

FINAL REPORT

Consultancy on NGO Sustainability: USAID South Africa Policy, Guidance and Training

Prepared for: USAID/SA

February, 1999

Presented by:
Joseph M. Thomas

IGI

Under Sub-contract with: Macro International, Inc.
USAID Contract No. 674-0318-C-00-6091-00

TABLE OF CONTENTS

I. INTRODUCTION

- A. Background and Purpose of the Consultancy 1
- B. The Context for Efforts to Strengthen the USAID/CSO Partnership 2
- C. Organization of This Report 5

II. REVIEW AND ASSESSMENT OF RELEVANT USAID POLICIES AND PRACTICES

- A. Review of Criteria, Mechanisms, Standard Documents, etc., Currently Used by USAID / SA to Make Determinations Regarding the Sustainability and Related Needs of Potential and / or Active CSO Grantees 5
- B. Consultations with USAID / SA Staff and USAID Grant Management Contractors to Clarify Mission Policy and Practices in this Matter 7

III. RECOMMENDATIONS

- A. Overview 9
- B. Clarification of Concepts and Approaches to “Sustainability” (Does it Matter to USAID? Does it Matter Enough? If so, Why Does it Matter?) 11
- C. Recommendations for Formulation of an Overall Mission Policy Concerning CSO Strengthening and Sustainability 14
- D. Recommendations to Align Operating Policies and Procedures to Support the Mission’s Overall Policy on CSO Sustainability 14
- E. Input for MO 405 (b) Guidance on CSO Sustainability 18
- F. Possible "Points Of Entry" in the USAID/SA Planning and Implementation Process to address CSO Sustainability 19

APPENDIX A:	SCOPE OF WORK	A-1
APPENDIX B:	LIST OF PERSONS INTERVIEWED	B-1
APPENDIX C:	LIST OF USAID DOCUMENTS AND GRANT GUIDANCE MATERIALS REVIEWED C-1	
APPENDIX D:	DRAFT: OVERVIEW OF MISSION POLICY AND GUIDELINES ON CSO STRENGTHENING AND SUSTAINABILITY [FOR INPUT TO MO 405 (b)]	D-1
APPENDIX E:	KEY POLICY ISSUES RELEVANT TO RECOMMENDATIONS FOR CSO SUSTAINABILITY E-1	

ACRONYMS

CBO	Community Based Organization
CSO	Civil Society Organizations
LOP	Life of Project
NGO	Non-Governmental Organization
NPI	New Partnerships Initiative
PVO	Private Voluntary Organization
RFA	Request for Application
SA	South Africa
USAID	United States Agency for International Development

FINAL REPORT

NGO SUSTAINABILITY: USAID / SA POLICY, GUIDANCE AND TRAINING

I. INTRODUCTION

A. Background and Purpose of the Consultancy

In May-June 1998, USAID / South Africa engaged a consultant, Joseph M. Thomas, to undertake an assessment to determine the long-term needs and interests of the South African NGO / CBO community in planning for long-term institutional sustainability, and to provide recommendations and options for future donor support and assistance in this area.

NOTE: Throughout the remainder of this report, the term Civil Society Organization (CSO) will be used to encompass the full spectrum of non-governmental organizations, community based organizations, and other forms of private voluntary organizations that are generally included in the civil society of South Africa.

Based on a series of interviews with more than fifty (50) persons -- including a cross section of South African CSOs, other research, a review of "best practices" and relevant work performed by others concerning CSO sustainability -- Mr. Thomas prepared a report in July 1998 of his findings, conclusions and recommendations. A copy of this report was distributed to all the persons who were interviewed, as well as others who expressed an interest in this subject.

The consultant was subsequently engaged by USAID / SA to develop and facilitate a one-day conference (November 19, 1998) based on the previous investigation and report on CSO sustainability. The central purpose of the November 19th CSO conference was to disseminate the findings of the report and to define future areas of partnership. Attendees included representatives from those CSOs interviewed for the previous report, as well as Foundation, Government and Private Sector representatives.

As a follow-up to these activities, USAID requested assistance from the consultant to improve its internal procedures to make them more responsive to CSO strengthening and sustainability issues. Specifically, the consultant was engaged to review the criteria and mechanisms currently used by the Mission to make determinations regarding the sustainability and related needs of (potential and / or active) CSO grantees, and to recommend modifications in these criteria and mechanisms to assure that the key elements of sustainability and related needs of CSO grantees are addressed in program and activity designs.

The consultant was also asked to design and provide training sessions to familiarize USAID staff with the analysis and recommendations resulting from the review of Mission policy and guidance concerning CSO grantees. During his February - March 1999 visit in South Africa, the consultant also was invited to make a presentation and participate in a meeting of other international donors in South Africa, hosted by USAID / SA, to discuss CSO sustainability issues.

A complete outline of the scope of work for this consultancy is presented in Appendix A.

B. The Context for Efforts to Strengthen the USAID / CSO Partnership

1. At the Agency Level:

USAID has an established tradition and strong commitment to building partnerships with CSOs for sustainable development. The revised 1995 USAID Partnership Policy guidance notes that this collaboration with CSOs draws on considerable consensus on basic principles such as:

- a commitment to people-centered economic, social, and political development;
- an appreciation of the importance of community-based solutions to social, economic, and environmental problems;
- agreement that humanitarian assistance, when appropriate, should be integral to an overall approach to achieve sustainable development;
- agreement on the importance of broad-based economic growth and the need to address the root causes of poverty;
- agreement that participatory development strengthens the fabric of civil society and provides opportunities for broad-based equitable growth; and
- a commitment to the principle of self-help and a belief that people in developing countries and emerging democracies are able to improve their lives.

USAID has undertaken a series of actions over the past few years to improve Agency collaboration with the CSO community. These actions have included policy revision, administrative and operational reforms, simplification of existing regulations, and establishment of a wide array of fora for consultation and dialogue with CSOs on most aspects of the development partnership.

USAID's New Partnerships Initiative (NPI), announced by Vice President Gore at the United Nations Social Summit in Copenhagen in March 1995, recognizes the centrality of CSO empowerment, along with small business development and

democratic local governance, to building the civil society framework essential to sustainable development.

Key features of the NPI are its strong focus on local CSO capacity building and the channeling of development assistance through non-governmental organizations, both U.S. based and indigenous. This approach is designed to reinforce the dual role of CSOs, in both policy advocacy and service delivery, and to strengthen local CSOs as a means of strengthening civil society.

In an assessment survey of public-private collaboration sent to all USAID Missions in 1997, the most consistent response in all interviews with USAID and PVO staff both in the United States and abroad was the essential importance of strengthening local CSOs, which some characterized as a "strategic issue" in the development partnership. CSOs were seen as crucial to the sustainability of health and family planning, environment, and economic growth programs, and to ensuring a vibrant civil society.

The respondents to the 1997 assessment survey also recognized the Agency's budget constraints and spoke to the need for USAID to focus more attention on CSO financial sustainability. The report recommended that planning for sustainability be built into all activities "from the design stage", and suggested that sustainability be included prominently in USAID's definition of capacity building and, therefore, in the technical assistance provided for strengthening CSOs.

Nevertheless, the report of this 1997 assessment states, and a recent consultation with the Agency's Office of Private and Voluntary Cooperation, Bureau for Humanitarian Response confirms, that there is no specific locus of attention to indigenous CSOs in USAID / Washington, nor a USAID Policy paper on indigenous CSOs. A key recommendation of the report, therefore, is that the Agency (and the USAID Missions) should continue to explore innovative approaches to strengthening civil society as a vital component of broad-based sustainable development.

2. At the Mission Level:

It is within this broad context of Agency policy and commitment to development partnerships with CSOs that USAID / South Africa has focused on improving its internal procedures to make them more responsive to CSO sustainability issues. This effort was further enhanced through an ongoing dialogue with the South African CSO community, the Government and other international donors concerning the broader context of the role of CSOs in civil society and sustainable development.

