

**FINANCIAL EFFICIENCY OF NGO
DEVELOPMENT PROJECTS**

INTRODUCTION

The aim of this short-time research work is to throw more light onto the already known situation of aid ineffectiveness. There are many factors that contribute to aid ineffectiveness. Though some of these factors are considered in this work, more attention is focused on the end funding that is how much money goes finally into the project with respect to the total project budget of the development organization.

It is a known fact that the funds and grants are given mostly by the developed countries for the purpose of “development” really do not achieve the real aim they are supposed to achieve.

Many questions can be raised why this is so. Many books have been written reflecting various reasons why much is not achieved or cannot be achieved in development projects.

We are viewing this problematic yet from another perspective; how the financing really is and the main purpose behind these so-called development projects.

50 years has passed since much money has been and still pumped into these development projects. But what are the results? What are the aims of these development projects at all and what are to be developed or being developed? What are the bottlenecks of these projects?

What other methods are there to be used to achieve the aims of such development with significant results.

This work is to clarify the hidden questions and intentions of under development of the countries in Asia, Latin America and especially in Africa. Though our focus is on NGOs exclusively, mention of other State organizations for development are also made.

Time is on our side to make extensive research by bringing all NGOs and other GOs under our scrutiny as to how their money is used for development purposes but we believe with this work, we are able to present another perspective why goals set are never achieved after 50 years of development aid.

We hope for changes both in the politics and execution of development projects to make the countries progress to economic independence..

CHAPTER 1

NGO- Non- Governmental Organizations.

Who are they?

Non-governmental organizations are non-profit oriented organizations which are not part of local or foreign organs.

There are thousands of NGOs and development organisations. These can however, be classified into the following categories according to:

- Size: Big or small (Number of personnel, volume of capital)
- Ideology: Religious or nonreligious
- Area of operation: National or international
- Type of work: Operational or advisory
- Type of project: Relief or sustainable projects

Under the above-mentioned broad categories, specific descriptions can be made of the NGOs as follows:

- *International Non governmental organisation; INGO*, e.g. Amnesty International
- *Business-oriented International Non-Governmental Organisation; BINGO*, z. B. die Lobbygruppe WBCSD
- *Environmental Non Governmental Organisation; ENGO* e.g. Greenpeace
- *Government-organized Non-Government Organisation; GONGO*
- *Governmentally Regulated and Initiated NGO; GRINGO* – such organizations are initiated by governments under the banner of non-governmental organization in order to profit from their good reputation.
- *Quasi-autonomous non-governmental organisation; QUANGO*), e.g. die Normungsorganisation ISO
- *Donor-Organized non-governmental organisation; DONGO*), e.g. UNICEF

It seems that non-governmental organizations are recognized by the world's international institutions like the UN, the UNESCO and the Council of Europe or the European Commission if

- they constituted of citizens with same interests united for goals that represent the aspirations of the citizen.
- They are democratically structured and elect their executive committee democratically.
- They are not profit-oriented in striving to achieve the aims of the organisation.

What are their aims?

Finally there are tens of thousands of NGOs world-wide both local, national and international in nature with different aims from supporting development projects to advising in issues of governance.

Here are some of them for example: Amnesty International, Oxfam, Green Peace, Care, GTZ, Action Aid, Brother's brother, e.t.c

It can be seen very often that, most of the organisations have very similar aims with the only difference of where they are instituted or established, the extent of their activities and the volume of money they control.

Despite the similarity in aims most of the big NGOs may not want to be identified with other small ones.

One has to consider therefore, the different interests, moral concepts and organisational structures as well as the respective national and international context in which they operate, for a substantial evaluation for such organizations.

It is essential to differentiate development NGOs from those which resort to seeking solutions to political problems through endeavours to effect political changes and democratic solutions by eliminating what they think are the causes.

They are considered antagonistic to governments and economic global players like International Monetary Fund and World Trade Organisation. They are instrumental in mobilising the mobs most of the time to their bid to influence the decisions and policies of those they oppose.

Many NGOs have been springing up for the past decade through which development projects have been executed. The problem here is however, their position in relation to the general politics and policy of the states from which they operate and the government of the countries in which they carry out their projects.

Most of the countries in the third world look at them as a good source of development channel but their efficiency and intentions of their work need to be examined in the context of real development.

In many states in the developing countries where there is a vacuum or slow pace in general infrastructural and economic development for instance in education and health development, NGOs fill in the vacuum.

Whichever way their activities are geared, it appears the NGOs are not therefore only expression of a new participation culture: they are rather products of „Privatization“ of the social and development policy. Some see in them even as 'useful Idiots' in the social and development policy. Some of them without a clear policy orientation become pretty often alienated from the basis.

