



**Capacity Networks Initiative
USAID – Final Report
January 12, 2007**

Program Summary

With the generous support of \$100,000 from USAID in 2005, Fritz Institute launched Year 1 of its Capacity Networks Initiative, with the goal of systematically building capacity within local humanitarian organizations in Africa. The New Partnership for African Red Cross and Red Crescent Societies (NEPARC) is the pilot program of the Initiative. The NEPARC network seeks to empower its members, the largest humanitarian organizations in Africa, to determine their own priorities and catalyze African solutions to the growing humanitarian challenges across the continent.

The leadership of the 14 African National Societies, who founded NEPARC in 2004 together with Fritz Institute, recognized that in order to strengthen the African voice in humanitarian relief, the organizations needed to demonstrate their a) Transparency, accountability and governance b) Financial sustainability and c) Program effectiveness. NEPARC members understood that proving competence in each of these areas required a set of tools that could quantitatively measure the state of each organization against internationally-recognized benchmarks. Employing such assessment tools across the network would instill confidence within NEPARC members and stakeholders as well as demonstrate empirically how the three components of organizational effectiveness are linked.

This final report to USAID describes the significant progress NEPARC has made towards attaining the goals of the Capacity Networks Initiative. Thus far, members have overwhelmingly committed themselves to the third-party audits in transparency, accountability and governance, of which 17 have already taken place. The demand for first and second-round governance audits has grown and in August 2006 NEPARC members pledged to being financial responsible for their re-audits. As a result of committing their organizations to the process, members have developed more equal partnerships with their governments, the private sector and donors. Donors have accepted the audit as a valid measure of an effective organization, supporting the needs expressed by members based on their audit results.

The benefits realized by NEPARC members as a result of the governance audits contributed to heightened member interest in the financial sustainability and program effectiveness audits. Private and academic-sector partners have collaborated with Fritz Institute and NEPARC members to develop both tools simultaneously in 2005, piquing the interest of donors as well. The audits' objectives are to diversify the income streams of members, focusing on attracting local and regional sources, and to ensure that front-line programs are aligned with the needs of local communities.

Overall, the value of NEPARC to its now 18 members¹ is further evident in their efforts towards making the network financially independent. In August 2006 the members ratified the NEPARC Constitution and established the protocol for the payment of annual membership dues. Several members asserted at that time that they would be willing to contribute additional funds to support the NEPARC Secretariat. Currently, an executive search is underway to identify an Executive Director in Africa to encourage sustainability, develop a professional Secretariat and lead NEPARC into its next stage of advancement.

¹ Burundi, Cameroon, Ethiopia, Ghana, Ivory Coast, Kenya, Libya, Mozambique, Namibia, Nigeria, Rwanda, Sierra Leone, Somalia, South Africa, Sudan, Uganda, Zambia, Zimbabwe.

Summary of Key Achievements for Phase 1: Transparency, Accountability and Governance

Audit and Certification

The funding from USAID supported the partial completion of Phase I implementation, which seeks to benchmark and strengthen the transparency, accountability and governance of NEPARC members through an audit conducted by the global compliance firm SGS. The purpose of the audit, a NEPARC membership requirement, is to demonstrate to stakeholders that an organization is compliant with international standards in governance, integrity, transparency and operational processes.

In preparation for the audit, the organization is sent a questionnaire six weeks prior to the audit and asked to assemble a variety of documents to demonstrate the existence of good practice. The actual audit takes two days and is usually performed by two auditors from SGS. At the end of the audit, the SGS team provides the organization with preliminary feedback and invites comment from management. The final results are sent to the participating organization 2 weeks later.

The fourteen NEPARC member organizations that have participated thus far have become advocates of the process, prompting existing and new members to participate. Their participation has encouraged new forms of dialogue amongst members, instilling common aspirations and vocabulary amongst members and providing a basis for peer assistance. Participation in the audits has facilitated local fundraising efforts, making support from governments, the private sector and donor agencies more accessible; certification has enhanced the credibility of some members while organizations unable to gain accreditation have coherent arguments for attracting funds for local capacity building.

The willingness of both Mozambique and South Africa to open their organizations up to re-audits in August 2006 demonstrates their commitment to the process and to demonstrating improvement. While Mozambique had received certification in July of 2005 after its first audit, it received an even higher score during its re-audit. In contrast, South Africa failed to receive certification during its first audit in June of 2005, but in August 2006 the auditors asserted that the organization had “demonstrated seriousness and commitment to the process and showed substantial improvements since the last audit,” enabling it to be certified.

