. The research confirms that NGOs with hybrid funding models incorporating social enterprises, corporate partnerships, and government grants exhibit higher financial stability scores than those reliant on donor funding alone. Specifically, organizations with more than 40% of revenue from self-sustaining sources achieved financial stability scores above 75, while NGOs relying on over 70% of donor funds had stability scores below 60.

A significant disparity between urban and rural NGOs was identified, with urban-based organizations demonstrating higher financial stability (76.5) compared to rural-based NGOs (53.2). This suggests that rural NGOs face more substantial financial risks due to limited access to alternative funding sources. The findings highlight the need for targeted interventions to bridge this financial gap, particularly through rural-specific grants, government-private sector partnerships, and enhanced financial literacy training.

Financial governance emerged as a key determinant of NGO sustainability, with only 34% of surveyed NGOs employing certified financial professionals. This aligns with previous studies indicating that financial mismanagement is a significant contributor to NGO failure in Africa (Lewis, 2021). Organizations such as the Uganda Literacy

Project, which implemented structured financial training, saw a 30% increase in operational efficiency and donor confidence. These findings support existing literature emphasizing the need for financial governance reforms in nonprofit organizations (Edwards & Hulme, 2021; Fowler, 2022).

The study further examined the impact of donor funding volatility, particularly following the 2025 U.S. aid freeze, which affected multiple health and education NGOs. The case of Karamoja Community Healthcare, which lost 85% of its funding due to donor withdrawal, demonstrates the vulnerability of donor-reliant organizations. In contrast, NGOs such as Green Uganda Initiative and Save the Lakes Uganda, which adopted social enterprises and revenue-generating projects, successfully reduced donor reliance from 80% to below 50%. This supports previous research advocating for NGO income diversification as a sustainability strategy (Makoba, 2021).

6.2 Implications for NGOs and Policymakers

The findings of this study carry significant implications for NGO leadership, policymakers, international donors, and private-sector partners.

First, NGO leaders must prioritize revenue diversification to reduce financial instability. Organizations should develop hybrid funding models that incorporate social enterprises, corporate partnerships, and government grants. Policymakers should provide tax incentives and capacity-building programs to encourage NGOs to establish sustainable revenue streams (Adams & Njoroge, 2023).

Second, policymakers must address financial governance challenges by mandating financial literacy training for NGO leadership. The establishment of financial accountability policies, such as mandatory financial audits and standardized financial reporting, will enhance transparency and strengthen donor confidence (Khan & Morris, 2023).

Third, rural NGOs require targeted interventions to bridge the financial sustainability gap between urban and rural organizations. Government agencies and international donors should establish specialized funding mechanisms tailored for rural NGOs, ensuring they have access to diversified funding sources (Osei & Addo, 2024). Additionally, rural NGOs should leverage digital fundraising platforms to expand their donor base and improve financial resilience.

Lastly, international donors and funding agencies must rethink their funding models to ensure long-term NGO sustainability. Donor agencies should support NGOs in developing financial independence rather than perpetuating aid dependency. Blended finance models, where grants are combined with impact investment funding, have proven effective in other sub-Saharan African countries (Brown & Korten, 2022).

6.3 Limitations of the Study

While this study provides critical insights into NGO financial sustainability in Uganda, some limitations must be acknowledged.

First, the study focused on 30 NGOs, which may not fully represent the entire NGO landscape in Uganda. Future research should expand the sample size to ensure broader generalizability. Second, the research relied on self-reported financial data, which may contain biases. Future studies should consider longitudinal financial tracking to assess the long-term impacts of financial strategies.

Additionally, this study primarily focused on financial stability metrics without fully exploring external factors such as political influence, regulatory frameworks, and economic conditions. Future research should adopt a multi-disciplinary approach, incorporating political economy analysis and macroeconomic trends to assess NGO sustainability comprehensively.

6.4 Suggestions for Future Research

Building on this study's findings, future research should explore:

1. Comparative Studies Between African and Western NGOs:

- ✓ A comparative analysis of funding models, financial governance, and sustainability strategies between NGOs in sub-Saharan Africa and Western countries would provide deeper insights into best practices for financial resilience.

2. The Role of Technology in Enhancing NGO Financial Sustainability:

- ✓ With the rise of digital fundraising platforms, mobile money donations, and blockchain-based aid distribution, future research should examine how technology-driven financial solutions can improve NGO sustainability (Shafik, 2023).

3. Impact of Blended Finance and Impact Investing on NGO Sustainability:

- ✓ Future studies should assess how impact investing, social impact bonds, and blended finance models contribute to long-term financial resilience in the nonprofit sector (Smith & Davies, 2020).

4. Financial Resilience Strategies for Post-Crisis NGO Recovery:

- ✓ Given recent global economic disruptions and donor funding cuts, future research should analyse how NGOs can develop crisis-response financial models to withstand economic shocks.

