DGP Global Program Evaluation

(A mid-term, real time, learning-oriented evaluation)

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List of Acronyms

AO – Agreement Officer
AOTR- Agreement Officer's Technical Representative
CA – Cooperative Agreement
CB – Capacity Building
CAP- Capable Partners Program
DIMP – Detailed Implementation and Management plan
DLI – Development Leadership Initiative
FA – Financial Analyst
IDF- Institutional development framework
IIP – Institutional Improvement plan
IDP – Internally Displaced Persons
MD – Mission Director
ME - Microenterprise
MF- Microfinance
NICRA – Negotiated Indirect Cost Rate
PAS- Pre Award Survey
PMP- Performance Management Plan
PVO- Private Voluntary Organization
RTA- Regional Technical Advisor
TIP- Trafficking in Persons

I. INTRODUCTION

1.1 DGP Background

The DGP was established under the FY 2008 Appropriations bill, section 674 (a):

"There is established within the United States Agency for International Development (USAID) a Development Grants Program (DGP) to provide small grants to United States and indigenous nongovernmental organizations for the purpose of carrying out the provisions of chapters 1 and 10 of part I and chapter 4 of part II of the Foreign Assistance Act of 1961."

The legislation earmarks "not less than $50,000,000" and states that the maximum grant may not exceed $2,000,000. In FY 2009 and FY 2010 (Round Two and Three respectively) the amount of the earmark is $40,000,000.

As amplified in the evaluation Scope of Work, the DGP has four main objectives:

1. Broadened participation in USAID programs of local NGOs and U.S. PVOs with experience and expertise relevant to priority USAID and partner country development objectives.

2. Expanded numbers of local NGOs and U.S. PVOs with planning, management and service delivery systems adequate to implement USAID funded activities.

3. Measurable NGO/PVO contributions to the achievement of the USAID Mission development objectives with emphasis given to those that address Agency priority strategies.

4. To change the infrastructure and culture of USAID to promote direct grants to NGOs, with priority given to indigenous NGOs and small, U.S.-based PVOs.

The first cooperative agreements were finalized in the Fall of 2009. Twenty-six USAID missions were involved, approving 59 DGP grants. These grants are referred to as "Round One" and it is this set that is the focus of the evaluation.

Tim Rieser, of the U.S. Senate Staff, who is acknowledged as the prime mover of this legislation, stated in an interview with the evaluator on September 24, 2010, that the DGP was conceived as a program for smaller NGOs who had been "shut out of the process." He emphasized several key points:

- DGP was set up as an experiment to "create space for creative, innovative, cost-efficient local solutions."

- DGP should not be restricted to any one sector and was designed to be open to unsolicited proposals in any sector.

- It is a program that goes hand-in-hand with procurement reform.

- USAID should be proactive in reaching out to smaller, local organizations.

He also said that he felt the DGP in its first round was not used creatively. Rather, it was restricted to certain sectors and just used to fund NGOs without a focus on innovative proposals in any sector. He labeled these first few years as "uninspired." He said the DGP should be open to any Mission in any sector for any small, NGO applicants with innovative ideas. The program should signal to NGOs that funds are available and that there is space for these small NGOs in USAID.

1.2 The Scope of Work

"The overall purpose of the Global DGP Program Evaluation is to learn lessons about the structure and implementation of the Development Grants Program (DGP) as designed and implemented by USAID with support from the Capable Partners Program (CAP) Leader with Associates (LWA) cooperative agreement. The evaluation will assess, in particular, the program design, development hypotheses, key decisions, assumptions, program structure and management and, in turn how the program affects grantees, constituents and communities. As the project is currently being implemented this is a mid-term, real-time learning-oriented evaluation."

The evaluation aims to examine the "full picture" of DGP. The evaluation will primarily use interviews as its methodology and will be qualitative in nature."

1.3. Acknowledgements

I am grateful to those USAID Missions that helped with site visit arrangements, translation, and logistics. Many AOTRs took time out of their busy schedules to work with me. Their names are listed in Annex A, and I thank them all.

At PVC/ODP in Washington I wish to thank especially Thomas Carter, Colin Holmes and his colleagues Zufan Mulugeta and Joyce Friedenberg, and Colin Bonner at MSI. I would like to single out also the two CAP RTAs who were with me during some of the site visits, Pablo Paz y Mino in Ecuador and Takady Konaté in Senegal, as well as Marie Ba who is a consultant working with Takady Konaté in Senegal.

See Annex A for a full list of persons interviewed.

1.4. Evaluation Time-frame and Coverage

The evaluation began with a one week visit to Washington (September 20-24, 2010) where I interviewed USAID, AED, MSI, as well as a key Senate staff member. The first field visit (to Peru and Ecuador) took place between November 8 and 19. The second field visit, to Senegal, was between December 6 and 16, 2010. The third visit, to Angola, Zambia, Malawi, Ethiopia and South Africa, was undertaken between January 7 and February 12, 2011. The last field trip was to Georgia, March 9 to 16, 2011. In all, nine USAID Missions were visited along with thirty-one grantees, which is over half of all Round One DGP grantees.

In total I interviewed 250 people connected with, or knowledgeable about DGP. At the U.S. Senate, one person; at AID/W, 22 people; at AED 5 people; at MSI 4 people. I also met with three other organizations in the Washington area: InterAction, DAI, and Women Thrive Worldwide. At the nine USAID missions I interviewed 72 people, and met with 5 AED/MSI CAP RTAs in the field. As for the DGP grantees, all told I met with 128 staff of 31 DGP grantees. In addition I met with three rejected DGP applicants. And finally I had meetings with one Peace Corps Country Director (in Zambia, but formerly with ODP), and one U.S. Embassy political officer (Angola).

In the course of many grantee site visits, there were a few fairly large gatherings of beneficiaries (in one meeting in a Senegalese village there were about 150 people gathered under a tree; in a large hall in Malawi there were 80 project beneficiaries). Obviously, I was not able to speak to, much less interview all of these people, but I did keep a rough count of individuals with whom I did speak, some very briefly and some at length. Altogether I spoke with at least 150 beneficiaries and local officials (district commissioners, health officers, etc.) in the field.

II. METHODOLOGY

The evaluation method used here is an adaptation of anthropological participant-observation. To the extent possible I try to meet project-related people *in situ*, in their work places, on site. In all cases I have an outline of questions, but during the course of an interview or interaction I adjust the questions as I pursue comments that seem to promise further insight or greater depth. I rely a lot on my personal experience in development going back over 40 years. For example, I have found that the way a project looks in the field is usually quite different than what is described on paper (in proposals or in quarterly reports). Thus my senses play a role – I keep my eyes open and look for signs or clues to what is happening or what is not. (If I'm visiting a woman who keeps bees, while I'm looking at the beehives and listening to her, I note the condition of her house, or ask whether the cows I see nearby are hers.) I also triangulate, asking the same question or type of question of a number of people. And I try as much as possible to follow people's response with a demand for "evidence." If a beneficiary tells me the project has taught her how to keep records of her expenses and income, I ask to see the record book and examine it in detail. If I hear that she has been given an electric deep fryer to make food for sale, I ask to see it, and if it is not plugged in, I ask her to show me where the possible electrical connection is. I am also aware of grantees' tendencies to "showcase" positive results and so I try also to get comments from those people who do not seem to have been designated to talk to me. And since it is virtually always the case that I am accompanied on visits to beneficiaries by anywhere from two to five or more "handlers" there is a tendency for my questions to be answered by the project people rather than the beneficiaries. I routinely and repeatedly tell them I do not want to hear from them but from the beneficiaries.

Though the focus of the DGP evaluation is very much on USAID itself, it would only make sense to evaluate the program if I could visit as many grantees as possible and assess their own progress as organizations and as implementers of the projects for which they were granted funds. I try to put the grantee project in the context of the grantee as an organization, trying to understand their mission, their history, and their overall experience with donors other than USAID. I look at budgets, quarterly and annual reports, the grantee proposals and their Cooperative Agreements. In the course of the six months between late September 2010 and now, I read countless documents provided by ODP and other USAID bureaus, as well as documents provided to me by grantees themselves.

The method used is essentially qualitative and, like quantitative evaluations, has some obvious limitations, plus some that are a function of the size of the task at hand: I covered a lot of ground in short periods of time; some people I was supposed to meet were not available; and though I had given advance notice that I wanted informal meetings on site and where possible to observe project work as it is being done, since grantees prefer to set things up to show themselves at their best, and in a sense to control the information, there were many formal presentations and gatherings of beneficiaries. Moreover, no matter how often I emphasized that I was not in any way representing

USAID, an independent evaluator tends to be seen by beneficiaries as the same as the grant donor, and thus many people try to manage impressions in the hope of further help.

But the biggest challenge for a qualitative type of evaluation is the "prove it" challenge. The audience for the evaluation will ask "how do you know this or that?" Or "how can you say this or that?" To try to overcome this, as I travel, I routinely write up "mini case studies" in narrative form, of a selection of projects - in this case two-thirds of the projects visited. If the reader cares to, these are to be read as detailed data that back up what is in the main report (see Annex B). Other back-up documentation such as my notes, are also available, but are not attached to this report.

At the same time, since I visited fully 50% of the Round One grantees, I am able to provide some numbers and percentages (section IV).

Keeping in mind the intent of the legislation and the comments of Tim Rieser, who was instrumental in that legislation, I ranked the "fit" of the grantee with the spirit of the DGP as well as the degree to which the project contains innovative elements.

I felt it was important also to estimate the degree to which the project planned, or is capable of, doing knowledge management (capturing and disseminating Lessons Learned), the degree to which the project set out trying to do too many things at once, the degree to which the project proposal was sensible and feasible in the time and budget given, and finally whether or not the results are likely to be sustainable. I also noted whether or not the grantee used outside help to write its proposal (paid or unpaid).

About half way through the evaluation when some other trends began to emerge, I devised a set of additional indices that I felt would provide support to the evaluation's conclusions.

These and the other indices are all based on a scale of 5 to 1, with 5 being the highest score, but not necessarily the best score, as explained below. These additional indices are:

<u>PI (Passion Index)</u> – A score of 5 or 4 on this index suggests a grantee that seemed to me to have a relatively high degree of passion about their work, suggesting also commitment and genuineness. Those with a low score seemed to me to be motivated more than anything else by a desire to get a grant.

<u>QQQ – Quantity Over Quality Quotient</u> – this is a judgment about the whether the grantee (project) achieves or aims at a good balance of the quantities promised in the proposal with the possibility of doing quality work. For example, a two year project aimed at reaching 45,000 people with multiple interventions, is deemed to emphasize quantity over quality, and thus would be ranked a 4, or a 5.

<u>GQ- Giveaway Quotient</u> – A high GQ would go to a project that relies heavily on giving things away. An example is a $500,000 project where half the budget goes to start-up

grants (not loans) to micro-enterprises, or a project that gives away food along with micro-enterprise grants.

BDI- Beneficiary Dependency Index – This index is a judgment about whether the intended beneficiaries show signs of becoming dependent on the project, such that they hope it will continue in perpetuity. In some DGP projects (e.g. the CENN climate change project in Georgia) there are no „beneficiaries' in the usual sense, so the index does not apply.

ITR -Intended Target Reach – This is a judgment about whether the project is actually reaching the people it said it would. For example a project that claims to reach the Poorest of the Poor but in fact reaches people a good deal above this level has a low ITR. A project which states that 80% of its targets will be women between the ages of 16 and 25, but where in fact 60% of those reached are women and most of these are over 30 also would have a low ITR.

Charts summarizing the percentages of all these indices begin on page 13.

III. EXECUTIVE SUMMARY

USAID needs to decide what it wants the DGP to do and be. Nominally the DGP is supposed to be building the number of new partners AND the capacity of new partners to do good development work, and not just to work with USAID. But development gets short shrift in the DGP so far. Too many of the projects funded try to do a little of everything, much of it not of very high quality. All are too short term, too many are unrealistic, inflated with emphases on multiple (and contradictory) sectors, e.g. mixing food and medicine giveaways with enterprise development, or microcredit with HIV/AIDS awareness, and too many are unsustainable. Surprisingly few take account of context, even such obvious constraints as lack of market activity or distances or poor roads, and even fewer of less obvious constraints like cultural mores or political context. Almost all lack any capacity or interest in capturing lessons learned or otherwise managing knowledge (including M&E). Too many grantees tend to be naïve in their expectations of reaching high numbers of people, and seem surprisingly unaware of lessons about development that were learned long ago. Grantees, some of which began with real passion about doing something they feel they know how to do effectively, are increasingly adept at twisting themselves into whatever they think an RFA wants them to be, and more and more seem to be developing a common habit – "hedge our bets and increase our chances of getting USAID monies by promising the moon and leaving no buzzword or fad out of our proposal."

In DGP Round One, for example, we see a project that is essentially about the construction of water standpipes and pit latrines, adding on gender, HIV/AIDS awareness, community volunteers (who are usually paid), and income generation for disadvantaged youth. A project that is basically about delivering food and nutrition to poor women and their children adds on an HIV/AIDS awareness component, microcredit savings groups, skills training, and „start-up capital' given as gifts to women to start "income generating activities" in the informal sector where the same activities already exist in large numbers. A project that is fundamentally about (and should simply have been about) adult literacy aimed largely at farmers, tacks on "small business training." A project in an economy where 70% to 80% of all activity is in the informal sector, intends to transform roadside women hawkers (mistakenly called "entrepreneurs") into formal sector businesses, something that most informal sector sellers intuitively understand would make their lives harder than they already are. A project that is about building communication skills among civil society actors, adds on microenterprise training and environmental awareness.

This mix of agendas and messages and skewed incentives (in almost all grantees with a training component, participants are given something material to "encourage" their participation), coupled with the common reality that starting up a new project virtually always seems to mean a delay of 3 to 6 months, coupled with the short time frame of a maximum of three years [in some DGP countries there were a few 36 month grants that turn out to be 28 months], just to mention some of the issues, means that with few exceptions these projects are executed too quickly and thus too superficially. Quality is compromised from the inception of the project, if not already in the proposal itself.

On the USAID side, the picture of grantee outreach and selection is fragmented – a mix of different and multiple interpretations of the DGP; multiple approaches to grantees not just from country to country but within the same country, some treated with kid gloves and nurturing, others held at arm's length or practically ignored. Sometimes one goes by the book, sometimes one does not. Some grantees have an inside track, know whom to call to get things moving, others are not even sure if it is permissible to call USAID missions at all. A couple are told to apply because someone likes them; others learn about the program through word of mouth or the website. Some are encouraged to apply for the maximum allowed; others are told the amounts they applied for have to be cut, or raised above what was initially proposed. Some are asked for a cost share, others are not. Some U.S. PVOs get a hefty NICRA, some do not. Some local NGOs, once they learn that they cannot get indirect costs covered, and are led to believe that U.S. PVOs can, resent it. The playing field is far from level, and while DGP is implicitly about developing a spirit of partnership, that spirit was observed in the minority of cases.

All the DGP grantees contacted, with perhaps one exception, are legally and technically eligible. But as for the spirit of the DGP, the picture is different. A for profit non-bank microfinance company is considered an NGO. An American NGO with a partner that is also a U.S. PVO but has also been registered as a local NGO is considered a local NGO; an eight figure U.S. PVO with decades of USAID experience becomes a DGP grantee by registering as a local NGO. Two DGP grantees in two different countries are locally registered NGOs, each with over 20 years' experience in their countries and well over 500 staff each, they are also both part of an international network of NGOs with headquarters in Switzerland and Zimbabwe. One has an annual budget of over $17m.

Are these grantees that the DGP had in mind?

AOTRs appear infrequently at project sites, a few of the projects are visited once in a year. The AOTRs rely instead on written reports. Too many Mission personnel are concerned only about the project meeting its "deliverables" or targets, no matter how unrealistic. Flexibility, when ill-conceived projects are finally faced with the realities on the ground, is rarely given, nor do many grantees have the nerve to ask for it. Even when, in one country the major reason for project delays had to do with the U.S.G's relations with the host country and a consequent hold-up of funds, the grantees were still asked to try to meet their targets.

Communication problems and confusion also characterize the USAID landscape, with some Missions unclear about DC's role. Some grantees that are U.S. PVOs are not sure who their boss is: the Mission in-country or USAID in D.C.

As noted above, the DGP intent is to create more good partners for USAID. The DGP anticipated that its target grantees (whether U.S. or local) were likely to be small, relatively new, and organizationally weak, and most of all without experience working with USAID. Therefore it allied itself with the AED/MSI CAP program so that under its Global Core Initiative #14, capacity building could be provided to the grantees. Now, in the early spring of 2011, as most Round One grantees are well over halfway through their projects (with some in the last phase of their projects), the record of the relationship between DGP, the concerned USAID Missions, and CAP is one of poor communication, disjointed efforts, misunderstandings if not mutual ignorance about who is to do what and how it is to be paid for, and an approach to capacity building that is too standardized, often too distant (in both time and space) from the grantees, and which focuses first on compliance with USAID procedures, and second on what might be characterized as standard Organization Development (OD) 101. While some grantees can and do benefit from such a packaging of "OD 101," and all who have received the training appreciate it, the majority need something much more custom-tailored and project specific. And virtually all need to learn to think reflectively and hard about development and sustainability, which is not in the CAP mandate. The DIMP Workshops have been held too early in the grant implementation period, and too often those who attended from the grantee NGOs were not the people who should have. As planned, CAP has tried to offer its Institutional Development Framework (IDF) to all the grantees. But even putting aside the fact that a few refused this, or said they did not need it, the deployment of the RTAs has been disjointed and problematic. In only three of the countries visited is there an on-site full time CAP person, and only in one of these does that person appear free to work with each grantee entirely on a demand-driven basis (and he is a relatively new add-on to the program.). In the case of the other RTAs their coverage varies since they are not present full time in their target countries, and their coverage mandate is unclear, at least to some local AID missions (e.g. in Zambia, there is apparently a CAP consultant, but he is not part of the monthly AED-led conference call, while the RTA in Nairobi is believed by USAID/Lusaka to also be responsible for Zambia). Even the RTA contracts vary in terms of which organization (MSI or AED) they answer to, and apparently the conditions under which they may work.

Finally, the degree to which USAID emphasizes, much less embraces the DGP, varies considerably, especially at mission level. I have devised a score of 1-5, with 5 being a wholehearted and shared commitment to the DGP, and 1 being indifference, disinterest or even mild hostility. The score is based on looking at mission leadership and top management levels, as well as supporting staff commitment indicated by a willingness to go out of their way to interact with grantees, despite the universally decried "management burden," which is indeed real. Of the nine missions visited, only two rate 4 or above, three rate under 2, and the rest fall in the middle. In one case there were indications that DGP was not even much known about. In another, top management were somewhat hostile to it. Several people in several missions had misinformation about DGPs rules and standards.

