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EVALUATION OF  
COOPERATIVE AGREEMENT NO. AOT-0001-2046-00  
WITH THE  
CITIZENS DEMOCRACY CORPS  
FOR  
DEMOCRATIC PLURALISM INITIATIVES  
IN THE  
NEWLY INDEPENDENT STATES  
(Project 110-0001)

15 April 1994

Submitted to:

Agency for International Development  
Bureau for Europe and Newly Independent States



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## ACRONYMS

AID	Agency for International Development
BEP	Business Entrepreneur Program
CAP	Corporate Assistance Program
CDC	Citizens Democracy Corps
CEE	Central and Eastern Europe
CVP	Citizen Volunteer Program
EIR	Entrepreneur-in-Residence
NIS/TF	A.I.D.'s Task Force for the New Independent States
<u>NIS</u>	New Independent States of the former Soviet Union
PACT	Private Agencies Collaborating Together
PVO	Private, voluntary organization
USAID	Overseas Mission of AID

## EXECUTIVE SUMMARY

The Citizens Democracy Corps (CDC) was established as an initiative of the Bush administration as a citizens' movement that would support democratic change and market-oriented economic reform in Eastern Europe by mobilizing and coordinating American private sector initiatives. The purpose of the \$2.7 million CDC cooperative agreement was: to encourage and assist U.S. corporations, nonprofit organizations, educational institutions, and individuals to contribute their expertise and resources to the NIS; to assist NIS enterprises, nonprofit organizations, educational institutions, and governments to articulate needs for assistance that can be met by the U.S. private sector; and to match the needs of the NIS to the expertise and resources of the U.S. private sector. The cooperative agreement also contained funds for the start-up of the Eurasia Foundation.

### Program Summary

The CDC program included four components: a Clearinghouse to collect and disseminate information about private U.S. assistance activities in the NIS region; the Corporate Assistance Program (CAP), which enlisted U.S. corporations, nonprofit organizations, and universities to provide long-term pro bono assistance which addressed priority needs; the Business Entrepreneur Program, which utilized U.S. volunteers with entrepreneurial skills to provide on-site technical assistance to small and medium companies; and, the Citizens Volunteer Program, which recruited teams of U.S. volunteers to participate in long-term institution-building projects in diverse program sectors.

### Findings

The overall CDC program suffered from start-up delays resulting from insufficient planning, management and leadership. These problems forced CDC to close their Ukraine office and to focus their operations in Russia. There were some early successes including the Washington-based private sector donors conference and the publication of the highly regarded clearinghouse directories and reference materials; however the development of programs in the field were much slower to start.

CDC has made needed changes in management structure to better respond to needs in the field. It has downsized its Washington headquarters; reduced operating costs and overhead; released its original executive director and launched a recruitment drive for a replacement; started to restructure its board of directors; appointed a new Country Director for Russia; closed marginal field office operations; geographically and programmatically concentrated on the development of small- and medium-sized businesses and institutions that support and promote small- and medium-sized business development; and, dropped the clearinghouse, corporate assistance program and citizen volunteer program from its portfolio.

To date, CDC has completed only one corporate assistance project and placed 44 volunteers in businesses and institutions in the Russian federation. CDC volunteer assignments are well thought out and planned with clear scopes-of-work and contracts with participating businesses and organizations. It does a good job in managing logistical concerns, arranging for housing and

volunteer support while on assignment. The volunteers are well prepared and briefed for their assignments and reported that they experienced few difficulties on the ground and were able to complete their assignments as planned.

### Impact

The impact of the CDC program is to found at the individual business or organization level, where changes have been made to increase organizational efficiency, production, sales and management. The long-term impacts from the changes may start to be seen in the next year, as organizations and businesses fully implement the changes developed by the technical assistance assignments. However, since no long-term impact data has been collected to date, the extent of this impact beyond anecdotes is difficult to measure.

Given the more focused nature of the current CDC program the backstopping of the Cooperative Agreement should be transferred from DIHHR to the Private Sector Initiatives Office since the principal purpose of the program is private sector resource solicitation and business development. In addition, CDC should approach USAID/Moscow about participating in their Private Sector and Business Development strategy and request a change in backstop office.

CDC should continue to develop and implement its monitoring and reporting system in order to collect long-term impact data. The development of this system would begin with the setting of quantifiable objectives and impact indicators. Data should be collected for each volunteer assignment and follow-up should occur in six months and one year later. This will help determine if the assignment produced any measurable changes in productivity, sales, revenue or organizational development.