Within the conceptual and value framework that has been embraced by USAID / SA, the effort to strengthen this sustainable development partnership between CSOs and donors (including the Government) is based on the following assumptions and expectations:

- Donors (and the Government) must require that all their service delivery partners be technically qualified and cost-effective in project implementation. But beyond these threshold requirements, donors recognize that the special "value added" by CSO partners is their contribution to a participatory and sustainable development process: their unique ability to build public awareness and credibility for development programs, to provide access and flexibility in outreach to target beneficiaries, and to mobilize local resources and support for community projects;
- Given limited financial resources, however, donors (and the Government) are under increasing pressure to be selective in the choice of CSO service delivery partners. To position themselves as attractive development partners, CSOs must be prepared to demonstrate (a) the technical and administrative capability for cost-effective project implementation; (b) the commitment and capacity for fostering a participatory development process; and (c) the experience and capability to mobilize community resources and support. Donors, in turn, should incorporate these criteria in the selection process for CSO service delivery partners, and should encourage and support efforts to strengthen CSO capacity in these areas;
- All the development partners must recognize that development programs, especially those targeting the poor and disadvantaged in developing economies, will always require substantial financial support from donors and / or the Government. But to maintain the viability of the development partnership with CSOs, donor subsidy of development programs must support both direct program costs (i.e., service delivery) and the indirect costs associated with the unique contribution of CSOs in the participatory development process. Viewed in this context, donor support for CSO capacity building not only improves program service delivery but enhances the prospects for sustainable development and is a means to strengthen civil society.

C. Organization of This Report

The following sections of this report focus on a review of relevant documents and consultations with USAID / SA representatives, and present recommendations concerning USAID policy and guidance on CSO strengthening and sustainability.

II. REVIEW AND ASSESSMENT OF RELEVANT USAID POLICIES AND PRACTICES

A. **Review of Criteria, Mechanisms, Standard Documents, etc., Currently Used by USAID / SA to Make Determinations Regarding the Sustainability and Related Needs of Potential and / or Active CSO Grantees**

The review of USAID documents and grant guidance materials provided by the Mission (see list in Appendix C), indicates that USAID / SA's current internal procedures are generally consistent with and supportive of Agency policy and commitments concerning development partnerships with CSOs.

For the most part, these documents focus on "contracting" issues, (such as: outlining the terms of agreement, clarifying roles and relationships, specifying required activities and expected results, etc.), with only a few (usually tangential) references to issues relevant to strengthening service delivery partnerships with CSOs and sustainable development.

There are, however, at least six areas in these documents and grant guidance materials, as briefly outlined below, that could be modified to provide the basic framework for the Mission's efforts to improve its internal procedures to make them more responsive to CSO sustainability issues.

1. Participatory Development Process: USAID policy statements reflect a strong commitment to principles of participatory development. Guidance documents for project design and implementation focus attention on identifying and meeting customer needs, promoting a teamwork approach, providing a significant level of empowerment (and accountability) to entities closest to the development problems being addressed, development of "Customer Service Plans", and including customers and stakeholders in all aspects of program planning, implementation and evaluation. But there is no specific guidance on how CSO service delivery partners should operationalize these USAID policies and objectives, and there are no

relevant criteria reflected in the standard USAID guidelines for selection and evaluation of CSO service delivery partners.

2. Overhead Structure and Reporting Systems: It is generally accepted USAID policy to compensate its CSO service delivery partners for reasonable "overhead" or indirect costs. Neither Agency nor Mission guidance establishes a firm limitation on the types of allowable indirect costs or on the "overhead rate",

the actual percentage of indirect costs in relation to direct project costs. In practice, however, only administrative costs related to program implementation have usually been compensated as allowable indirect costs, and the usual overhead rate paid by USAID to its CSO partners has been well under 20 percent, and sometimes less than 10 percent. Discussions with a cross section of South African CSOs, and the consultant's own international experience, indicate that such low overhead rates are not adequate to cover typical indirect costs.

3. Counterpart Contributions: Consistent with Agency guidance, there is a standard requirement for a 25 percent counterpart contribution reflected throughout the various Mission assistance instruments related to USAID / CSO partnerships. In practice, this requirement for cost-sharing is viewed as a flexible guideline to be modified, as appropriate, to meet the requirements of a specific program and / or the capacity of a specific CSO service delivery partner.

4. Sustainability Plans: Most of the assistance instruments also contain a somewhat standard requirement that the prime implementing entity (CSO) prepare and submit a sustainability plan. There are no detailed guidelines provided, but the general interpretation is that the respective CSO will develop a strategy to continue the service delivery or activity after the LOP, and without continued USAID funding.

5. PVO / CSO Registration Process: There is a standard legal requirement, significantly simplified by the Agency since 1995, for a registration process to certify the eligibility of CSOs, U.S. based or indigenous, to receive USAID funding or other forms of support. The Mission's approving officer has considerable discretion in accepting the required documentation or equivalent information.

The general practice by USAID / SA has been to provide funding support without the CSO grantee providing all the specified documentation required to complete the formal registration process.

6. Support for CSO Institutional Strengthening: There is no formal Mission policy in this area, allowing for considerable discretion by the various SO teams to provide whatever level of institutional strengthening support may be required by each CSO grantee. The general practice has tended to limit funding support for institutional strengthening of CSO grantees. Where institutional strengthening support is provided, it is usually focused on improving the CSO's technical and administrative capability for service delivery, as opposed to enhancing constituency relations or other organizational development aspects relevant to the unique role of CSOs in the participatory development process.

B. Consultations with USAID / SA Staff and USAID Grant Management

Contractors to Clarify Mission Policy and Practices in this Matter

The consultations with representatives of USAID / SA and its three Grant Management contractors (see list of persons Interviewed in Appendix B) focused on three areas: the criteria for selection and evaluation of CSO partners, the level of "overhead" costs usually allowed to CSO partners, and the resources provided to CSO partners for organizational development.

Concerning criteria for selection and evaluation of CSO partners, interviewees were asked for their views on the importance of the following:

- Experience and capacity to implement a participatory development process;
- Ability to mobilize local resources and community support for development programs; and
- Potential to offer a practical plan to continue project activities after the LOP.

There was a general consensus that, although these were all worthwhile criteria, they were often outweighed by the pressure to select service delivery partners that could satisfy the technical and administrative performance standards for cost-effective project implementation. Decreasing funding and staffing levels, and the increasing emphasis on "results-oriented" planning and evaluation, have also tended to focus more attention on the more tangible "input / output" measures of service delivery.

Experience and capacity to implement a participatory development process was generally not highlighted among the selection and evaluation criteria typically incorporated in RFAs and assistance instruments.

The standard requirement for a 25 percent counterpart contribution has been the Mission's usual indicator of a CSOs ability to mobilize local resources to support a project. But this requirement is often applied with considerable flexibility and the monitoring and enforcement process has been somewhat lenient.

It is also standard practice for the Mission to request that its CSO grantees develop and submit a "sustainability plan". In the absence of more specific objectives or Mission guidance, these plans usually focus on how the CSO proposes to continue the program or activity after the LOP without further USAID funding. There do not appear to be any established criteria to evaluate these sustainability plans, nor any specified follow-up procedures to determine their effectiveness.

On the matter of "overhead rates", the primary concern expressed was that most of USAID / SA's CSO service delivery partners probably do not have an established overhead structure or the appropriate accounting and reporting systems to support claims for accurate compensation of these indirect costs. Any effort to provide more realistic overhead compensation to CSO service delivery partners would have to address that issue, as well as the potential impact of increased overhead compensation on limited USAID program funds.

Opinions were mixed concerning the extent to which the Mission should provide support for CSO institutional strengthening. In large part, this appears to be a reflection of conflicting views on what responsibility the Mission should assume for CSO sustainability.

Some SO teams believe their sector already has an adequate number of qualified service delivery partners and, therefore, they see no need to invest limited program funds to expand the pool of prospective CSO partners. Others felt there was a need for institutional strengthening of CSO service delivery partners, especially when program sustainability was an issue. There was also a lack of consensus on whether institutional strengthening of CSOs as a means to strengthen civil society was a matter to be addressed by the Democracy and Governance SO, or whether it was a cross-cutting issue affecting all sectors.

The need for the Mission to clarify its concepts and approaches to sustainability and to develop and align its policies and procedures concerning the institutional strengthening of its CSO service delivery partners will be addressed in the recommendations that follow below.

III. RECOMMENDATIONS

A. Overview

The USAID / SA effort to address issues related to CSO strengthening and sustainability must be viewed in the broader context of Agency policy and commitment to development partnerships with CSOs as a means to achieve sustainable development programs and to strengthen civil society across all sectors. Outside this perspective, it would be difficult to justify the allocation of limited program resources to support the institutional strengthening and sustainability of CSOs, if they are viewed simply as service delivery "contractors".

Therefore, the threshold decision for the Mission's effort to make its internal procedures more responsive to CSO sustainability issues is to determine if a specific program or activity falls within the scope of Agency policy and commitments concerning CSO service delivery partnerships to promote a participatory development process and sustainable development. Alternatively, it may be determined that effective implementation of some programs would only require a simple contracting arrangement (with a CSO or some other appropriate implementing entity) because sustainability is not considered to be an issue.