I have already said (above) that the way the grantees are brought in and selected varies considerably. Some Missions are also opportunistic and see this as a way to squeeze through the DGP door something they had in mind doing before but couldn't fund; others see it as a chance to do exactly what DGP intended. Such differences are inevitable and in a positive sense speak to the independence of USAID Missions.

But by far the most important finding on the USAID side of the picture is the mirror image of the generally poor quality of the grantee projects. If the project is poorly designed, unfeasible, unlikely to be sustainable, etc., why then was it funded? The selection process seems not to have taken the big questions of development into account. There is a significant piece of due diligence missing. The selection process focuses (and this is a function of USAIDs general culture) on a somewhat restricted set of financial management and general criteria – accounting systems, past experience, technical capacity as indicated in part by position titles or job descriptions, etc. The approach focuses hardly at all on the applicant's understanding of development, or the sustainability of its past interventions, and because thus far USAID has pre-selected the sectors for DGP funding, it has inadvertently encouraged grantees to use buzzwords about gender, about environmental awareness and the like that reflect back USAID's concerns and thus may tend to miss what the applicant really believes are the constraints or issues that need addressing. The process also misses the reality that about 40% of the grantees got someone else to write the proposal; it misses the possibility that it is easy to create the impression of technical capacity; it skirts over a number of things everyone knows, including that the people proposed and the partners proposed are often not available once things really get going.

Hardly anyone in any of the Missions visited seemed to ask the following questions:

- Is what is proposed realistic, given the timeframe and budget?
- Are the target numbers themselves going to undermine the deeper goals of the project?
- Is what is proposed feasible given what we know about the context, the area, and the culture?
- Are there aspects in the proposal that undermine sustainability?
- Does the proposed project mix agendas and sectors that require radically different approaches and or capacities on the part of the grantee? (e.g., microcredit and HIVAIDS awareness)?
- If this project could be seen as an experiment or a pilot, how does it fit with what USAID is trying to learn? And is there a serious knowledge management aspect in the proposal?
- Is the project innovative?

Are these questions not being asked because it is inconvenient to ask them? Or are they not being asked because USAID Missions are staffed with people with little experience in technical areas; and/or with little understanding of development itself? And/or are they not being asked because bureaucratic imperatives get in the way of such questions – personnel feeling that their role is to check off boxes in a matrix?

Once the grant is in process there is the universally applied pre-award survey which rarely touches on any of the above questions (nor is it meant to). And when during the selection process an issue is pointed out as a real condition to be dealt with before the grant is fully approved, the system seems to forget that the condition was never fulfilled. (in the case of a grantee in Senegal). Only in Georgia were pre-conditions set and grants held up while waiting for them to be met. The machine rolls along, the grants are made, the final reports are made with many of the target numbers met, and no one has the time to look at whether or not whatever difference was made was commensurate with the effort and money spent, much less whether it was a significant or meaningful difference.

AOTRs say they are over-burdened and this is one of the reasons they visit their grantees far too seldom – the distances are daunting in some cases, and when they do visit, they tend not to "kick the tires." There are cases where grantees have excellent relations with their AOTRs, but no cases where the AOTR really talks about substantive development issues with them and poses tough questions about where they are going.

Having said all of this, is the DGP a good idea? Almost everyone associated with it thinks so. Certainly the NGO community thinks it is good, welcomes it, and wants more of it. Yes, it is good to build more partners, and more local partners. But this works only if they begin doing development work effectively, indeed more effectively than it has been done. That would suggest that the DGP needs to be executed more carefully, perhaps experimentally, with serious attention paid to knowledge management and incorporating the hardest lessons learned over the last half century of aid. One might say "Small and local is Beautiful only if it can do better at development than Big and Beltway."

3.1 Mission Perspective

All agree that in the early days DGP was understaffed, confusing, perhaps confused itself. There was a lack of clarity about who does what and who gets what. A few Mission people said they were "had" in that ODP promised they would get support in the selection process but then did not; more said there was confusion about the amount of money available and in which sectors.

Reasons for participating in the DGP differed according to Mission. Some saw it as a chance to continue/add to what they were doing, others just as new and extra money.

All agree it is a Washington initiative and thus their sense of ownership of it is partial at best, zero at worst. Enthusiasm for it, among most people met so far, appears to wane they get into actually managing the program

In retrospect, the grantee selection process at the Mission level was naturally made to fit into the existing bureaucracy. A check-off-the-boxes mentality kicked-in. There were lots of concept papers, in some Missions more than expected, which was a burden; followed by the various committee meetings, then the full proposals and the "sub-tech" committee meetings. The management burden begins during this process, with program people and finance and contracts.

The pre-award surveys (the ones I've seen) while seemingly thorough are also narrow and end up being a bit too light-handed when they uncover problems. The system is skewed to want to pass the grantee at this point – too late to go back. This is a mistake.

In the pre-award survey reports I've looked at there is a detailed review of some fairly serious problems….but in the end the NGO gets a pass, with somewhat boilerplate language like: "XYZ" has adequate and acceptable financial management and internal controls systems to undertake…" They are then subject to suggestions more often than obligations – " The XYZ should do this and that."

Again there is some lack of clarity or perhaps consistency in AID knowing what it is looking for. Is it looking for a good idea? A good organization? An organization with potential? Or to fill out activity in a sector? What are the criteria? The usual score system (past experience, technical capacity, etc.) does not seem good enough here.

Since DGP has a core focus on building organizational capacity, at the core of the selection criteria ought to be the character of the organization itself – thus one needs to look at criteria that would reveal genuineness, commitment, and even passion. (In fact in my judgment, the grantees break down more neatly into these kinds of factors as explanatory of their development effectiveness and the overall quality of their work.)

Regarding the „management burden,' there seem to be two schools of thought; perhaps even two ideologies – a hard-nosed school and a nurturing, softer school, or to put it another, more exaggerated way – the policeman vs. the teacher.

In the softer school – those who feel it is a management burden but take it on willingly, tend to be the program people and some of the AOTRs. The harder school, two „members' of which were downright hostile to the DGP, tend to be composed of the finance and contracts people. They are the ones who see the dots on the "i"s and the crosses on the "t"s and it might thus be natural that they tend to see the warts only. A few Mission people in the finance and contracts offices simply do not take the DGP seriously. Since some grantees just are not doing well on the financial management front, one person with years of experience at AID challenges the DGP and asks if they are prepared for the possible consequences of bad audits and grantee failures?

There are important variables in how the management burden is dealt with – leadership, size of the portfolio, the number of grantees, of staff, of DLIs.

If there is a single thread here it is <u>ownership</u>. If the Missions are empowered to handle the DGP their way, according to their schedule, cycles, needs, etc., they will own it and be much less concerned about the management.

<u>3.2. Grantee perspective:</u>

In virtually all the 31 grantees visited, the first funds took from weeks to months to flow. In several cases the projects were compromised by USAID itself. Communications about these problems have been erratic and partial. In some cases the AOTRs themselves do not understand the requirements or the system.

At the same time, half the grantees complained that there are too many personnel changes at AID, and that the person they are supposed to be dealing with is often not around (long maternity and paternity leaves, 4.5 day work weeks, sick leave, vacation leave and lengthy homes leaves, plus both U.S. and Host Country holidays). Alternate AOTRs often know very little about the grantees, and tend, naturally, to just check off the boxes.

A number of grantee applicants found it hard to do a budget based on what is being offered rather than doing a budget based on what they think they will need. A few therefore did budgets that were unrealistically low.

Grantees also found it difficult to deal with the fact that the Cooperative Agreements are in English. Language comes up often.

In general most grantees felt they got support from the Missions when they asked for it during the process. For those for whom this was a first USAID experience, the learning curve was somewhat steep.

For the local NGOs, the USAID cachet is universal. All seem to understand that having received a grant from USAID moves them into a different league than the one they were in before.

Attitudes about compliance range from, "it is easy once you get the hang of it" to headaches, griping and whining.

Still, many who have donor experience elsewhere (virtually all do) complain that no one is as tough to work with as USAID, which does not always mean they do not also appreciate that toughness.

Some of the issues that grantees bring up are:

Arrival of first money
Quarterly vs. monthly funding (about half complain about this).
Not knowing when their money arrives in their bank
Burn rate pressures

3.3. Do what Counts and Spend Less Time Counting What One Does.

The DGP is an opportunity to make a break with some of the pitfalls of too much counting. For many reasons, among them the call for accountability, USAID and its partners have become complicit in a process built around numbers that has little meaning for development. In the DGP the proposals promise not only unrealistic numbers but compound that unreality with a gross underestimation of what it is they propose to do with all those numbers.

> "We will, after 36 months, have increased the ability of 12,000 HIV positive women to start and manage small businesses." No expertise necessary. The context gives the answer away – impossible.
>
> "We will, after 18 months and an expenditure of $xxx have moved 270 women owned businesses from the informal to the formal sector."

And so it goes.

No DGP applicant should be encouraged to submit a proposal with such unrealistic goals and no selection committee, or AOTR should let such stuff past the door.

Such targets reinforce the tendency to mask subjectivity as objectivity, and the emphasis on counting reinforces the tendency to fudge, and fudging has its own consequences. Pretty soon, for example, everyone is focused on the framework indicators and not on the quality of the interventions. And soon everyone believes that such results are meaningful.

IV. BASIC DATA ON THE GRANTEES VISITED

SECTOR	***PERCENT***
Water and Sanitation	10.3
Livestock	1.7
Literacy	1.7
Environment/Climate change	5.2
Entrepreneurship including general microenterprise	24.1
Microfinance	1.7
Value Chain/SMEs	5.2
Civil Society- Democracy and Governance	1.7
Land Rights research	1.7
Women as major target	25.9
Vulnerable groups as target	17.2

N.B. N = 58; because a number of grantees are in more than one sector

GRANT AMOUNT	***PERCENT***
$200,000 or less	22.5
$201,000 to $500,000	61.3
$1,000,000 to $1,500,000	12.9
$2,000,000	3.2

The range of grant size is wide; from $100,000 to $2,000,000. But close to two-thirds are in the $200,000 to $500,000 range. This certainly speaks to the management burden issue for the Missions.

GRANT LENGTH	***PERCENT***
3 years	64.5
2 to 2.5 years	16.2
1.5 years	19.3

More interesting perhaps is the length of the grant. About a third are less than 2.5 years with almost a fifth under two years. With the exception of a grant to do specialized research (e.g. the case of GESTES in Senegal), it is hard to imagine doing significant work in anything under three years, and even that grant length is a bit limiting.

TYPE of GRANTEE ORG	***PERCENT***
U.S. based/US HQ	29
International/local	9.7
Regional/local	6.4
Local	54.8

AGE OF GRANTEE	*PERCENT*
1 to 4 years	3.2
5 to 10 years	22.6
11 to 20 years	45.2
Over 20 years	29

COST SHARING = 74% (23 out of 31)

A third of the grantees visited (35%) have had previous experience with USAID, usually as a sub-grantee.

Fully three-quarters (75%) have had funding over the years from multiple international donors (EC, bi-laterals, international NGOs, Foundations).

Forty percent of the grantees' DGP proposals were written by outsiders to the NGO (either paid consultants, or friends of the organization).

% OF ANNUAL BUDGET REPRESENTED BY THE DGP GRANT	*PERCENT*
Less than 10%	32
11 to 19%`	3
20 to 49%	26
50 to 79%	13
80 to 100%	13
Don't Know	13

*N.B. These figures are rough – they are not based on an examination of the finances of the grantee (time did not permit that, nor were all grantees prepared to share all this information). Instead these are estimates based on discussions, and some examination of overall budgets.

These last two charts suggest that DGP Round One grantees are neither as new nor as small as one might have guessed. Twenty-nine percent are over 20 years old and almost three-quarters are over 11 years old. Many have had experience with many donors, and about a third have had experience with USAID itself. In terms of the percent of their annual budget represented by the DGP this finding is also revealing: for about 60% of the grantees the DGP is less than half of their budget, and in 32% it is less than 10%. While this tells us nothing about the quality or importance of the DGP grant for these organization, it does suggest that a solid number of grantees are not that small, and while they are getting some intangible assets from USAID (the "cachet" of being a grantee; the training and OD), financially they are not dependent on the DGP.

GRANTEE SCORES (SCALE OF 1 TO 5, WITH 5 BEING HIGH)
(percentages; N=31)

	5	**4**	**3**	**2**	**1**	**NA**
Passion Index	29	32	12.9	12.9	9.7	
QQQ	9.7	22.6	16.1	19.3	32.2	
Giveaway Quotient	32.2	9.7	22.6	12.9	12.9	9.7
Beneficiary Dependency Index	38.7	12.9	9.7	16.1	16.1	6.4
Intended Target Reach	16.1	22.6	32.2	9.7	6.4	12.9
Sustainable	6.4	6.4	19.3	22.6	29	16.1
Feasible	25.8	32.2	16.1	9.7	16.1	
Contradictory agendas	19.3	22.5	9.7	25.8	22.6	
Innovative	6.4	16.1	12.9	16.1	48.4	
Intent to capture LLs	9.6	16.1	9.7	16.1	48.4	
Fit with spirit of DGP	29	32.2	12.9	9.7	16.1	

This chart is of course based on the judgment of the evaluator. None of these parameters is objectively measurable. I will try to explain how these were arrived at and the implications.

Passion Index: This is based on my sense of the organization's authenticity, commitment, genuineness. Obviously it is meaningful only in broad outline: about 60% seemed genuinely serious, and committed to the work of the organization, and at the other end 10 to 23% seemed more about getting donor money and willing to change what they do or say they do in order to get it. There is no black and white, good or bad stance here – as it is hard to correlate passion with other characteristics - an organization can be passionate and at the same time naïve and or ineffectual; another can chase the money, but end up being good at implementing. The ideal would be to look for NGOs that are passionate about what they do, thoughtful, and good at it.

The QQQ – the quantity vs. quality quotient. This is a judgment about whether the project has a tendency to sacrifice quality for quantity (or for the target numbers). A low score, a 1 or a 2 suggests this. In short about half the grantees seem to do so.

The Give-away Quotient, Beneficiary Dependency Index and Sustainability. These three indices are connected. High GQ, and High BDI are correlated with low sustainability. Again these are rough calls, but in my judgment, conservatively at least half the grantees have high GQ, High BDI and low Sustainability. Note also that in several grantee projects such indices do not apply.

Project Feasibility and Contradictory Agendas also seem to go together. By feasibility I mean whether what the proposal promised is realistically doable given time frame and budget. And Contradictory Agendas indicates mixing (often multiple) agendas that either require different skill sets, and or tend to cancel each other out. Well over half have contradictory/multiple agendas.

The higher score for feasibility (well over half) includes the environmental projects and the research projects. But this is a good score.

Close to two thirds are lacking in i**nnovation** and any concept of **knowledge management** (capturing lessons learned). This is perhaps the most serious indictment of the grantees and the process of selection.

V. AID/ WASHINGTON

5.1 Context: Procurement Reform and Related New Initiatives

Opinions differ as to whether or not the DGP can be the thin edge of the wedge that will eventually lead to significant change in the culture and infrastructure of USAID, or whether it is just a small experiment that by itself can have little impact.

There is debate and different viewpoints are expressed on the larger purpose of the DGP. One hears several things: one is that DGP is symbolic, it exists to send a message that USAID (and the U.S.) cares about the small local NGO. Another is that DGP is really about building civil society and thus one should expect less in the way of results.

Perhaps the skeptical views on DGP's role can be summed up in the words of one person who spoke quite bluntly, and whose comments mirrored some of those heard later in the field.

"Yes, we want to get out to the NGOs, but we want to be able to talk to Host governments and partners – that's not what is happening. Plus of course so many Missions already work with local NGOs. So what is really different?

"AID is pretty risk averse. As for changing its culture, in the end is anything going to be done differently? If you're going to make this statement, then mean it."

The link between DGP and USAID's Procurement Reform Agenda is essential to understanding its fit in the system. Similar assumptions underlie both. The DGP is lined up specifically with Objective # 2 of Procurement Reform: "Strengthen Civil Society and private sector capacity by supporting local entities who can take greater ownership over their countries' development." More specifically Objective #2 calls for "increasing the number of partners and direct grants to local non-profit organizations."

The assumption behind this seems to be that small (unclearly defined) NGOs, both U.S. PVOs and local, are believed to be more in tune with the language and culture of their own country, more linked to the grassroots, more committed, mission-driven and thus more likely to leave behind sustainable results. While such an assumption appears to be self-evident, it does not appear that USAID has invested in rigorous study of the question to find out if in fact there is evidence to suggest that small and/or local equals more effective development.

There seems to be no questioning of whether small U.S. PVOs or local NGOs might learn to be just like the big contractors, since at the end the bottom line is that outside money can become addictive. Thus beneath the rhetoric a somewhat stark contrast between the big and the small – a romantic ideal, akin to small is beautiful.

In any case, the world of NGOs, large and small, is changing and in part because of easier access to information, more are becoming more adept at leveraging money and grant opportunities. An example is the case of a venerable and large (regional and local) NGO in Angola (ADPP) responding to an RFA on education and lining up Alfalit (a U.S. based 49 year old NGO with a locally registered subsidiary in Angola which is also a DGP Round One grantee) as a $300,000 sub-grantee on a $1.8 m. project that is similar to what Alfalit is doing under its current DGP grant. Moreover Alfalit is coming off a $1 million five year USAID project (to its international headquarters in Miami) and is also involved in another project funded out of USAID/W which is a five year $2.9 million project. Variations of this "mix and match" approach can be seen in about a fifth of the DGP Round One grantees visited for this evaluation.

Implementation Procurement Reform (IPR) is meant to be a fundamental change in the way USAID does business. But it needs also, and more explicitly, to be a change in how it does development more effectively. As for aid effectiveness, while it is hoped that these changes will lead to it by putting aid squarely in the hands of governments (where robust systems are in place) and of local actors (NGOs and private businesses) -- an acknowledgement of the "ownership principle" -- there are a number of assumptions that do not reflect much thought given to Lessons Learned over the past 60 years and especially do not take into account the power of incentives.

The assumption that increased competition and broadening of USAID's partner base would be an indicator of the broadening of expertise that USAID is accessing is unfounded. There does not seem to be rigorous evidence historically that would suggest that a larger number of USAID partners, especially when that increase includes many partners with limited experience and capacity, will broaden expertise or effectiveness.

In fact USAID's own approach to this increase in the partner base may well provide some disincentives to quality. The setting out of numerical targets (for FY 2013 the number of partners is to increase to 750; by 2015, the number is to increase to 1,000) is indicative of a preference for quantity over quality, and the incentives are skewed accordingly. What is likely to happen is that in order to comply with such targets, Missions will emphasize numbers and pay less attention to the particular characteristics of partners, for it is on the numbers that they will be ultimately judged. Moreover, such numerical targets risk being translated into incentives for local businesses, NGOs, and U.S. PVOs to either come into existence solely to be eligible for the new USAID grants, and or to change themselves – adjust, adapt, re-engineer, their missions -- in order to be eligible for grants. Thus little in the process is designed to ensure against this agenda becoming a supply-driven syndrome.

Instead, were the targets for increased partners left unspecified and not tied to a specific year, but tied only to the notion of increase and the emphasis laid on incremental tests for quality and other conditions, the outcomes might be different.

Strengthening capacity is of course at the heart of the DGP and of Objective 2 of the IPR. In this respect it is acknowledged that in fact there are very few small local, or small U.S. PVOs with a lot of deep experience and especially with any capacity to work with USAID. But inevitably strengthening capacity will be read by many in terms of things:

Vehicles, computers, office space, chairs and tables, before it is read as a chance to evolve as an organization. All will argue of course that one needs vehicles to get out there to do one's work. But it is also predictable that this will be the first line of expenditure and thus also risks reinforcing business-as-usual.

5.2.The DLI

Part of the response to the management challenge that everyone talks about is to re-grow the staff of the agency through the DLI which is apparently bringing in up to 1,200 new hires, which will include older retired people to act as mentors. This takes into account attrition so there will be a significant net increase, and this increase is over and above the Foreign Service "light" folks who have a maximum of five years and who are destined for one-year tours in Afghanistan and Iraq.

One senior person in a Mission was quite blunt: "The DLI is outrageous – an insult to host country governments – a bunch of juniors….they are not going to reform what needs changing."

In several Missions visited, the influx of DLIs has begun, and clearly Missions feel that the management burden is being relieved somewhat. The tendency is to put the DLIs in charge of the DGP grantees, in part because they are small. There are two sides to this. If the DLI is young energetic committed and understands development then this is a major plus. In one case, there was clear evidence that the new DLI assigned to a particular DGP grantee was far more motivated to work with them than their previous AOTR, understood the ideas of partnership and establishing a relationship. Equally important he made it his business to get out to the field to see what they were doing. At the same time, another senior Mission person commented that the DLIs have all got professional degrees in development and while they understand project management, matrices, and how things are done, they are often "clueless" about development itself, much less the underlying complexities of poverty. If development is to come back into the agency as the heart of its work, then DLIs who do not understand much about it, ought not to be the first line of contact with DGP grantees. Rather, one might experiment with turning the pyramid upside down and assigning the most experienced people to DGP (USAID retiree consultants are a possibility here).

5.3. Assumptions About Development Itself

Perhaps the most important finding of this evaluation is that Development (with a capital "D"), the very core of USAID's existence, seems to have been marginalized in the DGP, and perhaps in the Agency itself. No one seems to be talking or thinking about development, or questioning whether and how DGP can play a role in development. Most of everyone's energy is spent on the bureaucratic imperatives of the agency – how the money gets spent, how it gets allocated, and how it is accounted for. The space for reflection on development is narrow if it exists at all.

How else can one explain why so many DGP projects promising development were conceived in such a way as to fail to deliver it, and why such conceptual lacks have not been noticed by those whose job should have been to notice them?

Much is assumed and taken at face value without much evidence that it makes sense. Context, most importantly, is too often left out of the thinking. This is especially true in DGP projects under the heading of Water and Sanitation, and Women's Empowerment.

Even in the APS (APS 09-002), on page 11 for example, the most basic assumptions about sectors and their role in development ought to be questioned. It is not at all clear for example that "…timely amounts of small credits, supported by services can not only allow women's microenterprises to succeed but will allow economic development… etc." In fact evidence is growing to show that this assumption is false.

Yet, in project after project based on this assumption, no one seems to have questioned whether this makes sense, and if it does make sense, under what circumstances and in what context? The complexities of development are time and time again reduced to one-dimensional caricatures.

Part of this has to do with the development knowledge gap. There is knowledge about procedures; knowledge about technical aspects of climate change, water engineering, and so forth. But the agency, as many admit, has suffered a loss of development knowledge and perhaps even of wisdom. One person said "knowledge here is "going down the drain."

We have long ago learned that dependency is one of the most counter-productive offshoots of development aid. Yet a surprising number of the DGP projects give things away – even one of the microcredit projects (in Ecuador) which had originally intended to provide loans to young women to start businesses, converted to giving them grants instead.

There is no rocket science here: giving things away, whether seen as a pump primer, a way to enlist a community's buy-in, leads to changed expectations, lower ownership and less responsibility. All key personnel in the agency ought to understand this. But they do not. Or if they do they see little scope for acting on what they understand. What gets in the way?

5.4. Bureaucratic Syndromes

At the heart of any effort to change the culture and infrastructure of an agency lies the weight of its usual ways of doing things, a compendium of procedures and guidelines that has a natural tendency to keep expanding. USAID is no different. The most obvious issue is the sheer number of reports, files, matrices, surveys, and other documents. This evaluator plowed through approximately 300 document files, totaling about 2,000 pages just to catch up on the written record of DGP from 2008 to late 2010. Obviously these documents took hundreds of person hours to draft and re-draft. Like most documentation in any large bureaucracy, they were of course copied to scores and scores of people some of whom read them thoroughly, some skimmed them, and no doubt some did not bother to do either.

While it is laudable in the abstract to be paying so much careful attention to a nascent program, the question of balance and efficiency needs to be raised. To what end is all this documentation? Is there a serious evaluative purpose here? To what extent is this simply driven by institutional habit, unquestioned and un-reflected upon? Who manages it, sees to it that it is synthesized and put to use? Who notes or cares about repetitiveness and redundancy? And of course one has to ask again who reads it all, or more practically, who could possibly read it all? With such a habitual overload of pages, it is not surprising that essential documents do not appear to be read carefully. AOTRs and grantees both routinely forget the details of their Cooperative Agreements.

Again candid comments from a few people in the agency reveal what may be on the minds of others. There seems to be a feeling that too many people are "cc'd" on too many matters, large and small without regard to the consequences (one of which is that the recipient of a "cc" feels the need to read the email and then discovers that it was not necessary for him or her to know about the subject). This "when-in-doubt, cc-everyone" culture could do with some re-thinking.

Obviously AID is beset with requirements driven by Congress. One of these is branding and marking. One person said: "No one understands the rules on branding and marking." And as a result – again the culture of better safe than sorry – risk aversion can prevail and things become more cumbersome than they need be. In Georgia branding and marking seemed to be taken to an extreme, where in several projects, the individual beneficiaries of the project, recipients of training or of small grants, put USAID stickers on their front doors, refrigerators, on their kitchen cabinets, and equipment.

This evaluation also found that a number of guidelines, rules and regulations were often interpreted differently. An example is the assumption in two Missions that rejected grantees had only 10 days to request feedback. Another is the rules on NICRA.

A number of AOTRs admitted that the workshops intended for the grantees revealed to them many things they had not understood about USAID compliance. Is there a connection between the length and complexity of documents on so many issues and of agency personnel's limited understanding of them?

5.5. Boxes and Matrices and Plans

Eisenhower once said, "planning is essential, plans are useless." That is to say one ought to keep things in realistic perspective. Planning for the Normandy invasions in 1944 took thousands of pages because the invasion implicated hundreds of thousands of troops from several armies, and millions of pounds of materiel, not to mention ships, boats, planes, gliders, trucks and jeeps. But the plan matrix for a small NGO's project need not be so involved. Yet a look at the "Indicator/Workplan Matrix used in the workshops on IDF shows how complex and proscriptive this can be. The danger of too many boxes and matrices is that it encourages everyone from the grantee to the Mission monitoring people to simply put xx's in boxes, file the whole thing away and miss completely whether or not the project is accomplishing much in the way of sustainable development.

The development industry has moved (USAID included) more and more in the direction of metrics – a well-intentioned desire to measure and account for results. As with anything this can get carried to extremes. As the impulse to count begins to become institutionalized and more and more agencies become involved in designing the tools, the impulse becomes structured, and in part because people are paid to produce and design tools more and more people are involved and the tools become complex and lengthy. And soon metrics can become in danger of becoming ends in themselves, losing sight both of what is truly doable and what is truly desirable, and most important, what fits with development.

In one of the DIMP workshops a case study was used to illustrate "indicators." The case study begins talking about the key indicators and then the intermediate results indicators ("IRs"). For example, IR #1 is "models for restoration/conservation validated." IR #2 is "water management decision-making restructured," which in turn is measured by the "number of cases in which a municipality or a private sector entity engages in a water management decision-making process."

Obviously one of the fundamental assumptions behind metrics is that objectivity is built in – if objectivity is not possible then there is no point in counting. Indeed counting is presumed to be the same as objectivity.

Yet a simple unpacking of the wording in these IRs, in particular the active verbs, reveals quickly that subjectivity meets objectivity head on. The words "validate," "engage" are the crucial actions here and both are clearly prone to subjective interpretation – in short they are rather easy to fudge.

If the periodic reporting is seen by the grantee as critical to the organization's survival as a USAID grantee, then obviously there are incentives to be perceived as meeting the results. Thus if the target indicator in the matrix is, say, six cases in which an entity "engages" in a water management decision-making process, then it is fairly tempting to report that five or six such cases did occur, even though the nature and quality of the "engagement" may have been significantly different in each case.

These types of targets reinforce the tendency to mask subjectivity as objectivity, and the emphasis on counting reinforces the tendency to fudge, and fudging has its own consequences. Pretty soon, for example, everyone is focused on the framework indicators and not on the quality of the interventions. And so everyone believes that these results are meaningful.

5.6. Watch Your Language

Related to the ways in which counting is done is the language used in the agency. At the heart of an organization's culture are the ways in which concepts are translated into language.

Terms like "private sector competitiveness" – the USAID program area under which a number of DGP projects are listed, "microenterprise productivity," "economic opportunity," "economic independence," are clear enough as terms. But they have a tendency to get seriously diluted as Missions squeeze projects and approaches under them. In a process that is not well understood, somehow (perhaps by osmosis) both Missions and applicants begin picking up on these terms and reflect back their own variants. So one DGP grantee begins talking about how it will employ an "innovative entrepreneurship methodology." Another says it will target "active agents of the economic life of the communities."

One of the F standard indicators is "number of micro-enterprises participating in U.S.G-assisted value chains." And so a grantee, picking up on this concept from the RFA spouts back its own variant in its PMP. "Women will gain knowledge, managerial and business skills in value chains." Another indicator is " the number of complete business plans prepared."

And yet even a perfunctory look at what the project proposes, and where it proposes working, usually suggests more than a small degree of hyperbole. Once one gets down on the ground to see what is really being done, it becomes obvious that such language is simply a falsification. There is no value chain analysis; the micro-enterprises may be micro, but they are not enterprises, the innovative entrepreneurship methodology is an off-the-shelf basic course that has been done in hundreds of projects, and so on.

Even how Missions and USAID call things internally does not always make sense. While Mission autonomy may be a good thing, perhaps there ought to be some consistency in how things are called. I found one Mission that had an "Asset & Livelihood Transition Office", under which many of the DGPs fall, an office which in their organizational chart comes under Humanitarian Assistance and Economic Growth, two things that emphatically do not go together.

In short language needs to be paid attention to. Not to do so is to risk self-delusion.

People both at AID/W and in the Missions spend most of their time thinking about and dealing with the bureaucracy of AID, not its long term reason for existence – development, which is the last word of the acronym USAID. (This is not to say that privately they do not have ideas about this, but perhaps only that there is little room for those ideas.) As a result many projects under the DGP are funded which have little hope of changing the development landscape. It is true that through the DGP some local and small NGOs will have become stronger organizations, but they will not necessarily have become more effective in fostering real development. They will be better at doing a host of things that do not really make much of a long-term difference (as opposed to solving the immediate problems of humanitarian crises). So building robust local capacity isn't enough. And creating a larger number of partners isn't enough.

Likewise, the DGP ought to focus on the kind of work that is truly experimental and catalyzing – aimed at changing relationships between local government and communities, aimed at long-term economic change, even if the numbers are initially small. Instead we see a host of projects that can best be considered charity works, with little hope of long term success. It is understandable that Congress would like AID to engage in TIP work or respond to the plight of IDPs in the Caucasus, but the narrow focus on semi-literate, poor, troubled often teenage female victims of trafficking, putting them in family-like settings, encouraging them, trying to empower them, changing their self-image, and then expecting them to be employed in the labor forces (when the unemployment rate is extremely high and people with degrees cannot get jobs) or to start viable small businesses in remote areas where little is going on economically is highly unrealistic. But in any case, the key to such efforts is local agencies that must at the end of the day be supported by private business and by government. USAID's focus in this case ought not to be a 3 year $110,000 grant – under a 47-page cooperative agreement for which the tiny NGO grantee needs to divert considerable energy to comply with the complex AID rules and regulations.

As heart-rending as such situations are; as comforting as it may seem to be of help to a tiny NGO engaged in vulnerable populations, this is not the way to go, for USAID.

AID must employ people who have a rigorous conceptual view of development assistance; people who have demonstrated through experience that they have reflected on what works.

5.7. The Washington Perspective on the DGP

As the next section will show, the Missions have a lot to say about the way Washington has handled the DGP. Washington (ODP/PVC) has likewise some things to say about the Missions. Some of the confusion that the Missions complain about, Washington would say for example, comes from the fact that some Missions failed to use funds they were allocated, had to return the funds and so this caused changes in allocation. Missions asked Washington for help in some cases because some Missions do not have their own AOs. There were many instances where Washington was simply responding to particular needs expressed by Missions, and went out of its way to clarify and repeat guidelines on DGP. The bottom line is that ODP/PVC feels it was too often caught in the middle, and that few appreciated its own burden of trying to launch this program with a tiny staff (of three). Moreover, recommendations made by that staff that would have eased the burden on Missions – for example that DGP move to a two year cycle which would allow a one year breathing space between Rounds – were not taken up by the agency.

VI. THE MISSIONS

Many Mission personnel are thoughtful and insightful about the DGP. Most like the concept and some think it has been a long time coming. There are some questions about its fit with Procurement Reform; there are those who say DGP is redundant since working with local partners has been going on for a long time anyway.

As for the „nitty-gritty' of the DGP process, most people recognize (and with considerable empathy) that the early days of DGP were characterized by short staffing, lots of pressure and that bumps and mistakes were inevitable. The learning curve was steep.

People also seem to recognize that the "us vs. them" syndrome (Washington vs. the field Missions) is a classic issue for any agency like USAID.

Still what comes out in the visits to the Missions is a substantial amount of emotion on the negative side of things: "Messy, Contradictory, Paradoxical, Mismatched, Unclear…" - these are some of the adjectives used to describe the DGP thus far.

"DGP pulls money from other things and it takes lots of Technical Assistance (TA) and Capacity Building (CB) to work with these grantees and the Mission people are overwhelmed. This is entirely DC driven; it's a "mandate," it's not something the countries asked for, it's not high on the agenda but the Missions have to deal with it. And they try to fit into what's already going on."

"Also there is less budget predictability, and the time lines and tasks and different reporting mean it doesn't mesh well with other things folks are doing at the Missions. It's not a natural outcome from discussions with the government, nor the donors. It is not a good fit with other planning. It all needs to be tied to the budget cycle."

Nearly all the Missions visited noted that the DGP process is too long, and has become longer with subsequent Rounds. They speak with some bitterness of the confusion about the amounts they would be getting, about the mismatches in timing, and about the division of labor between them and Washington. Ecuador initially thought the deal was that each Mission would get only $500K. Senegal recalls that Washington said they would do all the leg-work – pre-award surveys, etc., "but they didn't." "We had thought we would get about $2.5 million for water and so expected one or two U.S. based grantees at $1 million or so, but ended up with five water projects run by local NGOs for the total of $2.5 million and altogether nine grantees." Another Mission said, "DC pushed this down our throats; it was a con job." One Mission said "we end up doing all the heavy lifting." In another Mission, one person said "a $500K grant is a "pest." In yet another, the sentiment was that the money came "at the last minute" causing problems getting things underway, and bluntly said "we were not impressed by the way DC handled things."

In Round One the application process was not clear enough, said one person in the Ecuador Mission. "The APS specified "women's empowerment," not TIP, but TIP is what was apparently wanted." Moreover the Mission apparently thought the DGP would be $500,000 for the Mission, not $500,000 per grantee. Then they thought they had funds for only one grantee and later found they could add two more.

"The RFA wasn't clear, even to us," said one Mission program person in Ethiopia. "The first time we really understood what DGP is about is when someone from AID/W/ODP came to visit the Mission."

Half the Missions met seem still not to be clear about the extent of program support under the DGP.

Confusion is of course a two way street – in some cases confusion came about because Mission people may not have read the DGP communications thoroughly, or forgot what they had read. But even if that is one of the reasons for the confusion perception, it speaks to the need to communicate more, more clearly and succinctly, and to repeat things more often.

Many Mission persons feel frustrated by the bureaucracy they are part of. One Mission person said, "Now the process becomes about dumping money and this is because things are too bollixed up in DC – there are too many people being "cc'd"; too many people adding specifics – too much micro-managing. All this causes changes in the amounts being proposed and the purpose. And the more specific it gets the slower the process."

"Too much time has been wasted analyzing. We've done four „Survey Monkeys,' and there has been much repetition of the same questions."

Many complain about Washington's lack of consistency, while recognizing that the people in Washington are also caught in inconsistencies that originate elsewhere. "In Round One they said here's the money, here are the sectors, try to spend it. In Round 2 they said send us what you want and we'll see what we can fund."

The timing of both the process and the funding is a very regular complaint. One person in the Regional Mission in South Africa said that in Round 2 the money came much later than in Round One. "It came in December even though we had made our decisions back in June, and Round 3 discussions have been going on for close to a year with many emails saying the RFA would be coming out (some promising to have it back in November, 2010). But here we are in the middle of February 2011 and still no RFA. Now this means we won't be getting to proposals till after the concept papers plus four weeks, so we are looking at seeing proposals in May or later. Missions have cycles and everyone should know that January and February is the perfect time to be reviewing proposals."

Missions routinely say they want more ownership of the DGP process and timing, including the decisions about sectors and priorities.

"What we're thinking and what Washington gives us money for are two different things."

"Now the Administration is into the Global Health Initiative and Feed the Future. That's where all the effort is going. But our Ambassador here wants to emphasize Democracy and Governance."

