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SUSTAINABLE DEVELOPMENT SERVICES PROJECT
Year One Annual Report
Sept. 1995 - Sept. 1996

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Executive Summary

Overview

In the first year of the Sustainable Development Services (SDS) Project, we began to successfully develop, test, and refine a package of high-quality services that assist HNP and other generalist PVOs to develop, implement and integrate financially self-sustainable models into their programs and institutions. The SDS Consortium conducted a Sustainability Assessment; made five awareness presentations to the PVO community; hosted one workshop; began work on one long-term consultancy (LMOU) and positioned a second LMOU to begin; and continued to develop and refine sustainability tools.

Accomplishments by Project Component

The Sustainability Assessment provided information to help us further understand the problems, constraints, and needs of PVOs interested in financially sustainable program models. It was instrumental in beginning to market the SDS Project, build relationships with senior staff, and to provide the information needed to refine project offerings.

Awareness Presentations to approximately fifty PVOs educated them about the services the SDS Project offers, how to access them, and to build demand for services and tools. Follow up calls to consortium members from PVOs reinforced the value and impact of the presentations.

The First Introductory Workshop provided teams from ten PVOs an opportunity to understand the range of approaches to creating more financially sustainable services, assess the relevance of these approaches for their own organizations, and develop specific strategies for implementing more sustainable program models.

Longer-term Technical Assistance (LMOU) with one PVO is underway and another is poised to begin. Prototypes of short-term technical assistance were also designed and are in use with several PVOs that attended the first workshop.

A variety of tools were developed and refined this year for use in workshops and technical assistance. Tool development included those originally conceived in the DIP and others in response to client demand.

DIP Objectives

Most project activities are a combined effort by all three consortium members. However, each organization is responsible for specific tools as outlined in the DIP.

DIP objectives and progress in year one:

- *Three case studies in written or video form documented comprehensively enough to stand alone outside an SDS event (Lassen Associates)*
Lassen Associates developed two written cases for the workshop and is currently editing a video case.
- *Three Non-Profit Business Development Tools that can stand alone for use by SDS*

Participants and others and to Build Theory (Lassen Associates)

Lassen Associates focused on building theory in year one and developed draft materials about how non-credit intermediaries can improve their financial sustainable .

- *Facts for Economic Life, the first component of Popular Economic Education, will be published. (Lassen Associates)*

Lassen Associates, with input from Freedom from Hunger, drafted the four major content areas. They are currently being reviewed and refined. Lassen Associates expects to publish this generic curriculum and sourcebook in the second or third quarter of year two.

- *Editorial Input to Facts for Economic Life (Freedom from Hunger)*

Freedom from Hunger collaborated with Lassen Associates in the design, development and testing of Facts for Economic Life.

- *Organizational Self-Assessment Tool (IDR)*

IDR designed and developed an organizational self-assessment tool used during the Sustainability Assessment and in the first workshop.

Lessons Learned

In each stage and component of the Project, the consortium has generated learnings that have and will continue to contribute to the development and refinement of SDS services and tools.

Year One learnings and strategies for improvement include:

- Segment the market of PVOs into groups based on their level of understanding of sustainability concepts and address them independently.
- Offer a fuller range of well-developed case examples
- Tighten integration of the organizational development and program design content in workshops.
- Provide more education about the value and kinds of services available in long-term TA and offer short-term TA
- Integrate tool development more tightly into workshops and technical assistance.
- Shorten and simplify the organizational self-assessment tool.

Key Learnings

The consortium identified three broader learnings this year:

- Success in financial sustainability is market driven. Listening to clients needs is essential to offer services and tools that are needed and valued by the PVO community.
- Financial sustainability is a global phenomenon, occurring only in part because of decreases in grant aid and the urging of funders. There are numerous examples of indigenous program models which are not and never have been highly dependent on grants or charitable contributions to cover costs.

- Increased clarity and specificity about what is involved when PVOs make the “paradigm shift” away from a mindset focused on obtaining and spending down grants and toward a more business-like approach to defining and delivering services.

Linkage with Other Resources

SDS has worked to expand its portfolio of financially sustainable program models and build relationships with other organizations and initiatives. A new relationship with the *Initiatives Project* (a USAID Cooperative Agreement with John Snow, Inc.), has greatly enhanced the capacity of the SDS consortium.

Changes on Project Design

There are three significant changes in the program design:

- Addition of Short-Term Technical Assistance
- Greater Integration of Tools development into TA and Workshops
- Addition of a Fourth Year to the Cooperative Agreement

Budget and Expenditures

Expenditures were under budget for three main reasons:

- Fewer than Expected Awareness Presentations and Workshops
- Slower than Anticipated Start-Up of LMOU Technical Assistance
- Tool Development Linked More Closely to Workshops and Technical Assistance

Based on each consortium member’s unique competencies and the momentum we have leveraged as a team, we feel well situated to address the needs and demands of PVOs trying to develop, implement and integrate financially self-sustainable models into their programs and institutions in the coming years.