More often they become an object of national manipulation and corruption.

All phenomena (national) of the collection and instrumentalization of NGOs up to the corruption are to

In many countries of Africa, Asia and Latin America local NGOs interfere actively in land legal questions and engage themselves in bringing issues of violence against women, violations of human rights and the environment for public discussion. Major issues as international indebtedness, trade and agricultural policy has become the preoccupation of some NGOs in the south. They frequently constitute with time from participants into political groups and networks, which try to interfere actively into national and international decision-making processes. Politically oriented NGOs and social movements participate so actively in the political debates and in the fight against authoritarian regime mostly.

How do governments react and international institutions such as IWF, World Bank or World Trade Organization to this increasing influence of NGOs and movements? World-wide it is to be observed that governments and institutions deal differently with NGOs. Some NGOs and movements are governments and international organizations embrace the NGOs and accept them often as mediators. The IWF and the World Bank institutions nurture contacts with NGOs through Ombudsmen for sometime. This does not mean, however, that influence on concrete political decisions of these institutions is increased.

Some NGOs considered by certain regimes are met with opposition and repression. This is because they oppose certain issues which are considered against the national interest of those states. For example: project like the oil development in Chad or a dam project in India, dam in Turkey.

The following reflect some of the basic aims of some of the NGOs in our study. Some of the aims and goals are very duplicative but at the same time representative of all the 800 surveyed.

- A leading humanitarian organization fighting global poverty. We place special focus on working alongside poor women because, equipped with the proper resources, women have the power to help whole families and entire communities escape poverty. Women are at the heart of CARE's community-based efforts to improve basic education, prevent the spread of HIV, increase access to clean water and sanitation, expand economic opportunity and protect natural resources. CARE also delivers emergency aid to survivors of war and natural disasters, and helps people rebuild their lives.

- social justice organisation working with communities in Africa. Together we build self-sufficiency and confidence and empower people to fully participate in the decisions that affect their lives. We work with schools, colleges, youth groups, community groups, and the public to provide resources and run workshops, conferences and other events on Africa and wider global justice and environmental issues. We believe that, with this knowledge and accompanying skills, people in the UK will become advocates for social justice on a global and local level.
- Against poverty worldwide
- Against social and economic injustice
- To scale up existing efforts by closing gaps in service delivery and by building partnerships among public and private health and non-health organizations. We implement family planning initiatives within the broad context of Africa's HIV/AIDS pandemic. Advance Africa is working with USAID to find the most effective strategies for integrating FP/RH and HIV/AIDS interventions.
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- To fight extreme poverty, helps poor people to become entrepreneurs and run small-holder farming activities which generate a regular flow of income.
- The vision is for all to have access to quality education, as the basis for mutual understanding, personal empowerment and equitable societies throughout the world.
- To better the lives of those at the fringe of the society.
- Supports organisations in developing countries to fight poverty and to work towards sustainable environmental management.
- To promote international health and education through the efficient and effective distribution and provision of donated medical, educational, agricultural and other resources.
- Against poverty and injustice
- Supports communities through long-term development programs in Africa, Asia, East Timor, Latin America, the Pacific and in Indigenous Australia. Our focus is on providing integrated development through water and sanitation, housing, education, literacy, women's empowerment, income generation and sustainable agriculture.
- Provides assistance to the poor, the vulnerable and the excluded on behalf of a billion of Catholics around the world. Caritas works on humanitarian emergencies, on human development, and on campaigning against poverty, exclusion, intolerance and discrimination.
- Provide education for women
- Helping children in education, meals & saving children in crisis-torn areas of the world
- Develop relief efforts for orphans and vulnerable children, handicap children and provide medical assistance to children that their parents cannot afford to handle. We also assist in paying school fees and school materials for children. We also counsel parents on the rights of a child.
- Respond on your behalf to the needs of people who suffer from poverty, hunger, disaster, and injustice.

- To help the poorest of the world and strengthen their possibilities for a life in dignity.
- Economic development
- Development support
- Help for children and education
- Sustainable development aid
- Embrace an intensely personal and biblical response to God's call to end physical and spiritual hungers worldwide. This intentional walk with the poor mirrors God's walk with each of us, recognizing our own brokenness and His transforming grace that brings out our God-given potential.
- To make manifest the education deficit in Africa.
- Facilitate the sharing, promotion and use of knowledge so that governments, professionals and organisations can better support poor men, women and children in developing countries to obtain water and sanitation services they will use and maintain.
- Fight for a just world without poverty. Together with people, organisations, businesses and governments, through projects and lobby. Locally and internationally. Because poverty and injustice are global problems. They are about unjust economic and political relationships
- Save lives during emergencies by responding rapidly to humanitarian crises, providing aid, support and protection: Empower people to build sustainable livelihoods through longer term development programmes, campaign to end poverty by tackling its underlying causes
- Specializes in helping communities realize individualized solutions to their problems, our work takes on universal themes. From community to community and region to region, we see people facing like challenges—and pursuing like solutions to their needs.
- Medical support and infrastructure.
- Microcredit
- Work across the health spectrum in a wide variety of settings – from the family and community levels to the tertiary care level – training traditional birth attendants and community health volunteers where resources are limited and cardiac surgeons and biomedical engineers where technology is appropriate.
- Investments in developing countries.

