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NON-GOVERNMENT ORGANIZATIONS' AID-FUNDED PROJECTS AND VALUE FOR MONEY IN UGANDA.

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Abstract

With the detailed history of NGO evolution as a critical context, this paper examines the Value for Money (VfM) that Non-Government Organizations' aid projects bring to the development sector in Uganda. This involves the assessment of project Effectiveness, Relevance, Economy and Efficiency of three concluded NGO aid projects. Adequate assessment dictates the use of a mixed methods approach; Cross sectional survey, Most Significant Change technique, a retrospective cost analysis using the Follow the Money method and Unit cost analysis using an author designed formular. NGO aid projects do not deliver the promised Value for Money. The aid projects are ineffective, uneconomical, inefficient and superficially relevant. Drawing from the research conclusion on VfM, this paper raises implications for theory and practice. The implications relate to the incongruence between the Neoliberalism theory of pro-NGO arguments, the limitations of the functional approach commonly used to evaluate NGO projects and lastly, the disconnect between the 'project' approach and the priorities in the 2030 Agenda. Inherent in the implications lays an opportunity for interdisciplinary work between economics and development practice to develop a Value for Money toolkit that can be used to estimate VfM ex-ante project funding. In the broader scheme of development, this toolkit can go a long way to support the process of allocating resources intended to achieve the sustainable Development Goals.

Keywords: Aid and Value for Money, Southern NGOs, Development Effectiveness, Civil Society and NGO Performance

Introduction

In the 1980s, the number of NGOs in developing countries increased exponentially. As a result, by 2006, the sector was worth $1trillion a year and considered to be the eighth largest economy in the world (Hall, 2006). Literature on NGO history in Sub-Saharan Africa shows that, the period between the late 1970s and early 1990s was characterized by a rapid growth of NGOs alongside the 1989-1995 democratization wave (Salamon & Anheier 1996 Dicklich, 1998). In Kenya, for example, NGOs grew at 150% between 1980 and 1988 (Fowler & James 1994) and from several hundred in 1990 to more than 8,000 by 2012 (Brass, 2012); in Botswana they grew by 60% between 1985 and 1989, and in Tunisia, from 1,886 to 5,186 between 1988 and 1991 (Fowler & James 1994). Registered NGOs in Uganda were estimated at 1,000; 13,000 and 14,027 by NGO Task Force (1991) and NGO Bureau (2018 & 2021), respectively. This increase in numbers, resulted into an increase in aid channelled through them. (Brass et al. 2018 and Banks, 2021).

Information on aid is fragmented and somewhat inconsistent but estimates of how much has been pumped into development through NGOs can be made from different sources. Despite the abundance of literature on NGOs and exponential increase in the amounts of aid channelled through them (shown in the literature section of this paper), there exists a lacuna of information regarding the Value for Money that accrues from NGO development aid projects. It is this gap that inspired this paper and its inherent research. This paper examines the value for money that NGO aid projects contribute to the development sector in Uganda. It appraises three concluded NGO aid projects (allocated pseudo names A, B and C) against four Value for Money parameters; effectiveness, relevance, economy and efficiency. The process and results of the study are chronologically presented in the different sections of this paper. Section-2 reviews the extant literature. Section-3 describes the methodology. Section-4 discusses the results. Section-5 articulates the conclusion.

Literature review

Official Development Aid (ODA), which represents 70% of total external finance to the least developed countries, has been increasing since 1970 to date, with only a 9% decrease in the 1990s (OECD, 2011). Foreign aid from the 37 Development Assistance Committee (DAC) member countries rose to an all-time high of USD 211 billion in 2022 and 223.7billion in 2023 (DAC, 2024). This volume is a 17% increase in real terms from 2021 and represents 0.37% of member countries combined Gross National Income. Even prior to 2021, ODA increased across different years. It increased by 30% between 2006 (USD105.6bn) and 2017 (USD146.6bn). (Development Cooperation, 2018). NGO projects are one of the five ODA official channels. Between 2012 and 2019, ODA amounts through NGO projects mostly remained the same (USD 18billion-19billion) and increased to 20 billion and 21billion in 2020 and 2021, respectively (DAC, 2023).

