STRATEGIES ADOPTED BY AID LIAISON DEPARTMENT IN UGANDA TO MONITOR USE OF AID FUNDS

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DECLARATION

This research project is my original work and has not been presented for examination in any other university

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This research project has been submitted for examination with my approval as the university supervisor

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DEDICATION

I dedicate this research project to my dear family and loved ones for their love, support, patience, understanding and encouragement and above all their prayers.

ABSTRACT

Any organization needs to have a strategy of how it operates in the ever changing environment so as to ensure it survives in the same environment. Strategy is important in all types of organizations be it an NGO, public sector or private for profit organizations. Strategy ensures that output is maximized using the least resources. In this research project sought to find out which strategies were in use by the Ministry of Finance Planning and Economic Development specifically the aid liaison department in Uganda to monitor the use of aid funds that flowed in the country so as to ensure that the funds went into achieving the development goals. The case study was conducted by way of personal interviews with staff in the aid liaison department, after which content analysis was carried out on the responses received. The research project established that ALD was currently using spread sheet strategy as main way of tracking aid funds but due to several challenges they had adopted a management information system that was in roll out stage and yet to rip the fruits of the MIS. From findings and discussions it is quite clear that ALD were quite clear on the strategies required to monitor the use of aid funds. However, this study discovered that ALD do not have a definite change strategy that would be required to move from the spread sheet strategy and adopt the MIS strategy. The only change strategy they had to manage the change was providing trainings which may not have been sufficient to ensure the successful transition of the spread sheet strategy to the MIS strategy as there were very many factors that needed to be considered when changing the strategy as the MIS strategy would not have been effective if the adoption and implementation was not successful. Suggestions made to ensure successful adoption of MIS were ALD to have a more structured way of changing from one strategy to another so as to manage the challenges that come with shift of strategies. The change strategy ought to be applied to both the ALD staff and also to the development partners who were to interact with the system. Having a change strategy would ensure that it is accepted and success rate is high. Recommendations made for further studies by the researcher were a study could be done in determining the success of implementing the MIS and determine if it solved all the challenges they faced in the spread sheet strategy this would gauge the success of the strategy. Another study recommended was to compare different strategies adopted by several third world countries to monitor use of aid to determine the most successful strategy being used by countries relying heavily on aid.

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LIST OF ABBREVIATIONS

AfDB-African Development Bank

ALD-Aid Liaison Department

GDP-Gross Domestic Product

MoFPED-Ministry of Finance Planning and Economic Development

MIS- Management Information System

USAID- United States Agency for International Development

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The ever changing business environment requires firms to adapt quickly to associated new challenges and competition. Businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded the preserve of smaller businesses. In fact, reliance on domestic markets for business growth is a thing of the past for companies (Capuli, Saleh, 2008). Consequently, they need to identify, prioritize and effectively tackle these challenges in order to be more competitive and relevant in the business world.

The strategic approach is oriented towards the future. It recognizes that the environment will change. It is a long range orientation, one that tries to anticipate events rather than simply react as they occur (Appa, Rao, 2009). The approach leads the manager to ask where his/her organization wants to be after a certain period, what it will need to get to where it wants, and how to develop strategies and the means to get there, and finally, how to manage those strategies to achieve the organization's goals and objectives (Crosby,1991) it is recognized that the future cannot be controlled, but the argument can be made that by anticipating the future, organizations can help to shape and modify the impact of environmental change. It concentrates on assuring a good fit between the environment and the organization (including its mission and objectives, strategies, structures, and resources) and attempts to anticipate what will be required to assure continued fit (Crosby,1991). Under conditions of rapid political, economic and social change, strategies can quickly become outmoded or no longer serve useful purposes; or the resources traditionally required by the organization to produce its goods and services may suddenly become unavailable.

1.1.1 Strategic Management Process

A strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within a business. Strategic planning is the foundation activity within the strategic management process that helps produce the organization's strategic plan. The strategic plan reflects a company's choice of actions among numerous alternative courses of action. The strategic plan supports and directs management's attention toward implementing a unified and measured approach to the completion of its intended business, market and strategic results. Crafting and implementing strategy should be core to every business and include all functional areas within the business. How well a strategic plan is executed has a direct influence on how successful a company will be in achieving its maximum potential. Execution of a powerful strategic plan through the strategic management process is both a proven recipe for business success and a reflection of excellent management (Romans, Group, 2013).

The strategic plan is the document that incorporates all the elements developed through the strategic management process. This includes, defining what business the company is in today and where it is going. This is done through the formulation of a strategic vision; where the organization is headed, coupled with what the organization's purpose or mission is today. Second, merge the company's strategic vision and mission into measurable objectives and performance targets. Third, craft strategies to achieve performance goals and objectives. Fourth, effectively implementing and executing all elements of the strategic plan and lastly evaluating ongoing strategic plan performance in conjunction with new business, market and strategic developments. Initiate appropriate adjustments and corrective actions for both short and long-term goals, objectives and strategies as a function of actual experience, dynamic environmental conditions, current thinking, new ideas, perceived risks, and potential opportunities (Romans, Group, 2013).

1.1.2 Concept of Balance Score Card

The Balanced Scorecard is a framework that was proposed by Art Schneider man in 1987 and was later applied and popularized by Drs. Robert S. Kaplan and David P. Norton in 1992 and 1997, through a series of journal articles in Harvard Business Review (Yabs, 2010). "The name reflects the balance between short- and long-term objectives between financial and non-financial measures, between lagging and leading indicators, and between external and internal performance perspectives (Norton, 1996)" (Thompson, 2007).