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Executive Summary

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SUSTAINABLE DEVELOPMENT SERVICES PROJECT
Year One (September 1995 - September 1996) Annual Report

I. Overview of Year One & Changes Subsequent To DIP

A. Summary of Overall Project Performance

In this section we summarize the first year accomplishments of the SDS Project in each of the three main project areas--Workshops and Presentations, Tools, and Technical Assistance. By "accomplishments" we mean to include what have we done as well as what we have built that will be a foundation for our work in subsequent years. (Section I.B looks more narrowly at accomplishments, explicitly comparing particular DIP objectives and actual performance, by organization.)

1. Workshops and Presentations

- In the first few months of the project we conducted two rounds of sustainability assessments, involving primarily CEOs of twenty-four PVOs in the first round, following up with senior managers and program leaders of ten of these organizations in the second round. The assessments succeeded in providing the market information needed to refine the project offerings defined in the DIP and to design and build demand for the first introductory workshop. Relationships built with CEOs and senior managers during this initial phase have been critical to the SDS Project's continued dialogue with and access to many of these organizations.
- Consortium members made five presentations to describe the SDS project and make it more visible in the PVO community. Presentations were made at meetings of SEEP, InterAction, MED and at PVC's Fall 1996 RFA conference.
- The first SDS Introductory workshop was held in June, 1996. Twenty-one participants from ten organizations attended.
- Our experience in the first workshop, as well as staff and participant evaluations, have helped us clarify the concept and design of the workshop. Participants in the second introductory workshop will benefit greatly from our learnings about content and process in the first workshop.
- As a result of the first year's work the consortium now has the organizational and marketing infrastructure needed to support future workshops (e.g., PVO client data base, relationships with efficient, cost effective vendors, proven marketing strategy, known and effective outlets for advertising, etc.)

2. Technical Assistance

- One LMOU (with OICI) has been signed and is underway and another LMOU (with Feed the Children) is in final negotiation and poised to begin.
- Several prototypes of short-term technical assistance have been designed and used with SDS clients, including:
 - Sustainability of Child Survival programs (with World Vision Relief and Development)
 - In-house Sustainability Awareness workshop (with Andean Rural Health Care)
 - Vision, Mission and Strategy for Sustainability workshop (piloted with OICI)
- Our experience with an increasing range of organizations with financially sustainable programs leads to a tentative hypothesis that these organizations have:
 - visions, missions and strategies which are aligned with sustainability
 - financial management capacities for prediction, tracking and control
 - people in program and/or marketing roles who are knowledgeable about the organization's client needs and demands
- Consortium members have explored Technical Assistance options with other organizations that have expressed interest in the SDS Project (i.e., Aga Khan Foundation and Katalysis)

3. Tools

- A major accomplishment in year one was a new understanding of the relationship between tool development and workshops and technical assistance. We began the year viewing TA and workshops as places to test and refine tools developed beforehand. While some tools have indeed been conceptualized and developed prior to their use in a workshop or TA, it is now apparent that many SDS tools will originate in response to needs expressed by clients in workshops and TA. As such, tool development is best seen as occurring as part of the provision of workshops and TA and not as a separate and parallel line of activity.
- In response to PVO demand for certain tools (especially case studies and assessment instruments) the consortium has acquired experience applying and testing drafts of some of the initial tools. Developing the tools has also caused the consortium to further investigate the theoretical basis for the tools. For example, experience in applying the sustainability readiness index to WVRD's field program in Nigeria showed us that certain elements of the index needed to be better balanced. Adjustments were made to balance the number of questions in each section, and to reflect their relative priority or importance. The Nigeria case also showed the need to adapt the original program model to market demand. As a result, market analysis is now seen as a critical component of the model, and we have developed new tools for market analysis.

- Drafts of several tools or instruments have been developed:
 - Sustainability Readiness Index
 - Organizational Assessment Package
 - Case studies: (Freedom from Hunger; ProSalud; Andean Rural Health Care; ACP)
 - “Keys to Sustainability” Packet
 - Framework for Self-Assessment of PVOs
 - Methodology for Field Sustainability Assessment of Child Survival Programs
 - Adaptation of Force Field Analysis for PVOs
 - “Sustainability Traps”

- All three tools which comprise the Popular Economic Education (P.E.E.) curriculum have been conceptualized in detail. The Selling/Marketing element of the sourcebook “Facts for Economic Life” has been drafted and is now in the testing phase in field programs (the other three elements of the sourcebook are: The Business Idea/Feasibility; Managing Your Business Money; and Increasing Profitability.)

B. Comparison of DIP Objectives and Accomplishments, by Organization

In this section we briefly summarize contributions made to project activities by each organization in year one. Most activities were a cooperative effort by all three organizations. In some cases, one organization was principally responsible for a specific activity outlined in the DIP (Section III, “SDS Services”). In these cases, we treat the objective with greater detail -- including a statement of the DIP objective compared to actual progress.

