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This article examines growing NGO-business hybridization of nonstate service providers in a dynamic, new sector: small-scale renewable energy in East Africa. Drawing from the literature on the commercialization of NGOs and social enterprises, we first conceptualize a spectrum of commercialization, highlighting how three types of hybrid organizations vary in their definition, motivation, level of integration, and financial model. We then investigate the causes for the recent *growth of hybridity among NGOs and businesses. We argue that changes in donor funding patterns, neoliberal ideology, and government policies on renewable energy have stimulated these entrepreneurial forms of hybridity. Finally, we examine the consequences for equitable access and accountability of these hybrid types of nonstate service provider.*

Introduction

At present, approximately 60 percent of Africans live without access to electricity (International Energy Agency 2010). The electrification rate in Africa is not only the lowest in the world, but appears to be actually *declining*, on average (Eberhard et al. 2009). To counteract this trend, in the contemporary era of neoliberal globalization and privatization, a range of private actors has been working to address energy poverty. Their work stands in contrast to the jubilant, postindependence era of the 1960s, when developmental states in Africa were the primary actors responsible for increasing access to electricity by expanding a highly centralized, national electric grid. Today, many of the new approaches to electrification are neither state led nor centralized.

Since the 1990s in many African countries, nonstate actors—such as nongovernmental organizations (NGOs), businesses, donors, and community organizations—have worked in parallel to or in partnership with central governments to develop new energy solutions at local levels. Many of these actors provide primary and backup sources of electricity via distributed generation (DG), small-scale and localized production of electricity. In Uganda, for example, one donor-funded company brings power to an otherwise off-grid community outside Kampala using a 32-kilowatt dry gasification device that converts maize cobs to fuel for a generator. Locally installed electric lines run from the generator to approximately two hundred houses in the community. In neighboring Kenya, an NGO practicing community-driven development techniques has organized an energy cooperative to manage a village-scale hydroelectricity station designed to power several local communities. These forms of generation are used because connecting new users to the central grid is often technically or economically too costly.[1] These systems are promoted to meet international environmental concerns about the effects of fossil fuel emissions on climate change, which make systems using renewable energy sources—such as wind turbines, solar photovoltaic (PV) panels, and small hydroelectric turbines—increasingly common throughout Africa.[2] For example, in 2013, the Obama administration launched Power Africa, an initiative intended to expand cleaner energy access to African homes and businesses through public–private partnerships.[3]

With an interest in the roles of nonstate actors in the expansion of DG in East Africa, we initially set out to understand collaboration among NGOs, businesses, community organizations, donors, and African governments.

While such polycentric collaborations (Ostrom 1996) occur in places, NGO-business *hybridization* in this sector is increasing. In some cases, for-profit companies have emerged as social enterprises that embody some characteristics traditionally associated with NGOs. In other cases, NGOs have incorporated commercial activities within their organizations. In a third organization type, NGOs develop complementary, for-profit spin-offs of their original nonprofit organization. In this article, we ask: what are the contours of these new hybrid organizational types? What are the reasons for this hybridity at this particular time? And what are the consequences for equity and accountability in service provision?

We first conceptualize this new category of African organization, drawing on the rich literature on NGOs and social enterprises to create a spectrum of hybrid organizational forms. We then examine existing theories that could explain the new organizational forms that we observe. We use process tracing to reveal the historical development of these NGO or business organizations at this particular time and in this region, examining how the East African experience in one sector compares to existing theory. We argue that changes in donor-funding patterns combine with national policy and regulations to stimulate these entrepreneurial initiatives at the grass roots. Finally, we examine how this specific type of nonstate provider in energy services has consequences for equitable access and accountability in Kenya, Uganda, and elsewhere in Africa.

Research Design and Methods

To study the hybridization of NGOs and businesses in the developing world, we examine a sector of the economy with both NGO and business involvement: the electricity sector, in Kenya and Uganda.[4] This sector has clear potential for commercial market expansion and meeting social needs. In Uganda, for example, only 14 percent of the population has any access to electricity, and only 12 percent of the population receives access from the national electric grid (25–0513g; Ministry of Energy and Minerals Development 2010).[5] Kenya fares only slightly better, with 16 percent connectivity (International Energy Agency 2011). Many households in Kenya are not exceedingly far from the grid, but connection costs are $400 to $500 per house, more than many earn annually (13–0612cs).[6] Thus, NGOs and businesses have become active in providing electricity in these countries. In recent years, rapid advancements in technologies for DG have made nonstate solutions more reliable and affordable, resulting in a spike in interest from donors, governments, entrepreneurs, and consumers. The push by nonstate actors to transform the electricity sector with new technology and business innovation challenges or redesigns the clientelist politics of state-dominated electricity provision in the past.

We study these two cases in East Africa because the countries differ on several theoretically important variables, including the nature of their political regime and economic structure. Kenya has had a relatively stable political environment since independence, whereas Uganda, its smaller, landlocked neighbor, has experienced decades of civil conflict. Despite postelection violence in 2008, Kenya has experienced more competitive elections, with alternations of the party in power, scoring higher on indices of democracy and freedom than Uganda.[7] Kenya has a more diversified economy and more rapidly growing middle class than Uganda. Both countries have experienced high levels of economic growth for the past decade, averaging 4.6 percent in Kenya and 7 percent in Uganda between 2003 and 2012 (World Bank 2013), but Kenya has recently emerged as a "low-middle income" country, while Uganda remains a "low income" country, according to World Bank classifications.[8] Finally, Kenya serves as an important regional hub of economic, humanitarian, and development activity. Drawing data from different country cases in Africa where similar trends of organizational hybridity are taking place suggests that our findings may have broader generalizability to other developing countries on the continent and beyond.

