Nonprofit Organizations in Africa: Financial Strategies and Challenges

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NONPROFIT ORGANIZATIONS IN AFRICA: FINANCIAL STRATEGIES AND CHALLENGES

Christie Chilo Onwujuba, Southern University

ABSTRACT

This study investigates the financial conditions of nonprofit organizations (NPOs) in Africa with emphasis on the sources of funds. Africa faced with the enormous task of development and improving the general wellbeing of its people could benefit from the services of nonprofit organizations. However, the ability of these NPOs to accomplish development goals and represent the interest of the marginalized depends on the availability and adequacy of resources. The results of this study contradict the common notion that the growth of the sector is fueled by the financial support of governments in the industrialized countries. Grassroot NPOs in Africa have minimum local access to international funds as well as minimal support from their governments. Most African NPOs in the study depend mostly on individual contributions, volunteer labor and self-effort. These sources are inadequate because of poor economic conditions. NPOs financial circumstances can improve tremendously with improved economic conditions.

INTRODUCTION

Nonprofit organizations (NPOs) are chartered to foster the goal of human improvement through several means including research, social assistance, and health awareness. Carroll’s (1992) defines nonprofit organizations as nongovernmental agencies whose mission is to aid constituencies external to themselves. A wide range of assumptions is reflected in the literature concerning the objective functions of NPOs. One assumption claims that NPOs seek to maximize profits although they have to comply with the nondistribution constraint clause. Nondistribution constraint clause is a legal provision that restricts distribution of profits as were the case with profit-oriented firms. Others believe that NPOs try to maximize the quality and quantity of the goods and services they provide. Steinberg (1986) did identify welfare, education and art service providers, as output maximizers while health service providers are budget maximizers. For the purpose of this research, NPOs will be assumed to have the primary objective of maximizing their output of charitable goods and services.
NPOs, because they are structured as organizations that spend money without generating income, must rely on the support of other organizations, individuals and self-effort to finance their operations. Typically, revenue sources range from public and private grants, cost reimbursements and sales, membership fees, and private contributions to investment income (Shim, 1997). To encourage private support and participation, many countries provide tax incentives for individuals and institutions that make financial contributions to nonprofit causes. In 1990, for instance, Japan, the second world economic power, joined other industrialized countries, and permitted corporations to deduct charitable contributions for the first time. However, there is not much evidence that tax incentives are common in most part of Africa.

This study explores the financial strategies employed by African NPOs in generating resources. An exploratory study such as this would provide some insight into the conditions and challenges facing these organizations. The implication of their financial conditions for effective operation and survival is discussed.

This study is crucial for two reasons in particular:

1) There are growing expectations that NPOs in Africa will contribute significantly to the emergence of economically and politically stable societies (Bebbington and Mitlin, 1996). This growing reliance on NPOs to promote development activities in Africa derives from the notion that some of the most profound and innovative social changes in the twentieth century are fostered through a variety of activities initiated by NPOs (Boris, 1999). Despite these expectations, it is not clear how effectively NPOs mobilize resources to enable them respond to current challenges and opportunities.

2) The literature is scarce on the financial conditions of NPOs in Africa. Africa continues to suffer from a prolonged economic stagnation and general decline of the formal economies. Although performance improved in the second half of the 1990s, the economy is still fragile and poverty very prevalent (International Monetary Fund, 1999). In light of these harsh economic realities, it is worthwhile to investigate how NPOs attract resources to carry out their operations, as well as the strategies employed. Without viable NPOs, as Antrobus (1987) puts it, alternative development cannot be promoted or sustained.

There are some basic differences between nonprofit organizations and commercial entities, which have serious implications for the viability of
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nonprofit organizations. First, unlike stockholders of business firms, people who finance NPOs activities do not have ownership interest, and usually do not receive benefits proportionate to their financial contribution (Chiala, Fortin, and Lafond-lavallee, 1995). Second, in commercial organizations, profit incentive generally drives most rational decisions, whereas nonprofit motivation is anchored in the zeal to fulfill a mission (Dennis, 1977). For this reason, the organizations budget drives the mission (Denis, 1997).

Nonprofit organizations also differ from government agencies in some important ways. Government activities are financed primarily with compulsory taxes collected from individuals and corporations (Onwujuba and Lynch, 2001). On the other hand, nonprofit organizations raise revenues mainly through voluntary contributions (Mikesell, 1999). They depend on external nonprofit sources for a major portion of their revenues, if not all.