1. Freedom From Hunger

- **Sustainability Assessment (Fall, 1995)**

Freedom from Hunger (FfH) provided conceptual guidance on what issues needed to be included in the interview protocol in order to better understand the challenges and needs of PVOs working in HNP. FfH provided input to the final design of the protocol and conducted one interview using the protocol.

- **Design, Development and Delivery of Awareness Presentations (Year 1)**

Early on in year one consortium members agreed that each organization would take responsibility for identifying the fora in which they would present Awareness Presentations. We also agreed that each organization would be responsible for developing its own presentation materials--but that certain elements of the project would always be presented and that these common elements would be agreed on ahead of time.

Chris Dunford discussed the Project and distributed materials at the Seep CEO Workshop in October, 1995. He also organized a session about the SDS Project at the Micro-Credit Conference in May, 1996.

- **Design, Development and Delivery of First Introductory Workshop (Spring, 1996)**

Freedom from Hunger participated in the conceptual design of the June workshop and design of the FfH case study used as a teaching aid during the workshop. FfH also provided input/feedback to the workshop design as it evolved. Chris Dunford and Ellen Vor der Bruegge made marketing calls to promote participation in the workshop, and attended the workshop to discuss their experience with Freedom from Hunger during the case study and as consultants to participating organizations.

- **Design and Development of the Second Introductory Workshop (Fall, 1996)**

Freedom from Hunger provided input to the design of the January, 1997 workshop based on our experience and learnings in the June workshop. They also modified their case study for use in the January workshop.

- **Organizational Self-Assessment Tool (Spring, 1996)**

Freedom from Hunger reviewed the Self-Assessment tool which was based on the interview protocol used during the Sustainability Assessment and provided feedback as it was refined for the June, 1996 workshop.

- **Editorial Input to Lassen Associates on "Facts for Economic Life" (Year 1)**

DIP Objective: to provide editorial input to the generic curriculum and sourcebook, "Economic Facts for Life" to be published by Lassen Associates during the first year of the cooperative agreement.

Freedom from Hunger and Lassen Associates began the development of the Popular Economic Education sourcebook -- "Facts for Economic Life." Content for the sourcebook is almost complete -- Freedom from Hunger and Lassen Associates have synthesized the content into four topic areas and messages. They are: The Business Idea/Feasibility; Selling/Marketing; Managing Your Business Money; and Increasing Profitability. Lassen Associates is working on publishing the content of the sourcebook while they begin testing and refining the training materials and modules with Freedom from Hunger.

- **Technical Assistance (Fall, 1996)**

Chris Dunford presented a workshop for OICI staff to discuss Freedom from Hunger's transition to a credit-led program and how their field programs operate. Consequently, OICI is considering a pilot *Credit with Education* program in Guinea. Kathleen Stack will conduct a feasibility and design study in early 1997.

2. IDR

- **Sustainability Assessment (Fall, 1995)**

IDR designed and developed the interview protocol used during the first and second rounds of the Sustainability Assessment interviews. IDR conducted awareness interviews with PVOs and synthesized the interview results for use in the design of the first workshop and for tool development.

- **Design, Development and Delivery of Awareness Presentations (Year 1)**

Jane Covey discussed the SDS Project and distributed brochures one-on-one at the InterAction Forum, Spring 1996. Bill Le Clere also discussed the SDS project and distributed materials during two panel sessions held at the PVC RFA workshop this fall. Both sessions addressed issues of sustainability, one of the panel sessions was conducted by Lassen Associates.

- **Design, Development and Delivery of First Introductory Workshop (June, 1996)**

In the early months of Year One, IDR used a Sustainability Assessment process to further refine the DIP for the overall SDS project and to identify what sort of workshop topics and design would best meet the needs of the PVO market.

The first Introductory workshop was held from June 12 - June 15 1996. It was attended by twenty-one people from ten PVOs.

IDR coordinated the marketing of the first workshop, its overall design, and logistics. IDR also developed the "organizational change" elements of the workshop and was responsible for producing the pre-work packages, which included the Organizational Self-Assessment tool, and the workbooks used during the workshop.

- **Design, Development and Delivery of Second Introductory Workshop (Fall, 1996)**

The sequencing of the first follow-up workshop and the second Introductory Workshop has been reversed. The current plan is to hold the second Intro Workshop in January 1997 (instead of March) and hold the first Follow-up workshop after this activity rather than in year one as originally planned. This will allow participating organizations in both the June, 1996 and in the January Intro Workshop to attend and benefit from the follow-up workshop. The follow-up workshop will most likely be a CEO awareness workshop held in the USA. A field-based sustainability workshop for HNP organizations is also under consideration by Freedom from Hunger and Lassen Associates.

• **Organizational Self-Assessment Tool (Year 1)**

DIP Objective: to develop an Organizational Self-Assessment in year one to 1) enable organizations to assess their strengths and areas needing improvement in order to become more financially self-sustaining; 2) provide pre- and post- intervention data in order to measure organizations' progress toward greater self-sustainability; 3) help organizations prepare for participation in SDS workshops; 4) assess an organization's readiness for benefitting from intensive consultation through an L-MOU.