This historic growth in development financing gave rise to and sustains questions and doubts regarding aid effectiveness (Kaijabwango, 2020; Vathis,2013; Jackson,2012; Fowler,1991; Riddell,1999; Bourguignon & Sundberg, 2007; Shivji, 2009; Hancock, 1989; Moyo, 2009). NGO aid projects have not survived this scrutiny because of the amounts of aid channelled to and through them; growth in their numbers; the argument that NGOs are a low cost and efficient aid channel; are more effective in targeting the poor; and the publicized scandals that eroded public confidence in them (Kaijabwango, 2020; Lewis, 2004; Edwards & Hulme, 1996; Hortsch, 2010 and Will and Pies, 2016). As a result of this scrutiny, there have been various efforts to study the effectiveness of these projects (Banks, 2021; Kaijabwango, 2020; Brass et al., 2018). However, studies on this issue remain largely inconclusive. While some indicate that NGO aid projects have made some positive contribution to the livelihoods of target groups, the overall effectiveness question, also referred to as 'contribution', remains conclusively unanswered (Banks, 2021; Brass et al., 2018 and Aldashev and Navarra, 2018).

In a major chapter in the Palgrave Handbook of Development Cooperation for Achieving the 2030 Agenda, Banks (2021) relies heavily, and rightly so, on the work of Brass et al. (2018), Aldashev and Navarra (2018), Kareithi and Lund (2012) and Banks and Brockington (2018), to highlight research gaps/blind spots in NGO literature. Major blind spots include: i) the absence of pre-existing data bases that systematically collect NGO project data on incomes and expenditures, hence the existence of a largely qualitative rather than quantitative corpus of research on NGOs, ii) the lack of data on how NGO project contribution to development cooperation 'adds up'. She suggests that because of these blind spots, the general awareness and understanding of the contribution of NGOs to development cooperation is vastly limited and iii.) that one main unresolved problem is constructing appropriate

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measures of performance of NGOs which continues to leave the effectiveness question unanswered. Similar observations are made in the author's review of 150 NGO project evaluation reports 2010-2019 from the two continents that together absorb half of gross Official Development Aid -- Africa and Asia and other classic scholars; Riddle (2014), Forss et al. (2008), DeConinck & Riddle, (1992); NORAD, (2012); Patrick, Milton & Oriel, (2015).

Without piling Uganda's development responsibility on NGO projects, or arguing that the State reneges its development responsibility, it is imperative to highlight the glaring mismatch between the increase in number of NGOs, fairly consistent external financing through NGO aid projects and Uganda's poverty level. By December 1992, approximately 1,000 NGOs had registered with the NGO Registration (NGO Task Force, 1991; Gariyo, 1996). Estimates from the Uganda National NGO Forum (2015), NGO Bureau (2019) and NGO Bureau (2023) stand at 10,000, 13,000, 14,000 and 5012 NGOs. Between 2007 and 2016, Uganda received aid grants worth US$ 60,226.6 million (OECD, 2013; 2019), of which 25% (USD 15,056.515 million) was disbursed by NGOs. Despite this growth of the NGO sector in Uganda, only 33% of the Millennium Development goal targets were achieved. Uganda's most recent Multi-Dimensional Poverty Index estimation (2016 data) shows that 57.2% of the population is multidimensionally poor while an additional 23.6% is vulnerable to multidimensional poverty (UNDP, 2023).

It is against this literature around development aid flows, historical arguments, methodological and information gaps regarding NGO aid projects that the author uses a nuanced approach to examine the Value for Money of these projects. This involves the assessment of project Effectiveness, Relevance, Economy and Efficiency of three concluded NGO aid projects.