"We aren't going to do this again unless the expiring funds are obligated to our overall government to mission agreement, in that way we don't get caught in the 9/30 issue."

"When we get caught in the expiring funds mess, the Mission gets a bad rep for having carry-over."

"Allocate the money to the Missions and let us run with it."

To a certain extent the intensity of the viewpoints tended to reflect the kind of position one is in. In general, Contracts and Finance people are a bit more negative about DGP than Program people, with exceptions of course. This may have something to do with what one person referred to as a two-culture problem.

"There are really 2 cultures at USAID, the program culture and the accounting culture – they do not communicate well. There are lags between the Program Office and the Agreement Office. Early in the process the Program Offices need to communicate more with the Agreement Offices."

One FA, an FSN, speaking about a serious problem with a DGP grantee (which had just been suspended) said that had there been a team approach to monitoring – involving both the program side and financial and contract side, some of the issues that led to the suspension would have been picked up sooner.

A clear way to bridge the "two culture" issue is to enable FAs and Contract people to get out to the field to see the projects. Many would like to do this but when even AOTRs have a hard time getting out of the office, the Finance and Contracts people are even less likely to have either the means or the time to do so.

6.1. On Procurement Reform

The second area of negativity is about the DGP in relationship to USAID's new agendas, Procurement reform and USAID Forward.

This debate begins with different views of NGOs and their role. Quite a few people, both FSNs and Americans, view local NGOs very positively. A few have good insight into both their needs and their psychology. One AOTR in Africa said:

"Local organizations don't really need very much money. It's amazing what they can do with very little. And let's remember that $300,000 is big for them. If you ask them have you ever had that amount before, they'll say 'no.' They may have gotten $10,000 or $25,000 or $50,000 from the Norwegians or the EU and so for them this is big. It builds their confidence so that later on they can compete with big international organizations."

At the other end of the spectrum are a few who see NGOs and capacity building as a delay in getting results on the ground:

"It is unrealistic to think we can scale this up – it is untenable in the long run even if we make changes in the mechanisms and the process and put in full time people – these grantees are just too weak."

"Feed the Future is very directive and focused. It doesn't say do it with DGP grantees."

"There is a major disconnect here: the new USAID mantra is „focus and concentrate, go for long term change and big impact,' it doesn't say make sure in your strategy 10% goes to small NGOs. So why set aside DGP money when that money could go into big projects? The new mantra is about rigor and is saying in effect „we're not going to do lots of rinky-dink things anymore,' and yet that's what we do in DGP."

Not all Missions are sure that working with local NGOs is the answer. In the case of Peru, on the cusp between the "3rd" and the "2nd" world, there is some sentiment that AID ought to work much more with governments, especially as Peru gets less outside development assistance, it needs more and more "high value" TA to governments and municipalities.

"On the one hand the DGP exists to enable NGOs to build capacity as future USAID partners, and as organizations, but on the other hand in the grant application process we are asking them to have these capacities already."

"Accountability has two sides: Of course the Congress wants us and our partners to be accountable, but the requirements that are part of that have some ironic effects – the more we move down to smaller and smaller grantees/partners, the less they are familiar with our detailed requirements on accountability – they'll need to hire new people and put more of their energy into that -- the risk is mission drift."

Three Missions suggested strongly that they were already working with local organizations: "We're already doing it. We are already diversifying. "Procurement Reform exists."

Short term results pressures are a paradox cited by a few: "There is so much pressure (on us and on them – the DGP Grantees) to show short-term and specific results that it makes it hard for us to take the time to build partners because in the end the process is slow and takes relationship building and energy. But the pressures are such that this isn't possible. The result is risking mission drift for them, and superficial involvement on our part."

Where there seems to be one strong majority view it is that if NGOs are to be the focus of DGP, it should be on local NGOs, and not on U.S. PVOs.

"Why should U.S. Organizations be allowed to compete under the DGP when USAID Forward doesn't talk about anything but local organizations?"

6.2. The DGP Process – Different Approaches

Mission independence in the way they do business seems to be an underlying part of the overseas Mission culture. Of course there is consistency in the basic rules of accountability. But there is a wide variety of approaches and it would seem even some latitude in how some of the rules are understood and applied. How Missions interpret, prioritize, and execute their DGP work seems to depend on many factors, including the size of the Mission (in portfolio and personnel), the quality of Mission leadership, and the experience and interests of program people and the AOTRs.

6.2.1 Outreach

Some of the missions embraced the idea of local NGOs and did active outreach in this direction, such as Ecuador, Georgia and to a certain extent Angola.

In one Mission in Africa there was a complex mix of informal invitations to apply because someone knew of an NGO they thought would be good, as well as objective outreach via ads or the AID website.

In one Mission a person involved in selection felt that they ended up with a preference for U.S. NGOs in part because their concept papers were written in clear English.

In a number of cases, Missions behaved opportunistically if not entirely entrepreneurially when the DGP was announced. Naturally they wanted to fit this with what they wanted to do/already were doing and tended to act more aggressively and energetically if they saw this as complementary, and "fortuitous" (e.g., a sense of a strong match in AID/Peru between DGP Round One and the work of The Mountain Institute (TMI, which became their sole Round One grantee). And for some it was simply a way to add money to their portfolio – irresistible in a system where the size of the portfolio defines your importance.

Most Missions visited felt however that they did not realize how much work would be involved in the DGP.

"We do outreach and get scores of applicants and concept papers. But all this is outside our regular work. People's time needs to seem significant and purposeful. That falls apart after we have not only gone through 40 to 50 concept papers (in Round 2) and even had to hire a consultant to help out, and then only one grantee is chosen – an organization we already know – because we find we only have enough for one, which in the end we probably could have funded another way."

In some cases contacts were between the grantee and Washington, in others between the applicant and the Mission.

6.2.2. Grant length

The Georgia Mission interpreted grant length differently than the other Missions visited. In four out of five of their DGP grantees, the pre-award survey revealed issues that resulted in the grants having pre-conditions. Thus two to three months were added to the grant period (without funding) in order for the organizations to meet these conditions. In several Missions grant terms in the cooperative agreements seemed inconsistent with the intent of a three year grant. In the case of the four grantees visited in Ethiopia while they were nominally three-year grants, all four are in fact between 27 and 28 months. In Senegal three of the six visited are 20 months, and one is 24. In Angola, one grant is 15 months, two are 18 months and one is 24 months. All told, of the 31 grantees visited, 39% are under 36 months. In some cases there are reasons for these differences having to do with funding source, but in others it is unclear.

While most grants fell in the $250,000 to $500,000 range (55% of those visited), those in Ecuador stand out by being uniformly small - around $100,000 each - while the three grantees in Zambia are at the other end of the spectrum, accounting for 28% ($4.17 million) of the total of $14.7 million for the cohort of 31 grantees visited for this evaluation. This difference seems to correlate with the degree to which the spirit of the DGP was taken into account by the Missions with Georgia, Ecuador, Senegal, Malawi, and Angola being (in descending order) the Missions which appear to have tried to accommodate DGP as opposed to using DGP to accommodate Mission priorities.

6.2.3. Cost-share

Though the guidelines specify 10% cost share for local NGOs and 15% for U.S. PVOs, this is not applied across the board. Cost-sharing differed widely, and in some cases was a function of Missions asking for it in the proposal process, and in others of applicants offering more than was expected or because they assumed it would make their proposals more competitive. In any case, 22.5% of the 31 grantees provided no cost share at all; 13% provided a low cost share of 10% or under; 26% between 11 and 25%; 32% between 26 and 50%, with 32% over 50%.

The question of cost share is an important one, but it did not seem that the selection process examined the “quality” of the cost share, or the question of what it might mean when no cost share was offered. By “quality” is meant the issue of whether the cost share offered is meaningful; that is whether it represents a real cost to the organization or is simply a monetization of something they already have or do. For example if sending the CEO of a U.S. based organization to a workshop in Africa at their cost is considered part of a cost-share, this can be viewed as somewhat artificial, since not only is it not clear that this contributes to the project, but it may be this person was going to go to Africa anyway on other business.

6.2.4. Concept Notes and Proposal

The concept and proposal process also differs across Missions. Some made it a point not to communicate with applicants; others did not communicate with applicants simply because there was no demand for it, and others communicated with applicants on an *ad hoc* basis to answer questions, and in some cases, coach them.

"We throw good applicants out because they can't get past step 1, just because of technicalities."

Related to this is the language issue, particularly with Spanish and to some extent French. (N.B., American personnel in Latin America tend to handle Spanish better than their counterparts in French-speaking countries handle French.) Translation for the NGO is very costly. "AID must find a way to deal with this if it's serious about Procurement Reform."

As for the nature of the technical evaluation committees, again there are differences. Some were more perfunctory exercises than others; some reached out for additional expertise and opinion, others did not.

At least one Mission (Ecuador) appeared to give serious thought to the issue of balancing capacity building and results. "We know that these small organizations and small grants are about capacity building. But we also have to ask about effectiveness. By going with these somewhat inexperienced small organizations, are we sacrificing effectiveness for capacity building? In Round One, we knew the work of the three grantees would be problematic, so we deliberately avoided using a lot of numerical results indicators. The numbers of people being reached by these projects is very small. And we also knew three years is not enough."

Finally, it should be said that there are opportunities in many parts of the process to give substantial feedback and direct the applicant organization to what AID wants and how it wants it. This can be done, for example between the concept note and the invitation for a proposal. One Mission person noted that while personnel are reluctant to put such feedback in writing, the telephone is a „safe' way to have such an interaction. She felt that such opportunities are squandered and need to be pursued more aggressively.

6.2.5. NICRA

NICRA appears to be a bit of a "don't ask, don't tell" kind of secret. Not only are many DGP applicants (local NGOs) unaware of it, quite a few of the Mission personnel who deal with applicants are unclear about it, some with the idea that NICRA is available only to U.S. PVOs, which apparently is not the case. In any case, NICRA is not brought up with potential grantees. This may be partly because to do so represents more work, and partly for IPR reasons - USAID is wary of giving the perception that an organization using USG funds is spending money on itself.

6.2.6. Applicant Rejection

There were surprising inconsistencies even in the process of rejecting applicants.

One Round One grantee director says she was told by a top person at the Mission to ask for more money in Round Two and that she could get as much as a $1 million. She submitted a concept paper for $800,000 which she "had been led to believe she would get" and then was denied this. She insisted on feedback and essentially threatened a sit-in at the AID office until she could meet with the program office. This led to a second letter which said she did not get the grant because she had not indicated that women would be going to school as the result of the water the project was to provide, and that she did not describe the area fully enough, etc. Then, later on, the Mission found it did not have enough grantees to use the money for Round Two and so it gave her $200,000 more.

The rejection letters received by applicants TAPP and CADECOM in Malawi both state that the rejected applicant has a 10-day time limit on feedback and say nothing in the letter itself about why the applicant's proposal was rejected. The letter from USAID/Ethiopia to rejected grantees offers two to three general reasons for the rejection and does not say they are open to providing feedback. The 10-day limit on feedback is apparently a misinterpretation of the rule for contracts, but does not apply for grants and cooperative agreements.

6.2.7. The Pre-Award Survey

This can take two to four days, and in the case of Pretoria, involves travel (e.g. to Angola). Basically the PAS is a test of whether the proposed grantee follows standard accounting practice:

- Separation of duties
- Requisitioning systems
- Bookkeeping separate from cashier
- Fixed asset register
- Movement of assets
- Petty cash vouchers
- Reconciliation function separate from bookkeeper
- Time sheets
- Vehicle logs,
- Etc.

The timing of the PAS is a real sticking point for several of the Missions visited. In Georgia, because of the timing of the DGP selection process, it had to be outsourced. The timing problem also means one comes up against a shortage of personnel or prior time commitments. The PAS has then to be contracted out or done under pressure.

A question is whether a small grantee can comply with what the PAS recommends they do without having specialized personnel and that costs money, money that is more often than not included in the grant budget.

More important though is whether the PAS really functions as a filter or screen on the program side. At the least it should generate hesitancy or conditionality (as it did in Georgia). In the other Missions, however, while the PAS uncovers issues, these do not lead to screening out the grantee, or setting pre-conditions. Is the PAS a deal breaker or not? A senior person in the South Africa Regional Mission says there is no scoring system (and perhaps there should be) and no threshold beyond which the PAS becomes a deal breaker.

Item 2 in the PAS - "determine if the entity has sufficient competent and experienced local staff to implement its activities…" is the one area that addresses program feasibility but in fact a close look at this appears not to be done other than to look only at the Board of Directors constitution, and the existence of job descriptions.

Some missions note that if the grantee is a U.S. organization it can take up to six months to get the PAS done.

6.3. Post Award Processes

The burn rate issue comes up often and there are two sides to it – AID needs to spend or it loses both face and money. The grantee looks bad if it is not spending – one assumes they are not meeting their targets. From the grantee's point of view, if there is overhead involved, they will have a cash flow problem. But no one thinks that not spending might be a justifiable response to changed circumstances or sensible shifts in strategy as the organization learns.

Reporting through DC slows things down.

Modifications are inconsistent and take too much time.

Some of the grantees who are U.S. based do not communicate well with their local partner – the one doing the project work in country. In two cases there were signs the sub-grantee never saw the CA covering the grant they were executing.

6.4. The Role of the AOTR

AOTRs differ widely, not only in terms of their commitment to and understanding of DGP, their understanding of development theory and issues, or their willingness to act as partners with their grantees, but also in some cases in their understanding of or application of the role. Some would like to do more but feel they cannot.

"It's much more, or should be, than technical oversight. One should be interested in processes, not just compliance, how the money is used, and how its impact can be enhanced. But one has to have the time to do this."

Of the many AOTRs interviewed, the average in terms of their time commitment seems to hover around 25 to 30% (with a very few putting in up to 60%) for the DGP work. That is from their perspective of course; though many grantees seem to sense that they are receiving a relatively small percentage of their AOTRs' time.

Not all AOTRs attended DIMP workshops. Those who did note that they learned things they did not know before. A few say that USAID procedures and rules need to be reinforced for them too.

Some go by the book, and read their AOTR letter as a binding document, and have taken their AOTR training quite literally. They see that they cannot become involved in the details of the grantees' work, and they go out of their way to stay at arm's length. On the other end of the spectrum, there are AOTRs who interact weekly (or even more) with their grantee(s); who are available by phone, who wish to help them. Some see the role as partners and helpers and facilitators; others as policemen. One went out of her way to help get an extension; another categorically told her grantee there could be no extension.

Some do not want to know or really care about what is going on in the project; a few are very well versed on the details and keep in close touch.

A grantee in Ethiopia which had run into problems in part because it was new at the work it is doing. After delays and glitches lasting close to 50% of the project period, asked the USAID Ethiopia team for advice on a change they were proposing. They were told " You're the experts." But in fact the spirit of the DGP is that the grantee is not always the expert, and the partnership and capacity building aspect central to DGP suggests that AID should be in a position to advise grantees, not only after they have the grant but especially before so that there can be a dialogue about feasibility and sustainability.

The only feedback or criticism this grantee got from the USAID/Ethiopia Mission was that they were behind on their targets, along with some advice on their reporting. No one at any time dealt with the substance of their proposed work.

A factor that contributes to this inconsistency is the percentage of time that those people who ought to be in direct contact with grantees are not on the job. Roughly 3/4^{ths} of the grantees noted that their communications were affected by personnel changes or absences of their USAID interlocutors. Besides leaves that are part of USG labor policies (maternity or paternity leaves; vacation or home leaves; sick leave) there are regular absences because of holidays, training, or other TDY assignments. And finally there are changes due to the rotation of U.S. personnel from one post to another. These things may seem routine and unavoidable, but they are part of the culture and infrastructure of USAID and affect far more than just relationships with grantees.

6.5. The Management Burden

Virtually every Mission brings up the management burden. It seems indeed to be real.

"Local organizations need more hand-holding; continuous support – we cannot provide that. As one AOTR in Ethiopia put it: "It's a very awkward process especially since they are going through a learning process and there is no one here to teach. We're not set up to do this."

But when one looks at what is involved, once the grant is made, the reality is that an AOTR could end up doing relatively little. Even if the grantee is set up for a monthly advance, which apparently is the minimum USAID can do, the voucher submission does not require supporting documentation; all that is needed is a summary liquidation claim, and if it looks OK, the AOTR signs off on it. He or she may not even visit the grantee more than once in a year, even though many say they intend (or intended) to visit each quarter.

And in big missions (Peru, Ethiopia) the management burden may be disliked but in fact the Mission can handle it. The issue as expressed by those missions is about ownership. The cry -- and this is heard in other missions too -- is "trust us." Put the "ownership" where it belongs. Ownership is the key to the „burden' issue. If we own it, then the burden is different. We'll take it on."

In those Missions where much has to go through Regional Missions there is a sense that this over-complicates things, especially in the area of internal payment processing.

"It would be good to give more financial management authority at the Mission level – especially to solve the handicap of the payment delays, - "we need more voucher approval here at the Mission level and this is being discussed.'"

Still, there is a sprinkling of FSN FAs in at least three of the Missions visited who take it on themselves to reach out to the DGP grantees, in part because of national feeling, in part because they believe in the spirit of DGP, and in part because they are simply responding to calls made for help on very specific sticking points. As one FA explained it, "a good grantee, no matter how well trained, will come up against something that was not brought up in the training. An example is the use of grant funds for the purchase of a cow for a project sub-grantee. In our culture such transactions are handled between members of a community; one buys a cow from a neighbor. There is no paperwork, there is no competitive bidding, or comparison shopping. The "good" grantee will call the Mission FA and ask how do we handle this? The Mission in a case like this often does not have an answer to the question and begins to think about some sort of adequate documentation of the sale."

And some (relatively few) people see the extra time spent as worth it. As an FSN put it in Georgia:

"It's not just that these grants take as much time and effort as larger ones, they often take <u>more</u> time and effort. But if we don't start to do this, it will never happen. Look at the name USAID -- it is about <u>development.</u> If you are for development, then you have to do it. Doing this work is part of our learning." "Do others feel this way?" I asked. "No, I am in the minority."

Dedicated DGP person? While a few in the Missions think this is the answer to the management burden, those who argue against it are more emphatic. They point out that there are ebbs and flows in the yearly work flow and a manager needs the flexibility to move folks around. A DGP specific person would not only be marginalized but from an HR deployment standpoint, a waste.

<u>6.6. Unanticipated Complications of Working With U.S. NGOs</u>

In Ethiopia all but one of the U.S. PVOs chosen has a local sub-grantee (AAII is the exception). The Mission liked the idea that the U.S. grantees already had much experience with donors and feel they know what they are doing on the development front. (I did not see evidence of this however.) The Mission consensus seemed to be that DGP is first and foremost about making new organizations familiar with the USAID rules.