Thompson et. al (2008), describe lagging indicators as financial performance measures that reflect the results of past decisions and organizational activities. Leading indicators of a company's future financial performance and business prospects are strategic outcomes that indicate whether the company's competitiveness and market position are stronger or weaker. For example, if a company has set aggressive strategic objectives and is achieving them – such that its competitive strength and market position are on the rise – then there is a reason to expect that its future financial performance will be better than its current or past performance. The balanced scorecard is an increasingly popular approach to linking corporate level shareholder and strategic goals to more specific business unit, departmental, and individual goals by setting targets and measuring performance (Grant, 1998)

According to (Lynch, 2009), the scorecard is not a way of formulating strategy. It is a way of understanding and checking what you have to do throughout your organization to make your strategy work. The first Balanced Scorecard-type systems designed in the 1950s were designed to be performance measurement systems, but have now evolved into strategic management tools critical to an organisation's planning process. The balanced scorecard requires that senior management translate the firm's vision and strategy into four performance perspectives: financial, customer, internal business, and learning and growth perspective (Thompson et. al, 2007)

1.1.3 Strategic Decision Making

A strategic decision is defined as being "important, in terms of the actions taken, the resources committed, or the precedents set." (Mintzberg, 1979) suggests they "involve strategic positioning, have high stakes, involve many of the firm's functions, and [are] considered representative of the process by which major decisions are made at the firm". (Eisenhardt, K.M, 1992) adds that strategic decisions are "those infrequent decisions made by the top leaders of an organization that critically affect organizational health and survival".

Complexity theorists (Stacey R.D, 1995) have argued that organizations are systems in which long term outcomes are the result of the entire history of an organization, not of a single action or decision. This view is echoed by (Hamel, 1989) suggestion that firms should establish "strategic intent", and (Eisenhardt, K.M, 1992) that "improvisation", as in jazz or drama, is a relevant metaphor to describe strategic management. Despite this, (Dean, 1996) note that in their research, managers had no trouble in identifying strategic decisions, and a key objective of Strategic Decision Making research remains to establish generalizable rules of how to make successful decisions. Given the importance of these types of decisions, researchers have examined the nature of decision making in successful and unsuccessful firms. Comprehensiveness measures, how thoroughly options have been sought and evaluated. Significant positive links between comprehensiveness and firm performance are established in meta-analyses of the planning – performance literature by (C Miller, 1994) and (Schwenk and Schrader, 1993). Similarly, extensiveness measures the extent to which the process considers long-term opportunities and threats in the environment. This is also associated with successful decision making, at least in turbulent industries (C Miller, 1994).

1.1.4 Aid Liaison Department

Aid Liaison Department (ALD) in the MoFPED is responsible for aid coordination, while the PRSC is coordinated by the Office of the Prime Minister. Before ALD's creation, the responsibility for coordination had been shared between two different ministries, the Ministry of Finance and the Ministry of Planning and Economic Development, before they were merged into one ministry in 1997. The two ministries had separate Aid Coordination Units. ALD receives some technical assistance from development partners, including through Overseas Development Institute Fellowships (World Bank, 2013).

Uganda's aid architecture mainly comprises of budget support with modality accounted for 46.8% of total inflows in 2006/7. This is followed by investment project assistance (23%) and project technical assistance (16%). There are more than 19 development partners present in Uganda. The largest donors are at present The World Bank, the European Commission, and United States Agency for International Development (USAID), the United Kingdom, Denmark and African Development Bank (AfDB). Among the medium scale donors are Ireland, Germany, United Nations, Sweden, Norway whilst smallest include donors such as Belgium, Austria, France, Italy and Japan. (Afrodad, 2013).

Uganda's On-budget donor aid averaged 9.6% of gross domestic product (GDP) between 1990-2000 and 2008/9; while on-budget donor aid as a percentage of total government expenditure averaged about 45.4% (Wild & Domingo, 2012). Project aid in Uganda also remains a major source of funding and it has increased as a proportion of aid in recent years (Williamson & Moon, 2012). Some of the project aid is provided on budget and using country systems, but a significant proportion of project aid is off budget. Paris Declaration surveys found that the proportion of aid to Uganda using country systems declined from 60% in 2005 to 57% in 2007; and using national procurement systems declined from 54% to 37%.

1.2 Research Problem

Evaluation and control mechanisms are set in place to inform every stage of the strategic management process. They are a means of collecting whatever information we may need to compare plans against actual events, to ensure that things are working well, and to anticipate, or correct, any faults or weaknesses in the system (nkmu, 2013).

Uganda as a country faces challenges when monitoring how aid money is utilized, making decisions on how the money can be effectively used and planning for the future so as to attain their development goals. This challenges include lack of a harmonized approach to funding has led to missed opportunities for advancing gender and equity budgeting. The effectiveness of a harmonized gender coordination group is reduced where real differences of approach to gender exist. In addition, even within the generally positive context of policies towards gender equality that Uganda shows, there are important challenges in carrying this through into effective mainstreaming for instance in the definition and use of appropriate indicators. Gender equality indicators easily become lost between the sectorial and pillar based instruments that articulate country ownership and are a focus for alignment. A lack of gender disaggregated data means that gender equality concerns become excluded from key national documents that are lynchpins of country ownership and alignment. Civil society also faces special challenges and opportunities. Civil society organizations' role in demanding mutual accountability has potential to influence progress towards gender equality and social inclusion objectives.