The first version of the organizational self-assessment tool, designed by IDR with input from Freedom from Hunger and Lassen Associates, was designed as an interview protocol for the sustainability assessment. The protocol was refined during the assessment process and then used to form the basis of the pre-work package sent to participants in the first Intro Workshop. IDR prepared the organizational elements of the self-assessment tool and Lassen Associates prepared the program model elements.

Feedback on the self-assessment tool indicated that the next version needs to:

- be shorter and less detailed
- require less coordination of different people in the organization to complete
- be focused more tightly on higher priority/higher impact issues

Despite these changes, it is not yet clear that a fully self-administered assessment tool will provide a meaningful level of inquiry into the organizational aspects of sustainability.

Additional thought needs to be given to future uses of a self-assessment tool. Defining the use, or uses, will help with the process of focusing and shortening the instrument. Our experience in the workshop was that people found value and interest in a quick, short, self-scoring test which Lassen Associates prepared on the programmatic aspects of sustainability. Whether a similar tool can be devised for the organizational aspects remains to be seen.

• **Technical Assistance (Year 1)**

IDR is the lead agency on the OICI LMOU, working with them to develop their goals and objectives and an operational workplan in the spring and early summer. Subsequently work is focussed on two major themes of activity: development of sustainable affiliates and reengineering for greater sustainability.

• **Overall Project Co-ordination (Year 1)**

IDR has executed its overall responsibility as lead agency in the SDS consortium by:

- coordinating completion of the DIP and other program planning and review activities
- facilitating ongoing coordination and planning of the SDS consortium
- maintaining contact and joint planning with USAID BHR/PVC and the SDS Advisory Committee

- handling all logistics for workshop related activities
- coordinating the start-up of the first two L-MOU engagements in collaboration with the LMOU lead organization
- facilitating the development of the project operational policies
- developing and maintaining systems for overall financial management of the program
- preparing and submitting quarterly and annual reports to PVC

3. Lassen Associates

- **Sustainability Assessment (Fall, 1995)**

Lassen Associates helped identify an appropriate group of PVOs to interview in the Assessment. They also facilitated contact with personnel who were key in the success of the Assessment findings.

- **Design, Development and Delivery of Awareness Presentations (Year 1)**

Lassen Associates delivered presentations and distributed materials at the SEEP Annual Conference in October, 1995; the AID Microenterprise Office Forum in December, 1995; and two presentations at the RFA Conference of USAID/PVC in September, 1996.

- **Design, Development, and Delivery of First Introductory Workshop (June, 1996)**

Lassen Associates provided input in to he conceptual design of the workshop and feedback as the design evolved. Lassen Associates developed materials on credit-driven financial sustainability, including a model for making the transition to financial sustainability, case studies, a packet of materials on "Keys to Sustainability, and an index to measure the readiness of an organization for financial sustainability. Lassen Associates presented several of the workshop sessions and consulted to participating organizations.

- **Design and Development of the Second Introductory Workshop (Fall, 1996)**

Lassen Associates provided input to the design of the January, 1997 workshop based on our experience and learnings in the June workshop. They prepared materials for the sessions to introduce the concept of Social Sustainability in PVO/NGOs and prepared a case study for the upcoming workshop.

- **Organizational Self-Assessment Tool (Spring, 1996)**

Lassen Associates reviewed the Self-Assessment tool and provided feedback as it was refined for the June, 1996 workshop.

• **Case Studies (Year 1)**

DIP Objective: to develop three case studies in written or video form. The cases are to be documented comprehensively enough to stand alone outside an SDS event.

Video Case

The first year of SDS has been a period of learning in terms of the acquisition and use of equipment and production technique.

Taped material for the first video case on Andean Rural Health Care is being cut and edited. Current footage includes interviews in which ARHC participants reflect on the SDS workshop experience, and will serve as a tool to show other PVOs how SDS technical assistance can be used to develop a sustainability strategy. The ARHC managers also discuss what they think are issues and dimensions facing them and other child survival organizations as they make choices about how to reconcile the need for more focused economical, fee-based services with their commitments to provide the rural poor with quality health services.

Written Cases

Two short learning cases of development enterprises were developed. They are Association of Craft Producers (ACP), Nepal and PROSALUD, Bolivia. ACP serves over 1200 craft producers in 95 communities and pays all of its operating costs from local and export earnings. The PROSALUD case, prepared from secondary materials, illustrates how the poor could be included in cost-recovery schemes by cross-subsidizing them with fees from higher income users. Field work has been completed for a third case study, which will explain the techniques the Ogobomoso Child Survival program of World Vision Relief and Development (WVRD), Nigeria used to assess how to increase local earnings and cost recovery.

These tools need to be further improved by adding details and examples before they are polished for publication as stand alone materials.