It is assumed, however, that most of the Mission's programs involving CSO service delivery partners will fall within the scope where **sustainability does matter**. In those cases, the Mission will have to determine **why sustainability matters**, that is, whether the focus should be on the sustainability of the specific CSO partner or program, or on the broader objective of sustainability of an expanded pool of "good CSO partners".

This will require that the Mission clarify its concepts about and approaches to sustainability, determine the appropriate sustainability policy and strategy for specific cases, formulate a comprehensive Mission policy concerning CSO sustainability, and develop and align operating policies and procedures to support the Mission's overall policy on CSO sustainability.

The chart on the following page presents a graphic overview of the recommendations to improve USAID / SA's internal procedures to make them more responsive to CSO strengthening and sustainability issues. The specific recommendations are further discussed below.

OVERVIEW OF RECOMMENDATIONS TO IMPROVE USAID / SA'S INTERNAL PROCEDURES TO MAKE THEM MORE RESPONSIVE TO CSO STRENGTHENING AND SUSTAINABILITY ISSUES

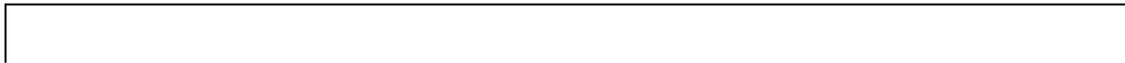
Threshold Decision:

Does sustainability matter?

NO

YES

→ Why does sustainability matter ?



1

2

3

Sustainability of the Organization / Mission

Sustainability of the Program or Activity

Sustainability of an Expanded pool of "Good CSO Partners"



Require an Institutional Sustainability Plan as the basis for a major grant or endowment

Engage CSO's as partners in development of a strategy / plan for sustaining or "mainstreaming" the specific activity

Articulate and align Mission policies, procedures and funding support with a focus on:

- Participatory Development Process
- Overhead Structure and Accounting System
- Counterpart Contribution: Local Resource Mobilization Plan
- Sustainability Strategy & Plan
- CSO Registration Process
- Support for CSO Institutional Strengthening

**B. Clarification of Concepts and Approaches to “Sustainability”
(Does it Matter to USAID? Does it Matter Enough? If so, Why Does it Matter?)**

1. MAKING THE THRESHOLD DECISION (DOES SUSTAINABILITY MATTER? DOES IT MATTER ENOUGH?)

The criteria to determine if an activity falls inside/outside the Agency's concern for sustainable development should be viewed within the broader context of USAID's commitment to sustainable and people-centered economic, social and political development.

If a proposed program or activity is considered a "one-off" project, and/or if it falls outside the scope of Agency policy and commitments for building sustainable development, then sustainability does not matter, and implementing entities should be selected and contracted simply to achieve maximum cost effectiveness.

If a program or activity is determined to fall inside the scope of USAID's concerns for building sustainable development, then sustainability does matter and the Mission must determine the appropriate policy and strategic approach (selection process, agreements with CSO partners, etc.) to address the specific case.

NOTE: Although this threshold decision has been posed as a simple yes / no question, the reality is obviously more complex and often involves various trade-offs between competing objectives and priorities. The more pragmatic question, which may have to be addressed on a case-by-case basis, is whether sustainability matters enough to justify the requisite investment of the mission's limited resources to address relevant issues that extend beyond the immediate concerns with cost-effective service delivery.

2. DETERMINING THE APPROPRIATE SUSTAINABILITY POLICY AND STRATEGY (WHY DOES SUSTAINABILITY MATTER?)

a) Institutional Sustainability

If the focus is on sustaining the CSO institution/mission, then the Mission should:

- Require a specific proposal from the CSO for a long term institutional sustainability plan (3-5 year minimum – probably 10 years);

- Define the parameters for the plan and provide guidelines for development of the plan / proposal;
- Outline the criteria that will be used to evaluate requests for major grants or endowments; including
 - Past performance evaluation of the CSO with a particular focus on commitment to a participatory development process, efficient and effective program implementation, and appropriate financial accountability systems;
 - Relationship and contribution of the CSO's overall Mission and/or the major CSO activity(s) to USAID/SA's strategic objectives, priorities and activities;
 - Demonstration of the unique capability or comparative advantage of the CSO in relation to other organizations;
 - Relationship of proposed USAID support to funding provided by the government and other donors, as well as the CSO's experience and plans with other local resource development;
 - Feasibility of the organizational development and financial plan to establish institutional sustainability with available USAID support.

b) Activity Sustainability (or "Mainstreaming")

If the focus is on sustaining an activity or program, then the Mission should:

- Invite CSO grantees (implementing agencies) to become a "partner" with USAID (and other relevant entities) in a separate but related activity (or project) to develop a strategy / action plan for the sustainability (or "mainstreaming") of the activity after the LOP;
- Provide separate funding for the parallel development of this sustainability strategy / plan;
- Clarify that it is not necessarily the intent that the current implementing entity (CSO) would continue in the same role.
- Define the parameters for the plan and provide guidelines for development of the plan/proposal;
- Outline the criteria that will be used to evaluate requests for grants to implement the sustainability/mainstreaming plan, including:
 - Relationship and contribution of the sustainability / mainstreaming of this activity to USAID/SA's strategic objectives and priorities;
 - Demonstration that the activity has reached the transition stage (i.e., evolution of the development activity, ongoing need,

evolution of development funding and potential for “mainstreaming” support, availability/capability of entities that could assume responsibility for ongoing implementation, etc.)

- Identification of stakeholders and participants with the interest and capability to develop the sustainability / mainstreaming plan, and to support the transition process;
- Detailed plan and budget to guide and support implementation of the sustainability/mainstreaming plan, including formal commitments from other specified donors and/or government entities, and detailed plans for local resource mobilization
- Feasibility (technical, financial, political, etc.) of the proposed sustainability/mainstreaming plan.

NOTE: In the context of the discussion of this dimension of sustainability, the term "mainstreaming" refers to the point at which a development activity, which may initially require substantial donor subsidization, is able to become incorporated as a routine activity supported by a more developed indigenous economy. This process may evolve incrementally over a lengthy time frame. During the interim stages, the sustainability plan may target gradual decreases in USAID funding, greater diversification in donor support, and steadily increasing local resource mobilization.

c) Sustainability of the CSO Sector

If the focus is on enhancing the pool of “good CSO partners” (sustainable CSO sector), then the Mission should:

- Outline a conceptual framework for sustainability of a pool of "good (CSO) partners";
- Articulate an overall Mission policy on this dimension of sustainability;
- Support CSO activities and organizational development of capabilities that are relevant to sustainability; and
- Translate this Mission policy into guidelines, standard documents, etc., for project design and RFA's; and establish appropriate criteria for selection, as well as indicators for monitoring and evaluation of CSO partners.

C. Recommendations for Formulation of an Overall Mission Policy Concerning CSO Strengthening and Sustainability

The reports submitted by the consultant during the previous phases of this engagement have presented recommendations for a conceptual framework that could assist the Mission in improving its internal procedures to make them more responsive to CSO strengthening and sustainability issues. Adapting this framework to its program needs and priorities, the Mission should:

1. Develop an overall policy statement that reflects the three points of focus outlined under "B.2", above, and that is based on the underlying concept of the unique "value-added" by CSO service delivery partners to the goal of sustainable development, and the critical role of CSO's in strengthening democracy and civil society.
2. Provide guidelines and determine the resources required to address those special situations that call for the Mission to support the sustainability of a selected CSO's organization / mission or a specific development program or activity.
3. Focus primarily on the need to enhance the pool of "good development partners," which is defined in terms of the basic characteristics of sustainable CSO's:
 - Technical and administrative effectiveness;
 - Commitment and capacity for a participatory development process;
 - Ability to mobilize local resources and community support.

D. Recommendations to Align Operating Policies and Procedures to Support the Mission's Overall Policy on CSO Sustainability

Six specific areas of USAID / SA's operating policies and procedures are highlighted below because they are particularly relevant to the Mission's effort to be more responsive to CSO strengthening and sustainability issues. To have the maximum impact on this goal, the proposed changes in these various areas should be developed and implemented in a gradual and coordinated effort, which should be guided by the unifying themes articulated in the Mission's overall policy concerning CSO strengthening and sustainability.

