

## THE IMPACT OF NGO DEVELOPMENT PROJECTS

*Between 10% and 15% of all aid to developing countries (over \$6 billion) is channelled by or through Non-Governmental Organisations (NGOs). Although emergency assistance accounts for a significant (and in recent years rising) share of total NGO aid-flows, the majority of NGO aid is currently provided for development projects and programmes, which are the focus of this Briefing Paper. It examines the evidence of their impact, discusses methods of assessing that impact and reviews the ways that donors and NGOs approach the issue of impact assessment.*

### Donor-initiated assessments

Until recently, there has been little evidence with which to judge the contribution NGOs make to development. Very few NGOs, big or small, have a portfolio of representative evaluations of past projects which they place in the public domain. Where assessments have been carried out, especially using external evaluators, these have commonly focused on 'problem' projects, constituting an unrepresentative sample which, understandably, NGOs have not wished to distribute widely. Uncertainty about how to evaluate impact, combined with the high cost of undertaking evaluations which sometimes exceeds the cost of the project itself, has constrained NGOs from commissioning more impact assessments.

Over the past two decades official donors have increased their funding of NGO development projects (see ODI Briefing Paper 1995(4), *NGOs and Official Donors*). As these funds began to account for a significant part of the overall aid programme, it became increasingly necessary for donor organisations to ensure that these funds were being used well. Because of the limitations of available assessments, donors started to commission or undertake for themselves their own impact assessments.

Between 1988 and 1995, at least 11 official donors initiated assessments of the impact of NGO development activities part-funded by them (see Box 1). A notable absence from this list is the United States which accounts for nearly 50% of total OECD donor aid to NGOs. Nevertheless, although the US Agency for International Development (USAID) has never commissioned an overall impact assessment, all large Private Voluntary Organisation (PVO) projects in receipt of government funds have been required, at least since the early 1980s, to be evaluated externally at completion.

### Evaluation methods used

Donors tend to fund NGO development activities on a project-by-project basis; all the evaluations have therefore focused on the impact of these discrete projects. Because most donors have funded many hundreds of different NGO projects over the past 10 to 15 years (in 1994 alone, Sweden was funding over 2,000 NGO projects in over 100 countries), it was practical to assess only a small sample. The most common approach has been to select a small number of countries (usually between 4 and 9) in which a fairly large cluster of NGO projects are funded, and then, following discussion with the NGOs concerned, to choose a sample of projects for closer scrutiny.

For most of the projects, a two-tiered approach was used. First, they were assessed against the specific objectives for which the donor had provided the funds – if the project was to construct a school, has the school been built; if it was to bring clean water to a village, has it been supplied? Second,

### Box 1: Donor Evaluations of NGO Impact

Donor	Year*
Australia	1995
Canada	1992
Denmark	1989 and 1994
European Union	1985 and 1994
Finland	1994
Germany	1989–93
The Netherlands	1991
New Zealand	1987 and 1990
Norway	1995
Sweden	1995
United Kingdom	1992 and 1995

**Note:** With the exception of the German evaluations, which remain confidential, all other reports are available from the respective donor aid agency.

\* Where applicable, year of publication.

they were usually assessed also in relation to a wider set of criteria, not least in order to try to judge how the lives of the beneficiaries had been helped. The criteria chosen were typically based on characteristics which NGOs highlight as important to their approach to development (poverty focus, innovativeness and flexibility) and on issues considered critical for development (gender focus, sustainability, environmental impact). In addition, a smaller number of impact assessment studies (the Finnish, Swedish and British) attempted to move beyond projects to assess impact more broadly, while the Dutch initiated similar studies (its country profiles) later on. These broader assessments commonly included comparisons of the projects selected with other NGO projects in the country; an overall assessment of the role, influence and importance of NGOs in relation to wider development processes; and judgements of the advantages (comparative or absolute) of NGOs vis-à-vis official aid initiatives.

Three additional points about the methods used should be noted. First, because of the paucity of base-line and quantitative data, most assessments had to be based predominantly on qualitative information. Second, confidence in the judgements made was often helped by using a joint evaluation approach, combining the inputs of a minimum of two evaluators, one usually an external evaluator selected by the donor, and one from the country concerned. Third, the principal focus of the studies was on the impact of NGO activities, not on planning, management and capacity of the NGO itself.