• **Non-Profit Business Development Theory and Tools (Year 1)**

DIP Objective: to develop at least three business development tools per year to a quality that they can stand alone and be handed over for use by SDS participants or others.

In year one Lassen Associates focused in building theory. Lassen Associates developed several materials about how non-credit intermediaries can improve their financial sustainability. These include:

- 45 color viewfoils to be used in training about program and financial sustainability
- A packet of sustainability reference materials, each compressed into a page. This packet,

- “Keys to Sustainability”, consists of 14 materials, 11 of which are original writing
- A 25 page technical essay (in draft) “Sustainability for Non-Financial Development Programs” explaining how PVOs can build capacity to recover costs and earn revenues
 - A 20 page technical guide (in draft) which explains a “Financial Analysis for PVO Sustainability Planning”
 - A Sustainability Readiness Index, a quick way to indicate sustainability mechanisms.
 - A short framework for Matching Grant applicants filling out the Sustainability Appendix for PVOs that Are Not Credit Intermediaries

These tools need to be further improved by adding details and examples before they are polished for publication as stand alone materials.

- **Popular Economic Education -- “Facts for Economic Life” (Year 1)**

DIP Objective: to publish a generic curriculum and sourcebook, to be published as a Facts for Economic Life”, which organizes maternal-child health promotion into focused, low-cost messages with broad cross-regional applications.

Lassen Associates has developed the content for “Facts for Economic Life” and worked with Freedom from Hunger to synthesize it into four areas of business development that are critical in a microenterprise. The four areas are The Business Idea/Feasibility; Selling/Marketing; Managing Your Business Money; and Increasing Profitability.

Lassen Associates expects to publish the content of “Facts for Economic Life” in the second or third quarter of year two. Field testing and refinement of the four areas and the development of training modules, which began in year one, will continue in year two.

- **Technical Assistance (Year 1)**

Lassen Associates is the lead agency on the Feed the Children LMOU. They worked with Feed the Children in the early fall to develop plans for an LMOU. They have also designed prototypes of short-term technical assistance for use with SDS clients.

II. Constraints, Unexpected Benefits and Lessons Learned

A. Problems and Constraints Affecting Project Implementation

1. Presentations and Workshops

- a) • **Issue #1.a: Too Great a Diversity of Participants and Learning Goals in First Introductory Workshop**

The first workshop had a mixture of participants who were trying to understand basic

sustainability concepts and issues and those ready to delve deeply into specific details of what needs to be done to pursue specific models of sustainable programming. In attempting to encompass the broad range of learning goals present in both groups the workshop did not adequately meet the needs or expectations of either group.

The broad range of learning goals was accompanied by a similarly broad range of levels of intervention (field, country program, international headquarters) which participants wanted to investigate. Lack of clear separation in the workshop of these levels of intervention led to confusion for some participants.

- **Learnings and Strategy for Improvement**

The market for the SDS Introductory workshop needs to be segmented into a) those PVOs trying to understand sustainability concepts and issues and wanting concrete examples of what SDS is promoting, and b) organizations dealing with specific and detailed issues of program implementation and organization change.

The second Introductory Workshop (January 14 - 17, 1997) will focus on serving program designers at the PVO headquarters and field levels, with emphasis on helping them understand concepts, issues and options for sustainable programming. It will also offer them specific follow-up opportunities to address organizational change issues through subsequent workshops for senior managers and through short and long-term technical assistance to individual PVOs.

b) • **Issue #1.b: Too Narrow a Range of Health Sector and other Real World Examples**

The first workshop offered an insufficient breadth of options for sustainability programming, especially in the area of health services, to meet the needs of participants. Some participants strongly resisted what they perceived to be an SDS bias toward credit and credit-plus program models. This resistance appeared to inhibit their exploration of all models.

- **Learnings and Strategy for Improvement**

We have learned that we must provide a fuller range of well-developed case examples if we are to stimulate the imaginations and meet the learning expectations of workshop participants. Since June the SDS consortium has redoubled its efforts to reach beyond its own expertise to find a variety of sustainable program approaches and prototype revenue mechanisms. As a result we have been able to expand the sectoral expertise of workshop staff to bring in more experience with sustainable health services programming. We have also re-designed the workshop in a "multi-track" way which

will allow each organization to see a range of program model options and to investigate several of them in depth.

Because of the extremely high demand for detailed help with health program design and implementation, the consortium has decided to offer at least one field-based health, nutrition and population workshop. To expand workshop impact we are exploring doing this in conjunction with the umbrella organization, PROCOSI, in Bolivia.

c) • **Issue #1.c: Less than Ideal Integration of Organization Development and Program Design content**

Responsibility for developing and managing the components of the first workshop was divided among SDS consortium members. This led to a somewhat disjointed sequence, style and content of presentation which caused some participants confusion and even upset.