1. Participatory Development Process: Build guidelines into the project design and RFA, and require that proposals include a detailed plan for a participatory development process.
 - a) Articulate the Mission's objectives and provide guidelines for stakeholder participation in project implementation.
 - b) Require CSO service delivery partners to include the following in their plan for a participatory development process:

- Statement of the CSO's guiding principles, experience and capabilities concerning the participatory development process;
 - Identification and classification of the various stakeholders relevant to the respective program or activity;
 - A detailed action plan, and corresponding budget for the proposed participatory development process; and
 - A brief description of the CSO's governance structure and the actual decision-making process that will guide the project.
- c) Assign appropriately weighted "points" in the selection process of service delivery partners for the scope and pragmatism of the proposed participatory development process, incorporate objective measures in the project agreement, and develop appropriate systems to monitor implementation.
2. Overhead Structure and Accounting System: Include in RFA's and grant / cooperative agreements (or contracts) a requirement for a negotiated overhead rate, and provide support to develop the appropriate accounting and reporting systems, if necessary.
- a) Provide compensation for a reasonable overhead structure, including indirect costs related to CSO activities that contribute to sustainable development, as well as the CSO's own institutional sustainability.
- b) Confirm that CSO's have a realistic overhead structure and appropriate financial accounting and reporting system, and / or provide support to install a proper system.
- c) Require that CSO's make a good faith effort to negotiate with other donors to cover a fair share of the specified overhead.
3. Counterpart Contribution: Build into each project design and RFA a requirement for a plan for local resource mobilization with realistic targets.
- a) Focus on local resource mobilization that would contribute directly to actual project costs. Consider not allowing "overhead" costs as counterpart contributions.
- b) Assign appropriately weighed "points" in the selection process of CSO service delivery partners for the target levels and pragmatism of the local resource mobilization plan, incorporate specific targets in the project agreement, and develop appropriate systems to monitor implementation.

NOTE: The preceding recommendation (D.2, above) is based on the premise that donors (and the Government) need to develop policies allowing more realistic "overhead rates" in CSO service delivery agreements. These payments provide an equitable means for each donor to cover a pro-

rated share of the indirect costs of establishing and maintaining the CSO's constituency relations capability, which underlies the unique contribution of CSO's to the development partnership. Allowing CSOs to apply any portion of their "overhead" costs as "counterpart contributions" would, therefore, conflict with the objective of having donors pay their fair share of the CSO's overhead costs.

Furthermore, it is suggested that the primary objective of the requirement for a counterpart contribution should be to provide an indication of the level of local support, and ultimate sustainability, of the respective development project. Focusing on local resource mobilization that would contribute directly to the actual project cost would provide an excellent measure of both the local support and potential sustainability.

4. Sustainability Strategy and Action Plan: Within the context of the three focal points for sustainability, as outlined in B.2 above, the standard request in assistance instruments for CSOs to submit a sustainability plan would usually be invoked only in those cases (#2 in the preceding chart) that the objective is determined to be the sustainability of a specific activity or program.

In these cases (#2), it is recommended that the Mission engage the respective CSOs in a separate "partnership agreement", possibly involving other interested stakeholders and / or potential implementing entities, to develop a strategy and action plan for sustaining or "mainstreaming" the specific activity. The two-fold rationale for organizing this as a separate activity, parallel to the ongoing USAID-funded project, is (a) to avoid burdening the CSO (and the limited resources of the ongoing project) with undue responsibility for development of the sustainability plan, and (b) to structure a more neutral approach for the development of alternative strategies for sustainability, including the determination of the most appropriate implementing entity in the future.

If the focus is on the sustainability of a specific organization (#1), the respective CSO would be required to submit an Institutional Sustainability Plan to support its request for a major grant or endowment funding. Given the exceptional conditions and limited frequency of such awards by USAID, this process would not usually be related to the standard request for a sustainability plan in any particular project agreement.

In many other cases (#3), the focus will be on the sustainability of an expanded pool of "good CSO partners". Under these circumstances, instead of including the standard request for a "sustainability plan" in the assistance instrument, it might be more constructive to encourage and

support the respective CSO service delivery partner to prepare and implement an organizational development plan.

5. CSO Registration Process: Aside from responding to the bureaucratic formality of this Agency mandate, the CSO registration process could provide the Mission with a valuable tool to support and facilitate implementation of the Mission's overall policy for strengthening CSO service delivery partnerships and sustainable development.

The CSO registration process itself could serve as a tool for organizational development by establishing standards for effective service delivery partners and by identifying the specific institutional strengthening support needed by CSOs to meet these standards.

Many South African CSOs would be motivated to register not only to become eligible to receive USAID funding, but because of the perception that formal registration with USAID / SA would enhance the CSOs general prospects for donor funding and other support.

6. Support for CSO Institutional Strengthening: Through the proposed SO1.1.3 Civil Society Sustainability Project, the Mission plans to establish a long-term program to encourage and provide support for organizational development of a broad spectrum of potential CSO development partners. Concurrently, a proposed short-term "narrow track" project will focus on institutional strengthening of indigenous CSO grantees.

The development of both these projects should provide a more informed basis for the refinement of Mission policies and guidelines to build in appropriate capacity development as an integral part of CSO service delivery partnerships.

E. Input for MO 405 (b) Guidance on CSO Sustainability

Recommendations for Mission policy and guidance on CSO sustainability are provided throughout this report, as well as in the initial IGI report presented to USAID/SA in July 1998. The consultant has also prepared two separate submissions: A draft "Overview of Mission Policy and Guidelines on CSO Strengthening and Sustainability" for inclusion in the Annex to MO 405 (b), (See Appendix D); and a summary of "Key Policy Issues Relevant to Recommendations for CSO Sustainability" (See Appendix E).

The table in Section "F", below, provides a more detailed checklist of issues/ questions to assist the Mission in preparing the appropriate modifications to its internal procedures and the related guidelines and documentation.

F. POSSIBLE "POINTS OF ENTRY" IN THE USAID/SA PLANNING AND IMPLEMENTATION PROCESS TO ADDRESS CSO SUSTAINABILITY

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
Strategic Planning	ADS 201 Sample RP document and RP guidelines	<ol style="list-style-type: none"> 1. Sector assessment → revised results framework 2. Multi sector assessments → develop/review results framework (graphic & narrative overview) 3. First consideration of: <ul style="list-style-type: none"> – potential partners – customers – participatory process requirements – resource requirements 4. Possible identification of illustrative activities 5. Initial consideration of how sustainability will be achieved 	<p>A. THRESHOLD DECISION:</p> <p>Does sustainability matter? Does the specific activity fall inside or outside the scope of USAID's policy and commitment to participatory and sustainable development?</p> <p><i>(Refer to chart, page 10, and related text, pages 11 - 13.)</i></p> <ul style="list-style-type: none"> • Is this an emergency or other special relief activity? • Is this a "one off" or other unique intervention? <p>If the response to either of these questions is "yes", then the activity is perceived to fall outside the scope of USAID's policy and commitment to participatory and sustainable development, that is, <u>sustainability does not matter</u>, or may not matter enough to justify any further concern with this issue.</p> <p>Note: In any case where the threshold decision is that sustainability <u>does not</u> matter, then implementing entities should be selected and contracted simply to achieve maximum cost effectiveness, regardless of whether the selected implementing entity is a for-profit or a not-for-profit organization.</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
Strategic Planning	ADS 201 Sample RP document and RP guidelines	6. Preparation of RP document <ul style="list-style-type: none"> – More intensive involvement with partners – Clarification/elaboration of results and related activities – More elaboration of implementation/management plan, financial plan, and performance monitoring plan – Initial identification of primary implementation mechanisms (contracts, grants, etc.) 	<p>In any case where it is determined that sustainability <u>does</u> matter, then the following three questions will assist in determining why it matters and the most appropriate way to address each specific case.</p> <ul style="list-style-type: none"> • Is there a special need to support/sustain a particular CSO in order to carry on its mission and/or some specific activity(s) over a long term period? <p>If the response to this question is "yes", then the focus will be on requiring the submission of an "Institutional Sustainability Plan" as the basis for a major grant or endowment.</p> <ul style="list-style-type: none"> • Is this a development activity with potential for sustainability or "mainstreaming" in the foreseeable future? <p>If the response to this question is "yes", then the focus will be on engaging the implementing entity(s) as partners in development of a strategy/plan for sustaining or "mainstreaming" the specific activity.</p> <ul style="list-style-type: none"> • Is this a developmental activity with long-term need? <p>If the response to this question is "yes", then the focus will be on the full range of issues relevant to fostering and enhancing the sustainability of an expanded pool of "good CSO partners".</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
Strategic Planning	ADS 201 Sample RP document and RP guidelines		<p>B. INITIAL CONSIDERATIONS / ISSUES RELEVANT TO CSO SUSTAINABILITY:</p> <ul style="list-style-type: none"> • Would the proposed activity(s) benefit from a participatory development process? • Is there a need to enhance the credibility and community support for the proposed activity(s)? • Are there special requirements for access/outreach to customers (beneficiaries) and/or feedback from customers? <p>• Is there an interest/need for local resource mobilization to supplement USAID funding for the proposed activity?</p> <p>• Who would be the appropriate CSO representatives to include in the (expanded) Strategic Objective Team?</p> <p>C. ADDITIONAL AND/OR EXPANDED CONSIDERATIONS/ISSUES TO BE ADDRESSED DURING DEVELOPMENT OF THE RP DOCUMENT:</p> <ul style="list-style-type: none"> • Identification and classification of the various stakeholders relevant to the respective program or activity; • Elaboration on the rationale for a participatory development process and the linkage/contribution of this participatory process to the achievement of specified results; • Opportunity to structure the RP consultation process as a model for the