### Results of donor impact assessments

#### The narrow perspective

The studies conclude that the vast majority of projects assessed do succeed in achieving their narrower and immediate objectives: in some studies, over 90% were recorded as successes, and in most the figure was well above 80%. In some cases, a lack of data made it impossible to make any judgement, while failure to meet immediate objectives was frequently attributed to the following factors: a lack of communication between the executing NGO and the implementing agency; the influence of factors external to the

project; and (least common) the diversion of funds and/or corrupt practices.

### The wider perspective

Not surprisingly, when judged against broader criteria (see below), projects scored less well. Very few scored consistently high marks in relation to a majority of these criteria, although where impact assessments contain fewer criteria, as in the Australian study, the overall 'success' rate tended to be high. However, a conclusion of those studies involving assessment of a large number of projects in particular countries was that at least one or two projects were commonly found to have scored highly in relation to each of the individual criteria listed. As a number of the studies pointed out, it is usually regarded as unreasonable to make adverse judgements about an NGO whose projects perform poorly in relation to criteria that were not considered at the start of the project.

The following paragraphs summarise some of the findings of the studies in relation to these broader criteria, drawing mainly on the findings of the Australian, British, Danish, Dutch, Finnish and Swedish studies.

**Poverty reach.** A number of NGO projects appear capable of reaching further 'down' to the poor than comparable government or official donor programmes. However, a high proportion of NGO projects aimed broadly at the poor were found not to be based on any community-based poverty assessments, and many of these failed to reach some of the poorest. NGO projects with the greatest ability to reach down to the poorest are those which cover whole communities. Yet many of these have to be large, and are therefore costly and require special skills to be run efficiently. The impact of projects on the poor could often not be gauged accurately for lack of data. Where judgements could be made, the evidence varied markedly, in the best, but rare, instances increasing income by 50% and more. Yet even successful projects fail to enable people to 'escape' from poverty; as the Dutch study argues, one should not expect such dramatic results from most NGO projects.

**Participation.** Participatory approaches are widely seen as a critical ingredient for both project success and sustainability and, in broad terms, the studies confirm a link between success and participation. But they suggest that participation tends to be far stronger when projects are up and running, and to be weakest both at the project design stage and when working out how to wind down projects. There is also evidence of a minority of projects achieving their objectives with little or no beneficiary participation.

#### **Box 2: What makes NGO development projects successful?**

Most of the impact studies did not attempt to analyse the factors influencing project success. However, one of the British studies did.\* Though it stressed that project performance was related to a number of different influences, none of which in isolation was sufficient to determine success or failure, it suggested that three factors in particular stood out:

- the participation of the beneficiaries in different cycles of the project;
- strong and effective NGO management and institutional capability; and
- the calibre of project staff, their commitment to overall project objectives, their skills and the degree of empathy with the intended beneficiaries.

\* R. C. Riddell and M. Robinson with J. de Coninck, A. Muir and S. White (1995) *Non-Governmental Organizations and Rural Poverty Alleviation*. Oxford University Press and ODI.

**Gender.** It is rare to find an NGO which does not express its commitment to gender issues. However, the impact assessments indicate that a wide range of NGO projects remain 'gender blind', and fail to conduct a gender analysis or fail to address prevailing patterns of discrimination. Many projects reinforce traditional gender roles, though the studies also record some impressive examples of progress made, in south Asia more than in Africa.

**Environment.** The small scale of most NGO projects means that they have very little capacity to influence the natural environment either positively or negatively. Only a relatively few projects funded by NGOs are concerned explicitly with the environment. Yet a number were found to have negative effects on the environment; these were often projects where not even a superficial environmental assessment was made.