• **Learnings and Strategy for Improvement**

One consortium member, IDR, will have lead responsibility for development and management of the second introductory workshop and the planned follow-up workshops for senior PVO managers. IDR will solicit input and feedback to the workshop design from Freedom from Hunger and Lassen Associates. Freedom from Hunger and Lassen Associates will take the lead for the development and management of the field-based sustainability workshop under consideration for year two.

d) • **Issue #1.d: Unclear and Limited Options for SDS Follow-Up**

At the end of the First Introductory Workshop participants were presented with a limited menu of possibilities for follow-up, comprising mainly L-MOUs and a still-to-be-developed sequence of follow-up multi-organization workshops. Neither of these options fit what the PVOs mostly wanted, which was short-term, specifically targeted technical assistance and other resources available to individual PVOs.

• **Learnings and Strategy for Improvement**

One follow-up workshop suggestion with broad appeal was a one day, in-house CEO orientation workshop designed to bring senior managers and Board members "up-to-speed" on sustainability to support the work of participants in the longer Introductory workshop. This is under design for Year two.

In addition, these workshop follow-up options will be made available to selected PVOs from both Introductory workshops:

- short-term technical assistance

- organization-to-organization transfers of program models and experience facilitated by SDS
- list of resource materials, cases and other readings
- an expanded group of SDS technical consultants to address program model and organization change needs

2. Technical Assistance

a) • **Issue #2.a: Demand for Short-Term TA Greater than for Long-Term LMOUs**

There was a less than expected level of demand for long-term Technical Assistance in the form of LMOUs and a much greater than expected demand for shorter-term, episodic TA.

• **Learnings and Strategy for Improvement**

In part, low demand for long-term TA in the form of LMOUs is the result of organizations' lack of awareness of the value and kinds of services available. As a consortium we assumed the demand for TA was there and did little to increase awareness of or demand for the services.

Based on our experience in year one, many organizations are simply not ready, psychologically or institutionally to entertain the kinds of fundamental changes implied by long-term TA. Other organizations are reluctant to expose their organizational warts and weaknesses to PVC in the way required by an LMOU.

On the other hand, many organizations that are not ready for LMOU assistance can identify shorter-term, very specific needs for programmatic and organizational consultation.

As we conceive of this project component now, TA exists on a continuum of intensity and length of engagement, with one-day, in-house awareness workshops anchoring one end of the continuum and LMOUs anchoring the other. Over the next few years we will gain more and more experience with the range of TA services which occupy the middle part of the continuum, and increase our understanding of how to use episodic, short-term TA interventions for long-term institutional impact. With time, we should gain a deeper understanding of pre-conditions for successful TA, and a profile of organizations which are able to successfully use SDS TA services.

To address this unexpected pattern of demand for TA, SDS will take a number of steps:

- Reorient its program design to allow for more short-term TA and fewer L-MOU engagements.
- Develop a strategy for the proactive marketing of TA to increase SDS clientele's

- knowledge about the kinds of services available and their value.
- Identify and incorporate into the SDS project a broader array of TA providers.
- Clarify expectations regarding pricing and cost sharing, and clarifying the boundaries about what services are within SDS project auspices and which are not.

b) • Issue #2.b: Slower than Expected Start-Up of LMOUs

Even for LMOU candidates identified early on in the project, the start-up period has been longer than anticipated.

- **Learnings and Strategy for Improvement**

The main reasons for slower than expected start-up of LMOUs seem to be:

- Consortium members and candidates learning what is involved in negotiating an appropriate agreement
- Identifying significant change objectives with the PVO achievable within the available timeframes and within the SDS mandate
- Identifying internal change agents with the organizational authority, interest, time and skills to participate meaningfully in the changes defined in the LMOU

There may not be much we can do to speed the start-up process. We may simply need to adjust our expectations of future LMOUs to match our experience in the year one start-ups.

3. Sustainability Tools

a) • Issue #3.a: Slower than Expected Tool Development

The development of sustainability tools promised in the DIP is lagging behind projections both in number and timetable for development. This is because:

- to a greater degree than anticipated tool development must be embedded in TA and workshop experience
- less than expected demand for follow-up workshops has reduced opportunities for refining workshop-based tools
- more time and field exposure is needed to assess the market for sustainability tools

- **Learnings and Strategy for Improvement**

Tools will evolve out of need and experience in further workshops and TA. As such, they will emerge in the public domain after two to three years of accumulated experience, rather than as a separate track paralleling TA and workshops. Individual instruments and cases developed for use in TA and workshops will be packaged thematically with the cases serving a double role as exemplars of successful models as well as problem-solving skill tools

Tools not anticipated in the DIP are being produced as needed in the workshops and in TA to individual PVOs, as described in Section I.A.3. In addition, the consortium has identified a variety of other instruments and tools for which there seems to be a demand. These include:

- Market assessment instruments for use in market-driven program model formulation
- Program cost-analysis tools
- Categorization and description of the full range of approaches to sustainable programs
- Business planning guide
- Guidelines for building indigenous networks of practitioners and consultants to reduce external dependency
- Additional examples of HNP-related enterprises

b) • Issue #3.b: Organizational Self-Assessment Tool Not used as Widely as Expected

The self-assessment tool developed for the first workshop was too complex and required an unrealistic level of effort and pre-workshop coordination by participating teams. As a result, it was not used by all participants in the manner intended. While many participants used parts of the Self-Assessment tool during the workshop, it was not as effective as stand-alone, self administered tool as it might have been.