In Ethiopia, one grantee application seems to have originated through political connections with the USG mission and the grantee was "invited" to apply. Another appears to have had some connections in the U.S.

In the case of grantee Convoy of Hope (COH), almost all the interaction up to a year into the grant was with DGP in Washington. COH HQ staff said they felt that DGP had been treating them with a very "soft glove" with lots of nurturing from DC; that the team in DC had helped them in counseling them on how to deal with USAID Ethiopia, and this had been crucial to ironing out some problems. At the same time COH said "it was not clear until very recently to whom we should be answering."

In the case of another U.S. based grantee working in Ethiopia, the Mission is obliged to deal with the grantee's U.S. office but in fact the people doing the work are a separate local NGO. "But we cannot deal with them," said the AOTR. He also said he sometimes feels he "should not even be in the same building with the sub-grantee" "And the process is wasteful and inefficient. DGP money flows to their HQ in Pennsylvania, then to their partner in Nairobi, and then to here; the reports go from the sub-grantee here back to their HQ in Pennsylvania where they are tweaked and then back to USAID." This AOTR adds: "the focus should be entirely local NGOs. Going through the U.S. PVO is inefficient in every respect, including the use of the funds. The money goes to the U.S. PVO, then through their partner in Nairobi and then to here and each takes a cut – but it's hard to see."

6.7. Due diligence

Interestingly almost no one talks about the development outcomes of the DGP funded projects; or even about whether what is proposed is realistic. Everyone looks primarily through the bureaucratic lens. Does this fit with our strategy, does this comply, are the boxes being checked? Even if one has an inclination to think about such matters, there seems to be a broad acceptance of being in a bureaucracy. Most of the people I met do feel they are involved in doing good for the world, and that is part of their motivation for working at USAID, but at the same time no one talks about, or seems to think much about, development effectiveness. There are no antennae up and few seem alert to dependency, lack of sustainability, unrealistic plans and proposals, and real outcomes.

Reflective thinking would appear to be almost cognitively dissonant – it might threaten people's desire for routine and order, and make life harder than it already is -- and perhaps this is why it is discouraged by the agency and by individuals themselves.

Due diligence is thus spent on compliance and the bureaucratic imperatives of compliance. Yet even if one does not go the whole route to deep questioning on development issues, there is, even within the existing system, room for more due diligence than is done.

One Mission Program officer said that the place to beef up the due diligence is the past performance check. All kinds of questions can be asked here, (this is between the concept and the proposal or between the proposal and the PAS) and not to do so is a missed opportunity.

Cost analysis is also an area which can be a window into development effectiveness. As a person at AID/W explained the role of the Agreements Office, "we have the most labor-intensive job in this process. The AO has to wrestle with all the budget details. The SF 424. We need to understand indirect costs and negotiate them, and the grantees need to justify what they have in their budgets. If they say, "we need to make 5 trips to the north of Ethiopia and that'll be $10 K, we need to ask how they arrived at that. Best guesses are not good enough."

But in the DGP selection process it seemed that "best guesses" are generally not only good enough, but tend not to be questioned. In Angola, Zambia, Malawi, for example, of 12 DGP grantees looked at, five admit that their budgets were based on just plain guessing: they left things out of their budget that they later realized they needed; and in the most egregious case (CUMO) no one at the Mission asked how the figure for the key item in the budget was arrived at (see their mini-case for details). Moreover, if the AO's job is indeed to question best guesses about costs, it ought to be someone's job to question guesses about what can be accomplished and in what time frame. Due diligence should also mean asking whether the applicant has really thought through what their budget needs are. Most Mission personnel seem to take the view that the applicant knows what it wants, and so there is no need to take a close look. But if the spirit of the DGP is taken seriously and one is looking at grantees with little prior USAID experience then this needs to be part of the proposal communication process. There are enough issues that compromise a project's potential outcomes. A poorly thought through budget ought not to be one of them.

In no case I came across did a USAID Mission suggest that the project was basically not feasible. Yet in the majority of the grantees, given budget, capacity, and time, the projects were not feasible as written. No one seems to have taken into account what are fairly standard bumps in the project start-up road, funding lags, staff who come on board and then quit soon after, procurement delays. These seem to run between six months and over a year for newer, leaner organizations; and even for experienced fatter ones, three to six months.

"It's during the cost analysis in the proposal phase that we should be offering guidance on feasibility precisely because we have the experience and the grantees often don't." But this is not done often and part of the reason is surely time pressure, but part is also that the agency does not always have the experience itself.

Finally, it is important to recall that the guidance on DGP grant eligibility states that it "cannot fund programs not focused on development (e.g. short term emergency relief)." But the number of grantees with high giveaway quotients, and some with food giveaways, is high and if not technically speaking "emergency relief" certainly closer to it than to development. Again no one seems to be noticing this.

Take the case of a rejected grantee for Round Two: Beza Vision – with an environmental awareness project of $866,176. Of the total proposed budget 41.5% is for per diems and transport costs to be paid out to 3,900 workshop and training participants; 6 % for equipment and vehicles; 22 % for personnel. But no red flags appear to have been raised about dependency creation or the thinness of the concept. Instead the proposal was rejected on other grounds: "no clear indication that the [project] will bring about behavioral change at the grassroots level;" "lacks clearly defined organizational mission and goal;" "Very weak M&E: only output level indicators with limited input level indicators."

6.8.Legal Compliance Requirements and the Idea of "Partnership"

In theory the key Mission personnel dealing with a grantee (the AOTR, and the FAs) are obliged to "keep their feet to the fire."

An Agreements Officer said: "We have this role because it is public money we are spending, so we cannot really just trust what new players say to us. We're buying people's „best efforts,' but we also see that capacity is weak and that the recipients of the DGP grants want to learn. But again we have to ask who is really responsible at the end of the day? This is a public purpose, public good organization."

Another Mission person said: "Washington needs to remember that the Missions get audited. That's why we're risk averse. We have to pay attention to the details of the grantees, there's no choice about this and so we cannot be loose about it. Is USAID prepared for the consequences of audits of these grantees? What if many fail these audits?"

But in the course of this evaluation, there were too many cases where not only little attention was being paid to what the grantees were doing – as development projects - but also few signs of close monitoring on the standard compliance matters. And yet the latter are potential windows into the former, and when a compliance issue becomes visible, it can and should lead to dialogue about how to solve this, and to discussions on more substantive matters.

6.9. The Burn Rate

One of the assumptions is that if the grantee's burn rate is slow, this is a sign of bad management, though in fact it could be a sign of the opposite – an adjustment to changing circumstance or to unanticipated realities. But AID's procedures make the burn rate an indicator in itself, when it should not be.

"This is a matter of communicating to everyone that of necessity (and by definition) the DGP grantees will be slower in using their funds in the early phase of their work."

VII. THE DGP GRANTEES

There are three issues to discuss with respect to the DGP grantees: 1) their characteristics and needs as organizations, 2) their view of and experience with USAID, and 3) the projects they are implementing under the DGP.

7.1 The Grantees' Characteristics and Needs as Organizations

As the data in section VI suggest, Round One grantees tend to fit the "ideal type" of NGO less than one might have guessed. Thirty-five percent have had previous experience with USAID, albeit not always as direct grantees; fully three-quarters have had experience with multiple donors, and fully three-quarters are older than ten years. And 60% of the 31 grantees looked at in this evaluation depend on the DGP grant for less than half their annual budget.

This finding – DGP grantees so far are neither very small nor very new – suggests a common sense reality – infant NGOs are not only not a good risk, they themselves are unlikely to apply. But, as it is, being an older experienced NGO with a track record and multiple donor experience does not necessarily equate with effective development work, nor with good systems adapted to work with USAID.

At the least, USAID needs to understand the NGO sector in developing countries better and in a more nuanced way.

Local organizations, almost all of whom have had experience in the funding game, are both sophisticated about the development industry and not so sophisticated. They are just enough in touch with the world to pick up on new donor emphases and trends (and the accompanying vocabulary, e.g. agriculture is now "food security," microfinance is now part of "financial inclusion") but not sure enough about how to get a piece of the action. Generally the smaller ones (e.g., the three grantees in Ecuador; FAST in Malawi, the three women's empowerment grantees in Georgia; Radi and Syafd in Senegal; Twayavoka and Accao Humana in Angola; and Nascent Solutions in Zambia) tend to feel they are disadvantaged by being small and having to compete in the same world with a CARE, a Winrock, an SCF, or a World Vision etc. Even in hiring staff they feel at a disadvantage since they cannot pay people what their big brothers and sisters (CARE, or UNICEF) pay. One grantee, as soon as it announced that it was the recipient of a USAID grant, received over 400 CVs because prospective candidates assumed an international level salary package. These NGOs feel that in some ways the playing field is not level and that there are rules of the game they may not understand.

When it comes to USAID, local NGOs tend to feel a certain diffidence – they seem to feel unsure about how and when or whether they can approach USAID with questions or concerns. There is a somewhat schizoid element here: on the one hand they want to be seen as equals and treated as partners; on the other hand they are insecure, don't want to appear to be lacking in skill or knowledge, but admit privately that they are.

Some are afraid of USAID money; they want it but have not dealt with anything more than five or six figures. Surprisingly often, and from a surprisingly wide range of types, I heard the comment, "We did not know what to do", or "we did not know what we could do." "You know, sometimes we don't know where to start – we see this issue and that challenge and that problem, and we don't know what to do."

This comes out especially when the grantee realizes that what they agreed to do needs to change – when they see they cannot meet the original target numbers, when a circumstance changes. The most common occurrence, even when the relationship with the AOTR is good, is to delay bringing up a problem – to delay especially in notifying AID that an extension of time might be needed.

Many of the local NGOs face a conflict between the need for money and their mission. Twelve of the 31 grantees visited are "founder-run" organizations, and their critical characteristic is a degree of what one might call "passion," mitigated by the reality of funding – i.e., "we know we need money to exercise our passion, but we worry that our mission will be compromised in the process." USAID needs first to decide whether the characteristics of a mission-driven organization are the characteristics that lead to good and innovative work or not, and if it decides being mission-driven <u>is</u> a good thing, then it needs to use the DGP program to guide these NGOs in finding the right balance.

NGO psychology is worth understanding because it may explain some paradoxes that occur. One is the evidence of resentment towards the "hand that feeds you." There were a couple of grantees that seemed to embody this psychological twist – as if their asking for money injures their pride and thus makes them resentful – these have a sort of entitlement mentality: "You should be happy to fund us, and how dare you ask us to jump through your hoops." It can also explain the 20% or so of grantees who appeared at times to be whining more than constructively criticizing their relationship with USAID.

Some of these conflicts and concerns exist even with U.S. PVOs. One said: "There is no way we can compete with the big players. We want to grow. We have to grow, but not growth for its own sake. We want to partner but do not want to be the subordinate partner. The perception is that because we're a U.S. NGO who is working with the USG that this means we're in the „Money game.' But the reality is that this game is really hard for us."

But in general grantees of all types are quite realistic. Just as in the world of the big U.S. or international NGOs, the local NGO sees a tough, competitive, even cut-throat world out there in which synergy and partnership are nice words, but in the end "it's every man for himself." One negative consequence of this is a certain reluctance to communicate much with each other, even when they are working in similar sectors.

Among the smaller ones that have reached "survival" status (they've gone through the aches and pains of the first five years or so when they weren't sure they could get past payrolls and reliance on volunteers to having their own offices) the common complaint is the "Catch 22" – we want to raise funds but we have no resources with which to do it.

The CEO cannot perform that role because he or she is fighting other fires. The outreach and networking and contact-making that is part of fund-raising is too costly in terms of time.

The few local NGOs who know about NICRA, want to know how they can become eligible – “we too want some percentage of our overhead covered in our grants.”

By far the most commonly expressed and immediate organizational development need for all grantees is help in fund-raising – so they can keep themselves going financially. In descending order of importance the other needs would seem to be:

- Covering overhead (including allowing the space and time for the CEO to do more fund-raising, instead of “fighting fires.”)

- Staffing (finding and competing for good people, holding on to good people, etc.) In many countries, grantees complain that getting good people is difficult. Salary competition from international NGOs and companies is a major barrier. A secondary issue is that in a number of countries the quality of a university education is low and so a degree on a CV is an insufficient filter, making candidate choice much harder.

- Strategic planning (including thinking about structure; transition/succession issues)

- MIS

Issues that do not come up spontaneously when one asks about needs on the OD front are:

- Boards Of Director (BOD) roles, structure
- Grant management
- Knowledge management
- M&E

That is not to say that the grantees do not need these kinds of capacities, but simply that they are not at the forefront of their thinking.

7.1.1 Financial Reporting

All told slightly more than a third of the Round One DGP grantees seem to have problems in financial reporting. For most, however, it is not rocket science, and as the financial officer for DGP grantee TMI put it “Once you get the hang of it, it becomes routine.”

“We were scared. There’s this myth that USAID is very complicated to work with, but in reality it is streamlined and clear and once we know the system, it gets easier and easier.”

A few grantees seem impressed with the AID requirements. They see these as tough and rigorous and that is good. "If you can make it with USAID, you can deal with any donor." "When things are strict, it makes it easier for you in the long run."
They see themselves differently as a result of being up on the learning curve after the initial bumps and the timing of payments.

At the same time, the process of getting up that curve is recalled by some as hard. One grantee director says it took a full year of experience before he began to understand what was needed in terms of systems.

There were a few grantees that seemed simply to balk at certain requirements, either because they seemed nonsensical, or because their experience with other donors had in a sense "spoiled" them into thinking they could get away with being lax. The director of a grantee in Georgia that is about to be audited, said that he simply did not see the point of keeping a "car log," or of justifying local travel to look at the forests that are some of the subjects of the grant ("a forest cannot sign a document proving that you have been there.")

And there are some that seem genuinely to have some trouble with the systems and need regular coaching to get it right.

Factors which influence whether the grantee can handle the basic financial reporting:

- Turnover
- Low salaries
- Poor educational background
- Lack of good executive leadership
- Lack of understanding all the rules

The human and organizational factors seem to play more of a role here than the presence or lack of a good accounting system or good software.

In any case financial reporting problems have been dealt with in several ways, largely *ad hoc*. In four Missions, USAID's financial people have themselves taken responsibility for helping to solve these issues, either by being available to talk on the phone, or in some cases, using their own time to go to the grantee and sit with them to coach them through the processes. In two cases the CAP RTAs have also made themselves available to grantees to go over these matters. In a few cases, efforts were made by the Mission to link up the grantee with other NGOs who might be able to help them through the process. In Malawi, the Mission is undertaking its own series of quarterly financial management workshops for all its grantees, including the DGP. The initial DIMP workshops, as pointed out elsewhere in this report, do not seem to have contributed strongly to grantees' getting over this hump.

7.2. Relationship with and Experience of USAID

Here is a list of things that grantees seem to note in their complaints about the relationship with AID in their first year or so:

- Communication problems
- Lack of clarity in proposal preparation process
- Delay in getting first funds (all)
- Too many interlocutors; interlocutors keep changing
- AID does not understand our personnel problems (people leaving, needing to replace people leaving)
- Having to spend money on translation especially in a language USAID ought to understand (Spanish and French).
- Difficulties in cash flow due to inability to close or liquidate expenses
- Do not get immediate feedback on Quarterly Reports
- Feedback is not very detailed
- Fiscal Year confusion
- Bank doesn't notify them immediately when funds come in (USAID doesn't notify them because the Mission itself does not know)
- Do not even get acknowledgement of the receipt of their report submissions
- Having to match what they want to do with a specific amount of money rather than other way round.
- Didn't anticipate cost of going to workshops.

Confusion about communication remains an issue with some grantees. "One of the issues we face is that we're not sure when and where we are crossing the threshold of what is allowed. Things are not clear."

Some know in advance that the budget proposed and the time frames are inadequate for what is promised. They go ahead anyway. Fourteen or 18 months later, their excuse is that "The APS set the parameters." "We were told it had to be three years, or we were told the max was $500,000. Then we submitted a proposal for $500,000 and were told ‚no, the $500,000 had to include matching', so we reduced to $400,000 plus $135,000 from us."

One U.S. grantee said AID does not put the grant into perspective of the organization's other work.

"You know, we do lots of things. We are not 100 percent USAID – and I'm not a Chief of Party, yet that is how I am seen. I have a big portfolio outside our DGP work. They see us as if we're 100 percent AID – we're not organized that way and don't want to be."

Several grantees though continue to have problems with financial management and reporting. The sample here is too small to be sure, but it seems as if these grantees are also ones which made errors (omissions) in their original budgets, leaving out things they later found they needed. And this tends also to be correlated with proposals that were written by paid grant-writers or other outsiders. One grantee found that their budget had not taken into account the host government's complex labor laws concerning benefits including allowances for sick leave or funerals.

As indicated above the biggest and most common issue is cash flow and the length of time it takes, not just for money to flow, but for modifications, especially when Washington or a Regional Mission is involved. Some grantees that have had experience with USAID through other funding windows, wonder if it is the same organization. ADPP in Angola points out that it gets its money from the PMI project in one week and has an easy time of it. They are stymied by how different it is to deal with Washington than it is with Luanda (via Pretoria). To them it is incomprehensible.

Another grantee in Africa said the process to get her vehicle "sucked." USAID kept her waiting three months before telling her that the procedure she had used was incorrect. She then redid the paperwork and it took six more months to get this through USAID, she says and then she had to wait an additional three to get the vehicle through the Host country bureaucracy.

A few grantees have cash flow problems that have to do with taxes. An example is TMI's (Peru) problems with tax recovery. The USAID rules do not allow for the payment of VAT, which in Peru is 19 percent. So when the grantee submits their invoices, they receive reimbursement for the sum less the VAT, which they then have to recover from the Peruvian government, but this process can take a year or more, causing a cash flow problem.

The issue of USAID Mission staff turnover has come up with a good 20 percent of the grantees visited. In one Angola grantee, they feel "whip-sawed" by having had dealings with five different people at the Mission, some of whom contradicted what others had told them about procedures. They wonder if the Mission personnel understand the rules themselves.

This evaluation uncovered several instances of key matters falling through the cracks because of disconnects in personnel and availability of personnel. Much of this seems to have to do with personnel leaves and TDY travel, but some is also the result of seasonal issues, such as the rainy season in Senegal, when it is harder for personnel to travel.

Language and related translation costs come up in Latin America and West Africa. Many are exasperated by USAID's language bias, and find it patronizing that they use a major world language and USAID requires them to translate key documents.