- Support for children and family.
- Education / work for children
- Help for stray kids
- Promote the development, improvement, and long-term security of primary health care, has a significant share in empowering even people in the poorest countries of Africa to exercise their right to health and in making health become operative as a developmental factor.
- Microcredit, sustainable development
- A global organization that brings hope to children through education, nutrition, healthcare and community development. By partnering with community based organizations such as churches, cooperatives and other local organizations, the impact of Star of Hope is effectively applied by those closest to the needs.
- Agriculture, Market access
- A Raleigh-based international hunger relief agency that has been fulfilling its commitment to end hunger for more than 11 years. Since 1998, the organization has coordinated the distribution of food and other lifesaving aid to children and families in countries all over the world. Stop Hunger Now has provided over \$56 million dollars worth of direct aid and 15 million meals to more than 70 countries worldwide.
- To improve the lives of Poor and vulnerable communities in developing countries through enhanced mobility, access and economic opportunity.
- For water supply in the villages in the Sahel region.

CHAPTER 3

What do they do?

Most NGOs devise their own ways of carrying out their development projects either operational or advisory. Some create local partners through the existing political apparatus to lay the groundwork for their future ventures. Few have connections to the local people for projects they want to carry out going mainly through the governmental channels.

Those of the NGOs who take onto relief projects during natural catastrophes must have somehow to deal directly and indirectly with the people.

What political interests do they serve?

This is a question in the minds of many people. In further expansion of this writing, this question will duely be treated into a bit more detail. Common sense reveals the fact that there must be reasons or better still interest involved why NGOs operate. For those who have governance and advisory as their supreme aim, it is clear that they would like to structure the minds of a group of people to pursue or adopt democratic principles. Some of these people may become potential leaders in a democratic movement of a country or may constitute themselves into opposition. It is worth mentioning the fact that the Orange revolution in Ukraine was agitated and plotted by NGOs so also was the Rose revolution of Georgia which was latter crushed by the Russians.

For operational NGOs, the nature of their projects would compel one to ask who is really behind them. For example an NGO provides drinking water with pumps to a developing country. The pumps are supplied by a firm who donates a large sum of money to support the activities of this NGO. It is clear therefore that the NGO is either intentionally or coincidentally serving the economic interest of this corporation.

Most of the European governments donate large sums of money yearly as a matter of prestige or responsibility to support development projects. Each has its own country of focus where this “development “should occur. Some of these ventures are carried out through state initiated NGOs mentioned previously. Few of these type of NGOs really have the experts to somehow execute these projects. Others do the projects through technical consultants and firms. Which ever method is applied, the fact remains that the presence and economic interests in these countries of such NGO activities are perpetuated. Some of such NGOs act as medium through which the governments give their development money without bothering their heads about determining where and in which projects the money should be used. For example: ADA of Austria.

What political interests do they serve?

Are they extension of post-colonial rules?

- **Questions people ask**

Lots of people pose different questions as to the essence of these NGOs which begin to spring out like much mushroom immediately after the independence of most African countries in the sixties and continue to intensify their activities covering all continents.

Governments, corporations and individuals as donors to NGOs have been functioning over 50 years. Why is development in these lands still so stagnant?

Some even argue that this notion of development projects by NGOs is yet another tactic by foreign governments to continue their colonization in another form. First force of arms was used to subdue the then colonised countries. Now it is different. No application of armed force but it is like,” Give them little sugar and they will always look to us and dependent on us”. This process is executed by some NGOs. The justification of this theory is the fact that, 50 years or more could not yield the corresponding results but rather sank these developing countries into more economic chaos.

CHAPTER 4

Financial Analysis of the undertakings of the NGOs

Based on the NGOs under our research work, the volume of money, movement of money countries and projects for which these money are meant can be seen.

There are NGOs with working capital of over 1 billion Euros, over 66mil euros, 5mil euros and less. These are quite huge sums of money which can help alleviate hunger & poverty and improve education in many developing lands if rightly proportioned.