According to the (World Bank, 2013) aid does help to increase growth, but only in countries with sound economic management or 'good governance'. The main conclusion of the report was that aid allocation should be based on selected recipient countries according to their policy environment. The claims of the World Bank report with respect to the effectiveness of aid were mainly based on a number of background studies, and especially the ones by (Burnside and Dollar, 2000) and (Collier and Dollar, 2004). In a cross-country regression analysis for 40 low-income countries and 16 middle- income countries over 1970-1993, (Burnside and Dollar, 2000) estimated a neoclassical growth model, in which aid was included and aid was interacted with a policy index variable, together with a number of variables that are usually included in growth models. The policy index was a weighted index of the budget surplus to GDP ratio, the inflation rate and an index reflecting trade openness as constructed by (Sanches and Warner, 1995). These variables were proxies for fiscal, monetary and trade policy, respectively. , (Burnside and Dollar, 2000) concluded that aid has a positive impact on real GDP per capita growth, but only when aid is interacted with a policy index variable. In other words, aid may increase growth, but only when the government of a country carries out 'good' fiscal, monetary and trade policies. On the same line of thinking, (Collier and Dollar, 2004) tried to determine a 'poverty-efficient allocation of aid'. The model specification of (Collier and Dollar, 2004) included both the quadratic aid term as well as the interactive aid-policy term. According to them, reallocating aid flows to poor countries with a good economic policy environment would reduce the number of poor people by an extra 18 million per year as compared to the number of people that are helped out of poverty based on the existing allocation of aid flows. Thus, targeting of aid in this manner would almost double its effectiveness in reducing poverty.

While the studies highlight various models that have been discussed in the past regarding use of aid money effectively and what it takes for a country to progress economically, no in-depth case study has been carried out on which strategy or strategies used by the Ugandan government in monitoring how well received aid is used to implement the government goals and make sure that aid is managed well. This research project sought to bridge that gap by establishing which strategy or strategies adopted by Aid Liaison Department to monitor use of aid funds received by development partners or donors.

1.3 Research Objective

The research project sought to determine which strategy or strategies Aid Liaison Department in Uganda, adopted to monitor use of aid funds in implementing the country's development goals.

1.4 Value of the Study

This study would be valuable to several players in the development sector. From this, donor partners would be able to know how well their aid is utilized and if it supports the achievement of the country's national development goals. In the case of multilateral donors agreement (where government is funded by several donor agencies) the study will help in harmonization of project activities so as to avoid duplication or omissions and as such meet the national development goals.

The government would be in a position to know if the strategies they currently use to monitor use of aid funds help to determine which development pillars, sectors and country locations that receive either too much funding or little funding. Hence, determining how the resources will be spread out according to needs of each sector, pillar or country location i.e. planning and decision making. Study would also important for academic purposes as it will contribute to the literature on the various strategies used to monitor effective use of aid. Also, it would be a basis to come up with studies that are not covered.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

A review of literature is crucial as it shows a picture of the state of knowledge in the area of study. This chapter will review various literatures in the fields of strategic management, balance score card, decision making and effectiveness.

2.2 Concept of Balance Score Card

The Balanced Scorecard is a concept that can be implemented in many ways. One prerequisite is that it must be adapted, or changed to fit a specific organization. A good Scorecard reflects the strategic plan of the organization, provides a frame- work that helps shape work behavior, allows each person to measure his/her individual performance and gives data to make changes immediately so that performance is enhanced (Campbell, 1997). The Balanced Scorecard, which was initially proposed as a general measurement system, has rapidly evolved into a strategic management system for implementing a company's strategic vision (Kaplan R. , 1994). The Scorecard has developed into a system that supports the strategic management process. Using the Scorecard as the central, organizing framework for the strategic management process implies the use of four successive management steps. First step involves clarifying and translating vision and strategies. The process starts with senior management working together on the vision and how it is to be implemented. Linking of the competitive position of the organization to the operational of its processes is necessary to translate strategy into action (Booth, 1996). Second step involves communicating and linking serves to signal to all employees the critical objectives that must be achieved if an organization’s strategy is to succeed. The Balanced Scorecard is thus used as a vehicle for communication by cascading it down through the organization and by defining measures that relate to more and more detailed activities. It then becomes possible to use the Scorecard as a basis for setting personal goals and linking these goals to personal rewards (Booth, 1996). Third step involves planning and target setting can be used as a basis for business planning. Through quantifying long-term outcomes to be achieved, establishing short-term goals, and identifying mechanisms for achieving these outcomes, an organization provides for the alignment of organizational plans with financial and other resources. Finally, feedback and learning permits a feedback loop to be established (Booth, 1996) and is regarded by (Kaplan and Norton, 1996) as being the most innovative and most important aspect of the entire Scorecard management process. By setting targets during planning sessions and making mid-course corrections (Birchard, 1995) strategy can consistently be evaluated as to its appropriateness within the developing organizational environment.

