Final Report

Eurasia Foundation Evaluation

SUBMITTED TO
USAID/Washington, D.C.

SUBMITTED BY
Nathan Associates Inc. and
Pangaea Partners

UNDER
PCE-I-00-98-00016-00

January 2001

Final Report

Eurasia Foundation Evaluation

SUBMITTED TO
USAID/Washington, D.C.

SUBMITTED BY
Nathan Associates Inc. and
Pangaea Partners

UNDER
PCE-I-00-98-00016-00

January 2001

Acknowledgments

The members of the evaluation team for this report were

- Richard N. Blue, Team Leader, Nathan Associates;
- Nancy Bradley, Consultant, Nathan Associates;
- David Hilditch, Consultant, Pangaea Partners; and
- Mark Smith, USAID.

The team wishes to thank the Eurasia Foundation staff in Washington and in the field offices for their administrative support, their devotion of time, and, most of all, their willingness to be forthcoming about the strengths and weaknesses of the Foundation. Also, we applaud USAID leadership for its support and interest in the team's findings, conclusions, and recommendations. We especially want to acknowledge the participation of USAID/CAR officer Harriett Destler and USAID/Russia officers Denis Korepanov and Marina Grigorieva in the evaluation fieldwork.

The team met with nearly two hundred citizen leaders in eight countries of the former Soviet Union. They gave us their time and the benefit of their experience, and often shared with us their hopes and their dreams for a better future. We are profoundly grateful for the opportunity to get to know them, and to develop a better understanding of what they are seeking to accomplish, often under the most trying circumstances. Without their willingness to share, this evaluation would not have been possible.

Evaluations are often perceived as "punitive investigations" conducted to find fault and place blame. The team chose to eschew this approach. We believe evaluations should be conducted as transparently and professionally as possible. A good evaluation is a running dialogue between all parties. In this work, negative findings and interpretations were shared concurrently with EF and USAID staff, eliciting additional information and more accurate analyses. In the end, we hope that the process of doing the evaluation has contributed to greater understanding and commitment to the process of reform by both EF and USAID. After all, much of what the team recommends is derived from the ideas and views of the people who took the time to meet with us. We acknowledge their commitment to making their organizations more effective instruments for the promotion of open economies and free societies.

Contents

Contents (continued)

Contents (continued)

ILLUSTRATIONS

Tables

Executive Summary

The Eurasia Foundation (EF) was established in 1993 as part of the United States Government's response to the rising demand for funding of citizen initiatives emerging in the transitional societies of the former Soviet Union. The Eurasia Foundation was created as a joint effort of the Department of State and USAID with approval from the National Security Council and Congress. It has been funded through USAID appropriations by way of two successive grants. The Foundation is an independent non-governmental organization operated by a professional staff in Washington and in fifteen field offices reporting to a Board of Directors made up of prominent private citizens. EF reports annually to USAID through the Europe and Eurasia Bureau. Over the relatively few years EF has been in operation, it has made more than 5,000 grants, and has disbursed approximately $135 million through grants and other initiatives.

This evaluation was initiated and organized by USAID in September 2000 on the eve of the preparation of a new grant agreement between USAID and the Eurasia Foundation. During October 2000, a four-person team conducted research in Washington, D.C., New York City, and ten field offices (i.e., Moscow and Saratov, Russia; Kiev and L'viv, Ukraine; Tbilisi, Georgia; Baku, Azerbaijan; Yerevan, Armenia; Tashkent, Uzbekistan; Bishkek, Kyrgyzstan; Almaty, Kazakhstan) following a Scope of Work (SOW) prepared by USAID. The SOW raised three main questions: how effective is the Foundation, what has been the effect of its grant programs, and what has been its relationship with USAID and other potential partners? The team interviewed 129 grantees, 70 percent of whom were randomly selected. (See Appendix A for names of persons interviewed.) Interviewees included EF Board Members, EF officers, USAID and Embassy personnel, other donors, and knowledgeable USAID partners. The team examined policy and program guidance documents and carefully reviewed grant-making procedures. They received full cooperation from all Eurasia Foundation staff and from USAID.

No matter how experienced a team may be, and how carefully they conduct research, it is difficult to capture the complexity and richness of a major program in one month. We are certain to have made mistakes both of fact and of interpretation. In some cases, we had to make judgments based on limited or possibly biased data, although we did all we could to achieve balance and an appreciation for all points of view. What follows are the summary conclusions and recommendations from the report. The body of the report presents detailed findings, analysis, conclusions, and more detailed recommendations on each dimension of the EF program. The busy reader is urged to dip into the body of the report to satisfy any skepticism about the strength of the evidence and analysis that has led us to the conclusions and recommendations presented below. In some cases, our conclusions and recommendations reflect our judgement based on the entire body of evidence gained from our research.

CONCLUSIONS

1. EF is responding with considerable success to the need for improved financial and grant management following the Ukraine misappropriation of funds issue. The Inspector General (IG) has closed all outstanding recommendations.
2. EF is taking steps to ensure that improved management systems are fully operational and properly implemented by all staff.
3. EF is taking steps to improve program planning and management, but much more remains to be done. That is, problem analysis, strategic planning, and results-oriented monitoring and evaluation remain weak.
4. EF’s grant making program has met its original purposes and has had significant impact, especially at the micro-level of NGO development. The Foundation has been less successful in achieving its broader objectives of institutional and policy reform at the national and regional level. The Foundation needs to focus increasingly on steps to translate grass roots action at the community level into lasting change at the regional and national level.
5. The “market” for the EF grant making is changing in the direction of greater diversity and, in some countries, greater opposition to the development of an independent civil society. While there is continuing demand for entrepreneurial grant making in support of new organizations, especially outside of capital cities, EF field offices are recognizing the need for more sophisticated approaches to achieve institutional and policy reform. These changes require EF to carefully analyze the market in each country in order to develop effective grant making strategies.
6. A more strategically focused and proactive grant making organization can play a special role in providing social venture capital to the institutional arrangements of free markets, civil society, and responsive and transparent local government in Russia and the rest of the NIS. EF has the infrastructure and leadership potential and desire to play that role and to become a U.S. government (USG) “legacy” organization, but that potential has not been fully realized.

RECOMMENDATIONS

1. EF has a solid record of accomplishment. Its activities generally support U.S. Strategic Objectives. Subject to satisfactory progress in correcting weaknesses as recommended below, it deserves further support from the USG.
2. The Department of State and USAID need to find a different formula for allocating budget support for EF. The present “tax” on USAID Missions creates tension, competition, and demands for greater control over EF operations. The objective should be to encourage greater cooperation between EF and USAID as potential partners, each with a special but independent role in advancing USG interests.
3. The new grant agreement needs to include clear benchmarks for improved EF performance. These benchmarks should include USAID E & E Bureau confirmation that (a) new financial management and internal audit systems are fully operational, (b) staff work loads are adjusted to

permit attention to grant monitoring and follow-up, (c) strategic analysis and multiyear plans are operational at field and central levels and are driving grant making decisions, (d) a results-oriented indicator and evaluation process suitable to assessing results of grant making strategies is operational and being used for EF reporting as agreed in grant agreements, and (e) policy guidance and delegations of authorities appropriate to strategic grant making have been issued. In addition, exit strategies for spinning off successful initiatives, such as the Economic Education Research Consortium (EERC), should be prepared with specific time lines for action.

4. In the short term, funding for EF should be kept at a level sufficient to encourage accelerated progress toward the achievement of benchmarks outlined in Recommendation 3, and to permit the level of grant making necessary to retain EF momentum and visibility. As conditions are met, and need is demonstrated, additional funding may be considered in the medium term.

5. As the Eurasia Foundation continues its efforts to diversify its funding base by seeking to build a public-private endowment, USAID should seriously consider the possibility of committing matching funds for an endowment on a dollar-for-dollar basis.

Introduction

The Eurasia Foundation (EF) was established in 1993 as an autonomous, private Foundation under the U.S. IRS Code 501 c 3. Its creation was a joint initiative of the U.S. Department of State and the U.S. Agency for International Development (USAID). It was established outside USAID and the State department as a flexible, non-bureaucratic grant making organization for the purpose of meeting the rising demand for funding of a variety of local citizen's initiatives in the Newly Independent States (NIS) of the former Soviet Union as well as in Russia proper. The Department of State memorandum approving the initiative referenced other U.S. government-funded foundations as potential models, including The Asia Foundation.[1] USAID and EF have five-year grant agreements with annual funding by Congress under the Foreign Assistance Act. (See the State Department memorandum establishing the EF in Appendix B.)

The second five-year grant agreement signed in 1997 calls for an independent mid-term program evaluation.[2] The USAID Bureau for Europe and Eurasia commissioned this evaluation report in late 1999, two years before the expiration of the second agreement. Because of U.S. Inspector General investigations of possible fraud in the Ukraine EF grant program, the evaluation was delayed until September 2000.

This evaluation is the first USAID-financed and organized evaluation of the Eurasia Foundation. The current agreement does not expire until April 30, 2002. However, funds were obligated at an accelerated rate in the first three years of the grant agreement thus requiring consideration of a new grant for EF at this time. A decision about what levels and under what conditions and requirements renewed funding will be granted must soon be made. USAID will use the results of this evaluation in preparing a possible third grant agreement.

---

[1] The Asia Foundation is also a privately organized not-for-profit grant making foundation. It is located in San Francisco, CA, and has a private Board of Directors. Unlike EF, it receives its core funding through a line item in the State Department's annual appropriations bill. In collaboration with the Assistant Secretary of State for Asia, the President of The Asia Foundation testifies during budget hearings directly to the Congress of the United States. The foundation competes for USAID project funding in its areas of expertise, such as rule of law, legislative development, human rights and public interest NGO development in Asia. The more substantially funded EF does not.

[2] EF commissioned at least one outside evaluation in 1995. This evaluation report, prepared by Dr. Kevin Quigly, has been exceptionally valuable as a baseline for the 2000 evaluation reported here. An evaluation conducted in 1999 of the USAID-funded ISAR Grant Making cooperative agreement for Western NIS was very useful as a point of comparison. ISAR grants are smaller and substantively focused, in this case on ecological NGO development. Many of the findings from this program serve well as a basis for comparison with the larger EF program

Statement of Work and Methods

The statement of work (SOW) was developed by USAID in close consultation with EF in FY 1999. It contains a number of questions organized into three broad issues: (1) the impact of the EF Grant Program including special projects; (2) the EF management of grant making and other projects; and (3) the relationship between EF and USAID, as well as other collateral donor and technical assistance organizations.[3]

The methodology used in this evaluation was the standard document review followed by interviews with Foundation officers, other stakeholders such as USAID, and grant recipients. The evaluation team consisted of four people with skills in evaluation, grant making, financial management, small- to medium-enterprise banking programs, and knowledge of USAID requirements and the expectations of the USAID Cognizant Technical Officer (CTO) for the project. After discussions in Washington, the team spent three weeks in the field, splitting up in order to maximize the number of countries visited. The team gathered data on EF operations in 8 countries (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russia, Ukraine and Uzbekistan), interviewing 129 grantees and 17 borrowers from the Small Business Loan Program (SBLP).

Grantees were selected in two ways. First, following several criteria, grantees from each country list were randomly selected. Selected grants had to be completed between October 1998 and June 2000 in order to solicit evidence of their impact. Small travel or seed grants were not included. Second, a limited number of grants selected by EF regional offices were included to ensure that the SOW requirement for portraying “success stories” could be met. (See Appendix D for a sample of Eurasia Foundation success stories.) A general questionnaire was used to guide all grantee interviews (see Appendix E). The results from each interview were scored using a 1 to 4 scale on the following seven dimensions:

- Completed activities as planned
- Diversity of funding sources
- Strengthened capacity of NGOs
- Relationship with EF
- Lasting impact
- Sustainability
- Innovation.

Scores were averaged for each dimension and totaled across all grantees interviewed for each country.

To establish an outside check against the scoring procedures used by the team, local EF staff were asked in two countries to rate additional grants selected at random from their portfolio of

[3] The Statement of Work is presented in Appendix B.

completed grants. In one case, the local staff used a simple homogenous scale. The grants were scored as follows: not functioning, weak, good, and excellent. In another case, the long-time senior program officer used the team's scoring system to assess the office's grant portfolio. These assessments are presented separately in our discussion of grant results.

Several limiting factors may affect the evaluation findings and conclusions. Overall, the report is somewhat biased toward more successful urban capital-city-based grants for several reasons. First, three weeks of field research spread over eight countries is inadequate to obtain a representative sample of both capital city and other town and rural grantees. For example, in Ukraine, time constraints limited access to grantees in Kyiv, even when 64 percent of the EF grants are located outside of Kyiv.[4] This was true to a lesser extent in other countries. Second, the sampling procedure relied on EF's Grant Management System (GMS) database. In selecting closed grants of a more recent period, we biased the sample toward selecting grants that were considered positive, having already been closed. Unclosed grants were not included. Third, on arriving at the field office, the team and local staff reviewed the sample list, eliminating grants where staff advised that no one was available. Although this may not be conclusive evidence of a "bad grant," by eliminating these grants from the sample, it created a bias toward more positive outcomes.

To correct for bias, we use this information and evidence from local staff ratings to estimate the percentage of all grants considered to have limited or no lasting result or impact.

This evidence is presented as part of the evaluation findings in the section on grant impact.

[4] A few grantees outside of capital cities were visited during trips to Lviv and Saratov.

Management Effectiveness

Management effectiveness is viewed from the perspective of Eurasia Foundation's Washington office, its field offices, and the interaction among multiple offices. Topical areas considered to measure management effectiveness include organizational structure, personnel, financial management, grant management, and knowledge management.

ORGANIZATIONAL STRUCTURE AND PERSONNEL

Eurasia Foundation maintains a headquarters (HQ) office in Washington D.C. and 15 field offices, consisting of 9 regional grant offices and 6 special project offices. (See Appendix F for locations of field offices.)

Eurasia Foundation is directed by its President, Charles W. Maynes, who reports to the Board of Trustees. There are three vice presidents: Marsha McGraw-Olive, Senior Vice President, Grant Program, who oversees grant activities based in Washington D.C. and in field offices; Horton Beebe-Center, Vice President, Projects and Development, who oversees projects (SBLP, EERC and MVF) and development activities; and Regina Yan, Vice President for Finance and Administration, who oversees accounting, grants management, human resources, information technology and contract/office administration. Of the Foundation's 254 staff members, 38 work at Headquarters. (See Appendix A for a list of Eurasia Foundation personnel.) EF maintains a strong core of Washington staff for two reasons:

1. The majority of EF funds are provided through the core grant from USAID. Foundation activities are in 12 countries where USAID has a presence and they address 6 of USAID's strategic objectives. USAID manages the program from the Washington office
2. The Washington office approves grants over $35,000 and manages the partnership program as well as the three projects: EERC, SBLP and MVF.

Individuals with considerable experience in the NIS manage local field operations. Until the appointment of a local national to manage the offices in Tbilisi and Yerevan, all of these positions were held by Americans. The local staff consists of grants management staff who handle the financial aspect of grant making and the program staff who work on project development and program management and provide general support. Field directors have authority to approve grants up to $35,000.

Local staffs have various degrees of technical program expertise. Therefore, to assist local staff in the grant making process, each field office makes use of a local Advisory Committee. These committees include local NGO leaders, expatriate staff from other locally operated international NGOs, and local USAID employees. All field offices do not use the Advisory Committee in the same way. In some countries, they act strictly in an advisory capacity and in others they have a de facto veto over proposed projects.

In 1998, following the ruble devaluation in Russia, the Eurasia Foundation hired a British firm, Moore Stephens, to review local staff salaries and benefits to ensure that they are in line with comparable organizations in Russia. In the Moscow office this resulted in a two-year salary freeze for local staff.

Organizational Structure

Conclusions

1. For the most part, the structure works well for the Eurasia Foundation. Several field directors specifically mentioned that one of the most pleasing aspects of their job was the flexibility and latitude in decision making that the HQ office gives them.
2. One concern noted by the evaluation team is the significant disparity between the caseloads of certain local program staff. In Moscow, for example, the lowest caseload is 30, the average is 70, and one program officer is responsible for 180 projects. Some of these cases involved grants that could not be closed because some final reporting was missing, and procedures had not been established for handling costs in such cases. Part of the problem has been the delay in closing completed projects. With such high caseloads, many grantees never receive an onsite visit. As EF continues its policy of awarding most of its grants outside the capital cities, it will be important to keep caseloads in balance in order to ensure adequate monitoring.
3. One area where the HQ office does not provide a great deal of latitude is in the dollar threshold for Field Director grant approval. The senior management of the Foundation has expressed a great deal of confidence in their field staff directors. Eurasia Foundation operates in 12 countries, all in varying stages of development and with varying needs in terms of the types of program activities funded and the size of the awards. While Field Directors might not choose to avail themselves of an option to approve grants in excess of $35,000, it could improve grant-making operations in areas such as Moscow where the level of local development merits higher grant awards.
4. The current structure with regional grant offices staffed mostly by expatriate employees works well for Eurasia Foundation activities. The field staff includes a cadre of knowledgeable and capable local program and grants management staff.
5. The Eurasia Foundation has been responsive to programmatic needs by adding field offices as appropriate. For example, the Tashkent office had been the regional office for five countries. As grant making activity increased, the Almaty regional office was established. There is currently a plan to upgrade the Bishkek office to allow for full grant making authority. With this change, the number and location of field offices will be adequate to meet current needs.
6. Generally good coordination exists between the grants management and program staff in the grant making process. Coordination between the program and finance aspects could be improved in the monitoring and evaluation stages of grant management. Eurasia Foundation staff in the field and at headquarters commented that they see this as an area for improvement. This is

particularly important if EF expands activities outside of the capital cities and improves the quality of grant management activities.

7. One issue raised by field staff is the excessive turnaround time for decisions from the Washington office. This can run from three to six months according to Eurasia Foundation field staff in Moscow and the Central Asia region. In some instances the delays have resulted in project cancellations because the opportunity for the project passed before approval was received. The EF headquarters office explained that when the Kyiv issue arose and the Inspector General ordered audits of several field offices simultaneously, the President of the Foundation ordered all offices of the Foundation to concentrate on completing audit tasks and answering all findings. The result was a considerable slowdown in decision making in the core work of grant making. In some instances the delays resulted from inadequate information from field staff, which caused a mutual decision to pass up a project opportunity.

Recommendations

1. Washington staff and field staff should agree on what constitutes a reasonable amount of time for processing requests from the field. In addition, there should be clear guidelines on what information is needed from field offices for a decision so that the additional processing time required for questions from Washington can be reduced. One solution would be to set up a system to track the request from the time it comes in through the final response. This process should take no longer than a month.
2. Field directors should stress the importance of coordinated monitoring activities between program and grants management staff.
3. The Board should consider increasing the grant making authority of field directors above the current $35,000 threshold. In addition to providing a greater degree of flexibility, it would reduce the instances in which headquarters is required to intervene.
4. The EF should stress the role of the Advisory Committees as a way to improve coordination with other donors and USAID as well as to provide technical capability in the project review process that might not be available from staff. Furthermore, EF should clarify the role of the Advisory Committee and make it consistent in all countries.

Personnel

Conclusions

1. The Eurasia Foundation is staffed with talented and well-qualified individuals in the HQ office and the field offices. All expatriate staff in program positions in the field are fluent in Russian. There has been significant turnover of local staff in field offices and as well as expatriate staff in the field and Washington, particularly in the finance and administration department. As a result, some institutional memory has been lost, but new staff bring fresh ideas and are finding creative ways of achieving EF’s goals. Stable staff will be more

important in field as EF implements training for the SUN accounting system and the grants management system.

2. The Eurasia Foundation does not have written personnel policies and procedures in place for local staff. Staff development opportunities outside of EF training programs are limited. The Foundation revised its procedures in August 1997 and is now revising them again in light of the findings of the various audits over the ensuing investigations.
3. The Eurasia Foundation has not historically handled the issue of local salaries and benefits consistently. The Foundation has set local salaries according to local market conditions. This has led to inconsistent levels of benefits within the Foundation. They have realized the need to address this matter and are hiring a consultant to conduct reviews outside of Russia.

Recommendations

1. Ensure that all field offices have written personnel policies and make sure they are consistent among field offices to the extent possible while allowing for legal requirements of countries where the Eurasia Foundation operates. The draft policy handbook, which has been prepared at HQ, needs to be sent to the field, vetted, finalized, and implemented.
2. Field directors should examine caseloads and re-assign projects to balance the workload among program and grants management officers.
3. The Eurasia Foundation has retained a consultant to review local staff salaries and benefits and to develop a field personnel manual. As part of this process, the Foundation should conduct comparability studies for local staff salaries and benefits and continue the practice periodically to ensure that compensation is appropriate. They should also consider using the U.S. embassy guidelines for FSNs as a reference.

FINANCIAL MANAGEMENT

In response to the Inspector General audit, EF was required to make significant changes in its financial management systems. They have installed a new accounting system at HQ and in the field, revised policies and procedures, and conducted a two-week training session for all key staff Foundation-wide on new policy initiatives.

EF installed the SUN accounting system at its headquarters in the summer of 2000 and at its field offices in the fall of 2000. The SUN system replaced MIP at the headquarters and Quicken in the field offices. Installing SUN was expensive and time-consuming, but well worth the cost in the long run. EF has a well-organized chart of accounts and a good training manual for field staff.

The capabilities of the SUN system are considerably greater than the accounting systems it replaced, particularly with regard to accounting controls for field offices. With SUN, all changes to the system must be documented and processed as a journal entry. In addition, installing the same system in the field as the one used at headquarters improves the reconciliation process between HQ and the field. Another feature of the SUN system that makes it an excellent choice for Eurasia Foundation is the currency conversion feature.

Installing the SUN system comes with a price in terms of software cost, training and maintenance. EF was able to negotiate a good agreement for the purchase, support, and maintenance of the system with a reputable Maryland firm. However, field staff training has taken a great deal of time, and the program has been received by field offices with varying degrees of acceptance. EF finance staff completed the first round of training for field offices in the last quarter of FY 2000.

Another positive step taken by the Eurasia Foundation to improve financial management capability is to integrate SUN and the Grants Management System. Steps are also under way to expand the fundraising reporting capability and integrate it with SUN.

Eurasia Foundation is finalizing revised policies and procedures manuals for field offices. All offices should have a local Personnel Policies and Procedures Manual, an Accounting Manual, a Procurement Manual (may be incorporated in the accounting manual), and Travel Policies and Procedures. The last manual becomes important as EF further increases its projects in the countryside.

Conclusions

1. Eurasia Foundation has made great strides in improving financial management at HQ and field offices. It has installed high-quality systems and begun to train staff in the effective use of those systems. The systems, particularly SUN accounting, have improved internal controls at the field level.
2. Eurasia Foundation has taken steps to satisfy all audit recommendations, and has revised institutional policies and procedures to address audit concerns. In this regard, EF continues training staff in the revised procedures and the full utilization of the SUN and GMS systems and implementing written policies and procedures.

Recommendations

1. EF needs timely follow up with field staff to complete the transition to SUN as soon as possible. There are staff limitations at the HQ office. The FY 2000 audit will start soon and will take a significant amount of HQ finance staff time. This could delay the follow-up needed with field staff into the second and third quarters of FY 2001. While EF already has two staff in the field trained to provide SUN support in the region, it may consider hiring additional contract staff to complete this work in a timely manner.
2. EF needs to explore how to best use the extensive capabilities of the SUN system to improve financial management. The SUN reporting capabilities (plus the Crystal report writer program) and the integration with the Grants Management System provide excellent opportunities to improve information generation in order to improve analytical capability.
3. EF should make sure that all field offices have accounting, travel, procurement, and local personnel policies and procedures manuals and that they are updated annually. The headquarters finance staff should coordinate suggestions from the field offices so that changes are consistent and all field offices benefit from policy changes.

GRANTS MANAGEMENT

Pre-Award

The EF grant making process is the same for most field offices, with some variation. Field offices receive applications for open-door grants, targeted initiatives, and competed awards. Program and grants management staff review the applications and recommend projects for funding to the field office director. The final slate recommended for funding is then forwarded to the Advisory Committee for review, and in some cases, approval. Projects over $35,000 require prior approval from Headquarters in Washington, D.C.

The Advisory Committees play an important role in the grant making process. Some field offices accord the views of the Advisory Committee a de facto veto. Another important aspect of their involvement is the technical expertise they provide.

Unsuccessful applicants are notified in writing that they will not be funded and are given reasons for the decision. In many instances EF staff work with applicants if they have a good idea but need assistance in focusing and developing it into a workable project.

Once the Advisory Committee completes its review and, if applicable, approves the award, grants management staff determine the grantee's capability to receive and manage federal funds. The Eurasia Foundation is primarily a grant making institution but also implements three projects: EERC, MVF and SBLP. It does, however, provide some technical assistance to grantees to ensure that they are qualified to receive and manage federal funds, and EF staff work with many grantees that have received institutional capacity building services from other international NGOs, such as Counterpart Consortium.

Throughout the pre-award process, EF staff consults other donors and USAID regarding the feasibility of the project and the grantee. Comments from USAID indicate that some EF field offices should improve and expand the collaborative effort with USAID and other donors in order to minimize duplication and maximize project impact. Most grantees interviewed indicated that requirements for receiving an award were clear and felt that they learned a great deal from working through the process.

The process at HQ is similar, except that projects greater than $200,000 go through internal review and are approved by the Executive Committee. Proposals under that amount are approved by the Director and/or VP, Grant Programs, and signed by the President. In formal terms, EF has worked hard to improve the grants management system database (GMS). A new system introduced in 2000 is an improvement over the earlier system.

Award

In addition to reviewing the program merit and organization track record, information gathered in the pre-award survey is also used to evaluate the organizational capacity in financial management to determine whether the grantee meets the criteria to receive and manage U.S. Government (USG) funds. The next step is to make an award.

All grantees sign a grant agreement that states the amount of the award, the grant period, and other terms and conditions of the award. Other terms and conditions may result from the grantees pre-award survey. The schedules for financial and program reporting are also established. EF has a basic template for this agreement to ensure consistent and comprehensive awards.

When determining the reporting schedule and distribution of payments, Eurasia Foundation does not always differentiate between large and small grants. For example, a $2,000 award for a one-year grant in which the majority of activities take place over six months is given the same reporting and cash distribution schedule as a $35,000 award. Some field offices have begun to address this issue by requesting grantees to provide them with a cash projection schedule and establishing the payments and reporting in coordination with that schedule. This is somewhat of a balancing act since EF and its grantees need to minimize cash on hand in accordance with 22 CFR Part 226.

The grants management staff conduct training for new grantees, including training on USG regulations (OMB Circular A-122, Allowable Costs and the elements of 22CFR Part 226) and how to prepare reports. Grantees commented that this training was very helpful and that it increased their institutional capability.

Closeout and Post-Award

Once the activities are completed, grant management and program staff close the project. Generally, the Foundation offices have managed to complete the majority of grants successfully. There is, however, a small minority of grants that remain open because they lack final reports or certain financial information. There has been significant improvement in recent months in reducing the number of such grants. In some cases delay in closeout is due to the grantee requiring additional time to complete activities, but in other cases there are problem projects that require more staff time to follow up. In still other instances it is necessary to involve the HQ office.

In FY 2000 EF began a search for a director of evaluation. Previously, evaluation was the responsibility of the Director, Grant Programs and Evaluation. EF decided to create a separate position to provide adequate staffing for the evaluation component of the grant making process. Candidates have been interviewed and the new Director of Evaluation has been hired.

Grants Management System

The Eurasia Foundation has modified its versatile grants management system (GMS) to interact with the SUN accounting system. This program was customized to meet EF needs. The program has undergone some changes, and a company that did not write the original program performed the second-generation changes. This attests to the strength and documentation of the program. The chief problems with GMS are that it does not capture all of the data EF needs, the staff are not fully trained is all its features, and it is used primarily to generate lists of grants rather than provide analytical information or function as a true management system.

This last situation is largely the result of the field staff's limited knowledge of the system. The program was installed in Washington, D.C. in August 1998 and implemented in the field in the fall of 1998. Field staff have received onsite training, but are still not fully aware of all of the features of the system or how to use them. For example, two field offices were not aware that GMS could be used to track reports from grantees and to generate aging analyses on late reports.

Eurasia Foundation issues three types of awards: open-door grants, competed awards, and targeted initiatives. But in the GMS, awards are recorded in only two categories.

Conclusions

1. Overall, the process for awarding grants in the field is excellent. EF staff devotes significant effort to finding good grantees, helping them develop sound and well-focused ideas, and getting the awards ready for funding in a timely manner. The field offices feel that the HQ office needs to respond in a more timely manner to requests for project approval for awards above $35,000.
2. There has not been enough interaction between HQ and field offices with regard to initiatives developed in Washington. (See section on partnership programs in this report for more information.) There needs to be more field input into the partnership grants program.
3. The work performed by EF grants management staff preparing grantees to receive USAID funds is an effective use of their time.
4. Although knowledgeable in grant making, EF local staff does not generally have the technical expertise in program areas such as economics, public administration, SME, and other technical areas. This is changing with new hires in many offices and increased access to training.
5. In several field offices, staff feel pressure to award funds quickly in order to keep the ratio between field operating costs and grants at a reasonable level as determined by the HQ office. Notably, staff in the Moscow office indicated that they are under such pressure that they sometimes take projects that they might not ordinarily fund and rewrite the grant proposals into a fundable project. According to EF headquarters staff, this problem arises because—at least on several occasions already—the Foundation does not learn the amount of money it will receive from USAID until the fiscal year is nearly half over. Therefore, grant making has tended to bunch at the end of the year, creating pressure to push grants to meet the planning goals. In response to field concerns, HQ reduced grant budgets in two offices in FY01.
6. Generally good rapport exists between program and grants management staff during project development. But several staff commented that the interaction could be improved by involving grants management staff in the initial stages of project review rather than after most of the process has been completed.
7. Some staff noted that the GMS does not permit statistical analysis, but the data can be imported into a spreadsheet and manipulated for this purpose. A more serious complaint about GMS is that it does not contain much substantive information that might help guide future grant making. EF still does not have an adequate institutional memory, according to some sources.[5]
8. Grant monitoring varies greatly from office to office depending on the demands put on staff to meet grant-making targets. Staff report that they have little time for effective monitoring, especially when the majority of grants are outside the capital city, as is the case in the

---

[5] The absence of a workable institutional memory is not unique to EF. USAID has been struggling with this issue since the mid-1980s. Although much improved, many complaints are still heard.

Ukraine. In one country, the Senior Officer in the Project Management division said he did not have time to physically inspect grantees to ensure that equipment was being used as specified. But there is evidence from grantees who have developed longer-term relationships with EF that considerable monitoring does take place. Formal monitoring reports were found in some files, and these proved helpful to the evaluation team. Much of this monitoring appears to be informal, often a consequence of attending an event financed by the grant.

9. Field staff make timely responses to questions from the grantees. They also have a good system for monitoring reports from grantees and following up if reports are late or if there are problems with or questions about the information presented in the reports. Given staff limitations, site visits in some countries are too limited. In addition, site visits outside of capital cities need to be improved.

10. The closeout and post-award phases of grant management is the weakest aspect of EF's grant making program. Evaluation of grant clusters has taken place, but systematic documentation of lessons from individual projects is just beginning. Field offices have recently begun to write closeout reports that document that a project has been successfully completed and what was accomplished, and which evaluate the value of the project. But this process has not yet been institutionalized. Furthermore, efforts are under way to address project-by-project activity at the end of the project. They do not address the long-term impact of the project, nor do they address how the project—in conjunction with other project activities—moves the Foundation toward its goals. In the Central Asia Region the team was provided with evaluation reports for some of the grantees visited. Overall, the quality of the grantee evaluations was very good. Some Advisory Committee members also noted that once they approve a project, they have no additional information on whether the project was completed or if it was successful.

Recommendations

1. EF should modify the GMS and train staff to capture all information needed to assess grant-making activities, including all of the various forms of grants used by EF.

2. They need to complete GMS training for local staff and work to establish a regular dialogue between HQ and the field offices on what the system can do and how to achieve the result needed by field office staff.

3. EF needs to review the formula it uses to relate field office operations costs to grant expense and the formula for assigning project loads to staff. Each country is at a different stage of development and has different grant needs. For example, in Moscow, EF might consider making fewer grants of larger size and duration, but this approach would not work in the Central Asia Region. If the Foundation expects to increase grant making in the countryside and retain a solid grant monitoring system to ensure its fiduciary oversight responsibility for U.S. funds, it will have to consider the additional staff time required for travel.

4. Field directors should inform Advisory Committee members on the status of projects they approved.

KNOWLEDGE MANAGEMENT

Knowledge management describes the way an institution gathers, analyzes, and shares information on its activities. Eurasia Foundation uses its databases—SUN accounting and the GMS—as two primary sources of knowledge management.

Other means of sharing information include regular meetings between the Vice President, Grant Programs, and the field directors, and exchange of findings from project evaluations. Some local field office staff have also visited the Washington office or other field offices. EF has had difficulty taking knowledge management to a higher level because of delays and difficulties with external contractors on the development of an Intranet. A new contract was recently awarded for the installation of an internally protected system.

EF has begun to do closeout reports and project evaluations in an effort to gather important information about the grant making process.

Conclusions

1. EF does not have the technical capacity to focus on knowledge management as an institution, and partly as a result it has deficiencies in the area of institutional learning.
2. EF is making efforts to fully integrate field staff into decisions affecting field programs, with staff exchanges and sharing information via the GMS.
3. Staff efforts in knowledge management are limited. Staff do not document lessons learned and share them with each other or with those outside the organization in a meaningful way.
4. Information is organized with a two-way flow from field to HQ and vice versa, but not horizontally among field offices. This reduces the opportunity to share useful project information that might benefit the region.
5. The Foundation has a region-specific Synergy Project but does not manage information to maximize the huge potential for synergy. While EF documents indicate opportunities for synergy, it is not clear that information flows are organized to ensure that other regions of the NIS will learn the appropriate lessons.

Recommendations

1. EF should determine what information is needed and the best format for presenting it. For example, the annual report is organized by Strategic Objective (SO) first, but it would be more helpful to organize it by country and then by SO because strategy is determined by country.
2. EF should integrate field offices into the Partnership program. Some efforts are already under way to implement this suggestion.
3. EF should encourage travel among field offices and between HQ and field offices. Some interaction has taken place, and field staff have indicated that they have learned a great deal from these interchanges.

4. The GMS should be used more to share information on grants. Each office has access to information on only its own projects. EF plans to make project information from other offices and HQ available to all field offices on a read-only basis. Development of the Intranet is an appropriately high priority and would be the most effective way to improve knowledge management in the short term.
5. In addition to sharing summary information on grants, EF should consider the best means to share information on grant making experiences. For example, the Moscow office is at a different stage in the grant making process than the Bishkek or Almaty offices. The Moscow office could provide valuable insight based on their experiences in making awards to more sophisticated grantees that could help other offices as their grantees also become more sophisticated.
6. Finally, information on lessons learned from various grants should be shared. These lessons should be shared with field offices, Advisory Committee members, Board of Directors, and with grantees.

Fundraising

The Eurasia Foundation is not required under the terms of their grant agreement to raise matching funds, but it is encouraged to do so. Success in raising and leveraging funds is a measure of the Foundation's success. The Foundation's very good record of attracting non-U.S. government funds to its programs to date is a measure of its success.

The terms raising and leveraging funds are clearly distinct. Raising funds refers to funds that come to EF directly and are subject to EF overhead. Leveraged funds refer to funds provided by another donor directly within the framework of a program that is an initiative of the Foundation, but do not flow directly through an EF bank account.

Fundraising for international programs is difficult at best. Eurasia Foundation does not have a ready-made constituency as do many other international organizations, such as Save the Children or Red Cross. It has wisely decided to not pursue a direct mail fundraising. Information on funds raised and leveraged by the Foundation from FY 1995 through FY 2000 is summarized in Table 1.

Table 1. Eurasia Foundation Development Activity, FY 1995–FY 2000

Fiscal Year	Funds Raised ($)	Funds Leveraged ($)	Total Funds ($)
FY 1995	10,000	0	10,000
FY 1996	2,633,229	$ 2,250,000	4,883,229
FY 1997	3,537,280	1,050,000	4,587,280
FY 1998	4,251,036	954,592	5,205,628
FY 1999	7,954,276	100,325	8,064.601
FY 2000	3,757,915	3,305,000	7,062,915
TOTAL	22,143,736	7,659.917	29,813,653
	74%	26%	100%

In 1995 the Eurasia Foundation hired its first professional development staff. Fundraising efforts that year were largely focused on the Economics Education Research Consortium. Also, 1995 was the first year of outreach to the Armenian American community. Of the funds raised in 1996, $46,000 was unrestricted. In FY 1997, Eurasia Foundation launched a major development campaign in the Ukraine. This was also the first year that it attempted to generate support from foreign governments.

In FY 1998 the Foundation increased the size of its development staff. During that year, funds raised from foreign governments reached $1.7 million, private foundation donations exceeded $2 million, and corporate giving grew from $40,000 to $340,000. Unrestricted funds increased to $96,000.

In FY 1999, corporate giving increased again to $500,000 and $3.5 million was raised from Foundations. The Small Business Loan Program in Armenia also received a $3 million private donation. Unrestricted contributions totaled $81,000.

FY 2000 was also a successful year. Foundation giving increased to $4.5 million, and $1.5 million was received from foreign governments. Eurasia Foundation received $80,000 in unrestricted funds. The development department was also restructured and its capacity upgraded. Eurasia Foundation efforts are currently focused in three areas:

- ***Advisory Council.*** In FY 2000 the Board of Directors approved the creation of an Advisory Council comprised of prominent individuals interested in the NIS. The Eurasia Foundation expects the individuals to be selected and the council to begin functioning by early 2001.
- ***Targeted development efforts.*** Eurasia Foundation has targeted foundations and corporations that generate the greatest return for time invested for its development efforts.
- ***Endowment.*** At the end of November 2000, Eurasia Foundation’s president will meet with the Ford Foundation to seek support for creating an endowment fund that would draw on both public and private sources. There is some evidence that international development organizations have begun to make progress in receiving funding for endowments. But it is a long process to raise enough in principal to generate enough income for operating costs and program activities.

CONCLUSIONS

1. Eurasia Foundation is moving in the right direction in its efforts to diversify its funding sources. It has determined that it can be most effective in maximizing development efforts now.
2. The Advisory Council should be appointed as soon as possible to help target individuals to contribute funds to an endowment or to contribute unrestricted funds.
3. EF and USAID should explore the possibility of USAID putting up matching funds for an endowment on a dollar-for-dollar basis.

The Grant Making System

The Eurasia Foundation is widely known as a grant making organization. It was established to meet the needs of hundreds of small, newly emerging organizations all over the former Soviet Union which, in the face of the withdrawal of command polity controls, were emerging to deal with social and political issues. There was and still is a pressing need to “invent” a culture and pattern of values and behaviors necessary for the successful functioning of a democratic polity and a free market economic system. The lack of the necessary values, behavior, institutional infrastructure and rule of law regime was obvious and potentially dangerous for the future of these newly independent and fragile systems. In response to both need and newly found freedom, local citizens were beginning to organize, and by 1992, they were besieging U.S. Embassies for financial support. This demand gave rise to the idea of a grant making foundation serving the larger U.S. interests of promoting free political systems and markets in the former Soviet Union. At the time there was no USAID on the ground, and USAID’s Washington-operated programs in general focused on “macro” issues. The National Endowment for Democracy was active, but concentrated its resources on societies not yet free. George Soros’s Open Society Institute was predominant, but did not represent official U.S. commitment to supporting local initiatives. Something was needed that would be demand driven, flexible, innovative and non-bureaucratic, to make small grants to worthy projects reflective of the needs of the newly free citizens of Russia and the NIS. The Eurasia Foundation was created to meet that need.

EURASIA FOUNDATION’S SPECIAL NICHE

From 1994 through 1999, EF has made 4,456 grants in 12 countries with a total value of $94,800,000. Through the Partnership program, it has been a major supporter of U.S.-based organizations active in Russia and NIS. As a “demand driven” organization, the number and amounts requested in proposals has exceeded the availability of funds. From the beginning, EF set substantive criteria for selecting the proposals it would fund. The main focus of EF was on supporting activities that encouraged citizen efforts at the grassroots level to promote free political systems and markets. EF chose not to fund proposals that provide services to distinct classes of people, such as elderly, disabled, youth, unemployed, and the like. EF supported meritorious proposals from organizations concerned with human rights protection, media independence and freedom, free enterprise advocacy and representation, government transparency and accountability, law and policy reform, and the like. The organizations submitting such proposals could, in general, be classified as public interest NGOs. As EF evolved, the number of categories and subcategories coalesced and became more coherent in line with the organization’s mandate.

STRATEGIC PLANNING

The 1995 evaluation of EF called for the development of strategic plans that would give coherence, focus, and direction to the EF’s grant making activities. EF was slow to respond to this 1995 criticism, although new Washington leadership began to call for more planning beginning in 1998. One office director, when asked to assess in 2000 his own plan for 1999, concluded that it was little more than a rationalization of existing activities, not really a strategy at all. EF is beginning to give more attention to developing strategies for driving the grant-making program. The 1999 review produced the first EF Five-Year Strategic Plan approved by the Board of Trustees.

Currently, each field office prepares an annual plan that feeds into the institution’s long-term (five-year) strategic plan. The quality of field programs would be better served if the field offices planned more strategically to ensure that field activities are well coordinated with the long-term objectives of the institution. The evaluation team reviewed the Armenian strategic plan and budget request for FY 2001 and found it a substantial improvement over previous efforts.

EF’s vice president of grant programs meets at least three times a year with regional directors. In FY 2000 the focus of the meeting was more strategic. Two sets of questions were addressed:

- What projects have they funded that worked well? Is there a continuing demand for these projects? If so, how should they modify previous approaches and foci?
- What is there a demand for in the field that EF does not currently meet?

As a result of its strategic planning meeting in FY2000, field and HQ staff agreed to build on earlier successes by developing two areas as fields of longer-term interest and impact: (1) small business associations, and (2) improving local governance. In addition, it noted that opportunities may be favorable for the Foundation to invest more in community philanthropy and microfinance in the future, depending on results in existing programs.

To improve its strategic capability, EF must focus on developing analytical capability.

EF SUPPORT FOR USG STRATEGIC OBJECTIVES

In 1999, EF reviewed its programming approach with a goal of establishing clear linkages between its grant making and USAID E and E Bureau’s Strategic Objective. All grants are now classified into three groupings: private enterprise development (SO 1.2,1.3 and 1.4), civil society (SO 2.1, 2.2), and local government (SO2.3). Its 1999 annual report organized all grants reporting by SO and by country. The distribution grants according to this scheme are given in Table 2.

EF demonstrates support for U.S. objectives in other ways. It cooperates with U.S. Embassies by helping to administer some of their small grants programs, working to improve regional cooperation in the Caucasus through the Synergy Program, and responding to special USAID requests for programming, such as in the Ukraine Rule of Law competition and the Ukraine Housing Sector Reform Program. In Armenia, EF worked closely with the U.S. Mission in developing the Media Strengthening Program, which included a number of grants to independent media, in addition to a major project to develop a private sector publishing house independent of the government controlled printing office.

Table 2. EF Grants by USAID E and E Strategic Objective, October 1, 1998 to September 30, 1999 (FY99)

	Total ($)
ENI-SO-1.2 (Sound Fiscal Policy/Management)	2,384,292.00
ENI-SO-1.3 (Private Enterprise Development)	8,091,250.00
ENI-SO-1.4 (Competitive Responsive Financial Sector)	1,166,902.00
ENI-SO-2.1 (Civil Society)	9,268,215.00
ENI-SO-2.2 (Improved Legal Systems)	2,449,332.00
ENI-SO-2.3 (Public Administration and Policy)	2,597,620.00
Total	25,957,611.00

Note: Figures are approximate. All official financial figures are provided in separate financial reports.

EVOLUTION OF EF GRANT MAKING

The EF grant making process has evolved considerably. Three major changes have occurred. First, the average size of the grant has declined from $41,000 in 1994 to $19,000 in 1999. Second, the number of grants going to previous winners has increased to about one-third of all grants made. Third, the number of grants awarded through various competitions has increased to about 35 percent of the total of all grants.

What the quantitative data shows is the increasingly proactive stance of EF grantmakers. Under the rubric of open-door grant making, four different approaches are reported. First, the classic open-door grant is a passive approach that responds to “good ideas and initiatives” from any and all sources. EF staff reports that only one out of nine applicants ever receives a grant through the classic approach. Second, invited grant making is increasingly used to move EF from a passive to a proactive stance. An invited grant (sometimes called a solicited grant) is an EF initiative on a particular subject or theme. A variant of the invited grant is the formal solicitation, whereby EF announces publicly its interest in a certain theme, but without the paraphernalia of open competitions. EF may make several awards to qualified groups. The fourth approach is the tendered grant. Again, a public tender is announced, applications are invited, but only one grant will be made. The national Advisory Board reviews these variations of the open-door grants.[6]

The competitive grant approach is increasingly used as a means for narrowing the grant making focus and starting new thematic initiatives. Competitive grants were used for promoting business association development in Armenia, for example. The Board of Directors became concerned that earlier competitions were not sufficiently focused on meeting the organization's strategic objectives, and required new guidelines that would increase analysis by field offices of local needs and potential impacts as a condition for new competitions. The Board of Directors further decided, in recognition of the changing environment, in September 2000 to devote 35 percent of the next fiscal year’s budget

[6] At a preliminary review of the team’s findings, EF senior staff said that these “invited/directed” forms of grants were not considered “open-door” grants but were a third category. However, the EF grants management recording system does not recognize more than two types—competitive and open door.

on targeted initiatives identified by field offices, including small business association development and local governance.

MONITORING AND EVALUATION

EF grant monitoring and evaluation procedures include identification of evaluation criteria and possible measures during the grant application stage, a schedule of tranched payments to grantees against receipt of evidence of benchmark performance, and an end of grant closeout procedure which, in its most recent form, attempts to assess grant impact. The Foundation has just hired a Director of Evaluation, who will attempt the systematic evaluation of grant impact by strategic objectives, which is required under the current grant agreements. With a few exceptions there is no evidence of systematic evaluation of grant impact by strategic objectives, or use of either qualitative or quantitative measures of progress toward objectives. EF's 1999 Annual Report states that it has "now shifted its focus to results," but no system is yet in place. However, the hiring of the new Director of Evaluation will institutionalize a system to implement that shift.

In smaller countries with fewer grants, there is evidence that EF has developed substantial working relationships with grantees it considers strong and appropriate to the office's thematic interests. These organizations are frequently successful in receiving follow-up grants, indicating a degree of post-grant dialogue between them and EF. Program officers were able to demonstrate fairly broad knowledge of the more active activities in their portfolios, and they were often able to be quite discriminating between successful grants (for which they keep success stories), average grants, and grants they probably should not have made. In Armenia, staff was able to rate within a few days 11 grantees randomly selected from a list of 300.

CONCLUSIONS

The findings strongly support the following conclusions.

1. Grants and other programs have been broadly supportive of USAID and USG interests and objectives. In specific cases, EF has been responsive to U.S. Mission requests for special emphasis on grant making programs.

2. EF's strategic planning process has been slow to develop, and planning remains weak. Strategic planning is a high priority for EF leadership, and there is some indication that it is evolving in the right direction.

3. The pressure to make large volumes of grants has hindered grant monitoring, especially in larger countries such as Russia and the Ukraine. Active grant portfolios of over 100 grantees are simply too much for one staff to adequately supervise.

4. Results indicators are poorly developed and are not applied systematically. Ex-post or impact evaluations are not undertaken with any regularity or clear purpose. EF leadership is aware of this weakness and is taking steps to introduce systematic evaluations.

5. EF grant making protocols and processes are well developed, highly professional, and considered an industry standard by outside observers. This is especially true of the grant competitions.

6. Open-door grant making has evolved into something much more complex then simply passive grant making. Open-door is a category of increasingly limited usefulness as a descriptor of the extent to which EF is already employing proactive means to use grants to produce thematic clusters of activities. EF field managers are clearly becoming more proactive and purposeful in grant making. There is some evidence to suggest that in more developed civil societies, such as Russia, open-door grant making may be declining in demand compared to other countries such as Kazakhstan or Uzbekistan.
7. EF has been successful in most countries in moving the majority of its grant making activities outside the capital. This has had a cost in terms of effective monitoring and dialogue with grantees. It is not certain whether greater societal change can best be achieved through increased concentration in or outside of urban centers.
8. EF has become a major sequential funding source for a substantial minority of grantees that have received two and sometimes three grants over several years. Total funding to one grantee in many cases ranged from $40,000 to $60,000.
9. EF today makes grants as low as a few hundred dollars, but the average size is about $20,000, which is a substantial sum given the poor standards of living in most EF countries.

RECOMMENDATIONS

1. Strategic planning must soon be improved along with more systematic use of results indicators and progress monitoring procedures.
2. Plans to develop a results-focused evaluation program should be quickly implemented.
3. In the context of well-focused strategies, EF should consider reducing the number of small grants, while moving toward strategic grant making combining small targeted grants with more substantial institutional capacity building grants over longer periods. A residual opportunistic window should be retained for responding to new ideas and initiatives.
4. Consistent with the second recommendation, EF should consider substantially increasing the grant making authority of its field directors. This increase should be conditioned on development of well-considered strategic plans and a demonstration that monitoring and evaluation plans are appropriate.

Results of EF Grants

SUMMARY OF INTERVIEW DATA

The evaluation team's assessment of grant results is based on the dimensional scores given to each grantee interviewed by team members. Although each score represents a judgment by the rating team member, we found a high degree of inter-coder reliability. Accepting the possible biases discussed in the section on the Statement of Work and Methods in this report, the team is confident that these scores represent a fair rating over a large sample of observations. The combined data for all grants examined are presented in Table 3.

Assessing impact is a complex issue with many dimensions. There is little consensus in how to measure impact, especially if one is seeking a rigorous cause and effect relationship. In order to satisfy the principal client's need for a relatively straightforward answer to the question, is the program producing a positive impact, the team chose to reduce its information into a single, comprehensible scale summarizing and aggregating the results of 129 interviews and site visits in eight countries. Needless to say, a good deal of the diversity and richness of the kind of results achieved by grantees has been lost. Readers are encouraged to turn to the EF Success Stories presented in Appendix D to gain a better sense of the variety of results achieved by grantees.

Since the scope of work called for judgements about effectiveness and growth of EF grantees, the team developed several other dimensions for assessing each grantee. These include achieving grant objectives, increased organizational capacity, increased diversity of funding sources, and evidence of lasting impact. The team concluded that these dimensions captured the major kinds of questions asked about grant results.

Table 3. Results of EF Grant Program

	All Grants Combined Score of 129 Grants (Scale 1 low–4 high)
Achieve grant objectives	3.47
Organizational capacity	2.96
Diverse donors	2.56
Relationship with EF	3.13
Lasting impact	2.63
Innovation	2.40

Note: These scores are the result of adding the combined score for each dimension by each country. Space limitations prevent us from presenting a more detailed statistical analysis of the ratings.

SUMMARY OF EF OFFICE RATINGS

In four of the eight offices visited, staff and the evaluation team together reviewed each grantee selected for interviews. In three of the four countries, staff recommended that the team not visit several grantees. Given the time limitations, such visits would be unproductive because the grantee was no longer active or the principal had moved. Staff generally agreed that the impact of these grants was probably minimal. The number of rejects in each of the three countries was fairly consistent, running at about 20 percent of the sample selected at random.

On two occasions, office staff was sufficiently knowledgeable and forthcoming that they offered to do their own rating. In one office, staff rated 11 randomly selected grantees as being good, OK, weak, or nonexistent. The staff's rating indicated only two good grants, two that were OK, four that were considered weak, and two that did not exist. One grant was too new to tell. These findings were consistent with the 20 percent "weak grant" rating described above. If anything, the EF staff was somewhat more negative about their portfolio than the evaluation team.

In the second case, a senior professional officer offered to replicate the evaluation team's dimensional scoring, using the same criteria for all completed grants in the portfolio. This portfolio, as rated by one knowledgeable officer, scored lasting impact, organizational capacity, and sustainability dimensions at 2.56, 2.52, and 2.56, respectively. These scores are somewhat below the overall scores given by the team, indicating that experienced EF officers are both knowledgeable and discriminating about the grantees supported by their office.[7]

ANALYSIS AND CONCLUSIONS ON GRANT PROGRAM RESULTS AND IMPACT

Problem and Poor Grants

EF has made approximately 5,000 grants during its 6-year history. As a risk-taking and demand-driven organization, it is expected to make grants that, with hindsight, might prove to have turned out less well than expected. In the absence of systematic evaluation, and with the emergence of the Ukraine problem, it is difficult to estimate the number of poor and problem grants.

Problem grants are those that cannot be closed because the grantee has failed to submit a final report or has submitted a file incomplete in other aspects. Failed grants are those that the Foundation had to abandon because the management may have collapsed during execution. Fraudulent grants are those in which diversion of funds is suspected. Estimates of all three vary from as high as 16 percent in Ukraine to about 3 to 4 percent in other country programs.

Poor grants are those for which staff conclude there was little lasting impact, little organizational growth, and there would be no further funding. It does not mean failure to complete activities or achieve outputs. Based on the field office assessments and in-house discussions, the team estimates that from 15 to 20 percent of all grants fall into this category.

In the evaluation team's judgment, the percentage of poor grants could run as high as 25 percent. The percentage of problem grants should be substantially lower given adequate internal controls, due

[7] We have not reproduced the score sheets for the two offices in order to preserve confidentiality and trust.

diligence and good project monitoring now being installed. We would expect no more than 3 percent of all grants to require recovery by EF.

RATED GRANTS

The analysis presented below is based primarily on interviews, conversations, and observations made by evaluation team members in eight EF countries. Individual country scores vary somewhat, but not as much as expected given the range of country circumstances. The findings under-represent Russia, and over-represent smaller, more difficult countries for an EF-type program. The extent to which individual initiative and civil society potential can be realized differs greatly between a Ukraine and a Kazakhstan for reasons of culture, history, and present political regime.

Also, the analysis is based on a sample that mixes grantees randomly selected (about 70 percent) with those selected by EF offices as good grants. As discussed in the section on Statement of Work and Methodology, there is also an urban bias to our findings, resulting from the inadequate time allowed for each country study.

These biases do not invalidate the basic conclusions reached below, although we expect that a more representative sample and more time would yield somewhat more conservative scores than those reached above. We now turn to an analysis of the main dimensions of our results analysis.

ANALYSIS OF RESULTS

Grant objectives are defined as immediate outputs. Grant objectives as distinguished from activities were not always discernible from the available documentation. Very few closed grants failed to complete the activities and produce the outputs stated in the grant proposal, hence the high score given for this dimension. This high completion rate may be a function of the difference between social service delivery grants involving complex management and delivery of inputs to difficult to reach clientele, and the relatively straightforward tasks undertaken by EF grantees. Many of the EF grants involved some combination of training, preparation of publications, and other forms of educating and influencing broad classes of citizens on issues, such as human rights or legal rights.

Institutional capacity is determined by examining the growth and development of the organization’s activities, staff and volunteers, geographic coverage, and networks and working relationships with other organizations. The rating of 2.96 indicates a solid level of accomplishment on this dimension. Numerous statements by NGO and association leadership in all the EF countries visited tend to reinforce this conclusion. A key and somewhat controversial aspect of this capacity building is the EF financing of computer equipment for grantees. The main criticism from development experts is whether EF is doing enough training to go along with grant making. EF’s response has been that it does do informal training through intensive coaching on proposal writing, financial management, reporting, and the like. Moreover, it can be argued that until recently, EF did not see its role as being more than a grant making organization. Whatever the reasons, the evaluation team observed that most grantees were making effective use of computer capabilities and that lack of EF-financed training did not seem to be a constraint. This may suggest that motivated individuals find a variety of ways to learn skills and that donor-funded training may not always be critical to success.

Sustainability is a function of the combination of the rater's estimate of future demand for the organization's products and of the potential for further evolution of the organization's leadership and support base. Organizations might score well on institutional capacity, but score less well on sustainability. Note that all grantees had already completed at least one EF grant. The score of 2.76 indicates in all raters' judgment that there was a fair to good prospect that organizations supported by EF would continue to evolve. Note that sustainability does not put major emphasis on financial sustainability from indigenous sources, although an organization that was successful in this regard would receive a higher score. The reason for this is that few NGOs or business associations would be able to continue at the current level without foreign donor support. This problem is well recognized in the donor community.

Funding sources indicates the extent of the organization's ability to mobilize additional funds from other sources. The score of 2.56 indicates a better than fair performance of the grantees in finding diverse sources of support following completion of the EF grant. There is some positive support for the hypothesis that EF grants have a causal relationship with the accompanying enhanced status, self-confidence, and possibly the creation of greater legitimacy and acceptance (and lower risks for more cautious donors) for the organization's endeavors. EF grantees frequently stated that EF was the first or one of the first to make a grant to the organization. In some countries, the EF grant was more frequently the second grant, following behind OSI or the smaller grants of ISAR. Frequently the grantees then became a focus of USAID or TACIS, either through additional grant programs or through technical assistance activities. The EF initiative on accounting in the Caucasus is a good example of early EF support leading to much broader attention from larger donors.

Relationship with EF is an effort to determine whether EF's grant making and monitoring procedures were perceived as fair and transparent first, and second, the extent to which a partnership relationship had developed between EF and the grantee. The score of 3.1 is supported by qualitative statements from grantees that relationships between grantees and EF were positive. Even when grantees' second proposals were rejected the relationships were mostly positive. One business association grantee described EF's grant as a "bright light in a darkening sky"; others commented on how an EF grant enhanced the status of the organization. Some noted that EF regulations and requirements were difficult, but in the long run resulted in a better-run organization.

The issue of EF's reputation as a grantmaker came to the fore as a result of the discovery of possible fraud in the Ukraine office, and the subsequent IG investigation that at this writing has closed all grant making activities in the Ukraine office. However, EF Washington is making plans to reopen the partnership program in the Ukraine. Interviews with the Public Affairs Officer in the U.S. Embassy indicated he felt that the damage done to EF's reputation was not as great as he had expected. Most Ukrainians were able to put the issue in perspective, and hoped that the EF program would start again soon. In another country, USAID and Embassy officials both said that EF lacked transparency in its decision making, or at least was perceived as such by some sectors of the host society, especially journalists. Even with probing, interviews could not elicit many negative comments along these lines.

Lasting impact is the most difficult result to measure. EF does not make grants for providing services to subsets of a population, such as elderly, blind, addicted youth, and the like. The impact of these kinds of grants in other programs is relatively easy to evaluate. Most EF grants are meant to help organizations increase citizen involvement in and responsibility for democratic and economic transition, or to advance universally relevant democratic and market-oriented values and behaviors, such as respect for human rights and knowledge of rule of law. In addition, they are also meant to achieve general improvement in the responsiveness of local government, improved legal infrastructure for the private sector, and development of an independent media. These changes are difficult to achieve, slow in coming, and quite complex. Some EF grants do link rule of law empowerment with specific social service organizations. In these grants, the impact of the activities at the micro-level can be easily observed. In developing the impact score, the team looked for concrete and specific examples or evidence of desirable change that could be attributed to the activities financed by the grant.[8]

Given the purposes of the EF grant-making program, it is questionable whether it makes sense to evaluate macro-level impact on a grant-by-grant basis. If EF had developed well-articulated multiyear sector strategies, it would have made more sense to assess results at the sector or problem level. Initially, however, the Foundation was expected to exist for only three years. As it became apparent that the transition effort would last many years, the Foundation's perspective altered. With the new reality, funding may also become more secure, which would assist strategic planning. From this perspective, the individual grants would not be expected to bear the entire burden of change. Rather the evaluator would look to the impact of a series of grants, each of which was made to add value to a strategy focused on the kind of broad sector goals EF aspires to. But the aggregation of individual small grants and the determination of causal relationships with sector or society-wide changes is an underdeveloped field in the evaluation profession, and skills to support this particular type of evaluation are not readily available in the NIS. Consequently, Foundation work in this direction will be a pioneering effort.

Innovation is a score measuring the extent to which EF funded a new approach or, more generously, was able to encourage something new for the country in which the grant was made. The relatively low score of 2.4 suggests that on a grant-by-grant basis, EF grants are not exceptionally innovative. Again, we found outstanding examples of innovative behavior, such as the development of the Synergy Program in the Caucasus, or programs to arm citizens with legal rights in specific contexts, such as the one helping Armenian peasants to sort out property rights viz. the Armenian government.

CONCLUSIONS

1. Grantees scored well on institutional sustainability and, to a lesser extent, the creation of a diverse funding base.

2. EF relationship with grantees is strongly positive. Many grantees cite EF grants as having had a strong positive impact on grantee's organizational capacity.

---

[8] The question of what kind of proposal of what is "in" and what is "out" generates much discussion. EF specifically does not support "humanitarian aid, psychological or health care related programs, scientific or technical training and/or research… It does not fund projects whose beneficiaries are confined to a specific age group, gender, or other social category, unless it can be clearly demonstrated that the particular group has been excluded from participation in the reform process." *Meet Eurasia,* Eurasia Foundation, pp. 3 October 7, 1999.

3. Lasting impact of EF grantees is fair to good overall. Impact is difficult to assess both because of the technical constraints in aggregating the cumulative impact of small grants as well as the difficulty of measuring the behavioral changes for which many EF individual grants are made.
4. With some major exceptions, EF open-door grants have not been especially innovative. It should be pointed out, however, that most open-door grants tend to promote traditional democratic and market-oriented values rather than introduce innovative new services or approaches.

RECOMMENDATIONS

1. EF should reconsider what kinds of strategies are necessary to achieve lasting impact at the national and regional levels and develop different evaluative criteria than those that might be applied to assess immediate impact at the micro or grant level.
2. EF should reassess its criteria for determining eligibility for receiving EF grant support. The exclusion, for the most part, of social service delivery organizations as a category, may cause EF to miss opportunities for helping such organizations become effective advocates for broadly gauged institutional and policy reform.
3. EF should deepen its effort to mobilize other donor/partner assets, such as training expertise to effectively improve capacity building and organizational sustainability among grantees.

Partnership Programs

Until independent grant making authority was conferred upon regional offices (Ukraine, end-1993; Moscow, 1994, Caucasus and Tashkent, 1995; etc.), the Foundation awarded all of its grants from its headquarters in Washington, D.C. Grants awarded from Washington are exclusively to non-NIS organizations. Consequently, the ratio of grants to local organizations gradually rose from 0 percent in 1993 to 80 percent in FY00, and is projected to rise to 85 percent in FY01. This shift is consistent with the Foundation's vision of increasing the focus and responsibility for programs to field offices

While the focus has shifted to the field, the Foundation has redefined its view of the role of grants to non-NIS organization. The Foundation describes these "Partnership Grants" in its 1999 guidelines as follows:

> In order to complement and augment the grant making programs of its field offices, the Washington office of the Eurasia Foundation supports partnership projects that are developed and implemented jointly between U.S. or other foreign institutions and NIS organizations. Partnership projects are aimed at transferring skills to NIS organizations that will strengthen their capacity to become self-sustainable, while simultaneously promoting strong relationships between NIS organizations and their foreign counterparts. The Foundation currently supports approximately 40 partnerships each year, with grants averaging $100,000.

For example, in FY00, field offices identified community philanthropy as one area in which NIS grantees could benefit from experience outside the NIS. NIS countries do not have a history of the organizational forms commonly found in North America, Western Europe, or even Eastern Europe to address community problems with philanthropic capital. This experience is readily available from experienced community foundations or through projects run by organizations such as the Council on Foundations. With the assistance of partnership grants and programmatic support by HQ staff, there will be an increased transfer of expertise to help new NIS organizations become sustainable.

More traditional partnership grants have supported the development of local academic institutions of excellence, such as the New Economic School in Moscow, the St. Petersburg School of Management, the Kelajack Ilma International Business School in Tashkent, and the American University of Kyrgzstan in Bishkek. Other grants provided technical assistance to start-up programs, including microfinance. More recently, partnership grants have been used to catalyze new programs such as an equity fund for small and medium businesses in Central Asia.

Evaluators visited some NIS partners who benefited from partnership grants. Most indicated they had no contact with the local office. The Foundation is less engaged, from a grant monitoring perspective, with partnership grantees. This is not surprising in that the partnership grantees, for the most part, are mature Western organizations with the financial and programmatic capabilities to effectively implement a wide variety of projects.

Some U.S.-based partners indicated that they would like better coordination with the Washington office in administering and executing their award. Some grantees also indicated that the response time to questions and reports was slow.

CONCLUSIONS

1. The expectations of each partner, both in and outside of the NIS, may not be fully clear at the time of the award.
2. Local field offices should be more fully engaged in the development of partnership grants awarded from Washington, D.C., as they are in the grants awarded from their own office.
3. EF should increase its focus on partnerships that supplement or complement existing field activities. This has not always been the case in the past.

RECOMMENDATIONS

1. EF should make the partnership program a joint venture between the Washington office and the field staff from the inception of the concept and through its implementation. The field office should not only be aware of the project but should also buy into the project as a means of achieving objectives at the field level. EF senior management has expressed a desire to accomplish this and has started moving in this direction with the field planning meeting in April 2000.
2. EF should review its management and monitoring procedures for partnership and other Washington-based projects to improve responsiveness to grantees.

Relationships with Other Organizations

The Eurasia Foundation's Chair, Sarah Carey, noted in the Foundation's 1997 Annual Report that Congress and the U.S. Government established the Eurasia Foundation to provide grants to the Newly Independent States of the former Soviet Union. In the same report, William Maynes, President of the Foundation, stated that in establishing the organization the Bush and Clinton administrations pointed out that partnerships between NIS and U.S. institutions should frame the Foundation's programs. These statements help to illustrate the range of organizations with which the Foundation must forge successful relationships in order to develop programs that strengthen economic and democratic institutions in the NIS.

FINDINGS

The Foundation has established successful working relationships with public and private organizations in the United States, Europe, and 12 countries of the NIS. It works daily with its Board, USAID, the Department of State, as well as numerous funding and partnership organizations in the United States and Europe. From its nine grant offices and six project offices in the NIS, it works with U.S. Embassies and USAID Missions, the international donor community, and literally thousands of grantees and beneficiaries. The relationships that the Foundation has established and will continue to develop with these organizations will be a major factor in determining its success in the future.

USAID and the Department of State

Washington Level Relationships

The Foundation's relationships with USAID and the Department of State at the Washington level are very good. Senior management from the Foundation, USAID, and the Department of State frequently meet to discuss policy and budget issues. Because of the regional nature of the Foundation, management oversight responsibility (USAID CTO) is in the Bureau of Europe and Eurasia, USAID, Washington. The CTO works nearly full time on this responsibility and has a good working relationship with all levels of the Foundation. The Foundation is quite responsive to requests from the CTO. The grant agreement officer for the Foundation's grant is also in Washington. This person is the warranted officer and is responsible for ensuring that funds are used in a fiscally responsible manner. During the past 1½ years, this relationship has been strained because of the fraud problem in the Kiev office, which required the Agreement Officer to suspend the Foundation's grant programs in Ukraine, Moldova, and Belarus. The Agreement Officer has also worked with the Foundation to ensure closure of all audit recommendations following an audit of Foundation field offices. This effort has been completed and all audit recommendations have been satisfied. Both parties should be credited for working well together under difficult conditions.

Field Level Relationships

In general, U.S. Embassy officials were strongly supportive of EF activities, and saw EF as a responsive partner for achieving USG objectives, especially in promoting independent media. For a number of reasons discussed below, USAID relationships with the Foundation at the field level vary greatly. It is difficult to generalize because the relationship in one country can be quite positive, as in Azerbaijan, to outright difficult, as in CAR.

In the current period of shrinking budgets, Missions are required to support the Foundation with little say in how much they contribute or in how the funds are used in support of Mission SOs. To make matters worse, in a number of Missions, EF activities are not considered a high priority. Some Missions consequently view the financial needs of the Eurasia Foundation as a type of taxation without representation. The Missions that most strongly object to this situation are the CAR and Ukraine.[9] Although the Russian Mission is mildly supportive of the Foundation, the staff also was quick to point out that the Foundation had received and will continue to receive a significant portion of the Mission's operating year budget (i.e., 15 percent in FY 2001).

In many cases, there is no clear understanding of the Foundation's activities among relevant offices within Missions. EF asserts that it works hard at keeping USAID informed.[10] Many USAID Missions have a contrary view, in part, because the Foundation's activities cut across Mission office responsibilities, and this can and frequently does lead to information about the Foundation being stovepiped and not disseminated among all offices affected by Foundation activities. For example, a Foundation regional office director may brief the Mission's office director of democratic transition about recent Foundation activities. If, as sometimes happens, the Mission's office director of economic transition or other relevant office staff are not in the meeting, then the Foundation's activities throughout the Mission will not be fully understood. This ultimately can result in lukewarm, or worse, support for the Foundation. The CAR has recognized this problem and has set up a committee involving relevant offices with a point person to coordinate meetings with the Foundation and manage dissemination of information within the Mission.

Another important factor that influences relationships between USAID Missions and Foundation field offices is cooperation on strategic planning and reporting. The current grant agreement requires that the Foundation report to USAID annually, as well as semi-annually to each Mission, regarding expenditures, grant lists, loan lists, and the status of programs by SO. Also, the Foundation field offices are to create a strategic plan each year. In this plan, field offices identify sectors, based on Mission SOs, in which they plan to make an impact in the coming year. The plan should also offer performance targets that can be used to gauge the Foundation's success in meeting the goals of the plan. This process is to be coordinated with relevant USAID Missions.

---

[9] USAID CAR strongly objects to the use of the tax analogy. See Appendix G for the full statement of the CAR objection, and the team's response.

[10] EF staff stated in several countries that it regularly invited USAID staff to visit grantees but with little success. In Russia, one experienced democracy officer accompanied the evaluation team during grantee visits in Moscow. This was the officer's first encounter with the results of EF work. In other countries, USAID officers have been able to take a more active interest in EF events. This, to some extent, is a reflection of the limited time available to USAID given a very demanding workload.

In many cases, both Foundation and Mission staff do not have a clear understanding of these requirements. Also, there is a difference of opinion between EF and USAID field staff about the degree to which this requirement is being met (EF staff taking the position that they are cooperating and some Missions taking essentially the opposite view). The evaluation team's view is that EF has not adequately met this requirement as intended in the grant, and this has contributed significantly to a lack of effective planning and to strained working relationships. USAID and Foundation headquarters staffs, as well as relevant Mission and Foundation field staff, should continue to work together to satisfy this requirement. Closer cooperation can benefit both sides by fostering an understanding of and support for the Foundation as well as substantively contributing to Mission SO reporting requirements.

A frequent USAID criticism, which adversely affects the EF/USAID relationship, is that EF "doesn't do training," implying that giving grants is not enough. EF's response is that it *does* do informal training related to most aspects of grant proposal writing and grant financial management. Moreover, the Foundation is increasingly using grants to support local organizations that have trainers, often trained through other USAID and donor projects, to carry out training programs. Finally, the high level of project output and achievements by grantees suggests that grantees are able to absorb knowledge and experience from a variety of sources other than formal training. In interviews with several USAID partners, such as Counterpart, evidence was given that EF and the partner had collaborated in providing specialized training to grantees, but this does not seem to be a systematic practice.

Grantees

The Foundation's relationship with grantees, in general, is very good. In interviews with grantees in the field as well as partnership grantees in Washington D.C. and New York, most emphasized that the Foundation was engaged and helpful during the pre-grant proposal writing, review, and the implementation stages of the grant making process. Grantees pointed out that the Foundation's reporting requirements are rigorous but fair. Many also stressed that they learned from this process and respected the Foundation for its thoroughness. The Foundation is less engaged, from a grant monitoring perspective, with partnership grantees. This is not surprising in that the partnership grantees, for the most part, are mature Western organizations with the financial and programmatic capabilities to effectively implement a wide variety of projects. The Foundation has terminated a small number of grants, which has led to some distress amongst affected grantees, but it has made a creditable effort to explain both orally and in writing its reasons for these decisions.

Donors

The Foundation has worked diligently and successfully to develop good working relationships with donors in the public and private sectors. It systematically attempts to raise awareness and improve relationships among the donor community with its outreach program. Examples of this program include

- A web site in its headquarters as well as in field offices;
- Publication of a newsletter in English from its headquarters and in Russia from field offices;

- Distribution of success stories that document concrete examples of the Foundation’s work; and
- Outreach events hosted by the headquarters and field offices that promote the work of the Foundation to a variety of constituents, including potential donors.

