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NTF/MDS
Eval

FUTURE DIRECTIONS FOR U.S. GOVERNMENT FUNDING OF
MANAGEMENT DEVELOPMENT SERVICES FOR PRIVATE VOLUNTARY ORGANIZATIONS

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I. Introduction

Our evaluation of AID's Management Development Services (MDS)¹ grant to the New TransCentury Foundation led us to conclude that, for the most part, TransCentury satisfactorily performed the functions for which the grant was originally given. (For details of this evaluation, see Anderson and Thomas, Strengthening Management Systems of Voluntary Agencies for International Development: An Evaluation of AID's Management Development Services Grant to the New TransCentury Foundation.) Nonetheless, the experience of this grant has led to increased knowledge about the needs of Private Voluntary Organizations (PVOs) and the potential for MDS. As AID's intentions for MDS have changed over time, we also feel that some changes in the approach are called for. In this paper we "define and refine", as our contract says, the broad issues involved in this funding which arose from our investigations and on which the options for future funding arrangements rest.

II. Past Experience

Throughout our evaluation of the work of TransCentury and in our subsequent investigation of underlying issues, one question repeatedly

¹AID's grant to New TransCentury Foundation was originally titled Management Development Services. Subsequently, it has been called Management Support Services. However, we use the former term throughout to refer to this activity.

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arose. This was, should AID continue to fund one agency which would provide all management services for PVOs or should AID break the various services into sub-groupings and arrange for these to be provided by a number of grantees/contractors.

Two problems arose from the concentration by AID of its MDS support in one agency. First, there was the strong sense in many parts of the PVO community that this concentration benefited NTCF inordinately, particularly when TransCentury entered into competition with other PVOs for contracts and grants from funders. Second, funding and experience build capacities in the designated field of endeavor. The concentration of an MDS grant in NTCF meant that they had the opportunity to institutionalize capacity in MDS activities. Other PVOs which might have been qualified to do aspects of the work well and which would have similarly benefited from this support did not have the same opportunity.

In addition to these two problems, we also found that NTCF did not do all aspects of the MDS support work equally well. Some aspects of this work could have, in fact, been done better by other agencies.

III. Suggested Future Organization of Management Development Services

There are three benefits to be realized from breaking the MDS funding up and awarding it to more than one agency:

1. to mitigate the sense that NTCF has an unfair competitive advantage vis-a-vis other PVOs in bidding for funding;
2. to strengthen more PVOs in their capacities to provide management services in specific areas where they already have strengths, and;

3. to get certain aspects of the work done better.

The principal costs of breaking up the funding among agencies are:

1. a loss of potential linkage effects from one area of management support to another;
2. the loss of some of the returns on the investment already made in NTCF, and;
3. some loss of "networking" capabilities which arise when one agency is dealing with all PVOs on all management issues.

Only the first of these has merit upon closer examination. Investments made in NTCF will be realized in other ways as it takes on other contracts related to its capabilities and, in the areas where it is particularly strong, it could continue to be AID's agent for these services.

We concluded that "networking" is not effective in general terms, but it becomes significantly helpful in relation to specific issues or areas. One has to "network" about something. Thus, a division of management services among agencies may result in more effective "networking" as "networks" are formed around specific areas by the agencies working in these areas.

On balance, we believe that some division of service provision among agencies is advisable. Following is a breakdown among services which we suggest from our investigation. While we discuss six areas of work, we suggest that some combinations would prove more effective than dividing the work into these six units. Other combinations may emerge as useful because of particular agencies' combinations of capabilities. This kind of decision is best made by AID staff in a position to judge

alternatives in specific terms in relation to specific agencies.

1. Financial management. Little comment is necessary about the area of financial management since NTCF has provided this aspect of management development services so effectively. Financial management, including budgeting and accounting, continues to be an important area for AID to support. This is important as a prerequisite by which agencies become able to absorb donor (including AID) monies and for their own smooth functioning as agents for international development.

2. Macro-management. The area of organizational management and of the development, articulation and pursuit of organizational goals is one in which services provided by NTCF were good and appreciated by some PVOs. It also should be continued.

3. Women in development. Work in raising the consciousness among PVOs of the importance of women as both agents and objects of development continues to be of the utmost importance. However, since the PVOs which need to be made aware of this concern are ipso facto those which are least apt to seek services in this area, we recommend that it be explicitly integrated into management work on program and project planning, implementation and evaluation. Project design and planning should have as an integral and always present element the issues concerning women in development. We, therefore, suggest that it be combined with #4 below.

4. Project design, planning, management and evaluation. PVOs need and will seek services in project planning, management and evaluation. AID should fund this service. In doing so, AID should seek bids by agencies wishing to provide these consulting services with an explicit

and integral concern for women in development as a unit. Joint proposals from two or more agencies with special capabilities and good track records should be encouraged. We cannot overstate our concern that the capacity to analyze the impact of proposed projects on women and to build these considerations into project design is of supreme importance.

5. Personnel. While the publication of the Job Opportunities Bulletin serves purposes which people appreciate, we feel that there are other elements of management services which could be usefully provided in the area of personnel. Particularly, we believe that consulting work on methods of staff orientation and on support for field staff could be useful to PVOs and directly improve their international development capabilities. However, we do not believe that there is sufficient clarity about the felt needs among the PVOs in this area to launch an MDS program yet. Before such a program is started, we recommend that more study be done and thought given to exactly what is possible and needed. Perhaps AID should elicit proposals for undertaking this study. In the meantime, continuation of the Bulletin seems warranted.

6. Technical assistance. There is a real need for certain kinds of technical assistance among the PVO staffs both in the U.S. and overseas. AID has invested in the development of technical capacity by funding consortia of non-profit organizations in areas such as health, education, livestock development, agriculture, and rural electrification. This capacity should be used in providing technical assistance to PVOs. This could be done in either of two ways. AID could ask each technical consortium to prepare a statement of capability to provide assistance and these could be circulated to PVOs which could then apply for a small

grant (see Section IV) to finance the purchase of these services.

Alternatively, AID could add to its contract with the agency providing assistance in project planning and management or contract separately with an agency to identify topics and locate technical capacity, to circulate information of these to PVOs and to arrange and fund requests for technical assistance from PVOs. This same provider could also arrange workshops for staffs of PVOs in the U.S. and could be used by AID to set up conferences on special issues and areas of importance to those doing development work.

IV. A Small Grants Program (SGPs) for Voluntary Agencies

In the course of our meetings with representatives of voluntary agencies, we found that they repeatedly referred to the OPGs and DPGs as the most important form of assistance provided by AID. The universality of this reaction and the degree to which agency representatives felt these grants preferable to other forms of assistance was noteworthy. Organizations naturally prefer to receive assistance in the most flexible manner possible and in forms over which they have maximum control. However, in an area where AID wants to encourage diversity of capabilities and approaches, as in the PVO relationship, grants for mutually agreed purposes are appropriate.

In evaluating NTCF's performance we were also concerned with the most cost-effective way to provide Management Development Services. Our evaluation report compares, hypothetically, the effectiveness of making MDS money available to agencies for direct purchase of management development services and of funding an agency to provide it without charge.

. It is important to note that the institutional support and overhead that is involved in having an agency like NTCP provide services greatly increases the cost of those services.

We have concluded that an effective means of providing assistance to PVOs and one that would receive the strongest endorsement from the PVO community would be a program of small grants to allow the agencies to purchase services which they consider highest priority. We believe this also would be a cost effective way of providing services.

We recommend that AID institute a program of grants to voluntary agencies. These grants would be for organizational strengthening purposes, rather than for program activities. They should be limited to non-recurring costs and enable the PVO to deal with a specific problem or undertake a particular innovation.

