

# TRANSFORMING AN INTERNATIONAL DEVELOPMENT PROJECT INTO A LOCAL NGO

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## ABSTRACT

Over a ten-year period, World Learning, with funding from the U.S. Agency for International Development, worked to support the development of the non-governmental community in Malawi. In a difficult political environment, marked by political repression and a culture of suspicion and distrust, World Learning was able to accomplish only a limited number of its objectives. However, with the change of government and an opening of the political environment, World Learning and its partners were able to modify the program to take advantage of new circumstances. One important opportunity was to facilitate the creation of an independent, sustainable Malawian NGO from among the native project staff. This paper describes and analyzes that experience and draws lessons that can be applied to other organizations dealing with North-South partnerships and the creation or facilitation of sustainable indigenous NGOs.



## KU-USA

The tree provides a neutral, common space,  
A conducive environment,  
Cool shade away from the sun's harsh rays.  
It is a place where advice is sought and given,  
Where important decisions are made,  
Where friendships are forged.  
Partnerships for the benefit of the community  
Were first formed in Malawi  
Under the shade of a tree.  
This tradition has brought our people good fortune  
And helped them weather troubled times.  
The principles of the Development Centre are part of this long tradition.  
The tradition lives on....  
(Excerpt from a Program Brochure)

A few years ago, while designing a logo for the Development Centre (whose beginnings are described in the following pages), I asked my Malawian colleagues for the Chichewa word that best describes the compassion that motivates us in our work. A lively debate ensued and I was treated to the distinctive and delightful humor for which Malawians are famous. After some word wrangling, they finally found consensus in the word *ku-usa*, which my colleagues translated as “a concern for others.” I happily incorporated the word into a logo and featured it on a brochure I created for an important event. Then, late one night, after printing hundreds of copies of the brochure, my friend held one up, inspected the logo, and said, “You know, *Malume*<sup>1</sup> it’s an interesting word, *ku-usa*. It means so much to us, and often we use it at funerals... it means ‘grieving for the dead.’”

If the following article seems distracted at times by too much talk of the meaning and intricacies of words, I trust the reader will understand.

What follows is a brief chapter in the long history of a country’s democratic evolution. This particular chapter is about the still uncommon process of creating a sustainable, nongovernmental organization (NGO) out of an established international development project. It begins over a decade ago when World Learning and USAID joined forces known as Services in Health, Agriculture, and Rural Enterprise Development (SHARED), an ambitious endeavor to foster nongovernmental responses to poverty and disfranchisement in the small, land-locked country of Malawi<sup>2</sup> in southeastern Africa.

## A SHARED BIOGRAPHY

World Learning launched SHARED, its USAID-financed, NGO capacity-building project, in 1990. Designed in the context of a crippling drought and refugee resettlement problems, this ambitious umbrella project initially sought to promote NGO activity in areas of agriculture, off-farm employment, and health, and to strengthen the capacity of Malawian NGOs to provide services in those sectors. SHARED promised to bring in millions of dollars worth of assistance and grants to meet the lofty goal of fostering Malawi’s fledgling NGO third sector.

Notwithstanding the large sums of money, SHARED began with a modest project office staffed by an expatriate Chief of Party and Finance Officer, and four Malawian Program staff. This group became the Project Management Unit (PMU) that offered Malawian NGOs assistance in a variety of areas, such as in setting up project and financial management systems. A generous grant program complemented technical assistance and provided NGOs with needed resources such as computers, office equipment, and even vehicles, enabling them to pursue mission-driven activities.

The goal, the resources, and the commitment were now in place, but the challenges remained daunting. Only ten to twelve local NGOs existed in Malawi when World Learning arrived; only a few had experience with international organizations and those focused primarily on drought and relief projects. Although the Malawian government at that time felt

pressure from external donors to channel resources through international (and subsequently, local) NGOs, it was very suspicious of such organizations. Indeed, the launching of the SHARED Project came at a time when Malawi was still under the shadow of its President-for-Life, Dr. Kamuzu H. Banda. By then, Banda was well known for leading a regime of centralized, coercive control. Naturally, this political culture fostered a widespread distrust and resentment of authority — attitudes already part of the country's colonial legacy.

Thus, in the early days of SHARED, the local situation was far from conducive to voluntary association, or even to basic NGO capacity building. The Malawian government closely monitored project activities; sub-grants to local NGOs even required Ministry approval. The operating environment was restrictive, hierarchical, and apprehensive. Indeed, when World Learning held its first project workshop on a typically warm day in the Malawian capital, the government added to the heat by sending three police officers to the training. Members of a special police unit thereafter became familiar “participants” in World Learning's group training activities — hardly a setting in which to foster trust, let alone to introduce new concepts of organization and association.

Under these circumstances, it is safe to say that had SHARED focused overtly on promoting the NGO sector's proactive role in society, the PMU would have been viewed as a threat to the government. It made better sense to begin by concentrating on neutral aspects of NGO capacity building such as finance and administration, rather than on the responsibility of people, through voluntary association, to take control of their lives and destiny. Recognizing the potential to be perceived as a threat, SHARED implementers did not openly mention concepts like “freedom of association” or other commonly held assumptions of civil society development. In fact, the first SHARED Project operations manual did not directly describe the role of NGOs in a democratic society at all.