## **1. PURPOSE AND METHOD OF THE EVALUATION**

### **A. Background and Purpose of the Evaluation**

This evaluation was conducted by Management Systems International (MSI) under IQC No. AEP-0085-I-10-3001-00, Delivery Order No. 10. It is the first evaluation of a major sectoral component of assistance from the Agency for International Development (A.I.D.) to the New Independent States (NIS) of the former Soviet Union. It pertains to a portion of AID's Democratic Pluralism Initiatives (DPI) Project, No. 110-0007, which was authorized on 10 April 1992 with a life of project funding level of \$25 million and a project assistance completion date of April 1996. Funding for the DPI Project has been increased twice, in February 1993 to \$85 million, and in September 1993 to \$160 million; the second amendment also extended the project to 31 December 1996.

The DPI Project was designed to help build political, legal and social institutions critical to the success of democratic and economic reform in the NIS in the wake of the collapse of communism and the Soviet economic system. In its early phase, the Project funded Grants and Cooperative Agreements for U.S.-based nongovernmental organizations (NGOs) to provide technical assistance, training, and some equipment. Grants and Cooperative Agreements are both instruments to transfer funds to provide assistance to the recipient in carrying out a program. A Cooperative Agreement is a relationship in which substantial involvement is anticipated between AID and the recipient during the performance of the proposed activity. This report refers to the recipient organizations generically as "grantees."

The DPI Project has five components: rule of law, independent media, governance and public administration, political process, and civil society. The civil society component is intended to enable citizens to participate actively and effectively in the political and economic life of their countries, to check governmental powers and encourage responsiveness, and to provide services not provided by the government. The cooperative agreement with the CDC, which is evaluated in this report, is an element of the civil society component of the DPI Project.

The overall purpose of the evaluation is to assess the extent to which the grants are meeting the objectives of their agreements: fitting with the general guiding principles of democratic reform and able to adjust to the new strategic priorities; being implemented in an effective and efficient manner; and having an impact on the people, organizations and countries of the NIS.

### **B. Method**

In December 1993, A.I.D. contracted with Management Systems International (MSI) to conduct field evaluations of the activities of seven DPI Project grantees and desk studies of the activities of two grantees.

The evaluations were conducted by a team of six management consultants: David Read Barker (Team Leader), Cynthia Clapp-Wincek, David Hirschmann, James S. Holtaway, Sally J. Patterson, and Alan Lessik. Four members of the team (Barker, Holtaway, Patterson, and Lessik) divided responsibility for the seven field studies, with three evaluators each taking lead

responsibility for two studies and one evaluator taking responsibility for one field study and the synthesis report. The other two members of the team (Hirschmann and Clapp-Wincek) were each assigned lead responsibility for one desk study.

The professional backgrounds of the evaluators are development management, cultural anthropology, political science, and political organizing and opinion research. All four of the field evaluators had previous professional experience in Russia: three of them had worked in Russia within the previous 6 months.

A team planning meeting of the AID project managers, the evaluators, and representatives of the grantees was held on 4 January 1994. The participants agreed to support the evaluation as a collaborative, candid, constructive, and creative process. The evaluators then interviewed AID and CDC officials in their offices in the Washington, DC. Extensive documentation was gathered and reviewed by the team.

The four field evaluators visited the Russian Federation from 20-29 January, at which time the team broke into two sub-teams of two people each, one of which visited Ukraine from 29 January to 5 February and one of which visited Kazakhstan and Kyrgyzstan from 29 January to 5 February. The method of the field visits was derived from rapid appraisal techniques, which stress creation of a team, multi-disciplinary treatment of data, selective sampling, gathering information through interviews, and conscious efforts to identify biases.

With the full cooperation of the CDC, the evaluators structured their itinerary to maximize opportunities to observe significant project activities. Similarly, CDC provided names of key beneficiaries, who became priority targets for interviewing. Interviews with Russian-speaking informants were conducted in English using professional interpreters. To the extent that logistics permitted, at least two team members participated in interviews with beneficiaries. However, intense time constraints required modifications of the optimal itinerary and interview schedule.

The team interviewed 37 people, who are listed in Appendix A, and reviewed a large number of documents, which are listed in Appendix B.

Following the field visits, the team met several times in Washington, DC to exchange notes. Team members met with AID officials and with CDC staff to present key findings and conclusions informally and to review critical issues. At the suggestion of CDC, the team conducted phone interviews with several returned volunteers in the US.

The team expresses its sincere appreciation for the excellent cooperation and support received from AID officials in Washington; from USAID and U.S. Embassy staffs in Moscow, Almaty, and Kiev; from the staffs of the grantees in their headquarters and field offices; and from the numerous beneficiaries of these programs.