The unique financial features discussed above create unique financial challenges for NPOs. The ability to raise revenues depends on many factors including, but not limited to, the health of the economy, management expertise and responsibility, accounting transparency, the stability of the financial position of nonprofit organization, and the social benefits of a program (Robinson, 1997). Unethical practices can also cause public loss of confidence, and hence influence revenue through reduction in sales, voluntary contributions, or public outcry and demand for policy reform. Robinson (1997) cites the United Way as a recent example in which donations plummeted following a scandal of financial mismanagement. In America, about 31 percent of the population believe most charitable organizations are dishonest and unethical in the use of fund (Robinson, 1997)). In essence, public confidence on accountability in the nonprofit sector has plummeted 50 percent since 1990 when similar opinions rated 20 percent. Such findings point to the growing fiduciary expectation, even as grantmakers act within self-imposed fiduciary responsibility. Because of this loss of confidence, public scrutiny of government activities and NPOs in America has increased.

Financially stable NPOs can generate surpluses or reserves, but it can spell trouble for some of them since donors can assume that the organization can self-support itself and does not need their contributions anymore (Shim, 1997). On the other hand, if an organization finds itself in a perpetual financial crisis and, as such, cannot accomplish some of its objectives, donors usually do not show much interest in supporting such an organization. This is a major dilemma that nonprofit organizations must overcome.

The next section of this analysis presents an overview of the growth of NPOs in Africa. This is followed by discussions on the underlying cause of the proliferation of NPOs as well as funding sources and key methodological issues. Finally, analysis of results, discussions and recommendations are presented.
THE GROWTH OF NONPROFIT IN AFRICA

The nonprofit sector has grown tremendously all over the world over the past 30 years, with variations in size, resource, capacity and scope. In the U.S., for instance, they account for a significant portion of the economic activity. Specifically, they account for more than 6 percent of the national income, and employ 10 percent of the workforce (UCLA Public Policy, 2000). In Africa, it is assumed that more than $17 billion in development funds have been channeled through nonprofit organizations in the past ten years (Bosompem, 1999). Salamon (1994) indicates that 30 percent of Kenya's capital development since the 1970s came from a nonprofit organizations (the Harambee) movement. Further evidence of this phenomenal development is the report of the 4,600 Western voluntary organizations actively providing support to about 20,000 indigenous nonprofit organizations in developing nations, Africa being a major part of these developing economies (Salamon, 1994). Bosompem (1999) provides comprehensive information on social and economic development programs funded by various central government agencies in industrialized countries, foundations, corporations and work being done by the US non-profit organizations in Africa. He provides an inventory of these organizations and, most importantly, their sources of funding, along with the amounts. Salamon further indicates that lack of systematic data can constrain any effort to identify and analyze nonprofit organizations at the global level. If this is the case, Bosompem's guide, although a more recent publication, may have omitted thousands of African indigenous NPOs in his compilation. It is quite possible that Bosompem may have over-sampled the intermediate relatively large-scale nonprofit organizations. These types are often more easily identified, and may constitute the few with established track records that the international NPOs or nongovernmental organizations (NGOs, as they are often called), and other funding institutions collaborate with when implementing their development agenda in Africa.

There are different typologies and terminologies for nonprofit organizations. Hellinger (1987) describes two types based on the relationship with the donor organization and national government. On the one hand, there are indigenous NPOs that are relatively large-scale and fashion their projects to complement the priorities set by international donors overseen by international NGOs. On the other hand, there are others that, by intent or default, tend to avoid complementary relationships with large donors and governments. These NPOs are content to work at the community level to help build organizations for self-sustaining change, and to influence local and national policies. Another classification proposed by Antrobus (1987), separates
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“user” organizations from “intermediaries.” User organizations are close parallels of the community-type NPOs described by Hellinger (1987). They tend to be more localized, and are more focused on meeting short-term and immediate needs of their members. Intermediaries have a tendency to work at the national, regional or international level, and may exist for the purpose of meeting the needs of others other than their members. This dichotomy seems quite arbitrary since some groups might pursue both “user” and “intermediary-type” objectives and also use the same strategies to accomplish those objectives.

Boris (1999) uses yet another approach that classifies nonprofit organizations by their mission. The major categories here are health, art, education, human services, environment, etc. In an economy with a well-established third sector, NPOs can be classified as grassroots NPOs or peoples organizations, professional NPOs, grantmaking NPOs, or support NPOs. Garilao (1987) provides a full explanation for such a classificatory scheme. It is doubtful that NPOs in Africa have developed sufficient stability and sophistication in network and a distinct socioeconomic-political function within countries to elevate them to a status sector. However, the term is used loosely in this analysis, thus disregarding its restrictive usage for a mature sector from Garilao’s perspective. Furthermore, applying Garilaos evolutionary framework, many nonprofit organizations are in their first stage of formation and development and some at the consolidation stage when leaders in the field emerge and expertise begins to develop. Only few may have become institutionalized. If Boris pattern discussed earlier holds for every region on the globe, it might be equally true that only few NPOs in Africa, perhaps fewer than 4 percent; fall under the large-scale consolidated category. These large NPOs are more likely to have interaction with institutionalized international NGOs. If this is the case, only very small proportion of African NPOs may have access to government and external financial sources.

CAUSES OF NPOs GROWTH IN AFRICA

Writing roughly a decade ago, Antrobus (1987) indicates that indigenous NPOs are a more recent phenomenon (when compared with international NGOs). They represent a “symbol of the peoples new-found confidence in defining their own needs and priorities and in taking responsibilities in addressing these” in post-colonial rule (p. 96). The dramatic expansion of African NPOs in the last two decades have been attributed to specific factors ranging from the failure of government as an agent of development, the deteriorating economic conditions, global political economic crisis, the development crisis and the search for
alternative mechanisms for change (Hellinger, 1987; Antrobus, 1987; Sanyal, 1991; Garilao, 1987; Edwards and Hulme, 1996; Salamon, 1994; Steuerle and Hodgkinson, 1999). In general, government action or the lack of it is one of the most dominant factors that influence the character of the nonprofit sector. In America, for instance, it has been cited that the devolution of government welfare programs in the 1990s accelerated the search for more cost-effective, flexible and somewhat autonomous methods for service delivery to the needy, hence the focus on nonprofit (Steuerle and Hodgkinson, 1999). Consequently, nonprofit organizations have increased in size and scope to serve as intermediaries and contractors in delivering services financed by government. This implies that the availability of government funding did and can explain much of the rising trends we observe recently, particularly in the Northern Hemisphere. While explanatory evidence for the spread of southern NPOs, including Africa is harder to come by, it is the claim that the significant growth recorded in many countries in the South is a consequence of the availability of official funding coming from the North (Fowler, 1991; Constantino-David, 1992). If this is the main reason, it will be expected that many southern organizations would have access to the financial sources in the North.

Another alternative view comes from the political-economy framework or the neo-Marxist argument. This view asserts that the failure of global capitalism in the late twentieth century (the oil shock of the 1970s and the recession of the 1980s) produced redundant labor that could no longer be supported by states in the peripheral capitalist countries (Sanyal, 1991; Salamon, 1994). These states are themselves constrained by severe financial crisis. Also, the argument posits that economic hard times forced these societies to seek alternatives for enhancing economic progress. As a result, NPOs are increasingly relied upon as autonomous and flexible development agents that can better address the needs of the poor. Their activities have become fundamental in building civil society.

Furthermore, the strategies being adopted by international donors in recent years contribute to the spread of nonprofit organizations. Most donors are increasingly moving away from working with recipient countries governments because the traditional large-scale, top-down government projects inhibits participation of the ordinary poor people (Sanyal, 1991; Ishikawa, 1999)). Instead, donors seek to work directly with indigenous NPOs who can insert grassroots knowledge into the design and implementation of development activities, and also directly impact the marginalized. According to Hellinger (1987, p. 135), these NPOs “provide an alternative road for the bilateral donors, the World Bank, and the other multilateral development banks and international donors to follow if they are interested in changing the direction of their
programming.” The sector may also have grown with the anticipation that international financial assistance would become readily available to support nonprofit operations (Steurerle and Hodgkinson, 1999).

FUNDING SOURCES FOR NONPROFIT ORGANIZATIONS IN AFRICA

Rigorous research on nonprofit organizations in Africa is scarce. Therefore, a good background on the funding pattern or sources would also be thin. Many analysts, including Edwards and Hulmes (1996) also encountered problem of data availability and had depended on a few select sample for their study. According to Salamon (1999), the available research in this area focused more on developed countries and as such, serious research on nonprofit-government interaction is limited. The general assumption is that African states are constrained by severe financial crisis and are not in a position to provide adequate, if any assistance to support the initiatives of nonprofit sector. In fact, the common impression is that official funding from the North fuels the spread of the nonprofit sector in the South (Edwards and Humes, 1996; Salamon, 1999; Fowler, 1991; Constantino-David, 1992; Voorhies, 1993; Arrelano-Lopez and Petras, 1994; Cernea, 1988).