No doubt, such “omissions” indirectly contributed to World Learning's ability to maneuver in the restrictive political climate. SHARED was able to get resources to NGOs and the communities they served without appearing to challenge the government. The positive impact of strengthening NGOs to serve people, of course, provided an ancillary benefit to the government: the NGOs met needs that the government claimed to meet but did not. Looking back, many of Malawi's NGO leaders today acknowledge that SHARED arrived at a scene of no NGO capacity. Most NGO workers, they say, came from the commercial sector or directly from school, and no guidelines — not even the comprehensive SHARED operations manual — could fully prepare them for their new role in society.

These young leaders were not the only ones learning the ropes. Initially, even the Project's local staff had little knowledge about how development projects operated. This dearth of experience on both sides of the Project created a relationship between SHARED and local NGOs that was resource-driven rather than demand-driven. For example, the operations manual fixed the maximum dollar amounts available for each grant category, and PMU discussions with potential grantees tended to focus on the funding ceiling rather than on real need. Local organizations thus submitted proposals based on resources available rather than on what they or their communities needed or were prepared to manage.

## SEEKING RESULTS

Another factor that heavily influenced the relationship between the Project and its NGO partners at this time was, understandably, the looming presence of the donor, the United States Agency for International Development (USAID). Early on, relations between USAID, the Project, and the NGO grantees appeared to have been fairly rigid and “top-down” in nature<sup>3</sup>. These relationships reinforced and exploited, albeit unintentionally, local assumptions about power and authority. USAID, in fact, reviewed and approved sub-grants in the SHARED Project, which not only confused — and sometimes intimidated — the local Project staff and NGOs, but added to the length of time it took to establish a grant relationship with a local organization. The involved approval process and the complex procurement policies caused delays in getting resources to NGOs.

It is, of course, part of a common domino effect. The U.S. Congress puts pressure on USAID to perform. USAID/Washington demands quick results from its field missions, and the field missions scramble to demonstrate results. Unfortunately, “results” often translate narrowly into demonstrating that projects are spending money. USAID/Malawi apparently felt such pressure and pushed SHARED to produce *measurable results*. The Project had done a commendable job in setting up the grant program, but SHARED management was perhaps overzealous in addressing the donor’s demands and, at one point early on, the Chief of Party declared to the staff, “I don’t care what you do, I want the money to move.” Thus, SHARED’s justifiable emphasis on results led, in part, to a focus on means as ends, rather than on means to an end. Again, this is not uncommon. Bureaucratic demands that flow from the donor often precipitate unintended organizational ends. The pressure to move money put great stress on the PMU to “account for every penny.” Many NGO grantees, however, were actually only two- or three-person organizations that could barely manage to supply the services they existed to provide.

A heavy emphasis on accountability and formal reporting made good sense from a Project point of view, and in certain ways became an appropriate end in itself. However, the Project imperative to ensure grantee accountability began in a context where power and authority had been simultaneously viewed as absolute and corrupt. To question authority was unthinkable, but to trust those in charge was equally untenable. Formal demands based, for example, on procedural compliance became more important than the reasons behind those procedures in the first place. Over time, of course, these project procedures began to develop value *per se*; in effect, this was the institutionalization of SHARED practices, which reflected the attitudes and choices of those who were involved in the Project. Further discussion of this process of institutionalization will continue below.

## HOPE

Understandably, the SHARED Project design could not anticipate all the changes that were to occur during implementation. Malawi was unknown territory where Western

concepts of democratic organization were untried. These were difficult times, yet the Project was making a difference in the lives of Malawians both inside and outside the Project. Within its first two Project years, SHARED had become the single largest source of support to the Malawian NGO community. World Learning and USAID operated on the hopeful and risky premise that, given the chance, people will embrace democratic values, and civil society will become a part of the daily lives of Malawians.

Hope was rewarded. Despite the challenging political and bureaucratic climate, Malawian ingenuity soon began to blossom. NGOs surfaced in many parts of the country, addressing important needs and providing many basic services. Just four years into the project, the number of local NGOs had already grown to nearly 50, and Malawi found itself in the midst of a major political transformation, an inexorable shift toward democracy. In 1994, President Banda was defeated in the country's first multiparty elections. This dramatic change — a positive *force majeure* — caused USAID and SHARED to revisit their objectives. USAID refined its strategy to respond to and support positive initiatives flowing out of the country's democratic transition<sup>4</sup> and, consequently, SHARED shifted its focus toward supporting NGOs that promoted democratic participation through civic education, human rights, and women's economic and political empowerment.

While the great progress seen in these elections represented an extraordinary beginning, it is important to recognize that 30 years of autocratic rule built on the rubble of colonialism leaves a deep impression on a society's view of authority and responsibility. Local initiative, having been long suppressed, remained an uncertain variable in predicting whether democracy would hold. In retrospect, the strategic adjustments made by USAID and SHARED may appear the obvious choice, but at the time they were truly a gamble with the potential to support or undermine the fledgling democracy at a critical time. Strategies changed, but capacity building remained at the center of all SHARED activity.