The Foundation also devotes significant personnel and money to fundraising. This aspect of the Foundation’s activities is discussed in detail elsewhere in the report. Suffice it to say, the Foundation’s programs, particularly the EERC, have been successful in attracting support and strengthening relationships among the international donor community (e.g., Carnegie Corporation of New York, Ford Foundation, and the Starr Foundation) as well as the governments of Norway, Sweden, and the Netherlands, among others.

CONCLUSIONS

1. The Foundation has established, for the most part, good professional relationships with a variety of appropriate organizations in the NIS as well as in the United States and Europe.
2. The EF-USAID relationship at the Washington level is very good. But the EF-USAID field-level relationships are a different matter. Here the relationships vary, ranging from mildly supportive to strained. Improvement is necessary and possible but will require effort and understanding from both USAID and the Foundation. Following are the evaluation team’s observations of this relationships:

- Both EF and USAID Missions need to do a better job of fostering communication and coordination. Lines of communication should be clear; information flows should be systematic but not burdensome; and better coordination of EF and Mission programs should be the objective. A higher level of active cooperation need not be viewed as a threat to the independence of either side.
- Much of the tension between the two organizations is derived from the EF budget allocation process, which appears as a tax on the Mission's OYB.
- EF’s limited results monitoring and evaluation systems hinder its own work and are a source of friction between the Foundation and USAID.

RECOMMENDATIONS

1. USAID/Washington needs to take a stronger role in sensitizing USAID Missions to the need to be informed about and cooperate with EF on matters of joint interest. EF needs to be conscious of its obligations under the grant agreement to keep USAID Missions informed through strategic planning and results reporting by performance targets.
2. EF needs to develop a more workable system for results monitoring and evaluation for its own purposes, but in doing so, it should be responsive to USAID Mission needs where possible and appropriate. Only then can EF's obligation to do results reporting be fully met.

3. The Office of the NIS coordinator and EE Bureau Leadership need to find a less onerous formula for assembling the annual budget for EF that would avoid the appearance of a tax on USAID field missions.

Project: Media Viability Fund

In recent years, a variety of independent media outlets have emerged in the NIS to provide citizens with news from different, non-governmental perspectives. This diverse information can help build a well-informed citizenry and strengthen the growth of democracy. Despite the increasing availability of information in the NIS, two main obstacles continue to hinder the development of a truly vibrant and independent media. First, most non-governmental newspapers and broadcasters still rely on government-controlled printing presses and broadcast networks, and this control can be used to limit press freedom. Second, editors, producers, and journalists often lack the management skills necessary to operate media outlets in a financially viable manner.

To address these issues, the Media Development Loan Fund (MDLF) and the Eurasia Foundation joined forces in 1996 to form the Media Viability Fund (MVF). MVF provides technical assistance via consultants, seminars, and training programs to carefully selected client media outlets to help them remain independent by operating as profitable enterprises. Clients are selected in accordance with rigorous evaluation criteria to determine that they indeed operate independently of government or oligarch control, and that they meet certain editorial and content standards. MVF consultants have provided onsite training and advise to client media outlets on such topics as management, editorial orientation, content and design, advertising strategies, and business practices, among other topics. MVF, through its partner MDLF, also provides to a few qualified candidates low interest loans to make capital investments in their enterprises, thus reducing their reliance on government controlled printing, broadcasting, and distribution systems.

FINDINGS

It was difficult to obtain firsthand information on MVF in the field during the evaluation, since the project was moving offices and the technical staff was conducting a seminar outside of Moscow. Therefore, these findings are based primarily on written materials provided by EF and one interview with an MVF staff member in Moscow.

1. MVF began operations in 1996. In FY00, its budget was $989,290 ($340,518 from USAID and $648,691 from the Netherlands government and OSI); in FY01 its budget is $859,341 ($508,096 from USAID and $351,245 from the Netherlands government and OSI). Leveraged funds—in the form of the loan pool provided by MDLF—equal or exceed these budget amounts. The majority of the funding for MVF comes from non-U.S. government sources.
2. The newspapers *Express* in Lviv, Ukraine and *Paritet Printing House* in Chelyabinsk, Russia have been operating offset color printing presses financed by MVF for over a year. A third printing press has been delivered to *Altapress* in Barnaul, Russia and will commence operations early in 2001.

3. The Crisis Capital for Independent Media technical assistance and loan fund was set up under MVF in 1999 to help independent broadcasting companies and newspapers overcome the setback of the Russian financial crisis. The project was made possible by more than $4 million in funding from non-US government sources, including OSI and the governments of the Netherlands, Switzerland, and Sweden. Through this project, four television stations and one newspaper have already been accepted as loan candidates, and will receive broadcast and production equipment through a low interest leasing arrangement.
4. MVF has conducted 9 team trips since its establishment. A team trip involves one Western management specialist and one Russian or Ukrainian designer working on-site for one week at a newspaper client. The idea is to teach these newspapers to work together in teams from the first moments of planning an issue to the moment the paper goes to press. This means bringing together designers, photographers, editors, journalists, etc. to all work on a unified news product. Also, team trips emphasize bringing information to readers in new, unique, and varied ways -- photographs, infographics, side bars, quotes, etc. that accompany the article itself. On average about 20 people participate from a large newspaper and 10 people from a small newspaper on EACH team trip.
5. MVF has worked with 17 newspapers and 4 television stations since it began operations. In 2001, it will begin working with independent radio stations as well. In addition to dispatching media specialists to particular clients for long and short term consulting assignments, the MVF also conducts seminars, training, and conferences. MVF has conducted more than 10 seminars and conferences over the last three years. In the aggregate, more than 150 media specialists have attended MVF seminars, and more than 150 media personnel have benefited from consultant visits.

CONCLUSIONS

MVF is attempting to address an important issue that is central to EF's goal of promoting civil society. At a time when independent media appear to be under increased pressure by authorities in Russia and Ukraine, the mission of MVF is even more critical. Based on the information that the evaluation team was able to obtain:

1. MVF works with a highly select group of media clients that distinguish themselves by operating independent of government or oligarch control in an extremely hostile environment.
2. A great deal of technical assistance has been delivered via MVF to media organizations in Russia and Ukraine. This sort of targeted assistance is of vital importance to the survival of the relatively few independent media organizations that exist in the current political climate, and can have an important multiplier effect if EF adequately disseminates information about these projects.
3. While MVF has made comparatively few loans—3 newspapers and 4 television stations to date—the long-term impact of these investments is yet to be seen. Quantifiable data on client and market behavior will be of great value in determining the ultimate impact of this program.

RECOMMENDATIONS

1. The Eurasia Foundation should improve the quantitative instruments used to assess changes in client and market behavior as a result of MVF inputs.
2. MVF has demonstrated that it can work effectively to provide technical assistance to independent media outlets and is successfully managing loans to creditworthy clients. The importance of this innovative program is even greater at this time given the adverse climate in which media in Russia and Ukraine currently operate.

Economics Education Research Consortium

OVERVIEW

In 1996, the Eurasia Foundation launched a major new initiative—the Economics Education and Research Consortium (EERC)—to address the issues outlined in the needs assessment. Consistent with the findings of the needs assessment, a program was started in Russia that focused on research, and a separate program was initiated in Ukraine that emphasized teaching and education.

Russia

The overarching goal of the EERC Russia program is to create an independent, professional network that enables young economists to produce high-quality, policy-oriented research. Unique to this program is the emphasis on establishing a virtual institution that encourages professional contacts, peer review, and free exchange of ideas and information. (Because of the presence in Moscow of the New Economic School (NES) and the Higher School for Economics, which provide high-quality, graduate-level training in economics, the EERC program in Russia did not need to focus on developing a teaching program as did the Ukraine program. The Foundation has provided funding support to NES and grants for proposals developed by the school's best young students. Specific components of the Russia program are

- ***Semi-annual research workshops***. Solicitations are issued for research proposals that address current economic policy issues in Russia. Participants in the workshop take part in a peer review with the assistance of leading economists from around the world. The workshop serves as the final review stage for the grant selection and award process.
- ***Grants program***. This activity supports longer-term research projects on policy topics and produces a series of policy briefs that are presented to policymakers at public roundtables.
- ***Working paper series.*** This component provides funding to publish the results of outstanding research by network participants. The results are available on the program's web site in Russian and English.
- ***Semi-annual conference.*** This conference brings together international specialists to discuss the dynamics of economies in transition.
- ***Transition Economics Research Network.*** The goal of this initiative is to extend the Russia network to other NIS countries through a series of activities (i.e., annual grant competitions, methodological training, and policy outreach seminars).

- ***Publication program.*** This program produces a variety of publications (e.g., newsletters, annual conference reports, web site data) that are widely distributed. Emphasis is also placed on giving wider access to modern economics literature.

Ukraine

The Ukraine EERC program has two primary goals: (1) to provide urgently needed graduate-level instruction in economics and (2) to create a center for economic excellence as a long-term aim. In collaboration with the National University “Kyiv-Mohyla Academy,” the Foundation’s EERC program has established a graduate program in market economics meeting international standards of academic quality. The program has a two-year curriculum that includes coursework in theoretical and applied economics, instruction by visiting Western faculty, and research opportunities for students, graduates, and faculty.

The course, which is conducted in English, provides a thorough introduction to the theoretical foundations of economics in the first year, including microeconomics, macroeconomics, and econometrics. The second year offers a choice of applied coursework. Each student is required to complete a rigorous research project and thesis in order to graduate.

Visiting faculty and academic advisers are drawn from over a dozen countries, including Canada, Germany, Israel, Sweden, the U.K., and the United States. EERC graduates are prepared to pursue Ph.D. level studies abroad or to enter careers as economic analysts for public, private, or international organizations within Ukraine.

The program also operates a number of supplementary programs to help create an atmosphere conducive to world-class economic research and teaching. The EERC speakers’ series gives students and faculty the chance to interact with economists and public policymakers engaged in Ukraine’s transition to a market economy. The dissertation fellowship program gives students engaged in Ph.D. studies abroad the opportunity to conduct research in-residence at the University of Kiev-Mohyla Academy.

To complement the teaching program, EERC plans this year to launch a Research and Outreach Center with seed money from USAID/Kiev ($500,000). The center will provide hands-on research opportunities for EERC faculty and students and will significantly increase the resources available to the academic community.

Donors

The EERC is a public-private coalition of donors and is supported by grants from the following, all of which, with the exception of the Citigroup Foundation, contribute more than $100,000 and have full consortium membership and a seat on the governing board.

- Carnegie Corporation of New York
- Citigroup Foundation
- Eurasia Foundation
- Ford Foundation
- Royal Norwegian Ministry of Foreign Affairs
- Open Society Institutes/Soros Foundation

- Starr Foundation
- Swedish Ministry of Foreign Affairs
- World Bank

Total project funding over the past 5 years was $12,350,000, of which $9,854,125 or 80 percent was provided from non-U.S. government funds. This level of support illustrates that a well-focused program such as the EERC can attract significant funding from leading international donor organizations as well as the private sector over an extended period of time.

International Advisory Board

The EERC programs in Russia and Ukraine are served by an international board of prominent academic advisers. These advisers, as well as faculty and resource persons serving the program, come from over 20 counties around the globe. Their goal is to maintain oversight of the academic rigor and quality of the teaching and research activities of the EERC program.

FINDINGS

1. The current grant agreement calls for the Foundation to provide "intellectual leadership" in the development of its programs and to "actively implement or manage programs" separate from the grants program. Certainly EERC has demonstrated a large measure of intellectual leadership as well as very good program design and implementation skills by identifying the need for market-economics-based research and teaching programs and then tailoring two distinctive programs to meet these needs. Also, the Foundation should be given a great deal of credit for attracting widespread support from the international donor community to support these programs as well as for enlisting some of the best intellectual talent in economics to participate in the design and implementation of the program.
2. EERC leadership from the Foundation's Washington headquarters, as well as from the field offices in Moscow and Kiev, is excellent. All of the directors have excellent credentials, a deep understanding of the program and the region, an ability to attract the best young talent and, at the same time, maintain a high level of academic rigor in the program. Also, EERC has been able to keep key staff over several years and this has contributed to a more stable and focused effort.
3. The Russia program has developed a network of more than 200 Russian scholars and supported more than 120 research projects. Currently 70 percent of research applications are from outside of the Moscow/St. Petersburg corridor. Also, the Russia program has been able to attract and maintain the participation of more than 50 international economists at a minimal cost to the program. Twenty-six working papers have been published and widely distributed, documenting outstanding research results. The evaluation team had the opportunity to interview five grant recipients in Moscow and found that without exception they were all young, highly motivated professionals who had produced very good research proposals and results. In addition, these young professionals were in positions to influence the development of economic policies in both the public and private sectors.

4. The Ukraine program has developed an excellent teaching initiative that, since its inception in 1996, has graduated 85 students. In 1998 the program achieved a unique designation within Ukraine—it was the first Western-style master's program in economics to receive full accreditation from the Ministry of Education. Current EERC students were recruited from more than a dozen cities throughout Ukraine and Belarus and are split almost evenly between male and female. More than one-third of EERC alumni is continuing their education in leading graduate programs in Western Europe and North America. The majority of the graduates who have stayed in Ukraine have begun their professional careers in policy-related positions in the Ukrainian Parliament, the Ukrainian-European Legal and Policy Advice Center, and the Harvard Institute for International Development.
5. In the Ukraine, the EERC has done an excellent job renovating building space provided by the Mohyla Academy for its teaching program. The improved work environment and better salaries have created tension between the Academy faculty and the EERC program staff. Senior Academy administrators support EERC in this renovation effort because uninhabitable buildings are being returned to a useful state.
6. EERC has recognized that many students who are trained in Ph.D. programs in the United States and Europe will not return. To address this problem, the EERC has awarded fellowships to support research in Ukraine by Ukrainians writing dissertations in Western universities.

CONCLUSION

The EERC program is one of the Foundation's major success stories. It is innovative and, at the same time, focused. It has produced significant impacts both in terms of strengthening the discipline of market-economics and in educating a young cadre of economists and will continue to do so in the future. The strengthening of market-oriented economics is fundamentally important to the long-term development of the region. The investment in young professionals will have a positive multiplier effect for many years to come. Also, as emphasized earlier, the level of non-U.S. governmental support, that is, 80 percent over the life of program, demonstrates that an innovative, well-focused program can attract significant funding from leading international donor organizations as well as the private sector.

RECOMMENDATIONS

Recent independent evaluations of the Russian and Ukrainian EERC programs by recognized experts in the field emphasized the excellent quality of the programs and recommended that they be deepened and expanded.[11] The evaluation team concurs with this recommendation and encourages

[11] Fine, Jeffrey and Patterson, Perry. *The Russia Research Program, Economics Education and Research Consortium, Mid-term Evaluation.* 2000.

Hare, Paul, Rivera-Batiz, and Salemi, Michael. *EERC Master's Program in Economics at The National University "Kyiv-Mohyla Academy."* 1999.

Pleskovic, Boris, Aslund, Anders, Bader, William, and Campbell, Robert. *Proposed Strategy to Address Critical Economics Education and Research Needs in Transition Economies.* 1999.

the Foundation and EERC to give careful consideration to the suggestions laid out in these evaluations. Regarding the Foundation's desire to establish the EERC as a separate entity, we suggest that this step be taken with caution and only after the EERC has demonstrated the maturity to maintain and expand its activities in the difficult transition environment of the NIS.

Project: Small Business Lending Program

SCOPE OF WORK

The evaluation scope of work of the Small Business Lending Program (SBLP) calls for the following tasks:

1. Assess the SBLP's progress and impact in developing a sustainable program in Armenia and Ukraine that effectively provides capital to small businesses.
2. Assess the program's impact in improving credit analysis and collection methodology of participating banks.

OBJECTIVES OF THE SBLP

1. To support the long-term development of the small business sector through local bank intermediaries for capital expenditure investment and long-term working capital needs.
2. To foster institutional development of local banks by transferring credit, lending, and related banking skills to participating banks to enable such banks to expand their own lending activities for the wider benefit of the small enterprise sector, consistent with sound banking principles of portfolio diversification, return on investment, and minimal loan loss.

DESCRIPTION OF SBLP AND FINDINGS

The SBLP operates in Ukraine and Armenia. As of September 30, 2000, the total outstanding amount in both countries was $ 1,990,058 (via 84 loans), with a cumulative volume of loans extended to date totaling $6,779,177.

The general methodology is similar in both countries. The intermediary bank sources the underlying borrower. The bank and EF work together in conducting the necessary due diligence on the borrower. EF has the responsibility to conduct satisfactory and thorough due diligence on potential borrowers because EF and the bank each share 50 percent of the risk of non-payment. Loans are advanced in U.S. dollars.

The interest rate charged by EF is currently 15 percent in Ukraine and 18 percent in Armenia. The partner banks remit one-third of the interest to EF. These rates may be considered a subsidy, but there are no indigenous lending sources offering terms comparable to those of SBLP to make such a determination. Because it is a non-profit organization, the Eurasia Foundation states that "profit is not a consideration in the Foundation's decision to implement the SBLP." On the other hand, the profit of its partner banks is a consideration in establishing the SBLP. EF's business rationale is to create stable conditions for borrowers and enable them to grow and develop.

In both countries interest rates have fluctuated wildly, and it has been difficult to set rates at any reasonably commercial levels for periods of up to 24 or 36 months. In Ukraine the 15 percent rate compares with current rates for dollar lending of 20 to 25 percent (for less than one year). These local dollar rates have trended downward from the 25 to 30 percent range of one year ago. In Ukraine there is not a viable market for medium term loans. In Armenia the situation is less clear cut. With interest rates falling in the past year, the current EF rate of 18 percent is not obviously below the market rate, especially since a market in long-term rates does not exist. General dollar lending rates have fallen to between 20 and 30 percent p.a. for loans of less than one year. The matter is complicated by a large number of international programs with large lending capacity facing the small level of demand. This may have even created a false market to some extent, with rates as low as 14 to 15 percent in some cases. EF rates do, however, show some responsiveness. In Armenia the 18 percent rate was decreased from 21 percent in late 1999 in response to a decreasing trend in Armenian interest rates.

Ukraine

As of September 30, 2000, the Ukraine portfolio had a balance outstanding of $830,125 comprising 18 loans ranging in size from $13,200 to $ 93,528. The total volume accumulated to date since inception in 1996 is $1,748,328 over 33 loans, and as of November 30, 2000, the program passed the $2 million mark in total disbursals. In addition, disbursals through this same date in calendar year 2000 have passed $1.2 million. The average loan size in Ukraine is $56,000. To date, two older loans have been charged off in full totaling $70,692. No other loan is past due and all are considered performing. Average loan term is 24 months.

The interest rate was reduced to 15 percent in early 2000 to follow the decreasing interest rate trend in the Ukrainian economy. This trend has continued in Ukraine, with the lower range of short-term rates now below 20 percent. At that time (early 2000) the maximum term allowed under the program for loans was extended from 24 to 36 months to make the program more attractive to the intended small business recipients. EF currently works with two Ukrainian banks (Agio Bank and VABank). Business with the latter is significantly more active, largely reflecting VABank’s more aggressive, customer-oriented approach. Slightly less than one-half of the portfolio is loaned to companies in the Lviv region. An evaluation team member visited the two active banks under the program, together with 6 clients randomly selected from 18 that had outstanding loans.

Armenia

Between 1995 and September 2000, EF had extended a total of 182 loans amounting to $5,030,849. At that date 66 loans remained outstanding totaling $1,153,933. A total of 25 loans were either past due or had been written off, the amount being $377,567, or 7.5 percent of the total amount lent. Loan size ranges from $5,200 to $100,000. EF works actively with four banks, and the borrowers are almost equally dispersed between the capital city and the regions. The maximum loan amount under the program is $100,000, while the maximum loan term is 36 months with a current interest rate of 18 percent p.a. The average loan size in Armenia is $29,000.

The evaluation team visited 3 banks (Bank Anelik, Lendbank, and Credit Service Bank)in the Armenian program, together with 11 of the current 66 clients, 3 outside the capital.

ANALYSIS

The Russian crisis of August 1998 significantly affected the economic environment of Ukraine and Armenia. This in turn led to a decrease in reliable borrowers and weakened the banking sector, particularly in Armenia. In 1999, the loan volume weakened in both countries because of these economic conditions. During any economic downturn, loan disbursals decrease because of a weakening of local enterprises. In addition, to avoid loan losses lending institutions tighten their lending criteria in response to weakened borrowers. This is a normal and prudent response by a lending entity during economic recessions.

The loan volumes in Ukraine and Armenia have increased significantly in fiscal 2000 compared to fiscal 1999. This occurred because the economies began to stabilize, thereby creating more credit worthy borrowers. The majority of approvals in both programs were made in the second half of fiscal 2000. Loan repayments in the EF portfolio, in common with other emerging markets, require more than the usual reliance on the future cash flow of borrowers because (1) financial statements are poor to non-existent, (2) collateral is of limited value given the uncertain legal environment, and (3) devaluation risk. Further, undue reliance is placed on the reputations of entrepreneurs (name-lending). There is no evidence that in its loan preparation and financial due diligence EF does not pay close attention to these vital matters. But in immature markets such as Ukraine and Armenia the risk cannot be overstated.

There has been some tangible result in employment creation, although quantifying this output is complex given many different methods of calculation. EF figures indicate nearly 1,600 jobs created to date, but many of these have simply not been sustainable or may be part-time, as is the nature of small business employment.

Ukraine

The quality of the Ukrainian portfolio appears to be sound. Loan loss performance is acceptable given the many operational obstacles to lending to Ukrainian small businesses. Progress of the portfolio in FY 2000 has been disappointing nevertheless. Agio Bank has been slow to develop further business because of poor access to small corporate clientele and lack of a competitive edge. It is unlikely to become a significant player in this market. VABank is currently the only active bank in the Ukrainian portfolio. Although there appears to be potential for additional volumes of business via VABank, this dependency is undesirable.

EF needs to mobilize additional banks. Discussions are under way with possible new banks, though no agreement is close to being signed. The difficulties of carrying out thorough reputational and financial due diligence should not be underestimated.

Armenia

Results in Armenia have been mixed because of the worsening economic conditions affecting the small business sector and the introduction of more lending programs into the country. Many companies are now suffering from liquidity problems because of a fall in the level of demand in the economy and severe price competition. Some have already asked to reschedule repayments as is normal in transition economies. Some may not recover. Companies are often run by resourceful entrepreneurs who have access to funds from other businesses and from informal economic interests.

EF has been successful in developing lasting relationships with a small number of banks and is working on bringing more to the program. While the relationships with Bank Anelik and Lendbank have been productive, the two new banks have not yet raised themselves to the same level of productivity. Financial difficulties at some banks are inhibiting further progress, but the SBLP team is working on maximizing the potential of newer banks.

While the SBLP has carved out an important niche in the small business lending market with loans of up to $100,000, EF’s impact is complicated by the presence of other increasingly active international programs with large lending capacity set against the current low level of demand. Institutions that are active include private foundations, the World Bank, EBRD, German-Armenian Fund, and UMCOR. This may have even created a false market, especially in interest rate settings, as these agencies have engaged in a little private competition of their own.

EF actively works to transfer banking and analytical skills into the system. All partner banks receive classroom and on-the-job training in credit analysis. The director of the Armenia SBLP program is also an invited guest lecturer at the Central Bank's school, and the Central Bank has twice requested to be included in the training when SBLP has added new banks. EF should make further progress in this area and even expand this to include classroom training on general credit analysis and debt management. As an example, the Foundation deserves credit for a significant improvement in Bank Anelik’s capacities.

CONCLUSIONS

1. The SBLP occupies an important niche in the small business credit markets of Ukraine and Armenia. The microeconomic impact on borrowers in Ukraine and Armenia has often been significant. Lack of access to medium-term capital in both economies and the absence of foreign investors mean that EF assistance has sometimes been material in its effect. The SBLP’s record is fairly sound because its risk management is conservative and involves modest manufacturing or service sector businesses catering to basic requirements for which there is generally a proven demand.