The first step of our data collection was to compile a comprehensive, original database of NGOs operating within the energy sector in the fifty-four countries of Africa. This web-based research was completed between January 2011 and May 2012. It contains information on 206 NGOs with a web presence conducting energy programs in each country and includes data on the types of activities they are conducting.[9] Only five African countries had more than twenty NGOs active in this sector, but Kenya and Uganda ranked first and second, with forty-seven NGOs in Kenya and thirty-nine in Uganda. Even if these two cases had a significantly higher number of NGOs compared with the rest of Africa, these NGOs were representative of the broader population in terms of the number exclusively focused on energy, the share dedicated to promoting a particular renewable technology, and the number focused on project implementation versus capacity building.[10]

We used this database to identify an initial population of NGOs active in Kenya and Uganda. We contacted every NGO in our database that had an office in Kenya or Uganda when we conducted fieldwork and then asked these representatives to identify other key actors in the sector, including donors, businesses, and government agencies. The resulting referral chain was valuable in revealing NGOs and businesses that may have been smaller, or more recently established, and thus not easily located through our web search.

We then conducted approximately eighty interviews for this research, speaking with people in Kenya and Uganda during June 2012 and May 2013, respectively. We spoke not only with NGO representatives and businesspeople, but also with NGO beneficiaries, business-product end users, civil servants, politicians, donor representatives, and researchers.[11] Most interviews were conducted in Nairobi and Kampala, the capital cities, but we visited small-town and rural projects in approximately a dozen other communities across the two countries.[12] Each interview was semistructured and lasted between thirty minutes and four hours (when a site visit was involved).

A Spectrum of NGO-Business Hybrid Organization

Much of the early literature examining the new roles for nonstate actors in service provision focused on the distinct missions and organizational advantages of what were considered three separate sectors: the state, for-profit businesses, and nonprofit NGOs (Chaplowe and Engo-Tjega 2007; Fisher 1997; Porter 2003; Rangan et al. 2007). Subsequent scholarship began to highlight the importance of collaborative governance or partnerships among these actors, but what we are conceptualizing here is different: boundaries between these roles are being blurred in recent years. We add to a nascent literature theorizing a growing hybridization between NGOs and business. Sabeti (2011), for example, discusses the rise of the "fourth sector" in his analysis of "for-benefit enterprises."[13]

We draw on scholarship on the marketization of NGOs as well as work on social entrepreneurship in the private sector.[14] The former literature helps us understand the organizational nature and dynamics of NGOs that engage in commercial activities to accomplish their social mission (Fowler 2000a, 2000b; Suarez 2011; Suarez and Hwang 2013; Weisbrod 1998b; Werker and Ahmad 2008; Young 1998). The latter literature theorizes the rise of for-profit firms with an embedded social mission (Alter 2007; Edwards 2009; Galera and Borzaga 2009; Kerlin 2009; Mair and Schoen 2007; Nicholls 2006; Van Tulder and Fortanier 2009; Zahra et al. 2009).

While explicitly acknowledging contestation over these conceptual categories (Galera and Borzaga 2009), both literatures draw insights from models and empirical experiences of civil society and entrepreneurship in the West to theorize key concepts.[15] Our article, however, theorizes *inductively* from the observation of non-Western organizational dynamics, specifically those of East Africa. Using this non-Western approach, we see both the increasing commercialization of NGOs and emergence of more socially oriented businesses, but we also see the importance of a third conceptual category, in which NGOs found a subsidiary or parallel, for-profit business.[16] Below, we discuss these three types of hybrid organizations along a spectrum of commercialization ranging from purely philanthropic to purely commercial (see fig. 1).[17] In table 1, we analyze how these types vary by definition, organizational motivation, level of integration of business and social objectives, and financial model.

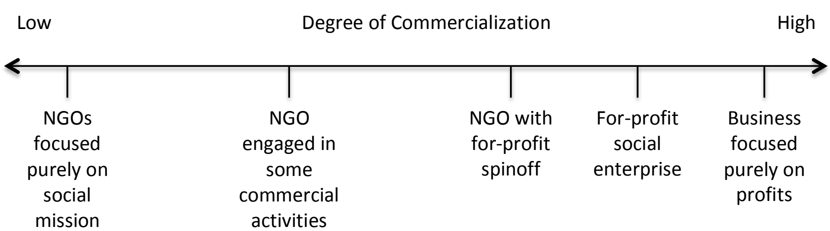

Figure 1. Spectrum of commercialization in NGOs and business organizations

Table 1. Characteristics of hybrid organizations along the NGO-business spectrum

	NGOs focused purely on social mission	**NGOs engaged in some commercial activities**	**NGOs with for-profit spin-off organization**	**For-profit social enterprise**	**Business focused purely on profits**
Definition	NGO where all goods, services, and activities are provided at no cost	NGO that sells or distributes a good or service for payment (often subsidized)	Two distinct organizations, one nonprofit and one for profit, that are managed by the same parent organization or individuals for the same long-term social aim	For-profit organization with a product designed to bring social benefit	For-profit organization that sells goods and services to maximize profits
Motivation: mission vs. profit margin	Social mission of improving quality of life for all people	Primarily social benefit: profits used to fund mission	Two separate organizations with distinct motivations: NGO with social benefit; business with profit motive	Primarily profit motive: social benefit used to market firm as "feel good"	Increasing competitiveness in marketplace to increase profits
Integration between business and social activities	One organizational structure with single purpose	Dual purposes are highly integrated within one organizational structure	Dual purposes are coordinated but not integrated in one organizational structure	Dual purpose are highly integrated within one organizational structure	One organizational structure with single purpose

	NGOs focused purely on social mission	NGOs engaged in some commercial activities	NGOs with for-profit spin-off organization	For-profit social enterprise	Business focused purely on profits
Financial model	NGO relies exclusively on government or donor funding to finance activity	NGO often subsidized by government or donors with requirement for market-based activity	NGO often subsidized by government or donors; business spin-off financed by customers; more flexibility in use of revenue between two distinct organizations	Business funded by customers and shareholders most often; sometimes by governments or donors	Business relies exclusively on customer payments and shareholder investments to finance activity
Number of cases in interview sample Kenya = 28 Uganda = 21	Kenya= 8 Uganda= 3	Kenya = 3 Uganda = 4	Kenya = 5 Uganda = 3	Kenya = 6 Uganda = 7	Kenya = 6 Uganda = 4