**Replicability, flexibility and innovation.** Owing to the 'snapshot' nature of the studies, it was not possible to assess whether the projects examined might be replicated elsewhere in the future. Cases were found of NGOs failing to implement projects successfully which had followed a model that had been successful elsewhere, often because of the absence of necessary staff skills. Few of the projects stood out as being particularly innovative or flexible; where innovation was found, it was often merely new to a particular area or country, and thus a replication of other NGO efforts. Where striking examples of innovation were found, these were frequently the result of years of costly research and experimentation. Where flexibility was found it appeared to be linked to the (small) size of the project and the particular skills, strengths and attributes of the NGO implementing the project.

**Pre-project appraisal, evaluation and monitoring.** Many weak projects are characterised by superficial or non-existent pre-project appraisal, failure to undertake an analysis of community needs, and pressures to spend money quickly. Though monitoring and evaluation are now more common for projects run by larger NGOs, these tend to focus more on monitoring than on evaluation. Evaluation often still takes place only because donors require it, or when particular problems arise.

**Sustainability.** Donors are increasingly concerned about the financial sustainability of the NGO projects they fund. The impact studies reveal a high proportion of projects which are financially unsustainable, especially those serving poorer groups which are unable to recover total costs from user fees. Donors increasingly 'demand' financial sustainability, yet continue to fund projects where the prospects of achieving this remain poor.

**Cost-effectiveness.** The majority of projects assessed were exceptionally weak in terms of collecting and providing data on costs and relating these to the benefits achieved, thus making it difficult, if not impossible, to judge their cost-effectiveness. Improvements in the lives of beneficiaries are commonly attributed to an NGO project without further analysis. Those studies (the Danish and Australian) which concluded that NGOs are cost-effective, used the term simply to mean cheaper than official donor projects but failed to show how these conclusions were derived.

### Impact beyond the project

Not all studies analysed impact beyond the project, but unsurprisingly, the available evidence pointed to the importance that the economic and political context has on the ability of project activities to improve the lives of the poor. NGO projects have most difficulty in making an impact, and are most expensive to implement in terms of the cost per beneficiary, in the same context as government and official donor projects experience problems: namely in geographically isolated and economically marginal areas.

Most of the evaluators avoided making firm conclusions about the comparative success of NGO versus official aid projects. The studies do, however, help to explain why the question is often inappropriate: NGOs and official aid agencies usually do different things, on a different scale. The Norwegian study, uniquely, argued that NGO projects are so varied and diverse that the various claims made about the comparative advantages of NGOs are impossible to sustain at a general level.

### **Beyond the first wave of impact studies**

This first wave of donor-initiated assessments of the impact of NGO development projects is now drawing to a close. In late 1995, the Expert Group on Aid Evaluation of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) commissioned a group of Finnish scholars to undertake a synthesis study of the information and data gathered thus far. Their work will continue throughout 1996. In addition to this attempt to undertake a coordinated donor initiative to enhance the effectiveness of NGO development activities, a range of different initiatives are under way or being debated by both individual donor agencies and NGOs themselves.

### **Official donor initiatives**

#### **Enhancing the impact of discrete projects**

A number of multilateral donors who had not yet carried out or commissioned their own NGO impact studies have subsequently embarked on initiatives of their own. In particular, in early 1996, the World Bank's Operations Evaluation Department was finalising plans for a three-continent evaluation of the NGO work funded by the Bank, in Africa, Asia, and Latin America. A number of other bodies, such as the UNDP's Global Environment Facility, are also discussing the drawing up of common standards for undertaking impact assessment and general evaluation studies.

Consistent with the overall priority now accorded to aid effectiveness, several bilateral donors, such as Norway, have followed up their initial impact studies by stating that more stringent demands will be made on NGOs in terms of quality assurance and the achievement of results, not least by encouraging them to concentrate only on areas in which they have expertise. For some donors, the ultimate goal is the increasing use of the development results of individual projects as an important criterion for channelling money to NGOs for future development work. Others have begun to focus not merely on results but on 'value for money' and the cost-effectiveness of the projects funded. Thus, on the one hand, donors such as Denmark, Finland, the Netherlands and Sweden have expressed concern about these issues, but no new policy or initiative has been launched. On the other hand, the British Overseas Development Administration (ODA) recently commissioned a study, *Linking Costs and Benefits of NGO Projects*, whose purpose was to review current practice and attitudes to cost-effectiveness within (UK) NGOs, to identify why cost-effectiveness methods are so seldom used, and to make recommendations for future practice.