Final Remarks

This study highlights the urgent need for NGOs in Uganda to transition from donor dependency to self-sustaining financial models. Social enterprises, private-sector collaborations, financial governance reforms, and digital fundraising innovations present viable pathways for ensuring long-term NGO sustainability.

Policymakers, donors, and NGO leaders must collaborate to implement sustainable funding models. Governments should introduce supportive regulatory frameworks, donors must encourage financial independence, and NGOs must prioritize strategic financial planning.

Ultimately, NGO sustainability is not merely a financial challenge but a fundamental requirement for ensuring that humanitarian and development services remain accessible to communities in need. By adopting the recommended strategies, NGOs can achieve financial resilience, reduce aid dependency, and continue fulfilling their social missions effectively.

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8. ANNEXURE

Appendix A: Survey Questionnaire

The following questionnaire was designed to collect data on the financial sustainability of NGOs in Uganda. The questionnaire includes both quantitative and qualitative questions, covering areas such as funding sources, financial management, challenges, and strategic responses to funding fluctuations. The responses provided will be used strictly for academic research purposes.

Section 1: General Information

1: Name of the Organization:

.....

2: Location of the Organization:

- ☐ Urban
- ☐ Rural

3. Year of Establishment:

.....

4: Number of Full-Time Employees:

- ☐ Less than 10
- ☐ 10 – 30
- ☐ 31 – 50
- ☐ More than 50

5. What sector does your NGO operate in? (Check all that apply)

- ☐ Health
- ☐ Education
- ☐ Human Rights
- ☐ Environmental Conservation
- ☐ Women & Child Welfare
- ☐ Economic Development
- ☐ Other (please specify) _____

Section 2: Funding and Financial Sustainability

1.What are the primary sources of funding for your organization? (Check all that apply)

- ☐ Foreign Donor Grants
- ☐ Government Grants
- ☐ Private Sector Partnerships
- ☐ Self-Generated Income (e.g., social enterprises)
- ☐ Membership Fees
- ☐ Other (please specify) _____

2.On average, what percentage of your annual budget comes from foreign donor grants?

- ☐ 0 – 20%
- ☐ 21 – 40%
- ☐ 41 – 60%
- ☐ 61 – 80%
- ☐ 81 – 100%

3.Has your organization experienced a sudden loss or reduction of donor funding in the last 5 years?

- ☐ Yes
- ☐ No
- ☐ If yes, how did this impact your operations?

4.Does your organization generate its own income through business activities or social enterprises?

- ☐ Yes
- ☐ No
- ☐ If yes, what are the key revenue-generating activities?

5.What percentage of your total budget is covered by self-generated income?

- ☐ 0 – 10%

- ☐ 11 – 30%
- ☐ 31 – 50%
- ☐ More than 50%

Section 3: Financial Management and Governance

1.Does your organization have a dedicated financial manager or finance officer?

- ☐ Yes
- ☐ No

2.Does your organization maintain financial reserves (e.g., savings, investment funds)?

- ☐ Yes
- ☐ No

**3.What financial management tools or software does your organization use?
(Check all that apply)**

- ☐ QuickBooks
- ☐ Excel Spreadsheets
- ☐ Custom NGO Accounting Software
- ☐ Manual Records
- ☐ Other (please specify) _____

4.How often does your organization conduct financial audits?

- ☐ Annually
- ☐ Every two years
- ☐ Every five years
- ☐ Never

5.Does your NGO provide financial literacy training for staff and leadership?

- ☐ Yes
- ☐ No
- ☐ If yes, how frequently?

- ✓ Quarterly
- ✓ Annually
- ✓ Occasionally

Section 4: Challenges and Strategies

**1.What is the biggest financial sustainability challenge your organization faces?
(Check all that apply)**

- ☐ Donor dependency
- ☐ Lack of financial management skills
- ☐ Limited access to alternative funding sources
- ☐ Inconsistent funding cycles
- ☐ Regulatory restrictions
- ☐ Other (please specify) _____

2.Has your organization attempted to diversify its funding sources in the past five years?

- ☐ Yes
- ☐ No
- ☐ If yes, what alternative funding sources were explored?

3.What financial sustainability strategies has your NGO implemented? (Check all that apply)

- ☐ Developing social enterprises
- ☐ Establishing partnerships with businesses
- ☐ Applying for government grants
- ☐ Launching digital fundraising campaigns
- ☐ Reducing operational costs
- ☐ Other (please specify) _____

4.What support do you think is most critical for improving NGO financial sustainability in Uganda?.....

5.Would your NGO be interested in participating in future training programs focused on financial sustainability?

- Yes
- No
- If yes, what specific topics would you like covered?

Survey Completion

Thank you for taking the time to complete this survey. Your responses will help inform strategies to improve NGO financial sustainability in Uganda.

If you have any additional comments or suggestions, please share them below: