

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
DEVELOPMENT GRANTS PROGRAM
REPORT TO THE UNITED STATES CONGRESS
JULY, 2008

Rationale

Program Purpose

The Development Grants Program (DGP) was established by Section 674 of the Consolidated Appropriations Act of 2008 (H.R. 2764). The DGP is intended to re-establish direct grant relationships between the U.S. Agency for International Development (USAID) and US private voluntary organizations (PVOs)¹ and indigenous non-governmental organizations (NGOs) that have no or limited experience managing direct USAID grants.

The language in the Act provides that no individual organization can receive grants or grant amendments “in excess of \$2,000,000.” In support of the DGP, USAID will expand its outreach to US PVOs and indigenous NGOs. The DGP will broaden USAID’s direct engagement with a new set of organizations to implement sustainable and effective development programs.

USAID has extensive experience working with US PVOs and indigenous NGOs, in advancing development and providing humanitarian assistance. Among international donors, USAID is recognized as the premier agency for strengthening civil society organizations. Over the past 20 years, Operating Expense shortages have resulted in a prolonged downsizing of the Agency, leaving fewer staff to manage increasing amounts of funding. One response to this trend has been to award fewer and larger contracts and grants.

The Development Leadership Initiative is designed to rebuild the Agency’s human resources. With additional staff, USAID will be able to effectively manage a greater array of programs across a broader range of development issues, including more work with US PVOs and indigenous NGOs that have no or limited previous experience directly managing USAID funds.

USAID’s partnerships with US PVOs and indigenous NGOs have resulted in many achievements. Among these, the Agency has facilitated the development of many effective organizations that have grown in capacity and become more effective partners for the U.S. Government and for others

¹ “U.S. PVOs” does not include for-profit firms or non-governmental organizations.

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in pursuing shared development goals. The DGP will build on this foundation by engaging new partners in the development challenges ahead.

The DGP will help build sustainable organizations at the local level that can deliver results. USAID will assist U.S. and indigenous grantees to improve their planning, management, and accounting systems and other competencies to manage USAID-funded grant activities. In the process, grantees will enhance their capacity and engagement with other development actors and donors. Through DGP partnerships, a wider universe of US PVOs and indigenous NGOs will become better equipped to work in partnership with the U.S. Government and other development partners.

Finally, the DGP will help increase private resources directed to development assistance by encouraging private contributions through public-private partnerships. US PVOs and indigenous NGOs have much to contribute to public-private partnerships, building on existing networks of relationships and knowledge of customs in the communities they serve.

Objectives

The main objectives of the Development Grants Program are to:

- partner with US PVOs and indigenous NGOs that have limited or no experience managing direct USAID grants; and
- help grantees improve their planning and management systems and other competencies for USAID-funded development work and increase prospects for organizational and programmatic sustainability.

Program Methodology

Introduction

The following sections outline USAID's current plan for the Development Grants Program. We expect to refine the program as we absorb lessons learned during the process of implementation.

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Sectors

In our experience, US PVOs and indigenous NGOs are independently committed to international development and work in a wide variety of sectors ranging from health to economic growth. Their expertise and innovative approaches can contribute substantially to achieving USAID's development objectives. A multi-sector grants program will tap this comparative advantage, thereby enabling their partnerships with USAID to better promote host country strategies and objectives. Applicants will be asked to respond to USAID Mission sector priorities so that our strategic partnerships with them can address the development challenges identified by our Missions. USAID will identify the countries and sectors to be supported under the DGP in advance of the solicitation process. The sectors to be addressed by the DGP with FY 2008 funds will include, but may not be limited to: microenterprise, water, health, dairy, women's empowerment and the environment.

Because existing USAID grant programs in health have amply demonstrated their capacity to address the purposes of the DGP, a portion of the DGP will be implemented through existing health programs. These small grants will be competitively awarded to new US PVO partners and will seek to assist new partners to develop their institutional capabilities.

Funding

We expect that approximately two-thirds of the available grant funds will support US PVO grants and one third will support indigenous NGO grants. Individual grants to US PVOs are capped at \$2 million. Grants to indigenous NGOs will be funded up to approximately \$500,000 over a three-year period. One quarter of the total funding for the DGP will be used for health grant programs.

Mission Collaboration

Collaboration with USAID Missions in carrying out the DGP is critical. Most USAID funding is channeled through Missions. To partner effectively with USAID over the long term, DGP grantees must learn how to interact directly with Missions and host country development actors.

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Consultation with USAID Missions will help applicants understand the development challenges and priorities USAID Missions are targeting, thus improving the quality of proposals. Availability of funds for specific sectors will be communicated in the solicitation and discussed at a public event to launch the DGP. The review process will assess the financial and management capability of organizations that have not previously received USAID funds.

Direct grants to US PVOs, will be managed by Missions. To reduce the burden on Missions, proposal review for US PVO grants will be coordinated by USAID/Washington's Office of Development Partners (ODP). Missions will be fully engaged in ranking and approving grant proposals.