Many analysts believe that the long-term survivability of these organizations depends on the ability to harness unending support from foreign donors. This assumption may be true however for well-established NPOs in Asian countries like India, and Bangladesh, and a few others in some pockets of African continent like Zimbabwe, Ghana, South Africa, and etc. Third World privileged NPOs exhibit significant differences in funding issues relative to the large international NPOs. The international NPOs are likely to be more affluent because they have a long history, and many participated in the colonization process. Some are permanent part of the structure of their governments. In America, they fostered as a result of a systematic devolution of certain government responsibilities by the government to nonprofit organizations. In addition, American government provided significant financial support to sustain operations in these third sector organizations. In essence, their funds come from their governments as well as the private and corporate charitable organizations and individuals. In contrast, NPOs in the developing nations are not as visible as their Northern counterparts, and they are less likely to have significant financial support from their governments given the prevalent economic hardships in these countries. Besides, the reason(s) for the establishment of African NPOs, to start with, might be different from that of Northern non-governmental organizations (NGOs).
Reasons other than the conscious efforts of Northern governments to shift some welfare responsibilities to the third sector could explain their formation. The lack of faith in the traditional model of development in which governments ability to prioritize and deliver social services to the poor inspired many NPOs to take some of such responsibilities into their hands (Antrobus, 1987).

Moreover, if the NPO sector in Africa has not stabilized, many could still be in their formative or consolidation stage of development. Lack of stability could mean lack of operational capacity, which includes inadequate skills, or an effective network that can allow them to interact productively with their governments, foreign NGOs, and other institutions. It is not clear whether thousands of the NPOs in Africa have access to international funding like the large-scale organizations working at an institutional level. Neither does the literature say much about the potential of African NPOs to generate sustainable resources internally. Garilao (1987) did point to the fact that internal resources are limited for Third World NPOs. For long-term survivability, however, he does not believe that nonprofits should fall into the trap of becoming almost completely dependent on foreign aid. Garilao points to one problem that might be inhibiting the organizations in Africa from forming mutual partnerships with funding institutions. Grant makers usually associate with NPOs that are considered “best” performers in the sector, and reports show that such NPOs are limited in number. Grant-making NPOs, according to Garilao, have always been confronted with the problem of grantees lack of capacity to utilize resources effectively. In view of this, most donors have little confidence that these organizations can deliver services efficiently. Consequently, resource transfers do not often get to target regions.

Garilao alludes to the importance of income-generating projects and volunteer labor through the experience of an NPO executive in an Asian country. The referenced NPO executive was able to sustain his organization for several months, although with difficulty, after their main financial supporter discontinued its assistance. They were able to generate financial resources through some income-generating projects. The analysis suggests that volunteer labor and income-generating project are important resource factors in the financial management of nonprofit organizations. The perspective of exploiting alternative sources such as free labor and investment for survival is important. Unless the effort involves small-scale village projects, economic conditions in Africa can and do affect the stability of these sources as well. Under sustained negative condition, NPOs cannot move forward as a dynamically adaptive organism (Robinson, 1997).

The concern about the ability of large NPOs to reach the poorest in the vast region of Africa is important. Many scholars agree that the well-established
indigenous NPOs perform better than the government in reaching the poor. However, a few studies have shown that they fail to reach the poorest (Hulmes and Mosley, 1995; Howes, 1997; Farrington and Lewis, 1993; Riddell and Robinson, 1992). Farrington and Lewis indicate that the largest NPOs in Bangladesh reach less than 20 percent of landless households in the country. The possibility that this problem prevails in Africa provides further incentive for this research to focus on smaller grassroots organizations. Many of these organizations are located in the rural parts of the countries. If the landless or poor households are not reached, it may imply that funds are not adequately channeled through to them (assuming resources are available in the hands of larger NPOs). In fact, Robinson (1993, p. 8) points to the possibility that large NPOs may “concentrate resources in regions and sectors that might not be important for national development.”

In general, a number of factors would affect the ability of NPOs in Africa to attract funds. These factors, according to Antrobus (1987) include:

- their ability to use scarce resources efficiently and effectively
- their track records and credibility
- their relationship with and the support they get from their governments
- the extent to which their agenda agrees with that of the donors
- their knowledge of and ability to access external funds, both domestic and international.

**METHODOLOGY**

This analysis makes use of a number of methodological features. In exploring the financing of NPOs in Africa, this study excludes large indigenous types that have become institutionalized and have established a long history of partnership with both their governments and foreign sponsors. It was indicated earlier that such organizations are relatively few and tend to be grant-makers themselves. There is little justification therefore, to juxtapose them in the sample with numerous smaller indigenous types that may not have attained stability or cannot generate needed funds very easily. Many of these indigenous organizations are located in or close to the rural regions and are more able to reach the rural poor. They are scattered in areas of great social needs. It is also indicated earlier that foreign-acquired resources tend to concentrate in the hands of large NPOs who do not seem to reach the very poor. For this reason, small NPOs deserve serious attention. While the study sample contains relatively small NPOs, they are selected from the rural and urban areas.
NPOs have many different focuses: social, economic, political, cultural, health, education, and others. The mission of these types of NPOs often embodies significant development agenda. This research focuses on NPOs with clear developmental approach. Unfortunately, many countries do not require registration before a nonprofit can begin operation. This makes it rather difficult to compile a population from which a probability sample can be adequately selected. The procedure employed is, therefore, limited to convenience sampling, but assuring that those sampled meet, at least, the requirement that their projects or programs have a developmental perspective.

