STANDARDS

Uganda's non-profit organisations face a funding and credibility crisis at the same time. But a new accounting standard offers a way through for both scenarios.

Why NGOs can no longer afford to keep bad books

Financial reporting. |

DEOGRATIUS WAMALA

Nonprofits face collapse after aid cuts, but a new accounting standard promises transparency, resilience, and a path toward rebuilding donor trust. PHOTO / FILE

Uganda's non-profit sector is in crisis, and has been for longer than the crisis everyone is talking about.

When the US dismantled the USAID in early 2025 and cancelled 90 percent of its foreign aid contracts overnight, it was the most dramatic blow.

But it landed on a sector already in trouble. Uganda had gone from 14,000 registered non-profit organisations in 2019 to just 7,000 by early 2026. Half the sector had disappeared before USAID arrived to finish the job.

Those still standing were buried in paperwork: a single organisation with five donors could spend its entire finance function producing up to 15 different financial reports a year.

But when the money stopped, most had less than three weeks of cash in reserve. The US had invested $3b in PEPFAR Uganda since the programme launched in 2004, spending roughly $300m annually at its peak to keep the HIV response running.

That programme, over two decades, had driven the country's infection rate from 19 percent in the late 1990s to 5 percent by 2024, Health Ministry data shows.

But it lost its implementing structure overnight. Some 1,000 clinics closed or merged. Around 1.5 million Ugandans on antiretroviral treatment were redirected to public hospitals with neither the staff nor the drugs to receive them.

"People with HIV are being told to integrate into government health centres," said one peer counsellor, "which are struggling with so many other diseases without funding."

Into this arrives a 300-page accounting document. It is not the most electrifying response to a humanitarian emergency.

But the International Non-Profit Accounting Standard, published in Geneva in October 2025, addresses something that made the sector this fragile in the first place, which is the complete absence of a common financial language.

That absence is a market failure, and market failures, once properly named, can be fixed.

50 years behind the rest

For-profit companies have reported under the International Financial Reporting Standards since the 1970s.

A balance sheet at Stanbic Uganda follows the same rules as one at Deutsche Bank in Frankfurt.

Governments have the International Public Sector Accounting Standards, which are imperfect but shared.

The organisations that deliver boreholes, school meals, HIV drugs, and maternal care to the poorest had no equivalent. They improvised, and that became dangerous when viewed at scale.

An organisation receiving money from five donors would typically produce between 10 and 15 separate financial reports a year.

Moses Tibamwenda, head of audits and business development at BDO East Africa, has spent 15 years working on such reports, with finance teams spending less time understanding their organisation's position than reformatting the same numbers into dialects where nobody agrees to speak. "The phrase that is supposed to say 'these accounts give a true and fair view in accordance with...' had nothing credible to follow it," says Kenneth Makanga, a managing partner at BDO East Africa.

The Institute of Certified Public Accountants of Uganda attempted its own national framework in 2016. Kenya tried something similar in 2017.

Both efforts were eventually set aside when something bigger appeared on the horizon.

In 2019, two international organisations, Humentum, a global non-profit advisory body, and the Chartered Institute of Public Finance and Accountancy, launched a project to build the first accounting standard written specifically for non-profits.

It took six years, cost $4m, and drew formal input from 549 organisations across 86 countries.

The result, published in October 2025, was International Non-Profit Accounting Standard, a standard that finally treats non-profit finance as its own discipline, with its own rules, rather than an awkward borrowing from frameworks written for banks and governments.

A market failure

The absence of a shared financial framework created the conditions for a market failure.

Donors had no reliable way to judge the organisations they funded. A surplus could mean genuine efficiency, or a low overhead figure could mean a well-run organisation, or one neglecting staff, equipment, and reserves it needed to survive.

Unable to trust what standard reports were telling them, rational donors began demanding to see the finances on their own terms. That is how 15 reporting formats came to exist.

Researchers at Stanford's Social Innovation Review named the resulting pathology the "non-profit starvation cycle."