Another fairly recent initiative (in Denmark, the Netherlands and the UK) aims to enhance the impact of discrete projects by encouraging and, in some cases, funding thematic and sectoral studies of particular types of NGO project. The hope is that, by disseminating the findings of 'best practice' to other NGOs, their own approaches and methods will be influenced and their impact enhanced.

#### **From projects to NGOs**

A second type of donor initiative is to focus not on projects but on enhancing the organisational and managerial strengths of the NGOs funding or implementing projects. The United States provides the best example of a donor in the process of instituting some far-reaching changes in its relationship with US PVOs, focusing especially on the demands made on them

in terms of both the quantity and the nature of the data required. Thus, USAID no longer proposes to concern itself with ensuring that the individual projects it funds are achieving their objectives, arguing that this is the role and responsibility of the PVO, not of USAID. The latter's role will then become one of assisting, and funding, PVOs to address their managerial and institutional weaknesses as development organisations. As a result, the Agency will no longer be requiring external evaluations of all USAID-funded PVO projects, and has decided to reduce (by up to a half) the administrative and grant-making conditions imposed on PVOs receiving government funds. Relatedly, through its capacity-building assessments, Sweden has made recommendations to strengthen the NGO umbrella (framework) organisations, while, like USAID, Denmark has agreed that responsibility for impact evaluations should shift to the NGOs themselves.

Another feature of current thinking, most notably within USAID, concerns a broadening of evaluation methods. USAID had previously placed major emphasis on quantitative methods of evaluating impact: its first quantitatively-focused cost-effectiveness manuals were produced over 10 years ago. However, new work supported as part of USAID's Microenterprise Initiative is now emphasising the need to complement the collection and use of *quantitative* data with broader social and community-based, and thus *qualitative* dimensions of impact. Interestingly, this is happening just at the time when other donors are arguing that quantitatively-focused methods are most relevant to evaluating NGO microenterprise projects.

#### **From development impact to capacity building**

A third strand of donor-based debate and thinking involves raising different and fundamental questions about the nature of NGOs in development. At its most extreme, it is argued that northern NGOs should not be involved at all in either implementing or funding southern NGOs to implement, traditional development activities with and for the poor; instead, northern NGOs should focus their energies and resources solely on strengthening the capacity and capability of comparable southern NGOs. For instance, the 1995 report of the Norwegian Royal Commission on North-South and Aid Policies states that aid should not be provided either directly to the poorest parts of the population or to special target groups in countries in the south, and that fewer NGOs should be involved in practical development aid.

While no donor has gone so far as to abandon the funding of NGO development projects, donors such as Norway, Sweden, and Denmark are discussing the extent to which they should extend the notion of strengthening the capacity of NGOs from the north to the south. Thus, a 1995 Danish evaluation of its framework agreements recommended that funds should be allocated on the basis not of individual projects but of broad programme objectives at the specific country level. Relatedly, it recommended that government funding should seek to enhance, and not deter, NGOs from developing new approaches and working on experimental projects.

Clearly these developments have profound implications for the ways that the development activities of NGOs should be judged. To the extent that donors fund NGOs to learn more about innovative approaches to development, to strengthen the capacity of southern NGOs, or to contribute to longer-term and less tangible development processes, evaluation studies which try to assess the development impact of projects will become of decreasing importance.

#### **NGO initiatives aimed at enhancing development impact**

At the time when many donors were beginning to embark on their own impact assessment studies of NGO development activities, there was widespread scepticism, if not hostility, among many large NGOs (especially outside the United States) about these new initiatives. Though gaps in the data

make it impossible to make sweeping generalisations about NGO practice internationally, it would appear that the situation is very different today.

### Increased interest in impact analysis and methods

There has been an increasing acceptance among NGOs of the need to know more about the impact of the development activities they implement or fund. Most are keen to know how they can enhance the impact of what they do, and to learn from others, and to know about methods other NGOs are using to assess their cost-effectiveness.