NGOs Engaging in Commercial Activities

At the more philanthropic end of our spectrum, we see the most frequent blurring of lines between NGOs and business enterprises, in which NGOs undertake commercial activity. This sort of marketization of NGO activities is extremely common in the energy sector in East Africa. Usually, it involves an NGO either directly or indirectly distributing or selling solar devices such as solar panels or solar lanterns. Some NGOs sell directly to end users, often in a community that otherwise has limited access to solar products. Other NGOs combine solar device distribution with an enterprise development program, such that the NGO trains a set of individuals to engage in marketing, distribution, and sales of solar products. This is often called the Avon lady model of solar distribution because it follows the supply-and-distribution chain model used by Avon cosmetics (2-0612cs, 2-0313cs). As Solar Sister, an NGO in East Africa, describes it:

> Solar Sister provides the women with a "business in a bag," a start-up kit of inventory, training[,] and marketing support. The women become their own bosses, creating sustainable businesses. The women use their natural networks of family, friends[,] and neighbors to provide the most effective distribution channel to rural and hard-to-reach customers. (http://www.guidestar.org/PartnerReport.aspx?ein=27-1185128&Partner=Amex)[18]

In conjunction with these distribution and sales activities, the NGO sometimes engages in financial services such as microcredit to facilitate the purchases (Acker and Kammen 1996). NGOs usually combine such activities with training and capacity-building programs designed to increase consumer awareness about the benefits and appropriate use of solar lighting and electricity (22-0513nc). Sometimes, an NGO with its own solar panels will integrate the electricity generated into its enterprise-development programs, allowing beneficiaries to use the electricity generated at the NGO office to create or process goods for sale. As one respondent said, "Many NGOs are moving to [this] new model. I'm very optimistic about this!" (9-0612r).

The motivation of these commercialized NGOs is focused on potential social benefits, or the desire to do social good in an equitable manner. NGOs use the commercial sale of goods or services to support their social missions—a fundamental difference from the pure profit motive of nonhybrid business sales (Weisbrod 1998a:14). Some NGOs, moreover, believe that people value goods that they pay for more than goods received for free (Leonard and Leonard 2004), and therefore introduce a commercial element into their programs. In this way, the commercial activity is fully integrated within the organizational structure but is subordinate to the social mission. Commercialization of goods like solar lanterns and panels, which can be sold to individuals, makes sense for NGOs and private enterprises alike.

Even though these NGOs sell some goods and services, their business model remains dependent on grants and subsidies received by donors or governments. Often, the existence of some market-based activity is an explicit condition of international donor support or public–private partnership with the government. These NGOs are still seen primarily as organizations that "do good" (Werker and Ahmad 2008), redistributing real income at low or no cost to the beneficiary via goods and services with positive externalities (James 1998:272).

For-Profit Social Enterprises

Toward the other end of our spectrum are for-profit businesses with a social motive, often called social enterprises. The commonest actors in this space in the electricity sector are companies that market, sell, and distribute small-scale solar lanterns and panels. For example, a number of companies, such as d.light (http://www.dlightdesign.com/) and Barefoot Power (http://barefootpower.com/), work to develop long-lasting, highly durable products that promise to save end users money over time by reducing expenditures on such things as kerosene, mobile phones, and small-electronics charging. Like many NGOs in the sector, they engage in enterprise development by training individual marketers and distributors at the local level, using the Avon lady model. At the larger scale are social entrepreneurs who invest in small-scale hydroelectric or biogasification generation, as has occurred in a number of places in Uganda.

These social enterprise organizations tend to follow the motto "for profit, for good" (1-0612cs), meaning that they have an explicit profit orientation, but also want to provide social benefits to the purchaser and have a "commitment to development" (8-0612cs).[19] Their leaders see their mission as providing clean, low-cost light and electricity, as well as economic opportunity for entrepreneurs. In many cases, the entrepreneurs invest in and establish businesses in their hometowns and home regions, so the motivation is both for short-term profits and the long-term development of their place of origin.[20]

Pertinent to this article, a subset of these for-profit social enterprises began their organizational existence as NGOs and morphed into for-profit businesses over time.[21] Several leaders of such organizations reported having decided that profit-based models of development were more likely to provide a social good for the long term than were those based in the third sector (17-0612ncs, 6-0513ncs, 19-0513nc), though the extent to which this is true remains an important empirical question.

The business model for social enterprises in East Africa relies on not only traditional sources of funds via investments from shareholders and revenues from customers, but also grants from the international development donor community. For example, the United States Agency for International Development's (USAID) Development Innovation Ventures program has funded a range of social enterprises in East Africa; d.light alone received more than US $1 million in funding (USAID 2014).

NGOs with a For-Profit Spin-Off Sister Company

The most novel hybrid organizations in this sector were NGOs that established a for-profit subsidiary. Instead of transforming into a for-profit company over time, some NGOs have created for-profit spin-off companies that remain connected to the nonprofit organization via a shared or overlapping board or directors, a parent holding organization, or shared staff. In most of these cases, the NGO is the original, founding organization. For example, SolarAid is an NGO in the solar-lighting field that opened a for-profit social enterprise, SunnyMoney (www.sunnymoney.org/). Similarly, the NGO Green Power was followed by GPower Ltd, with a parent holding company, Green Lights Holding Company (20-0612ncs). When the NGO organization leaders realized the limitations of the NGO, or the benefits that could come from creating a for-profit wing of the organization, they started the business.