2.3 Strategic Planning and Decision Making

Strategic planning can be thought of as a thorough formalized process encompassing great effort at all levels of an organization to come up with essential short and long term decisions and policies and recommended actions that will help direct a business or organization towards a stated vision, goal, and objective which may include shareholder appreciation, stakeholder and employee satisfaction, while encompassing financial objectives, moral, and ethical considerations in the decision making process (Bryson, 2010) (Brammer, Harris, and Phillips, 2010) (Dye and Sibony, 2007)

Research reflects that a formal strategic planning process is a key factor in the success of the plan implementation and being a formal process contributes to the overall satisfaction of those involved in the process (Dye and Sibony, 2007) while this is an important process in any organization, developing a strategic plan is only part of the process. Strategic planning can be classified into two major categories including the content and research of the strategic process itself, but also the way in which a strategic process should be implemented (Datta, Rajagopalan, and Rasheed, 1993).To be successful an organization must implement a process of implementation that includes monitoring of key objectives and perceptions of the plan through measurable means that can be readily reviewed and discussed (Antheil and Spinelli, 2011). The process is meant to encourage and groom strategic thinking processes while working towards key company goals and visions by encouraging effective strategic management (Bryson, 2010).

Decisions related to strategic planning are multifaceted and can be impacted and influenced by factors, both internal and external. Internal factors can include management capabilities with a thorough review of prior performance; the use of or lack of use of technology which begs the question whether the organization is maximizing the use for the benefit of the organization; policies in place that help provide direction to employees with a focus on the strategy; and finally resources whether they be related to employees, financial needs, or other needed resources to maintain a competitive advantage in the industry (Harrison, 1996) (Datta, Rajagopalan, and Rasheed, 1993). One key influence related to the strategic planning process revolves around the sources of power within an organization, whether it is shareholders or decision makers like the CEO, each who has expertise and reputations that emanate the power of decisions made. Whether the power of their position or influence is used covertly or overtly can have an impact on the strategic planning process with the potential for conflicting agendas and interests (Chen, Ge, and Song, 2010). External factors include threats which may include competition and technology that is obsolete and in need of upgrade (Harrison, 1996). That said the complexity can be minimized if the plan and people focus on those issues that are of significance to the accomplishment of the vision, goals and objectives (Harrison, 1996).

Strategic planning and management can help a business move towards achieving its goals and objectives by developing a strategy specific to the company, that takes into consideration the important factors of the company such as customer satisfaction, market share, financial considerations for shareholders and stakeholders, while helping to improve the decision making capabilities of those involved in the process (Datta, Rajagopalan and Rasheed, 1993).Strategic planning and decision making is critical to any organization and a well thought out and executed plan can be the difference between success and failure of that business (Eckel and Witmer, 2010).

2.4 Organization Effectiveness

Organizational effectiveness is critical to success in any economy. In order to achieve increased and sustainable business results, organizations need to execute strategy and engage employees. Organizational effectiveness is defined as a process of “fulfilling objectives without incapacitating (an organization’s) means” (Ghorab, 1997) among researchers in management, Organizational effectiveness is characterized as “defining goals, relating resources, and determining if the goals were reached (Anthony, 2001). Measuring the effectiveness requires: estimating the costs, the resources consumed the effort, in general, found in the literature as the input; estimating the results, or the outputs; comparing the two.

(Drucker, 1974) Effectiveness is doing the right things. Four different approaches or models have been used by evaluators to define and assesses organizational effectiveness. The first and the most widely used is approach which links effectiveness to the accomplishment of organizational goal and called Goal model (Price, 1972). The second approach for the effectiveness is called the system- resource approach. In this view organizations are not assumed to possess goals, nor are goal accomplishment a relevant consideration. Rather organizations are effective in so far as they acquire needed resources for system maintenance (Seashore, 1983). A third approach to effectiveness focuses on the internal processes and operations of the organizations and for these organizations effective organizations are those with an absence of internal strain and called "Internal Process Model" (Pfeffer, 1977) (Steers, 1975), The forth approach called strategic constituencies approach and focuses on the extent to which the organization's strategic constituencies are at least minimally satisfied (Seashore, 1983).

Two different underlying dimensions may be considered to develop models of organizational effectiveness. The first is the organization’s internal versus external focus. The second dimension is the organization’s emphasis on flexibility versus control. Flexibility allows faster change, whereas control allows a firmer grasp on current operations. When these two dimensions are drawn at right angles to each other, the first four models of organizational effectiveness can be plotted. They are the rational goal, open system, internal process, and human relations models. According to the rational goal model of effectiveness, an organization is effective to the extent that it accomplishes its stated goals. With an open system model an organization is effective to the degree that it acquires inputs from its environment and has outputs accepted by its environment.

The internal process model focuses on the effectiveness of the internal transformation process. The human relations model focuses on the development of the organization's personnel. The competing values model requires that an organization scrutinize the balance among the above four effectiveness models.

2.5 Organizational Efficiency

Organizational efficiency is the organization's degree of success in using the least possible inputs in order to produce the highest possible outputs. Efficiency measures relationship between inputs and outputs or how successfully the inputs have been transformed into outputs (Li, 2008). Every organization has a certain level of resources to provide goods and services, and must operate within its resource constraints (Lusthaus, 2002).

According to (Trivedi, 2002) Organizational efficiency has several components aggregate physical force assigned with the task of organizing and their organizational effectiveness or their quality of organizational capabilities. Both together determine the "Effective Effort Level" of an organization. In case the level of physical effort of organizing is the same in two organizations or in two periods, the difference in productivity levels would clearly indicate the quality of the efforts at organizing. Organizational force as such is a very broad term and might include all the human efforts other than direct workers. Industrial units like to classify the force as executives and non-executives. "Non-workers" or "non-direct workers" include the entire administrative staff, supervisors, managers, and senior executives on the rolls of companies. The overall organizational effort level depends upon the appropriateness of the number and quality of its organizational force. Organizational efficiency reflects the improvement of internal processes of the organization, such as organizational structure, culture and community. Excellent organizational efficiency could improve entities performance in terms of management, productivity, quality and profitability. It is a vital factor to the effectiveness of the organization's acquisition of resources and the use of those resources to implement its plans, but it is less important to the creation of those plans.