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
			<p>participatory process expected during project implementation;</p> <ul style="list-style-type: none"> • Preliminary identification of potential CSO partners and other linkages with the CSO community that would be required, with a focus on outlining appropriate roles and relationships; • Include in the "feasibility analysis" a preliminary indication of the organizational development support that may be required by the prospective CSO partner(s) or implementing entity(s) for effective implementation, and incorporate this in the implementation and financial plan; • Include in the Financial Plan a rationale and preliminary estimate of the amount/proportion of counterpart funding or local resource mobilization that would be required to supplement the anticipated USAID funding; • Include in the Performance Monitoring Plan indicators, plans, methodologies and time frames for measuring the results related to the required participatory development process, organizational development activity, and local resource mobilization.
Strategic Planning Review (R4)	Mission Order 405 (a), Amended (b)	<ol style="list-style-type: none"> 1. More specific details on portfolio of activities 2. More elaboration of activities and <ul style="list-style-type: none"> ➤ potential partners ➤ funding levels and streams ➤ counterpart contributions ➤ time frames ➤ staffing 	<p>Note: Issues and questions to address the first two types of sustainability (institutional and activity sustainability) are addressed on pages 11 - 13. The following points are focused on the third type, sustainability of an expanded pool of "Good CSO Partners"</p> <p>A. Descriptions of activities should provide more specific details on the following points and their relationship/contribution to achieving specified results:</p> <ul style="list-style-type: none"> • Management and coordinating mechanisms to provide a routine

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
Strategic Planning Review (R4)	Mission Order 405 (a), Amended (b)	<p>3. Further consideration of decision on:</p> <ul style="list-style-type: none"> ➤ grants vs. contracts? ➤ compete vs. non-compete? ➤ environmental considerations <p>4. Identification of other issues for study (including sustainability)</p> <p>5. Budget analysis</p>	<p>flow of project information to stakeholders and to facilitate informed participation in project planning and activities;</p> <ul style="list-style-type: none"> • Illustrative activities and estimated scope and level of effort required to support the participatory development process; • Identification of specific needs and strategies to enhance the credibility, receptivity, and community support for the proposed activity(s); • Suggested strategies/activities to address any special requirements for access/outreach to customers(beneficiaries) and or feedback from customers. <p>B. A more comprehensive and detailed description and analysis should be provided of the network of CSOs that will be involved in the proposed activity, including:</p> <ul style="list-style-type: none"> • Identification of CBOs and other "grass roots" organizations that would facilitate direct interaction with customers; • Identification of other CSOs (national level, regional and/or issue oriented "network" organizations, special CSO service organizations, etc.) and the proposed roles and relationships of these organizations. <p>C. A more detailed profile of the key partners and implementing entity(s), and an assessment of the type and level of organizational development support they will require for effective implementation of the proposed</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
			<p>activity(s), including:</p> <ul style="list-style-type: none"> • Development of an appropriate overhead structure and accounting system; • Development of a long-term organizational development plan (e.g., a "sustainability" strategy and plan); • Other specific support for institutional strengthening to enhance capacity for implementation of the proposed activity(s). <p>D. A more detailed analysis and estimates of the expected counterpart contribution, including target levels for supplemental funding from various sources (fee-for-service, cost sharing, other donor support, etc.), as well as other types of contributions (volunteers, in-kind contributions, vendor discounts, etc.) that would result from local resource mobilization efforts.</p> <p>Note: At this stage in the planning/review process it should be possible to provide a "reality check" on preliminary estimates of the counterpart contribution, based on the dialogue with potential partners and their previous experience with local resource mobilization.</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
RFA Request and Action Memo	Sample Action Memo Document and Guidelines	<ol style="list-style-type: none"> 1. Specific activity design 2. Final decision on <ul style="list-style-type: none"> ➤ grant vs. contract ➤ compete vs. non-compete 3. Initial definition of selection criteria for implementing entity(s) 4. Focus on six key issues for CSO sustainability: <ul style="list-style-type: none"> – Participatory Development Process – Overhead Structure and Accounting System – Counterpart Contribution: Local Resource Mobilization Plan – Sustainability Strategy & Plan – CSO Registration Process 	<p>Note: The following points are based on the assumption of a competitive award for a CSO grant or cooperative agreement, but would also be generally applicable in the case of a non-competitive award.</p> <p>The RFA (or guidelines for negotiation of a non-competitive award) provide the opportunity for the articulation of selection criteria, and a more sensitive allocation of "points" for the evaluation of proposals. Appropriately weighted "points" should be assigned in the selection process of service delivery partners based on their proposed plans and demonstrated capacity to address the six issues considered to be particularly relevant to CSO sustainability, as follows:</p> <p>(1) Participatory Development Process</p> <ul style="list-style-type: none"> • Assessment of the CSO's guiding principles, experience and capabilities concerning the participatory development process; • Demonstrated capacity for the CSO to interact effectively with the various stakeholders relevant to the respective program or activity; • CSO submission of a detailed action plan, and corresponding budget for the proposed participatory development process; and

