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Abstract

We analyse the selectivity criteria used by institutional donors when they allocate funds to NGOs. A simple screening model predicts that donors who care more about efficiency will screen NGOs and concentrate their funding on those that operate accordingly while donors who care less about efficiency and more about local connections will not screen NGOs and disperse their funds independent of these criteria. We then test these predictions of the model using a unique survey data set of 412 NGOs in Uganda interviewed in two waves: 2002 and 2008. Our results indicate that local donors do not implement any selectivity criteria when allocating funds: what is of importance to them is how well connected the manager is locally, the geographic location of the NGO and whether the NGO is indigenous. This behaviour better fits with the interpretation that they are more interested in the ability of NGO to access beneficiaries. International donors, instead, when allocating funds rely more on characteristics that proxy the efficiency of both the NGO and the manager, including the manager's level of education, the appointment procedure, the external feedback on community needs, and whether the NGO respects or complies with monitoring and transparency procedures, such as being registered to pay taxes, or having their accounts audited. This behaviour is more consistent with that of a donor who cares about efficiency.

JEL Classification: F35, D82.

Keywords: Funding Allocation, NGO.

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Outline

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How do Donors Allocate Funds to NGOs? Evidence from Uganda

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We analyze the selectivity criteria used by institutional donors when they allocate funds to NGOs. A simple screening model predicts that donors who care more about efficiency will screen NGOs and concentrate their funding on those that operate accordingly while donors who care less about efficiency and more about local connections will not screen NGOs and disperse their funds independent of these criteria. We then test these predictions of the model using a unique survey data set of 412 NGOs in Uganda interviewed in two waves: 2002 and 2008. Our results indicate that local donors do not implement any selectivity criteria when allocating funds: what is of importance to them is how well connected the manager is locally, the geographic location of the NGO and whether the NGO is indigenous. This behavior better fits with the interpretation that they are more interested in the ability of NGO to access beneficiaries. International donors, instead, when allocating funds rely more on characteristics that proxy the efficiency of both the NGO and the manager, including the manager's level of education, the appointment procedure, the external feedback on community needs, and whether the NGO respects or complies with monitoring and transparency procedures, such as being registered to pay taxes, or having their accounts audited. This behaviour is more consistent with that of a donor who cares about efficiency.

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1 Introduction

The last decade has been marked by a rapid growth of the NGO sector and its increased involvement in economic development (Anheier and Salamon, 2006; Wallace Bornstein and Chapman, 2007). Not only have NGOs become an important policy lobby, leading campaigns on development issues - such as debt relief, universal provision of primary education and HIV/AIDS awareness - but they have also increased their contribution to pro-poor service delivery. This growth has been reflected in an increase in the volume of official aid flows to NGOs. According to OECD figures, the total net flows from Development Assistance Committee (DAC) countries through grants to NGOs was 3% in 1980, 4% in 1994-95 and 9% in 2007-08.

This growth of the NGO sector partly reflects the frustration and impatience with the effectiveness of aid caused by both inefficient and corrupt governments; and with what is perceived to be the under-performance of official donor programmes in reaching the poor[1]. Donors have been keen to use both the popularity of NGOs, and their claims that they are able to reach the poor, to achieve a greater poverty focus in their own aid programmes. [2] According to Edwards and Hulme (1996), "*NGOs have been characterized as the new "favored child" of official development agencies and proclaimed as a "magic bullet" to target and fix the problems that have befallen the development process*". They are seen as instrumental in changing mindsets and attitudes (Keck and Sikkink, 1998) in addition to being more efficient providers of goods and services (Edwards and Hulme, 1996).

Yet, despite this increase in the amount of funding disbursed by donors through NGOs there is a notable lack of understanding on the allocation criteria, if any, that institutional donors follow when they give funds to an NGOs.[3] A possible explanation may be found in the definition that the World Bank's Operational Directive gives of NGOs as private organizations " *characterized primarily by humanitarian or cooperative, rather than commercial, objectives . . . that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development*" in developing countries. If the recipient is by definition altruistic and motivated by good intentions, no selectivity criteria are required by donors.

However, in this paper, we are going to provide firm evidence that this is not the case for all types of donors. With access to a unique data set of NGOs operating in Uganda we will demonstrate that not all donors behave in the same way. We find that international donors are much more concerned about cost efficiency when allocating funds to NGOs relative to local donors. Local donors in turn appear more interested in local contacts/information

[1]This route has also provided an opportunity of reaching people in those countries where official aid programmes have been suspended.

[2]The success of non-governmental initiatives, such as the previously heralded Grameen Bank have been put forth as an illustration of NGO potential.

[3]In contrast, there is some work attempting to identify the criteria used by NGOs when selecting recipients. For example, the studies by Nunnenkamp et al. (2009) on Swiss NGOs and Dreher et al. (2007) on Swedish NGOs find that in terms of aid allocation procedures NGOs are generally more needs-based and more selective in identifying recipients than bilateral ODA.

when allocating resources.

Understanding the selection criteria and how it differs by donor type is important for a host of reasons. Finding, for example, that some donors reward efficiency and transparency when allocating funds would have serious implications for the behavior of NGOs who seek funds from these donors. Furthermore, with more accountable NGOs, donors will improve their chances of raising funds from their citizens[4]. Lastly, given the potential economic and social impact of NGOs their activities should attract the interest of both academics and policy-makers.

Our motivation for focusing on Uganda is three-fold. First, there has been a remarkable growth in the NGO sector over the last two decades throughout Africa. This is reflected in figures for Uganda. The number of registered NGOs has grown from fewer than 500 in 1992 to 3,500 in 2002 and close to 7,000 in 2008. To put these figures in perspective, in 2002 there were only 300 registered companies.

Second, the growth in numbers has been accompanied by a growth in influence throughout society. According to the World Bank (1993:87) "*In the past, in Uganda as in many other countries, the tendency has been to think in terms of Central Government provision of social services. More recently, there has been a trend toward a more sophisticated approach, which recognisees that the Central Government can make a financial contribution without necessarily providing the services*". In the last ten years, the government of Uganda has encouraged NGOs to sign Memoranda of Understandings at the national, sectoral and district level, to provide formal modalities for operationalizing partnerships in service delivery. Combined with this, it has channeled increasing levels of funding to many sectors, in particular health and education (Reinikka and Svensson, 2007a and 2007b) through NGOs who they are now treating as service providers[5]. Barr et al. (2005) show that the partnership has been extended to other sectors such as agriculture, sanitation, advocacy, emergency and relief services, and provision of social protection services. They report that 70% of NGOs are in partnership with a line ministry [6].

Finally, getting access to NGO data is often extremely difficult due to governments control of information and their fears about negative publicity. The Ugandan government has made strides in improving openness and access, which has made it feasible to conduct a large sample survey of NGOs and beneficiary communities.

Despite the phenomenal growth in the Ugandan NGO sector most NGOs are still small, fragmented and community based with selected ownership and limited funding possibilities.