Methodology

Study population

NGOs; The 3,810 NGOs verified by the National Bureau of NGOs as at November 2022. From this list NGOs certified by the Quality Assurance Mechanism (QuAM) were purposefully prioritised. Out of the 176 NGOs certified, only 2 Indigenous NGOs and 1 International NGO with advanced certification confirmed participation with the condition of non- disclosure.

Sample size (Project beneficiaries)

Krejre and Morgan sample calculation was used to calculate the sample size as a proportion of the overall number of beneficiaries. Individual project sample sizes were first calculated to ensure proportional allocation of the final sample. Overall research sample size was 284 beneficiary households.

Methods; Collection and analysis

Effectiveness and Relevance; Cross sectional surveys were used to collect data two years after projects had ended. To cater for project uniqueness, three independent structured questionnaires were developed and used. Each questionnaire had three modules; Module I) Focused on social economic demographics of households and poverty levels (income and multi-dimensional poverty); Module II collected data on project effectiveness in relation to unique objectives; and Module III collected data on relevance of the project to targeted beneficiaries.

Analysis of effectiveness data followed three stages; Stage 1; Descriptive statistics were generated for demographic and social-economic data of households. Stage 2; Household multi-dimensional poverty

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(defined using 10 indicators; i.) Nutrition (SDG 2 Zero Hunger), ii.) Child Mortality (SDG 3 Health and Wellbeing), iii.) Years of education (SDG4 Quality Education), iv.) School attendance (SDG4 Quality Education), v.) Cooking fuel (SDG 7 Affordable and clean energy), vi.) Sanitation (SDG 6 Clean water and sanitation), vii.) Drinking water (SDG 6 Clean water and sanitation), viii.) Electricity (SDG 7 Affordable and clean energy), ix.) Housing (SDG 11 Sustainable cities and communities) and x.) Assets (SDG 1 No poverty)) was analysed using three calculations provide by Alkire and Jahan (2018). i) The poverty incidence (% of households that are poor; i.e. deprived in 33% of the weighted indicators); ii) Intensity (average share of indicators in which the poor households were deprived); and iii) Vulnerability (% of households deprived in at least 20-33% of the weighted indicators). Stage 3: Using quantiles, an aid project was considered effective when ≥75% of set objectives were achieved. This threshold was derived from the researcher's review of 150 NGO aid project evaluation reports from Africa and Asia and the work of Riddle (2014). The projects were considered effective if all three aid projects had ≥75% of set objectives achieved.

Economy: Retrospective Cost analysis, also referred to as Follow the money (Palenberg, 2011), was used to collect data to examine the financial cost of delivering these projects and their efficiency.
Process i): The first review of the project budget and expenditure records identified four types of costs which the research labelled Secondary Cost Group. a) Recurrent costs (repeated costs incurred for similar goods or services e.g. salaries, maintenance expenses, utilities, travel costs, printing among others). b) Fixed costs (costs incurred to acquire assets that were used to directly implement/run the project, e.g. vehicles, equipment, among others). c) Direct Beneficiary costs (costs incurred to directly improve the state of project target group, e.g. agricultural tools, business kits among others). d) Project process costs (costs incurred on project implementation processes, e.g. planning and review meetings, monitoring, among others). Process ii): Each Secondary Cost group was then analysed as a proportion of the overall project budget and expenditure. Process iii) The Secondary Cost groups were collapsed into two major Primary Cost groups namely: Non-Beneficiary costs (the sum of recurrent costs, fixed costs and project process costs) and Beneficiary costs (costs incurred to directly provide services to targeted beneficiaries). Process iv) Each Primary Cost group was then analyzed as a proportion of the overall project budget and expenditure.

Efficiency (Unit Cost analysis)
The unit cost analysis followed three processes. i.) Identification of the main project outputs committed to by each project. 36 outputs from the three projects for which data were available were selected. ii) The author developed and used a formular plus the cost analysis described above to calculate unit cost of each major output.