## THE TRANSFORMATION

Capacity is enhanced in many ways, but it is sustainable only through institutionalization at the individual and organizational levels. Midway through the life of the Project, World Learning and USAID agreed that the Project's contributions to Malawi's fledgling democracy and to NGO capacity building would most likely endure if SHARED's efforts were shifted entirely to Malawian management. Hoping to build from the core PMU, in 1996 World Learning formally decided to establish a local organization, subsequently named the Development Centre (DevCentre), that would carry forward the Project's success in serving the NGO community.

During the first year following this important decision, SHARED held many informal, mostly *ad hoc* discussions on the possible forms of the new organization. Work on the innovative idea, however, often had to compete with other significant Project demands. Indeed, at the time discussions of establishing a local NGO were underway, SHARED was

managing approximately U.S. \$2 million per annum, a third of which was in the form of sub-grants to NGOs. It is not surprising that the first “formal” session of the transformation was a visioning exercise tagged onto the end of an Institutional Analysis workshop. This first session helped clarify and legitimize the transformation concept, and led to the formation of a SHARED staff transformation task force to analyze various organizational forms that might be appropriate for the new entity.

## MOVING FORWARD: A PERSONAL ACCOUNT

I joined World Learning in 1997, shortly after the expatriate Chief of Party (COP) had become the Project’s Technical Advisor and the new Finance Officer had come on board. The COP’s shift in positions was critical in that it made room for a local Project Director, the first Malawian to head SHARED. By default rather than design, this group became the transformation management team.

Because the transformation was for, and largely carried out by, the local staff, the Project Director combined his local wisdom with his technical expertise and became our *de facto* leader. The expatriate Technical Advisor and Finance Officer provided critical guidance in the areas of USAID regulations and financial questions, respectively, and they consistently found ways to creatively contribute to important solutions, in areas such as resource mobilization and strategic planning. My role was coordinator, but as the transformation unfolded I became increasingly involved in developing marketing strategies for the new organization. Of course, we all benefited from the able advice of World Learning’s Director of Programs, and from the motivating guidance of our partners at Global Excellence in Management (GEM), a USAID-funded agency managed by Case Western University.

The transformation team quickly settled into separate yet mutually supportive patterns; in fact, at first we operated as though we had formally agreed on our roles and responsibilities. This was no doubt made possible by a commitment derived from shared professional values. But as the transformation gathered momentum, the complexity of our goal challenged the superficial clarity of our responsibilities. In retrospect, the transformation team might have benefited from a more formal — or at least explicit — arrangement, as well as from regular opportunities to revisit and reaffirm our various roles, responsibilities, and expectations.

Nevertheless, the transformation team and the local PMU took imaginative yet pragmatic steps to create the new entity. We embarked on that indispensable course, the strategic planning process, to begin identifying and molding an appropriate mission, defining goals, objectives, and potential outcomes. Tapping into World Learning’s extensive network, we held the first of four strategic retreats co-facilitated by our partners at GEM. Near the end of 1997 we felt we had made considerable progress towards achieving:

- a pragmatic vision reflecting staff values and stakeholder needs;

- increased confidence, commitment, and capacity of Malawian staff;
- a three-year transition plan, including a basic funding strategy;
- enhanced networking and communications capacity promoting local and international relationships and partnerships, including World Learning’s home and field offices; and
- a replicable model that World Learning could apply elsewhere with other field offices and partners (although this only become apparent later on).

As the organization took form, our momentum also increased; the local staff dubbed the new entity “The Development Centre,” and drafted case<sup>5</sup> and capability statements. As an interim measure towards registration as an NGO under the Trustees Act, the PMU recorded The Development Centre as a Company Limited by Guarantee (a charitable, not-for-profit vehicle under Malawian law).

## LOOKING TO THE PAST TO PREDICT THE FUTURE

At each major juncture of the transformation, we — the DevCentre staff and the transformation team — found ourselves facing the impossible task of looking to the past to predict the future. At nearly every step, we had to decide which elements of SHARED project management and program focus should be carried forward and which should be left behind. Some issues — the transfer of resources to the DevCentre, for example — were complicated insofar as they required knowledge of and adherence to USAID disposition rules and regulations. Ultimately, these issues were time consuming but by no means insurmountable.

Our greater challenge was in determining the extent to which the Project administrative and organizational systems should be adopted by the new organization. Fortunately, the main SHARED activity over the years was NGO capacity building, and the transformation team was in a position to draw on the Project’s experience in developing and applying World Learning’s Institutional Analysis Instrument, designed to provide benchmarks of organizational capacity. This tool gave us a clear organizational framework and we had little trouble choosing the functional areas such as the financial controls, management systems, and service delivery features of the new organization. Many of these areas were in place under the Project organizational structure and we naturally sought to adapt them to the new arrangement.