The backfire danger: While everyone at this point lauds USAID's outreach to local NGOs – "a real sea change," a couple called it -- there is an obvious danger of deep disappointment, resentment and backfiring if USAID stops the DGP, and/or does not give new grantees a chance to graduate to something larger. A few grantees seem unaware that in subsequent rounds DGP sector emphases, and or the Mission's emphases, have changed. NGOs who thought they were in for a long ride will find out otherwise.

"USAID's culture is hard to figure – they keep changing the game. It makes one feel very insecure. At the end of the day, it's an unequal relationship."

Of course through all these issues runs the thread of the differences in how different Missions treat the DGP applicant.

TMI, a 40-year old U.S. PVO applied for one grant in Round One and two in Round 2. They had had USAID grants before but for the first time in 14 years they had a direct relationship with the Mission in Peru. They also applied to USAID Nepal. The difference in the experience, they say was "like night and day."

In Peru "they really worked with us in a way we'd never seen before." "There were real champions." The other Mission would say "we can't talk to you; we'll let you know…" In Peru they worked with us from day one on project design; very helpful. In Nepal they were very stand-offish, and even though our concept was reasonable, and we got through that, they turned us down, after a big investment in our time. We were told that their main reason was that we're not a "Local NGO," but we are just as "local" there as in Peru – in any case if that was the issue they should have told us up front."

At the same time almost all the grantees are basically appreciative of USAID and not just the grant. They see the multiplier effects. TMI in Peru for example said: "there are HUGE benefits for us, ones which were not expected; the overflow of resources into other opportunities, gives us a chance we never had before to deepen what we do."

Most appreciate the chance to become more sophisticated in their accounting, and generally would like more such help. Learning to calculate both direct and indirect costs more accurately is something that came up several times.

And a few grantees are exuberant about the support they got from the Mission. "It was "inspiring," "enormous," "lots of feedback from the Finance unit and also for the M&E part." "You couldn't get such support from a normal RFP process." "We already had a sense of a potential partner."

And some are so dedicated to being „good pupils' that they go out of their way to comply. One USAID mission raised some questions about the reporting of a grantee that was 350 kilometers from the capital. The Mission could not send someone to the grantee. Instead the pregnant director/founder of the NGO took an overnight train in the middle of winter to come to the capital. Her accountant traveled with her and in order to be able to show the AID personnel their records, they brought their entire desktop (not laptop) computer system with them on the train. They had no idea that all these records could have been put on a flash drive or a disk. The train arrived early in the morning and at 9:00 they showed up at the Mission, without sleep or breakfast.

But there is one area where grantees are not getting help and that is on the substance of what they do in their projects – <u>development itself.</u> This is a two-way street issue. USAID is not focusing on development content, and grantees, with few exceptions, are not aware that they could use help in what they do, not only technical help (especially in those projects with an enterprise development component) but help in understanding the development implications of what they are trying to do.

There were, however, a couple of cases where the USAID Mission seemed less advanced than the grantee in certain types of development content. AFE in Zambia and TLC in Malawi are trying to do doing sophisticated work in value chain related enterprise development; it was felt by the grantees that their Missions did not understand the field as well as they do.

7.3. The Projects Grantees Implement.

As the charts beginning on page 13 show, over half the grantees are engaged in projects that were unrealistically designed, where they are either trying to do too much, combining sectors that do not go well together, or are involved in areas where they have little experience. In some, one gets the feeling that being unsure of what USAID might like, they threw everything in they could think of in order to attract USAID. In one project in Zambia the proposal included introducing computers for poor rural women via an installed V-SAT system. This of course turned out not to be possible. As the mini cases show, many projects sacrifice quality for quantity, engender dependency, and are led more often than not by the NGOs' heart rather than their "head." Quite a few are really social welfare projects disguised (rather poorly at that) as development.

Many promise what they cannot deliver. Some dream beyond their capacity or understanding, working with poor women in an isolated area and thinking they can foster an eventual processing plant for canned vegetables.

That particular NGO explained that they spent a lot of their time surfing the internet to inform themselves of how to appeal to USAID. Over the last six years they say they wrote 300 concepts to donors and foundations like Gates, Clinton, Ford, etc., with no positive responses.

In a surprising number of grantees (roughly forty percent) the proposals were written by outsiders to the NGO or to the scene. These were often overblown, naïve or lacking in knowledge of basic conditions.

And while some DGP grantees seem to recognize (and a few say so explicitly) that they know they will not be contenders if they do not inflate and if they do not touch the right buzzwords, others are driven very much by passion, and while some may as a result be naïve, if their projects were set up as experiments with attention to what kinds of lessons might be harvested, that passion and naiveté might lead to something useful even if the project itself does not.

In Ethiopia, an inspired and passionate small and new NGO is driven largely by its founder, who has put in lots of her own money to keep the effort going. She is devoted to seeing change and is very persistent. She says that she cannot imagine being unable to have a lasting impact in the remote, primitive area where her DGP project works (two full days' drive from the capital). Her project works with primitive hunters and gatherers who wear animal skins and cannot read and write nor speak Amharic, Ethiopia's main language. They are, she says, unaware even of being part of Ethiopia. Their land is eroding and there are conflicts over grazing. She set up her project because she feels close to these "authentic " people and did lots of research in order to make sure her work would be harmonized with "their reality." The poignant point she makes is that the people were clamoring for answers (what the project refers to "awareness") to the question of why what their ancestors taught them about living and life no longer works. So her deep objective is to "help them learn to deal with their problems, to be problem solvers, to negotiate for themselves in today's environment." She admits to being somewhat naïve, but says "I won't give up." At the same time, she has learned the complexities of getting such a project underway. Medicines are given away to save lives, and to get the people to come to her community meetings they are given coffee and nutritional supplements.

On the face of it, this does not look like a promising project, certainly not in terms of sustainability, and it could easily turn out to be yet another case of outsiders providing services (e.g. wells) that government ought to, which will fall into disuse after a few years. Yet because of the investment in understanding the local population and the commitment of the leader of the project, it could have been cast as an experiment in seeing what can be done in such a difficult environment.

A surprising number of grantees do not see that what they are doing is superficial, or unsustainable. Especially those which are aimed at micro-enterprise development that involve training, (sixteen out of the thirty-one or 52%). In these without exception the training is too thin, follow-up is too thin, and the NGOs lack understanding of business, of value chains, and of the enabling environment. For the most part these projects are driven by sympathy and heart and less by hard-headed understandings of the real world and what might be needed to survive in it. There is simply too much that is given away, and too much that is used as an incentive to participate in the project.

Ironically, along with the lack of insight in to what they are doing, many grantees understandably -- again with a few exceptions -- do not know what they do not know and thus have not asked for help or learning on this. This matches pretty closely the similar lacunae on the USAID Mission side of the equation.

[See the mini cases in Annex B for more detail.]

What's needed across the board is what is needed in the development industry in general -- reflection, time, flexibility, and intelligent questioning of goals and assumptions.

VIII. CAPACITY BUILDING AND THE CAP ROLE

The AED/MSI CAP part of the DGP consists essentially of three kinds of intervention – capacity building delivered through workshops and trainings, consultative arrangements with individual grantees undertaken by the Regional Technical Advisors (RTAs), and information provided through manuals and internet-based platforms.

8.1.The Detailed Implementation and Management Planning (DIMP) Workshops.

Most of the DIMP workshops scored about the same on the usefulness and clarity scores (between 90 and 80 percent on both scores with only Dakar scoring significantly lower on clarity.) The majority of those who attended these workshops say they were useful and appreciated very much that USAID set them up. But many feel, in hindsight, that they tended to cover too much too fast. One person from a Mission (Georgia) who attended one of the DIMPs, felt what was being conveyed was that USAID was even more of a dense bureaucracy than it really is. The workshop was not "user friendly".

Another attendee from the USAID side said: "one size fits all for capacity building is a big mistake. In the DIMP workshop I attended, the stuff went way over the heads of the grantees, and the AID people kept walking out. It was clear they see this as „for our partners and not for us.' But they are wrong – it is for our partner**ship**."

Many felt that the workshops came too early in their grant time frame (at the beginning). Especially for those with no prior experience at all with USAID, once they had some experience behind them four to six months into the granted project activities, they began to realize more fully what they knew and did not know; what they understood and did not understand. In Senegal, for example there was a follow-up workshop held in July 2010, which was seen by the AOTRs as more useful than the DIMP, in part because it was a response to real problems that grantees were facing.

There has been confusion about cost coverage for the DIMPs and also about who ought to be the persons invited and how many. One grantee in Angola claims it wanted to send two people but was told (apparently by USAID) it would be allowed only one person. In the case of a DGP grantee in Ethiopia, at the time of the Uganda workshop they had not yet got their funding so no one went. In another case, there was apparently some confusion about who exactly the grantee was. The U.S. Headquarters of the grantee had no understanding of what CAP is or offers. The AOTR in Ethiopia said that working with AED CAP on this was difficult; he said CAP did not want to deal with the local implementer of a DGP project because officially they were not the primary grantee, even though they are the ones doing the work on the ground. He says he tried to get their people to the DIMP workshop. But the U.S.-based organization (the official recipient of the grant) insisted that it had the right to send someone to the DIMP, which it did, with CAP's concurrence. In the AOTR's view this was a waste of resources, since the local personnel were the ones who really needed the training.

Two Mission persons wondered whether the DIMPs were too expensive, both in terms of where they were held, and also how many people attended from both AID/W and AED/MSI. Because of their size, length and where they were held, there seems to have been a tendency on the part of grantees to see these as high profile, high status events. It takes a self-aware grantee (e.g., one in Georgia) to realize that the chairperson of the organization or the executive director may not be the appropriate person to send. In at least four cases, the top person from the grantee chose to attend, even though they were going to have little to do with the details and management of the project.

Grantees bring up the issue of personnel turnover. In Ecuador, as of November 2010, only one of the original grantee participants in the DIMP was still with the grantees. While turnover cannot be avoided, this issue underscores the question of whether it is the best use of resources to have such comprehensive, lengthy and expensive workshops.

It is important to see small nascent NGOs for what they are, and for what the DGP in its initial desire wanted them to be – small, nimble, committed, passionate players who are on the ground and know their environment and culture. In other words, it is natural that they not have robust management and financial systems, and perhaps it is asking too much to push their organizational evolution too fast by including too many subjects in these initial workshops.

As AED/CAP itself learned, some organizations do not even know that they will not be handed a check on day one of their grant, much less how to account for the money. Some of the basics are so basic that these should be the focus of the first trainings (the DIMP goes way beyond this basic survival level of knowledge).

8.2. CAP's Services –Some Communication Issues

From both the standpoint of the Missions and many grantees CAP is viewed and understood surprisingly differently. In Peru, Ecuador, Senegal, Zambia, and Malawi until very recently CAP and the terms of its specific availability to DGP grantees, was something Missions were either only vaguely aware of, or they had the wrong idea about it. In one case, a Grantee in Zambia thought the DGP was CAP. There is some confusion about who pays for its services and how it works. Communication about it, and between CAP and Missions, or between CAP and grantees has in some cases been limited and again created confusion. In Senegal, while those who have had contact with the RTA appreciate her work, the sense among some Mission people was that "CAP is not present." They add that things are getting better, but that initially there was hardly any communication and coordination. "There was a real disconnect between the Mission and CAP."

There seem to be a few communication issues within CAP itself. While the RTAs do participate in monthly conference calls the extent to which they know each other or share with each other seems limited. Who answers to whom is also confusing for at least two of the RTAs. And contracting and reporting arrangements seem also to be different. In Malawi a person was hired in September 2010 as a consultant, then moved to a short-term contract with AED. He answers to AED as does the Senegal RTA. The RTAs for Angola, Latin America, and the Caucasus seem each to have a different arrangement and answer to MSI. No one at the Mission in Zambia seemed to know much about the local CAP consultant (Musonda) until recently and it is unclear whether he is considered an RTA or not. At any rate, he has apparently not been in on the conference calls. At the same time, Zambia is apparently to be handled by the RTA based in Kenya, but neither the Mission nor the grantees seem to know this. (I did not know about the Malawi consultant hired in an RTA role until five days before arriving in Malawi.) The Senegal RTA has a locally-hired associate, as does apparently the RTA for Angola. The contract terms for at least three of the RTAs seem relatively short (one year at a time), and in two of these cases there appears to be some attendant insecurity about their future which could affect their work.

In Ecuador specifically, though the RTA had been present for three months at the time of my visit, the top contracts and financial staff of the Mission (four people) did not know about CAP nor had they met the RTA. (N.B. I encouraged the RTA to make contact with them through the AOTR – to some extent the reason he had not done so to date was his lack of clarity about what the protocol was). In Malawi the CAP person is housed in USAID and knows all the AOTRs and vice versa. In Zambia, the AOTRs know next to nothing about CAP, whereas in Senegal, Takady Konate and Marie Ba are known to the Mission AOTRs, but Takady is based in Washington. In Angola the Mission people are aware of Alexander "Sasha" Borovykh who travels there from Moscow and works with a German/Brazilian consultant. Ethiopia seems to be late in receiving CAP services (a workshop was to begin in early March 2011 there), and is under the tutelage of the RTA in Kenya. Since mid-2010, Georgia has had an RTA based in country; before that the RTA for Georgia was based in the Ukraine.

Presence, and thus coverage differs widely. The Malawi RTA has four grantees in one small country and can spend four or more full days at a time working with any one of them repeatedly – in hands-on and custom-tailored fashion. RTA Alexander "Sasha" Borovykh deals only with Angola and being based in Moscow, visits – according to the grantees, about two times per year. To cover West Africa, Takady Konate was to have been based in Dakar, but for many reasons has not been posted there and has been crossing the Atlantic regularly to interact with her grantees, with Marie Ba holding the fort when Takady is not present. Kennedy Musonda apparently has done an initial IDF with two of the three grantees in Zambia. In Georgia the RTA is present and works with three out of five grantees. She spends several days at a time with them. She stays firmly within a program of OD topics that is offered in the same sequence to the grantees she works with, whereas the RTA in Malawi uses a rather different, more custom-tailored approach.

All of this suggests an *ad hoc*, somewhat jury-rigged quality in the way CAP operates on the ground. Of course there is an argument to be made for adapting to circumstances, but if this adaptability comes at the cost of poor communication and highly differing perceptions of the role of CAP, then it is perhaps a problem.

Is CAP's service to DGP grantees demand or supply driven? Is it consistently communicated as an optional service or not? In a few cases grantees assumed that receiving the CAP person and doing the IDF was a requirement of their grant relationship with AID. In the case of Peru, where there is only one grantee, when the RTA visited the country he was apparently not given the time or budget to visit the grantee's field operations. In one case, a large grantee in Angola did not understand that the IDF exercise was for its own organization and convened the wrong people. In Angola, while all appreciated the RTA's interventions only one seemed sure about when he was coming next. In Malawi the grantees, while happy to get the help on the OD front, had no prior awareness of what the IDF was, nor about the process of undergoing it. As for the costs of the follow-up to the IDF – the IIP and so forth -- the CAP person in Malawi says he had to change his message to grantees once he became clearer about the fact that CAP would only provide for the TA. Another RTA seemed unclear about who to go through in order to get things happening, or about the limits of his authority.

Communication between CAP and USAID Missions about who does what, and in what way, is also somewhat disjointed. It seemed unclear to people in three different Missions whether or not other providers of CB are overlapping with CAP. In two Missions the U.S. NGO, World Learning, through its USAID contract, provided services on financial management to DGP grantees. In Senegal, the role of the Research Triangle Institute (RTI) apparently shifted at one point and some in the Mission were unclear about whether CAP was supposed to take on all or some of what they perceived as RTI's former role.

Among those who <u>do</u> know about the CAP role and have had contact with it, there is a sense that the approach can be a bit top heavy both in terms of what is offered and in terms of the way it is managed (the term „micro-managed' is used). There is some "rumbling" among a few RTAs that there is too much backstopping and too many people involved in decisions. The RTAs see themselves as fairly senior people and do not need the level of management control being applied. If the approach to grantees were more custom-tailored, more directly aligned with the felt needs of grantees, it would work better to give more independence to the RTAs to make judgments about how and what and when to do things. If the CAP role is to continue it would seem sensible to allow more autonomy to the RTAs, including perhaps some budget authority to hire local consultants, fund small workshops, bring local grantees together, etc.

In any case, it would seem that more interaction all around ought to be facilitated (with the grantees, others in the community, and the Mission) and that the RTAs ought to have more room for exercising their own judgments about grantee needs and to make creative connections locally.

<u>*8.3. Other Materials Provided and Internet Based Services*</u>

The written materials produced by CAP are carefully and thoroughly done. It would seem though that less attention is being paid to the human (and sometimes cultural) factors that might influence how and whether they are used. Has CAP taken into account how time-consuming and demanding it is for an underpaid, under-qualified, somewhat under-motivated young person in the job of financial management or administration in a small grantee to work through some of these materials? Are the materials being consulted and used, or are they sitting on a shelf?

One of the new publications of AED/MSI (Fall of 2010) is a collection of pieces that have been edited into a book, "The Essential NGO Guide to Managing your USAID Award". Apparently no such thing has existed and it is comprehensive enough that some USAID people are themselves learning from it. Some of the grantees visited had copies of this and appreciated having received it.

At the same time there was hardly any indication that grantees or AOTRs were making use of the various internet related tools that CAP is designing, both the GATT, and websites like "DGP Connect:. Only half the grantees visited said they knew about "DGP Connect" and had seen it, but they do not use it much. "This is yet another passive knowledge management type of site and nobody takes the time to use it. It's a luxury," said a person in the Regional Mission in Pretoria.

8.4. Consultative Services on Organizational Development

What grantees want and what they get differs widely. So do the ways in which they react to the help. Some are opportunistic and see CAP as a chance to get something for nothing. A few, once the RTA begins to intervene, have a tendency to feel threatened as if going through the IDF begins to be a threat to their authority. Some become focused on priorities that are generated by the structure of the IDF itself rather than by what is a real or more immediate priority for the organization. Some organizations do not know what they need or that they even need some help, a few are very specific and aware.

A few grantees seem in some sense cajoled into thinking they need some things they do not. Those which are local and feel isolated from the big world tend to be gullible about state-of-the-art OD and are eager to be good pupils (and genuinely so) because of their hunger to learn, and also perhaps because they want to be seen positively by USAID. In one case, a very small grantee with seven partly-volunteer staff was impressed by the module on Staff Development in the IDF and expressed to the RTA a need for help developing a Staff Development Policy, when that is the last thing they need at this point.

One grantee who works with this RTA is extremely appreciative of being exposed to these subjects, but whether or not the grantee needs to know all this and or can make use of it all is a different question. At present the substance of their work in the field is where they need help – a much more rigorous understanding of enterprise development. And that is ignored in this process; it is not part of the CAP mandate.