According to (Pfeffer and Salancick, 2003), Organizational efficiency is an internal standard of performance. The question whether what is being done should be done is not posed, but only how well it is being done. Efficiency is relatively value free and independent of the particular criteria used to evaluate input and output. Because efficiency involves doing better what the organization is currently doing, external pressures on the organization are often defined internally as requests for greater efficiency.

(Lusthaus, 2002) states that there are two aspects of efficiency. The first is the units of production or services that relate to the organizational purpose, and the second is how much it costs to produce those goods and services. How wasteful or economical the organization is in producing outcomes is the question of efficiency. In today’s competitive economies, organizations must provide exceptional products and services within an appropriate cost structure. In times of economic constraint, performance is increasingly judged by the efficiency of the organization (the cost per service, the number of outputs per staff etc. By using the monetary values or costs and benefits that are inevitably part of efficiency, it is possible to determine on a quantitative basis where to invest in programs (better value for money), what products and services are becoming obsolete, and which activities are not providing adequate value for the money. Whatever the overall size of the unit, organizations viewed as performing well are those that provide good value for the money expended (Lusthaus, 2002).

Around the world, organizations are facing increasing pressure to use their resources wisely. Globalization generally involves lower taxes and rising costs of human and natural resources, all of which combine to push an efficiency agenda in most organizations. Over the last decade, both private and public organizations have been forced to reduce costs and increase productivity through downsizing or rightsizing exercises. “Do more with less” is the rallying cry for many organizations in both the developed and the developing world. In other words, produce more results with lessresources (Lusthaus, 2002). (Lusthaus, 2002) goes on to cite that in the private sector, particularly in manufacturing, tremendous gains have been made by re-engineering production to improve efficiency. He reiterates that Information Technology, along with other technologies, dramatically improves productivity. However, as you move from manufacturing systems to people-oriented and politically controlled systems, the issues of efficiency are more difficult to understand (Lusthaus, 2002).

In politically dominated systems, efficiency (costs in relation to the accomplishment of goals) is often complicated because unstated goals are important, if not more important, than stated goals. For example, in many countries, government operated or regulated railroad companies are used to employ people who are loyal or supportive to the government, regardless of their productivity. In other instances, many not-for-profit organizations value human relationships above efficiency measures.

In general, there are two approaches to describing organizational efficiency, although neither is well developed for either government or not-for-profit organizations. The first approach is the more standard definition of efficiency. It tries to link the quantity of resources used to the results obtained. Historically, this type of indicator provides a broad view of an organization and allows for comparisons across organizations.

While this approach has met with some success, there is another way to describe the extent to which an organization is "administratively efficient." Administrative efficiency explores how different work processes contribute to the overall value added in an in an organization. Lusthaus (2002) has described this as return on management – a measure of how well an organization is managing its strategy and work processes. Unlike historical methods of efficiency that lead to more precise percentages of return, this measure of efficiency provides a rough estimate of the amount of productive energy expended by an organization in relation to the amount of managerial and professional time invested. In other words, it measures how well the system produced by managers and other professionals facilitate the productive energy of the organization.

This dimension is linked to the ability of an organization to balance policies, procedures and creative efforts by addressing roles and responsibilities that either help or stifle staff, or the fact that there are too many or not enough rules, In sum, this second approach to measuring efficiency assesses the extent to which organizational strategy, systems and procedures generate productive energy (Lusthaus, 2002). In assessing organizational efficiency, it is generally more difficult to assess outputs than inputs, especially in service organizations, where outputs tend to be qualitative rather than quantitative. Even in organizations that produce tangible physical products, it still may be difficult to obtain a timely and ideal assessment of output that captures quality differences overtime and across firms. For example, if the efficiency of a research organization is measured in terms of the number of research projects written per researcher, the question of the quality of those papers is overlooked. To capture this quality consideration in an efficiency indicator, output can be measured in the number of research articles published in reputable or refereed journals. Those outputs can then be related to the cost of the producers. This example underscores the need for care in deciding on the best choice of indicator that gives a quantitative measure of efficiency but also captures some aspects of product or service quality. As with effectiveness, if an organization has not developed efficiency indicators, there are some preliminary indicators that can be used to guide an assessment e.g. cost per service, overhead to total service or program cost, outputs per staff, cost per client served, employee absenteeism and turnover rates, program completion rates, frequency of system breakdowns, timelines of delivery of services.

An organization is efficient if, compared with similar organizations; its results are relatively high in relation to the resources expended. It is effective to the extent that it reaches its intended purpose or goals. However, organizations can be highly effective without being efficient, and can reach relatively high levels of efficiency without being effective (Lusthaus, 2002). The experience of companies indicates the following as important factors in determining the quality of "organizational effort level," which, in turn, determines organizational efficiency. These factors include, entrepreneurial behavior and leadership qualities, cumulative experience or organizational learning of the firms, environmental impact, Access to information and finally innovative behavior of workers.