• Learnings and Strategy for Improvement

The next version of the Organizational Self-Assessment Tool being developed for the second Introductory Workshop will be shorter and will not require collaboration of the participating team. It will be self-administered, and be clearer as to each section's applicability to field-program, country and headquarter levels.

4. Project Management and Coordination

a) • Issue #4.a: More than Anticipated Level of Effort Needed for Project Start-Up

Differences in perspective, institutional issues and roles of the three SDS consortium members has made joint project management and coordination more difficult and time consuming than expected. As a result, project start-up activities took more time than anticipated and the level of coordinated activity was less than planned.

• Learnings and Strategy for Improvement

A set of internal project policies are being developed to enable effective project coordination. These policies address the criteria for work to be included or excluded under the auspices of the project, long and short-term technical assistance policies,

workshop policies, cost-sharing and reporting. When fully developed these policies will facilitate shared management and coordination of the project by consortium members.

To streamline coordination and increase accountability, responsibilities for each component of the project will be assigned more clearly to one of the consortium members. The other two members will respond to requests for assistance from the lead member, who will have the authority to reach beyond the consortium to contract for technical services as needed.

A variety of mechanisms are being put in place to insure information flow among consortium members such as monthly written narrative reports, quarterly expenditure reports, regular conference calls, and face-to-face meetings used to discuss project issues and decisions

B. Key Learnings, Unexpected Benefits and Facilitating Factors

Key Learnings

Year one activities have generated learning already for the SDS consortium as whole, and for each consortium member individually.

The three key learnings of the first year for the consortium are:

- 1) Success in financial sustainability depends on listening to the client or, in other words, being market-driven. This applies equally to the SDS consortium and to the PVOs with which we work.

The consortium began its work listening to clients during the sustainability assessment interviews. We did a reasonably good job developing an introductory workshop which met many of the learning needs stated by people we interviewed. But we also learned from feedback about how to improve the workshop and how to position the workshop vis-a-vis other project offerings, especially short-term-technical assistance. We learned that there is a larger than anticipated market for short-term technical assistance--that many organizations are not prepared to make good use of long term, intensive TA and may be reluctant to enter into L-MOUs which will expose their weaknesses to USAID. We have also learned that the sorts of tools which SDS Project clients value are those which arise from meeting their expressed needs in the course of conducting workshops and short and long-term technical assistance. There is simply no way to anticipate the specific tools clients will find most useful without the kind of nuanced understanding of PVOs needs available through close listening while providing assistance. The consortium's ability to continue charging PVOs fees for TA and for workshops and to sell tools people want depends largely on our ability to listen to our clients and to design products that meet real needs.

- 2) The development community's commitment to sustainability is global, spreading and is here to stay.

In our efforts to respond to clients' demand for a broader range of financially sustainable program models we have explored creative approaches being used within and outside AID's orbit. It is clear that financially sustainable programming is a global phenomenon, occurring only in part because of decreases in grant aid and the urging of funders. There are numerous examples of indigenous program models which are not and never have been highly dependent on grants or charitable contributions to cover ongoing costs.

Among US PVOs there seems to be a much heightened awareness of the importance of financially sustainable program models, even as compared to one year ago. No doubt some PVOs are simply following donor trends. But others are rapidly internalizing the benefits of greater program financial sustainability--benefits such as providing services beneficiaries truly want and of freeing up organizational resources to take on expanded or different roles as national and NGO affiliates become less dependent.

Even if trends toward decreased grant aid were to reverse suddenly, many organizations would continue to employ and experiment with financially sustainable program models.

- 3) In the DIP for this project we noted the importance of PVOs making a "paradigm shift" away from a mindset focused on obtaining and spending down grants and toward a more business-like approach to defining and delivering services.

In the past year we have achieved greater clarity and specificity about what is involved in such a paradigm shift. Key components of the shift include:

- expanding from a "project" view of service delivery (dominated by consideration of a fairly narrow number of parameters such as funder priorities, project boundaries, service provider's interests and capacities, etc.) to a "market" orientation (dominated by a consideration of market forces including what services people value and are willing to pay for, competitive analysis of possible barriers to entry, alternative providers, making use of existing distribution channels, etc.)
- seeing the service delivery process as a dynamic one which is in constant interaction with clients and other providers, rather than a static one easily bounded by descriptions of project inputs and outcomes in a grant proposal. In other words, it is a shift from a closed system to an open systems perspective.
- opening up the range of possible program options from one or very few, to multiple approaches determined by the needs and constraints of the specific place and time in which a PVO is delivering services.