The director of a DGP grantee in Ethiopia said that the organization was invited to the Uganda DIMP but when they saw the syllabus, decided there was no value added for them. Since then the grantee has had only one contact with the RTA and was "asked to supply all kinds of stuff, and to prepare for a visit to do the IDF." The grantee declined saying they were already doing their own capacity building for staff. The director said "I don't like playing games, and have no time to waste." She also felt that because she had refused the CAP services, AED/MSI had given her organization a "black mark" for unwillingness to take the services offered and that this had been communicated to AID/Washington.

The RTAs I met seem to get that the key to making a difference in the grantees' capacity is establishing a relationship and working with them in trust and as a mentor. But there is a fine line between doing things for them and fostering their independence. In at least two countries, the RTA seemed to be doing certain aspects of OD process for the grantees.

One RTA follows a fixed sequence and procedure for the OD work and seems to feel that all grantees need to "follow the general procedure." And the main concern seems to be to make sure that the state of the art on Board Development, Strategic Planning, Human Resources, Communication and Public Relations, Fund raising, Grant Management and Administration, and Knowledge Management is conveyed to the grantees. This RTA speaks in terms of tools, modules and products. "I write on the flip chart and they have all the material and then I give them the form, but it's up to them to type it up; to make it into a product."

An AOTR in Ethiopia felt that what CAP had to offer on the OD front was formulaic – he referred to it as "rote OD."

In Senegal, there is a set of grantees with a fair amount of experience, but a few (perhaps a third) are simply disorganized. Talking to them about strategy, repositioning themselves, resource mobilization, defining or redefining their mission and vision is less important than getting across the value of managing their time, learning how to file, how to delegate, and how to follow up and follow through – in short OD 101. Subjects that in some environments are second nature may be something that in an environment like Senegal is simply not taught or experienced.

Yet these rudimentary topics could have more of a long term developmental benefit than some of the more sophisticated other topics. In the case of GESTES, the students running the program simply did not have a clue how to organize their work. Not only did they not decide who was to do what, they apparently did not know that such decisions were even necessary. They did not know or see the relevance of having regular procedures. They could not locate key documents. But a couple of days of hands-on intervention from the two CAP people got all this across. And it seems apparent from observing the interactions between the RTA and that client that what made this work was not only the hands-on interaction, but the personality of the RTAs – they simply had the right "touch." The head program officer for GESTES has said that because of this grasp of basics, they have been able to convey some of this to other parts of the university.

In Angola, the five grantees met all say they appreciated the visit by Alexander "Sasha" Borovykh and the German-Brazilian who accompanied him in September, 2010. They all went through the IDF. At the same time, since there has been no follow up, and since few seem to have known it was coming, one could raise the question of whether this was something they simply felt they needed to comply with rather than a genuine need. And, perhaps from the RTA's point of view – the IDF was a product delivered.

There seems to be a mismatch issue on the OD front - the most sophisticated grantees want more than CAP offers or is mandated to offer; the least sophisticated are too weak to benefit from the whole package, which is often pushed at them.

There are many reasons why what CAP offers and what grantees need may be out of sync. As mentioned earlier, part of the reason could be self-pride, or a desire to remain in control. In one case, a sophisticated NGO resisted working on a standard BOD manual or on their BOD development, because they feel there are no people in the country qualified to be on their board. They also seem to be saying that they want to remain in control and so at this point they feel they have more to lose than to gain.

8.5. What Capacity Building Can be Provided Locally?

Some CAP people indicated that the program is somewhat threatened by Procurement Reform to the extent that it emphasizes local or regional intermediary organizations as primary providers. Thus one senior person in the CAP structure said "instead of being at the crossroads of the IPR agenda, we are in the "crosshairs."

Almost all the Missions visited seem to feel that the issue of whether there are intermediary organizations genuinely capable of providing OD and CB services is at the least an open question. Certainly there is a sense that regionally such institutions exist (Peru for nearby LA; South Africa for nearby southern and eastern Africa). And whether or not there are institutions just like an AED or MSI, all agree there are other kinds of players such as local or regional university departments which might have such skills. And all agree there are other arrangements such as peer-to-peer learning, or senior-to-junior kinds of sharing (from a large International NGO to a small local NGO).

In general there is a sense in the Missions that on the general financial administration and management side, local training capacity is also likely to exist. There are some creative alternatives in this area too. Two Mission people talked of the value of simple, no cost, "graciousness" on the part of experienced players like a CARE or a DAI, who might simply be asked to spend a day and help coach a grantee (as has occasionally happened). The value of informal networks was stressed ("cross-learning") and this takes some political will on the part of an AID AOTR, but getting folks together informally is non-threatening and low cost. There is also talk of simply having a day per quarter with members of the Mission M&E, FM, Contracts Office. In countries where there is an apex body of NGOs (e.g. CONGAT in Senegal), the view of the Mission is that it is worth at least checking them out as possible providers. Finally, two Missions brought up the point that local firms that are capable of doing USAID audits or assisting in pre-award surveys (in Georgia, some of these were sub-contracted to local firms) might also be capable of doing some hands on financial management training.

In the Ethiopia Mission, there appears to have been some confusion about the money for Capacity Building. A Program person recalls seeing that 15 percent of the DGP grant can go for CB. He says he had asked whether that could be spent locally on an Ethiopian firm, but had been told by AID/W that this money was for the DIMP.

There is a broad consensus that at the least the question of identifying local resources is worth investing in a serious study – and this needs to be more than just a survey, but a real investigation in who does what, who is capable of doing what, and how synergies might be achieved by combining forces. (Such a study has recently been done in Malawi.)

8.6. Some Conclusions on Capacity Building

All organizations can use outside help (that is why the McKinseys of the world keep working with the largest companies in the world). The task of helping an NGO develop into a robust, healthy effective organization depends on many intangibles intrinsic both to the NGO and to the provider of help – leadership, political will, social capital, length of time the provider has a relationship, the quality of the relationship (trust), the balance of hand-holding and the encouragement to fly on their own, etc.

It is hard to reduce these intangibles to workshops, flip charts and *PowerPoint* presentations. These have their place, but observation will show that the absorptive capacity of audiences in workshop type venues is considerably less than is hoped. Virtually all the DGP grantees that attended the week-long DIMP workshops (in Quito, Dakar, Uganda, Pretoria, Kiev) felt there was an overload of material related to their absorptive capacity. The mismatch between the natural tendency of the professional to deliver a product filled with rich information, and the ability of the receiver to absorb it is almost inevitable given the motivations behind such things (e.g., the providers sincerely want to earn their pay, and given the cost of bringing everyone together, a simple short presentation would not be viewed as a worthy product, hence there is a tendency to create a richness of detail, often more than is needed.)

Trainers of trainers, flip chart specialists, presentation specialists, best practice training techniques, manuals -- an entire industry has evolved around training. But a quick look around in a large workshop reveals a number of folks who are half asleep, and at the end of the session, enthusiasm, hugs and interpersonal exercises notwithstanding, people tend almost elastically to go back to where they were.

USAID needs really to deepen its thinking about capacity building – capacity to do what? What capacities? Conveyed how? In what order? At what point in the project's life? And it needs to ask whether or not, or in which situations, the tendency to substitute such events for real change is all the greater because in the end delivering training workshops is a measurable product.

The capacity building aspect is critical to the DGP if the DGP really is about partnerships and relationships and finally about Development. But when and where in the process does one focus not on USAID regulations and standardized OD 101 but on the work the grantees are supposed to be doing, on quality, on realism, on effectiveness? The very first thing the DGP and CAP should be doing with its clients is getting them to ask to think harder about what they are doing and where there might be contradictions and disincentives to sustainability. The process must begin with teaching everyone in the system about development.

IX. KNOWLEDGE MANAGEMENT AND INNOVATION

> "…organizations [are] structured under one of two models: a standardized model, where routine and systems govern everything, including strict compliance with time-lines and budgets; or an experimental model, where every day, every exercise, and every piece of new information is evaluated and debated in a culture that resembles an R&D laboratory." [1]

Ninety percent of the grantees looked at in the course of this evaluation had no interest in or concern for knowledge management. They were not asked to build this into their proposals, although there was some interest in lessons learned in a few projects. Knowledge management is more than just a writing-up of lessons learned and disseminating those lessons or writing case studies. It implies, as the quote above does, a culture of reflection, of experimentation, of testing.

Likewise, most grantees were doing nothing that could be characterized as innovative. On the contrary much of what is being done could be characterized as "old style." Paying women a sitting allowance to attend a workshop on "self-esteem;" giving start-up grants to women for "micro-enterprises," building pit latrines to replace earlier ones in communities where there is no evidence of a commitment to maintain infrastructure -- all of this is, at best, simply borrowing an old template of what has been done hundreds of times in countless projects all over the developing world. Such efforts ignore lessons learned and are far from "best practice."

At best, a quarter of the DGP grantee projects visited could be characterized as state of the art, and perhaps 10 percent as innovative, and yet even these are not set up in such a way as to put knowledge management at the heart of the project.

The DGP, because it is new, because it has an implicit concern for innovation and because it works with (or ought to) small, nimble local organizations, has an opportunity to instill such a culture, and to capture a lot of learning about development on the ground. At present no advantage is being taken of this.

At the end of the day, the DGP, if it is not solely about Capacity Building and developing new partners; somewhere in it there has to be attention paid to content – what is it that the grantees will do/can do to solve the problems they are asked to solve, or are offering to solve. Are they doing something new, in new ways? Are they aware of past mistakes? For example, in the water projects there is not much new thinking. Not enough attention paid to the sustainability issue.

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1. Dan Senor and Saul Singer, Start-up Nation, Twelve, NY & Boston, 2009, p. 91

A Reflective Learning (Research) approach to development could and should be embodied in the DGP.

Take a page from how drug trials are done

An experimental drug has to go through 3 phases of tests

1. A small trial to see what dose is safe.
2. A larger trial to see if it has therapeutic potential (i.e. does it seem promising/are there signs it might work)
3. A definitive trial to see if it really does work – this must be done in comparison to other treatments and with a control group.

After 60 years of development aid (our effort to reduce poverty) we do not do anything like this at all.

And yet the DGP is in a position to encourage grantees to be reflective organizations; to take into account and to think about

- Context
- History,
- Incentives
- Culture

The entire outreach and selection process could embody reflective approaches as part of the criteria for prospective DGP grantees.

Instead of pre-setting the particular sectors for grantees, USAID could be encouraging a rigorous approach to whatever it is the grantee proposes to do. One possibility is to borrow some the elements of a value chain analysis. That is to say, to look at things systemically. If, for example, the applicant wants to do work in community health or maternal child health, then the RFA would encourage the applicant to see and understand at multiple levels: The RFA would specify several kinds of data to be gathered from several different realms and lay out an analytical grid:

- The material, economic and technical
- The societal and political (institutional structure, tribe, norms power, etc.)
- Culture – values, beliefs, systems of meaning

- What things are like for the women and children at the bottom
- How they see things
- What their beliefs are and how those beliefs were formed/reinforced
- How they make decisions about nutrition, disease prevention and cure
- Who might influence those decisions
- How they interact with each other and their community (social capital)

- What services are available?
- What is the quality of those services?
- Who provides them and what incentives drive those providers?
- How do women and children get access to those services (know about them, travel to them, pay for them etc.) How do they see these services?
- Are there different channels of access to those services depending on certain hidden rules (class, caste, connections)?

- Which institutions are nominally in control of/guiding those services?
- Are there other institutions/factions that influence the provision of these services? (i.e. who are the stakeholders at the top, and what are their "rules of the game")
- Who has control of the money for these services?
- How are the service providers recruited, paid, trained? Do the institutions from which they come (primary and secondary school) provide them with the appropriate educational foundation?

There are many other possible questions to be asked. In most cases, as data begin to be gathered, new lines of inquiry appear and the team needs to decide which ones to follow up.

In the course of the learning, one is also looking out for constraints and weighing them. Are they binding constraints (e.g. no roads), minor ones, ones easily overcome with technical fix? Where can one intervene efficiently? Where are there levers? Where can a brokering role be played, where can something created, done out of the box?

X. RECOMMENDATIONS

10.1 At the Level of the Agency as a Whole

- The agency should consider a boot camp of one week during which all levels of the agency would be exposed/re-exposed to basic development concepts and history. This would be an intensive, challenging, provocative and even painful course using many real world case studies and considerable role play. The emphasis would be very much on the real world of development, not so much the theory – but the ideal vs. reality; pitfalls and traps; unintended consequences, etc.

- topics would include:

    - Inputs, outputs, and outcomes
    - What does sustainability mean and how do we test for it?
    - The dependency syndrome
    - History of development from the 60s on - major lessons learned
    - How the project structure fits or does not fit with development
    - Innovation, what is it really?
    - The consequences of giveaways
    - The pros and cons of going by the numbers
    - The pros and cons of training and capacity building

- The participants could be encouraged to think in terms of different kinds of indices or measures to be used in judging grantees such as those used in this report:

    - The QQQ (Quantity vs. Quality Quotient)
    - The GI – Giveaway index
    - The BDI – Beneficiary Dependency index
    - The ITR index – Intended Target Reach index
    - The Passion index

- The agency might consider creating a pocket-size card, and/or an office poster with a set of questions to remember to ask of prospective NGO applicants:

    - Is the project sensible, focused, and in line with what the organization can really do?
    - Will the project be sustainable as proposed?
    - Can what is proposed be done in the time frame and budget proposed?
    - Is the project likely to create dependency?
    - Does the project risk emphasizing quantity over quality?
    - Are the targets reasonable both in number and kind?
    - How much time will it take to start up?

- Is the budget of the proposal leaving anything out?

- Not only does the agency need to better understand its own "culture," it needs to invest more in understanding the differences in the cultures of the regions it works in and how those differences affect its procedures and processes. Local culture is a kind of "elephant in the room" that few want to talk about. For example, how FSNs or HCNs relate to their jobs and to the Americans at the Mission is partially influenced by their culture, as well as by incentives and by individual personality. These aspects need to be unpacked and thought about by the agency so that placements, assignments, job descriptions, job titles, can be realigned to overcome hidden obstacles to performance and responsibility.

- The length of overseas assignments for American personnel is obviously key, and this too needs to be thought about more.

- The concept of "management units" could also be re-thought. Instead one might consider "development-oriented units" as a better measure of time spent. This would skew the incentives rather differently.

- The agency needs to invest in an examination of the way it writes and speaks. It needs to look at grantees' proposals, cooperative agreements, the quarterly reports and no doubt the majority of program guideline documents currently promulgated by USAID to see if they contain phrases and words that are too euphemistic, deceptive, contradictory, and sometimes meaningless. For example, "sustainability" is thrown around far too much. It has become empty. Everyone uses it, and the thinnest of mechanisms is used to say that one has thereby taken care of the sustainability issue by "involving local stakeholders," or "creating partnerships." "Income generating agricultural businesses" is used in one CA to refer to what is really a very basic level poverty alleviation (not reduction) project aimed at the most vulnerable rural women in one of the world's poorest countries. These are illiterate women, single mothers, some HIV positive, with often malnourished children. Most cannot read or do more than basic arithmetic, some of the women cannot even count money. They have very few skills.

- It might also be useful to invest in courses in writing – most documents are longer than they need to be. Given how busy everyone is, the length of documents is a disincentive to productivity.

- Track NGO trends. The NGO world is changing (see Annex C). Among the most important changes is a blurring of lines between international and local; between profit and non-profit, and between humanitarian assistance and development work. The USAID VOLAG process could be significantly strengthened to create a more robust knowledge management system that would capture those trends that might bear on the USAID Forward agenda.

- USAID needs to differentiate between NGOs with respect also to their role in different types of countries. In middle income countries, or countries on the path to development and growth, the role of the NGO needs to be seen differently. They need to evolve; they cannot any longer be seen as substituting for government inability or the lack of a private sector (e.g. in water systems) but increasingly as deliverers of services, that in some cases begin to be paid for. The development NGO can therefore evolve not as a permanent entity in development, but as a transitional state. This would mitigate the risk of using/seeing NGOs as a monolithic type, which in some places may actually encourage a cementing in of their position, when it is the opposite that is wanted.

- As the report indicates, the single most common issue cited by small and local NGOs is their inability to raise funds. While part of this is a matter of know-how and/or not having the resources to allow them to cast a wider net, part of this has to do with the lack of a philanthropic sector in their own countries. USAID could be pushing at policy level to create tax incentives in countries where they don't exist (Ecuador) which would stimulate philanthropic giving by corporations and individuals.

10.2. DGP Specifically

- If the DGP is to continue, it should be made more gradual, experimental and with a serious focus on development. Quality and realism have to be at the core of selection guidelines. A much more rigorous approach to vetting and selecting needs to be instituted. This might mean fewer grantees until more lessons are learned and incorporated.

- Consider a one year space between DGP Rounds to enable Missions to catch up with grantee management and monitoring. In other words the DGP should be every other year.

- Consider transferring ownership (and thereby funds) of the DGP to the Missions entirely. That is, give them broad guidelines on the earmarks and sectors, but they would take on the process and manage it according to their own needs, capacities, personnel.

- If funding under the DGP is to continue to be earmarked by sector, then move away from the current tendency of Missions to take an available sector (e.g. microenterprise) and try to fit something into it that doesn't really fit – like land rights. It would be better to start with what the Missions see as their priorities and then see if there can be earmark money for the sectors deemed most important to most missions.

- It would seem that the APS allows wider leeway on timing than is being used. It could be done on a rolling basis – allowing Missions to put the funding into a SOAG (Strategic Objective Grant Agreement – the bilateral grant agreement made with the host government), which would thus enable them to control the timing of DGP grants and helping to solve the problem of being motivated to select the best of the worst lot of proposals just to keep the money in the kitty.

- DGP grant time-frames should be better aligned with the reality of grantees' slow project start-ups and with Mission cycles, including projected money flow timing. The funding guidelines should allow for a custom tailored start-up period. For example, the CA might explicitly make a distinction between organizational preparations that would have to come before grant activities begin, and the actual-start up (and start date) of the grant activities themselves. Thus, for example, a grantee might be given three to six months of salary and material procurement (e.g. vehicles) costs which would enable them to hire the people they need, buy their equipment, but not begin the rest of funding until, say, the fourth month.

- No DGP grant should be shorter than three years.

- Since it appears that the timing of initial grant money differs between grantees with U.S. headquarters and those with host country headquarters, and perhaps with other factors, one way to solve the common problem of delays in initial funding, is to tie the grant start date to the actual arrival of the initial tranche of funds.