[4]There is an extensive literature dedicated to finding ways to enhance charitable giving that has completely overlooked NGOs. For a review of this literature see List and Price (2012).

[5]For example, in the health sector the local government devotes a percentage of the annual budget to funding NGOs providing medical services. Often this care is of higher quality than that provided by government clinics and hospitals (Reinikka and Svensson, 2011). According to the Minister of Local Government the total amount of conditional grants delivered in the FY 2008-2009 was USD 6,544,000 (Annual Report 2011). The bulk is channeled through the main three religious bodies: the Anglican Church, the Catholic Church and the Supreme Muslim Council, which are not included in our survey. In the initial sampling it was decided that it was not feasible to include the three main religious organizations due to their size and vast outreach.

[6]The most cited being the Ministry of Gender, Labor and Social Development.

Table 1: Percentage of funding to Ugandan NGOs by source, 2008

Variable	Observations	Mean	Std. Dev.
International Donors	412	34.9	42.9
Local Donors	412	7.8	22.1
Membership fees	412	10.6	24.9
Donations	412	23.5	36.1
User fees	412	6.1	18.8
Business Income	412	11.1	25.6
Other	412	5.7	18.3

Source: Authors' calculations.

The distribution of funding varies across NGOs, although a number of stylized facts emerge from the data: a few attract most of the funding; the majority are dependent on one or two donors; many diversify their funding sources in the form of business income, membership fees and subscriptions. It is also the case that those NGOs that are funded by international governments receive much larger amounts of funding than from any other source, including funds from international charities or churches. Table (1) reports the sources of funding for Ugandan NGOs. The percentage of donations from international sources accounts for 35% of NGOs funding; local sources accounts for 8%; whereas 40% comes from contributions in the form of membership and user fees, and private donations, i.e. by individuals who do not represent a unified body [7].

To identify a selection criteria in this study, we focus on institutional donors, namely, international and local donors. Among the 412 Ugandan NGOs in our sample 229 received funds from at least one type of institutional donor; 44 NGOs received funds from local donors only; 130 received funds from only international donors; while 55 received funds from both types. These numbers suggest (a) that both types of institutional donors are selective, and (b) that they use different selective criteria.

One possible explanation for this difference in selection criteria between the two types of donors could be differences in preferences. Someone could argue that while certain causes can attract local interest, they may be unable to convince international organizations that they are worthwhile. However, as Table (2) shows, this is not the case. When we separate the allocation of funds according to recipient type, we find that the relative supply of funds by the two types of donors is very similar to the overall ratio.

Another plausible explanation of the above funding allocation pattern is that some

[7] Identifying a selection criteria for individuals is not feasible, however, for completeness the estimations were done. The striking finding was that individuals based their selection on a similar criteria as that of local governments. Results are available on request.

donors might be more concerned about efficiency, while other donors might be more interested in making local connections, i.e. contracting with as many NGOs in their location as possible. If indeed efficiency is a concern, we would be interested in understanding the exact selection mechanism. Under the realistic supposition that donors know less about NGO's efficiency relative to the managers of NGOs, donors can potentially separate different types of NGOs in a number of ways. One possibility is to offer a menu of contracts where each contract is specifically designed for a particular type and thus achieve separation by self-selection. Another option is to spend resources on screening NGOs before allocating any funds. A third possibility would be for the NGOs to spend resources in signalling their type.

Table 2: Percentage of Funding by sector, 2008

		International		**Local**	
Sector	Obs.	Mean	Std. Dev.	Mean	Std. Dev.
Health	209	37.1	43.7	6.9	19.4
Community	185	39.4	42.5	8.8	22.6
Education	181	40.9	43.8	7.4	20.8
Raising awareness	148	34.3	42.4	8.9	22.6
Agriculture	128	35.6	43.5	9.9	23.3
Finance	47	34.1	44.4	5.4	19.9
Sanitation	36	55.1	41.3	8.8	18.3
Overall	412	34.9	42.9	7.9	22.0

Source: Authors' calculations

given that the screening interpretation is the simplest and most plausible, we begin by analyzing a simple screening model to guide our empirical work. We assume that all types of donors' preferences over causes (recipient types) are symmetric. However, donors differ by the degree to which are willing to substitute between different recipients. NGOs differ in their cost efficiency. Our model predicts that donors who care less about dispersing their funds they will concentrate their funding to the most efficient ones. Doing so allows them to reach the maximum possible beneficiaries. In contrast, for those donors who care more about making contracts (the number of NGOs benefiting) they will spread their funds more widely.

We then test our model using two datasets: 1) a nationally representative survey of 412 NGOs in Uganda conducted in 2008 that gathered information on both NGO and managers' characteristics[8] and 2) a matched community survey for a smaller subset of 118 focus groups interviews conducted in 2002. Our empirical results suggest that indeed international donors use different criteria than local donors. International donors seem to rely

[8]A detailed discussion of the questionnaires and sampling issues is available in Barr et al. (2003, 2005) and Burger and Owens (2011).

on (imperfect) proxies for the efficiency of both NGO's manager and/or the NGO itself; whereas local donors seem to ignore these proxies and instead take into consideration their own knowledge of the NGO and its manager. These results are consistent with our theoretical interpretation where efficiency is rewarded by international donors with a higher level of funding, while the funding strategy of local donors is consistent with preferences for access that prevail over efficiency considerations. Measuring efficiency by the education of the manager, the manager's appointment process, the financial transparency, and accountability of the NGO, we find that international donors are more responsive to these *proxies* than local donors. The latter are more responsive to variables that capture the geographic location and the networking activity of the manager. Some of our results are also consistent with the signalling interpretation, but we do not find support for the selection interpretation.

In the following section, we take a closer look at the funding patterns towards Ugandan NGOs. In section 3, we outline the model. Section 4 describes our empirical methodology, while section 5 reports the results. Section 6 concludes.

2 Donor Funding to Ugandan NGOs

Constant fund-raising is one of the most important tasks that an NGO undertakes. An ODI paper (1995) reports that "*The dominant type of NGO activity funded by donors today remains projects and programmes put forward for funding by the NGOs themselves*". The significance of resources for the survival of an NGO is a robust and widely cited finding in the non-profit organizations literature (Pfeffer and Salancik, 1978; Hager, 2001; Fernandez, 2008). Burger and Owens (2011) show that survival depends on receiving a grant rather than the effectiveness of the NGO, concluding that no market mechanism appears to exist in the Ugandan NGO sector.