### **C. Description of the Report**

This report is divided into four parts. Chapter 2 provides a background to the project, its setting, and financial information. Chapter 3 presents evaluation findings from the interviews in

Washington, DC and the field, and an examination of relevant project documents. Chapter 4 discusses the management of the project; Chapter 5 presents the conclusions drawn from the findings and the final chapter makes recommendations based on the findings and conclusions. Appendices 1 and 2 list the persons interviewed and the documents consulted for the findings.

## 2. THE COOPERATIVE AGREEMENT

### A. Purpose and Description of the Program

The Citizens Democracy Corps was established as an initiative of the Bush administration. The President had called for a citizens' movement that would support democratic change and market-oriented economic reform in Eastern Europe by mobilizing and coordinating American private sector initiatives. The concept subsequently enunciated by Secretary James Baker was, "a public-private partnership from the grass roots to the highest councils of government..." to achieve U.S. foreign policy objectives.

From the intent of these pronouncements, and others, came the creation of the Citizens Democracy Corps in October 1990 and a charter that focused on two basic program objectives:

- Coordination of nongovernmental, private sector assistance, and
- Mobilization of private sector expertise and financial resources to strengthen emerging democratic institutions and free market economies. Early groundwork consisted of an AID grant to PACT to organize an information clearinghouse for private donors which was then subsumed by CDC.

Just prior to onset of the AID grant for the NIS, CDC organized a highly successful conference on the coordination of private sector assistance to the Commonwealth of Independent States. The conference drew a highly distinguished cadre of government officials and private citizens, including representatives from over 200 nongovernmental organizations.

The conference was the private sector companion to one called by Secretary of State James Baker among official international donors to elicit assistance pledges for the NIS. At the conference, Secretary Baker announced that CDC would be opening an office in Moscow and was planning a presence in the other New Independent States.

Immediately following the conference, CDC met with State Department and other government officials to define the parameters of its operation in the region. CDC was encouraged by senior State Department mentors to submit an unsolicited proposal to AID for funding its NIS operations.

The initial proposal for operations of the Citizens Democracy Corps in the New Independent States described the program goal and purpose as follows:

- Goal:** To assist the people of the NIS to meet their immediate needs for humanitarian assistance and to develop democratic institutions and free market economies;

**Purpose:**

- To encourage and assist U.S. corporations, nonprofit organizations, educational institutions, and individuals to contribute their expertise and resources to the NIS;
- To assist NIS enterprises, nonprofit organizations, educational institutions, and governments to articulate needs for assistance that can be met by the U.S. private sector;
- To match the needs of the NIS to the expertise and resources of the U.S. private sector, thereby contributing to:
  - restructuring existing enterprises and the development of new business;
  - reforming key economic sectors;
  - creating and strengthening organizations constituting a vibrant civil society capable of representing its citizens and providing services to them; and,
  - the building of close relationships between the NIS and the United States.
- To leverage significant financial and in-kind resources for CDC projects in the NIS.

**C. Program Budget and Financial Management**

A.I.D.'s expected contribution to the Cooperative Agreement will amount to \$2.7 million, including start-up funds for the Eurasia Foundation. Due to Congressional delays, the Foundation was not established for 14 months. These delays resulted in CDC and AID agreeing to amend the Cooperative Agreement on several occasions, each time allocating a greater portion of the original \$2.7 million AID funds to the Foundation line item. These amendments also imposed additional paperwork burdens on both AID and CDC.

CDC has undergone one OMB Circular A-133 audit and a financial systems review by the Defence Contract Audit Agency (DCAA). All but two of the issues identified in the A-133 were classified as immaterial; the two material findings were rectified within six month form the issuance of the audit report. The issues identified by the DCAA were resolved in a timely manner.

In an effort to strengthen its financial management, CDC hired a new controller in late December 1992. Since that time, CDC has improved its accounting controls and has developed, for the first time, a realistic operating budget. In addition, CDC has contracted with a senior financial consultant to ensure that its policies and procedures are in full compliance with federal procurement and accounting regulations.

### 3. FINDINGS

#### A. Inputs, Activities, and Delivery Mechanisms

Organizationally, CDC operates with small field offices coordinating implementation activities and a larger Washington headquarters providing overall program management, backstopping and clearinghouse support.

Programmatically, CDC utilizes senior-level volunteers to provide managerial assistance to small and medium-sized private and privatizing businesses and to public and non-profit organizations that support and strengthen the development of businesses. CDC pays international coach fare for the volunteer, the host company or institution provides housing, translation services and local transportation and the volunteers covers meals, health insurance and incidentals.