For example, Mother Theresa, one of the non-profits sampled in Awka town, in Nigeria, is known for its micro entrepreneurial project that provides self-sustainable skills to the poor and makes short-term loans for petty business start-ups.

Also, selecting a sample for a nonprofit study in Africa, especially when the focus is on grassroots nonprofit organizations posed other challenges. Poor communication systems, or sometimes the absence of easy communication means, and the lack of adequate incentive to make some NPOs respond to the survey were quite problematic. In addition, communication costs made it rather difficult to follow-up and remind respondent to complete the questionnaires.

A survey method was employed to generate data for this analysis. The purpose of this research is to explore the financial strategies that African NPOs employ to generate resources in order to determine the financial challenges that confront them. There were 13 countries altogether. One hundred questionnaires were distributed to nonprofit organizations in selected countries. Out of the 100 questionnaires distributed, 60 were completed. Each country selected completed at least three questionnaires. Questions were asked regarding respondent’s mission, sources of revenue, age of organization, financial challenges encountered, the extent of support received from the government, issue relating to accountability, community volunteerism, performance measure techniques, education of the head of the organization. A few of the questionnaires were sent via electronic mail while most were sent through regular snail mail.

The “sources of revenue” question probes the extent to which respondents diversify revenue sources. Sufficient diversification can give nonprofit organizations more flexibility, help them avoid the risk of dependency, and to a certain extent, ensure longer survivability (Smith 1999). Diversification is important for any organization that requires substantial financial resources to survive. The economic crisis of the 1980s in America has enlightened many state governments about the necessity to maintain a diversified economic base. This principle is equally important for nonprofit
organizations because they depend on the charity of others to stay in operation. Furthermore, the pattern of responses to this question can suggest the effectiveness of the organizations fund-raising strategies. A sub question in the category asks for the proportion of revenues that flows from government and international sources. A common notion is that government support for NPOs is crucial for their survival and effective operations. If so, are African governments providing sufficient support to their nonprofit sector? Data from this survey helps discern the extent of government and international support.

In this study, respondents were further asked to state the age of their organization and the educational attainment of their supervisors. The rationale for probing the maturity of organizations is obvious. Younger organizations may lack adequate managerial skills for effective and efficient operation. They are also unlikely to adapt to dynamic environments quickly like the more established ones. The question about education is asked because of the assumption that educated people have the potential to manage effectively. Effective management skill could be reflected in the type of financial strategies adopted by the organization coupled with the ability to develop partnerships with grant-makers both internally and internationally.

The question about the financial challenges non-profits encounter is intended to gather other specific financial management information. These data may not be captured from responses to the question relating to revenue sources. The criteria for selecting a nonprofit in the sample were already established earlier. Knowing what the mission is helps ensure that the criterion about type of activities is met. This information may be useful for a comparative analytical work, or inspire further research in this area.

Respondents were asked to express their opinion about how ethical or accountable non-profits in Africa are in general. It is not expected that a nonprofit organization would reveal any information that would make it look not trustworthy, but it would likely make a more honest general assessment of how responsible organizations are as a whole. This information has much relevance because grant makers are more comfortable working with the “best” credible organizations. This can significantly affect their ability to raise funds. Organizations who evaluate themselves would be able to very quickly detect problem areas and are more likely going to do something to correct such problems. Evaluating organizational performance periodically, if done properly, would reveal organizational strengths that can be used as leverage when soliciting for funds. It can also reveal weaknesses that need to be eliminated.

Finally, respondents were asked how readily volunteer labor could be harnessed. This question is particularly important because, it is
understood that when physical cash for operation depletes, free labor could stabilize the organization, at least in the short-run, and would significantly augment other sources of revenue permanently.

**ANALYSIS OF FINDINGS**

Table 1 shows the responses to the question pertaining to sources of revenue. Respondents were asked to check as many categories of that question as it applies to them. The financial source categories are outlined in Table 1.

Because respondents are asked to check as many categories as are relevant to their experience, there is bound to be some overlap. To make interpretation easy, each percentage figure reported in the table is based on the total number who responded to each category. For example, 40 percent of the sample indicates they use business firms as a revenue source. Some of those who use this source may also use individuals and business firms. As such, the column total percent will be greater than 100. In fact, there is no need to do this because it is theoretically incorrect to do so. In general, the majority of respondents generate resources from domestic sources (government, business firms, individuals, self-effort and volunteer labor) since only 20 percent use international sources. Individual contributions and self-effort are the most exploited. Ninety-three percent cite individual sources while 66 percent cite self-effort. The average nonprofit revenues that flow from these sources, for those who use them, are 32 percent and 58 percent respectively.