Organizational efficiency is a vital factor to the effectiveness of the organization's acquisition of resources and the use of those resources to implement its plans, but it is less important to the creation of those plans. Increased organizational efficiency make implementation both cheaper and smoother, but it is less useful if the plan being implemented was a bad plan. For example, if a business is able to produce and bring to market winter coats at less cost than its competitors in a tropical nation, that business is efficient, but the decision to sell winter coats in that climate was almost certainly foolish and misguided. Despite this, organizational efficiency is still important to planning because it enables plans that are otherwise impossible. For example, if a business' competitor has an entrenched position in a market but is less efficient in producing products, that business can enter the market through selling its products at lower prices that it can afford because of its lower production costs (Li, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the structured enquiry, using accepted scientific methodology that will solve the research problem. It describes the formal path that will enable the researcher find answers to the research questions and thus achieve the study objective.

3.2 Research Design

Study was done through use of a case study. A case study approach is often associated with descriptive or exploration research, without being restricted to these areas (Yin, 1989) Case study research is particularly useful when the phenomenon under study is difficult to study outside its natural setting and when concepts and variables under study are difficult to quantify. Often this is because there are too many variables to be considered, which makes experiment or surveys methods inappropriate (Yin, 1989).

(Young, 1960), describes case study as a comprehensive study of a social institution be it a person, group, a social institution, a district or a community. (Omondi, 2006) states that the case study design allows in depth exploration of issues, thus the data collected is content in nature.

3.3 Data Collection

This study used both primary and secondary data. Primary data was in form of an interview guide which was designed to have open questions. The interview guide was administered to MOFPED staff with more focus to the Aid Liaison department which is solely responsible for handling aid money and knows how it is used. It was a mix of staff from all levels of management from the Senior Department heads to the junior data clerks.

3.4 Data Analysis

Data collected was qualitative. The qualitative data collected during the interviews was be scrutinized for completeness, consistency, accuracy and uniformity. This was mainly done by content analysis. (Weber, 1990) states that content analysis is a useful technique for allowing one to discover and describe the focus of an individual, group, institutional, or social attention. It allows inference to be made which can be collaborated using other methods.

(Palmquist, 2005) further states that the content analysis is a research tool used to determine the presence of certain words or concepts within texts or set of texts. Researchers quantify and analyze the presence, meaning and relationships of such words and concepts, then make inference about the messages with the texts. Texts can be broadly defined as books, book chapters, essays, interviews, discussions, newspapers or really any occurrence of communicative language.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter describes and discusses the results of the interviews conducted at the organization, as well as other information made available to the researcher.

4.1 Interviewees Profile

The interview guide was intended to assess the capacity of the interviewees to answer the questions on the interview guide and also whether they are versed with the subject matter. The target number to interview was six. This included the head of the Aid Liaison Department and 5 other staff in the department involved in aid management including corresponding with the development partners so as to get all aid information flowing into the country. Out of the targeted 6 interviewees the researcher was able to interview 3 interviewees. Out of the 3 interviewees included and economist, resource mobilizer and head of IT operations, the other 3 had travelled out of the country on official business and being a foreign country time and distance constraints came into play. The represented percentage of the total interviewees' pool was 50 %.

The number of interviewees interview were well versed with the processes in the ALD and the interactions the department has with the development partners in terms of how aid flows and what tools they use to keep track of the monies. The average period the interviewees have been in the ALD is 6 years hence the ability to articulate the processes involved in tracking the aid money received in the country.

4.1 Spread Sheet Strategy

In the set of questions asked in the interview guide mainly was to find out the current strategy used in monitoring the use of aid, how efficient the strategy was and finally determine how the information they got influenced the national planning of the country. All the interviewees interviewed agreed on information that was key in terms of aid information. This included knowing how much money flowed into the country at a particular fiscal calendar, the completeness of that information and quarterly reconciliation meetings which are targeted to make sure the information the department has is in synchrony with budget departments in terms of development partners' release of funds.

Interviewees stated that they are currently moving from one tool to another in terms of performing all the tasks necessary to monitor the use of aid funds. Currently the department is mainly using spreadsheets to collect aid information from the development partners. This is done in a process where the ALD sends out questionnaires (using Microsoft Excel templates) to the donors to provide information relating to the different projects/ programmes they support. The information they request for is the commitment information i.e. the amount of money the development partners intend to give in order to support the projects / programmes to take place in that fiscal year. ALD also requests for disbursement information i.e. the actual amount the development partners released, reason for this as one of the interviewees explained to me is that most of the time the development partners are not able to fulfill their commitment amount and the end up giving less than what they have committed. The interviewee who is an economist also added to this and said that above the above process, ALD has a system that captures the loan and grant agreements that the MOFPED sign with the development partners.

The interviewees pointed out that once they got these spread sheets on what each the of the development partner commits they hold portfolio review meetings each quarter to update the disbursement information after which they update the spread sheets. So as to share the information with other stakeholders in the implementation of the projects they produce ad-hoc publications on request, stakeholder in this case include other ministries e.g. Education, infrastructure, agriculture etc. Each of these ministries get data on their sectors and are able to know how much is used in the sector.

4.2 Limitations of Spread Sheet Strategy

From the interviewees feedback it was evident that 2 aspects were compromised that was organization effectiveness and efficiency. Effectiveness is about achieving results at the right time and with the resources available. From feedback it was evident that information neither got to the department at the right time nor was the process efficient as desired. Level of efficiency was low as information had to be sort more than once from the development partners hence resources used more than necessary.