The results of our findings

- **The sources of their finance:**

Let us take a closer look at some of the sources of these NGOs be they ideologically, economically, politically or religiously oriented.

These sources include:

Church donations, grants, inheritance, private & public sources, foundations, corporations, governments, subscription revenue, partnership programmes, public authority sources, gifts in kind, special events, corporations, interests on investments, activities generating funds, primary purpose, trading, investment income, legacies, disaster emergency appeals, income from fundraising, international donors, EU grants, provincial grants, income from statutory activities, social clubs, religious organizations, sales of goods and services, incoming resources from charitable activities, sponsorship, institutional funding, international donors, gifts & collections, second-hand shops, development grants.

- **Expenditure of resources:**

1. **The confusing terminologies**

From analysis of the available data in this work, it can be seen that unified terminologies are not used. In most of the financial reports considered in this work it is really cumbersome to see clearly where the money flows. Terms used are often very ambiguous preventing a common donor or contributor to understand what is really meant.

Here are some of the terminologies used:

Foreign aid, services (Nursing of old people, flat aid, handicap aid), social work (socio-economic project, family assistance), Health education and assistance programs, health policy programmes, support services-costs (fund-raising, management and general), pension and liability adjustments, charitable expenditure (Right to equity, right to be heard, life & security, basic social services), development & humanitarian programs, public education, policy and advocacy, own activities and popular campaigning, support of partner organizations, personnel costs, travel & accommodation costs, General costs, office accommodation costs, automation/ICT, quality improvement, Personnel costs [Gross salaries, social premiums, pension payments, training costs, other personnel costs], **Oxfam-Novib**-projects & programs, advocacy partner organisations, advocacy own organization, support for partner organizations, popular campaigning, education and marketing, Expenses derived from partners, overheads, developing aid, relief aid, humanitarian mine action, procurement for others, development education, campaigns and fund-raising, **caritas**-Humanitarian activities, regional structures, communications, governance bodies, advocacy/delegation, financial expenditure, payments for leasehold improvements: plants & equipments, payments for investments, short-term debts, **Both-ends** [Expenses on objectives: Water, Land and capital (all: direct costs and support costs)], **Agrisud**-overhead, identification, preparation of projects, New operations, field operations, **Crwrc**- International development, domestic development, relief,

CHAPTER 5

2. Transparency of financial reports

In some of the financial reports the personnel and general management costs are not separated. More so are staff expenses recurring in all projects as support costs in some cases.

In the case of operational NGOs the amount spent on technical consultancy and on the real project are never indicated. Some terms like general cost can entail a lot which not broken down for clarity. Considering Oxfam in Germany for example there is a lot of ambiguities:

- 6.5 million euro revenue 2008, a net amount of 1.5 million euro for projects and campaigns: where are the other 5 million?
- report shows 3.7 million for Germany, how does this relate to the above figures?
- expenditure: only 46% for projects
- what is the difference between “Spendenwerbung” and “Kampagnen”?
- what is the difference between “Beiträge, Fremdleistungen and übrige Aufwendungen”?
- how come salaries almost doubled between 2007 + 2008?

3. Problems encountered in data accumulation

Some organizations intentionally refused to send their financial report. There were delays also in sending some reports. And some reports are so short that they are just as good as no report at all.

- **Statistical data presentation**

- 1. **According to the criteria set up**

The voice from the field (Interviews, Excerpts from news papers, talks with people and realities in the countries)

Report from Austrian-sponsored (Austrian ministry of foreign affairs) project in Madagasker:

Some problems in the project countries is that the control mechanism is either lacking or not efficient enough in controlling or checking the cash flow or the money used on the project.

Theoretically there no case where the funding was misappropriated but what happens on the project is different.

There is urgent need of more efficient control mechanisms to be deployed.

The donors are very interested to know how the money donated is used, however, the necessary first to streamline the project execution. The first step here is the look at the team constellation and competence. The incompetence of the project manager has a negative impact on the project execution as a whole.

As far as sustainability is concerned, some projects in agriculture and small industries of carpentry and sewage treatment are more sustainable. But the point worth mentioning here is that some project sites chosen for the projects are not at all appropriate. For example waste and sewage treatment are more needed in the cities than in a remote village where they are carried out.

Whatever the political interests of Austria are, in her country of choice for these development

project is not obvious

It is suggested that, for betterment, first of all, a proficient ground work needs to be done as far as capacity building for the project work is concerned. This must cover the whole team-building process and especially the project manager must possess the qualities, soft skills and expertise to drive the project to a successful end with the resources available.

Another problem to be avoided is the artificial delay caused by the project manager with the notion that if the project is completed on time he might remain jobless.