CDC uses what they call Entrepreneur-in-Residence (EIR) to identify companies for participation in the program and to help these candidates define the type of assistance needed and the objectives of the assignment. In St.Petersburg, the EIR manages the CDC office as well.

The CDC program proposed four components: a clearinghouse, a corporate assistance program (initially referred to as the technical cooperation program), a business entrepreneur program and a citizen's volunteer program. At the time the Cooperative Agreement was signed, the first two activates were operating in CDC's program in Central and Eastern Europe. The final two programs were developed in 1992 in CEE and extended to the NIS in January 1993.

The program, as subsequently described by CDC, included:

- **Clearinghouse:** The CDC operated a national clearinghouse which collected and disseminated information about private U.S. assistance activities in the NIS region. The clearinghouse operated three special services:

**Databank**--a service which collected and disseminated information on voluntary activities conducted by U.S. businesses, nonprofit organizations, government agencies, foundations, and universities working in the region.

**Volunteer Registry**--a service which matched individual Americans seeking volunteer positions in the NIS with organizations looking for skilled volunteers.

**Forums/Conferences**--periodic and issue-specific meetings of organizations involved in technical assistance to the region.

- **Corporate Assistance Program (CAP):** enlisted U.S. corporations, nonprofit organizations, and universities to provide long-term pro bono assistance which addressed priority needs.

- **Business Entrepreneur Program (BEP):** enlists U.S. volunteers with entrepreneurial skills to provide on-site technical assistance to small and medium companies.
- **Citizens Volunteer Program (CVP):** recruited teams of U.S. volunteers to participate in long-term institution-building projects in diverse program sectors.

The original proposal called for three field offices, one in Moscow and two future NIS unspecified offices, but presumably in Kiev and Almaty.

CDC in Russia uses a wrap-around assistance methodology that address both the targeted small or medium size business and the business environment for that business. The EIR consults with local government on appropriate measures to support and encourage business development in that locale, meets with business NGO groups to encourage their active participation in creating a conducive business environment and articulating the concerns of business people to the public sector.

Its process for identifying assignments involves three steps during successive visits-- initial interview and discussion of needs, preparation of task and job description, and a letter contract spelling expectations and mutual obligations to ensure a good match between the task and the advisor.

## **B. Outputs**

In a subsequent downsizing of the overall level of effort in 1993, AID instructed CDC to close its Kiev office in October 1993 and to discontinue plans to open in Almaty. A lack of continuity in the field representative position in Moscow prompted concern in USAID/Moscow and AID/W in fall 1993. The acting field representative and EIR have, however, supported volunteers and developed new assignments while a new field representative was recruited. The new field representative was appointed in January and arrived on March 7. In addition to the field representative, the Moscow office also has an EIR and local hire staff. The St. Petersburg office is staffed by an EIR and local hire staff.

### Clearinghouse

For expediency, the clearinghouse, was launched with a grant to PACT before CDC was chartered in October 1990 and later transferred to CDC. The clearinghouse served as a central source of information on assistance to the Central and Eastern Europe and the NIS. The CDC databank collected and disseminated information on the types of organizations which contribute assistance and support activities in the NIS, like nonprofit organizations, corporations, educational institutions, and foundations. It was encouraged to form a volunteer registry of citizens who wished to volunteer their services to organizations working in the NIS.

These activities were found to be quite useful by organizations working in the NIS in 1982 and early 1983. However, as more organizations gained experience in the NIS, demand for the clearinghouse services diminished. Recently, this component of the program was dropped.

### Corporate Assistance Program (CAP)

CDC drew upon its experiences in providing assistance to the Polish State Railroad, through loaned executives from Union Pacific, to develop a project with the railroads in Moscow. The CDC Executive Committee Chairman at the time, Drew Lewis, CEO of Union Pacific, was instrumental in obtaining corporate support for this endeavor under CAP. CDC recruited Norfolk Southern to provide a team of advisors to the Russian Railroads. The first Moscow field representative, on loan from Union Pacific and paid by the corporation, had been a CDC advisor to the Polish State Railroad. Unfortunately, He over-concentrated on this single activity of the NIS program to the detriment of other program elements.

No other corporate assistance projects were implemented and this component was subsequently dropped by CDC prior to the evaluation in an effort to focus the program.