2. Neither portfolio has achieved a sufficient critical mass to make any wider or material industrial, economic, or social difference to date. Nonetheless, the SBLP has had a marginal impact with borrowers and partner banks and is in line with the Foundation's design and the necessary scale of the program. The initiative is intended to assist limited numbers of borrowers and banks, while serving as a model for others to replicate and a standard toward which the local banking sector can aspire. Recent levels of activity, while justifiable in terms of risk management, would need to be significantly increased to create a more acceptable cost-benefit relationship.

3. Success in Armenia is systemically greater because more borrowers have received financing. But the fall in overall levels of outstanding loans since the 1998 Russian economic crisis, coupled with an increase in other international business support programs, has diminished the potential of the Armenia program’s efforts.

4. The SBLP program's second objective to add institutional strength and business skills to the banking system has not been fully met, although in Bank Anelik there has been one undoubted success. The banking systems of both countries lack experience and remain undercapitalized.

5. All banks and nearly all borrowers visited were satisfied with their relationship with EF. Borrowers praised EF's flexibility and proactive input. The reputation of the Foundation is high and often outweighs the actual achieved results "on the ground." This has been more evident in Armenia but is not entirely absent in Ukraine.

6. An experienced SBLP Director administers the SBLP from Washington, D.C.. All approval and control functions were examined and found to be acceptable. Local field staff appear to be effective in their approach to new business and monitoring the existing portfolios. Given any significant volume increases in the future, management may need to be strengthened, especially if there are moves into other countries.

7. The SBLP is organized as a distinctly separate function within EF. This organization results in a lack of cross-fertilization between the program and other activities, both in the field and in Washington. Opportunities for incremental business based on existing relationships may be missed, such as using grantee relationships to boost advocacy for improving the business climate.

8. Prior to FY99, repayments of loan principal and interest (reflows) were not exclusively directed toward re-lending or recycling into the SBLP. Funds were sent back to Washington for the purpose of program development, fundraising and outreach activity, which was permissible under the terms of the grant agreement.

9. The Armenia program has attracted a $3 million contribution for a non-US government source. In addition, the program received $500,000 in three other contributions. With this contribution, plus the reflow of loan principal repayments, the loan pool for the program should be self-sustainable as early as FY02.

RECOMMENDATIONS

There are three options.

1. ***Continue the status quo.*** Such an approach may be reasonable in the current climate, being one of caution, minimizing capital loss to EF, and yet maintaining a capacity to lend, preserving its good reputation (and indirectly that of a U.S.-supported business development program).

2. ***Close the program.*** Success to date has been at the expense of an out-of-balance cost-benefit relationship. EF's overall culture is also not attuned to a commercial banking ethos, although, as previously stated, its record is fairly sound. Given the modest financial cost so far of SBLP, any such closure may bring only a short-term reputational disadvantage to U.S. activities in the region. But it could be justified in terms of rationalizing official efforts to sponsor development of the small business sector.

3. ***Develop and expand the program.*** This option would require EF to research future growth areas by examining the local small business communities and banking systems of key

countries and associated regulatory, legal, and support infrastructures. It could review additional financial products and assess where it may have comparative advantage. This will also have implications for human resources, training, and risk management. There may be opportunities to consider moving up or down market into the medium or micro lending categories.

There is no merit in closing the SBLP program right now, despite its current low level of activity. There is an infrastructure in place, with a network of connections (local banks, borrowers, other official agencies), which, if severed, would have an impact on relationships achieved on the ground. Any such withdrawal would be misunderstood in the countries concerned, especially given the modest successes to date and the reasonable chance of further successes given maintained economic stability.

It is recommended that the EF SBLP be allowed to continue until it can demonstrate whether the program can be sustained both financially and programmatically. Consideration should also be given to whether any or all of the portfolio can or should in the future be spun off either on its own or sold or transferred to other appropriate institutions. The EF management and Board appear not to have articulated this debate with sufficient coherence or studied the comparative opportunity costs of different initiatives.

EF has the financial capacity to deliver substantial sums of capital onto small businesses given the size of its existing and prospective USAID grants. Capacity is constrained by the narrow product profile, insufficiently developed banking relationships, small teams, and high risk. Given the existence of grant making in all of its countries of operation, EF should at least review more systematically the potential for the lending business in more countries as well.

The Foundation needs to assess SBLP potential in a more systematic and strategic way, including a review of the issues described earlier. This needs to be done as an early priority and within 12 months of the date of this report as part of the wider strategic review of all its activities undertaken by the Foundation.

General Conclusions and Recommendations

CONCLUSIONS

1. EF is responding with considerable success to the need for improved financial and grant management following the Ukraine misappropriation of funds issue. The Inspector General (IG) has closed all outstanding recommendations.
2. EF is taking steps to ensure that improved management systems are fully operational and properly implemented by all staff.
3. EF is taking steps to improve program planning and management, but much more remains to be done. That is, problem analysis, strategic planning, and results-oriented monitoring and evaluation remain weak.
4. EF's grant making program has met its original purposes and has had significant impact, especially at the micro-level of NGO development. The Foundation has been less successful in achieving its broader objectives of institutional and policy reform at the national and regional level. The Foundation needs to focus increasingly on steps to translate grass roots action at the community level into lasting change at the regional and national level.
5. The "market" for the EF grant making is changing in the direction of greater diversity and, in some countries, greater opposition to the development of an independent civil society. While there is continuing demand for entrepreneurial grant making in support of new organizations, especially outside of capital cities, EF field offices are recognizing the need for more sophisticated approaches to achieve institutional and policy reform. These changes require EF to carefully analyze the market in each country in order to develop effective grant making strategies.
6. A more strategically focused and proactive grant making organization can play a special role in providing social venture capital to the institutional arrangements of free markets, civil society, and responsive and transparent local government in Russia and the rest of the NIS. EF has the infrastructure and leadership potential and desire to play that role and to become a U.S. government (USG) "legacy" organization, but that potential has not been fully realized.

RECOMMENDATIONS

1. EF has a solid record of accomplishment. Its activities generally support U.S. Strategic Objectives. Subject to satisfactory progress in correcting weaknesses as recommended below, it deserves further support from the USG.

2. The Department of State and USAID need to find a different formula for allocating budget support for EF. The present “tax” on USAID Missions creates tension, competition, and demands for greater control over EF operations. The objective should be to encourage greater cooperation between EF and USAID as potential partners, each with a special but independent role in advancing USG interests.

3. The new grant agreement needs to include clear benchmarks for improved EF performance. These benchmarks should include USAID E & E Bureau confirmation that (a) new financial management and internal audit systems are fully operational, (b) staff work loads are adjusted to permit attention to grant monitoring and follow-up, (c) strategic analysis and multiyear plans are operational at field and central levels and are driving grant making decisions, (d) a results-oriented indicator and evaluation process suitable to assessing results of grant making strategies is operational and being used for EF reporting as agreed in grant agreements, and (e) policy guidance and delegations of authorities appropriate to strategic grant making have been issued. In addition, exit strategies for spinning off successful initiatives, such as the EERC, should be prepared with specific timelines for action.

4. In the short term, funding for EF should be kept at a level sufficient to encourage accelerated progress toward the achievement of benchmarks outlined in Recommendation 3, and to permit the level of grant making necessary to retain EF momentum and visibility. As conditions are met, and need is demonstrated, additional funding may be considered in the medium term.

5. As the Eurasia Foundation continues its efforts to diversify its funding base by seeking to build a public-private endowment, USAID should seriously consider the possibility of committing matching funds for an endowment on a dollar-for-dollar basis.

Appendix A

PERSONS INTERVIEWED

Persons Interviewed

WASHINGTON, D.C.

Eurasia Foundation

William Horton Beebe-Center, Vice President, Projects and Development
Sarah Carey, Chairman of the Board
Barbara DiPietro, Controller
Elina A. Erlendsson, Publications and Outreach Manager
Bill Frenzel, Guest Scholar, The Brookings Institute, Member, Executive Committee, EF Board of Directors
Charlie Greenleaf, Michigan State University, former Assistant Administrator, USAID
Gavin Helf, Director of Grant Programs
Ellen Kerszencwejg, Director of Development and Publications
Lisa Martin, Director, Internal Auditing
Michael McFaul, Carnegie Endowment, Member of Board of Directors
Marcia McGraw-Olive, Senior Vice President: Grant Programs
William Meynes, President
Karen Rutledge, Director of Government Relations
Dr. Starr, SAIS, Member of EF Board of Directors
Rob Waltemyer
Eugene Staples, Board Member
Regina Yan-Vice President, Finance and Administration
Kristanne Cornell, Director, Grants Management
Anne Stewart-Hill, Senior Program Officer, Public Sector
Bill Grant, Small Business Lending Director
Rocky Staples, Member of Board of Directors, Eurasia Foundation

USAID

Glenn Anders, Mission Director, Central Asian Republic (interviewed in Washington, D.C.)
Chris Brown
Valerie Estes, Gender Adviser
Bill Frey
Sherry Grossman
George Ingram, Deputy Assistant Administrator, Europe and Eurasia
Janet Kerley

Theresa Pollitt, Agreement Officer
Don Pressley, Assistant Administrator, Europe and Eurasia

U.S. Department of State

Lorraine Predham Kier, Director, Democratic Initiatives, Office of the Coordinator for U.S. Assistance to the NIS
Ambassador William Taylor, Coordinator, NIS

Eurasia Foundation Partners

Center for International Private Enterprise, U.S. Chamber of Commerce: Stephen E. Deane, Senior Program Officer; Robyn Ealy Saakian, Program Officer, NIS
Counterpart International: Karen Sherman, Executive Vice President
World Bank Institute: Gulnara A. Febres, Program Coordinator, Economic Policy for Poverty Reduction
FINCA (Foundation for International Community Assistance): Soldedad Gompf, Director of Development and Communications, and Lawrence Yanovitch, Director of Policy and Research
Mauricette Hursh-Cesar, Global Women's Forum
Elzbieta Matynia, New School for Social Research, New York
Addie Nelson Backlund, East/West Institute, New York

ARMENIA

Eurasia Foundation – Armenia Office Staff

Yerevan

Artashes Kazakhetsyan, Country Director
Zara Amatuni, Receptionist
Yulia Antonian, Program Associate
Marina Ayvazian, Program Associate
Vahe Ayvazian, Computer Technician
Robert Bagdasarian, Driver/Special Assistant
Alexander Bakhtamyan, Grants Manager
Arthur Barseghyan, Grants Assistant
Gevorg Barseghyan, Accountant
Robert Grigorian, Grants Associate
Artur Gyumushyan, Assistant Manager, Media Strengthening Program
Ashot Hambartsumyan, Manager, Media Strengthening Program
Vazgen Karapetyan, Program Coordinator, South Caucasus Cooperation Program
Hrachia Kazhoyan, Program Officer, Public Sector
Kristina Manukyan, Office Assistant

Gayane Mekhakyan, Grants Management Coordinator, South Caucasus Cooperation Program
Lilit Melikiyan, Senior Program Officer
Sofia Mirumyan, Program Assistant
Sergey Nazinyan, Senior Officer for Information and Administration
Narine Sahakyan, Program Officer, Private Sector
Lilit Talalyan, Administrative Assistant
Margarita Yengibaryan, Financial Assistant

Gyumri Branch

Naira Haroutunian, Administrative Assistant
Varduhi Muradyan, Lori and Shirak Representative

USAID Yerevan

Deborah Berns, Democracy Officer
Michele Lemmon, Program Management Specialist
Barry Primm, Ph.D. Director, Office of Economic Restructuring and Energy

U.S. Embassy

John Balian, Public Affairs Officer

World Bank

Lev Frankman

Eurasia Foundation Grantees

Municipality of the Yerevan Central District, Armen Arakelyan
FEMIDA Public Organization, Juletta Amirkhanayan
Family and New World, Julietta Ter-Martrirosova
Armenian Association of Winemakers, Avag Haroutyunian
Hovhannes Grigoryan Accoutant's Club, Ara Kurazian
Northern Department of National Service for Seismic Protection of Republic of Armenia, Sergei Nazaretian
Internet Users Society of Shirak, Sergey Shahparonyan
KUMAIRI Newspaper, Agasi Abramian
A.D. Sakharov Armenian Foundation for Human Rights, Seyran Martirosyan
Securities Market Members Association, Hayk Markaryan
Community Finance Officers Association, Vahan Movsisian
Association for Foreign Investments and Cooperation, Saro Tsaturian
Business Women Committee, Svetlana Minasian
Guyumri Economic Consulting Service, Gyumri-Aram Sukiasyan, President
Tsayg Ltd., Gyumri-Ghandilyan Arthur and Minasyan Margarita

Small Business Lending Program – Armenia

Production Experimental Base, Yerevan: Kolia Khachurian, Chairman
Armen & Karo, Yerevan: Azniv Ghazaryan and Mariam Gevorkyan
Domus Ltd., Yerevan: David Khachikyan
Adequate Ltd., Yerevan: Hrachia Musaelian, Director
Ararat Kat, Ararat: Grigor Melkonyan, Edward Adamyan, Hrant Alaverdyan
Hovik & Margarit, Yerevan: Aghazaryan Hovik, Director
Delfin, Yerevan: Hayk Hayrapetyan, Director
ASK Restaurant, Yerevan: Araik Astvatsatryan, Directot
Tsayg Ltd., Gyumri: Ghandilyan Arthur and Minasyan Margarita
Araks Poultry Farm, Armavir region: Azat Grigorian and Myasnik Grigorian
Raduga, Gyumri: Hakobyan Gevorg, President
Bank Anelik, Yerevan: Samvel Chzmachian, Chairman, and Anna Tatevosyan, Deputy Chairman
Lendbank, Yerevan: Anoushavan Khachikyan, Executive Director
Credit Service Bank: Svek Qaramyan, Chief Accountant, and Aram Nalbandyan, Loan Officer

AZERBAIJAN

Eurasia Foundation – Azerbaijan Office Staff

Baku

Derek Norberg, Country Director
Eldar Azizov, Grants Manager
Camilla Houseynova, Grants Management Coordinator, South Caucasus Cooperation Program
Sabir Lahijev, Financial Officer
Ilaha Rasulova, Administrative Assistant
Lala Rzaeva, Senior Program Officer
Amalia Shirinova, Office Manager
Gunduz Veliev, Program Coordinator, South Caucasus Cooperation Program

USAID

Stephen A. Szadek, Deputy Country Coordinator

ISAR/AZERBAIJAN

Kim Perlow, Country Director

Eurasia Foundation Grantees

Journalist Defense Committee of Azerbaijan, Aflatun Amashov
Yeni Nesil Union of Journalist of Azerbaijan, Arif Aliyev

Independent Consumers Union, Eyub Husseynov
Akhundov National Library of Azerbaijan, Leyla Gafurova
Association of Women Jounalists, Sabina Iskenderli, Naila Bagmova
Research Center for Contemporary Social Processes, “AREAT”, Yelena Kasumova,
For the Sake of Civil Society, Eldar Ismaylov

REPUBLIC OF GEORGIA

Eurasia Foundation-Georgia Office Staff

Tbilisi

Alexander Lomaia, Country Director George Zarubin, Regional Director, South Caucasus Cooperation ProgramAfina Alagardova, Grants Manager
Leila Bagaeva, Grants Analyst
Keti Bakradze, Senior Program Officer
Vakhtang Berishvili, Finance and Information Officer
Temur Danelia, Financial and Administrative Manager, South Caucasus Cooperation Program
Amiran Daushvili, Administrative Assistant
Tina Ebanoidze, Administrative/Program Assistant
Tamuna Gaprindashvili, Office Manager
Tata Khuntsaria, Grants Management Coordinator, South Caucasus Cooperation Program
Nino Kikodze, Grants Associate
Vakhtang Kobaladze, Program Officer
Lela Ksovreli, Office Manager, South Caucasus Cooperation Program
Levan Tarkhnishvili, Program Coordinator, South Caucasus Cooperation Program
Abby Williamson, Associate Director

USAID/Tblisi

Michael Farbman, Director
James Watson, Contract Officer
Judith Schumacher, Deputy, Program and Project Support Office
Earl W. Gast, Director, Program and Project Support Office

Eurasia Foundation Grantees

International Center for Civic Culture
Prime News Agency
Association for the Protection of Landowners’ Rights, Tbilisi: Jaba Ebanoidze, Director
International Telecomunication and Information Center, Tbilisi: George Nahobashvili, Deputy Chairman

Georgian Securities Industry Association, Tbilisi: Irakli Kirtava, Chairman, and Gaioz Sanadze, Deputy Chairman
Association of Freight Forwarders of Georgia, Tbilisi: Alexander Danelia, Chairman
Association 'Green Wave', Tbilisi - Anna Ivania, David Paitchadze, Nino Jakhua
Association of Actuaries and Financial Analysts, Tbilisi: Guram Mirzashvili, President, and Revaz Dzadzamia, Chairman
NGO 'Alternativa', Tbilisi
State University Department of Ecology, Tbilisi: Abashidze Eleonoza, Head
Regional Association of NGOs in Shida Kartli, Khashuri: David Tsikarishvili, Chairman
TV Radio Company Trialeti, Kareli: Badri Nanetashvili, President
Gori State Economic Humanitarian University, Gori: Roisan Mekvabidze, Head of Department
Former Political Prisoners for Human Rights, Tbilisi: Nana Kakbadze, Executive Secretary, and Gela Nikolaishvili
FINCA Georgia, Tbilisi: Kirsten Weiss, Country Director
US Embassy: Sharon Hudson-Dean, Public Affairs Officer

SOUTHERN CAUCASUS COOPERATION PROGRAM CONTACT GRANTEES

Eurasia Foundation

Gavin Helf, Director of Grant Programs, Acting Western NIS Regional Office
Yarema Bachynsky, Outreach and Program Development Coordinator

USAID

Chris Crowley, Director
Sylvia Babus, Office of Democratic and Social Transistion
Marilynn A. Schmidt, Director, Office of Democracy and Social Transition
John A. Pennell, Business Development Specialist, Office of Private Sector Development

Eurasia Foundation Grantees

Termuraz Torondzadze
Sos Gogodze
Zurab Kikradze
Lado Vardosaridze
Elena Imedashvili
Zurab Bendiarishvili

Economics Education and Research Consortium

Michael Blackman, Program Director
Andrea Kalan, Program Administrator
Irena Lukianenko, Professor of Economics

Larissa Krasnikova, Professor of Economics

U.S. Embassy

Michael S. Dixon, Second Secretary Political Section
Mark A. Taplin, Counselor for Public Affairs

International Renaissance Foundation (SOROS)

Aretm Kolesnyk, PR Manager

Freedom House

John Kubinec, Director, Poland-America-Ukraine Cooperation Initiative

Eurasia Foundation Grantees

Center of Middle-East Research, Igor Semivolos, Serge Danilov
Center for Municipal Development, Alexander Zatolokin
Committee of Voters of Ukraine, Radchenko,Yevgen
Civil Society Institute, Tkachuk, Anatoloy
Center for Philanthropy, Svetlana Kuts
Institute of Politics, Mykola Tomenko
Association of Assistance to Invalids and Mentally Challenged "Dzherela", Zhuravel, Ateryna Stepanivna
Foundation for the Support of Local Self Government, Puhtinskiy,Nikolai Alexandrovich, Vlasenk, Alexander Vladimirovivich
Institute of Private Law and Entrepreneurship, Selivanov, Vladimir Nikolaevich
Transformation Society Institute, Oleg Soskin

Eurasia Foundation Grantees: Moldova And Belarus

Belarusian Association of the Resource Centers: Dr. Aliaksandr Milinkevich, Chairman
Independent News Agency: Vitalie Cazacu, Director

KAZAKHSTAN

ALMATY CONTACTS

Eurasia Foundation Staff

Stephen Schmida, Regional Director
Nina Bektemissova, Grants Manager
Aida Dosaeva, Program Officer

USAID

Glen Anders, Mission Director, Central Asia Region (Met in Washington)
Gary Linden, Director, Office of Market Transition
Harriett Destler, Program Officer
Kathryn Stratos, Supervisory General Development Officer
Allan Brown, Senior Project Development and Evaluation Officer
Sundaa Bridgett, Deputy Director, Office of Democratic Transition
Rick Gurley, Deputy Director, Office of Market Transition

Advisory Board Members

Ivan Sigel
Alma Raissova

Eurasia Foundation Grantees

Larisa Balatskaja, Regional Director, Central Asia Consulants
Jasur Taipov, KREL Law Company
Andrey Shelepin, Director of Programs, International Tax and Investment Center
Brian Block, Director of Development, Kazakhstan Institute of Management
Irina Savostina, President, Social and Legal Defence of Retired Persons of the Republic of Kazakhstan
Sholpan Baibolova, Director, Tax Standards Formation Fund
Akmaral Altaliyeva, Dean, Almaty School of Management
Evgeny Shemshura, International Business School
Svetlana Ju. Shamsutdinova, President, Association of the Faultless Business Enterprises

KYRGYZSTAN

BISHKEK, KYRGYZSTAN CONTACTS

Eurasia Foundation Staff

Stephen Schmida, Regional Director
Shakirat Toktosunova, Program Officer and Country Representative

USAID Kyrgystan

Tracey Atwood, Country Program Officer
Kevin Jones, Office of Market Transitions
William Melara, Office of Democratic Transitions
Tatyana Dementyeva, Project Management Specialist

Eurasia Foundation Grantees

Bostonova Zijabekovna, Kyrgyz Technical University Institute of Business Management
Asiya Sasykbaeva, Director, International Center "InterBilim"
Kurmanbek Dyikanbaev, Chief of the Apparatus of a Congress, House of Government
Janat Dja,amkulov, Kyrgyz State National University, International Education Programs
Marat Tazabekov, Director, Agency of Commercial Information

RUSSIA

MOSCOW, RUSSIA CONTACTS

Eurasia Foundation Staff Moscow

Elena Yartseva, Acting Director
Irina Pilman, Program Officer
Tatyana Kipchatova, Senior Program Officer
Elena Vasilieva, Senior Program Officer
Ekaterina Svetlichnaya, Program Officer

USAID Moscow

George Deakin
Jill Rhodes, Deputy Director, Office of Democratic Initiatives and Human Resources
Denis Korepanov, Evaluation and Performance Monitoring Unit
Marina Gregorieva
Denis V Korepanov, Chief, Evaluation and Performance Monitoring Unit Office of Program and Project Development, USAID
Inna Loukovenko, NGO Support Programs, USAID

Eurasia Foundation Grantees

Alexander Kakhlin, All National Fund for Decent and Affordable Housing
Victor Dorkin, Mayor of Dzerzhinsky
Georg Tcheremisin, Atechnology Business Gateway
Alexei Golovan, Charity Centre, Assistance in Destiny
Alexey Venediktov, Echo Editor in Chief
Veniamin Sh. Kaganov, Institute for Entrepreneurship and Investments
Igor Mikhalkine, Director, Russian SME Resource Centre
Sergei Guriev, Assistant Profesor, New Economic School
Alexander Andryakov, Expert, Ministry of Finance of the Russian Federation Economic Expert Group
Mark Rostal, NIS Regional Director, FINCA International, Inc.
Constantin Colonescu, Research Director, Economics Education and Research Consortium-Russia

Natalya Nikonova, MVF Accountant, Media Viability Fund
Yuri Y. Fedutinov, General Manager, Radiostation Echo of Moscow
Tatiana Panassiouk, Editor-in-Chief, Radiostation Echo of Moscow
Alexey Venediktov, Editor-in-Chief, Radiostation Echo of Moscow
Irina Tsvei, Deputy Editor-in-Chief, Marketing Director, Radiostation Echo of Moscow
Igor V. Mikhalkine, Director, Tacis, Russian SME Resource Centre
Alexander Mikhailov, IT Manager, Tacis, Russian SME Resource Centre
Irina Alexeeva, Publishing Expert/Public Relations, Tacis, Russian SME Resource Centre
Paul R. Smith, Consul General, U.S. Embassy

Saratov, Russia Contacts

Marc A. Greenfield, Regional Director, The Eurasia Foundation
Vladimir V. Davydov, President, Chamber of Commerce and Industry of Russian Federation
Viktor I. Fedotov, General Director, Chamber of Commerce and Industry of Russian Federation
Igor M. Umanskii, Vice Rector for International Affairs, Saratov State Agrarian University
Hohlov Aleksey, Director, Rotaract Club of Saratov

UKRAINE

Eurasia Foundation – Western NIS Regional Office

Kyiv, Ukraine

Inna Filippova, Grant Program Coordinator
Dmitri Lavinenko, Office Assistant
Katya Manilova, Assistant
Gregor Meliksetyan, Systems Administrator
Natalya Morozova, Assistant to Chief Accountant
Olena Petsoun, Grant Program Evaluator
Olga Rachynska, Grants Manager
Elena Sayenko, Grant Program Coordinator, Media and Belarus
Lena Sviridovska, Office Administrator
Oleg Vretsonya, Grant Program Coordinator and Lawyer
Vitalii Yaniuk, Grant Program Coordinator, NGO
Viktor Zozulynsky, Chief Accountant

Branch Office-Chisinau, Moldova

Sorin Mereacre, Country Representative

Branch Office-Minsk, Belarus

Zhanna Filipova, Country Representative

Ukraine-Eurasia Foundation Grantees

Foundation for the Support of Local Self Government, Kyiv: Mykola Pukhtinsky, President
Institute of Private Law and Entrepreneurship, Kyiv: Vladimir Selivanov
Law Students League, Lviv: Markiyan Duleba
Lviv Regional Fund Ukraine-Europe: Yuri Shveda, Director
Self-Government Council of Sykhiv Residential area, Lviv: Volodymyr Gorbovny, Chairman of Self-Governance Council
Hrytsiv Revival Association, Hrytsiv: Natalia Gnatyuk, Mayor
Khmelnitsky City Council, Khmelnitsky
Deloitte Touche Tomatsu – Petro Matiaszek, Director (former local EF advisory board member)

Small Business Lending Program – Ukraine

Ukrainian Medical Group, Kyiv: Tetiana Zapadnia, Director
Ost-West Express, Kyiv: Mikhail Baitman, Director
Vagra, Kyiv: Vagif Abullayef, Director
Metropol, Lviv: Yuriy Pankratov, Director
Afisha, Lviv: Zinovy Romaniv, owner, and Roman Zapotochny, owner
Olena Recreation Center, Lviv: Lyubov Hirnyak, owner, and Lyudmila Zdanovich, owner
VABank, Kyiv: Andrei Gretsov, Deputy Chairman, and Alexander Zakharenko, Head of Credit
VABank, Lviv: Yuri Stadnik, Director, and Ivan Maximiv
Agio Bank, Kyiv: Tatiana Perednya, Deputy Chairman

UZBEKISTAN

TASHKENT, UZBEKISTAN CONTACTS

Eurasia Foundation Staff—Tashkent

Lisa Coll, Regional Director
Nodira Khusanova, Program Officer
Saodat Kholmatova, Grants Management Officer
Jennifer Marsh, Development Coordinator

USAID Tashkent

Jennifer Brick, Democracy Specialist

Eurasia Foundation Grantees

Valeriy Zhirkov, Tashkent Business Club
Oleg Djugaev, NGO Center ofr Economic and Social Innovations
Munira Maksumova, Republican Library for Science and Technology

Appendix B

STATE DEPARTMENT MEMORANDUM ESTABLISHING THE EURASIA FOUNDATION

United States Department of State

Washington, D.C. 20520

January 6, 1992

TO: S/P – Dennis Ross

FROM: S/P – John Stremlau

SUBJECT: Creation of a Eurasia Foundation

A cost-effective and politic way to accelerate and broaden American engagement in the development of civil societies in the Commonwealth of Independent States (CIS) would be to work with the Congress to establish quickly a Eurasia Foundation.