In addition, a growing number of NGOs (though mostly the larger and medium-sized organisations) are themselves not only monitoring and undertaking impact evaluations well beyond 'problem projects', but are also beginning to implement a variety of approaches to analyse impact and thus to improve performance. At the project level, major emphasis has been placed on rapid rural appraisal and participatory rural appraisal methods, which focus on judging impact from the viewpoint of the beneficiaries, and on incorporating the views of beneficiaries as the starting-point of evaluations. At the level of the NGO, a range of new approaches are under discussion and being introduced. These include initiatives trying to identify and develop groups of indicators for particular types or clusters of projects; analysis and assessment of methods of appraisal, monitoring and evaluation for projects which can be integrated into other, wider, organisational processes; and studies analysing both how lessons from projects can be fed into and used by the organisation for future work and what has limited NGOs' abilities to learn from the past.

### Concern about being 'straight-jacketed'

Nonetheless, many NGOs actively working in these areas are keen to make a distinction between supporting broad approaches to enhancing their impact and uncritically using the methods which donors commonly use to assess impact. The latter, it is argued, is inevitably different because of the emphasis given to different stakeholders. Commonly expressed NGO concerns about externally-initiated impact assessments have focused on the following: that impact assessment always needs to include, if not to be based upon, beneficiary participation; that traditional (sometimes called blueprint) methods tend to be biased towards quantitatively-based assessments and to downplay the qualitative dimensions of social development projects; and that cost-effectiveness analysis should not be viewed in isolation.

Relatedly, many NGOs are concerned about the growing emphasis that donors are placing both on project assessment and on the short-term results of development activities. There are two dimensions to these concerns:

- If donors continue to channel funds to NGOs on a project-by-project basis, this feeds the incomplete view that 'development' is achieved merely by combining together a series of discrete, and often small, projects. Especially when linked to more quantitative methods of assessment, this downplays the notion that development is a complex process involving the interaction of economic, social, political and cultural processes, and the attempt to resolve human and power conflicts in seeking to gain access to resources.
- If NGO activities are to be funded increasingly on the basis of results achieved, and enhancing the capacity of implementing organisations to achieve better results, then less and less emphasis will be given to valuing and encouraging NGOs to make a contribution to development

that is different from official donors' or government efforts. In particular, it is argued that NGOs will be, and are already being, encouraged to avoid more risky, innovative and experimental approaches. With their emphasis on participation, these are not merely the characteristics which, for many NGOs, distinguish their approaches from that of others, it also implies that many projects are likely to be more costly to execute. In other words, there is a fear, in some NGO circles, that donor concerns over impact and results at the project level could escalate to threaten and even undermine their *raison d'être*.

### Conclusions

Far more is known today than was the case a decade ago about both the impact of NGO development initiatives and some of the main causes of failure. Yet gaps in knowledge and understanding remain:

- There remains a substantial lack of both quantitative and qualitative data on projects, compounded by the fact that some NGOs, especially the smaller ones, still do not place a high priority on gathering and assessing information on impact.
- There is a lack of agreement on how to assess impact, reflecting the differing emphasis given to different stakeholders, and the extent to which NGOs, and especially the smaller ones, should allocate their scarce financial resources to this purpose.
- It is not uncommon for NGOs to alter the nature, scale and purpose of their engagement in development activities. This may exacerbate gaps in knowledge. Thus, the recent shift in debate and, in some cases, in practice away from funding projects for the poor to work involving capacity building and support for processes of democratisation means that impact assessments based on 'old' practices are becoming increasingly less relevant to current development activities.

Contemporary initiatives and debates among donors and NGOs about NGO development impact reveal quite sharp differences in approach, method and purpose. But they also point to some growing common ground between the two, particularly on the need to know more about impact and to learn from past experiences. The future is likely to witness a growing interest in assessing the impact of NGO projects, but also an increased recognition of the complexity of NGO development interventions. On the positive side, more is likely to become known about how and why particular clusters of NGO development projects succeed or fail. But it will also be far more important to ask, and difficult to answer, questions about the overall role that NGOs play in development.

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