Unit Cost=a/b

Since a=c+d; and d=e*f
a=c+(ef)

Therefore, Unit cost=(c+(ef))/b

Where:

Unit cost = Total amount spent per output (a) divided by total number of units achieved per output (b).

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(a) Total amount spent per output = total direct cost of an output (c) + allocation of Non-Beneficiary Costs (d)

(b) Total number of units per output = Number of Units achieved reported in programme documentation.

(c) Total direct cost of an output = Actual amount spent to acquire an output (less delivery costs) recorded in budget and expenditure records.

(d) Allocation of Non-Beneficiary Costs = Total Non-Beneficiary Costs (e) ***** Total direct cost of an output as a proportion of Total Direct Beneficiary Costs (f).

(e) Total non-beneficiary costs = sum of Recurrent Costs, Fixed Costs and Project Process Costs.

(f) Total direct cost of an output as a proportion of Total Direct Beneficiary Costs= total direct cost of an output divided by Total Direct Beneficiary costs ***** 100

Results

Household composition

A total of 288 beneficiary households, with 1,771 members (48% were male and 52% female) were surveyed. Average number of household members was 6 people and ranged was 1-15. Inquiry into child mortality found that only 16% (n=45) of the households had registered a death of a child in the 5years before the survey.

Effectiveness

Household Multidimensional poverty

Multidimensional poverty characteristics of all 288 households showed that 45% (n=130) were multi-dimensionally poor (deprived in=>33% of the weighted 10 indicators); and of these 53% were severely poor (deprived in at least 50% of the weighted indicators); 34% were vulnerable to falling into multi-dimensional poverty (deprived in at least 20-33% of the weighted indicators).

Household Income poverty

Using consolidated data on household annual income and the $1.9 a day poverty cut off, 95% of all households were living on less than $1.9 a day pre-intervention. There was a 6% reduction in the proportion of households living on less than $1.9 a day post-intervention. At the time of the survey, the 89% were living on less than $1.9 a day.

Figure 1 cross-references income and multidimensional poverty data in the surveyed households. 41% (n=118); of households were poor by both income poverty measure ($1.9 a day) and the multidimensional indicators.

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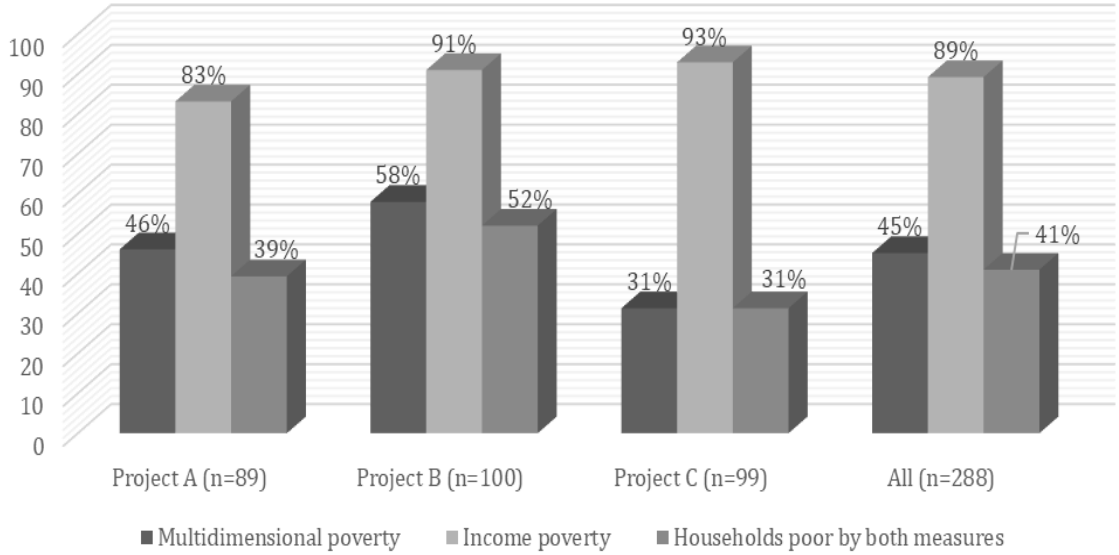
Figure 1: Household income (1.9$) and multidimensional poverty at the time of the survey.