The effectiveness of a small grants program would depend on a system that is quick, impartial and involves minimal paper work. As a model we suggest the Social Science Research Council's academic grants program. An organization that would not be a competitor for funds (such as the American Council of Voluntary Agencies or Private Agencies Cooperating Together "PACT") should be given the organizing and banking role. This coordinating agency would have responsibility for publicizing the grants program, receiving applications, convening regular meetings of an external review committee and, on the basis of the committee's decisions, disbursing funds. Funds should be disbursed within three months after receipt of applications. We recommend that a small grants program should be part of AID's continuing program to strengthen voluntary agencies' management capabilities.

V. Methods of Implementing Future MDS Activities

Our evaluation of the NTCF grant suggested that management development services would have been more effective if the approach had been more explicitly planned and directed, rather than being responsive to organizational requests. We have indicated that there are advantages to having several agencies involved in providing Management Development Services. Some of these, such as financial services and the financial controllers consortium are sufficiently well established that their procedures are clear and effective. In other areas a planned approach should be adopted. Such an approach should contain the following components:

1. An initial needs assessment of voluntary agencies in the area of intended assistance should be conducted. Unless the capacities and deficiencies of the client group are clear, an efficient program to improve capacity cannot be devised.
2. Once needs are known, a specific strategy can be developed. The organization charged with providing the services can assess the resources it has to meet these needs, plan how best to deploy them and establish realistic objectives and measures of success.
3. Prospective clients must be informed of the services that are available. One of the real deficiencies of the past MDS grant was that after four years many potential users of the services were virtually uninformed as to the services which were available or how to take advantage of them. Unless this is changed, AID and the implementing agency are vulnerable to the criticism that MDS is a program for insiders who have close connections in Washington and influence in Government.

More important, many potential users among those who need assistance most may be completely bypassed by the program.

4. If available services are widely known, the demand for them will be greater than supply. Allocating these important resources on a first-come-first-served basis until the supply is exhausted, or providing them only to those who manage to find out about them will not insure either a fair or effective distribution. Therefore, there must be specific criteria for allocation that promote the underlying objectives. We cannot say in advance what those should be in each of the different areas of management services which are discussed here. We do, however, wish to emphasize the importance of establishing such criteria based on the needs assessment called for in #1 above and on overall development objectives.

5. There must be a system for feedback and periodic reviews of progress. This need not be an external, formal review. However, a regular assessment of progress and review of strategy will allow for incorporating accumulated knowledge and a more effective program.

VI. Cost Sharing

AID is concerned that services provided free of charge may not be fully valued or used by a recipient. Conversely, an agency receiving costless services may be more tolerant of inadequacies than it should. In our earlier report we described an agency which established with TransCentury an estimated cost of the services they were to receive and then expected NTCF to provide services of a value equal to their attributed cost. This procedure worked very well and was welcomed by NTCF as well.

We propose two specific mechanisms for allocating costs between provider and recipient in future grants. First, we would propose that any new MDS activity begin with a discussion between the provider and the recipient of the services in which they agree on the services to be provided and the cost of these services. If both parties begin the process with a real knowledge of the actual costs, the provider of services will insure that the services are of the quality expected and the recipient will more fully appreciate the services being received. Such a system would make monitoring of the agreement and subsequent evaluation infinitely easier, even if all costs were borne by one party to the arrangement. The absence of such cost data was a major handicap in the current evaluation exercise.

Second, we believe that in many situations some cost sharing is appropriate. Many of the larger PVOs are quite capable of paying for management services. Therefore, we suggest that in the initial budgeting exercise the appropriate basis for cost sharing be established (see exceptions below). Recipients should pay a portion of the costs strictly on the basis of ability to pay.

Exempt from such arrangements are the advocacy functions, such as the role of women in development, where AID is trying to establish the importance of certain kinds of activities. Only those who are already convinced of the importance will pay for services in these areas. Therefore, if the AID objectives are to be achieved, the services which involve an advocacy element will have to be provided without a cost sharing component.