While new members Burundi, Cameroon and Ghana did not participate in the SGS audit within the period of the USAID grant, it should be noted that Burundi and Ghana participated later in 2006 and the Cameroon audit has been scheduled for February 2007 to baseline its existing capacity. In addition, the Somali Red Crescent and Uganda Red Cross Society participated in the audit process in November and December 2006.

In 2005, NEPARC members challenged Red Cross donor societies to also undertake the SGS audit in order to appreciate the rigor of the process and to develop a common vocabulary around capacity. As a result, the Spanish Red Cross Society participated in February 2006 and the British and Canadian Red Cross Societies committed to undertaking the audit in the first quarter of 2007. The Secretary General of the Spanish Red Cross presented his Society's audit experience at the August 2006 NEPARC General Assembly and a constructive dialogue ensued with NEPARC members who shared many of the donor's challenges. NEPARC has asked that all Partner National Societies who participate in the process also financially support the first-round audit of a member African National Society.

A significant development that took place in May 2006 was the decision by the NEPARC Board of Directors to rescind the membership of the Tanzanian Red Cross Society as a result of its refusal to participate in the SGS audit. The decision demonstrates NEPARC members' commitment to membership requirements and to maintaining the quality of the network.

Overview of NEPARC Member Audit Participation

Organization	Member Since	Date of 1 st SGS Audit	Date of 2 nd SGS Audit
Ethiopian Red Cross	2004	July 12-13, 2005	
Ivory Coast Red Cross	2004	July 4-8, 2005	February 2007 (Expected)
Kenya Red Cross	2004	January 20-21, 2005	
Libyan Red Crescent	2004		
Namibia Red Cross	2004	January 17-18, 2005	
Nigerian Red Cross	2004	July 11-15, 2005	
Rwanda Red Cross	2004	July 18-22, 2005	
Sierra Leone Red Cross	2004	July 18 – 22, 2005	
Somali Red Crescent	2004	November 27 – 28, 2006	
South African Red Cross	2004	June 13-14, 2005	August 10 – 11, 2006
Sudanese Red Crescent	2004		
Uganda Red Cross	2004	January 24-25, 2005	December 4 – 5, 2006
Zambia Red Cross	2004	January 20-21, 2005	
Zimbabwe Red Cross	2004		
Fritz Institute	2004	n/a	n/a
Mozambique Red Cross	2005	June 30 – July 1, 2005	August 7 - 8, 2006
Burundi Red Cross	2006	November 30 – December 1, 2006	
Ghana Red Cross	2006	November 21 – 23, 2006	
Cameroon Red Cross	2006	February 2007 (expected)	

Technical Interventions

After undertaking the governance audit for the first time, NEPARC members initiated a diverse set of activities to address the weaknesses identified by the audit, leveraging local resources and support from Fritz Institute and Partner National Societies. Examples of organizations' efforts include:

- Workshops (Uganda, South Africa)
 As a result of its participation in the SGS audit, the Uganda Red Cross Society organized a governance and management retreat facilitated by NEPARC, developed a code of conduct for its board and management and created conflict of interest policies and procedures. The success of Uganda's efforts to address its weakness is illustrated by its increase in audit score of almost 15%. The South African Red Cross Society also developed a comprehensive strategy to address its gaps, which included the hosting of a think tank workshop on resource mobilization to formalize a fundraising policy and attract local resources. The strategy proved successful, resulting in the organization receiving certification from SGS after its re-audit in August 2006.
- Knowledge-Sharing (Kenya, South Africa, Uganda)
 During the 2006 NEPARC General Assembly Meeting, which representatives from ten member National Societies attended, the South African, Uganda and Kenya Red Cross Societies presented their experiences undertaking the governance audit and developing and implementing continuous improvement plans. While acknowledging the fact that the Society did not receive certification from SGS initially, the South African Red Cross Society representative asserted that their participation in the first-round of audits enabled the Society to identify all of its weaknesses and prioritize areas in which they needed to improve, presenting their work plan which prepared them for their second-round audit. In its presentation, the Kenya Red Cross described the successful partnerships it forged during its recent drought relief operation with the private sector, government and donor agencies, made possible in part by the fact that its brand is trusted, known and respected, all of which was bolstered by the organization's certification from SGS in 2005. The Secretary General of the Kenya Red Cross also presented its efforts towards meeting its core costs by 2010 through various income-generating activities such as its Disaster Management Training Center. The laudable efforts of the Kenya Red Cross to become financially sustainability were discussed at length among the members who were interested in replicating its success.