To see this in a different light, it means that almost all NPOs in the sample (93%) depend on individual sources for a significant portion of their revenue (32%). A great proportion of the respondents (66%) also depend heavily on self-effort, which is described as any kind of income-generating project. This provides 58 percent of users total revenue. Government and international sources are the least cited (20 percent of the sample use these sources). Contrary to expectation, government sources contribute the least both in terms of revenue and in terms of the number tapping into that source.

Table 1

**Sources of Finance For Select Nonprofit Organizations in Africa**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Percent of NPOs Using Source</th>
<th>Mean (%) Resource From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Firms</td>
<td>40</td>
<td>16</td>
</tr>
<tr>
<td>Government</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>International Donors</td>
<td>20</td>
<td>55</td>
</tr>
<tr>
<td>Individuals</td>
<td>93</td>
<td>32</td>
</tr>
<tr>
<td>Self Effort</td>
<td>66</td>
<td>58</td>
</tr>
<tr>
<td>Other (Volunteer)</td>
<td>73</td>
<td>11</td>
</tr>
</tbody>
</table>

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This expectation, however, is based on the standard in the Northern Hemisphere where government funding is assumed to have not only encouraged the spread of non-profits, but their sustenance. On the other hand, international sources contribute 55 percent of revenue to the few 20 percent non-profits that use it. Consistent with the literature, not many NPOs have access to international sources, particularly the small grassroot organizations. However, the non-profits that can form viable partnership with international grant-makers can derive substantial portion of their financial resources from them.

Slightly better than government sources, business firms provide a meager 16 percent of the operating revenues to the non-profits who use them. This finding is also contrary to what is obtainable in industrialized countries. It is not surprising that business and government sources contribute the least to nonprofit operating funds in Africa. The continent has suffered from prolonged economic hardships and still faces the challenges of high unemployment as well as weak economic conditions. A stable and productive economy increases the chance of charitable contributions by individuals, businesses, government, and organizations. If businesses do not thrive, business firms would give little or nothing as a result of falling profits. The same contention applies when individuals are without jobs or have low paying jobs. So non-profits, all things being equal, will raise as much resources as the economic condition allows. Perhaps, if economic conditions are good and businesses contribute more, the burden on individuals would be reduced. All NPOs in the sample maintain that government and the community think their role in the economy is important (see Table 2). If this assertion is true, governments and businesses would contribute more to nonprofit causes. From the results in Table 1, the contrary is the case. The question then is why? Poor economy is likely to be an important factor. Twice, the economy was pointed at as a delimiting element. First, 20 percent of the respondents indicate that individuals would likely volunteer their services depending on whether the economy is good or bad. Second, the future of non-profits depends, in part, on the condition of the economy. These results are presented in Table 2.

The pattern of government assistance as depicted in Table 1 is not really different from what is obtainable in other non-African developing nations. Many of them depend on individual donations and other private sources. The data reported by Anheier and Salamon (1998) suggest that, like African NPOs, Brazilian nonprofit sector organizations were relatively disassociated from the state and have quite autonomous financial plans. The most frequently reported revenue sources for Brazil did not include income-generating project. The public sector and international support provided 17 and 13 percent revenues respectively.
Most NPOs responded that accountability is high in the sector. Forty percent indicated that accountability is at least high, while 47 percent believed non-profits are just accountable. Only 6 percent responded “not accountable” (see Table 2). If this view is generally correct, any hardship that might be encountered in generating revenue may not be attributed to lack of credibility. In fact responses to the open-ended question relating to the financial challenges encountered by NPOs, as reported in Table 1, seem to show that much of the hardships come from limited sources. Sixty-six percent of the sample cited limited sources as the main obstacle. Other impediments include constrained operating resources (26% respondents), no knowledge of sources (13%), and limited grant amounts (7%). Any factor that affects sources of revenue in a negative way will have the same effect on operating fund. The issue of limited grant amount may suggest something about the financial relationship between grant makers and the recipients. Is it relatively short or long-term? One of the non-profits in the sample stated specifically that most of the donors “give a one-time small grant basically for community organizing and neighborhood project.” Some indicated that because resources flow to them in the form of small-project grants, capacity-building projects that require larger funds and multiple grant periods are seldom considered.

Information about NPO missions, as presented in Table 2, shows that they are involved in a variety of development activities. Most nonprofit organizations are involved in some kind of economic/community development programs. Others involve women projects; orphanage; political support programs and church managed empowerment projects. The church-related programs qualify for economic/community development causes, but it is given a separate category to indicate a nonprofit organization managed by another nonprofit organization. Otherwise, the isolation does not carry much significance for this study.