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
RFA Request and Action Memo	Sample Action Memo Document and Guidelines	<ul style="list-style-type: none"> - Support for CSO Institutional Strengthening 	<ul style="list-style-type: none"> • A brief description of the CSO's governance structure and the actual decision-making process that will guide the project. <p>(2) Overhead Structure and Accounting System</p> <ul style="list-style-type: none"> • Include a requirement for a negotiated overhead rate that will allow USAID to provide compensation for reasonable overhead costs, including indirect costs related to CSO activities that contribute to sustainable development, as well as the CSO's own institutional sustainability; • Confirm that CSO's have a realistic overhead structure and appropriate financial accounting and reporting system, and/or provide support to install a proper system, if necessary; • Require that CSO's make a good faith effort to negotiate with other donors to cover a fair share of the specified overhead. <p>(3) Counterpart Contribution: Local Resource Mobilization Plan</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
RFA Request and Action Memo	Sample Action Memo Document and Guidelines		<ul style="list-style-type: none"> • Articulate USAID's expectations concerning the estimated counterpart contribution, including target levels for supplemental funding from various sources (fee-for-service, cost sharing, local fund raising, other donor support, etc.), as well as other types of contributions (volunteers, in-kind, vendor discounts, etc.) that would result from local resource mobilization efforts of the CSO partner(s); • Refer to relevant Mission policy and guidelines for local resource mobilization (i.e. focus on direct contributions to actual project costs, not including cost more appropriately considered as "overhead" expenditures, etc.); • Require submission of a detailed and pragmatic local resource mobilization plan, including target levels and time frames; • Assess the capacity and previous experience of the prospective CSO partner(s) for effective implementation of the proposed local resource mobilization plan. <p>(4) Sustainability Strategy & Plan</p> <p>Note: The requirement for sustainability plans that focus on either "institutional" or "activity" sustainability are addressed elsewhere in this report, as well as in the February 1999 IGI report. The following points focus on the sustainability of an expanded pool of "Good Development Partners." Under these circumstances, instead of including the standard request for a "sustainability plan" in the RFA (or in the assistance instrument), USAID should encourage and support the prospective CSO</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
RFA Request and Action Memo	Sample Action Memo Document and Guidelines		<p>service delivery partner to prepare and implement an organizational development plan.</p> <ul style="list-style-type: none"> • Provide USAID's summary assessment of the major types and levels of organization capacity and experience required for effective implementation of the proposed activity; • Require that prospective CSO service delivery partners demonstrate their relevant organizational capacity and experience; • CSOs should also be requested to submit an organizational development plan to enhance their capacity for effective service delivery, primarily related to the proposed activity. The OD plans should outline the types, time frames and costs of OD support that are required, with a particular focus on institutional strengthening related to the participatory development process, overhead structures and accounting systems, and local resource mobilization. <p>(5) CSO Registration</p> <p>Note: How this issue will be addressed in the RFA and Action Memo will</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
RFA Request and Action Memo	Sample Action Memo		<p>depend on what Mission policy will be concerning the requirement of CSO registration for CSO service delivery partners. For example:</p> <ul style="list-style-type: none"> • The Mission could require CSO registration as a pre-requisite for all prospective CSO grantees, which would provide an opportunity for an advance screening process to determine that CSOs meet specified minimum standards relevant to service delivery capability and sustainability. • The criteria and process for CSO registration could require that CSOs provide documentation of an appropriate overhead rate structure and financial reporting system. • CSO registration could also provide a framework for CSOs to demonstrate that they have an adequate strategic planning process and organizational development plan to guide them towards sustainability. <p>(6) Support for CSO Institutional Strengthening</p> <p>Note: This issue is addressed in part through item (4), above. But Mission policy concerning capacity development for service delivery partners continues to evolve in the context of the overall Mission policy concerning CSO sustainability.</p> <p>Through the proposed SO1.1.3 Civil Society Sustainability Project, the Mission plans to establish a long-term program to encourage and provide support for organizational development of a broad spectrum of</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
	Document and Guidelines		<p>potential CSO development partners.</p> <p>Concurrently, a proposed short-term "narrow track" project will focus on institutional strengthening of indigenous CSO grantees.</p> <p>The development of both these projects should provide a more informed basis for the refinement of Mission policies and guidelines to build in appropriate capacity development as an integral part of CSO service delivery partnerships.</p>
Grants and Cooperative Agreements	ADS 303, Sample Documents and Guidelines	<ol style="list-style-type: none"> 1. More detailed focus on six key issues for CSO sustainability <ul style="list-style-type: none"> – Participatory Development Process – Overhead Structure and Accounting System – Counterpart Contribution: Local Resource Mobilization Plan – Sustainability Strategy & Plan – CSO Registration Process – Support for CSO Institutional Strengthening 	<p>Note: All of the substantive issues/questions relevant to CSO sustainability will have been introduced and elaborated upon in the previous phases of the planning and review process. But the actual selection of the service delivery partner(s) and negotiation of a specific grant or cooperative agreement provides an opportunity to further address and refine these issues in the following contexts.</p> <p>A. Pre-award surveys could be used to provide a more informed basis for negotiations concerning overhead structures and the preparation of detailed implementation plans and budgets concerning counterpart contributions or cost sharing. A more systematic institutional capacity assessment at this stage would assist in determining the specific organizational development support to be provided by USAID, and related costs.</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
			<p>B. Reporting requirements and the framework for monitoring and evaluation should provide routine feedback concerning the progress/results of the participatory development process and the local resource mobilization efforts.</p> <p>C. USAID's substantial involvement interests should include review of implementation plans and sub-awards that support the objectives of channeling resources to grass roots organizations and strengthening linkages and collaboration among relevant CSOs.</p>
Annual Implementation Review	MO 405 (a)	<ol style="list-style-type: none"> 1. Progress on achieving results/any changes needed 2. Burn rate/adjustments needed 3. Implementation problems (staffing, etc.) 	<p>In addition to all the usual factors considered in the annual implementation review process, monitoring of progress on sustainability would focus on the following areas:</p> <ul style="list-style-type: none"> • Review progress in implementation of the "participatory development plan" and determine what impact this process has had on achieving the specified results for this activity. What changes could be made (i.e. outreach to new stakeholders, linkages with additional/different CSO collaborators, different communications strategies, etc.) to respond to the evolving needs and priorities of the activity; • Review progress in local resource mobilization. Have target levels been achieved" If not, why? Do the targets need to be adjusted to more realistic levels and/or could the CSO benefit from technical assistance to enhance its capabilities in this area? • Review progress in organizational development. Has the CSO enhanced its capacity to achieve its mission and to serve its constituents more effectively? Has the CSO enhanced its capability as a service delivery

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY
			<p>partner? Is the CSO better positioned to compete effectively for other service delivery projects and with other donors? Has the CSO strengthened and expanded its linkages with other CSOs?</p> <p>The annual implementation review process also presents an opportunity to assess whether a development activity has evolved to a stage that makes it a potential candidate for "mainstreaming". In that case, it may be appropriate to initiate exploration with the CSO grantee and other interested entities about the development of a strategy/action plan for sustainability or "mainstreaming" of the activity.</p>
Monitoring and Evaluation	MO 407	<ol style="list-style-type: none"> 1. Clarification and definition of indicators to measure results 2. Development of performance monitoring plans 	<p>Note: The various issues and questions outlined in the previous sections of this table would suggest the key points and types of indicators that should be incorporated in the PMP.</p>

PHASES OF THE PLANNING AND IMPLEMENTATION PROCESS	USAID GUIDELINES AND KEY REFERENCE DOCUMENTS	KEY ACTIVITIES AND CONSIDERATIONS RELEVANT TO CSO SUSTAINABILITY	ISSUES AND QUESTIONS TO ADDRESS CSO SUSTAINABILITY

SCOPE OF WORK NGO SUSTAINABILITY: USAID/SA POLICY, GUIDANCE AND TRAINING

I. INTRODUCTION

A. Purpose:

To follow up on the recommendations contained in a recent study and conference on South African NGO sustainability by: 1) adapting the Mission's grant guidance to include a method of analyzing potential grantee's sustainability and related needs; 2) training Mission staff in its use; and 3) participating in a meeting of other major donors in South Africa to discuss NGO sustainability issues.

B. Background:

In June, 1998 Mr. Joseph Thomas performed a consultancy, through USAID/South Africa's contract with MACRO International, to define NGO sustainability issues and provide the Mission with options. The report suggested that the Mission should among other things:

- ⇒ Build activities and funding into USAID grants and contracts which support training and TA for long-term sustainability.
- ⇒ Work with appropriate SA NGO capacity-building organizations to design and develop packages of training and TA for USAID-funded and other NGOs.
- ⇒ Identify best practices within the NGO community.
- ⇒ Support exchanges and internships between South African and U.S. NGOs.

In October-November, 1998 Mr. Thomas performed a second consultancy through two related USAID/South Africa contracts with MACRO International and Creative Associates, Inc., to present and discuss the results of the previous investigation at a one-day NGO Sustainability Conference, and to conduct other consultations with NGOs and assist USAID/SA in strategic planning for the SO 1, IR 1.3 design work.

II. SCOPE OF WORK

Task 1: The contractor will review the criteria and mechanisms currently used by USAID/SA to make determinations regarding the sustainability and related needs of (potential and/or active) NGO grantees, and will recommend modifications in these criteria and mechanisms to assure that the key elements of sustainability and related needs of NGO grantees are addressed in program and activity designs. USAID/SA will make available to the contractor copies of all relevant documents and facilitate access to appropriate staff of USAID and other relevant entities.

A. Review relevant policies, practices and documents including:

- (1) Review USAID/SA's current mechanisms to review sustainability as documented in: RFA/RFPs, Program Statements, Review of Unsolicited Proposals, various non-competitive actions (e.g. amendments and follow-ons), and Results Package designs.
- (2) Review illustrative versions of other relevant documents, such as RP designs, Action Memos and Implementation and Strategic Reviews; as well as USAID/SA's Mission Order on Implementation (MO405a), and the relevant regulations embodied in the Automated Directive System (ADS) as contained in USAID's website.
- (3) Consult with PPDO and other relevant USAID/SA staff to clarify Mission policy and practice in this matter, and to identify any relevant activities, issues, constraints, etc. that should be considered within the context of this assignment.
- (4) Arrange individual and/or "Focus Group" meetings with some representatives of USAID Grant Management contractors and selected South African NGO partners to discuss their experience and suggestions concerning the impact of USAID grant guidance and procedures on NGO sustainability.
- (5) Consult with the USAID/W, Bureau for Humanitarian Response, Office of Private Voluntary Cooperation (BHR/PVC) to determine what other Missions are doing to address the issue of NGO sustainability and what direction the Agency is taking.