On the current system used by ALD, interviewees shared some limitations that greatly inhibit the efficiency in getting all the information that enabled them monitor the use of aid funds. Some of these limitations the interviewees shared included that the current process was quite static because everything is done on a time schedule and update of information is done at a specific period therefore to access current information one has to wait for each quarter to get the latest figures. The interviewees shared that the process of analyzing spread sheets took long and they'd spend too much time analyzing the information rather than make decisions based on the information they got.

Another challenge they shared is that the data they got was not always not complete because development partners reported only the projects that went through the budgeting process and for projects that did not go through the budgeting process they'd have a difficult time accessing the information as the development partners would talk too much time giving them this information hence having only 80% of the projects funded in the country but not the 20% that is not reported on and in the long run this affect the quality of decisions they made. The time they use to update the information given to them by development partners takes long as they are given the amounts then they have to update the original spread sheet hence time consuming.

4.2 Management Information System Strategy

Following the concerns the interviewees shared that the department faces using spreadsheets as the strategy to monitor the use of aid funds, they pointed out that that the government sort funding to acquire a management information system as a strategy to monitor the use of aid funds, which is still in the implementation phase. A Management Information System (MIS) is generally thought of as an integrated system providing information to support operations, management and decision-making functions in an organization (Ajayi & Omirin, 2007).MIS is basically concerned with the process of collecting, processing, storing and transmitting relevant information to support the management operations in any organizations (Laudon & J, 2009). Thus, the success of decision-making is highly dependent on available information and partly on the functions that are the components of the process. For effective decisions to evolve in any organization, therefore, receiving information from and supplying information to, people within the system are a necessity.(Ajayi & Omirin, 2007) stressed the need for MIS in decision-making as it provides information that is needed for better decision-making on the issues affecting the organization regarding human and material resources. MIS is useful in the area of decision-making as it can monitor by itself disturbances in a system, determine a course of action and take action to get the system in control According to (Bush, 2002).

As per the feedback the management information would be used to solve most of the concerns if not all the concerns that the department faced. As per the feedback from the interviewees MIS would ensure that the rate of efficiency, effectiveness and decision making process greatly improved. As they were still in the implementation phase of the MIS they shared how it would improve their processes and the decision making process as per the SWOT analysis they'd performed. They envisioned that the system would offer visual tools like dashboards and also have a GIS module that would enable them make decisions in an efficient and more effective manner. According to the interviewees they saw using a MIS as a strategy that would increase efficiency as it would eliminate some of the delays to get the development partners information as they would have access to the system and every time a change would occur they'd change it immediately in the system instead of the quarter updates that they were now doing. Also, as per their feedback the system would aid in analysis of what they termed as bulky information as it would display the information in dashboards and well organized reports and also displayed in the GIS module and from this they'd know how much money was promised, how much was used and where it was used. To add on to all that the system would allow recording both on budget projects and off budget projects.

However, they also expressed some of the challenges they envisioned would be faced in this new strategy of monitoring use of aids funds. Mainly, they were concerned of how well the system would be received by all the stake holders as it was new and it required them to do things in a different way. They planned to overcome this main challenge by educating the potential users on the benefits and also conducting numerous training on using the new MIS system.

4.3 Aid Flow and National Planning

All the interviewees stated the importance of knowing how Aid flows in a country as it would influence the national planning process. From the aid flow information is used to inform the budgeting process. One of the interviewees indicated that in budget preparation; the ALD get indicative commitments from donors which are discounted in case to fit the figure for the budget for planning purposes and he was quick to add that all this data is got from the aid flow data. Also, mentioned was that by knowing how much money donors are giving to a sector guides Government in allocating its own resources to the different projects/sectors.

Another important aspect that aid flow aids in terms of national planning is being able to identify development partners that often offer assistance in terms of food assistance and since the Uganda is agricultural country and as a matter of policy, it no longer entertains food aid because it envisioning becoming the food basket in the region, the country is able to approach the development partners and are able to negotiate new agreements that do not involve food assistance, this was pointed out by one of the interviewees. Mentioned also was that the aid flow data enables policy markers identify areas that are not getting enough assistance in terms of aid and they are able to re-strategize so that ever location gets a portion of the development money.

As a conclusion, the interviewees all agreed on one fact that monitoring flow of aid money enables the country to make crucial decisions as pointed out in the data they shared and without this kind of information planning and making decisions regarding allocation of development monies would not be an easy task. Another importance of tracking money as per the interviewees was that tracking the use of the monies usually ensured the effective use of the development kitty.

This information is useful because the government is able to perform strategic planning on how to utilize the resources. This could be done using SWOT analysis, PESTEL etc. From the information they get they are able to do a monitoring and evaluation of the original strategy and are able to realign the strategy as Uganda has 3 year national development plan that is the strategy of the country for 3 years.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the finding from chapter four and it also gives conclusions and recommendations drawn in quest of addressing the research question or arriving at the research objective which was to determine which strategy or strategies adopted by Aid Liaison Department, Uganda to monitor use of aid funds in implementing the development goals.