All non-profits indicated they evaluate performance annually. While most NPOs use “number of projects completed per year” and “number of participants served per year” as measures of effectiveness, many use a mix of the evaluation methods categorized in Table 2, including survey evaluation. The “other” category includes some subjective methods of evaluation such as, community commendations, and the change in interest in their programs.

Finally, respondents opinions about the future of NPOs in Africa are quite mixed. Although 33.4 percent believe the sector is growing very rapidly, opinions are not very different between a promising future and a bleak one (see Table 2). About 13 percent, however, think that economic condition will help decide how NPOs will thrive in Africa. This pattern in which there is no significant difference in opinion between a promising future and a bleak one could be attributed mainly to the poor performance of the economy, which
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affects the level of government and business support for non-profits. It can also be attributed to non-economic factors such as lack of full appreciation of the importance of NPOs.

Table 2
Responses to select Survey questions

<table>
<thead>
<tr>
<th>Percentage of NPOs Responding</th>
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<tbody>
<tr>
<td><strong>Sources of finances</strong></td>
</tr>
<tr>
<td>Business Firms</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td>International Donors</td>
</tr>
<tr>
<td>Individuals</td>
</tr>
<tr>
<td>Self Effort</td>
</tr>
<tr>
<td>Other (Volunteer)</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Financial Challenges Faced by Nonprofits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of adequate operating fund</td>
</tr>
<tr>
<td>Do not know many sources</td>
</tr>
<tr>
<td>Limited sources of revenue</td>
</tr>
<tr>
<td>Limited grants</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What is your opinion about NPOs accountability?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not accountable</td>
</tr>
<tr>
<td>Fairly Accountable</td>
</tr>
<tr>
<td>Accountable</td>
</tr>
<tr>
<td>Highly accountable</td>
</tr>
<tr>
<td>N=60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mission of Nonprofits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic/Community development</td>
</tr>
<tr>
<td>Educational projects</td>
</tr>
<tr>
<td>Church related empowerment projects</td>
</tr>
<tr>
<td>Women support projects</td>
</tr>
<tr>
<td>Orphanage</td>
</tr>
<tr>
<td>Political support group</td>
</tr>
</tbody>
</table>
*Do your government and community believe your role is important?
Yes 100
No 0
N=60

*Do people readily volunteer their services?
Yes 60
No 20
Depends 20
N=60

*Which of the following volunteer their services more readily:
Women 80
Men 20
N=60

***Method of Evaluation:
Number of projects completed per year 42
Number of participants served 46
Survey evaluation 14
Other 15

*Choose one of the following that best describes your perception of the future of NPOs in Africa:
growing very rapidly 33.4
Promising 26.7
Depends on economic condition 20
Bleak 20
N=60

*Questions with no overlap: Respondents checked only one category
**Questions with overlap responses: Respondents checked multiple categories
***open-ended questions with overlap responses
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DISCUSSION

From the results of this study, it can be said that NPOs in Africa diversify their revenue sources. This is a healthy survival strategy for any organization that operates on an on-going basis, which requires substantial and/or steady flow of resources to stay alive. Even a business firm that generates profits must employ a form of service or product diversification scheme to safeguard against the danger of depending on one service or product line. It accomplishes this goal by broadening its line of products. Some of the products may not generate sufficiently high profits, but they are kept in the line to cushion the effects of market fluctuations in the other products, or vice versa.

It is obvious from the pattern of use of the revenue sources and the amounts generated from them, that “individual” and “self-effort” sources are excessively used relative to other sources. The next most used base (business source) generates only 16 percent of revenue. An attempt has been made earlier to explain why the pattern may have appeared as it is. What needs further attention is the implication of the nature and performance of these sources for the survival of nonprofit organizations.

First of all, the heavy dependence on individual contributions and income generating projects could mean that these options are the “best” available at the present. It can also imply that some of the nonprofit organizations in Africa have not developed adequate skills for nonprofit management and as such cannot manage their finances effectively. Further still, it could imply both the effects of limited sources and poor management. Any one of the assumptions above is problematic. The question then is, can these be remedied, and if so, how? Expectations are high on NPOs to act both as development agents and a voice for the grassroots in the post Cold War Africa. The task is enormous, but the results seem to indicate that resources are difficult to procure. In a serious sense, nonprofit organizations are not designed to operate as profit maximizing entities. Most of them have always depended on charity, particularly the grassroots types that dominate the study sample. Let us, for the sake of argument, make a case for the assumption that individual contribution and income-generating sources are the best sources. A number of reasons make these sources either insufficient or unstable. Some characteristic features of most African nations are national poverty, low per capita income, prolonged economic strife and poor economic base. How affluent the average individual is, is often influenced by the economic condition of a country. It is therefore difficult to think that the contributions of individuals in a poor economy would provide sufficient revenue to augment the thin purse of nonprofit organizations in Africa. The ability of individuals and businesses to provide reasonable support depends on how productive the
A good economy generates employment and business opportunities that ultimately increase personal wealth.