This easy transfer of standardized routines was gradual, without much disruption in the way things are done on a day-to-day basis. The “benevolent environment” (cf. Hedberg, Nystrom, and Starbuck 1978, p. 116) of stable SHARED funding and resources limited the level of perceived threats to the organization, thus the need to seek alternative approaches or even modify existing systems was at first minimal. The fact that things were working so well by Project standards offset even a certain level of inflexibility in administrative arrangements.

While the transformation team and the DevCentre assumed that certain functional aspects were appropriate for both the Project and the new entity, it is now clear that there was not enough early consideration of which systems the DevCentre ought to adopt. As we were all products of the Project in one way or another, our operating assumptions kept us from truly questioning the administrative aspects we chose to carry forward. Besides, developing a governance structure, staff roles, and external relations often demanded more attention, if not imagination.

In short, the Development Centre inherited an organizational ideology that rewarded conformity to a tradition of standardized routines that fit the SHARED Project better than an independent organization. These standard routines were derived as much from bureaucratic demands as programmatic needs. They were functional and effective, particularly in the early stages of the project, but had the potential to undermine the new entity's ability to respond to change, at least as long as it was under the Project's shadow.

## BALANCE AND LEADERSHIP

This is not to say that all was lost. Although institutions evolve naturally, the organizational patterns on which they are based can, to a certain extent, be fostered. Recognizing that organizations with informal, nonhierarchical communication methods adapt more easily (if not more effectively) to change, the DevCentre did seek to refine some of the formal administrative arrangements inherited from the Project to create a new balance between formal and informal systems. Just as SHARED's formal systems comprised Western and local group norms, so too were the DevCentre's group norms to become a blend of Western and local expectations.

Despite these growing pains, the DevCentre was in a good position. It was starting out with the experience of an international organization and the knowledge of a local counterpart. And its role was simple: Building on World Learning's success, it gave local organizations the tools to do their important work. It helped health-oriented NGOs define their leadership roles, it guided human rights organizations in strategic planning, and it enabled environmental NGOs to manage finances and report effectively. In a practical sense, the DevCentre now offered solutions to Malawi's development challenges.

Gradually the transformation team became aware that its challenge was to turn managers into leaders; that is, to help staff carry forward a technical management capability and to enable them to define an independent institutional direction. This was not immediately apparent; only after the first strategic retreat did it become clear how deeply engrained the "project management mentality" was in each of us. This mindset was a good thing, of course, from the Project standpoint; but, again, from a transformation perspective, the challenge was to modify an institution rather than merely establish an organization.

Leadership is critical to institutionalization, of course, and the transformation team tried to foster it throughout the process. Almost reflexively, we saw leadership as more than status

or decision-making authority. Leadership almost always surfaced as a general, directive force, appearing in many forms. One of the most powerful illustrations of this came at the very first transformation retreat, which included the entire local staff, long before the DevCentre became a reality. At that retreat, we organized into groups to discuss how to characterize the transformation, particularly the World Learning corporate relationship with SHARED project staff. As each group reported its conclusions, we heard accurate yet abstract explanations and, in the face of the Project transformation, people began to get discouraged; the possibility of a new, separate organization appeared to be not tangible, not real. At this low point, an awkward silence filled the room. Then a Project automotive mechanic stood up and, looking out the window, said, “World Learning and the new organization remind me of a parent and child.” The simplicity and clarity of the metaphor had an almost physical impact on the group. This simple observation was a moment of leadership, and it allowed us to see that a separate yet cooperative relationship was possible. It was a step toward institutionalization, and it marked where an infusion of value in the new organization began.

## THE DEVCENTRE ADVISORY COMMITTEE

It became clear at this first retreat that we could all benefit from outside guidance. A few months later, the PMU independently identified members to serve on an advisory body, subsequently called the DevCentre Advisory Committee (DAC). These events suggested that ownership was shifting to the local staff and that the transformation was losing its “project activity” feel. However, we had a long way to go before we moved beyond the SHARED shadow.

The transformation team saw DAC as an interim body to guide the transition process and simulate basic board-staff dynamics. All agreed that DAC members were not necessarily to be placed on the final board of trustees but that they should be in a position to be considered. The transformation team expected the DAC in its advisory role to broaden perspectives and enhance vision. That was the theory; in practice, however, the DAC naturally assumed a quasi-governance role and consequently felt constrained by its limited decision-making authority. The bottom line was that the Development Centre was not yet an independent entity, which meant decisions were still SHARED’s responsibilities.

DAC’s frustration was also compounded by the ambiguity that came in part from not having participated in the initial decisions to create the new organization. DAC’s role hovered between advising the transformation process and a perceived responsibility for governing the new organization. Not surprisingly, their expectations at times took the form of normal board demands. In hindsight, it is easy to see that the transformation team and the PMU should have made efforts earlier to engage DAC members in a “co-creation,” rather than foisting upon them a fairly well-defined concept and structure. We were all dealing with the looming “Project presence,” and much of what DAC was to advise was inherited from the Project culture. DAC, for its part, might have been more proactive in sorting out its responsibilities and seeking ways to advise rather than to govern. In future endeavors that

require such advisory support, we will no doubt be very careful to make sure everyone involved understands and accepts the distinction between advisory and governance roles.