The foundation's broad goals and structure would be similar to the Asian, Inter-American and African Development Foundations, that are congressionally funded, independent and provide many small grants to assist grass-roots organizations across those regions. As noted below, the Eurasia Foundation's immediate program objectives, priorities and procedures would be somewhat different from the other regional foundations. Among the three, the experience of the Asia Foundation, which recently embarked on a new program in Mongolia, may be the most relevant.

The call for a Eurasia Foundation could be issued during the January 22/23, ministerial and NGO humanitarian assistance coordinating conferences, or in the foreign policy section of the State of the Union a week later.

Need:

There is an urgent need to create a diversity of productive and instructive links between our civil society and those fledgling groups and organizations in the CIS who are striving to build and strengthen the social, cultural, professional, civic and other organizations that are so essential to vibrant adaptable democracy and market economics. In much of the Soviet Union practically no civil society existed between the family and the State, and the challenge we face is unprecedented.

There is rapidly accumulating evidence that across America that private voluntary agencies, universities, labor and professional groups, ethnic, fraternal and religious organizations, and others have been moved by the recent developments in the former Soviet Union and want to help. What they typically lack, however, are the modest but necessary resources to cover travel, maintenance, and related expenses to relocate and function abroad. Counterpart groups in the CIS, many of which are barely established, are presumably in much greater need of minimal funds to operate and cooperate. The Eurasia Foundation would aim to meet these urgent needs through small easily obtainable and quick dispersing grants.

The Foundation's Comparative Advantage:

The Eurasia Foundation would emulate the success of the Asia and other foundations in filling vital grass-roots needs not covered or easily accessible to larger official bi-lateral and multilateral donor agencies. It would cooperate with and perhaps seek some funding from USAID, USIA, the IBRD, and private foundations, corporations and individuals. New initiatives, such as enterprise funds, also would not be precluded.

Experience in other regions has also shown that congressionally funded foundations are able to work more effectively in local communities because they are perceived to be independent and, in any event, less interventionist than official donors. Moreover, they can support private initiatives in ways that are difficult if not impossible for bi-lateral and multilateral donors. The Eurasia Foundation would be a strong complement to the Citizens Democracy Corps, able to offer those who want to volunteer with the essential funds to relocate and operate in local communities in the CIS.

Scale:

Small grants quickly and flexibly given to a wide diversity of applicants would typify the Foundation's operations. The Asia Foundation, for example, operates on a $16 million annual appropriation, plus some additional $20 million raised from AID, private foundations, etc. It works with a wide diversity of local groups in 20 countries through 13 field offices. Many of its grants are for less than $10,000. Its recent experience in Mongolia, and planning for Cambodia, suggest that where attributes of the civil society are lacking different approaches—notably, funding on U.S. counterpart and intermediary organizations, are necessary. The Eurasia Foundation will have a much greater challenge in this regard and, at least during the early years, presumably will fund primarily U.S. private groups and agencies in partnerships with indigenous CIS efforts.

A five year sunset provision when establishing this experimental foundation would also be appropriate, given its special mission only to assist the emergence of civil society during the current period of rapid and difficult political, economic and social transition in the CIS.

Finding the resources:

Within the $100 million for additional assistance in 1992, called for by the Secretary, $10-$15 could go for launching the Eurasia Foundation. Congressional support for, and apparent satisfaction with, the other three regional foundations should enhance the receptivity to this proposal. Perhaps a case can be made for substantially greater resources, given the special and enormous needs of the CIS. Supporting a large number of U.S. grass-roots organizations, even with only modest grants, is also likely to be politically very appealing.

Governance:

The President, in consultation with the Congress, would name a distinguished bi-partisan Board who would appoint the Foundation's director and the establishment of field offices in the CIS.

Next Steps:

If the general idea seems to have merit, a more detailed and informed recommendation could be prepared over the next ten days. We can draw easily and quickly on the experience of the three other foundations, and on the data bank of the CDC, to inform the proposal. If the idea is accepted and proposed to Congress someone of the stature of Amb. Matlock could be recruited to work with the appropriate Hill staff in developing the institutional design and moving the legislation forward. Passing the Eurasia Foundation Act later this Spring ought to be possible.

Appendix C

STATEMENT OF WORK

Statement of Work

EVALUATION OF THE EURASIA FOUNDATION

I. OBJECTIVE

The current grant agreement between USAID and the Eurasia Foundation (EF) states, “An external program evaluation that will include USAID participation and will be contracted for and funded by USAID shall be conducted about half way through the life of the grant and at the end of the grant.” The mid-point of the current grant was in the fall of 1999. However, due to the initiation of an investigation of EF’s Kiev grants program by the Inspector General’s office and an audit of all EF offices, it was decided to postpone the evaluation until the investigation and audit were completed. The audit has now been completed, and the IG has indicated that its investigation of the Kiev office will soon be completed. Accordingly, the evaluation will now be conducted in the fall of 2000.

The objective of this evaluation is to conduct a comprehensive assessment of the EF’s program in the NIS that is being carried out under Grant NIS-G-00-97-00044-00. The primary focus of the evaluation will be placed on assessing the impact of EF programs at the grantee and partner levels in the NIS and U.S. as they relate to relevant USAID Strategic Objectives (SOs). Emphasis will also be placed on addressing the Foundation’s effectiveness as a vehicle for delivering cross-sectoral assistance directly to local organizations in the NIS and furthering U.S. policy objectives in the region. The evaluation will include an analysis of the appropriateness of all EF programs as well as the effectiveness and efficiency of management at the Washington and field levels. To date USAID has not conducted a comprehensive evaluation of the EF. Since its establishment in 1993, the Foundation has authorized—in consultation with USAID—three outside evaluations of the programs it has supported. All three have offered strong endorsements of the Foundation’s direction.

II. BACKGROUND

Funding

In 1993, USAID approved the Project Authorization for the Eurasia Foundation (EF) Project (110-0010) and awarded a four year grant to the Foundation to implement the project with a Life-of-Project (LOP) value of $75,000,000. In 1997, a new grant (NIS-G-00-97-00044-00) was awarded to the EF with a LOP value of $105,320,000. The award was for a period of five years - May 1, 1997 to April 30, 2002.

Mission

The Eurasia Foundation promotes the advancement of democratic institutions and private enterprise in twelve host countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The Eurasia Foundation believes that societies function best when citizens take responsibility for their own civic and economic future. Foundation programs seek to promote the skills and vision necessary to bring the greatest social and economic benefits to individuals and their societies. Its primary tool is a grant program designed to help strengthen local institutions. In addition, the Foundation also directly manages three activities designed to: 1) promote professional economic research and education, 2) assist the development of a rigorous small business sector, and 3) strengthen independent media.

Offices

The Foundation works from its headquarters in Washington, D.C. and its eight NIS regional offices in Almaty, Kiev, Moscow, Saratov, Tashkent, Tbilisi, Valdivostok, and Yerevan. The Foundation also maintains branch offices in Ashgabat, Baku, Bishkek, Chisinau, Dushanbe, and Gyumri. The staff includes fifty-five Americans and more than 150 citizens of NIS countries.

Types of Programs

1. Grants Program

The Foundation is structured to respond rapidly to grant requests from both NIS and U.S. institutions. All regional field offices may make grants up to $35,000. Most grants fall below this level with the average around $20,000. Grants over $35,000 must receive approval from the Washington office. Size of grants are: 1) 90% under $35,000, 2) 7% between $35,000 and $99,999, and 3) 3% $100,000 and above. The grants are disbursed to the following sectors: 1) 40% private enterprise development, 2) 20% public administration and policy, and 3) 40% civil society.

To augment its grantmaking at the field level, the EF, through its Washington, D.C. office, awards grants to organizations outside the former Soviet Union for partnership projects within the NIS. Through these initiatives, foreign partners provide expertise unavailable in the NIS. Partnership grants seek to strengthen local organizations and people working in the three priority areas identified above with an emphasis on encouraging adoption of internationally recognized best practices.

2. Economics Education and Research Program

In 1996, the Foundation launched, from its Moscow and Kiev offices, a major new initiative in economics education—the Economics Education and Research Consortium (EERC). The program seeks to build professional capacity in economics, with the long-term aim of improving the human capital available to influence economic policymaking. The EERC program supports training and professional resources available to practitioners in policy-oriented economic research and basic economics education. It also helps integrate NIS economists into international professional circles. To date two distinctly different EERC programs have been initiated. In Russia, EERC conducts semiannual grant competitions, augmented by a program of technical seminars and professional publications, for Russian economists working on policy-related research. In Ukraine, EERC has joined forces with the University of Kyiv-Mohyla Academy to offer a master's degree in economics, conducted in English and adhering to international standards of curriculum design and academic excellence.

3. Small Business Loan Program

Recognizing that training alone is not sufficient to support entrepreneurs who also lack access to capital, in 1995 the EF launched the Small Business Loan Program (SBLP) focused on Armenia and Ukraine. The program aims both to provide capital to small businesses as well as to introduce sound credit analysis and collection methodology to local partner banks. Loans are denominated in dollars and generally range from $15,000 to $100,000, with the average size less that $30,000.

4. Media Viability Fund

Two principal obstacles hinder the development of a truly independent press in the NIS: 1) government monopolies on printing, broadcast, and distribution; and 2) a lack of management skills to operate media outlets as financially viable enterprises. To address these two obstacles, the Media Development Loan Fund and the EF joined forces in 1997 to create the Media Viability Fund (MVF). The MVF provides technical assistance and low-interest loans to selected media outlets to assist them in breaking remaining government monopolies and instituting the business and management practices that will enable them to remain financially and editorially independent.

Fundraising and Outreach

The EF has initiated a very active fundraising effort which has been encouraged by USAID. As of August 1999, EF had raised over $23 million from non-U.S. government sources and anticipates that an additional $8.5 million will be raised during FY 2000. The EF also maintains an outreach effort that focuses on increasing awareness of the Foundation among organizations and individuals that would be interested in participating in and supporting EF activities.

III. STATEMENT OF WORK

A. Specific Tasks

1) Program Impact

a) In the NIS

- Assess the results and impact of the grants programs in addressing the overall EF mission and those USAID SOs stated in the current grant agreement: 1) SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Management Practices, 2) SO 1.3 Accelerated Development and Growth of Private Enterprise, 3) SO 1.4 A More Competitive and Market Responsive Private

Financial Sector, 4) SO 2.1 Increased Citizens' Participation in Political and Economic Decision-making, 5) SO 2.2 Legal Systems that Better Support Democratic Processes and Market Reforms, and 6) SO 2.3 More Effective, Responsible, and Accountable Local Government. Primary emphasis will be placed on SOs 1.3, 2.1 and 2.3 which reflect the predominate pattern of open-door grantmaking and program areas in the new EF strategic plan. This assessment will also address impacts on assisted NGOs and on beneficiaries referencing gender where appropriate. Select two to three of the most notable successes in each country visited and document them in fuller detail.

- Assess the EERC's progress/impact in building professional capacity in economics within the NIS, with specific emphasis on the Russia program to strengthen policy-research skills and the Ukraine program to establish an international-caliber master's degree program. Select two or three of the most notable successes in relevant countries and document them in fuller detail.
- Assess the SBLP's progress/impact in developing a sustainable program in Armenia and Ukraine that effectively provides capital to small businesses as well as improves credit analysis and collection methodology of participating banks. Select two or three of the most notable successes in relevant countries and document them in fuller detail.
- Assess the progress/impact of the MVF in providing technical assistance and low-interest loans to selected media outlets with the aim of instituting the business and management practices that will enable them to succeed as financially independent enterprises. Select two or three of the most notable successes in relevant countries and document them in fuller detail.
- Assess the effectiveness of the Eurasia Foundation as a mechanism for delivering direct assistance to NIS organizations at the grass roots level.
- Assess the Foundation's ability to complement other US and international assistance programs by supporting bottom-up reform initiatives.

b) In the U.S.

- Assess the ability of the partnership program to provide grants to relevant organizations in the U.S., Europe and Japan that in turn: 1) establish effective programs in the NIS, and 2) transfer skills and best practices to local partners. Select two or three of the most notable successes in relevant countries having partnership programs and document them in fuller detail.
- Assess the Foundation's fundraising efforts to: 1) efficiently and effectively raise income to leverage U.S. government funds and advance USG interests in the region by working cooperatively with private foundations and individuals, corporations, foreign governments, and others, and 2) raise sufficient funds to sustain the Foundation activities when USAID funding is terminated. Also assess the outreach program's ability to effectively raise the awareness of EF among public and private organizations.

- Assess the appropriateness and sustainability of the Foundation to function as a “legacy organization” of USAID following the departure of the Agency from the NIS. Advise if EF as currently configured is an appropriate organization to carrying out the Agency’s strategic objectives in future years or if other organizational structures would be more suitable.

2) Program Management Systems

- Assess the efficiency and effectiveness of EF’s management systems to implement its programs in the NIS with particular emphasis on the role of the regional offices.
- Assess the efficiency and effectiveness of the open door and competition grants program to identify and award organizations that contribute to the EF mission and USAID relevant SOs. Evaluate the long-term sustainability of these organizations.
- Assess the EF linkages to USAID Missions with specific reference to annual planning and reporting by relevant SOs. Also evaluate the reporting system’s ability to accurately determine impact.

B. Team Composition and Qualifications

The EF evaluation will be carried out by a 4-6 person team. Three members will be provided by the Contractor under this task order. USAID staff (1-3 persons depending on availability) will participate as team members to monitor/facilitate evaluation progress and completion. The contractor team will include an Evaluation Specialist/Team Leader, a Foundation/Grants specialist and a Small Business Loan specialist.

Each contractor team member should possess an advanced degree (Masters or above) or equivalent based on relevant professional work experience and have a minimum of 10 years experience in the design, implementation and/or evaluation of foreign assistance programs. Strong writing and word processing skills are a requirement. Previous overseas experience in the NIS and Russian language capability is highly desirable.

Individual contractor evaluation team member responsibilities and qualifications are listed below.

1) Evaluation Specialist/Team Leader - Responsible for coordinating and directing the overall evaluation effort, including preparation and submission of the draft and final evaluation reports to USAID/ENI. The incumbent should be either a regular staff member of the contractor or a consultant used by the contractor for evaluations. He/she should have extensive overseas program evaluation experience (including USAID related) and be thoroughly familiar with techniques of program impact appraisals. As evaluation team leader, the incumbent should possess good organization and team-building skills.

2) Foundation/Grants Specialist - The incumbent should have broad familiarity with the organization structure, problems and needs of foundations, including fundraising and outreach programs. He/she should also have expertise in appropriateness, structure and benefits of successful grants programs.

3) Small Business Loan Specialist - The incumbent should have expertise in the development and implementation of small business loan programs in the developing world, preferably in the NIS.

He/she should be familiar with the needs/capabilities of banking systems to successfully implement a small business loan program.

4) USAID Officers - The incumbent(s) should have broad USAID experience with particular emphasis on project implementation and evaluation and current USAID focus on strategic objectives. They should also have broad experience in the NIS as well as a detailed understanding of the EF both from a Washington as well as field perspective.

C. Suggested Methodology

The EF evaluation will be conducted utilizing inter alia information from the following sources:

1) Reports including evaluations prepared by the implementers, annual and quarterly reports prepared by the implementers, internal USAID documents including grant agreements and memoranda on relevant topics. A review of secondary literature as determined relevant by the evaluation team.

2) Interviews with grantees, partners, cooperators, and small business loan recipients, ENI staff, Department of State as well as Embassy and USAID field staff.

3) Site visits to a representative number of EF activities in eight countries. (Note that most partnership grant activities take place in the NIS.)

EF activities are widely dispersed throughout the NIS, extending over thousands of miles. For this reason along with security considerations and travel difficulties, it is not considered feasible to have the evaluation team visit all 12 NIS republics in which EF operates. Therefore, it is suggested that the evaluation team visit EF offices, local organizations receiving EF support and project sites in Russia and selected countries in each of the NIS regions as listed below.

- Russia: Moscow, Saratov,
- Ukraine
- Caucasus: Armenia, Azerbaijan and Georgia
- Central Asia: Kazakhstan and Uzbekistan

This list could be subject to change based on the team membership and other factors.

The team should visit a sufficient number of EF partners and grantees to provide a valid and representative sample. Sites selected should provide a cross-section of EF activities (e.g., grantees, partners, small business loan recipients, etc.)

D. Schedule of Work

A total of seven weeks is programmed for this evaluation. The evaluation should begin no later than October 2. The following schedule of work is proposed.

Week 1: Washington.

Review SOW and prepare schedules for Washington and field visits. Evaluation team carries out initial review of reports and literature. E&E/MT will provide general background information, program documents and reports. Interviews will be held with USAID, State and other agency staff as well as EF headquarters staff. Conduct assessment of partnership grant recipients via telephone interviews.

Week 2: Moscow

The team will conduct interviews with EF field staff, USAID and Embassy staff as well as visiting EF grantees in Moscow and Saratov areas. The team will assess methodology/results and draft report findings to date.

Week 3-4

Sub-teams travel to the following NIS regions/countries:

- Caucasus (Armenia, Azerbaijan and Georgia),
- CAR (Kazakhstan, Kyrgyzstan and Uzbekistan),
- W/NIS (Ukraine, Moldova).

(This list may be modified based on discussions with relevant USAID Missions and EF.) Conduct interviews with EF field staff, USAID and Embassy staff as well as visiting EF grantees/programs. Continue drafting report.

Week 5: Washington

Site visits to selected partnership sites in U.S. Draft report of evaluation team’s findings, conclusions and recommendations submitted to E&E/MT for review and comments. USAID comments returned to the evaluation team within five working days.

Week 6: Washington

Contractor finalize report and return to E&E/MT for final comments.

Week 7: Washington

Final evaluation report submitted to E&E/MT not-later-than the end of week 7 and brief appropriate USAID, State and EF management.

IV. REPORTING

Upon arrival and before leaving each country, the evaluation team will brief USAID, Embassy and EF field staff on their plans, major findings and preliminary conclusions. After returning from the field, the contractor will submit a draft evaluation report (10 copies) to E&E/MT for review by the relevant staff.

The draft report will address each of the issues identified in the Statement of Work and any other factors the team believes have a bearing on the objectives of the evaluation. The report will contain a “Lessons Learned” section which will discuss, “what works, what doesn’t work,” “success stories,” and “models of development that might be usefully replicated.” The report will be structured so that interpretations, conclusions and recommendations are clearly backed by the underlying factual, descriptive information to support them.

The contractor will brief USAID and State representatives on their major findings conclusions and recommendations on its return to Washington.

The final evaluation report (25 copies and two electronic copies in Word 97 format) will be submitted by the contractor to E&E/MT by the end of week 8. The format of the final report should conform to the following guidelines:

1. Cover page
2. Executive Summary (3-5 pages)
3. Main text (maximum 30 pages, single spaced)
4. Conclusions, lessons learned and recommendations
5. Appendices:
    a. Case studies of impact on host organizations (15-20)
    b. Evaluation Scope of Work
    c. Description of the evaluation methodology used
    d. Bibliography of documents consulted
    e. List of persons contacted/consulted
    f. As appropriate.

V. TECHNICAL DIRECTION

Technical direction during the performance of this delivery order will be provided by Mark A. Smith, E&E/MT, 202-712-4512.

Appendix D

EURASIA FOUNDATION SUCCESS STORIES

Eurasia Foundation Success Stories

These success stories have been prepared by the staff of the Eurasia Foundation. These stories are representative of the kind of impact that the Foundation's grants have had in many countries. The evaluation team takes no position on the accuracy of these accounts, but based on its more general findings, would concur that these stories are not atypical of the Foundation's more effective grants.

Kosia Smeda:
Cultivating Women Entrepreneurs in Azerbaijan

Grant No. C97-0210
Private Enterprise Development

Baku, Azerbaijan
November 30, 1998

Story by Abby Williamson and Thomas Burns, Tbilisi Office

Next time you're in Baku, don't be surprised if you see Azerbaijani youth sporting the *Leila* label. While working as an elementary school teacher, Leila Gussin noticed Azerbaijan's lack of ready-made children's clothing fashions. Like any good entrepreneur, Gussin recognized that she had found her niche and began producing her own designs. With the help of Kosia Smeda's "Business Woman" courses, Gussin took her idea and developed it into a functioning business. The courses taught Gussin the ropes of the business world: when offered a much-needed loan, she knew enough to ask about the interest rate—and then to turn the offer down.

Through a series of business training courses funded by the Eurasia Foundation, an Azerbaijani NGO known as Kosia Smeda is fertilizing the seeds of entrepreneurial spirit among women such as Leila Gussin in Azerbaijan. Founded in 1994 to provide training and consulting services to small businesses, Kosia Smeda used a $23,022 Eurasia Foundation grant to develop and implement a curriculum encouraging women to start their own businesses. Kosia Smeda hypothesized that women were receptive to the economic transformation taking place in Azerbaijan but lacked the resources to participate, much less compete, in the new market economy. According to Camilla Guseinova, an instructor who assisted with curriculum development, "because women often lack opportunities for traditional education, they need specialized training courses that focus on information practical to their lives." Kosia Smeda provides them with that information through specially designed courses on financial management, business planning, marketing, and customer service skills.