To describe the sector we collected additional information on the sources of funding indirectly (not available in the survey). From trawling through Annual reports and websites we collected information on the identity of their main funders. Of the 412 NGOs in the sample 60% (245) had websites. From the websites 207 reported information on their sources of funding (38 with websites reported no information on funding source).. Sources of institutional funding to Ugandan NGOs can be characterized by institution and country. We identified three core institutions: governments, charities and churches. By country the USA, UK and Netherlands were the most common countries giving to Ugandan NGOs. This reflects their larger aid donations reported in Table (1). The majority of NGOs reported only one source of funding. However, one NGO reported 15 sources[9]. Funding from international donors including bilateral donors (such as USAID, DFID, CIDA), and multilateral donors (such as the UN, World Bank, EU) accounted for the main source of funding for 34% of the sample (see table (3) columns 1 and 2 which reports, first the main source of funding and then all other sources). Funding from other charities accounted for the main source of

[9] 25% reported two sources; 10% three; 7% four; 5% five.

Table 3: Main Source of Funding of Ugandan NGO

	Government		**Charity**		**Church**	
	Main	Other	Main	Other	Main	Other
USA	11	4	25	45	19	10
UK	5	11	33	40	9	4
Austria			1	1		
Australia					2	
Bangladesh			1			
Belgium		2		1		1
Canada	4		4	10	2	
Denmark	6	5	5		1	
Finland	1			1		
France			4	5	1	
Germany	1	5	8	5	1	1
Netherlands	4	2	11	12	2	1
Iceland		2				
Ireland	1	5	3	6		
Italy						1
Sudan			1	1		
Sweden	2	1	2	5		2
Switzerland			6	3		2
Norway	2	2	2	1		1
Japan	2	2		1		
Uganda	5		7	6	3	
UAE		1			2	2
African Development Fund			1			
European Community	3	9				
United Nations	25	28				
World Bank	5	1				
Global Fund	4	3				
Sub-total	81	83	114	143	42	25
Percentage of Total	34%		48%		18%	

funding for the majority of our sample 48% (see table (3) columns 4 and 5). This category includes large international charities, such as OXFAM and The Red Cross, but also smaller charities with a specific interest (such as Birdlife International). Finally, churches which included Evangelical churches, Muslim organizations and other Christian groups were the main source of funding for 18% of the sample (see table (3) columns 5 and 6)[10].

Despite the large and growing role played by institutional donors in funding NGOs, to our knowledge, there is little evidence in the literature on whether they follow any selectivity criteria in allocating funds. The evidence that is available is gathered from reports and

[10]Despite a perception that many NGOs are driven by a religious motive in Uganda this has proved unfounded - only 24% report having a religious affiliation and only 18% report funding from a religious organization. Those NGOs that are funded by international governments receive much larger volumes of funding than those funded by charities or churches.

expressions of intent that both international and local donors claim they follow when they approach NGOs. According to a study on the perspectives of European Development Cooperation, bilateral donors discussing their funding practices and policies, they all acknowledge the importance of NGOs and report similar attitudes towards transparency. For example, the Development Cooperation Ireland (DCI) claim that given their recent expansion in terms of channeling aid via NGOs they are now expecting a greater level of evaluation and more reporting on NGO activities. Similarly, Spain since 1997 has instituted a planning and evaluation office whose activity is to monitor subsidies and funding to NGOs based on their project implementing activities and evaluation of their performance. In the late 1990s the Belgian Ministry of Foreign Affairs moved towards an ex post evaluation of programs and activities of NGOs. They introduced external experts to assist NGO administrators to evaluate their programmes. They argue that "*... many NGOs run by a few well-intentioned individuals but with no professional staff to speak of and barely equipped to perform their assigned tasks adequately*" and thus they conclude that these NGOs should gradually be removed from the list of those receiving funding.

Concerning local donors, the Ministry of Internal Affairs of Uganda in a recent policy document (National NGO Policy, 2010) sets out a framework to strengthen the relationship between the NGO sector and the Government through enhancing capacities and effectiveness in areas of service delivery, advocacy and community empowerment. In particular, the NGO Board within the MOIA notes it will be responsible for registration, regulation, monitoring and overseeing activities of NGOs. In addition, the Local Government Councils will also be given the responsibility of monitoring and coordinating activities of NGOs.[11]

According to these reports and official statements, both types of institutional donors are calling for more monitoring. A difference that emerges from the corresponding official reports is the increasing emphasis by international donors on conditioning funding on efficiency, as opposed to local donors whose language is more geared towards collaboration. A query is whether donors in reality have the capacity to implement their stated objectives or whether the Samaritan's dilemma often claimed to be responsible for the failure of foreign aid conditionality, could also be in play when it comes to funding an NGO.

3 Who is Funded? A Simple Screening Model

In a particular location,there are two NGOs seeking funds from donors. Potential donors, have a preference for greater outreach. This means they care about the number of people that will benefit from the NGO project. Their preferences are described by the utility

[11] Yet, transparency in the sector has been put in doubt over recent years (Callamard, 2006; Edwards and Hulme, 1996). McGann and Johnstone (2006) describe the sector as recently undergoing a " *crisis of accountability and transparency*" which has damaged its credibility. Criticism has been levied over its poor performance in terms of monitoring and regulation (Desai and Yetman, 2005; Callamard, 2006). Burger and Owens (2010) have shown that, at least in Uganda, lack of transparency and selfishness are common practice even among NGOs.

function:

$$U(\gamma) = (n_1)^{\gamma} + (n_2)^{\gamma}; \qquad 0 < \gamma \leqslant 1$$

where n_1 and n_2 denote the number of people benefiting by each NGO and θ, which will differentiate donor types, determines the degree of substitutability between the two projects on the donor's utility. Let $V > 0$ denote the the size of funds that a donor plans to allocate to NGOs.

NGOs differ by their level of efficiency. To keep things simple we assume that total cost of an NGO project is proportional to the number of people that will benefit from it. Let c_i $(i = 1, 2)$ denote the cost per beneficiary of NGO i. This cost is private information to the NGO while potential donors beliefs about this cost are given by:

$$c_i = \begin{cases} c_L & \text{with probability } \theta \quad (1a) \\ c_H & \text{with probability (1- } \theta) \quad (1b) \end{cases}$$

where the two costs are independently distributed. A donor can choose to screen the two NGO; in particular by incurring a total cost $z > 0$ can learn the true costs[12].

We begin the analysis of the model by considering the case where the donor decides not to screen. As long as $\gamma < 1$ it is clearly optimal that the donor allocated $\frac{V}{2}$ to each NGO in which case[13]:

$$n_i = \begin{cases} \dfrac{V}{2c_L} & \text{with probability } \theta \quad (2a) \\ \dfrac{V}{2c_H} & \text{with probability (1- } \theta) \quad (2b) \end{cases}$$

The utility of the donor in the case without screening, $U(\gamma)^N$, is given by:

$$\begin{aligned} U(\gamma)^N &= 2\theta^2 \left(\frac{V}{2c_L}\right)^{\gamma} + 2\theta(1-\theta)\left(\left(\frac{V}{2c_L}\right)^{\gamma} + \left(\frac{V}{2c_H}\right)^{\gamma}\right) + 2(1-\theta)^2\left(\frac{V}{2c_H}\right)^{\gamma} \\ &= 2\theta\left(\frac{V}{2c_L}\right)^{\gamma} + 2(1-\theta)\left(\frac{V}{2c_H}\right)^{\gamma} = 2\left(\frac{V}{2}\right)^{\gamma}\left(\theta\left(\frac{1}{c_L}\right)^{\gamma} + (1-\theta)\left(\frac{1}{c_H}\right)^{\gamma}\right) \end{aligned}$$

With probability θ^2 both NGOs are low-cost, with probability $\theta(1-\theta)$ one NGO is low-cost and the other is high-cost and with probability $(1-\theta)^2$ both NGOs are high-cost. The first and the third term are multiplied by 2 because in each case both NGOs are equally efficient while the second term is multiplied by 2 because there are two states of world where one NGO is low-cost and the other is high-cost.