By mid-1999, the DevCentre registered under the Trustees Incorporation Act as an official NGO in Malawi and, taking some members from the Advisory Committee and recruiting other respected individuals, the DevCentre established a Board of Trustees. The Board is composed of competent, committed — and busy — individuals, yet it has been a major challenge to fully engage them in the governance of the DevCentre. This reflects some of the ambiguity carried over from the DAC experience. The current Board members function professionally and have met their responsibilities on one level, providing some policy guidance and the like, but they are not yet at a level to step out ahead of the DevCentre management in promoting its vision and mission. This issue also may have been avoided had we engaged a board earlier on than we did, or given greater authority to the advisory committee.

The DevCentre's relevance to the development community in Malawi outweighed these constraints and demand for the new entity's services continued to increase. The DevCentre sought to diversify its strengths and, through training and technical assistance, the transformation team and other partners helped the DevCentre enhance its capacity to deliver to its principal market, the NGO community and international donors resident in Malawi. Of course, the transformation team looked for ways to limit costs that would potentially impact the new organization's ability to operate. We were fortunate to have the funds (and USAID's blessing) to secure property and set up training facilities under SHARED, and then to bequeath those resources to the new organization at the end of the Project. World Learning's agreement with USAID also encouraged fee-for-service and income-generating activities, such as providing printing services to the development community that resulted in considerable program income.<sup>6</sup> The program income funds have become, in essence, the DevCentre's nest egg.

## MARKETING

Of course there came a time to spread the word. This required a mental shift from viewing the PMU as a part of SHARED to recognizing the DevCentre as separate from World Learning and USAID. This was the one of the most troublesome promotion problems, particularly in terms of how the new organization was positioned vis-à-vis its market and the community needs. Throughout the transformation, marketing the DevCentre very often boiled down to a process of overcoming guilt by association: The DevCentre was confronted with the paradox of having to distance itself from SHARED (that is, from World Learning and USAID, its source of experience) to attract its own funding, yet having to reinforce those links in order to demonstrate its competency.

Despite abundant rhetoric about partnership and complementary goals, the DevCentre encountered potential international supporters that would not even consider providing

assistance simply because the DevCentre was a product of a particular donor, in this case USAID. This divisive competition, prevalent among donors, undermines their common objectives and, more importantly, weakens their NGO partners. Unfortunately, we in the NGO/PVO community are no less guilty of negative competition, which is a complex issue beyond the goals of this essay.

It is important to note, however, that while competition may be manageable and may even motivate NGO/PVOs to do better work, the modeling and unintentional promotion of competition by Western PVOs and international donor agencies (IDAs) have provided yet another obstacle to the growth of civil society in Malawi. Indeed, competition means something very different to a society that has endured autocratic rule and colonial oppression.

In the face of these challenges, the transformation team recognized that it was critical to promote the DevCentre's efforts to collaborate with like organizations. Largely on its own initiative, the DevCentre guided the formation of, and provided the financial oversight for, an innovative consortium of civic and human rights NGOs in Malawi. Behind the scenes, the DevCentre was instrumental in positioning itself and this talented group of NGOs to receive a large grant to deliver civic responsibility training for Malawi's presidential elections.

Building on these and other successes, the transformation team enthusiastically encouraged and supported the DevCentre's efforts to market itself as a professional, reliable, and creative organization. The DevCentre took on its marketing challenge with zeal and, in the new organization, made its official debut in a launch ceremony in the Lilongwe at the Capital Hotel in July 1999.

The launch was a resounding success. The DevCentre staff organized an entertaining presentation of the new organization's values, hopes, and capabilities. Local artists used drama, dance, music, and poetry to share the Development Centre's story with an audience of over 100 NGO and community leaders, donors, and members of the commercial sector. A nationally recognized drama troupe performed a series of skits to convey a message of partnership and mutual responsibility for the development of Malawi, and a popular local musician even wrote and performed three songs for the event. Through traditional dance, music, and an inspirational speech by a local chief, the DevCentre delivered a powerful message to the Malawian development community and perhaps beyond.

The launch event set the stage for the DevCentre's efforts to cultivate relationships with the media. In fact, the launch itself was presented on the national news and later developed into a news documentary. The DevCentre has since received regular coverage in the national press, including a profile of the executive director. These marketing efforts, bolstered by practical successes, demonstrated that the Development Centre offered something distinctive, if not unique, among local NGOs in Malawi. Its value to both donors and local organizations was becoming clear: the DevCentre offers local knowledge, high technical competence, and a deep commitment to improving the lives of Malawians. It is a bridge between international donors and local NGOs and the communities they serve.