USAID also welcomes the opportunity to work directly with indigenous NGOs. However, indigenous NGOs often lack the capacity to manage direct USAID grants. Addressing this capacity gap may require additional USAID staff at Missions or utilizing USAID-provided capacity-building assistance.

Lessons learned from past PVO/NGO grant programs demonstrate that financial and organizational sustainability is most likely when programs are integrated with organizational capacity building. The DGP will provide support to help US PVO grantees learn to effectively manage USAID funds. For indigenous NGOs, Missions will have the flexibility to provide program management support under existing mechanisms, utilize local expertise or engage support from USAID/Washington.

Public-Private Partnerships

The DGP will encourage US PVOs and indigenous NGOs to work with the private sector, both in the United States and in host countries. DGP grantees will receive training on forging partnerships with the private sector and other development partners. As DGP grantees succeed in creating such partnerships, the impact of USAID grant support will be magnified through the leveraging of additional resources. Engagement with other development partners will also help grantees learn to mobilize diverse resources, contributing to their organizational and programmatic sustainability.

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Reporting and Evaluation

Annual reporting and evaluation time frames and guidelines will be established. In collaboration with Missions and relevant host country entities, grantees will develop indicators to track and manage progress toward their objectives. Grantees will conduct periodic assessments of project progress and report annually with an emphasis on results. An external evaluation of grantees' programs will take place at the end of the grant period. These evaluations will help determine the impact of grantees' contributions on USAID country development objectives.

Program Management

Solicitation Process

The DGP will be competitive and open to US PVOs registered with USAID by the time of award and to local non-governmental organizations. To be eligible, applicants must not have received more than \$5 million in direct funding from USAID over the preceding five years. USAID plans to issue one solicitation for US PVOs and another for indigenous NGOs. USAID will also procure a support mechanism to provide capacity building assistance to US PVOs and overall grants program management support.

Proposal Review

Evaluation criteria will be developed for the purpose of reviewing DGP applications in an open, transparent and competitive manner. During proposal review, USAID/Washington will draw on available technical experts in Washington and in Missions. For US PVOs, grant application reviews will be coordinated by USAID's Office of Development Partners (ODP) with full participation of relevant USAID Missions. Missions will review applications for grants to indigenous NGOs.

USAID/ODP Coordination

ODP will be the USAID office responsible for coordinating the DGP, through its Private Voluntary Cooperation (PVC) Division. ODP will engage all stakeholders, including US PVOs and USAID offices, Bureaus,

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and Missions in this process. ODP's Global Development Alliance Team will provide technical assistance in the development of public-private partnerships, such as training on identifying opportunities for partnerships and on how to build alliances. The Office of Faith-Based and Community Initiatives will provide support in reaching out to potential grantees.

Management and Capacity Building

Once US PVO proposals are reviewed and selected, Missions will award and manage DGP grants. Standard USAID financial accountability procedures will be applied. Organizations that have not previously managed USAID funding may require a pre-award audit. Capacity-building support to US PVOs will be provided and managed by ODP, which Missions can access. Missions will manage grants to indigenous NGOs and decide how to provide them with capacity-building support. Missions will receive DGP funds for program management and capacity-building. Where appropriate, ODP may also provide training and technical support to indigenous NGOs.

Program and Technical Support Funding Level

Direct grants to US PVOs and indigenous NGOs will require significant USAID staff time and technical support. USAID proposes that up to 25% of total program funds be made available for management and technical support costs. This is the approximate cost of management and support for USAID's Child Survival and Health Grants Program. This amount will provide up to \$12.5 million annually for program management and capacity-building support for US PVOs and indigenous NGOs and for USAID staff support world-wide. Three program-funded staff will be required in ODP to help manage the DGP, as well as provide outreach to and liaison with US PVOs. These estimated support requirements are based on past USAID experience and will be refined based on experience during implementation.

Evaluative Feedback Loop to Refine the Program

ODP will design a monitoring, assessment, and evaluation plan to provide the Agency with information that will be used to refine and improve the DGP over time. We will identify key challenges and determine what USAID needs to do to improve and sustain our ability to engage new NGO

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and PVO partners. Both USAID/Washington and participating Missions will use this approach.

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Timeline

<i>March 2008</i>	<i>Consult with Congress on Draft Concept Paper</i>
<i>April 2008</i>	<i>Consult with USAID Missions and Operating Units on Program Concept</i>
<i>July 2008</i>	<i>Report delivered to Congress</i>
	<i>1. Begin drafting APS, in consultation with USAID Missions and USAID/Washington offices</i>
	<i>2. Draft scope of work for DGP support mechanism</i>
<i>July 2008</i>	<i>Complete procurement of DGP support mechanism</i>
<i>July 2008</i>	<i>Post draft APS for comments</i>
<i>August 2008</i>	<i>Revise APS based on comments</i>
<i>Late August 2008</i>	<i>Post Final APS</i>
<i>October 30, 2008</i>	<i>Initial APS Deadline</i>
<i>November 2008</i>	<i>Proposal Reviews</i>
<i>January 2009</i>	<i>Process and award U.S. PVO and indigenous NGO grants as Mission timing allows during early Fiscal Year 2009</i>

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