[12] We are not allowing the donor to screen only one project. It will become clear below that this restriction does not have any qualitative effect on our model's predictions.

[13] For $\gamma = 1$ the donor is indifferent about the exact allocation. As we will see below this is not a relevant case.

Next, we consider the case where the donor screens. Once more, if the two NGOs have the same costs it will be optimal for the donor to distribute funds equally among them in which case we have $n_1 = n_2 = \frac{V-z}{2c_L}$ when costs are low and $n_1 = n_2 = \frac{V-z}{2c_H}$ when costs are high. In contrast, for the case when screening reveals that the efficiency levels of the two NGOs are different let δ denote the proportion of funds allocated to the low-cost one. The donor chooses δ to maximize his utility which is given by $\left(\delta\left(V-z\right)\frac{1}{c_L}\right)^{\gamma} + \left(\left(1-\delta\right)\left(V-z\right)\frac{1}{c_H}\right)^{\gamma} = \left(V-z\right)^{\gamma}\left(\left(\frac{\delta}{c_L}\right)^{\gamma} + \left(\frac{1-\delta}{c_H}\right)^{\gamma}\right)$. Rearranging the f.o.c. we find that the optimal choice, δ^*, is given by:

$$\delta^* = \frac{1}{1+\left(\frac{c_L}{c_H}\right)^{\frac{\gamma}{1-\gamma}}}.$$

Given that $c_L < c_H$ as $\gamma \to 1$, $\delta^* \to 1$. As γ increases the substitutability of two projects in the donor's utility function increases. In the limit where the two projects are perfect substitutes the donor allocates all funds to the more efficient project. In contrast, as $\gamma \to 0$, $\delta^* \to \frac{1}{2}$. In this case homotheticity implies that the donor allocates equal shares on each project. In order to determine whether it is optimal for the donor to screen the projects we need an expression for *ex ante* utility conditional on screening, $U(\gamma)^S$, given by:

$$U(\gamma)^S = 2\theta^2\left(\frac{V-z}{2c_L}\right)^{\gamma} + 2\theta\left(1-\theta\right)\left(V-z\right)^{\gamma}\left(\left(\frac{\delta^*}{2c_L}\right)^{\gamma} + \left(\frac{1-\delta^*}{2c_H}\right)^{\gamma}\right) + 2\left(1-\theta\right)^2\left(\frac{V-z}{2c_H}\right)^{\gamma}.$$

When the two donors are of the same cost type, the donor incurs the cost of screening without deriving any benefits from it.

Comparing $U(\gamma)^N$ and $U(\gamma)^S$ we make the following observations. Given that $z > 0$, $U(\gamma)^N - U(\gamma)^S > 0$ for γ sufficiently close to 0 (δ close to $\frac{1}{2}$). Next, suppose that $\gamma = 1$. Then as $z \to 0$, $sign\left\{U(\gamma)^N - U(\gamma)^S\right\} = sign\left\{\frac{1}{2c_L} + \frac{1}{2c_H} - \frac{1}{c_L}\right\}$, and $\frac{1}{2c_L} + \frac{1}{2c_H} - \frac{1}{c_L} = \frac{1}{2}\left(\frac{1}{c_H} - \frac{1}{c_L}\right) < 0$.

Therefore, this simple model predicts that donors who care more about efficiency will screen NGOs and concentrate their funding on those that operate accordingly. While donors who care less about efficiency and more about local connections will not screen NGOs and disperse their funds independent of these criteria. In the rest of this paper we use a newly created data set of NGOs in Uganda to assess whether the screening approach can help us understand the NGO funding allocation decisions of various types of donors.[14]

[14]From the data we know that some NGOs receive funds from only one type of donors while others receive funds from both types. It is possible that some donors, especially if they are interested in making local connections, take into account the level of funds provided by other donors. Introducing this possibility in our model then we would find that as a donor cares more about outreach will distribute more funds to less-efficient donors. Although, we cannot test this prediction directly given that we only have information about the percentage of funds received by each type of donor and not the exact amounts we will argue below that there is some indirect evidence to support it. A potentially more serious problem is the possibility of strategic interactions between different types of donors. In order to test for such interactions we would need to know the order of funding that NGOs receive by each type of donor and this information is not available. Nevertheless, our results suggest that what drives the allocation of funding is predominated by differences

4 Empirical Methodology

We use a unique panel survey of NGOs in Uganda to analyze whether the main institutional funders to Ugandan NGOs apply any selectivity criteria when they allocate funding.[15]

The survey is unique in that it is the first nationally representative panel survey of NGOs in a developing country. Two survey instruments were designed. The first is a questionnaire administered to either the manager or a senior representative of the organization via an interview, and the second a structured focus group interview of representatives of the beneficiary communities of these NGOs. Reflecting the growth of the sector, the original 2002 sample of 300 from Barr et al.(2005) was doubled in 2008. All original 300 NGOs were tracked and of the 235 surviving NGOs all were interviewed. Of the target 300 new NGOs we surveyed 262, producing a total sample of 486 [16].

In 2008, we collected information on the percentage of funding the NGOs received from different sources: 74 NGOs did not give information - because they said they received no funding or they simply did not know or the person who knew was not available.[17] Given that we cannot distinguish "no funding" from "didn't know", we have excluded these observations reducing our sample to 412. [18]

Our aim is to investigate whether international and local donors differ in their allocation procedures to NGOs. Therefore, we use the *Percentage of Funding* from international and local donors as our two dependent variables. For the right-hand side, we identify a set of variables that can be divided into two categories: those reflecting the characteristics of the NGO and those related specifically to the manager. Some measures proxy for the efficiency, accountability and financial transparency of both the NGO and/or its manager and according to our screening model should better predict the funding patterns of international donors than those of local donors. Other measures capture the degree to which NGOs attempt to improve access and we would expect to be better predictors of the funding patterns of local donors.

For NGO characteristics, we include the number of staff employed by the NGO, *N. of Staff*, to control for size; the geographic location of the NGOs headquarters, which is a dummy variable labeled *Kampala* and proxies for local knowledge; whether the NGO is indigenous, a dummy variable labeled *Indigenous*, to explore whether when it comes to funding the origin of the NGOs matters, i.e. to see what types of funding NGOs setup by Ugandan nationals are more likely to attract[19]; and whether the NGO pays taxes to

between the selectivity criteria that the two types of donors apply.