## INSTITUTIONALIZATION

In seeking to establish and reinforce the capacity of the new organization, World Learning developed and implemented a comprehensive plan of technical assistance and training and, in partnership with USAID, committed sufficient funding over a significant period. Throughout the process, the transformation team continually reassessed and refined roles and commitments. We wanted to ensure that the PMU — and subsequently the DevCentre — engaged all relevant stakeholders and that the necessary resources would be available. We developed a transfer plan, including a partnership Memorandum of Understanding, and ultimately a sub-award that allowed the DevCentre to test the waters by independently managing the final 15 months of the SHARED Project. The sub-award was a confidence building measure for both the DevCentre and World Learning, putting to the test the extent to which SHARED trust, cooperation, and mutual values were being institutionalized in the new arrangement.

Examining some of the terms used in this article will help frame the summary of the DevCentre's evolution and the discussion of lessons learned in the process, that follow.

### CAPACITY BUILDING AND INSTITUTIONALIZATION

Capacity building and institutionalization are often used interchangeably, which, in effect, dilutes their meanings. Because both the theory and the practice of organizational development invite a wide range of perspectives, it is important here to distinguish institutionalization from capacity building. Capacity building is a strengthening of all the facets that make up an organization, from accounting systems to strategic plans to board-staff relations. Institutionalization, on the other hand, is a process that occurs when capacity building is effective. Institutionalization takes place when members of an organization begin to value something — an administrative procedure, for example — beyond its contribution to efficiency, and see it as “the way we do things.” When this occurs, the procedure takes on institutional value and is more likely to be maintained. Hence, it is sustainable.

In this sense, to institutionalize is “to infuse with value beyond the technical requirements of the task at hand” (Selznick 1957, p. 17). This concept, introduced nearly 50 years ago, is particularly useful concerning questions of organizational vision, trust, and commitment, and it complements current theory on social capital. The patterns of trust and positive reciprocity that develop over time create social capital, a resource of confidence and a sense of stability and reliability among individuals and organizations. In an organizational setting, social capital is reinforced by common institutional values.

In short, my view of institutionalization blends Selznick's definition with current theory on social capital. In the context of the SHARED Project and its transformation, the infusion of value created a foundation for trust, reciprocity, and cooperative networks. I believe these theoretical assumptions are borne out in the results of SHARED's training and technical assistance, and they underlie what is of lasting value in World Learning's contribution to civil

society in Malawi. Due to the institutionalization of SHARED and its reinforcement of reciprocity, a foundation was laid that could support a successful transformation of the Project into a local NGO.

Institutionalization, however, is a process. It is something that happens to an organization over time, reflecting the organization's own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment (*Ibid*, p.16). Institutional character, of course, is historically conditioned. Moreover, as Putnam (1993, p. 8) points out, "history matters because its 'path is dependent.'... Individuals may 'choose' their institutions, but they do not choose them under circumstances of their own making, and their choices in turn influence the rules within which their successors choose." Ours was probably an exception to the rule, but the very process by which World Learning transformed its local project management unit into an independent organization was premised on the decisions made under SHARED circumstances.

The SHARED project management unit became an institution through a natural, evolutionary process. This differed from its transformation into the DevCentre, a process that was initially somewhat artificial. The Project history suggests that a technical focus dominated SHARED from the beginning. When the local PMU was first established, its social structure mirrored its technical structure, particularly in terms of leadership and values identification. Indeed, this was reinforced by a "shakedown evaluation" in the first two Project years that concentrated exclusively on "how the mechanics and procedures established at the project inception were working in practice" (SHARED Project Shakedown Evaluation 1992, p. 1). In the early days, the Project tended to judge itself and grantees on technical criteria and the years of helping grantees gauge capacity by analyzing functional categories, as necessary as it was, influenced the way we subsequently approached the transformation to a new entity.

Out of this institutional culture, the transformation team worked with the PMU and later the DevCentre in conducting what amounted to an institutional (values) stock-taking, deciding what was needed for institutional continuity and what should be phased out. We were able to establish the technical structures and administrative procedures — the "organization" in the near term — but the process of "institutionalization" was not as clear-cut.

The task then was to help the Development Centre move beyond SHARED to develop a sense of commitment to the new organization and its purpose, to foster social arrangements that met the technical demands and fulfilled the new personal and group needs. In this respect, the transformation team did not dictate structures. Rather, to paraphrase Briggs and Peat (1999, p. 59), we sought ways to enable the DevCentre to meet the challenges it will face by letting the organization develop its own patterns, often — though not always — allowing freedom for random acts to combine constructively into self-organized coherence. The DevCentre has been developing new patterns, and that which was of institutional importance under SHARED will have to pass the test of relevance and operational value to

the new organization. To stay the course, however, it helps to know who you are, and where you are going.

## VISION

With the help of DAC and, subsequently the board and our colleagues at USAID, the transformation team worked with the DevCentre to create an institutional vision that permeated the entire organization and its operations. The vision — seeing essentially, who we are — needed to be expressed in all DevCentre activities, internal and external. Purposefully creating a vision, however, is a difficult endeavor. It takes time to permeate the organizational consciousness.