Donors, suspicious of overhead, imposed caps. NGOs respond the only way they can by cutting spending on the things donors cannot see, such as salaries, IT systems, training budgets, or relabeling such costs to make them disappear from the overheads.

Seeing lower numbers, the bar kept dropping, but all the while, organisations hollowed themselves out from the inside, stripping away the very infrastructure that makes their programmes work.

A 2022 Humentum study found that over 60 percent of funding agreements failed to cover the full administrative costs of delivering agreed outcomes.

In fact, half the organisations surveyed held unrestricted reserves, which are cash they could spend at their own discretion, equivalent to fewer than 21 days of expenditure.

Then 2025 arrived. Global official development assistance fell 23.1 percent, the largest decline ever recorded, to $174.3b, according to data from OECD.

American aid was halved in a single year, with many organisations left to the mercy of pension funds, regional development banks, or an impact investor to trust them with money, who want accounts that make sense.

What changes, and why it matters

The International Non-Profit Accounting Standard was built on the International Financial Reporting Standards (IFRS), a version of accounting rules that accountants are already familiar with when auditing smaller companies.

The full IFRS runs to over 10,000 pages. INPAS runs to 300. Three changes matter most. The first is grant income recognition. Consider two Ugandan organisations, each receiving Shs3.6b on December 29.

The first books are immediately: a surplus appears, the board is pleased. The second defers it to January, when project work begins: a flat result. Both followed legitimate policies. Neither lied. But anyone comparing them is reading different scripts.

Thus, International Non-Profit Accounting Standard requires organisations to examine the actual conditions in a grant agreement before deciding whether to record it as income. A surplus or deficit in the accounts will, for the first time, reliably mean something.

The second is fund accounting, the standardised separation of restricted from unrestricted money.

Restricted funds are tied to specific purposes: the borehole, the vaccination campaign. Unrestricted funds cover rent when a project ends, an outbreak no body budgeted for, or the finance manager being poached by a better-paying employer.

In Uganda, the unrestricted share of most non-profit organisation budgets is negligible. This is not an accident.

Donors who cannot verify what unrestricted money bought push everything into restricted grants. International Non-Profit Accounting Standard closes that gap. If an organisation can show in standardised, auditable accounts exactly what its unrestricted funds were used for, the donor's traditional reason for avoiding them dissolves. That is the foundation of a different funding relationship entirely. The third is the narrative report, a non-financial account of what the organisation does and why it exists, required alongside the numbers.

"The annual reports had incredible stories. One organisation narrated how they dug one borehole in a sub-county. You could read how the grass was greener, the women healthier, the men happy. But when you went to the financial report, you could hardly find the borehole. The numbers spoke a completely different language from the story," Makanga explains. The narrative report forces that language to become one.

The case for Uganda moving first

Uganda is better placed than most to adopt early. Of the 549 formal responses submitted during the six-year development, Uganda contributed the largest single-country share from eastern and southern Africa, 27 percent of the region's input.

The Institute of Certified Public Accountants of Uganda helped shape the standard. Kenya and Tanzania are developing their own, while Rwanda's NGO sector is smaller and more government-aligned. Uganda, with its organisational density, professional accounting infrastructure, and a regulator willing to listen, is positioned to become the regional reference point.

Charles Lutimba, the Certified Public Accountants of Uganda director of standards and regulation, says the institute will publish an adoption roadmap in the second half of 2026.

"The dividends will come not in the short term," says Makanga.

Yet, the International Non-Profit Accounting Standard adaptation director, Samantha Musoke, says that many of the people she spoke to over six years were surprised that there isn't a standard.