Though many Azerbaijani women lack the resources and skills to navigate a market economy, one thing they do not lack is a desire to learn. Kosia Smeda received over one hundred applications for its first twenty-student course.

Over 120 women have now completed the sequence, going on to found various businesses, including a computer maintenance service, a hand-made clothing store, and a home renovation service. Their achievements are particularly impressive in view of the underdeveloped credit system in Azerbaijan, which makes business plans difficult to implement.

One trainee, Leila Gussin, is using her new skills to market a line of ready-made children's fashions. Kosia Smeda's "Business Woman" courses provided Gussin with valuable skills, which she is using to market her business plan. Already, she has been invited to participate in a charity benefit that will exhibit her fashions to an influential Azerbaijani audience. Gussin's story is emblematic of the program's success.

After Kosia Smeda's Eurasia Foundation grant ends, the organization will offer its Business Woman courses for a small fee, to a significant waiting list of future entrepreneurs. Kosia Smeda struck a chord with their conjecture that Azerbaijani women were searching for a way to participate in the market economy. Through the "Business Woman" courses, Kosia Smeda is opening women's eyes to the possibilities of the market economy and giving them the business skills to become Azerbaijan's newest contingent of creative entrepreneurs.

Dzveli Kalaki Radio Station:
Public Education Radio in Georgia

May 20, 1999
Grants No. G96-0095, G97-0297

Kutaisi, Georgia
Public Administration & Policy, Civil Society

Story by Abby Williamson, Tbilisi Office

Radio plays a vital role in Georgia, where frequent power outages leave residents with only one reliable source of news: battery-operated radios. Until recently, Dzveli Kalaki, which brings news and entertainment to an audience of one million citizens, was the only independent FM station in Western Georgia. With support from the Eurasia Foundation, Dzveli Kalaki has established an independent news department and is broadcasting programs on democracy and civil society development.

In a region of Georgia where NGOs and other elements of civil society have been slow to develop, the station's programs play an important role in teaching citizens the principles of a democratic society. Through the call-in component of its shows, the radio station has become a forum for the exchange of ideas among listeners and experts. One program, "The Third Sector," publicizes the existence of western Georgia's NGOs and serves as a network for NGOs in the region. Following one segment, Dzveli Kalaki was able to refer callers to local organizations working on human rights issues. When pensioners requested that the station broadcast information about their plight, Dzveli Kalaki responded with a special news segment on unpaid pensions.

In addition to these educational programs, Dzveli Kalaki used its Eurasia grants to develop a 25-minute news program, broadcast four times daily. The program covers not only national and international news, collected from Georgian news agencies and the Internet, but enlists six independent correspondents to cover local news. Due to the lack of independent media entities in the region, Dzveli Kalaki often serves as the sole source of comprehensive, objective news on the events most immediate to listeners' lives. During an unsuccessful coup in Western Georgia in the fall of 1998, Dzveli Kalaki journalists were the first on the scene, broadcasting live from mobile telephones. According to News Editor Keti Berdzenishvili, "you could hear the bombs in the background, but our correspondents managed to give an unsensationalized account of events."

In addition to serving as an important vehicle for public education programming in the region, the station has developed into a rare example of a self-sustainable independent media entity. Originally focused primarily on free expression, many media entities in Georgia continue to struggle with the concept and reality of functioning as a business. Eurasia's support has enabled Dzveli Kalaki to implement sensible business practices, such as tracking audience preferences through quarterly opinion polls. By maintaining a careful balance of information and entertainment programming, Dzveli Kalaki has attracted enough advertising to become a model of a sustainable media enterprise.

Businesses use Dzveli Kalaki for their advertising needs because they can reach a wide audience and aim their message specifically at the residents of Western Georgia. Kakha Kakhidze, the Western Georgia Representative of Magti Com, a cell phone company that regularly advertises on the station, explains, “When we advertised a discount program over Dzveli Kalaki, the flow of customers didn’t stop even months after the offer was over. We are preparing another advertising campaign and are getting ready for the volume of interest that will appear once we broadcast over Dzveli Kalaki.”

Since receiving its first Eurasia grant in 1996, Dzveli Kalaki has increased broadcast time to 24-hours a day, more than tripled its staff, and moved to more spacious offices. The new facilities sit high above the town of Kutaisi, enabling the station to double its potential audience from 500,000 to one million—reaching nearly one-fifth of the entire population of Georgia. By the time Dzveli Kalaki applied for its second Eurasia grant, the station was able to support 50 percent of the expenses of its public information programming through advertising revenues.

Dzveli Kalaki presents an innovative model of a radio station as a self-sustaining business and serves as a valuable source of information to enable civil society development in Western Georgia. As the station’s second grant comes to a close, the station remains committed to maintaining and expanding public education programming, and remaining financially viable.

Uzbekistan Report:

A Reformed Welfare Distribution System in Karakalpakstan, Uzbekistan, Means No One is Left Out

Grant No. T97-0612
Nukus, Uzbekistan

Story by Jennifer Marsh, Tashkent Regional Office

January 2000

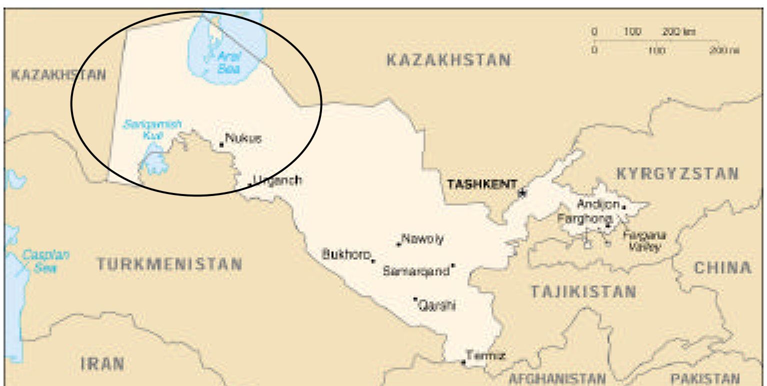
"I get financial assistance from the government right on time every month," says Tamara Dauletova. "But it wasn't always this way. Just a year ago, there were constant delays. We never got paid on time. I would go to the bank every day, and every day they would say they still had not received the right paperwork." Tamara is the mother of five children, one of whom is disabled, which prevents her from working. She and her children are dependent on the money they receive from the government for their basic needs. Today, thanks to the efforts of the Karapalak branch of the Uzbek Center for the Research of Labor Problems and a grant from the Eurasia Foundation, Tamara receives her payments on time.

An outdated benefits payment system left Tamara Dauletova and her family desperate to make ends meet. At the same time, others received double payments by mistake. This came to and end when the local government computerized its system using a Eurasia Foundation grant.

In this period of transition to a market economy, 63 percent of the population of Karakalpakstan, the northwest corner of Uzbekistan, needs assistance from the government. The shift from a centralized system of administration, which existed for decades, demands that local governments play a large role in the social and economic problems of their citizens. Public servants in remote areas of Uzbekistan, however, often lack the appropriate skills, education, and equipment required to do their jobs effectively. Staff of the *makankom*— the most basic level of local administration—carry out their registration and accounting manually, without a computerized system. As a result, people in need are forced to wait while mistakes and delays in processing are considered normal.

Olga Ogai, together with a team of colleagues from the Karakalpak Branch of the Uzbek Center for Research of Labor Problems, recognized that this problem is especially acute at the *makankom* level. The *makankom* is a type of neighborhood association, only with official administrative duties. The Eurasia Foundation awarded an $18,605 grant to the center through a public administration competition to develop a computerized system to track and distribute public assistance. The project also introduced the new system in a local *makankom* and provided appropriate training to the local staff.

Employees of the *mankankom* soon began to notice considerable results. While entering data into the computer, they discovered numerous inconsistencies in basic information, such as double counting individuals. The new computerized system allowed staff to correct these inconsistencies and to streamline general procedures. “It used to take five or six days just to write a report. When we began this project no one believed we would shorten the time to just a few minutes. But we did, and we’ve also made the work more effective and accurate in the process,” notes Ogai.



Karakalpakstan sits in the northwest corner of Uzbekistan, on the south shore of the shrinking Aral Sea.

The auditor of *Makankom* No. 9, Zoya Taishegulova of the City Department of Labor, Employment, and Social Defense, noticed that the project had eliminated much of the bureaucratic red tape involved in delivering public assistance. “Before this new system was installed, everything was done by hand. Sometimes we had to stay at work all night and write, write, write. . . . If there was just one mistake, we were forced to rewrite everything. With the new system, we can easily correct mistakes, and the reports are finished in just two or three minutes.”

The *makankom* staff now has time to focus on more valuable activities such as identifying families who genuinely need assistance, but who don’t know where to turn for help. They are also able to point out those who fraudulently claim public assistance by falsely stating their incomes.

The project continues to find success not only in *Makankom* No. 9, but in other areas of Karakalpakstan as well. Ogai wants to create a computer network between the *makankoms*, the local government authorities, and the Department of Labor. When the Karakalpak Ministry of Labor learned of the group’s activities, the project staff was invited to three regional seminars involving officials from the Department of Labor and local government. During the seminars, they gave a presentation of their project and shared the typical mistakes made in the process of providing public assistance.

Ogai believes that the program will eventually be introduced not only throughout Karakalpakstan, but all over the entire country. The Uzbek Ministry of Labor is now investigating the prospects of introducing this program at the national level.

The increased efficiency resulting from the new payments system has eased the lives of people who otherwise struggle to survive. The citizens of Karakalpakstan can now be assured of prompt payments and more competent service from local officials. "Before, when they didn't pay us on time, I didn't know where our next meal would come from," says Tatiana. "We can focus on rebuilding our lives that now there is a system in place that makes sure we'll be paid on time."

Office: Western NIS
Date: February 1998
Grant Number: K98-0334
Grantee: Luhansk Public Legal Assistance Service
Location: Luhansk, Ukraine
Program Area: Civil Society, Rule of Law
Author: Yarema Bachynsky

Empowering Citizens in Luhansk

Luhansk Oblast is a depressed, heavily industrialized, coal mining region in Ukraine. In this easternmost part of Ukraine's "Rust Belt," where the average citizen has little access to qualified legal assistance, miners typically wait six months or more to receive their wages and kindergartens are closed because there is no state money to support crumbling buildings and pay teachers' salaries on time. Even when the local government or business owners have money available, the money often does not make it to the average worker.

The Luhansk Public Legal Assistance Service (PLAS), however, is striving to create a society in which government and private-owned businesses are held accountable to their employees and fellow citizens. PLAS has been serving the people of Luhansk Oblast for approximately two years, providing qualified consultations and advocacy services to a broad range of clients free of charge, and educating the public about their rights. Over the past seven months, PLAS has been a Eurasia Foundation grantee, which has allowed the organization to increase its efforts and effectiveness geometrically.

Selected for participation in a targeted initiative "On Legal Education and Dissemination of Information on Citizens' Rights in Ukraine," jointly administered by the Eurasia Foundation and the ARD/Checchi Rule of Law Consortium, PLAS has raised Luhansk citizen awareness considerably through an ongoing public information campaign. The campaign involves preparing and disseminating leaflets about concrete legal recourse available to miners who have not been paid for an extended period of time, families which are being unlawfully denied housing subsidies by incompetent officials, and other similar situations. Citizens are encouraged to call or visit the PLAS offices, where they can obtain qualified legal advice free of charge, as well as in-court representation, when necessary.

PLAS has set up a legal hotline to deal with ever-increasing citizen inquiries and taken active part in resolving a number of high-profile legal disputes in Luhansk Oblast over the past several months. The best-known case is the recently settled wage dispute between striking coal miners and management at Krasnodonvuhillia Company. PLAS guided strikers through the vagaries of Ukrainian labor law and forced management to pay out in full the several months worth of wages that they had withheld from employees. Since the resolution of the Krasnodonvuhillia case, miners at a number of neighboring enterprises have turned to PLAS for advice. The organization also represented miners' interests at the closing of Almazna Colliery in the town of Vakhrushevo. In another case, PLAS aided a local school for children afflicted by scoliosis in its efforts to fight closure by local authorities. A local court recently overturned the oblast administration's decision to close the school, and PLAS is working with its clients to effect repossession of the premises. In a number of cases, PLAS has incorporated the efforts of Parliament Human Rights Ombudsman Nina Karpachova. This is comparable to a small U.S. poverty law firm engaging the services of the Chairman of the U.S. Senate Justice Committee.

To mark the 50th anniversary of the Universal Declaration of Human Rights, PLAS, in conjunction with local NGOs and representatives of political parties, organized hearings "On the State of Human Rights in the Region." Close to 100 individuals, including miners' and NGO representatives, local and national legislators, and regional authorities took part in the proceedings, which took a hard look at the local citizens' rights situation and suggested practical solutions to local socioeconomic problems. The hearings were widely reported throughout Luhansk Oblast, as are PLAS's daily activities, because this Foundation grantee actively utilizes print and broadcast media to further its message of citizen empowerment.

The Luhansk Public Legal Assistance Service performs a variety of roles and is respected by residents and authorities alike for its professionalism, expertise, and responsiveness to local conditions. By promoting lawful, effective solutions to labor and other issues, PLAS is fostering a society in which individuals and institutions are held accountable for their actions. This grantee is just one example among many of how the Eurasia Foundation's support is empowering and encouraging citizens to defend their constitutional rights in Ukraine today.

ASInform

Moscow, Russia

Moscow Regional Office, M95-070 and M95-0545

The only information agency in Russia covering the work of NGOs.

"To develop Russia's Third Sector and the public's awareness of its work by establishing a mechanism for obtaining and exchanging information on NGO activities throughout Russia…"

Story by Carolina San Martin
February 2, 1999

It has been termed "the invisible sector" by Western scholars. Attracting the mass media to cover the work of nongovernmental organizations (NGOs) has always been an arduous task. But for Russia, a country whose Third Sector is just beginning to define itself and its role in post-Soviet society, it is especially important that an effective mechanism be in place to inform the public of its work, challenges, and successes.

Four years ago, having no model with which to work, Elena Topoleva set out to establish just such a mechanism. She founded ASInform, the first information agency in Russia specializing in NGO activies. "NGOs are active in Russia and are successfully addressing social problems, yet the press has always viewed this as second-rate news," explains Topoleva. Thanks to a grant from the Eurasia Foundation in 1995, ASInform created a system for gathering and processing information on the NGO sector and distributing it to the mass media, government bodies (including the State Duma of the RF), NGOs, private companies, and foreign organizations. "Receiving this grant was a deciding moment for ASInform," says Topoleva. In fulfilling the project the agency was able to clearly define its mission and obtain the tools to continue the work long past the end of the grant period.

Today, over 200 mass media organizations and more than 500 NGOs subscribe to ASInform's weekly bulletin which they receive primarily via email and fax. When the agency began its work four years ago, the bulletin spanned six pages. Today it regularly includes 25-30 pages of information, and as of January 1999, ASInform is distributing a daily bulletin for its media clients. Moreover, the agency has developed an extensive database of radio, print-media, and television journalists with which ASInform now works closely. Topoleva affectionately calls them her "army" in promoting the coverage of Third Sector issues in the press. "It's impossible to compare Third Sector coverage today with what it was just three years ago," says Topoleva proudly.

In fulfilling its mandate to provide information on Third Sector issues, ASInform has played an important part in the current campaign to reform the Russian Federation Tax Code as it relates to NGOs. Many NGOs in the regions have thanked the agency for regularly providing up-to-date information on the status of the taxation issue. Oleg Stakhanov of the Center for the Development of Democracy and Human Rights (CDDHR), a Moscow-based organization leading the Russia-wide tax reform campaign, affirms that ASInform has worked closely with them to include information about the campaign in weekly bulletins, thus widening the outreach efforts of CDDHR. "Because of limited time and resources," explains Stakhanov, "we could not focus on informing the media of our efforts as much as we would have liked. Thanks to ASInform's media orientation, we have been able to reach members of ASInform's network—both media organizations and NGOs—as well as our own."

As the organization has grown, ASInform has expanded the scope of its work in order to become a more effective bridge between NGOs and other sectors of society. Since its first EF-supported efforts, the agency has received funding from other foundations such as Soros, Mott, and Ford. Not only is information provided by the agency used in various publications and news reports, but ASInform has also shown initiative in co-founding the bimonthly journal *Vestnik Blagotvaritelnosti* (*Philanthropy News*, see illustration above), which is currently published with support from the TACIS Democracy Program and the Moscow city government and largely includes information gathered by ASInform staff.

The agency has also expanded geographically and is now part of a network of eleven regional agencies focused on gathering and distributing information about Third Sector issues. Although most were founded with support from ASInform/Moscow, the centers now work independently of the Moscow agency. "These centers are extremely valuable in carrying out our shared mission," says Topoleva. "They are able to communicate information to *local* press, government agencies, and NGOs. We couldn't do that sitting in Moscow."

Many specialists working in the NGO sector have commented that the most remarkable aspect of ASInform's work is its uniqueness. There is no other information agency in Russia like it. In its four short years, ASInform has created an important niche for itself, and its work has contributed immeasurably to the development of the Third Sector in Russia. Thanks to ASInform, there is hope that the Third Sector will no longer be termed, "invisible," and that its important work will make it to the front-page news.

Fund for the Support of Women's Business

Ecole des femmes: "Successful Business" course educates women on business basics

Kaluga, Russia
Moscow Regional Office, Grant M98-2285

Story and photos by Carolina San Martin
July 7, 1999

Natalia Karakozova, graduate of the Fund's "Successful Business" course, at her new agency

"I had a dream to open my own business," says Natalia Karakozova, "but I didn't know how to realize it." Two months ago, after completing a course titled "Successful Business," conducted by the Kaluga Fund for the Support of Women's Business, Natalia Karakozova finally turned her dream into reality and opened her own travel agency, *Natali Travel.*

Since March 1998, the Kaluga Fund for the Support of Women's Business has helped local firms, the majority of which are run by women, develop their businesses with the help of micro-credit lending. Lyudmila Sklyarenko, the Fund's director, realized, however, that there was a fundamental lack of business knowledge among local women entrepreneurs. Access to capital alone is not enough. A solid understanding of how to do business is essential to ensure that the funds are used in the most effective way. With a grant from the Eurasia Foundation, the Fund helped sixty women from the cities of Kaluga and Obninsk, four hours southwest of Moscow, learn the basics of business. As a result, four new small businesses were opened, ten existing businesses underwent significant expansion, and over twenty new jobs were created. In addition, four of the course's graduates received micro loans from the Fund to support the growth of their businesses.

Lena, Natalia's daughter and an employee at the agency, answers a client's questions.

Natalia Karakozova is very thankful to the Fund for its work. "It's only because of the Successful Business course," explains Natalia, "that I could take the decisive step to open my own business." Natalia worked at Intourist in Tajikistan for twenty years before moving to Kaluga five years ago as a result of the civil war in the Central Asian country. Once she was resettled, Natalia began to work for a local tour agency. But she soon became frustrated in her position. “There was no room for creativity or initiative,” says Natalia.

After the Successful Business course, Natalia understood that she could use her wealth of experience to open her own business. Issues of marketing and tax regulations were no longer daunting obstacles. Now, thanks to Natalia’s newly gained knowledge, savvy advertising, and contacts in the field, clients are turning to *Natali Travel* despite the difficult economic times.

Galina Lukyanova displays one of her hand-made wedding dresses.

Galina Lukyanova, another Successful Business graduate, was also able to start her own business thanks to the knowledge and confidence she gained from the course. With advanced skills as a seamstress, Galina has sewn wedding dresses for years, but she never thought it would be feasible to turn her craft into a profit-making business. “I was so unsure of myself!” exclaims Galina. Now, having completed the course, she explains, “I see my work with different eyes.” Galina now operates a wedding-dress rental service—the only one of its kind in the region. Not only has she used advertising to increase her client base to seventy customers per month during the peak summer season, she has also joined forces with a modeling agency to create a salon for brides-to-be. “And we have plans to develop our business in other ways,” continues Galina, “to make other clothes in addition to wedding dresses.” When asked what she would be doing had she not completed the Successful Business course, Galina replied with a smile, “I think I’d still be sitting at home!”

The Fund for the Support of Women’s Business has also received praise from Kaluga’s community leaders. During a recent round table dedicated to the results of the project, Alexander Malyshev, president of the Kaluga Chamber of Commerce, commented, “It’s very important that this Fund can provide real assistance to people and that concrete results can be seen. Other such funds consume more resources than they provide. The Fund not only supports itself by its work in micro-credit lending—it also helps people.”

Appendix E

QUESTIONNAIRE

GRANTEE QUESTIONNAIRE

Location: ______________________ Date:_____________________

I. General Information

A. Organization:____

B. Partner:____

C. Respondent:____

D. Name of Project:____

E. Amount:____________________

Award Dates:________________

II. Goals/Purposes

A. What were the objectives of the project?

-

-

-

B. Have all the proposed activities been completed as planned?

All

Most

Some

None

C. Did the project achieve the objectives as stated in the agreement?

All

Most

Some

None

II. Implementation

A. Were there significant implementation problems?

Yes

No

B. Describe your relationship with the Eurasia Foundation?

Highly involved and supportive

Minimally involved

Very little, basically a grant

IV. Results

A. How many clients or customers were served? Meet with participants, if possible. Address gender.

B. As a result of this grant have you been able to influence government behavior?

Significant

Some

None

C. Have activities continued after the project ended?

Many

Some

None

D. Is the organization financially sustainable, diverse sources of income etc…?

Yes

No

So far

E. As a result of the grant did the NGO interact with other NGOs or partners or other players at the local level?

Extensive

Some

None

F. Has the NGO expanded its geographic range?

Substantial

Some

None

G. **Has the organization expanded institutional capacity?**

Substantial

Some

None

H. **Evidence of lasting impact**

Substantial

Some

None

I. **If you are receiving funding from other donors, how does the Eurasia Foundation grant differ from what you receive elsewhere? Did EF open the door to other funds? In terms of timing, was EF there first or supplementing something already existing.**

J. **Was there an element of innovation in the grant? Interviewer input.**

Appendix F

EURASIA FOUNDATION OFFICE LOCATIONS

Eurasia Foundation Office Locations

Regional Grant Offices

Russia: Moscow
Uzbekistan: Tashkent (also covering Tajikistan and Turkmenistan)

Representative Grant Offices

Armenia: Gyumri
Belarus: Minsk
Kyrgyz Republic: Bishkek
Moldova: Chisinau
Russia:
  Yuzhno-Sakhalinsk
  Saratov
  Vladivostok
Armenia: Yerevan
Azerbaijan: Baku
Georgia: Tbilisi (covering the South Caucasus Cooperation program)
Ukraine: Kyiv (also covering Belarus, and Moldova)
Kazakhstan: Almaty (also covering Kyrgystan)
Tajikistan: Dushanbe
Turkmenistan: Ashgabat

Special Project Offices

Media Viability Fund: Moscow, Russia
Economics and Education Research Consortium: Moscow, Russia
Economics and Education Research Consortium: Kyiv, Ukraine
Izmirlian-Eurasia Foundation Small Business Loan Program: Yerevan and Gyumri, Armenia
Small Business Loan Program: Kyiv, Ukraine

Appendix G

FIELD MISSION COMMENTS AND EVALUATION TEAM RESPONSES

Field Mission Comments and Evaluation Team Responses

The final Eurasia Foundation Evaluation draft report was circulated in E and E Bureau and sent to all USAID Missions and to the State Department Office of NIS Coordinator for comments and criticisms. Excerpts of key comments and criticisms from each USAID country mission are presented below, with a point-by-point response from the evaluation team. USAID/Georgia did not submit comments. The team appreciates the time and effort expended by Washington and Mission reviewers in reading and responding to the report. In some instances, it was difficult to respond to comments or criticism that lacked specificity or supporting evidence, or which, in the judgement of the team, were not warranted by the balance of the evidence developed during the evaluation. In other cases, the team found the comments constructive and persuasive, and modified the text of the report accordingly.

Mission comments are presented in the order given in bold text. Each Mission's general response is summarized before specific comments are presented. In some cases, comments have been edited to reflect the main point of criticism. The evaluation team's response follows each comment.

USAID/WASHINGTON, CHRIS BROWN, E AND E BUREAU

"Thanks to you both for the excellent evaluation draft, and for the evaluable learning we've stimulated both at Eurasia and among the missions and the bureau."