[15]Details on sampling and a description of the first wave of the data are available in Barr et al.(2005) and for the second wave in Burger and Owens (2010).

[16]Once in the rural areas it was apparent that the growth in the sector was primarily driven by growth in Kampala.

[17]A particular problem raised in 2002 was collecting information on financial variables: only two thirds of surveyed NGOs provided figures for revenues. To get round this in 2008, we collected information on the *Percentage of Funding* which improved the number of responses.

[18]For robustness we run our estimations with these NGOs included, thus implicitly assuming they received no funding and find the results do not change.

[19]It is worth noting that 90% of the NGOs in our sample is indigenous, 7% is an international NGO and

control for its official status inside the country, *Registered to pay taxes*. We also include an indicator for how well the NGO meets the needs of the community to capture whether the probability of receiving more funds from either donor is affected by the relationship and the perception of the community towards the NGO. The question asks "*How does the NGO evaluate the needs of the community it assists?*".[20]

We group the responses into three categories: 1) own observations and experience of staff (*Community Needs-Own Staff*); 2) local feedback from the community including, other NGOs, local government and opinion leaders in the community (*Community Needs- Loc. Opinion Leaders*); and 3) independent surveys and participatory revues with community members (*Community Needs- Ind. Surveys*). Finally, we include whether the NGO's accounts are externally audited, labeled *Audit*, (NGOs were asked if they produced a balance sheet that was audited).

Manager's characteristics include whether the manager has a degree, labeled *Education-Degree*. We also include a dummy for how the manager was appointed. If the manager applied and was interviewed by a committee (such as a board of trustees or members of the NGO) the variable takes the value of one and zero if self appointed, (*Appointment-Interview*). This aims to capture whether there has been a screening process which identifies the most suitable candidate for the position. We argue that a donor that highly values transparency will be favorable towards an NGO that appoints through an official mechanism rather than self appointment.

Finally, we include two variables on the number of civil servants that the manager knows in the local and national government (*N. of National Civil Servants; N. of Local Civil Servants*) to account for possible networking effects that may be useful for raising revenues and to quantify the role of informal linkages in the NGOs activities [21].

Our empirical model is given by:

$$\begin{aligned}\text{Percentage of Funding} = \alpha + \beta_0 N.ofStaff + \beta_1 Kampala + \beta_2 Indigenous + \beta_3 Registeredtopaytaxes \\ + \beta_4 CommunityNeeds - OwnStaff + \beta_5 CommunityNeeds - Loc.OpinionLeaders + \\ \beta_6 CommunityNeeds - Ind.Surveys + \beta_7 Audit \\ + \beta_8 Education - Degree + \beta_9 Appointment - Interview \\ + \beta_{10} N.ofNationalCivilServants + \beta_{11} N.ofLocalCivilServants. \quad (3)\end{aligned}$$

We test our empirical model via Ordinary Least Squares (OLS) and Instrumental Variables (IV) to identify which are the leading factors affecting the probability of receiving funding from either an international or a local donor. We are aware that we are dealing

3% are branches of international NGOs.

[20]There may be concern that this variable is endogenous due to a donor requiring an NGO to assess the community. In the survey there was another more specific question on whether a donor requires the NGO to assess the community. This variable is not significantly correlated with the variable we are using in the analysis.

[21]Table (4) provides a summary statistics of all the variables.

with data that takes values ranging between zero and one.[22]

The problem with estimating OLS is that the dependent variable is bounded. A linear specification can predict values that are not possible, that is, values below 0 and above 1, and conceptually the marginal effects can be low (tend to zero) for observations that are close to 0 and 1. There is a growing literature that argues that an appropriate functional form is less important than correct identification. Angrist and Pischke (2008) show that the causal effects present no special challenges whether the dependent variable is binary, non-negative or continuously distributed. Instead they argue that once output from nonlinear models are converted into marginal effects the differences in the OLS and nonlinear models are indistinguishable. They conclude that the complexities that arise from nonlinear models (deciding on within scheme, derivatives versus finite differences, and complexities of IV and drawing inferences from marginal effects) outweighs the advantages of using standardized OLS estimates. We therefore present our OLS estimates in the main text. For robustness we also include a nonlinear specification - a way to predict values that do fall between 0 and 1 is to use a Generalized Linear Model (GLM). The results do not change. The full set is available in the Appendix.

5 Empirical Results

5.1 NGO Survey

We start by estimating a model labeled Core that includes a set of characteristics of the NGO, namely its size, location, origin and financial structure. We then incrementally extend the Core model to include indicators that reflect characteristics of the manager of the NGO, i.e. his/her education and appointment, and how many civil servants he/she knows. We further extend the last set by including regressors that proxy for the NGO's transparency and accountability, such as how the needs of the community are assessed and whether they conduct an audit. The rationale for proceeding in stages is due to having concerns that more than one variable is endogenous. OLS results are presented for each stage and for the full set of variables. Instrumental Variables (IV) estimates are presented separately for each endogenous variable.

Table (5) shows the results of the Core model. Both international and local donors do appear to allocate funding on the basis of specific features belonging to the NGO. International donors are positively affected by the NGO's financial structure. The ones registered to pay taxes are more likely to receive funding. Local donors appear to rate the geographic location as important. NGOs located outside of Kampala are more likely to receive local funding. This could be because it increases the visibility of the NGO to the local funder. Observing the functioning of an NGO in Kampala will be more difficult even for local donors. These results are consistent with our model's predictions. We then control for

[22]We plot the distributions of our two dependent variables and conclude that belong to the binomial family with a logit link for international funding and a Gaussian distribution with identity link for our local funding.

whether the NGO is indigenous and find as expected that both donors favor their own type. Indigenous NGOs are less likely to have funding from international donors whereas they are more likely to receive local funding.

The size of the NGO does not seem to be a key factor in the funding allocation of either donor.

In columns 3 and 4 we extend our first specification to account for possible network effects[23]. Table (5) shows that the proportion of funding from international donors is higher if the manager has more national contacts and less local. This measure of how well connected the manager is may be useful for an international donor working in a foreign country while the number of civil servants the manager knows locally is less relevant.

On the other hand, for local donors the result is actually the opposite: connections with national government have a detrimental effect, whereas connections with local government do appear to matter. This could be interpreted as a crowding out effect. Local donors may decide to allocate their resources to NGOs that have not received funding from international donors. This is in accord with our supposition that local donors might be more concerned that NGOs that are not on the radar of international donors are in still in a position to serve local community needs. Therefore, they appear more concerned with accessibility rather than efficiency.

When we include specific characteristics of the manager, we find that the higher the level of education, the higher the proportion of international funding that the NGO is likely to receive, whereas it does not appear to matter for local funding. Along the same line, appointing a manager by a formal process is more likely to be associated with a higher level of international funding. This appears to be irrelevant for local funders. Thus, we confirm that variables that are good proxies for efficiency and transparency matter for international donors but not for local donors.