**Table 1. Program Outputs Planned vs. Actual**

Program	Planned	Actual (as of 2/1/94)
Corporate Assistance Projects	30	1
Business Entrepreneurs	60	24
Citizen Volunteers	17	20

### Business Entrepreneurs and Citizen Volunteers

As shown in Table 1, CDC has surpassed its target for citizen volunteers, while it is still lagging behind in its business entrepreneur program. CDC believes that it can program 30-40 more volunteers by the end of the grant in October 1994 to meet this target. The Citizens Volunteer program has been dropped as a separate program and CDC continues to provide assistance to those institutions that promote the development of small and medium businesses.

CDC uses senior-level volunteers as its principal assistance delivery mode. In the last two years, it has developed an extensive database of selected volunteers. This database, structured by volunteers' skills and experience, provided CDC an ongoing asset in responding to a variety of specific assistance needs.

The team found that CDC gives special attention to the preparation, careful definition and sensitive negotiation of NIS assistance requests. It currently uses a three-step process of collaboration, request preparation and formal agreement with the company/institution to insure that the best candidates are matched for each assignment and that there is a clear understanding of the objectives. The process of selection of well suited volunteers and careful definition of the work tasks are a major strength of CDC's program and are critical to the effective use of volunteers.

The evaluation team noted a high degree of compatibility between tasks in the NIS and the volunteers capabilities, as did numerous reports from recipient institutions. Volunteers arrived with a good understanding of their assignments and generally completed them in accordance with the formal agreement. Volunteer orientation and support in the field appear excellent. Very few volunteers appeared to have had cross-cultural adjustment problems or difficulty in completing assignments. In at least three cases, volunteers have returned for second assignments or follow-on personal business.

### Other Activities

At AID's urging, CDC served as the incubator for the now free-standing Eurasia Foundation. However, due to Congressional delays, the Foundation took 14 months to become independent instead of the planned three months. This caused significant demands on CDC's attention and budget until the Foundation was finally launched.

### **C. Impact**

The major impact of a program like CDC's is at the individual beneficiary level. Impact data were not available for this evaluation because CDC only started to collect information in January 1994. They report that they are contacting beneficiaries to assess the value of the technical assistance provided. With about 44 voluntary assignments completed under the Citizen Volunteer Program (CVP) and Business Entrepreneur Program (BEP), technical assistance recipients and the volunteers themselves reported that their organizations made policy and structural changes to enhance production, to expand markets or to operate like private firms by responding to supply and demand, marketing pricing, and quality assurance requirements.

A CVP volunteer assigned to the Governor's office in Nizhniy Novgorod helped prepare the *oblast* for an international exposition of its goods. This work helped to focus the *oblast* on how westerners might perceive their exhibit and what would be the best marketing approach to attract business. A sales team was formed for the exhibition, a strategy and business plan were developed and the exhibit was redesigned based on the strategy. The volunteer also recommended the establishment of an economic development corporation as a means for promoting economic development and re-tooling of the existing factories within the region. Within one week the Governor enthusiastically responded in writing and asked that work begin on the concept. The long-term impact of the volunteer could result in increased production, sales and employment within the region.

Another volunteer, worked with the formerly closed city of Novaya Ladoga on a tourism plan. On the volunteer's suggestion, the mayor appointed a tourism advisory council to develop a broadly based plan with input from public and private officials. The final report of the volunteer and council was delivered to the mayor at the end of the volunteer's time. Based on the positive reaction to the plan and another request for assistance, CDC is planning to follow-up with a second assignment that will focus on the finance and marketing aspects of tourism development. If the tourism plan is adopted and implemented, the heavily forested region would see a new economy develop around recreation and tourism.

A BEP volunteer worked with the Troika Dialog Bank, an investment bank/brokerage in Moscow. He was able to design a management information system for the accounting functions of the bank. While the bank was operating in the red at the time of the assignment, the introduction of the new accounting system is expected to help to bring profitability to the bank in a short time. In doing so, the bank will be able to finance more businesses to operate in Moscow.

Another BEP volunteer worked with a private photo mural printing company in St. Petersburg. While he was there he saw a turn around in company sales, as the company implemented a new sales commission plan he suggested. Rather than all sales staff pooling commissions, they were paid commission based on their own sales effort. Other suggestions for new merchandising techniques will take longer to implement.

In each of these cases, CDC was able to provide low-cost technical assistance to organizations that were unable to afford such assistance through conventional means. In addition, with well designed terms of reference, the volunteers were able to complete their assignments and accomplish the objectives set out for the assistance. The ultimate impact of the technical assistance will be determined in medium-term if the organizations are able to continue on the path started.