1. (Recommendation 3) I believe this recommendation should be sharpened to include an emphasis on the importance of country-level strategies—not just improved Eurasia Fdn.-wide strategy, or strategy in the abstract. Also, the phrase in the penultimate sentence, "should proceed carefully but deliberately with its existing strategies," might get misinterpreted to imply that we don't recommend any new strategy work, only more diligent implementation of existing strategy.

The evaluation team concurs and has strengthened the text.

2. (General Conclusions) It seems odd that nos. 2 and 3 in that section are not under a separate heading of "recommendations." As currently presented, they seem to imply something less compelling, yet the points about appointing a fund raising advisory council and that EF and USAID should explore the endowment are well taken.

The evaluation team has recommended that USAID consider a matching endowment subject to EF's successful completion of the restructuring effort now underway.

3. (Recommendations) There should be a recommendation speaking specifically to the desirability of definitive country-level strategy, particularly because of its potential as a "hook" for engaging EF and missions in more effective coordination.

We agree that strategic planning at the country level is critical for EF's ability to effect change. With better country-level strategies, it should be possible to develop monitoring and evaluation systems at an operational level not now possible in the EF annual report. Also, better strategic planning will have implications for delegation of grant making authority and for the planning horizons needed to effect strategic objectives.

ARMENIA: COMMENTS SUBMITTED BY MICHELE LEMMON, PROGRAM MANAGEMENT SPECIALIST, USAID/YEREVAN

"This was a comprehensive and well-thought out evaluation but:"

1. EF is not flexible outside its designated areas.

This is really a comment about the parameters EF and USAID have agreed to in the Grant agreement. A completely flexible organization would likely be charged with lack of focus. If anything, the team concludes that EF has been too flexible and insufficiently strategic and targeted.

2. Its grant making process is far too long, sometimes up to a year.

The team is uncertain what the evidence is for this since none is offered. In general, the team found that open-door grants were made within 90 days. Setting up a grant competition could take up to a year, but once the competition was underway, the process moved quickly.

3. The team did not look at "sleeper problems" or "bad grants", therefore the results are biased.

The methodology section of the report addresses possible bias. The team was very conscious of the problem that always exists in short time frame evaluations. In the team's view, the more serious sources of bias are first, that the report undercounts the Russian and to a lesser extent the Ukraine experience, which together account for 65 percent of all grant dollars. USAID E and E made a conscious choice to have equal representation of most missions where EF works, therefore the schedule did not permit concentration of time and resources on Russia and Ukraine. The second source of bias is the urban focus of the team's investigations. This was a function of limited time. A third source is a somewhat flawed sampling outcome based on incomplete understanding of the EF grant database. Also, a fourth source of possible bias was the prior USAID agreement with EF that the team should make every effort to visit "successful" grantees in addition to those randomly selected.

These biases could have been corrected given considerably more time, planning, and resources. Faced with these limitations, the team sought to balance the biases to the extent possible. As with every evaluation, tradeoffs were made between various constraints and purposes.

The team does not accept the charge that because "bad grants" were eliminated from the its interview schedule, the report as a whole is substantially flawed. The report explains why "bad grants" were not examined and provides estimates of the number of bad grants. It also reports on the self-scoring done by experienced local staff in two EF countries. Their ratings were somewhat lower than the overall scores given by the evaluation team. In other words, the team has presented data on bad grants as part of the overall assessment.

The team believes that the findings from the 129 grantees interviewed is representative of the great bulk of EF grant making in the last few years.

4. **No knowledge of a local advisory committee that included USAID employees**.

This may not be the case in Armenia.

5. Tracking of expenditures, grant and loan lists is not adequate.

The comment does not elaborate on the inadequacies, therefore it is difficult to reply. EF Armenia did undergo an internal EF audit in November. The team assumes that the findings will be shared with USAID. The evaluation team understands that full financial reporting by EF to USAID headquarters is conducted regularly.

6. EF consulted with USAID only in the case of the Synergy Program.

This point was not brought out in the interviews. EF staff contends that they are in regular contact with the mission in Yerevan, acknowledging that improved communication is possible, and this requires additional effort on both sides.

7. Disagree with the team's suggestion that informal training provided by EF is sufficient. (Without training) this create(s) a situation where the *grant results are worthless* [emphasis added]**.**

The overwhelming weight of the evidence points to very different conclusions: first, that grantees are quite capable of learning without formal training and, second, most grantees do get training from other sources, often USAID-sponsored. The entire evidence of the team's visits with 129 grantees is that EF grants have been critical in either the establishment or expansion of civil society organizations in Russia and the NIS. The Mission's comment seems to suggest that formal training, usually by U.S. experts, is the only way "learning" takes place.

The team does not recommend that EF become a development training organization. The team does agree that EF can do a better job of linking up its grant making function with organizations that provide training, so long as access to specialized training by grantees remains substantially demand driven as it now appears to be.

8. The section on Fundraising did not address the use of reflows or how SBLP was going to use the Irzmilian Foundation funds. USAID does not have any knowledge of the use of private funds directly attributed to EF program in Armenia.

According to EF, USAID headquarters and missions have been repeatedly briefed on the Izmirlian Foundation contribution to SBLP in Armenia. The grant is a matching contribution—on a one-to-one matching basis—of up to $3 million.

9. USAID is not aware of the 1999 EF Five Year Strategic Plan.

Copies of the EF strategic plan were delivered to all missions in the field as well as to USAID headquarters. This delivery most likely took place before the current mission staff was in place.

RUSSIA: COMMENTS FROM DENIS KOREPANOV, PROGRAM OFFICE, EVALUATION, USAID/RUSSIA

"Overall, we found the report to be very well written with a very well thought analysis and summary of the Eurasia's program achievements and impact."

1. The report states that "demand is shifting away from start up requests to more sophisticated long term partnerships". We could not find strong support to justify this statement in the text.

The conclusion derives from the evidence that the open-door process by which proposals come in to EF without solicitation constitutes a small part of EF's grant making agenda. Second, organizations are receiving second and in some cases third grants. Third, interview results from grantees that have become established "players" provides strong evidence that grantees are beyond the start-up stage, and many aspire to more ambitious goals and objectives with EF as a "partner". The team believes this is a natural and successful evolution of civil society. The team does not conclude that EF should abandon its entrepreneurial and venture capitalist role, only that this role should not be the sole or primary function of a more mature development grant making organization.

2. Linkages between conclusions and recommendations is not very strong in the grants management section.

3. In the management section, page 12, it is not clear why the compensation level for local staff should be based on the U.S. Embassy guidelines for FSNs. It provides ceiling restrictions, but not a floor.

4. Request clarity on the issue of whether EF should be seeking matching funds for an endowment and how this relates to Recommendation #2.

As it pursues an endowment to finance its continued work in the NIS, EF will seek funding from both private and public sources on a leveraging basis.

UKRAINE: COMMENTS BY SYLVIA BABUS, CIVIL SOCIETY ADVISOR, USAID KYIV, OFFICE OF DEMOCRATIC AND SOCIAL TRANSITION

No general comments

1. "I find it appalling that the team would say (p.23) '…there is no evidence of systematic evaluation against strategic objectives, or use of either qualitative or quantitative measures of progress toward objectives' and then, the CONLUSIONS (sic) section (p.24) asserts that 'findings strongly support' the following conclusions: 'Grants and other programs have been broadly supportive of USAID and USG interests and objectives.' How can they expect us to believe this???"

The team's conclusions are based on the evidence developed by the team through a thorough review of documents, interviews with USAID officers in Washington and the field, State Department officials in Washington and the field, local and Washington staff of other USAID-supported organizations, as well by private civil society foundations and technical assistance organizations, interviews with past and present EF staff in Washington and field, interviews and site visits of special initiative programs such as EERC, and extensive site visits and interviews with leaders and staff of 129 grantees, of which 90 were randomly selected from grant records in 8 countries. Until presented with equally persuasive evidence to the contrary, the team stands behinds its conclusions.

2. "Millions of US taxpayer dollars have gone into this grant program. Has it really been mindless? Surely, the team could say more about how we are to judge the results of these millions of dollars in grants?"

"Sorry, the scoring system isn't a good idea. Why should the team expect us to be thrilled with their four point "index"? EF actually has some useful data that they gathered along with Mott regarding the value and impact of the NGO resource centers they have funded. That kind of information would have been useful. This kind of mini-evaluation checklist is not worth much. The real question is not whether most grants have been effective, but whether or not Eurasia is advancing the larger goals that it set for itself." (reference: Impact Results scoring: pp 27-31).

The SOW directed the team to assess the entire EF program, of which the grant making program is the largest part. Team conclusions about EF program impact incorporate evidence about other programs as well as the role modeling function EF has performed in each of the countries it has worked. USAID/Washington wanted information on grant effectiveness, sustainability, and impact. The 4-point scale was created as a device to provide summary information relevant to nearly 5000 grants in 12 countries over 6 years. The team recognizes that the level of aggregation required eliminates a good deal of the specific detail about the effectiveness and impact of grants in each country, and among three rather different sectors. The scale does permit the team to make general and objective conclusions about the impact and effectiveness of the grant making part of the overall EF program without relying solely on anecdotal evidence or success stories.

3. One of the most disturbing statements, for me, in this evaluation is the comment that EF is "not an implementing organization" …and the comments ….about EF's lack of training. If EF is only a grant making organization, then it seems clear to me some one should discuss the relative merits of funneling so much money through "only a grant making organization." There are other ways to provide support to emergent civil societies and market economies that may be relatively better investments.

We agree that the description of EF as a grant making organization applies substantially to its main activity, the grant program. Other EF activities, especially the EERC, the SBLP, the MVF, and the emerging Synergy Program involve a much higher level of EF involvement. The report does discuss these programs in substantial detail and concludes that these special initiatives are effective and have considerable potential for lasting impact.

EF was established by the United States Government as a grant making foundation. It was not intended to be a technical assistance or training organization. The evaluation team concludes it has carried out its intended purpose effectively and that its grantees have had an impact in improving local government, expanding and improving the quality and effectiveness of civil society and the values and behaviour thereto, and have contributed to the evolving institutionalization of a more effective market economy.

As indicated by the USAID/Armenia comments and those above, the issue of whether a demand driven grant making approach is the best is a sensitive one for USAID and for development theorists and practitioners generally. Whether the EF approach or the more typical technical assistance and training plus some grant making approach found in many USAID mission-based projects in the best way to foster civil society would require a very different study than the one directed by the Scope of Work for this study. The team believes it is important issue that should be addressed and urges USAID to do so.

The team also believes that greater coordination between EF and USAID would reduce redundancy and better serve the U.S. interest in promoting the development of the institutional arrangements of civil society and market economy.

4. Results: On the face of this very brief discussion of impact, the statement that "lasting impact of grantees is fair to good overall" seems useless.

Discussing in qualitative terms the EF grant program's diverse impacts exceeded the scope of the report, which had already gone beyond its 30-page limit. The range of activities of EF grantees is extraordinary, as is the impact of each grant. We regret that we have not been able to do justice to this issue to the degree desired by the commentator.

Our primary client was E and E and State Department leadership in Washington. While senior decision makers would no doubt benefit from a richer and more colorful tapestry exhibiting the many complexities and shadings of the impact issue, in the end the need was for a reliable set of summary judgments based on as much objective data as could be assembled in a short period of time. This is what the evaluation team provided, to the apparent satisfaction of the primary clients.

The team has also identified a number of weaknesses in the EF which, if addressed, could make it a more effective grant making organization. If properly implemented, these reforms could in subsequent years permit the kind of sector-wide evaluation and comparative analysis that the commentator prefers.

5. The failure to be part of USAID field planning is REALLY SERIOUS and needs attention. But honestly, EF's failure to develop its own results reporting system is a HUGE FLAW.

The team concurs with the view that EF must fashion a more coordinated and responsive relationship with USAID field missions, as well as developing an effective system for monitoring, evaluating and reporting results. Discussions with EF indicate that senior leadership generally agrees that these are serious problems and they are taking steps to address them.

The team also recognizes that EF was established as an independent organization with a private Board of Directors to which the EF President is accountable. Unless the United States Government is prepared to say otherwise, an independent organization will always assert its right of final authority on its policies and programs. USAID Mission staff need to understand that coordination and communication with any independent organization has to be two-way and mutually beneficial.

The team also recognizes that the officer responsible for USAID's management of the EF Grant is the CTO in the E and E Bureau in Washington, D.C. The weight of the evidence on this relationship is that CTO and EF are in frequent and mutually beneficial contact and have indicated no major issues at the Washington level.

CENTRAL ASIAN REPUBLICS (CAR), COMMENTS BY GARY LINDEN, USAID/CAR

General Comments

1. "The report does not give a fair representation of the mission's views, given that the missions are responsible for overall programmatic effectiveness. We consider our joint planning (including consulting with ambassadors in the field) with Eurasia to be critical to the successful implementation of Eurasia's activities?"

2. "We strongly concur with the weaknesses identified in the EF monitoring and evaluation system."

3. "The role of the Eurasia Foundation should be "small grant making,"as described at the start of the section "Findings: the Grant Making System".

4. "Eurasia's field administration should be staffed to facilitate "small-grant making," with adequate oversight in the field for EF programs that are increasingly concentrated outside of capital cities."

5. "Eurasia's budgets should continue to be part of field mission budgets, and transparent discussions should be encouraged between missions and Washington to determine funding levels."

6. The Advisory Committees should be comprised of people with relevant technical skills, as opposed to local knowledge and/or language capability. This would offset the lack of technical knowledge of Eurasia's field staff.

Specific Comments and Criticisms

Responses to some of the general and recurrent points have been consolidated into several responses below. In several instances a response is given immediately after a comment when that point seems sufficiently distinct as to permit a separate reply.

1. pg.2 – General Recommendations No.2: The "tax" reference is not appropriate. The reason missions wish to be involved in budget allocations is because GPRA (Government PerformanceReporting Act) and their (sic) management contracts require application of funds with the singular intent of reaching strategic objectives and holds them responsible for proper resource allocation (c.f. USAID core values "Empowerment and Accountability" and "Managing for Results". If missions believe the Eurasia program does not support their specific objectives, perhaps there is a bigger problem that this report should address.

This "tax"reference is made continually throughout the report and should be deleted.

See general statement below.

2. Pg. 3 – General Recommendation No 4: The last sentence mentions "increased funding". Such a comment is outside the scope of this evaluation. In addition, the question arises:"what efforts would you increase?" There is no argument made in the report for increased funding, *given the fact that the demand-driven approach is not working, strategic planning has not been institutionalized, and the lack of local mission buy-in.* [Emphasis added.]

The team does not accept the CAR characterization of EF's program as indicated in italics above. The team believes that demand driven grant making has played an important role in meeting citizen initiatives in many if not all of the countries in the NIS and in Russia. We conclude, however, that the development paths of these countries has diverged considerably, and EF needs to do more to balance "proactive" grant making with demand driven approaches. As the report indicates, EF field offices have become more proactive as evidenced by the growing share of grants made through competitions. We do agree that strategic planning has not been institutionalized, but we also recognize that current EF leadership is taking steps to correct this.

As for the lack of mission buy-in, we are uncertain what this means. There is no requirement in the Grant Agreement for mission buy-ins. We do observe that several missions have made grants to EF for purposes of managing separate competitive grant programs. These include Russia, Ukraine, and Armenia. EF has also been responsive to suggestions from other USG Mission players to develop grant-making programs. EF media programs are a good example.

3. Pg.9 – Paragraph 4 starting "Although local staff….": This paragraph implies that the advisory committees do have the technical expertise that the local staff lacks. We have not found this is always to be the case, particularly in economic matters.

The Report's Organizational Structure Recommendation No. 4 proposes that the Advisory Committees be used, *inter alia*, "to provide technical capability in the project review process that might not be available from staff." The team did find evidence that technical experts were consistently used by EF in competitive grant review and award processes.

4. Pg. 15 – Conclusion 1: The use of the word "excellent" is far too strong. The problem with the reporting is that the focus has been almost entirely on fiscal reporting and not results reporting, a similar position to USAD pre-reengineering.

The team agrees that reporting emphasis needs to shift to results, but does not agree that fiscal reporting has been the predominant feature of previous reports. We would say that reporting has been too focused on categories of grant activities, rather than accomplishments.

5. Pg. 17 – Recommendation 3: We strongly agree with this recommendation, as stated in our summary point 4.

6. Pg. 24 – Conclusion 2: We consider this statement not strong enough, in light of the fact that the 1995 Eurasia evaluation made the same point.

7. Pg. 25 – Please add CAR's name to Russia and Ukraine.

8. Pg. 25 – Conclusion 10 and Recommendation 3: USAID considers $20,000 a "small grant", both in programmatic and acquisition terms, regardless of what it will buy in the Eurasian economies. Furthermore, we consider this to be Eurasia Foundation's niche in CAR. As such we disagree with both your Conclusion 10 and your Recommendation 3. USAID is capable of handling the larger grants, which, incidentally, should be openly competed.

The team is pleased to learn that a $20,000 grant is considered small by CAR. In a different NGO small grant program in Russia, USAID considered small grants to be in the $5000 to $7000 range. The team's main point is that the size of the grant should not be the determining factor. USAID's capability in handling large grants is not in question either. The issue is what kind of grant making authority is needed in EF field offices for them to realize well-conceived strategic objectives. The team does not recommend large grants per se, but does recommend that field offices should be able to make them when appropriate to achieving clearly defined strategic objectives. As for open competition for grantees, the team believes that both open competition and directed grants have a role in a strategically driven grant program.

9. Pg. 25 – Recommendation 1: The word "soon" should be changed to "urgently", given that the same recommendation was made in the 1995 Eurasia Evaluation.

We agree in spirit, but doubt whether the change from soon to urgent would have any greater impact.

10. Pg. 34 -Field level Relationships: This entire section addresses the missions' lack of support for Eurasia funding, but fails to analyze the reasons for the lack of programmatic support.

The team is uncertain as to the meaning of "lack of programmatic support".

11. Paragraph 1. "outright difficult" should be changed to "difficult". This does not reflect the progress that has been made in the past year.

The team is happy to make the change from "outright difficult" to "difficult."

12. Paragraph 2. References to "tax" are not relevant as explained above. We suggest you also remove the phrase "to make matters worse" in the second sentence, as it adds little to your report, and is not objective.

See our discussion of the "taxation" issue in the general response below.

13. Paragraph 3. We found this to be insulting to the operations of the missions. The inference is that Eurasia is doing its job but that missions are incompetent. In fact, when Eurasia field director briefs an SO team member they normally only discuss matters relevant to that SO. This paragraph appear to pass the obligation for coordination with SO teams from Eurasia Foundation to the mission.

The paragraph was intended to convey the idea that both EF and USAID have a responsibility to actively pursue better communication and coordination. So far as can be determined, there is no hierarchy of status between EF and USAID. The grant agreement spells out certain obligations for reporting which EF is bound to fulfill. USAID has an obligation to actively seek coordination and to insure that whatever information is provided to USAID that is relevant to the missions overall performance is widely disseminated within USAID. The team does state clearly that EF has not done a good job of providing USAID with its strategic plans and performance targets.

14. Paragraph 4. We agree with your analysis and feel that it should be the responsibility of the Washington based CTO to monitor and report on progress. We agree with your Recommendation 1 on page 36.

15. Pg. 36 – Conclusion 2b: Again, the reference to "tax" should be removed, for reasons described above.

See general response below.

16. Pg. 37 – Recommendation 3: We feel this recommendation should be deleted, as it is destructive. The growing debate between the mission and Washington over Eurasia funding levels is healthy and more responsive. Funding should not be a matter of formulas, rather results based. This recommendation would exacerbate the lack of "accountability" and increase the level of frustrations in missions. It would effectively terminate any incentive for Eurasia's cooperation with the missions.

See general response below.

17. Pg. 53 – General conclusions: Conclusion 3 states that EF is good at achieving" – achieving what? Yes their grant making process is good, but this report does not demonstrate that there is a correlation between the grant and the programs of the mission. If the grants do not further the achievement of a mission's strategic objective then use of the word "good" seems inaccurate. The CAR mission's field visits have shown that a large number of Eurasia grants are not performing effectively, especially in the economic area.

The evidence collected by the team from 129 grantee site visits, plus interviews with beneficiaries of SBLP, EERC, MVP, and other EF programs strongly supports the conclusion. With respect to CAR, two team members accompanied by a CAR Mission officer visited a random selection of EF grantees. What they saw is not consistent with the CAR mission's assertion "that a large number of Eurasia grants are not performing effectively…". If there were documentary evidence to support the assertion in the form of trip reports or other objective surveys, the team would have welcomed receiving this evidence during its field visit to CAR.

This sentence should be deleted and the sentence "Eurasia is not proficient at planning and learning" should be inserted.

18. Pg. 54 – Recommendation 2: See comments above Pg. 37 Recommendation 3. Again the "tax" words should be removed. This recommendation finishes with the term "independent

role", yet the report fails to describe this "independent" role, other than noting the EF's special niche (page 21), prior to the existence of USAID missions.

See general response below.

GENERAL RESPONSE

The CAR general comments are substantive and deserve response. The team welcomes the clarification of the Mission's view, as stated in Comment number 1. This statement differs considerably from that of other missions, who while consistent in wanting better coordination and communication with EF, have not gone so far as to taking responsibility, with Eurasia, for the successful implementation of Eurasia's activities. The other general comments about what role Eurasia should play (small grant making), where funding should be located, and how Eurasia should be organized are consistent with the Mission's sense of needing greater authority and control over the Foundation's activities in the CAR.

The team fully understands and appreciates the Mission's responsibilities as they interpret the Government Performance Reporting Act, which, in the Mission's view, makes it responsible and accountable for any USAID-funded organization with activities in the CAR. The team also understands that the intent of the USG in establishing The Eurasia Foundation was to create an entity that would be independent and able to operate outside the domain and rules of USAID's strategic and operational requirements.

EF was never seen as a substitute for USAID, even before USAID missions were in the field. Rather the founders felt that something else was needed that would be fashioned more along the lines of The Asia Foundation than USAID. Subsequent grant agreements have put a greater responsibility on EF to pursue objectives and programs in coordination with USAID field missions, as well as to provide missions with results data that can be incorporated into mission reporting. These responsibilities not withstanding, EF is legally and by recognition of the USAID grant agreements, an independent organization with a mission and accountability structure different from that of USAID. EF has received two non-competitive grants from USAID, reinforcing its special status in the array of USG foreign policy instruments. The primary point of USAID responsibility under the GPRA remains with the CTO in the E and E Bureau, not with the mission. It is not clear to the team that GPRA would hold any field mission responsible for the success or failure of the EF strategies and activities in the field. It would, and should, hold E and E bureau accountable for providing the best possible level of grant monitoring and oversight consistent with the terms of the grant agreement.

Based on these facts, the team concluded that the current USAID process for funding EF led to considerable ambiguity and was an invitation for conflict. Since 1996, missions were given a budget number, but also told that X amount of that OBY would be allocated to EF. The allocation decisions may have been influenced by mission input, but in large measure the allocation decision has been made in Washington by E and E leadership and the Office of the NIS Coordinator. For this reason, the team saw the budget process as a "tax" without representation. The team's recommendation that the tax should be removed follows from this analysis.

The CAR view that the EF allocation should remain in its budget is one not shared by other missions. At least one mission director stated he would rather not see the allocation at all. Then he would not see it as a tax without representation.

Our review of the CAR mission's very strong argument to the contrary suggests that CAR's interest is in bringing the EF operation into a closer and, perhaps, subordinate relationship to the mission. This conclusion is consistent with the CAR mission's assertion that CAR is responsible and accountable for EF program success, and that USAID CAR should have a greater role in planning, objective setting, and defining EF's operations and proper "niche." This relationship is more consistent with that of a competitively won cooperative agreement than that of a grant-funded independent but coordinating organization.

The team believes that there will always be conflict between EF and USAID missions so long as the status of each and the relationship between the two is ambiguous. State and USAID should either decide that EF is to evolve as another USAID cooperative partner with a role limited to the making of small grants, or it should decide that in the 21st century, a different kind of USG-funded organization is needed to complement, supplement, and in some circumstances become the legacy organization tasked with maintaining a modest but still significant level of USG commitment to the evolution of civil society, democracy, and the institutions of an open market economy in Russia and the CIS.