VII. Third World Voluntary Organizations

The issue of AID relations with Third World PVOs is a difficult one. AID has had one very thoughtful report done on the subject (An Analysis of AID Relationships with Indigenous Private and Voluntary Organizations, Loren Finnell, November 1979). Our comments take that report into full consideration.

Numbers of private organizations in developing countries vary widely. As the Finnell report points out, there are many in Latin America and relatively fewer in Africa and Asia. We believe very strongly in the importance of these organizations and their contribution to development. In our view one of the serious problems of development in the Third World countries arises because central governments are too dominant in development programs. Their role is unlikely to change in the short run because of historical factors, human resources shortages and patterns of international aid giving. However, achieving the goals of broader based national development with involvement of a broad spectrum of the populace will be greatly aided by the growth and participation of private organizations of the countries concerned. Efforts to foster the growth of such organizations are highly desirable.

However, we do not believe that this can be done effectively by an official governmental organization. Problems arise primarily from the suspicion and vulnerability which would surround Third World organizations known to receive funds from the U.S. Government. Where semi-autonomous organizations such as the Inter-American Foundation or Appropriate Technology International exist, they provide a more appropriate channel for supporting Third World voluntary organizations. When

semi-official organizations to help Third World organizations, we believe that the risks are such that AID should not try to assist even selected organizations. In this we disagree with the Finnell report.

However, there are other alternatives. We believe that it is increasingly important for U.S. voluntary organizations to collaborate with Third World organizations sharing common objectives. The relationship should be genuine collaboration between equals. This does not mean setting up branch offices with country nationals supervised by Americans. To foster this type of cooperation AID funds provided through the small grants program (see Section IV for elaboration) might enable U.S. PVOs to establish collaborative relationships with Third World organizations. Such funds could be used for travel, communications and grants to strengthen the operation of the collaborating Third World organization.

The objective of this approach is to move the planning, decision making and implementation responsibility closer to the location of the actual program implementation and impact. The effectiveness of development programs can be increased through the incorporation of national knowledge and talents and Third World organizations can gain access to international expertise and an external accountability that may be an asset.

Management capabilities to Third World voluntary organizations may also be strengthened indirectly by AID funding. Here the TransCentury model may be appropriate. If an appropriate Third World organization with strong management capabilities or a commercial management consultant within the country or region could be found and funded to provide services on request, this could contribute substantially to the strengthening of Third World voluntary development organizations.

VIII. How to Fund MDS

We found considerable concern within AID that the grant arrangement under which NTCF had operated was too loose for adequate monitoring by AID staff. The issue is how best to fund the providers of MDS so that AID can be assured of a close working relationship with these providers and, at the same time, prevent over-control which may be stifling. We urge strongly that AID not resort to contract arrangements for this funding. PVOs and non-profit agencies are not, and should not become, equivalent to private profit-making consulting firms. Their special capabilities arise precisely because of their structures which provide some latitude for staff initiative and creativity. We suggest, therefore, reliance on cooperative agreements. Through these, areas where specific requirements are important could be specified and close monitoring could be arranged while other funds which had more flexible control could also be provided. Cooperative agreements have the additional advantage of requiring somewhat less monitoring from AID staff than contracts, thereby reducing to some degree the burden on these busy people.

IX Conclusion

We share AID's interest in and commitment to enhancing the role and effectiveness of voluntary agencies in international development. The MDS grant was an innovative step toward achieving this goal. Over the five years of the grant a great deal has been learned about the disparity within the PVO community and about the contributions they can make to international development. Obtaining the views of the TransCentury,

- . AID and PVO staffs and using these in analyzing the lessons of past experience and suggesting future directions has, we hope, been of value to each of these groups. We believe that the suggestions for future directions contained in this paper will improve AID's support to PVOs and will enhance their work in international development.