(Source: Author's compilation)

Achievement of project objectives

A total of 10 objectives from the three projects were examined. When only performance indicators for which targets were achieved were considered, Projects A, B and C achieved 75%, 25% and 50% of objectives, respectively; i.e. only 50% of all aid project objectives were achieved. Using 75% as a cut-off point for achievement, the aid projects were not effective.

Economy (Cost) of projects

Project A

The overall cost of delivering Project A over three years was budgeted at US$ 1,000,000 and actual cost was USD 986,543.85. As proportions of the overall expenditure, the different secondary cost groups were: recurrent costs 44% (US$ 432,900), capital costs 4% (US$ 43,660), project process costs 22% (US$ 221,784), indirect costs 7% (US$65,421) and direct beneficiary costs 23% (US$222,779). Beneficiary Costs *(costs incurred to directly improve the state of project beneficiaries/ target group, e.g. agricultural tools, business kits among others)* and non-beneficiary costs *(the sum of recurrent costs, fixed costs, project process costs)* were 23% and 77% of overall budget and expenditure, respectively.

Project B

The overall cost of delivering Project B over seven years was budgeted at US$ 33,930,077 and actual cost was USD 33,978,942. As proportions of the overall project expenditures the different secondary cost groups were: recurrent costs 54% (US$ 18,519,933), capital costs 4% (US$ 1,344,806), project process costs 22% (US$ 7,443,694) and direct beneficiary costs 20% (USD 6,679,706). Beneficiary Costs and Non-Beneficiary costs were 20% and 80% of overall budget and expenditure, respectively.

Project C

The overall cost of delivering Project C over one year was budgeted at US$ 185,003 and actual cost was the same. As proportions of the overall project expenditures the different secondary cost groups were: recurrent costs 31% (US$56,452), project process costs 42% (US$78,301) and direct beneficiary costs 27%

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(US$50,250). Beneficiary Costs and Non-Beneficiary costs were 27% and 73% of overall budget and expenditure, respectively.

Across all three projects recurrent costs were highest at an average of 43%, then project process costs 29%, Direct Beneficiary costs at 23% and lastly capital costs at 3%. Non-Beneficiary costs were an average high of 76% of total project expenditures; a proportion sustained in each year of the projects; was more or less the same for all projects regardless of project budget size, geographical coverage, project time frame, number of beneficiaries targeted and funder.

Efficiency of all projects.

The analysis involved a total of 36 main project outputs from all projects. Across all outputs, there were significant increases between the Direct cost of an output *(Actual amount spent to acquire an output; less delivery costs)* and the Total amount spent per output *(Total direct cost of an output + allocation of Non-Beneficiary Costs)*. The percentage increase in unit costs ranged from 172% (unit cost almost doubled) and to 785% (unit cost went up almost eight times).

Conclusion

There was evidence showing that two years after closure, the NGO aid projects were ineffective. While there were some positive effects on those they targeted, when these effects were compared to the project targets, targets were, more often than not, not achieved. The projects had negligible effect on multidimensional and income poverty in the supported households.
Projects were superficially relevant. The multiple and varied needs that characterize poverty inevitably made the development interventions relevant or important from the beneficiaries' point of view. Hence projects can be described as a 'random correct'.
NGO aid projects in Uganda were uneconomical. This was not observable in the bottom-line budget and expenditure figures but in the intricate details when expenses were categorized and calculated as proportions of overall plans and actual expenditure.
The high expenditure on non-beneficiary costs had an inevitable inverse effect on project efficiency; NGO aid projects were inefficient.

NGO aid projects do not deliver the promised Value for Money

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