Key insights

- When the US dismantled the USAID in early 2025 and cancelled 90 percent of its foreign aid contracts overnight, it was the most dramatic blow that landed on a sector already in trouble. Uganda had gone from 14,000 registered non-profit organisations in 2019 to just 7,000 early 2026. Half the sector had disappeared before USAID arrived to finish the job.
- With the chaos yet to settle, arrives a 300-page accounting document, not the most electrifying response to a humanitarian emergency, but the International Non-Profit Accounting Standard, published in Geneva in October 2025, addresses something that made the sector fragile in the first place, which is the complete absence of a common financial language.
- In 2019, two international organisations; Humentum, a global non-profit advisory body, and the Chartered Institute of Public Finance and Accountancy, launched a project to build the first accounting standard written specifically for non-profits.

Key figures

$300m

The US had invested $3b in PEPFAR Uganda since the programme launched in 2004, spending roughly $300m annually at its peak to keep HIV response running.

60%

A 2022 Humentum study found that over 60 percent of funding agreements failed to cover the full administrative costs of delivering agreed outcomes.

When it's too late to start

Retirement. |

JOSHUA MAZUNE

There is a particular kind of silence that follows retirement. It is not always the silence of rest. Sometimes it is the silence of a phone that no longer rings with office demands, a salary that no longer arrives at the end of the month, and a family that still expects life to continue as before. For a number of people, retirement is not necessarily a gentle landing. It can be a sudden audit.

Retirement is predictable. That is why our failure to prepare for it is so costly. We plan weddings, introductions, funerals, school fees and Christmas travel. Yet the season that may last 20 or 30 years after formal employment is often treated like a surprise.

Then the payout arrives. Perhaps the NSSF lump sum lands in the account, and suddenly everyone has advice. Buy land. Start poultry. Put a taxi on the road. Build rentals. Fund a relative's business, put money into the agricultural Ponzi scheme offering unbelievable returns, copy the neighbour whose shop appears to be doing well.

The challenge is that money alone does not make someone ready for business. One lesson microfinance has taught me is that money does not create discipline. It exposes whether discipline was there before the money arrived. Business requires discipline, records, market knowledge, controls and patience. Customers do not buy because someone worked for 30 years. Workers do not become honest because the money came from sacrifice. A bad investment does not become safe because it carries the hopes of a family.

The danger is that retirement gives people cash at the exact moment they have the least room to recover from mistakes. A younger person can fail, learn and start again. A retired person may not have the same time, income or energy to rebuild. A savings plan started at 30 is freedom. The same plan discovered at 60 is damage control. A business tested while one still has a salary is learning. A business launched with one final payout is gambling with old age.

This is why I worry when someone says that business is their retirement plan. Entrepreneurship is difficult even for people who have been practising for years. Running a shop, managing stock, supervising workers, handling cash flow and keeping customers are not small matters. They are skills built over time. In many of our homes, money was always present but rarely explained. Parents paid school fees, supported relatives, bought land, contributed to burials and somehow survived difficult seasons. But few discussed budgeting, debt, saving, pensions, investment or risk. Children saw money being used. They did not always see money being understood.

In some homes, children are considered the retirement plan. That system is built on sacrifice and reciprocity. Parents educate children with the hope that children will later support them. But this arrangement is now under pressure. The same children expected to support ageing parents are paying rent, raising families, repaying loans and facing an economy that is not forgiving.

So parents feel abandoned. Children feel overwhelmed. Both may have a point. The answer is not blame. It is preparation.

We owe it to ourselves to understand retirement long before we receive our final cheque because there are options. Workers can make additional voluntary savings. Informal sector earners can explore regulated retirement schemes. Families can use Saccos, unit trusts, insurance products, treasury instruments and pension plans with proper advice. Employers can invite financial advisors to the workplace long before the farewell party. Banks and pension providers can stop speaking in brochures and start explaining risk in language ordinary people understand.

The point is not that everyone must become rich before retirement. The point is that everyone deserves a plan before anxiety takes over. Retirement should be the season when years of small, informed decisions begin to protect us. Financial education must not wait for grey hair. It should begin when we first earn, first borrow, first marry, first support relatives, and first dream of building a home. Families need more honest conversations about money, not lectures filled with complicated terms, but practical discussions about choices and consequences.

The writer is the Maru Credit managing director