We also test for the possibility that *Appointment* is endogenous (for instance it may be the case that the funders insist on a particular appointment procedure) by using a Durbin-Wu-Hausman test. We find that for the international funding specification this is in fact the case. The F statistic is 5.20 with a p-value of 0.02. In order to address this endogeneity issue, we estimate an Instrumental Variable (IV) regression reported in (6). We identify variables that predict *Appointment* but are conditionally uncorrelated with receiving international funding. To identify variables that predict whether an NGO uses a formal interviewing procedure but are not correlated with funding, we considered the employment market in the area that the NGO operated. We found where other businesses and NGOs provided similar services, the NGO in question was less likely to use a formal procedure. It could also be argued that the internal workings of the NGO will affect the appointment procedure. We therefore also include a variable concerning whether the NGO has a membership system. Similarly, where a membership system exists within the

[23]Ideally, we would like to include this variable in all specifications but due to limited data availability our sample will be reduced to only 260 observations which accounts for the 37% of our total sample which is too high a cost.

NGO, the NGO is again less likely to use a formal procedure. The inference is that the members will know the manager and appoint using alternative mechanisms. In the first stage estimations these variables are highly significant in determining *Appointment*, but do not help the NGO raise international funds. The instruments are jointly significant, the F-statistic is 8.86 significant at the 1% level, which might suggest weak instruments. Accordingly, the estimated p-value from a corrected likelihood test proposed by Moreira (2009) is reported. Several specification tests are conducted. Overidentifying restrictions are tested and not rejected. The Sargan statistic has a value of 0.34 and a p-value of 0.85. Instrumented regression results confirm that *Appointment* remains highly significant as a factor related to international funding, although now the coefficient on *Education* is no longer significant. We argue this may be evidence that the impact of education feeds through the *Appointment* variable. International donors are interested in managers that have been appointed through a transparent procedure, and it is highly likely that managers who are appointed in this way will be educated.

Lastly, we include two specific characteristics of NGOs. The first considers how an NGO evaluates the needs of the community. Results from table (5) show that international donors do positively trust independent evaluations, and do not rely on those made by the staff of the NGO, probably because they know that there is no incentive for them to report bad feedback. The coefficient is negative and significant at the 1% level. Local donors on the other hand do not appear to take any evaluation into consideration. This perhaps reflects their view that their own local knowledge is more useful. These particular results are consistent with a screening model. This would be the case if being externally evaluated is more costly and offers an advantage to more efficient NGOs.

The second indicator addresses the donors' concern for NGO transparency. Having the accounts audited increases funding from international donors but not for local. Again suggesting that international donors use (even imperfect) signals of efficiency to allocate funds, whereas local donors appear to rely on other sources of information. The variable *Audit* we fear may also be endogenous;[24] donors may provide funding conditional on NGOs auditing their accounts. Therefore, we test for endogeneity using the Durbin-Wu-Hausman test: the F statistic is 3.59 with a p-value of 0.05 for international funders. It is not significant for local funders. To address the endogeneity of *Audit*, we identify whether the NGO owns land, whether the manager has other employment, and whether he/she has traveled abroad as valid instruments. The first variable captures the stability and how well established the NGO is; the second is informative regarding the level of transparency of the NGO. In the first stage estimations these variables are highly significant in determining whether an NGO audits its accounts, but do not help the NGO raise international funds. The instruments are jointly significant, the F-statistic is 9.36 significant at the 1% level. Since the F statistic is on the cusp of suggesting weak instruments, the estimated p-value from a corrected likelihood test proposed by Moreira (2009) is reported. Several specification

[24]This also explains why we had to remove from this specification the variable *Appointment* also suspected of endogeneity.

tests are conducted and reported in (6). Overidentifying restrictions are tested and not rejected. The Sargan statistic has a value of 3.34 and a p-value of 0.19. When we control for endogeneity the results remain the same, which leads us to conclude that indicators of transparency and performance are important for international funders and not for local.

As a robustness check in table (5) columns 9-10, we include both manager and NGO's characteristics for our larger sample, in columns 11-12 we include the number of civil servants for our reduced sample. Our main results hold and are consistent with the interpretation of the funding patterns offered by our simple screening model.

5.2 Beneficiary Focus Group Interviews

In table (7) we present the results from our second source of data: the focus group interviews. Community members from the area where the NGO operates were allocated into focus groups and asked to assess NGO staff quality, motivations, and the value of NGO services. We use two specific questions from these interviews to test whether efficiency and/or targeting the poor is relevant to a donor allocation decision. First, we collected information on efficiency through a bean count (i.e. the variable labeled *Beans-Efficiency*). Community members were given the hypothetical situation where the NGO was about to go out of business. They were given a pot of money - in the form of beans - which they could contribute all, some or none to the NGO to help keep it in operation. Second, there was a question on whether the NGO targets the poor (i.e. the variable *Targets the Poor*). We use this to test whether the probability of getting funding is affected by community perceptions of the target group.

Table (7) shows that international donors tend to increase their funding if the community positively evaluates the performance of the NGO, whereas local donors are negatively affected by the community's assessment of the performance of the NGO. These results are in line with those reported in table (5) regarding the evaluation of the community needs, confirming that international donors are more prone to be influenced by the opinions of people outside the NGO, which in this case are the beneficiaries themselves. Local donors' behaviour may have a twofold interpretation: either they tend to favor the less efficient NGOs that otherwise would have had a small probability of surviving, or it might simply be the case that they allocate funds following their own non-observable criteria.

Neither donor appears to be favorable towards the target group being the poor which may be due to the specific mission that NGOs have. From trawling through the websites and identifying who the international donors are we found a number of NGOs with very specific interests such as a concern for the environment, for wildlife, for their particular religion.[25] These international funders appear to align themselves with NGOs that do not necessarily target the poor rather they target a cause. Although not significant in this specification the sign on the variable is positive for local donors suggesting that they do take the target group into account. Again, this would tie in with the notion that local

[25]For more details on that see Fafchamps and Owens, 2009.

donors are more interested in what they see in their community. Following the estimation strategy previously adopted, we extend our initial specification by adding two exogenous manager's and NGO's specific characteristics (see columns 3 and 4). Previous results still hold.

6 Conclusions

In this paper, we analyze the determinants of international and local donors' funding to NGOs in Uganda to see whether institutional donors follow any selectivity criteria in their allocation procedures. We propose a simple screening model that can explain these patterns. In particular, it predicts that donors who are more concerned about efficiency will screen applicants while those who care more about making local connections will not.

We then test these predictions of the model, using a unique survey data set of 412 NGOs in Uganda interviewed in two waves: 2002 and 2008. Our results indicate that local donors do not implement any selectivity when allocating funds: what is of importance for them is how well connected the manager is locally, the geographic location of the NGO and whether the NGO is indigenous. This behavior better fits with the interpretation that they are more interested with the ability of NGO to access certain beneficiaries.