It is hard enough for entrepreneurs to do normal business in a hampered economy. The situation is worse for a nonprofit that depends on small business projects or investments to sustain its operation. In case it is being misunderstood, income-generating projects are strongly encouraged. It is a good complementary source of revenue. Some NPOs have been able to keep operations going for a while until additional income was mobilized. Others have been able to generate just enough to undertake and complete a small community project. However, if the economy is weak, and if there are no other viable sources, the ability to raise sufficient revenues from small investments is constrained. In fact, weak economy might explain why business firms contribute only 16 percent revenue to the nonprofit organizations that use that source. The same reason might explain the conflict between the level of governments financial support and their positive view about the role of nonprofit organizations. All NPOs in the study sample indicate their governments believe that they play important role in the society. Yet governments provide the least financial assistance to non-profits. The only source that has the potential of contributing substantial revenue and stability to nonprofit financial management is the international. Incidentally, only few nonprofit organizations have access to foreign donors.

Perhaps given the above argument, it is not surprising that the majority of nonprofit organizations (56%) cited “limited operating funds,” and “not knowing enough sources” as the two main challenges facing them (see Table 2). To balance the argument though, other factors may be affecting the level of commitment from business and government. It is quite possible the society as a whole does not fully understand the potential of nonprofit organizations to make a significant difference in the development efforts in Africa. If this understanding or awareness is lacking, then NPOs would not be taken seriously.

CONCLUDING REMARKS

The results reported in the analysis indicate that both the government and nonprofit organizations should take systematic steps to increase community interests and involvement in philanthropic activities. A partial explanation for the huge success of NPOs movement in Japan, was governments effort to encourage citizens involvement (Ishikawa, 1999). Individuals and businesses as well as NPOs and governments cooperate as partners in the development efforts in Japan and in other countries that Japan supports. It makes a great difference when individuals and businesses are actively involved in the
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development of their community. It makes even greater difference if they show confidence in, and support for the activities of nonprofit organizations. These organizations are important mechanisms for channeling development resources to their best use. The government as well as the people must understand the role NPOs play or are expected to play in sustainable development efforts. To show its support in a constructive manner, governments can act as fund-raisers for NPOs. They have the power and the prestige to targeting both international donors, and potential sources within their jurisdictions. It can encourage individuals and businesses to contribute more to nonprofit causes by providing some incentives for charitable contributions. In turn, standards can be established that spell out procedures for nonprofit accounts keeping and performance evaluation. This would improve accountability and raise public confidence in NPOs. Most respondents use the “number of projects done” and “number of participants served” as effectiveness performance measures. Although the sample result does not suggest any problem of accountability (87% think NPOs are accountable), an evaluation method that also measures the efficiency in resource use will be well received by the government and donors.

Currently, data on NPOs in Africa are difficult to assemble because many countries do not require registration. Requiring NPOs to register their organization would serve some objective functions. It would be easy to track these organizations, and most likely make coordination and cooperation easy among them. It can make future research in this field easier. Collaboration among NPOs would improve efficiency in the use of resources, increase donors confidence, and attract more funds.

A strategic plan for the growth and performance of NPOs should include educational opportunities for staff and managers of nonprofit organizations to acquire knowledge and skills necessary for nonprofit management. Universities and trade schools could serve as the main facilitators in this respect, while governments provide scholarships to participants. Most NPOs in the study have supervisors with less than a university education and management in todays complex environment needs adequate training and skills. Education can enhance supervisors ability to research and identify revenue sources, solicit for funds aggressively, and maintain a sustained relationship with donors.

As a final note, education, government, business, and community involvement are necessary for the survival of non-profits. However, if the economy does not improve much beyond its present condition, nonprofit organizations will continue to lack the resources for capacity building as well as operation. International donors have substantial resources available for development activities in Africa, but only few large NPOs have direct access to
them. Furthermore, these large NPOs fail to reach grassroots organizations where the needs actually exist. Moreover, the literature shows that although international donors are big spenders for African causes, the flow of such funds have been dwindling since the end of Cold War (Ishikawa, 1999). African economy must develop if things are to change for NPOs in Africa. However, the society must understand fully the crucial role they play in directing positive economic, social and political changes in the continent.

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African Social Science Review