Perhaps the greatest challenge in developing a vision stemmed from the DevCentre's greatest strength: its operational and technical expertise. Reflecting SHARED history, the DevCentre staff tended to stress methods over mission; indeed methods were often used to define and articulate — and, on rare occasions, even replace — goals. This emphasis on methods or, “what we do,” is a common, often reflexive substitute for an organization seeking to define (or redefine) itself.<sup>7</sup> The difficulty in distinguishing “what we do” from “why we do it” characterized the transformation throughout, particularly in carving out an identity separate from the SHARED Project and World Learning. This had important practical consequences in terms of internal and external identity of the new organization. The Development Centre spent considerable time developing a fundraising strategy, for example, and struggled to distinguish a case statement, the classic fundraising tool, from a generic capability statement — essentially focusing on means rather than ends. Looking back, it is clear that the tendency to focus on means rather than ends is something the transformation inherited from SHARED and perhaps indirectly reflects some of the USAID–World Learning bureaucratic character. Accordingly, one must ask how this emphasis on methods influences sustainability.

## SUSTAINABILITY

A concept as important as sustainability is to the field of international development is bound to kindle a variety of valid connotations. Its definition has been narrowed by those who have adopted it for bureaucratic ends without knowledge — or at least acknowledgement — of the broader concept and its general application. More and more practitioners view sustainability from a “donor” perspective alone. That is, they tend to emphasize as paramount a recipient organization's ability to survive without the support of international donor agencies (IDAs).

This limited understanding has profound implications at the organizational level as well as at the societal level. From the local organization's perspective, sustainability is basically about whether it can survive and continue to pursue its mission, and it is logical that NGOs will seek funding where they can get it. Indeed, in developing countries where economies

and political traditions do not favor philanthropy and governments themselves are struggling to survive, it makes sense that NGOs will and should target donor resources.

Indeed, in Malawi the reality is that IDAs dominate, providing approximately half the country's budget. For a local NGO, resource and funding diversification in this context necessarily means diversification among IDAs. Still, many view NGO financial sustainability as "the ability of an organization to continue its operations without financial assistance" (NGO Empowerment Core Report 2000, p.13). This perspective suggests that until an organization is able to generate sufficient income of its own and to drop donor funding, it is unsustainable. It also suggests, even encourages, a "for-profit" attitude, where the only relevant measure is the dollar value of a grant, rather than the value of services made possible by that grant. This is not just academic; it influences the way we shape our priorities. On a recent visit to Malawi, a high level USAID official turned to a project accountant and said, "You have the most important job on the project; tracking the money is the project priority." This was more than the familiar problem of a bureaucrat who views his job as an end in and of itself. Later on, the official pointed out that USAID was in the business of creating financially accountable organizations that can generate their own income. It was hard to tell whether he was talking about NGOs or commercial enterprises, or whether he understood the difference.<sup>8</sup>

The broader issue of sustainability in Malawi may be viewed in terms of the needs of the society and the willingness of the international donor community to support local organizations that address these needs. Malawi's third sector is beginning to thrive, but it is still largely dependent on donor funding. The change needed for the Malawian NGO sector to be free of foreign donor dependence is generational, at best. And it is vast in scope: The economy needs to expand dramatically; a culture of philanthropy has to evolve; and the government needs to become more efficient, effective, and responsible. Progress at this macro scale proceeds at a glacial pace.

## STRATEGY

World Learning's capacity building approach in Malawi assumes that institutional development is integral to achieving sustainability. Capacity, one might contend, is best made sustainable when institutionalization at the individual and organizational levels augments social capital. World Learning based its decision to create a local organization on a desire to achieve a truly long-term impact. Consequently, its sustainability strategy included plans and activities to meet the DevCentre's needs and its stakeholders' needs, while at the same time securing, maintaining, and improving the human and other resources needed along the way. This necessarily included an emphasis on IDAs. The Development Centre has now positioned itself to attract a wide range of donor resources and private foundation grants to meet the demands of its community.

It is fair to say that World Learning and USAID took a bold step in formally agreeing to transform the SHARED Project into a local, independent NGO. SHARED had

demonstrated broad developmental impact and had clearly made a profound contribution to fostering a “culture of accountability” in the Malawian NGO community. Of course, only through the capability and commitment of individual Malawians would the organization have been able to carry forward this important legacy.

## THE WAY WE DO THINGS

A summary of World Learning’s experience in transforming a long-term project into a local nongovernmental support organization is limited to just that: a summary. To fully capture the rich and dynamic process that led to the Development Centre is beyond the scope of this article. Nevertheless, this brief chapter in Malawi’s democratic evolution is quite extraordinary.