B. Develop recommendations to adapt the Mission's grant guidance to include methods for analyzing NGO grantees' sustainability and related needs, including:

- (1) Recommend specific modifications and/or enhancements in the current criteria and mechanisms used by USAID/SA to make determinations regarding NGO sustainability and related needs in program and activity designs.
- (2) Develop an analytic tool for USAID staff, such as but not necessarily a checklist, which will assure that key elements of sustainability are thought through and discussed with counterparts as part of the routine grant guidance process.
- (3) Work with PPDO staff to incorporate the resultant changes (revised criteria and analytic tool) into USAID/SA's RP designs, RFAs/RFPs, Action Memos, MO 405a, etc., and to insure that any proposed changes are consistent with the relevant USAID policies and regulations.

Task 2: The contractor will design and provide two 2-3 hour training sessions to train USAID staff resulting from Task 1 above. USAID will facilitate the scheduling of such training and provide the venue on its premises.

A. Develop the training design and logistical plan:

- (1) Work with the PPDO staff to prepare a list and profile of the USAID staff and others that will participate in the two 2-3 hour training sessions for USAID staff, and to clarify the objectives and expected outcomes of this training activity.
- (2) Develop a preliminary training design for the training sessions for review with the PPDO staff, and work with the PPDO staff to determine the appropriate venue, logistical requirements and specific time frames for USAID to schedule and facilitate this training on its premises.
- (3) Prepare the final training design and required materials.

B. Implement, evaluate and prepare a follow-up report on the training sessions:

- (1) Review and confirm logistical arrangements for the workshops.
- (2) Conduct the two sessions.

Note: All workshop participants will be asked to complete a brief (one page) evaluation at the conclusion of each workshop.

- (3) Prepare a report including a summary evaluation of the sessions, revised copies of the training design and materials incorporating the feedback from workshop participants, and recommendations for USAID staff to conduct future training/workshops for new personnel, as well as to update previous participants.

Task 3: Participate in a meeting of other major donors in South Africa to discuss NGO sustainability issues.

- A. Assist USAID/SA in planning and developing the agenda for a meeting of the major donors in South Africa that share an interest in supporting NGO sustainability.
- B. Participate in the meeting and be prepared to make a brief presentation at the meeting on the results of the contractor's previous investigation and consultations in South Africa concerning NGO sustainability.

**LIST OF PERSONS / ORGANIZATIONS INTERVIEWED IN SOUTH AFRICA
(JANUARY 15 – FEBRUARY 5, 1999)**

USAID / SOUTH AFRICA

OFFICE OF THE DIRECTOR

Stacy Rhodes Mission Director

OFFICE OF REGIONAL CONTRACTING

Jerry Kryschal Regional Contracts Officer

OFFICE OF PROGRAM AND PROJECT DEVELOPMENT

Karen Freeman Program Director
James Harmon Project Development Officer
Gordon Bertolin Project Development Officer

SO#1 – DEMOCRACY AND GOVERNANCE:

Steve Brent Team Leader
Peter Natiello Project Development Officer
Nomea Masihleho Program Officer
Ray Lynch Project Development Officer
Diane Hibino Project Assistant
Faith Xulu Project Assistant
Agnes Mureriwa Program Assistant

SO#2 – EDUCATION

Patrick Fine Team Leader
Michelle Ward-Brent Esat Project Officer
Mathata Madibane Step Project Specialist
Dipuo Mde Step Project Specialist

SO#3 – HEALTH

Ken Yamashita Team Leader
Caroline Connelly International Development Intern

SO#4 – ECONOMIC CAPACITY

Neal Cohen Team Leader

SO#5 – PRIVATE SECTOR

Margot Ellis Team Leader
Donna Podems Gender Fellow

SO#6 – HOUSING

Carleene Dei Team Leader
Beth Hogan Project Officer

USAID GRANT MANAGEMENT CONTRACTORS

Laura Mc Ghee CREA South Africa
Chimene Chetty CREA South Africa
Robert Bergmann Research Triangle Institute
James M. Statman ABT Associates, Inc.

GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

Shaheed Rajie Chief Director: International Development C-Operation
Tshidi Majela Ministry of Finance

SOUTH AFRICAN NGO'S

Safoora Sadek South African National NGO Coalition
Eugene Saldanha Charities Aid Foundation
Barry Smith Interfund
Susan O' Leary Interfund

INTERNATIONAL DONORS (PARTICIPANTS IN A LUNCH / DISCUSSION OF CSO SUSTAINABILITY ISSUES, HOSTED BY USAID / SA ON FEBRUARY 5, 1999)

AUSTRALIAN EMBASSY

Ms Anne Creux replacing Program Officer
Mr. David Urquhart

CANADIAN HIGH COMMISSION

Mr. Steve Hallihan Development Counsellor
Mr. Claude Rainville First Secretary: Development

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

Mr. Stephen Chard Head of Division

EMBASSY OF JAPAN

Mr. H. Ishizuka First Secretary: Development
Mr. Y Kitagawa Special Assistant for Development

EMBASSY OF NETHERLANDS

Mr. Pieter Van Dondersgoed First Secretary / Head Development

EMBASSY OF SWEDEN

Mr. Claes Norrlof Counsellor for Development
Ms. Lotta Sywander First Secretary for Social Development

EMBASSY OF THE FEDERAL REPUBLIC OF GERMANY

Mrs. Schroder replacing Counsellor/Dev. Co-operation
Mr. Rolf-Radbod Schroder

EUROPEAN UNION DEVELOPMENT COOPERATION

Ms. Dominique Dellicour

GERMAN TECHNICAL COOPERATION

Mr. Emmanuel Mosubu
replacing Dr. Hans Schmid

ROYAL DANISH EMBASSY

Mr. Knud Johansen Minister Counsellor

ROYAL NORWEGIAN EMBASSY

Ms. Aud Marit Wiig Minister Counsellor

UN DEVELOPMENT PROGRAMME

Mr. Dan Temu Deputy Resident Representative

APPENDIX C

LIST OF USAID DOCUMENTS AND GRANT GUIDANCE MATERIALS REVIEWED

- USAID/South Africa Mission Order 405(a) dated August 4, 1997 titled "Management of Development Assistance Programs for Results Design and Implementation"
- Annex 1 to Appendix 4C of AID Handbook 3 titled "Eligibility of Non-U.S. Private and Voluntary Agencies for Participation in AID-supported Programs"
- ADS 303 titled "Grants and Cooperative Agreement to Non-Governmental Organizations"
- Action Memorandum Formats for Grants, Cooperative Agreements and amendments (USAID/SA)
- Grant Format (USAID/SA)
- Annual Program Statement for USAID/South Africa's Education Strategic Objective
- Building Partnerships with Private Voluntary Organizations for Sustainable Development (USAID/PVC)
- Building PVO-Corporate Partnerships (USAID/PVC)
- Fostering Intersectoral Partnerships: Documenting Success Stories (USAID/PVC)
- Partnering Practices: A Study of Collaborative Activities Between Local NGOs and Northern PVOs (USAID/PVC)
- International Forum on Capacity Building for Southern NGOs (IFCB) (USAID/PVC)
- The Core Group: PVOs Network to Expand Quality Child Survival Programs (USAID/PVC)
- USAID Development Education program (USAID/PVC)
- DOSA - Discussion-Oriented Self-Assessment (USAID/PVC)
- An Assessment of the State of the USAID/PVO Partnership, June 1997 (USAID/PVC)
- RFA Number GMTA-003 titled "Kwazulu-Natal Peace Initiatives" and Transmittal Letter (CREA)
- Evaluation Principles (CREA)

- Grant Management Procedures Manual, July 10, 1998 (Abt Associates, Inc.)
- STEP/GMTA Draft Grant Agreement (Abt Associates, Inc.)
- Request for Application No. GMTA-001, List of Scheduled Events in the Request for Application Process and Notice of Issuance of a Request for Application (CREA)

**DRAFT: OVERVIEW OF MISSION POLICY AND GUIDELINES
ON
CSO STRENGTHENING AND SUSTAINABILITY**

PREFACE: The following is a summary statement of Mission policy and guidance on CSO sustainability. References are indicated (boldface in parenthesis) to sections of the attached report (NGO Sustainability: USAID/South Africa Policy, Guidance and Training, February 1999) that provide more detailed information on specific points.

The USAID / SA effort to address issues related to CSO strengthening and sustainability must be viewed in the broader context of Agency policy and commitment to development partnerships with CSOs as a means to achieve sustainable development programs and to strengthen civil society across all sectors (**see pages 2-5**).