#### **D. Grantee Future Directions**

The CDC program is now focused on the Business Entrepreneur Program and related business promotion programs. This narrowed focus will enable it to develop more concrete objectives and develop a strategy that should be able to produce greater impact.

## 4. MANAGEMENT

### A. Management by Grantee

For the first 1 1/2 years management at all levels of activity has been a serious impediment to effective Cooperative Agreement implementation. The field offices in Moscow and Kiev have been subject to turnover at the field representative level. The two EIRs in Russia are serving their intended one-year assignments, while the one in Kiev left early for personal reasons.

In practice CDC programs were managed separately, as free-standing entities, and not as part of a whole. Each component was overseen by a different program manager and supporting staff in the headquarters, while the field operated on an equally decentralized functional basis.

Field office directors lacked the authority to directly supervise the BEP. The EIRs were in charge of the BEP, while field representatives were in charge of the CAP, CVP, administrative and financial support, volunteer orientation/support, clearinghouse information dissemination and liaison with assistance donors and local USAID representatives. Field representatives were further handicapped by a structural arrangement where in the EIRs reported back to program managers in Washington rather than to them. This functional division of BEP and the other programs worked against program integration and strategic focus.

In Moscow, the first representative, a loaned executive from Union Pacific, left at the end of 1992 when offered early retirement by Union Pacific. The second representative was released in November 1993 for managerial and programmatic shortcomings, and during this evaluation the office was under the acting directorship of the office administrative manager for approximately 4 months. The new field representative arrived in Moscow on March 7.

In Kiev, the first field representative arrived to establish the office in January 1993. CDC became concerned about his lack of progress and after attempts to correct the situation failed, dismissed him in June 1993. Although CDC later hired a new field representative and appointed a new EIR, USAID/Kiev had lost confidence in the program and recommended that the office be closed.

In Almaty, the USAID Mission was so unimpressed by the expression of purpose and vision during a visit of the CDC Executive Director that it recommended against opening an office and commencing a program in Central Asia that had been stipulated in the Cooperative Agreement.

In Washington, executive director management was uneven and often lacked a sense of direction and focus. The headquarters communication with the field did not provide the normal oversight, strategic direction, or the management nurturing and coaching.

The grantee did not have an implementation plan that scheduled activities, set priorities and deadlines, and provided a framework for field/headquarters management and control. The conspicuous absence of an implementation schedule in the original proposal and the

postponement of even a 1-year implementation plan, should have been seen as a management red flag. CDC never developed an implementation schedule.

Informally, Washington continued to stress the Corporate Assistance Program and instructed the field representatives to place a priority on arranging corporate assignments. The emphasis continued even when it was apparent that the program was not working. Such emphasis created considerable frustration both in Washington and the field.

There were sufficient early signals that, managerially, things were awry. In June 1993, CDC used a consultant to analyze the needs of the Moscow office. Her management study of the Moscow office was an outstanding analysis of the strategic, programmatic, and managerial problems being encountered, and the courses of action required to rectify the shortcomings. Apparently, the incumbent field representative did not have the managerial background, or possibly the cooperation of other staff, to implement recommendations in more than a perfunctory manner. It was also observed that the field representative was caught between competing demands from USAID/Moscow and CDC Washington, and, consequently, was distracted from setting priorities and focusing program elements.

A member of the executive committee and two prominent U.S. mayors subsequently undertook a planning mission to Russia in June 1993. In written and verbal reports to the executive director, they noted that things were not working well in the Moscow office. Executive management failed to act promptly on these findings.

From other evidence and interviews it seems that executive management itself was a major contributing factor in program shortcomings. In September 1993, the Executive Committee acted, released the executive director, and initiated a series of fundamental changes in structure, management relations, and program direction. Unfortunately, CDC would have benefitted from much earlier decisive action, which if taken, possibly would have spared CDC the loss of AID's confidence.

CDC relies on the individual style, initiative of its field representatives and EIR for planning and programming methodology. Despite CDC's experience in CEE, internal systems are not perfected and uniform, e.g., operating instructions, accounting systems and approaches for project identification.

CDC has recently introduced a number of changes in the field offices intended to tighten management. EIRs now report to the field representative, not directly to Washington. The experienced field representative in Warsaw spends 2/3 of his time as a regional representative working directly with each field office on management, financial and programmatic issues.

As previously discussed, rather than continuing to its broad program of activities, CDC has reduced the program elements to focus solely on the BEP and related business promotion activities.