One example of an NGO that founded a for-profit business subsidiary comes from the Rift Valley of Kenya. This NGO was started in the mid-1990s and provided a range of energy services, trainings, and products to area communities. In its early years, European donors funded office infrastructure and provided program support. After several years of operation, core funding became difficult to obtain: grants came only for specific, time-delineated projects, usually no longer than three years, rather than for full organizational support, creating a great deal of financial uncertainty. The NGO manager and founder, seeking more sustainable and steady funding sources, decided to create a sister business organization. The business shares the same name but with the "Ltd" ending. It was registered nearly fifteen years after the NGO. It sold and installed energy systems and did other consulting activities in exchange for commercial fees. The manager explicitly reported using the proceeds from these activities to fund those of the NGO (23-0612ncs).

In this type of hybrid organization, two separate organizations exist with distinctly separate motivations. The NGO is more purely focused on the social mission, and the sister business is more exclusively focused on generating profits when compared with commercial NGOs or social enterprises. Furthermore, the social mission and business activity is not as highly integrated as the commercial NGOs or social enterprise organizational type, but is affiliated and highly coordinated. The founder of one charitable and commercial solar organization emphasized how he decided early on to "keep the two entities totally separate" (6-0413ncs).

These parallel or subsidiary organizations have two separate and distinct business models. Often, the funds from the business are used to support unsubsidized activities of the NGO in a manner similar to the way funds are used by NGOs that undertake commercial activities themselves. But, again, this takes place through cross-subsidization across organizational structures, rather than within one. In Kenya, this combination is done to conform to regulatory requirements of NGOs (1-0114r; 1-1113ncs). Later in this article, we discuss the implications of these organizational differences for equity and accountability.

Theorizing the Causes and Consequences of NGO-Business Hybridization

To understand the causes and consequences of NGO-business hybridization, we return to the literature on NGO marketization and social enterprise development. This literature provides theories that help explain the growth of this range of hybrid NGO-business organizations. A prominent economic explanation in the literature is that changing trends in donor assistance are driving hybridity (Ahmed 2013; Fowler 2009).[22] Several scholars have shown that the drop in the level and use of overseas development assistance combined with the increase in conditional lending in Africa after the Cold War has made it much more difficult for an increasing number of NGOs to compete successfully to obtain donor funds (Fowler 2000a; Masendeke and Mugova 2009). NGOs are thus adapting their business model to increase their financial sustainability (Ahmed 2013; Dees, Emerson, and Economy 2001; Masendeke and Mugova 2009).

A related line of argument is that the overall paradigm of economic development has shifted, becoming more and more ideologically neoliberal and market based (Brenner, Peck, and Theodore 2010; Dart 2004; Somers and Block 2005; Stiglitz 2002). The assumption is that philanthropic donations should be replaced with the foreign direct investment of businesses (Fowler 2000a). Multilateral lenders and local banks are hence less willing to award grants or provide credit to NGOs. Even the concept of sustainability becomes imbued with neoliberal meaning when businesses are seen as having a more financially sustainable—self-financing—model than NGOs, making them better development partners (Kirsch 2010). In this increasingly probusiness ideological context, social enterprises may have greater moral legitimacy (Dart 2004:418–19).

A third and more political explanation is that economic globalization has combined with political liberalization, or democratization, to spur the liberalization of markets. This is said to enable an expansion of new private sector activity as new freedoms facilitate opportunities to generate commercial revenues. In some cases, democratization accompanies political stabilization in a country, which generally increases investor confidence in that place. Sometimes multinational corporations seek new partnerships with NGOs to help penetrate these emerging markets (London and Hart 2004). In other cases, changes in legal and regulatory environments or enforcement provide incentives, such as tax breaks, to restructure as a hybrid, for-profit (Alter 2007), or nongovernmental organization. Finally, some NGOs are simply enthusiastic about generating revenues independently from the state or donors (James 1998).

The literature on NGO marketization and social entrepreneurship is valuable for thinking through the consequences of NGO-business hybridity.[23] Some scholars suggest that the blurring of roles, and in particular the pressures to compete commercially, will increase the efficiency of service provision (Weisbrod 1998b). Others counter this optimism, however, expressing concern about the consequences for equity, rather than efficiency. Cooney (2006) reveals how structural tensions between the mission and profit sides of one hybrid organization in the United States weaken the quality of the workforce training received by the targeted beneficiaries. Aldaba et al. (2000) claim that hybridization may challenge an organization's mission of inclusiveness,[24] which can then undermine the goal of serving poor or marginalized populations. Jones-Luong (2014) finds that a greater emphasis on the profit motive over altruism in the corporate social responsibility initiatives of foreign oil companies in Central Asia has stimulated new regional inequalities in service provision.

Another potential consequence of the hybridization between NGOs and business concerns the nature and process of accountability for citizens. Whereas NGOs might be accountable to a broader population of beneficiary communities or the range of stakeholders of their programs, for-profit businesses might be accountable to a more concentrated number of shareholders with shorter-term interests in redistributed profits (Alter 2007). Hybrid organizations might be accountable to different types of citizens, or they might result in more complex avenues of accountability, where citizens bring claims to multiple nonstate actors with overlapping responsibilities for service provision (Mizala and Schneider 2014). Alternatively, however, hybridity might afford NGOs more financial autonomy from their donors, which could lower their "upward accountability" requirements, leaving them more time and space for "downward accountability" to beneficiaries and citizens (Ebrahim 2003; Edwards and Hulme 1996). This could reduce the degree to which NGOs are beholden to funders' frequently changing agendas (Fowler 2000a). For businesses, hybridity might signal a higher level of commitment to the social mission, or it might even provide an alternative avenue to obtain information or provide feedback about a firm's activities (Child 2015).