- Formal Peer Networking (Kenya and Ghana)
In August 2006, the Kenya Red Cross committed to a formal peer mentoring relationship with the Ghana Red Cross, who's new Secretary General was in attendance at the meeting. It is hoped that this formal partnership, which has already resulted in a site visit of the Secretary General of the Kenya Red Cross Secretary to Accra, Ghana, will be a model for peer networking that can be replicated throughout the NEPARC network in the future.
- New Forms of Partnership (Ivory Coast, Mozambique, Sierra Leone)
A noteworthy development in 2006 was the coming into fruition of the 8 in Africa Initiative, a program stemming from donor support of NEPARC and their interest in contributing funds to bolster the capacity of its members. Through the initiative, the British Red Cross is partnering with the Sierra Leone Red Cross, the Canadian Red Cross with the Liberia Red Cross, the Netherlands Red Cross Society with the Red Cross of the Ivory Coast, and the Norwegian Red Cross Society with the Mozambique Red Cross to build local capacity according to the terms of each African National Society. The African National Societies involved are collaborating to identify how support from the donors can address the weaknesses identified by the SGS audits. The NEPARC network is providing opportunities for networking and circulating lessons learned so that the success can be replicated throughout the continent.

Summary of Key Achievements for Phase II: Financial Sustainability

The funding from USAID also contributed to the development of the tools and processes required to begin Phase II, the financial sustainability audit. The goal of the tool is to determine whether resources will continue to be available to the organization in the future, whether funding sources are advantageous to the organization and whether the organization has the ability to generate local and regional resources necessary to achieve their objectives.

In early 2006, NEPARC asked Fritz Institute to initiate a broad search for academic and private sector partners capable of developing the tool, selecting Nairobi-based KPMG based upon its unique combination of private and public sector experience and formidable reputation. The KPMG team visited the Ethiopian Red Cross in June 2006 to incorporate its expertise in resource mobilization and to ensure the tool's applicability within African Red Cross Societies. A Fritz Institute representative introduced the draft tool to NEPARC members at the August 2006 General Assembly where it elicited a significant amount of interest from member and donor organizations. It is expected that the financial sustainability audit will be available to all members who have received certification by SGS in the audit in transparency, accountability and governance.

Summary of Key Achievements for Phase III: Program Effectiveness

While it was not expected that the Phase III program effectiveness tool would be developed until Year 2, after the USAID grant period, NEPARC members were particularly keen on this aspect of the network and thus in late 2005, Fritz Institute selected the Harvard Humanitarian Initiative (HHI) to research and develop a program effectiveness tool focused on NEPARC member HIV/AIDS programs. The focus on HIV/AIDS programs in particular stems from the fact that such programs are found in most African National Societies.

The team from Harvard University, composed of four researchers including physicians and public health specialists, benefited from an extensive visit to the Kenya Red Cross headquarters and 8 branch offices in January 2006. The team submitted the draft tool, focused on Red Cross Societies' home-based care and peer education HIV/AIDS programs, in June 2006 and it is currently being circulated among NEPARC members and other area experts for feedback before it is piloted. The tool enables a composite score for each of the programs in the contextual, process and outcome domains. The composite score will provide a comparison between and among programs, follow trends of individual programs and identify program strengths and weaknesses.

Financial Narrative

Expenditures for Year 1 of the Fritz Institute Capacity Network Initiative amounted to \$277,000. Of the total funds spent, \$150,000 was associated with professional fees. Thus the \$100,000 USAID grant contributed 36% of the funds for the first year of the program. The Hewlett Foundation awarded \$300,000 to the program for the first two years of the program of which \$50,000 was allocated to Professional Fees in Year 1, accounting for 18% of the funds in Year 1. Finally, Fritz Institute contributed the remaining \$127,000.

Total CNI Funding: Year 1 (October 2005 – September 2006)

Donor:	Fritz Institute	USAID	Hewlett	Total
Contribution	127,000	100,000	50,000	277,000
% of Total Contribution	46%	36%	18%	100%

As expected, a large proportion of the professional fees were associated with the fees and expenses of the Fritz Institute Deputy Director for Africa, Winnie Ngugi, who played a pivotal role managing the NEPARC Secretariat from Nairobi, Kenya. Her fees were approximately \$32,000 for the year. Her travel expenses amounted to \$33,000. She was asked by members to attend various meetings and events continuously throughout the year on behalf of the NEPARC Secretariat. Her travel included, for example, trips to Kigali, Rwanda for its SGS audit, to Dakar, Senegal, Geneva, Switzerland, and Freetown, Sierra Leone as the NEPARC representative at partner meetings, Accra, Ghana to present NEPARC to the prospective member, and the U.K. to participate in a high-level global conference on local disaster preparedness at which a number of donors expressed interest in the NEPARC model.