The threshold decision for the Mission's effort to make its internal procedures more responsive to CSO sustainability issues is to determine if a specific program or activity falls within the scope of Agency policy and commitments concerning CSO service delivery partnerships to promote a participatory development process and sustainable development. Alternatively, it may be determined that effective implementation of some programs would only require a simple contracting arrangement (with a CSO or some other appropriate implementing entity) because sustainability is not considered to be an issue.

It is assumed, however, that most of the Mission's programs involving CSO service delivery partners will fall within the scope where **sustainability does matter (see pages 11-14)**. In those cases, the Mission will have to determine **why sustainability matters**, that is, whether the focus should be on the sustainability of the specific CSO partner or program, or on the broader objective of sustainability of an expanded pool of "good CSO partners".

The chart on the following page presents a graphic overview of USAID / SA's policy and procedures for CSO strengthening and sustainability.

Threshold Decision:

Does sustainability matter?

NO

YES

→ Why does sustainability matter ?



1

2

3

Sustainability of the Organization / Mission

Sustainability of the Program or Activity

Sustainability of an Expanded pool of "Good CSO Partners"



Require an Institutional Sustainability Plan as the basis for a major grant or endowment

Engage CSO's as partners in development of a strategy / plan for sustaining or "mainstreaming" the specific activity

Articulate and align Mission policies, procedures and funding support with a focus on:

- Participatory Development Process
- Overhead Structure and Accounting System
- Counterpart Contribution: Local Resource Mobilization Plan
- Sustainability Strategy & Plan
- CSO Registration Process
- Support for CSO Institutional Strengthening

Guidelines to address the first two focal points for sustainability, organization/mission and program/activity, are outlined in **pages 11-13** and in the matrix chart of the attached report. The following points focus on the sustainability of an expanded pool of "good CSO partners".

Six specific areas of USAID / SA's operating policies and procedures are highlighted below because they are particularly relevant to the Mission's effort to be more responsive to CSO strengthening and sustainability issues in the context of enhancing the overall sustainability of the CSO sector and a pool of "good CSO partners".

1. Participatory Development Process: Build guidelines into the project design and RFA, and require that proposals include a detailed plan for a participatory development process.
 - a) Articulate the Mission's objectives and provide guidelines for stakeholder participation in project implementation.
 - b) Require CSO service delivery partners to include in their proposals a plan for a participatory development process.
 - c) Assign appropriately weighted "points" in the selection process of service delivery partners for the scope and pragmatism of the proposed participatory development process, incorporate objective measures in the project agreement, and develop appropriate systems to monitor implementation.
2. Overhead Structure and Accounting System: Include in RFA's and grant / cooperative agreements (or contracts) a requirement for a negotiated overhead rate, and provide support to develop the appropriate accounting and reporting systems, if necessary.
3. Counterpart Contribution: Build into each project design and RFA a requirement for a plan for local resource mobilization with realistic targets. Assign appropriately weighed "points" in the selection process of CSO service delivery partners for the target levels and pragmatism of the local resource mobilization plan, incorporate specific targets in the project agreement, and develop appropriate systems to monitor implementation.
4. Sustainability Strategy and Action Plan: Within the context of the three focal points for sustainability, as outlined in the chart above, the standard request in assistance instruments for CSOs to submit a sustainability plan should be invoked only in those cases (#2 in the preceding chart) that the objective is determined to be the sustainability of a specific activity or program.

In these cases (#2), it is recommended that the Mission engage the respective CSOs in a separate "partnership agreement", possibly involving

other interested stakeholders and / or potential implementing entities, to develop a strategy and action plan for sustaining or "mainstreaming" the specific activity.

If the focus is on the sustainability of a specific organization (#1), the respective CSO should be required to submit an Institutional Sustainability Plan to support its request for a major grant or endowment funding.

In many other cases (#3), the focus will be on the sustainability of an expanded pool of "good CSO partners". Under these circumstances, instead of including the standard request for a "sustainability plan" in the assistance instrument, it would be more constructive to encourage and support the respective CSO service delivery partner to prepare and implement an organizational development plan.

5. CSO Registration Process: Aside from responding to the bureaucratic formality of this Agency mandate, the CSO registration process should provide the Mission with a valuable tool to support and facilitate implementation of the Mission's overall policy for strengthening CSO service delivery partnerships and sustainable development.

The CSO registration process itself could serve as a tool for organizational development by establishing standards for effective service delivery partners and by identifying the specific institutional strengthening support needed by CSOs to meet these standards.

6. Support for CSO Institutional Strengthening: The requirement that CSO partners prepare organizational development plans (with a sustainability focus) would provide a more informed basis for the Mission to build in appropriate capacity development as an integral part of CSO service delivery partnerships (**pages 18-27**).

Note: Effective implementation of the Mission's policy and procedures concerning CSO sustainability will require an incremental and coordinated process that evolves throughout the planning and development cycle. The matrix chart on pages 19-31 of the attached report provides a detailed checklist of issues/questions and guidelines to assist in this ongoing process.

KEY POLICY ISSUES RELEVANT TO RECOMMENDATIONS FOR CSO SUSTAINABILITY

- A. If the threshold decision is that **sustainability does NOT matter**, then the Mission should consider having a clear cut policy (subject to the applicable waiver provisions) that implementing entities (CSOs or private/public entities) should be selected on a competitive basis and contracted simply to achieve the most cost effective implementation of the respective activity.
- B. If the threshold decision is that **sustainability does matter**, and if it determined that in a particular case the focal point should be on (type # 1) **sustainability of the organisation/mission**, then the Mission should consider having a standard requirement that the matter should immediately be brought to the attention of the OST for initial review and continuing oversight, based on uniform policies and criteria for allocation of Mission resources for endowments or “core grant” funding.
- C. In order to address particular cases where the focal point should be on (type #2) **sustainability of the program or activity**, the Mission should consider having a policy that requires SO teams to identify, either at the strategic planning review phase or at the annual implementation review phase, any activity(s) that has reached the potential for “mainstreaming,” and to bring this to the attention of the OST for initial review and continuing oversight, based on uniform policies and criteria for allocation of Mission resources to develop and implement a transition plan for the sustainability or “mainstreaming” of the respective program/activity.
- D. If the focus is determined to be on (type # 3) **sustainability of an expanded pool of “good CSO partners,”** then the Mission should address various policy issues in relation to the following six points:
- 1) **Participatory Development Process:** Requiring that the Mission articulate and emphasise its commitment to this process; that CSOs prepare a detailed plan for a participatory development process and that the Mission evaluate the CSO’s commitment, experience and capacity relevant to implementing such a plan as part of the selection criteria; and accepting the probable cost implications of implementing these plans.
 - 2) **Overhead Structure:** Assessing the impact on Mission budget and outlining a “phase-in” process for implementing this Mission policy; building into USAID/CSO assistance agreements the requirement and support for establishment of appropriate overhead structures, reporting systems, etc.; considering a grant to the NDA (or other appropriate entity) to establish a mechanism and capacity for routine monitoring and certification of CSO

- overhead rates; and continuing the dialogue with government and other donors on this matter.
- 3) **Counterpart Contribution:** Requiring that the Mission articulate its policy and general expectations on this matter; that CSOs prepare a detailed plan for local resource mobilisation; and that the Mission evaluate the CSO's commitment, experience and capacity relevant to implementing such a plan as part of the selection criteria.
 - 4) **Sustainability Strategy and Plan:** This relates to B and C above and requires that the Mission modify the current policy/practice of requiring a (not specifically defined) "sustainability plan," and require instead that CSOs develop three different and more detailed plans corresponding to the three focal points for sustainability (i.e., Institutional Sustainability Plan, Activity Sustainability or "Mainstreaming" Plan, or Organisational Development Plan).
 - 5) **CSO Registration:** The recommendation to take this process more seriously and to develop its full potential as a tool to foster and support CSO sustainability could have substantial resource implications, as well as presenting some complex bureaucratic procedures. The trade-offs require careful evaluation. The Mission should also consider providing support to the NDA or Department of Welfare (or some other entity) to enhance the CSO Registry and related processes.
 - 6) **Support for Institutional Strengthening:** The major policy implication is modification of the current policy/practice to move beyond very limited support for enhancement of CSO service delivery capacity to provide a broader range of institutional strengthening and organisation development with a particular focus on areas relevant to CSO sustainability. It is possible that the proposed SO 1/CSSP program could provide some support for this, but ultimately this type of support would have to be built into the respective SO activity/budget.