Why Now? Evidence from East Africa

How does the recent experience in the electricity sector in East Africa compare with the theoretical literature on hybridization? Below, we explore the explanations identified above as they relate to our findings in Kenya and Uganda. We argue that changes in levels and uses of donor funding combine with government policies to spur private business initiatives on the one hand, yet necessitate continued local NGO involvement at the grass roots on the other—which ultimately results in new types of hybrid organizations.[25]

First, we evaluate the role of changing economic conditions, particularly the recent fluctuations in the levels and uses of multinational and binational donor funding to NGOs. Our interviews suggest that after a heyday of donor support for NGOs in the 1990s (Chege 1999), many NGOs in Kenya and Uganda have faced declining levels of donor assistance (Sullivan Mort, Weerawardena, and Carnegie 2003; Weisbrod 1998a; 14-0612nc). The competition for shrinking donor monies became fiercer after 2008, when the global financial crisis resulted in a credit crunch from government lenders, private foundations, and multilateral institutions. In response, many NGOs began to engage in commercial activity or establish for-profit subsidiaries from the late 2000s, basically adapting business strategies to survive and fund their training and other activities.

At the same time as donor funds tightened, donor-reporting requirements grew, making some NGOs question donors as a source of program funding and turn instead to commercial activities. NGO leaders in Kenya and Uganda described how such a highly competitive environment for donor funds meant that cultivating and maintaining donor relationships had become even more time consuming and costly (23-0612ncs; 22-0513nc). Other leaders expressed dismay at the short-term duration of grant programs, which made supporting the long-term recruitment of qualified staff and infrastructure difficult (1-0413cs; 10-0612ns).

These factors combine with a second causal factor, the role of ideological conditions. In the past three decades, the ideology of neoliberalism has become the dominant paradigm of development around the globe. This hegemony of neoliberal values has manifested itself in a focus on economic development as necessary for all development and in a belief that private solutions are more effective than their state counterparts. The neoliberal logic has two components: first, competition for business and the profit motive make private organizations more efficient than governments; second, development activities that involve the creation of profit are inherently more sustainable than those that do not, since the profits can be reinvested to create additional revenue that can grow over time. This potential for economic sustainability makes enterprise development and commercial activity attractive to donors who wish to withdraw from a place or sector as it becomes self-sufficient.

The neoliberal approach to development has been particularly forceful in the electricity sector; even though electrification was state financed and managed in all now-developed countries, donors have pushed African governments to restructure and privatize their electricity sectors. Thus, donors have pressed, with mixed success, both the Kenyan and Ugandan governments to unbundle and privatize the large public utility companies involved in the generation, distribution, and transmission of electric power (Kapika and Eberhard 2013). Kenya began to unbundle the electricity utility

Kenya Power and Lighting Company in 1997, and again, in 2006, but has been slow to allow market competition and fully privatize (Kapika and Eberhard 2013). Meanwhile, donors often cite Uganda as a reform model for other countries, as the government successfully unbundled the control of the Uganda Electricity Board to create three companies—one each for generation, transmission, and distribution—in 2001 and remained committed to full privatization of the electricity market despite consumer skepticism (Gore 2008). One goal of the privatization and unbundling was to reduce corruption and clientelist distribution of services in the sector. It is unclear, however, that political interference in the sector has been reduced; instead, the political constellation of actors has expanded. The perception of corruption continues unabated (Kahawa Tungu 2015).

In addition to the increasing market competition in the electricity sector as a whole, donor interest in funding start-up companies and commercialized NGOs has grown over time in Kenya and Uganda. One donor representative working in the renewable energy area for many years described what he saw as a big "commercialization push," where donors were stipulating that projects needed to be "commercially viable" (1-0512d). International donors such as USAID, the World Bank, and United Nations Environment Program have provided seed funding to a range of solar PV companies, with the aim of allowing them to reach profitability. The ease of obtaining such funds has made the creation of spin-off companies appear attractive to NGOs that have found grants for recurrent or traditional programmatic costs difficult to obtain. Thus, market orientation has created incentives for NGOs to engage in commercial activities.[26] It has also created incentives for profit-oriented social enterprise development, since governments and donors are now providing grants to such for-profit firms. In addition to donor funds like the USAID ones mentioned above, the government of Uganda and its donors have provided subsidies, grants, and other forms of assistance to social enterprises engaging in small-scale hydropower development (25-0513g; 29-0513d; 30-0513d; 31-0513d; 14-0513g; 17-0513cp; 22-0513nc). The availability of such funds thus spurs the creation of companies by existing NGOs (as spin-offs) and new social enterprises. As one NGO with a business spin-off explained, "We're getting so much money from donors" for our for-profit part of the organization (5-0612r).

These economic and ideological factors are insufficient for explaining the entire picture, however, because political and regulatory conditions have influenced these hybrid organizations. In particular, the democratic liberalization of many previously autocratic regimes opened up new space for the activity of both NGOs and private firms in many African countries, including Kenya (Brass 2012) and Uganda (Mutua 2009; Tripp 2012). While NGOs faced increasing competition for scarce donor funds, private businesses were poised to take off in contexts of greater political freedom. Previous government efforts at regulating, monitoring, and repressing were reduced (James 1998:271–272)—which provided new incentives for businesses to expand and move into new areas, such as renewable energy development.

This is particularly true in Uganda, where the government has been proactive in creating and implementing regulations that promote new business development, whether by a social enterprise or by an NGO with a for-profit component. Factors differ in Kenya, however, where many new enterprises faced passive government policies on the promotion of renewable energy solutions at the national level. The lack of government support for implementing feed-in tariffs in Kenya, for example, stymied business success at the local level, whereas the government of Uganda is subsidizing such business development and seeking to create purchase-power agreements with a number of such enterprises (22-0513nc; 17-0513cp; 14-0513g; 16-0513cp). At this stage in the development of the sector, however, many of the most profit-oriented businesses are realizing that they will still need to work with NGO partners to educate new customers. Such education and training activities are required, but are not profitable.