## **B. Management by AID**

As with many of the unsolicited proposals funded by AID in the beginning of DPI in 1992, AID gave minimal management attention to CDC as it expected the organization to implement its program. However, early in the life of the cooperative agreement, AID should have insisted that a comprehensive multi-year implementation plan be prepared in accordance with the original proposal, as is standard for contractors. This would have allowed it to measure CDC's progress towards the implementation of its program.

After the project shake-out and change in administrations (which was a crucial factor for CDC) that occurred in 1992 and early 1993, AID did not review the nature of the CDC Cooperative Agreement and redirected its management and strategic niche to private sector small- and medium-size business development, as was done with a similar CDC program located in the Central and Eastern Europe Office of AID. That reorganization of activities resulted in CDC receiving a higher degree of AID support and strategic relevance.

In following the Washington-based mission management structure, AID was not very proactive in providing guidance, frequent communication, site-visitation and oversight feedback as AID strategies evolved and limited field mission operations emerged. For example, there is no evidence that anyone in AID/W or the USAID missions ever visited a CDC project site or field office. Much of AID's inability to act sooner was rooted in the tumultuous reorganizations and reassignment of responsibilities that occurred when the AID/NIS Task Force was established, as on-going activities transferred from the Europe Bureau, and new NIS staff both in Washington and the field came to grips with their new portfolios and management responsibilities.

It was not until the Fall of 1993 that AID officially recognized CDC's serious state of affairs, although individual AID managers were aware much earlier that the symptoms of trouble were cropping up. At that time, AID began a dialogue with CDC aimed at reshaping the Cooperative Agreement. CDC believes this approach has turned out to be constructive. It forced them to focus on what was working, to shed ineffective components, to work more assiduously on coordination with AID offices.

## **C. Organizational and Institutional Factors**

The unusual circumstances and short lead time under which CDC was established created expectations that became more and more difficult to satisfy as time passed. CDC was a reflection of a political and economic assistance imperative that required rapid mobilization of private sector resources and expertise. Its structure and charter were forged by partisan political forces following a Presidential call to establish a Citizens Democracy Corps. It was used as an instrument of policy and enjoyed close ties with senior officials in the administration. CDC's board of directors and chairman were nominated to the White House for approval and CDC's Executive Director was transferred from the State Department.

The point of this descriptive background is to illustrate the beginnings and evolution of CDC as it sought to define its role, map out areas of concentration, and adjust to new political

circumstances as events unfolded. AID's Cooperative Agreement was a major impetus to definition and program direction.

CDC's original proposal was a thoughtful, well-structured program despite the burden of politicization. The Central and Eastern Europe analog highlights some commendable impact on small- and medium-size business development. A recent evaluation of NGO cost-effectiveness gave CDC high marks. Unfortunately, the hard work and diligence of many staff people and volunteers could not always offset inadequacies of executive management and uneven management performance in the field offices.

It was the loss of focus, concentration, concerns about cost-effectiveness, shortfalls in implementation targets, and questions about impact that rocked CDC. CDC and AID are now working constructively to reshape, focus, and concentrate program activity to increase the probability of greater and sustainable development impact, albeit in the closing phase of the Cooperative Agreement.

## 5. CONCLUSIONS

1 CDC enjoyed an strong degree of political support from and access to the Bush Administration. Some of this impetus was useful in early coordination of private sector and voluntary assistance to the NIS. Unfortunately, the support in some cases became a source of distraction to staff and field representatives, diverted CDC's focus from its stated goal and purpose, and created doubt in AID about CDC's institutional capacity to carry out the Cooperative Agreement.

This political support was not translated into quick-start field operations. Although there were some early successes, in the Washington-based operations with the hosting of a private sector donors conference and the publication of the highly regarded clearinghouse directories and reference materials, the development of programs in the field were much slower to start.

2. The overall CDC program suffered from delays in start-up resulting from insufficient implementation planning and the absence of a plan of action and insufficient management and leadership. These problems forced CDC to close their Ukraine office and to operate only in Russia.

3. Due to the broad-based approach of the original CDC proposal, it was labeled as a special initiative or democratic pluralism initiative and consequently delegated to DIHHR. Yet the bulk of CDC's program was linked to business development initiatives and with the present change in strategy, is even more clearly a business development program.

4. When the administration changed in January 1993, CDC in effect lost its political patronage (and also the distraction from its scope of work) and had to take more seriously the substance of its program description in the Cooperative Agreement, against which it would be judged. This transition was wrenching, lacked the proper leadership, and caused much organizational introspection in CDC. It was only in late 1993 and early 1994 that CDC began to demonstrate effectiveness in its programs.