All those involved with the transformation of the SHARED Project into a local NGO have no doubt learned and confirmed many lessons, but the effort to create a sustainable institution comes down to a basic notion: Organizational survival depends on strategies and activities that meet the current needs of an organization and its stakeholders, and that enhance and protect the human and other resources that will be needed in the future. The partnership between the transformation team and the PMU and, subsequently, the DevCentre, was successful in creating and ensuring the viability of the new organization, in part because of the following:

- A comprehensive plan of technical assistance and training was developed and implemented that focused on institutional structure and staff development and, in partnership with USAID, committed sufficient funding over a significant period.
- Significant time and effort were invested in fostering an institutional vision, some concrete expressions of which are found in the DevCentre’s mission, case and capability statements and, more importantly, in its increasingly effective work to bridge the gaps between international donors and local NGOs.
- Special attention was paid to the culture and politics of the development and NGO community in Malawi, particularly in terms of the new organization’s market position and community needs.
- Specifically, the transformation team worked with the DevCentre to diversify its services and to concentrate on those requested by NGOs and donors. The DevCentre was also encouraged to actively position itself in the market based on its values and true range of services. The DevCentre had to overcome some of the negative associations — true of any large donor-funded project — which had built up over the years. But it has been very successful in directing attention to those areas in the project life and history that reflected its current capacity and direction.
- Collaborative working relationships were promoted with other like organizations. This proved somewhat difficult in the face of Malawian history, but ultimately the

DevCentre was instrumental and enormously successful in guiding the formation of, and providing the financial oversight to, a consortium of NGOs, which led to a large grant to deliver civic training throughout Malawi.

- A phase-over plan was developed, including a Memorandum of Understanding and a sub-award to the DevCentre, which enabled the new organization to test itself and simultaneously test World Learning's ability to let go.
- A disposition plan was also developed to provide sufficient physical resources once the project closed. Ways were found to limit costs that would potentially affect the new organization's ability to operate, such as securing property and setting up training facilities — and then to bequeath those resources to the new organization at the end of the project.
- Lastly, a focus was continually maintained on the positive, acknowledging one another's contributions, and emphasizing the importance of high quality work.

Today, the DevCentre is a reality. Its staff carries between five and ten years of experience working for World Learning and their experience reflects the successful management of over 75 grants totaling \$8 million to more than 50 different nongovernmental organizations. Ten years of capacity building and five years of transforming SHARED has positioned the DevCentre as a leading local NGO service organization, and has challenged World Learning's ability to learn and adapt along the way.

The SHARED Project and its transformation forced World Learning to confront the fundamental “development dynamic” of matching local knowledge and priorities with external assumptions and expertise. This can be a difficult dance, to say the least. World Learning's work in Malawi suggests that as institutionalization advances, a reorientation occurs, giving rise to questions of values and direction. For an organization to be sustainable, it must on some level institutionalize its operations and, one might argue, routinely address that balance of means versus ends. Early on, the question for World Learning was one of both definitions and strategy.

The transformation team sought to tap the ingenuity and potential that thrived in the project context, however, and the defining debate became whether initial capacity building efforts should be approached from a structural perspective or the “natural” values dimension. As we delved into the transformation, we found that the question was not either/or, but rather a choice of emphasis and sequence. Circumstances permitting, both should be given due emphasis. In the early days of SHARED, the environment demanded a certain sequence, one that stressed organizational mechanics over institutional ends. That was the right choice then and, fortunately, in the transformation process we were free to address both simultaneously.

We will have to wait and see what values and what kind of institution truly grow out of the legacy of World Learning's SHARED Project. The enormous weight of the Project precedent made it difficult to create an entirely new institution, but there is optimism that

our collective efforts will infuse the new entity with values and that the development of versatile skills will set in motion the trends necessary for the DevCentre to evolve into an adaptable, relevant contributor to Malawian civil society.

World Learning has worked with and supported the NGO community in Malawi for more than a decade. Its positive impact is felt throughout the country and, after many years of providing training and resources across sectors, many now consider World Learning to be one of the principal architects of the Malawian NGO sector. As the DevCentre develops its identity, we are beginning to see a similar presence. Because DevCentre staff view the organization as reflecting their own purposes and values, they embrace the organization as individuals, not simply as technical managers or employees. Consequently, their methods of doing business are no longer expendable means to an end, but “the way we do things.” The DevCentre is indeed becoming a sustainable institution.

## ENDNOTES

- 1 Uncle
- 2 With an estimated annual per capita income of U.S. \$266, Malawi is one of the poorest countries in the world. The average life expectancy is 43 and 44 years for men and women, respectively, and the infant mortality rate is 133 per 1,000 live births. Malawi’s rate of HIV infection of 12-14 percent overall (30 percent in urban areas) is among the highest in the world. Only half the country’s population has access to safe drinking water.
- 3 I joined the Project in 1997, so this assessment of the early history of SHARED is based on documentation and interviews.
- 4 USAID’s Strategic Objective 5 under its 1995-2000 plan sought to strengthen and broaden the institutional base for democratic participation.
- 5 H. J. Seymour, one of the great authorities on fund raising, defines the “case” as a statement of “all the reasons why anyone would ever give to the organization” (Cited in Rosso 1991, p. 39).
- 6 Program income in this case is essentially income generated directly from a USAID-supported activity or earned as a result of USAID funding.
- 7 See Selznick (1957, p. 12): “The tendency to emphasize methods rather than goals is an important source of disorientation in all organizations.”
- 8 The myopia of this particular individual in no way represents our USAID colleagues in Malawi. In fact, they have been consistently constructive in their support of the SHARED Project and its transformation into the Development Centre.

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