Consequences of Hybridity for Equity and Accountability

As argued, the growth of these three types of hybrid organizations stems from a combination of economic, ideological, and political factors. In the following section, summarized in table 2, we examine the consequences of this new hybridity for equity and accountability. This analysis is necessarily tentative because the hybrid organizational changes that we have identified in the area of renewable energy are new. Most of these hybrid organizations are still young; therefore, donors, NGO and business leaders, and government policymakers were unsure of whether the new models would last.

Equity, defined as short- and long-term access to renewable energy solutions across different socioeconomic, geographic, and demographic categories, was difficult to achieve for any type of organization, but particularly for the more highly commercialized social enterprises or firms. This finding conforms with those of Dart (2004:420), who suggests that, to maintain moral legitimacy in a probusiness ideological context, social enterprises will become more narrowly focused on revenue generation innovation. Leaders of several social enterprises declared openly in our interviews that they were unable to reach the poorest in the short term. In Uganda, for example, one business owner explained: "People's incomes are too low to afford the products" (6-0513ncs). In Kenya, a firm owner described how the lump-sum payment required to purchase their products was often too much for the poorest, even for small solar lanterns: "Many people are locked out" (23-0612ncs). In most cases, standard microfinance borrowing was not an option because the cost of a small solar device was too expensive for the poorest end users, but still lower than the minimum loan amount of the organizations—meaning that such a loan was unsustainable for the microfinance operator. Entrepreneurs admitted that they needed support from governments, donors, or in some cases microfinance NGOs to help finance the initial capital for the poor to purchase their energy solutions (9-0612r). As a result, outreach and microlending to the poor were primarily accomplished through donor-subsidized NGOs. Business leaders explained, moreover, that NGOs had a critical role to play in educating microfinance lenders about the benefits of renewable energy technologies (23-0612ncs; 11-0612cp; 19-0612ncs).

The lack of equitable access was not only a problem for the poor: business leaders reported difficulties in reaching "the most rural, underserved in a lot of places" (8-0612cs). One Kenyan company hoped to make a profit and make its products more accessible to rural communities by continuing to lower the price well beyond that of its competitors (1-0612cs). In general, however, for-profit businesses reported partnering with large, international NGOs that had extensive networks in-country for that "last-mile stretch" (8-0612cs). In some cases, companies tried to establish community-based organizations to pool savings and then rent-to-own to entire groups of rural residents.

While most NGO and business leaders agreed on the continued importance of NGOs in reaching the rural poor for achieving equitable access, they often challenged the ability of NGOs to achieve *sustainable* access. Many interview respondents were highly critical of NGOs, complaining about how programs had ended abruptly when donor funds had disappeared: "It all depends on the grants, . . . when they dry up" (15-0612nc). Another NGO leader asked despairingly: "Given that we are a project, if it ends, who will continue?" (14-0612nc).

For them, the move to business models had positive consequences for long-term survival (4-0313ns; 31-0513d). The leader of a nonprofit with a business subsidiary working in Uganda distinguished pure "businesspeople," who were "too greedy," from "solar people," who were "interested in not just money but also long-term sustainable development" (6-0413ncs). Social enterprise leaders often noted how their activities in developing local entrepreneurial skills and maintenance capacity supported equitable access over the long term.[27] For example, a company in Uganda emphasized the training of young people in basic business skills and how this was "giving them a chance to better themselves" (13-0513cs). Another company in Uganda highlighted the importance of developing the local-level capacity for design, installation, and maintenance of renewable energy systems: "You need people who can design and build systems and do aftermarket service. You need innovation" (19-0513nc).

Overall, we found that both NGOs with commercial programs and for-profit social enterprises experienced ongoing tensions between the motivation to make profits and their social mission. NGOs faced economic inequalities of access, where some targeted beneficiaries were unable to afford the products on their own. Social enterprises had to confront similar types of economic inequalities but also regional inequalities, in particular across the rural–urban divide. The middle type of hybrid organization, where an NGO founded a for-profit sister organization, appeared to encounter fewer challenges in achieving equitable access. The existence of two separate but

Table 2. Hybrid NGO-business organizations and consequences for equity and accountability

	Consequences for Equity	Consequences for Accountability
NGOs engaging in commercial activities	*Economic inequalities of access.* Commercial activity may increase access for those able to pay but undermine social mission to enhance equitable access	*Blurred boundaries create complex accountability*. Concern exists that NGOs are most focused on upward accountability to donors, not downward to beneficiaries; Avon lady models facilitate accountability through personal networks.
NGOs with for-profit spin-off sister organization	*Enhanced equality of access over time.* Existence of spin-off facilitates lower level of mission drift within NGO; for-profit revenues enhance sustainability of access beyond short-term donor grant cycles; some tensions between commercial and social missions	*Distinct boundaries create possibility for more accountability*. NGO is less likely to focus on upward accountability to donors, since some funding comes from sister organization. For-profit organization may be less likely knowingly to sell low-quality products since it would not align with mission-driven goals of sister NGO.
For-profit social enterprises	*Regional and economic inequalities of access.* Social enterprise may increase access for poor in geographic regions where businesses are profitable with other markets; considerable tensions between commercial and social missions	*Blurred boundaries create complex accountability*. Concern that social enterprises can also be focused on upward accountability to donors; some businesses focus on building brand recognition for their high-quality products and improving sector regulatory standards.

coordinated organizational structures reduced the mission-drift for the NGO and enhanced the revenue generation potential and reach of the business.

We now turn to investigate how hybridity affects the contours of accountability for citizens. Specifically, does the nature of these different forms of hybrid organizations shape whether and how citizens can provide feedback on the provision of goods and services in the energy sector? We found that respondents tended to express skepticism about the possibility of accountability for each of these types of hybrid organization. Instead of focusing exclusively on NGO and business accountability mechanisms, moreover, their comments revealed the continued need for government policy effectively to regulate the renewable-energy sector.