International donors, instead, when allocating funds tend to rely more on characteristics that proxy the efficiency of both the NGO and the manager, such as the manager's level of education, the appointment procedure, the external feedback on community needs, and whether the NGO respects or complies with monitoring and transparency procedures, such as being registered to pay taxes, or having their accounts audited. This behaviour is more consistent with the one of a donor who cares more about efficiency.

The focus group interviews allowed us to extend our analysis by including a unique measure of efficiency, namely a bean count and whether NGOs that target the poor are rewarded with more funding. Our results suggest that international donors tend to reward NGOs that are positively evaluated by the local community; whereas no sign of reward could be identified for local donors. On the other hand, it is interesting that international donors do not seem concerned with targeting the poor. This result can be explained by the fact that one third of the international donors in the sample is represented by over 48% of charities that may not have poverty reduction as their prime motivator and 18% are funded by churches, whose mission does not necessarily aim to reduce poverty but rather increase the number of people belonging to their church.

What these results suggest is that each donor uses information that is most suitable to its environment: international donors will be more used to formal measures such as the level of education and appointment procedure because they are observable, easy to verify and a cost effective way for the donor to make decisions not only in Uganda but also applicable in other African countries. Local donors, on the other hand, can rely more heavily on information that is available through local experience and knowledge: knowing the founder of an NGO and his motivation matters more to local donors than an appointment through

a more formal process.

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Table 4: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Proportion from international funding	412	0.349	0.429	0	1
Proportion from local funding	412	0.078	0.220	0	1
Education/Degree	412	0.635	0.481	0	1
N. of Staff	412	2.876	0.939	0.693	7.158
Headquarters in Kampala	412	0.378	0.485	0	1
Indigenous vs International NGO	412	0.902	0.296	0	1
Registered to pay taxes	412	0.116	0.321	0	1
Appointment/Interview	412	0.5	0.500	0	1
Evaluation of Community Needs- Own Staff	412	0.514	0.500	0	1
Evaluation of Community Needs- Ind. Survey	412	0.567	0.495	0	1
Evaluation of Community Needs- Opinion Leaders	412	0.871	0.335	0	1
Audit Accounts	412	0.575	0.494	0	1
Beans Efficiency	118	0.648	0.331	0	1
Target the poor	118	0.905	0.293	0	1
Number of National Civil Servants	260	2.712	1.562	0	8.987
Number of Local Civil Servants	260	3.425	1.397	0	10.308

Table 5: OLS Estimates

	1	2	3	4	5	6	7	8	9	10	11	12
	Core		Core+ Civil		Core+ Manager		Core+ NGO		All without Civil Servants		All	
VARIABLES	**International**	**Local**	**International**	**Local**	**International**	**Local**	**International**	**Local**	**International**	**Local**	**International**	**Local**
N. of Staff	0.031	-0.002	0.022	0.002	0.018	0.002	0.015	0.001	0.011	0.001	0.019	0.002
	0.021	0.011	0.026	0.018	0.019	0.012	0.019	0.012	0.018	0.012	0.023	0.019
Kampala	0.042	-0.056***	0.046	-0.055*	0.02	-0.055***	0.05	-0.058***	0.034	-0.058***	0.031	-0.056*
	0.042	0.02	0.054	0.029	0.039	0.019	0.039	0.021	0.038	0.02	0.049	0.028
Indigenous	-0.350***	0.044**	-0.345***	0.087***	-0.291***	0.045***	-0.294***	0.041**	-0.264***	0.043**	-0.283***	0.078***
	0.072	0.017	0.101	0.02	0.069	0.017	0.075	0.018	0.07	0.018	0.094	0.022
Registered to pay taxes	0.305***	0.008	0.207**	0.005	0.217***	0.009	0.246***	0.004	0.200***	0.007	0.13	0.016
	0.067	0.028	0.096	0.046	0.067	0.028	0.069	0.028	0.067	0.028	0.091	0.046
N. of National Civil Servants			0.043**	-0.039***							0.03	-0.039**
			0.019	0.015							0.019	0.015
N. of Local Civil Servants			-0.042*	0.025*							0.027	0.026
			0.022	0.015							0.023	0.016
Education- Degree					0.111***	0.004			0.058	0.001	0.062	0.001
					0.041	0.025			0.044	0.028	0.056	0.041
Appointment - Interview					0.226***	0.009			0.190***	0.012	0.202***	0.011
					0.041	0.024			0.042	0.025	0.052	0.036
Community Needs-Own Staff							-0.125***	0.027	-0.130***	0.027	-0.149***	-0.036
							0.038	0.023	0.037	0.023	0.049	0.031
Community Needs-Loc.Opinion Leaders							0.045	0.018	0.043	0.017	0.022	0.04
							0.039	0.023	0.039	0.024	0.05	0.031
Community Needs-Ind.Surveys							0.129**	0.01	0.100*	0.009	0.078	0.017
							0.054	0.034	0.056	0.036	0.075	0.05
Audit							0.234***	0.017	0.164***	0.021	0.106**	0.03
							0.039	0.024	0.044	0.026	0.054	0.035
Constant	0.524***	0.066	0.566***	0.048	0.344***	0.064	0.315***	0.072	0.249**	0.069	0.306**	0.046
	0.102	0.04	0.137	0.056	0.097	0.044	0.112	0.045	0.103	0.046	0.138	0.064
Observations	412	412	260	260	412	412	412	412	412	412	260	260
R-squared	0.135	0.021	0.109	0.059	0.232	0.022	0.24	0.027	0.291	0.028	0.252	0.071

Standard errors are displayed below the coefficients;
*omitted dummy self-appointed
#: estimated p-value from corrected likelihood test proposed by Moreira (2009).

Table 6: IV Estimates

	1	2	3	4
	IV	IV	IV	IV
	For Appointment		For Audit	
VARIABLES	**First Stage**	**2SLS**	**First Stage**	**2SLS**
N. of Staff	0.033	0.003	0.017	0.001
	1.36	0.12	0.63	0.07
Kampala	0.008	0.036	-0.018	0.069
	0.15	0.82	0.36	1.65**
Indigenous	0.089	-0.231	-0.145	-0.240
	1.11	3.02***	1.76**	2.76***
Registered to pay taxes	0.160	0.162	0.218	0.180
	2.21***	2.29***	3.03***	2.14***
Education- Degree	0.280	-0.001		
	5.67***	0.01		
Services by business	-0.139			
	2.53***			
Services by other NGOs	-0.081			
	1.61**			
Membership System	-0.201			
	3.95***			
Appointment - Interview		0.590		
		3.26***		
Community Needs-Own Staff			-0.041	-0.119
			0.86	2.95***
Community Needs-Loc.Opinion Leaders			0.146	0.004
			3.01***	0.09
Community Needs-Ind.Surveys			0.082	0.114
			1.17	1.87**
NGO owns land			0.176	
			3.62***	
Manager has another occupation			-0.090	
			1.83**	
Manager has traveled abroad			0.138	
			2.94***	
Audit				0.512
				3.27***
Constant	0.498	0.223	0.400	0.180
	4.16***	1.89**	2.99***	1.26
Observations	412	412	412	412
R-squared	0.183	0.076	0.142	0.146

Standard errors are displayed below the coefficients.