- fundamental to making these shifts is an organization's willingness to confront any internal resistance there may be to sustainability in its own staff and/or leadership. The resistance is to incorporating certain private or public sector values, skills, mindsets or approaches which the PVO or NGO perceives to be in conflict with its own vision, mission, core values or competencies. To be successful, workshop and TA interventions must take this possible resistance into account and know how to deal with it if it arises.

C. Linkage with Other Resources & Initiatives

The SDS consortium has been aware since the project began that we were involved in a field that is only beginning to take shape and that there was at least as much that we did not know about financially sustainable services as we did know. But only when we began searching to expand our portfolio of financially sustainable program models did we realize just how much work is being done in so many quarters.

One of the greatest unexpected benefits of our search for a greater range of program models was our linkage this Fall with the Initiatives Project--a USAID/Cooperative Agreement with JSI. *Initiatives* project staff have greatly enhanced SDS consortium capacity through their strong conceptual and experiential understanding of financial sustainability. In addition to their role staffing portions of the second Introductory Workshop, we hope to further engage them in providing TA and assisting with tool development.

Our thinking and our offerings to workshop participants and TA clients has also been greatly enriched by the organizations we have engaged in developing case examples.

III. Changes in Project Design

A. Addition of Short-Term Technical Assistance

As described under Technical Assistance in Section II.A, we will reallocate resources intended for workshops and LMOUs to increase the availability of short-term TA. More specifically, this will entail marketing SDS TA services at the workshops and in follow up conversations with participating organizations, and developing a TA resource base to match client needs and demand (e.g., adding expertise in a variety of revenue-generating or cost-recovery program models)

B. Greater Integration of Tool Development into TA and Workshop Activities

As described in section I.3, "Tools", we began the year viewing workshops and TA as a place to test and refine tools. Experience in year one has made it clear that tool development results from expressed needs of clients participating in workshops and receiving TA. Although some tools will continue to be conceptualized and developed before workshops and TA, most tools will

grow out of the expressed needs of our clients. All tools will continue to be tested and refined in workshops and through the short and long-term TA. This will also insure that the tools being developed are what the "market" wants and needs.

C. Addition of Fourth Year to Cooperative Agreement

In September, 1996, the contract was modified to add a fourth year to the Cooperative Agreement. The SDS Project will extend until September 30, 1999. The addition of a fourth year will allow the consortium more flexibility to conduct workshops, implement short and long-term TA and the LMOUs, and to develop and package tools for use in the public domain.

IV. Budget and Expenditures

A. Comparison of Proposed Budget and Actual Expenditures

The year one actual expenditures are based on a comparison to the February 29, 1996 revised budget submitted to PVC. The revised budget reflected a more accurate assessment of expected costs based on information from the Sustainability Assessment than we had at the time the DIP was submitted.

In each of the main program areas (personnel, travel, other direct costs and procurement), the project expended less than the amount budgeted. Because the "indirect costs" are a percentage of expenditures in other program areas, they are also proportionately below budgeted totals.

	Year 1 Budgeted	Year 1 Expended	Variance (actual to budgeted)
I. Personnel	280,041	236,963	76%
II. travel	66,400	31,309	39%
III. ODC	47,422	38,148	61%
IV. Procurement	21,678	10,976	51%
V. Indirect Costs*	126,598	2,216	69%
VI. Totals	542,139	409,611	67%

* IDR @ 45%, Freedom @ 9.59%, Lassen @ 22%

B. Discussion of Deviations from Proposed Budget

Expenditures for year one were under budget for several reasons:

- **Fewer than Expected Awareness Presentations and Workshops**

Originally several Awareness Presentations and two workshops were planned for year one. Although the consortium did discuss the SDS Project and distribute materials at scheduled conferences, meetings and workshops (i.e., SEEP, InterAction, MED, and PVC's RFA conference) as outlined in the "Awareness Presentations" of the DIP, less personnel time and travel was required than originally anticipated to deliver the presentations.

Two workshops were scheduled for year one. One workshop was conducted in June, 1996. However, as explained earlier in the report, we have changed the order of the workshops to allow participating organizations from both the June, 1996 and January, 1997 introductory workshops to attend the first follow-up workshop in year two. A second introductory workshop was not practical before the end of year one.

- **Slower than Anticipated Start-Up of LMOU Technical Assistance**

We planned to select and fully begin working with two organizations under LMOUs in year one. However, for reasons explained in this report, work with only one organization began in year one (OICI). Preliminary work with the second LMOU candidate (Feed the Children) also began in year one, but is not yet fully underway. As a result of the slower than expected start-up and no overseas work with either organization, less of the personnel and travel budgets were expended than planned. Most of the travel budget was for overseas travel related to Technical Assistance.

- **Tool Development Linked More Closely to Workshops and Technical Assistance**

As explained in this report, tool development is more tightly linked to workshop delivery and technical assistance than anticipated. Because of this unanticipated link to workshops and technical assistance, less of the budget was spent on tool development, testing and refinement than ordinarily planned.