To begin, we analyze existing types of bottom-up accountability, those that stem from the citizens (or customers) to NGOs and businesses. The Avon lady approach to distribution and sales by commercialized NGOs and social enterprises facilitated accountability through its personal network-based design. In these models, end users tended to know the person they purchased devices from, allowing them to pass complaints effectively up the chain. Organizations that used this approach tended to sell higher-quality devices, and they seemed more committed to their social mission (1-0612cs).

Nevertheless, though NGOs are widely touted as being highly accountable because of their grassroots orientation (Owiti, Aluoka, and Oloo 2004; World Bank 1989), several business respondents interviewed were dubious. A business leader argued that the NGOs' "paternalistic attitude" hindered the possibility of getting bottom-up feedback (5-0313cs). Others emphasized that NGOs have become more accountable "upward," to donors. An American business owner working in Uganda lambasted NGOs, saying that they were accountable only to donors who cared exclusively about how things looked on paper: "When you're a company selling a product, it has to be good; but NGOs get money from donors who may or may not care about the end results" (19-0513nc). This same business leader—formerly an NGO employee—countered that accountability channels were more expansive and active for companies that had to maintain relationships with distributors and customers (5-0313cs).

These views espoused by business leaders were challenged in two ways. First, many social enterprises in the sector have accepted grants from the same donors and government organizations that are commonly associated with NGO funding. Both types of organization fulfill the same donor reporting and accountability mechanisms, meaning that both may be focusing on upward accountability. Second, business claims of downward accountability were challenged by countervailing complaints about businesses selling cheap, low-quality solar products. In Uganda, several respondents described how entrepreneurs sold low-quality solar lamps for high profit margins, making outrageous, untrue claims about the battery life and lifespan of the device (2-0513cp). One respondent explained, "It's bad for business, but they [the entrepreneurs] are looking at survival these days, not the future!" (6-0513ncs). This comment suggests that the drive for short-term profit might undermine the possibility of accountability from citizens.

The problems of product quality, particularly for solar products, reduced downward accountability. Social entrepreneurs emphasized the need for government action to improve it. Several respondents in Kenya and Uganda wanted their governments to become more active in regulating and enforcing standards of quality for these new energy products (13-0513cs).[28] One donor organization worked directly with the Kenyan Bureau of Standards to create enforceable regulations in the country and to promote a group of specific brands of social enterprise devices that met their quality-control standards (38-0612d). Representatives of the promoted brands made considerable efforts to prove the durability of their products. They emphasized that brand recognition helped create trust in the market, related to accountability. Respondents in Uganda, however, were less optimistic that the Ugandan government would be as proactive as the Kenyan one, or that the Ugandan Bureau of Standards was as professional because of overall differences in the size of the country economies and manufacturing sectors (3-0513r). A research group at Makerere University in Kampala, however, worked to test product quality.

Some respondents in Kenya felt that, unlike social enterprises, NGOs were not doing their part to press the Kenyan government for any kind of accountability. According to this view, NGO work had become a profitable cottage industry for those employed in it, making NGO leaders too comfortable to lobby or stand up to the government (5-0612r). These respondents believed that a growing business sector would enhance accountability from citizens to their government, and businesses might be more willing to protest government subsidies of conventional grid power and lobby for new policies to support renewable energy. Meanwhile, an NGO leader in Uganda expressed disappointment that solar companies there were so competitive with each other that they could not collaborate to "have one advocacy voice to government; they saw others just as competitors" (21-0513cs). The World Bank and IFC Lighting Africa program, which operated in Kenya, but not Uganda, provided some degree of coordination among the businesses in Kenya, suggesting a role for umbrella organizations representing the sector to engage governments.

Most of these insights on the nature of accountability in the energy sector continued to characterize organizations as *either* NGOs *or* business. For commercial NGOs and social enterprises, accountability seeking by citizens is complex and can be difficult to navigate. We hypothesize that the middle type of hybrid organization, where an NGO and a business have coordinated but distinct organizational missions and structures, makes accountability more straightforward: pressures of upward accountability to donors are lower for the NGO, since it receives funding from its spin-off organization's profitable activity, which allows them to focus on downward accountability to needy end users; at the same time, the for-profit spin-off business, because it is affiliated with a mission-driven NGO, is less likely than other businesses to sell problematic low-quality products.

Conclusion

This analysis has shed light on three distinct forms of hybrid organizations operating in a similar space in East Africa: NGOs with commercial programs, NGOs with for-profit spin-off subsidiaries, and businesses with a social mission, or social enterprises. We highlight the increase in hybridity, where aspects of both NGOs and for-profit businesses are combined, but our analysis reveals an overall increase in the level and importance of commercialization in this sector as a whole. We have argued that all these forms of organization have grown, because of decreasing donor funding to more traditional NGO programming, an ideological shift globally and among donors in particular toward funding profit-oriented or financially sustainable organizations, and changing political and regulatory conditions within countries. We have examined the consequences of these changes for equitable access to energy services and organizational accountability. We have highlighted how each of these hybrid organizations faces challenges and experiences different trade-offs in attempting to expand equitable and sustainable access to renewable energy systems for the rural poor in Kenya and Uganda. Our analysis tentatively suggests that NGOs with subsidiary for-profit spin-offs may be best poised to balance the trade-offs, as they are most able to take advantages of the benefits of, and counteract the downsides of, traditional NGOs and traditional businesses.

One important conclusion that stems from this discussion is the continued need for the state to play a strong role in setting policy and regulation for these hybrid organizations, so as to ensure accountability to end users. In this neoliberal era, governments no longer provide as many services as they once did, but rely on nonstate service providers instead. Such provision may produce benefits, but they are distributed most equitably when rules governing service provision are in place (Cammett and MacLean 2014). In the energy sector specifically, governments must set and enforce product standards, particularly for the types of solar devices sold and distributed by hybrid organizations, and work with such organizations on broader issues of access to goods. When governments subsidize or invest in commercialized components of programs, they should pay attention to the equitable distribution of state resources, particularly considering urban–rural and geographic diversity of investments. At the same time, these hybrid organizations have incentives for working with and lobbying governments for better practices and policies. Such engagement on the part of governments and hybrid organizations is necessary for assuring mutual accountability, which is in the interest of the ultimate consumer-beneficiary, the citizen.