Table 7: Focus Group Interview- OLS Estimates

	1	2	3	4
VARIABLES	**International**	**Local**	**International**	**Local**
N. of Staff	0.006	0.014	0.023	0.007
	0.038	0.019	0.037	0.02
Kampala	0.185*	-0.079*	0.129	-0.088**
	0.11	0.04	0.112	0.042
Indigenous	-0.065	0.044	0.03	0.031
	0.134	0.053	0.131	0.053
Registered to pay taxes	0.238**	0.034	0.226**	-0.045
	0.1	0.046	0.094	-0.045
Education- Degree			0.106	0.028
			0.074	0.048
Community Needs-Own Staff			-0.174**	0.047
			0.081	0.051
Community Needs-Loc.Opinion Leaders			0.01	0.024
			0.079	0.052
Community Needs-Ind.Surveys			0.17	-0.051
			0.117	0.088
Beans- Efficiency	0.178*	-0.164*	0.181*	-0.167*
	0.106	0.085	0.098	0.086
Targets the Poor	-0.335***	0.042	-0.263**	0.032
	0.128	0.039	0.131	0.043
Constant	0.499**	0.106	0.238	0.141
	0.237	0.114	0.257	0.144
Observations	118	118	118	118
R-squared	0.169	0.075	0.228	0.097

Standard errors are displayed below the coefficients.

Table 8: GLM Estimates

	1	2	3	4	5	6	7	8	9	10	11	12
	Core		Core+ Civil		Core+ Manager		Core+ NGO		All without Civil Servants		All	
VARIABLES	**International**	**Local**	**International**	**Local**	**International**	**Local**	**International**	**Local**	**International**	**Local**	**International**	**Local**
N. of Staff	0.146	0.002	0.106	0.002	0.088	0.002	0.08	0.001	0.05	0.001	0.093	0.002
	0.116	0.012	0.156	0.017	0.122	0.012	0.125	0.012	0.129	0.012	0.173	0.018
Kampala	0.211	-0.056**	0.229	-0.055*	0.094	-0.055**	0.298	-0.058**	0.203	-0.058**	0.171	-0.056*
	0.229	0.023	0.298	0.033	0.245	0.023	0.244	0.023	0.257	0.023	0.333	0.033
Indigenous	-1.559***	0.044	-1.492***	0.087	-1.337***	0.045	-1.409***	0.041	-1.260***	0.043	-1.348***	0.078
	0.382	0.037	0.484	0.054	0.389	0.038	0.404	0.038	0.406	0.038	0.521	0.056
Registered to pay taxes	1.367***	0.008	0.938**	0.005	0.972***	0.009	1.202***	0.004	0.955***	0.007	0.63	0.016
	0.333	0.034	0.44	0.051	0.343	0.035	0.355	0.034	0.359	0.035	0.478	0.053
N. of National Civil Servants			0.217*	-0.039***							0.198	-0.039***
			0.118	0.013							0.137	0.013
N. of Local Civil Servants			0.217	0.025*							0.184	0.026*
			0.134	0.014							0.155	0.014
Education- Degree					0.632**	0.004			0.371	0.001	0.394	0.001
					0.271	0.025			0.29	0.026	0.366	0.036
Appointment - Interview					1.132***	0.009			1.003***	0.012	1.098***	0.011
					0.243	0.023			0.255	0.024	0.323	0.033
Community Needs-Own Staff							-0.682***	0.027	-0.735***	0.027	-0.846***	0.036
							0.239	0.022	0.247	0.022	0.313	0.031
Community Needs-Loc.Opinion Leaders							0.229	0.018	0.245	0.017	0.117	0.04
							0.249	0.023	0.258	0.023	0.329	0.032
Community Needs-Ind.Surveys							0.782*	0.01	0.636	0.009	0.431	0.017
							0.403	0.033	0.416	0.034	0.515	0.048
Audit							1.258***	0.017	0.932***	0.021	0.631*	0.03
							0.255	0.023	0.272	0.025	0.342	0.034
Constant	0.097	0.066	0.26	0.048	0.908	0.064	-1.143*	0.072	-1.590**	0.069	1.197	0.046
	0.534	0.053	0.725	0.081	0.583	0.056	0.688	0.062	0.705	0.062	0.894	0.091
Observations	412	412	260	260	412	412	412	412	412	412	260	260

Standard errors are displayed below the coefficients.

Table 9: Focus Group Interview -GLM Estimates

	1	2	3	4
VARIABLES	**International**	**Local**	**International**	**Local**
N. of Staff	0.033	0.014	0.123	0.007
	0.228	0.023	0.235	0.024
Kampala	0.863	-0.079	0.62	-0.088
	0.562	0.062	0.602	0.065
Indigenous	-0.306	0.044	-0.168	0.031
	0.704	0.077	0.726	0.078
Registered to pay taxes	1.096**	-0.034	1.139*	-0.045
	0.542	0.06	0.584	0.061
Education- Degree			0.514	0.028
			0.48	0.048
Community Needs-Own Staff			-0.939**	0.047
			0.47	0.047
Community Needs-Loc.Opinion Leaders			0.048	0.024
			0.484	0.047
Community Needs-Ind.Surveys			1.142	-0.051
			0.931	0.077
Beans- Efficiency	0.937	-0.164**	1.004	-0.167**
	0.663	0.066	0.685	0.067
Targets the Poor	-1.507*	0.042	-1.287	0.032
	0.777	0.082	0.821	0.085
Constant	0.122	0.106	1.594	0.141
	1.405	0.149	1.734	0.173
Observations	118	118	118	118
Log-likelihood	61.962	7.824	58.639	9.187

Standard errors are displayed below the coefficients.

Table 10: QVF Estimates

	1	2
	QVF- Appointment	QVF-Audit
N. of Staff	0.003	0.001
	0.13	0.07
Kampala	0.036	0.069
	0.85	1.65**
Indigenous	-0.231	-0.240
	2.85***	2.76***
Registered to pay taxes	0.162	0.180
	2.02***	2.14***
Audit		0.512
		3.27***
Education- Degree	-0.001	
	0.01	
Appointment - Interview	0.590	
	3.29***	
Community Needs-Own Staff		-0.119
		2.95***
Community Needs-Loc.Opinion Leaders		0.004
		0.09
Community Needs-Ind.Surveys		0.114
		1.87**
Constant	0.223	0.180
	1.89**	1.26
Observations	412	412

Standard errors are displayed below the coefficients.