5.2 Summary

The study aimed to investigate the strategies adopted by the ALD to monitor use of aid funds in implementing the development goals. From the target interviewees the percentage that gave feedback was 50%. The 50% comprised of economist, resource mobilizer and head of IT operations that had worked for the ALD an average of 6 years. Key focus for ALD is making sure they get the data concerning aid funds in a timely fashion and making sure money is used for the right way i.e. for the right purpose hence the strategy they apply hope that it addresses these 2 aspects

ALD is currently running two strategies for monitoring use of aid funds. The first being the use of spread sheets to track the flow of the funds. This strategy has brought about limitations as it is rigid and time consuming in terms of updating the data as they have to have endless meetings with the development partners to get information on the funds they are providing to the country. This strategy does not allow the staff to be efficient in terms of monitor and analyze how the funds are being utilized. Running into these challenges they've recently adopted use of a management information system that is in the initial stages of implementation which are running concurrently and are to phase out the use of spread sheets to monitor use of aid funds.

The newly adopted strategy of the use of MIS will solve most of the issues that present themselves in the previous strategy used. The MIS will increase the efficiency in collecting the development partners' data and the analysis of this data is made more efficient hence they are able to determine whether the funds are being used in the right way and make the monitoring process quite manageable and less laborious than the spread sheet strategy. MIS will also enable the policy makers to make strategic decisions as there are tools such as use of dashboards and GIS to monitor use of the funds and by these they will be able to see which particular areas have been ignored in terms of development and area able to make new policies on the data they come across. The MIS strategy is still in the implementation phase hence they've not been able to enjoy the advantages of the new strategy of using the use it. Currently they are planning to roll out to the development partners so that they can record the data from source as the system is actually internet based.

Overall the monitoring the use of aid funds proved to be important as a way of the country to know where the money is going to and where the money needs to be used so as to maximize the accomplishment of the development goals and ALD believe that the MIS that is in the implementation phase will satisfy these needs

5.3 Conclusion

The study established that ALD had put some strategies in place to enable them monitor the use of aid funds. This included the use of spread sheets and now the most recent strategy to be adopted the use of the MIS. The study has been able to identify some of the challenges they were encountering in the first strategy and the way the second strategy will curb the challenges in the spread sheet strategy. The study was able to clearly show that use of MIS would be a good strategy as it had features that would greatly improve the efficiency in getting the data of aid and enabling the ALD in knowing the usage of the funds.(Ajayi & Omirin, 2007) stresses the need for MIS in decision-making as it provides information that is needed for better decision-making on the issues affecting the organization regarding human and material resources.

5.4 Recommendations

From findings and discussions it’s evident that ALD are quite clear on the strategies required to monitor the use of aid funds. However, this study discovered that ALD does not have a definite change strategy that is required to move from the spread sheet strategy and adopt the MIS strategy. The only way they plan to do the change is by providing trainings which may not be sufficient to ensure the successful transition of the spread sheet strategy to the MIS strategy as there are very many factors that need to be considered when changing the strategy as the new strategy may be excellent but if adoption is not successful then the strategy is as good as dead.

ALD should have a more structured way of changing from one strategy to another so as to manage the challenges that come with shift of strategies. This should be applied to both the ALD staff and also to the development partners that will also interact with the system. Having a change strategy would ensure that it is accepted and success rate is high.

5.5 Limitations of Study

Due to the limited time that this research project could be conducted was not able to get 100% of the target interviewees for interview as they had busy schedules that were out of the office. Some of the interviewees actually commented that the interview was too long so getting their attention for the required time was a bit challenging.

5.6 Suggestions for Further Study

The study aimed in determining which strategies the ALD adopted to monitor use of Aid funds. A study could be done in determining the success of implementing the MIS and determine if it solved all the challenges they faced in the spread sheet strategy.

Another study would be to compare different strategies adopted by several third world countries to monitor use of aid to determine the most successful strategy being used by countries relying heavily on aid.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 20/07/2013

TO WHOM IT MAY CONCERN

The bearer of this letter MONICAH NJERI NJONJO

Registration No. D61/63157/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
20 JUL 2013
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
FOR: MBA CO-ORDINATOR
SCHOOL OF BUSINESS

APPENDIX II: INTERVIEW GUIDE

Your responses to these questions will provide data relating to strategies in your organization that are used in the monitoring the use of aid funds. It will also provide data that will enable the researcher identify functional areas where in these strategies have aided in monitoring effective use of aid in the organization.

1. What is your job function?
2. Which department do you work in?
3. In general, how would you rate your agency/department's management of aid [project] information?
4. How complete is the aid [project] information that your agency/department has?
5. On average, how often is the aid [project] information used by your agency/department updated?
6. How often is aid [project] information used for planning and decision making in your agency/department?
7. Can you give an example of how aid information is used for planning purposes in your department?
8. In general, how is donor aid information collected in your country?
9. In general, how much donor aid information shared between government ministries in your country?
10. Has analysis of development aid influenced national planning in your

country?

11. Overall, how much information do donors share on their aid projects in your country?
12. Can you give an example of a time when aid analysis influenced national planning?
13. How much work would it take you to answer the question: "What was the total amount of development aid that your country received last year?"
14. Where would you get the information to answer the question: "What was the total amount of development aid that your country received last year?"
15. Are you responsible for creating reports using aid [project] information?
16. On average, how many reports do you create per month?
17. How long would it take you to collect all the information you need?
18. Where would you get the information?
19. Which Aid related activity do you perform most in a month
20. Are you responsible for data entry of aid [project] information?
21. How do you keep track of aid [project] information?
22. How long does it take you to update the information on funding for ONE PROJECT?
23. On average, how often do you need to access data on the projects?

24. How do you coordinate between government and donors?