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NOTES

1. Citations in the form 0-0000x represent interviews done by the authors, representing the *n*th interview of a month-year pair, followed by a letter representing the type of respondent: a donor (d), a company with a predominant profit motive (cp), a company with a social enterprise mission (cs), an NGO or company spin-off (ncs), an NGO with significant commercialization (nc), an NGO with a predominant social mission (ns), a beneficiary (b), a researcher (r), or another individual (o). Names are not given for reasons of confidentiality in human subject protection.
2. This is particularly true for those living in remote, rural areas, far from power lines, but the cost of connecting to the central grid can be prohibitive for new users, even when it is close. In Kenya, for example, Kenya Power and Lighting Company, the sole electricity provider in the country, charges approximately $400 to $1200 to connect a new user (20-0612n, 38-0612d, 5-0612r).
3. Despite the trends promoting renewable energy generation, diesel generators remain among the most common types of distributed generation system, and solar lanterns (which rarely generate more power than is needed to charge a mobile phone) are common in many parts of Africa.
4. See http://www.usaid.gov/powerafrica/about-power-africa.
5. Elsewhere, we compare the implications on this sector of cross-national policy differences (Carley et al. n.d.).
6. The Kenya Power and Lighting Company's connection fee is 35,000 KSH (between $400 and $500, depending on the exchange rate used).
7. According to Freedom House in 2014, Kenya is "partly free," but Uganda has declined to "not free."
8. Kenya had $1,160 GDP per capita in 2014, while Uganda had $600; the World Bank threshold for low income is below $1,045.
9. We use this database to examine the effects of foreign aid, democracy, and need on NGO location (MacLean et al. 2015).
10. Of the 206 NGOs in the database, roughly half focused exclusively on small-scale renewable energy, as opposed to broader development initiatives. Nearly 72 percent focused on solar PV, 26 percent on biogas, 21 percent on microhydro, and 16 percent on wind technologies. The overwhelming majority were engaged in project implementation (74%), with the next most frequent activity being capacity building (25%). The Kenyan and Ugandan NGOs were similar in their focus and orientation.
11. In Kenya, we interviewed representatives from sixteen NGOs, twelve businesses, two donors, one government agency, and four research organizations. In Uganda, we interviewed officials from ten NGOs, eleven businesses, three donors, five government agencies, and two research institutions. Table 1 provides more detail on the breakdown of the NGOs and businesses.
12. We visited NGOs and businesses where they were located and conducting operations, including Kembu, Kirinyaga, Kisii, Nairobi, Naivasha, Nakuru, Rongo, Talek, and Tenwek in Kenya, and Jinja, Kampala, and Tiribogo in Uganda.
13. See also Alter (2007) theorizing the hybridity of social enterprises, and Rushton (2014) on hybrid organizations in the arts. Countering the literature on the blurring of sector boundaries, Child, Whitesman, and Spencer (2015) contend that sectors remain meaningful to

practitioners. Skelcher and Smith (2014) resist the notion of cross-sector hybridity and attempt to theorize hybridity in terms of the accommodation (blocked, blended, assimilated, segregated, and segmented) of multiple institutional logics within any organization.

14. Less valuable for our purposes is the literature on corporate social responsibility, focusing primarily on large multinational corporations, whose social activities are usually a minor piece of their overall business, compared with smaller indigenous firms, whose social mission is integral to their work.
15. A notable exception is the work by Alter (2007), which draws on a broader range of empirical experiences to theorize a spectrum of organizational types that range from fully commercial on one end, to fully philanthropic on the other. This work incorporates many examples from Latin America because the original paper was commissioned by the Inter-American Development Bank, in 2003.
16. Child (2015) theorizes a broader, cross-sectoral complementarity showing how social enterprises depend on the nonprofit sector generally for access to finance, trust, and information. Cooney's (2006) analysis of a large nonprofit organization in the United States that has its "own in-house businesses" is closest to our study of hybrid organizations in Kenya and Uganda.
17. Our spectrum of commercialization thus adds a new type of hybrid organization to Alter's (2007) "hybrid spectrum."
18. Solar Sister is a good example of the further blurring of the line between an NGO and a business. The organization self-identifies as a "nonprofit social business," but is registered as a nonprofit 501c3 corporation in the United States, allowing donations to it to be tax deductible in the United States. We therefore classify it as an NGO engaging in commercial activity.
19. Not all solar-device companies can truly claim to be social enterprises, however, since many products on the market are of exceedingly low quality and break or underperform. Those that knowingly sell such items are not social entrepreneurs.
20. This is particularly true for the less mobile hydroelectric and biogas projects.
21. We did not observe the reverse process, where a business transformed into a nonprofit organization.
22. Using data from the United States, scholars argue that the decline in public government funding to the nonprofit sector has spurred an increasing reliance on commercial activities (Salamon 1999; Weisbrod 1998).
23. We draw on recent work by Cammett and MacLean (2014) on the politics of nonstate social welfare provision that theorizes how these actors' different characteristics might have important consequences for equity, accountability, and state capacity.
24. Weisbrod (1998a) argues that it is sometimes difficult to tell whether commercial activities are consistent with social missions or not.
25. Technological innovations and cost reductions have eased the expansion of the renewable energy sector more broadly, but these changes are not particular to the hybridization that is the focus of this paper.
26. Commercial NGOs look attractive to donors because they appear to be working toward reducing their reliance on donor funding over the long term. Some donors even require funding recipients to prove that they have self-sustaining elements.
27. We thank a reviewer for suggesting this point.
28. Other companies were trying to distinguish themselves as ISO-9000 certified, but this was relatively rare in Africa, and required government action.

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