CDC has made needed changes in management structure to better respond to needs in the field. It has downsized its Washington headquarters; reduced operating costs and overhead; released its original executive director and launched a recruitment drive for a replacement; started to restructure its board of directors; appointed a new Country Director for Russia; closed marginal field office operations; geographically and programmatically concentrated on the development of small and medium sized businesses and on institutions that support and promote small- and medium-sized business development; and, dropped the clearinghouse, corporate assistance program and citizen volunteer program from its portfolio.

5. CDC volunteer assignments are well thought out and planned. It does a good job in dealing with logistical concerns, arranging for housing and volunteer support while on assignment. The volunteers are well prepared and briefed for their assignments and reported that they experienced few difficulties on the ground and were able to complete their assignments as planned.

6. The impact of the CDC program is at the individual business or organization level. The long-term impact from this changes may start to be seen in the next year, as organizations and businesses fully implement or carry through the changes developed by the technical assistance assignments. However, since no long-term impact data has been collected to date, the extent of this impact beyond anecdotes is difficult to measure. Areas of potential impact may include increases in production, sales, profitability and employment.

## 6. RECOMMENDATIONS

1. The first priority of CDC is to complete the restructuring of the program, downsizing and organization management improvements, and recruitment of key staff already initiated by the acting Executive Director. Systems for management oversight and evaluation of field operations should also be improved.
2. AID should consider transferring the backstopping of the CDC Cooperative Agreement from DIHHR to the Private Sector Initiatives Office, since the principal purpose of the program is private sector resource solicitation and business development. In addition, CDC should approach USAID/Moscow about participating in their Private Sector and Business Development strategy and request a change in backstop office.
3. CDC should improve its monitoring and reporting system for its program. The development of this system would begin with the setting of quantifiable objectives and impact indicators. Data should be collected for each volunteer assignment and follow-up should occur in six months and one year later. This will help determine if the assignment produced any measurable changes in productivity, sales, revenue or organizational development.

## Appendix A. LIST OF PEOPLE INTERVIEWED

### Agency for International Development Washington, D.C.

Geraldine Donnelly, ENI/NIS/DIHHR  
Mary Ann Riegelman, ENI/NIS/DIHHR  
Illona Countryman, ENI/NIS/DIHHR  
Regina Coleman, ENI/NIS/DIHHR  
Kris Loken, ENI/NIS/DIHHR  
Paul Holmes, ENI/NIS/DIHHR  
Carlos Pascual, ENI/NIS/PAC  
Paul Ashin, ENI/NIS/PAC  
Julie Allaire-MacDonald, ENI/NIS/PAC  
Jean Hacken, ENI/NIS/PS  
Larry Garber, PPC

### United States Embassy Moscow:

Thomas C. Niblock, Jr., First Secretary, Political Section

### Citizens Democracy Corps:

Carolyn Stremlau, Acting Executive Director, Washington, D.C.  
Chris Sharkey, Controller  
Diane Rosenbaum, Director of Business Recruitment  
Maureen Kiser, Field Office Director, Moscow, Russia  
Robert C. Jacoby, Entrepreneur-in-Residence, Moscow, Russia  
Gordon Hurst, Entrepreneur-in-Residence, St. Petersburg, Russia

### Citizens Democracy Corps Volunteers:

Barbara Chronowksi, Nizhiny Novogorod Oblast  
Gary Grahn, Vilena, St. Petersburg  
Robert Green, Troika Dialog Bank, Moscow  
Burk Ketcham, City of Novaya Ladoga

### Moscow:

Dr. Starovoit  
Peter Mahoney, World Learning

### St. Petersburg:

Mr. Viktor Gurvich, Vilena

Mikael Khitrov, Marketing Director, Speech Technology Center  
Julia Nikolaeva Khitrova, Speech Technology Center  
Mr. Stanislav Amshinsky, CREAT  
Mrs. Yana Sokolovskaya, ECO-SPORT

**Nizny Novgorad:**

The Governor's Office

**USAID Moscow:**

James Norris, Director  
Robert Burke, Deputy Director  
Alan Reed, Program Officer  
Jean Bourgault, Project Officer  
Anne Nesterchuk, Project Officer  
E. Scott Osbourne, PVO/NGO Officer  
Talbot Penner, Private Sector Officer

**USAID Almaty:**

Craig Buck, Director  
Patty Buckles, Deputy Director  
Paula Feeney, Democracy Officer  
Jonathan Addleton, Program Officer  
James Ahn, Controller

**U.S. Embassy, Almaty**

Ambassador William Courtney  
Jackson McDonald, DCM  
Richard Lankford, USIS/PAO

## Appendix B. REFERENCES

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