As part of Phase II, USAID funding supported the initial development of the Sustainability Assessment Tool (SAT) by KPMG Kenya. The firm's fees and travel expenses to the Ethiopian Red Cross Society in Addis Ababa amounted to approximately \$35,000 and the draft tool was submitted to Fritz Institute in August of 2006.

Budget vs. Actual Costs: Year 1 (October 2005 – September 2006)

Professional Fees	
Estimated Cost	174,000
Actual Cost	150,000

Changes to the Plan

1) The Humanitarian Executive Program, included in the initial proposal to USAID, was contingent upon the receipt of additional funding which did not come into fruition.

2) It was expected that four additional SGS audits would take place in Year 1 and only two audits were realized. This is in part because humanitarian crises in member countries, Sudan and Zimbabwe, still prevent the National Societies from fully participating. In addition, coordinating a large number of audits that were in demand in mid-2006 with the schedule of SGS auditors, given language and geographical concerns, meant that the next set of audits took place in November and December of 2006, beyond the grant period.

3) It was expected that Abbas Gullet, Secretary General of the Kenya Red Cross, would be able to oversee NEPARC strategy and activities as NEPARC Director at no cost. Current humanitarian crises, namely a severe drought in the region, prevented him from devoting a significant amount of his time to NEPARC.

4) The funds allocated towards technical interventions were less than expected given the participation of the donor organizations in contributing to the efforts of NEPARC members addressing the gaps identified by the SGS audits.

Next Steps

NEPARC Overall

In early 2007, it is expected that the NEPARC Board of Directors will confirm an Africa-based Executive Director to lead and develop the NEPARC Secretariat. A strong candidate has been identified and will be having in-depth meetings with the NEPARC Chairman and fellow Board Members in early 2007. In addition, we anticipate an additional three NEPARC members will join the network. An emphasis for membership recruitment will be on Francophone countries of which there is currently only one member.

Phase I

Audits & Certification

In February 2007, Cameroon and the Ivory Coast will be undertaking the first and second-round SGS audits, respectively. The British and Canadian Red Cross Societies are also expected to participate in the first quarter of the year. We anticipate an additional 4 NEPARC members will be re-audited in mid-2007, bringing the total number of audits in Year 2 to 10. In addition, the NEPARC members who have not yet participated for the first time will be requested to participate or risk being asked to rescind their membership.

Technical Interventions

It is expected that the successful peer networking partnership between the Kenya and Ghana Red Cross will be replicated across the network. At the 2007 NEPARC General Assembly, taking place in Kampala, Uganda, the 10th and 11th of August, we anticipate a new set of awards for members who successfully received certification and the launch of an associated media strategy. In addition, Fritz Institute, SGS and NEPARC leadership will be collaborating in Year 2 on a cumulative lessons learned report which will provide insight into overall trends across National Societies and the innovative ways in which members have addressed their shortcomings.

Phase II:

In December 2006, the KPMG team that developed the Sustainability Assessment Tool visited the Mozambique Red Cross Society to pilot the instrument. After incorporating the feedback from the initial pilot process in Maputo, the KPMG team will pilot the tool within the Uganda Red Cross Society in early 2007. We anticipate the tool will be available for those members in the wider network that have successfully completed the SGS audit. We also expect three African National Societies will undertake the SAT in Year 2 of the Capacity Networks Initiative. A potential self-assessment process is also being considered for application in the future.

Phase III:

The tool submitted by the team from Harvard University is rigorous and comprehensive and the next steps are determining the specialized resources necessary to pilot the existing tool. The tool has been circulated to subject area experts in the academic and private sectors and feedback is being incorporated. The potential also exists to collaborate with other public and private actors, working on complimentary activities, on a standardized program effectiveness tool for African HIV/AIDS programs.

Capacity Networks Initiative

From its inception, the NEPARC model was being tested for replication with other organizations and across other geographies. While NEPARC is still in the early stages of success, given the proposed seven-year time frame, it is notable that the leadership of the International Federation of Red Cross and Red Crescent Societies has expressed interest in applying the NEPARC governance audit process to its entire membership. The Federation representatives at NEPARC meetings have also demonstrated interest in the financial sustainability and program effectiveness audits. The Federation's interest in the NEPARC audit processes shows one way in which the NEPARC model could be replicated.