- Whether Missions are given greater control of the DGP process or not, it is conceivable they may need help in managing the process. There are many options:

    - Start a "gadfly corps" or "gadfly unit," consisting of ten or so senior/and or retired development people with good communication skills and depth of experience in a number of areas who would be resident "gadflies" for anywhere from three to six weeks. They would pitch in on the project selection and due diligence aspects of the DGP and at the same time act as mentors to the Mission staff, including DLIs and HCNs, and perhaps even do "brown bag lunch" informal seminars on development.

    - Use of consultants to vet concept papers/proposals.

- The DGP should be aimed more pointedly at local NGOs

- DGP guidelines on what constitutes local vs. a locally-registered branch of an international NGO or of a U.S. PVO, need to be more carefully developed, but only after some discussion about what USAID wants to encourage. Some of the questions to be asked here are: Is there a significant correlation between new and small and committed and effective? It might make sense to have a two tiered approach – small local NGOs between three and 10 years old; older NGOs that are locally registered parts of an International or U.S. PVO but only if their HQ has experience in the same areas (thus this would allow a TMI or an HPI, but not a People for People or Convoy Of Hope).

- DGP timing needs to be better fit with the planning and coordination process that Missions need to undertake with their host country governments.

- Missions feel that the best time for them to do review and selection is in January and February. Right now RFAs are coming too late and thus forcing the process well into the summer which means the funding arrives in September causing the Pre-Award Survey process to be rushed.

- Undertake a revision of the rating system for concept notes, with more of a focus on innovation, knowledge management and sustainability.

- There is an acknowledged "two culture" problem in the agency and that is the difference in outlook between the Contracts and Agreement side on the one hand and the Program side on the other. Efforts to experiment with ways to bridge this need to be undertaken.

- Face to face interactions between Missions and AID/Washington would be ideal, and would of course involve travel. In the absence of that possibility, at the least teleconferencing technology should be used so that people can see each other as they speak.

10.3. DGP Process, Outreach, Selection and Communication

- There needs to be much more **clarity** at all stages in the process from the APS through the application process. Guidance needs to be stated more simply and repeated more often. Everything that can be clarified should be. Because of the psychology of potential local grantees and their expectations and the cachet attending being associated with USAID, there is a strong tendency to hear what one wants.

- The guidelines on the concept paper ought to specify a maximum length of five pages - the "elevator speech" idea - if you cannot get across what you want to do in five pages, then you are not clear about your concept.

- Conditions and thematic areas should be more clearly explained with more detail not only as to what the DGP seeks but perhaps more important what it does not. If there are geographical preferences these too should be stated.

- Make it part of the routine process that real feedback is given when a concept paper leads to a proposal invitation.

- In particular the rules on cost-share/matching and on NICRA need to be explained simply and clearly.

- On cost-share, there ought to be a much more substantive requirement. The cost-share has to be rethought to make it a genuine test of commitment. If the grantee contribution is "We will fly our executive director from the U.S. to attend the DIMP" that is not a serious commitment; the match ought to be the supplying by the grantee of a critical element of the plan, something the organization is really putting on the line.

- Create a <u>welcome kit</u> for all proposal applicants – This would be two to three pages, easy to read (perhaps even using some cartoon characters), in FAQ style, covering not just the basics of how to apply (deadlines, length, email vs. mail, etc.), but a feel for which parts of the process the applicant is likely to ponder about or find difficult and what resources the applicant might turn to for help, plus, perhaps a paragraph on what happens if you are rejected. This "kit" could also emphasize the things that some grantees tend to leave out of their budgets (the cost of translation, the cost of transport to a workshop, the cost of repairs.

- For DGP applicants who have got past the Concept Note stage, a one- to two-hour informal meeting ought to be held to get a verbal outline of the proposal – this is an opportunity to begin the "partnership," to give feedback and do some reality testing.

- There should be more communication about post-award reporting. For example, towards the end of the first year, guidance should be given at least a month before the Annual Report is due – to explain how and why the AR is different than the quarterly reports, to ensure that reporting is done on the right indicators – to encourage the grantees to re-read their CAs (many tend to put them on the shelf and not refer to them again - some may not have even read them in the first place). The message should be "we don't need a lot of words and fancy phrases, or a lot of boilerplate, or a lot of repetition. But here is what we do need."

- Missions need to be explicitly encouraged to conclude that in a given round of applicants there are none worth funding. An obvious incentive not to pick the "best of the worst" would be to have a mechanism that allows Missions to carry-over DGP funds into the next round.

- There needs to be a better alignment of expertise with the selection process. For example if the core of a "women's empowerment project" is an enterprise, or business venture, then the selection committee needs to include someone with genuine experience <u>not</u> in Women's Empowerment, but in business development.

- For DGP project proposals over a certain threshold -- say $400,000 for three years – there needs to be due diligence of a more evaluative sort, including a site visit to the applicant's offices and work sites. Or this needs to be incorporated into the pre award survey. Right now there appears to be too much perfunctory checking of boxes, with little attention paid to in-depth probing of what is being proposed.

- There are due diligence opportunities in the selection and grant award process that are not presently being taken full advantage of. For example the "past performance check" which occurs between the proposal and award needs to be more rigorously undertaken. Likewise during the cost analysis more pointed questions of the prospective grantee need to be asked, not just about how the applicant justifies certain expenses (this is basically a defensive posture) but questions aimed at ensuring that the applicant has thought through its needs. One DGP grantee in Zambia neglected to include employee benefits in the budget, in part because it was not as aware of Zambian laws as it should have been. It faced problems later on. Yet this could have been avoided if the cost analysis had raised the issue.

- Excessive use of numerical target indicators should be avoided or eliminated. If part of the focus of DGFP is to be capacity building, innovation, learning and knowledge development, this would suggest that firm numerical targets are contradictory to these aims.

- The DGP process could consider what USAID might provide to failed applicants so they go away with something that compensates for their loss. Even a letter, a certificate, or being put on an email mailing list that might include an invitation the next time there is any short training or workshop or orientation to USAID session.

- USAID needs to ensure that all Missions are using the same procedures on rejected applicant feedback. There seems to have been confusion about the right to demand feedback (e.g., some rejected applicants were told that had only 10 days to request feedback.) Since the spirit of DGP is relationship building and partnerships, all DGP applicants ought to receive at the least a one paragraph explanation of why they did not succeed and a note on their numerical score.

- In Spanish (and to some extent) French-speaking countries USAID needs to rethink its policy of requiring key documents in English. Not only does this requirement distort proposals (often the NGO hires someone, or uses a volunteer who is fluent in English but does not really understand the project), but it can distort reporting. The main objection however is cost. If the NGO has to cover the translation cost, this has to be fully funded, if not the NGO is being penalized for not being English speaking. Obviously, on the Mission side, for American personnel to complain that reports are received in French or Spanish in countries where these are the national languages, suggests USAID needs to raise language competence among its staff.

- Of the 31 grants reviewed, the majority were unrealistic at the proposal stage. That is too many results were promised over too short a period of time, and/or results that simply were not achievable for other reasons. The selection process needs to begin with the fundamental question of development effectiveness. USAID needs to develop a checklist of its own, not just the many that have been mandated by Congress (environment, security, gender, etc.). For example, a short list of principles to think about in order to avoid dependency, such as minimizing giveaways.

- If a grant proposal has a give-away component, this should be questioned, but if it seems that some degree of "give-away" is justified, then advise the applicant to stagger it, make it conditional. There are many ways to provide start-up funds for businesses that do a much better job at avoiding dependence or undermining sustainability (e.g. a contractual arrangement with the recipient that requires profit-sharing with the NGO provider when and if the enterprise becomes more successful). Suggesting such ideas to a grantee could be part of their capacity building.

- A practical answer to the management burden issue and to the capacity building need is to concentrate grantees in different Rounds geographically. For example if there are to be four grantees, they should be within two hours travel time of each other. This would enable more regular AOTR visits, and, and enhance cross learning, etc. In the subsequent Round the geographical area would be different.

- Regarding Monitoring and Evaluation, the current emphases on data quality assessment and a performance management plan are obviously sound. But because these are added to a long list of other requirements, they tend to receive perfunctory and superficial treatment. When asking about accuracy and completeness, for example, the person doing the DQA will look simply to see whether there is consistency between documents on key numbers, not whether the numbers are correct in the first place, or much less whether the right things are being counted. Or he or she will look to see whether there is documented support for data by simply seeing that a file exists which contains papers pertaining to the indicator. Because no one has (or has been given) enough time to do any of this thoroughly, the process can get reduced to another box on a checklist, and yet another report goes into the file – all to satisfy the IG , who inevitably engages in the same process – did all the required procedures get done? Yes. Were they done intelligently? The spirit as well as the letter of data quality needs to be paid more attention to.

- Obviously all grantees would like (and most hope and expect) add on grants and a longer relationship. But even if their grant is to be the last one, there is an argument to be made for a kind of alumni association approach. A mechanism, such as a newsletter or an active data base, could be developed that would keep former grantees "in the loop," encouraging former grantees to communicate with USAID, or to invite visits from USAID personnel.

- AOTRs need to be incentivized to provide more regular feedback to their grantees. One way to do this would be to tie their own performance ratings to a feedback form provided by the grantee.

- DGP grants ought to be considered as opportunities for both NGOs and USAID to learn much more about development effectiveness. Testing and tough mindedness need to be incorporated into grants, especially those which aim at enterprise development or skills training.

- Missions need to experiment with ways to bring grantees together periodically. Informal settings and approaches would probably work best in the beginning, given that many NGOs embrace the language of collaboration and communication, but at some level are also averse to it.

- In many countries, the U.S. Embassy grants small funds through what is often called the Ambassador's "self help fund" (the names seem to vary). These are often outright gifts of $10,000 to $50,000. While their purpose is often different than USAID grants, and while it might be difficult to cross administrative lines between the Embassy and USAID, it would certainly help the cause of sustainable development if there were more coordination between the approaches undertaken by USAID/DGP and these smaller grant efforts.

- A graduated approach to DGP funding might be experimented with in one or two Missions, to see if it would improve effectiveness. The idea would be simply "do this well and you'll get more later." Or one could use a "bonus" approach. Manage your grant exceptionally well, get solid real results, do something innovative that might have value for others, etc. etc., and we will give you a bonus. Again the idea is to base much more of the agency's grant-making on the right incentives.

- Invest in understanding the psychology of local NGOs, especially those characteristics (like fear or diffidence) that tend to get in the way of good communication.

- Consider alternatives to NICRA, so that more grantees might get salary coverage for a position within the organization to deal with USAID requirements.

- Use the concept note process as a gateway, and if you get past that you are really working closely with the Mission. As one grantee said: "We are not WWF, CARE, Winrock. We don't have the cushion to invest a lot in a proposal and then not get it. Help us avoid that."

10.4. Capacity Building

- CB needs to be thought of as having three foci: 1) Most important should be CB for development; then 2) CB for organizational development; and 3) CB for the nitty-gritty of how to work with USAID.

- PMPs and indicators are considered by many to be the most complex part of USAID's procedures. Again, this means more training, more repetition.

- A better, closer alignment with the Implementation and Procurement Reform (IPR) agenda is necessary, and in the CB area, with the piloting of Local Capacity Development (LCD) Teams.

- Missions should undertake a comprehensive review of in-country CB capacity, and this should be done using a field evaluation methodology – going out and interviewing potential providers, seeing what they do, who they are, what experience they have, talking to those with whom they have worked – not just a survey.

- In several of the countries visited there are USAID Mission people who feel there is local capacity for undertaking Capacity Building. Where such capacity exists in the university sector, it might be possible to create a program of university internships for departments or institutes that specialize in OD and IB. These interns would work for three, six or more months side by side in a DGP funded grantee. This would be at very low or no cost to both USAID and the grantee.

- Consider transferring the management of CAP funds to the Missions and let them decide how best to use it for CB.

- Consider using Peace Corps Volunteers for some aspects of basic financial management coaching.

- In capacity building efforts, early on in the grant cycle, administration material should come first and be separated from programmatic issues.

- If the DGP were to move in the direction of funding graduated grantees at a higher funding level for a second round, a quid pro quo could be built in to the second grant - the grantee would be required to act as trainer/mentor to incoming new grantees, especially on administrative and financial management systems. This would reinforce local partnerships, country systems, create a culture of interchange, and move USAID further towards the Procurement Reform goals. There are obvious ways in which such activity can be incentivized, i.e. by providing or increasing the NICRA.

- If a mechanism like CAP were to be continued, the initial training (DIMP) workshops should be moved to later in the grant cycle. Grantees do not have a good sense of what they know or don't know in the first month, but are more likely to in the sixth month. Such major workshops would be more useful later in the cycle. Moreover closer attention should be paid to the decisions about whom to invite. If the core purpose of the workshop is USAID reporting and procedures, then it is essential that the grantee send the appropriate people.

- Alternatively, Mission Financial Analysts could be mandated and funded to do post award follow-up with each grantee six months into the grant cycle.

- Many NGOs of small and even medium size, both local and U.S., encounter problems that are not necessarily covered in standard OD packages. These are problems that have more to do with the NGO's "character" or other human factor types of issues, e.g., such chronic syndromes as starting with lots of passion, but eventually burning-out, or falling into bureaucratic routines, or the classic issues around what is commonly called "founder's syndrome". Providers of CB need to be aware of these issues, and prepared to offer help on them.

- There are apparently new private ventures being undertaken such as DAI's intention to spin off a private "center of excellence" which will provide fee-based services to small NGOs and organizations such as accounting, personnel, and other systems that small groups cannot afford. USAID ought to survey these new ideas and options.

ANNEXES

Annex A
List of persons interviewed

USAID/Washington (9/20-9/24/10)

Colin Holmes
Thomas Carter
Joyce Friedenberg
Zufan Mulugeta
Dan Deely
Carl Mitchell
Carol Grigsby
Karen Turner
Sharon Phillips
Adele Liskov (retired)
Barbara Bennett
Maria Stephens
Craig Lamberton
Bill Breed
Pat Sommers (Department of State)
Jason Wolfe
Alexandre Ostroff
Ari Alexander
Lit Tazewell
Victor Merino (visiting from AID/Peru)
Kevin Smith (visiting from AID/Ethiopia)
Jenny Neville (ex USAID/Angola), by phone
Portia Persley, USAID, (10/21/10)
Becky Erkul, Sr. Donor Affairs Advisor, USAID, (11/5/10)

AED/ Washington (9/20-9/24/10)

Takady Konate
Anna Mecagni
Colin Bonner
Cate Cowan
Riley Abbot
Barney Singer, AED (10/22)

MSI / Washington (9/20-9/24/10)

Joan Goodin
Andrew DiCello
Katherine Walsh
Larry Cooley

U.S. Senate Staff (9/24/10)

Tim Rieser

InterAction/Washington

Laia Grino, 10/21
Brian Greenberg, 10/21
Sam Worthington, President, InterAction, 10/22

The Mountain Institute (Washington HQ)

Bob Davis, President, 10/21
Jorge Recharte, Peru Director (visiting) 10/21/10
Brian Peniston, Director Himalayan Programs, Nepal, 10/21/10

Women Thrive Worldwide (DC)

Nora O'Connell, VP, 10/27/10

Nascent Solutions (Virginia HQ, 11/3)

Beatrice Wamey, CEO,
Pearl Akosah, Director of Programs
Emilienne Njang, Finance Officer
Anne Sellers, Public Relations Officer

Development Alternatives Inc. (DAI), Bethesda,Md.

James Boomgard, CEO (12/2/10)

Action for Enterprise (grantee), Arlington, Va.

Frank Lusby (by phone Jan/5/11)

Peru

USAID/Peru 11/8/10 & 11/9/10

Steve Olive, Chief, Office of Economic Growth and Environment
Victor Merino, AOTR for the TMI Grant (interviewed in DC also)
Andrew Herscowitz, Deputy Mission Director
Jeffrey P. Cohen, Chief, Project Development and Programs Office
Ricardo Toledo, Sr. AA specialist, RCO
Bernardo Espinosa, Regional Financial Analyst
Lilea Olaechea, Chief Accountant
Jeffrey Levine, Deputy Chief, Program Office
Miriam Choy, Development Assistance Specialist, Program Office
Jaime Chang, Project Management Specialist, Health Office

TMI (Grantee) Lima, Peru (11/7)

Christine Giraud, TMI Project Coordinator
Jorge Recharte, TMI Director (met also in DC earlier)

TMI, Huaraz field office (11/10 -11/12)

Christine Giraud, project coordinator
Fidel Rodriguez – Rural Municipalities Network (REMURPE), a sub-grantee of the project.
Manuel Asencios – Financial officer
Doris Chavez – Animal Husbandry
Nila Lima – *zootechnista*
Maria-Elena Foronda – Asociacion Civil Instituto Natura
Eduardo Castro Suarez, Director, Asociacion Urpichallay

TMI Projects in Huasta & Recuay (11/11-11/12)

Five members of the Reforestation Committee of Huasta community

Six local mayors and officials who attended an orientation meeting at TMI on Friday 11/12/10.

Six members of the Committee of Canrey Chico community, Recuay District, Ancash (11/12/10).

Ecuador

MSI/CAP/Ecuador (11/15)

Pablo Paz Y Mino, RTA, CAP

USAID/Ecuador (11/15)

Isabel Santillan, Small Grants Coordinator (AOTR for DGP)
Maria Lorena Correa, Project Management Specialist, Economic Development, Growth and Environment (involved in Round 2)
Luisa Alvarado, AA specialist
Mireilla Matute, AA assistant
Maria Christine Laso, Financial Analyst
Paulina Rivera, Financial Analyst

Corporacion Kimirina (grantee), Quito (11/16)

Dr. Amira Ramirez, Executive Director, Kimirina
Patricia Cordero, Administration and Finance Director, Kimirina
Karla Montalvo, DGP Grant coordinator, Kimirina

Met with 5 women beneficiaries at Madres Adoratrices center
Met with 2 women beneficiaries at Shelter Buen Pastor

Fundacion Nuestros Jovenes (grantee) Quito (11/17)

Margarita Carranco, Chairman
Veronica Sulpguicha, Program Director
Maria del Carmen Trujillo, DGP Grant Coordinator
Carlos Ponce
Eduardo Sandoval

8 women, one man (beneficiaries of the $300 grants)
12 girls living in the FNJ shelter

Waaponi (grantee), Cuenca, (11/18-19)

Marcia Sigueza, Executive Director
Silvia Bernal, DGP Grant Coordinator
Josue, Psychologist
Sonia, Programs

Buen Pastor Shelter

Mother Superior
Resident psychologist
5 of the girls
Attended a training workshop on 11/19

Senegal

USAID/Senegal (Dec 6 & 7, 2010)

Brandy Witthoft, Program Officer (and again on Dec 9)
Christophe Tocco, Program Office Director
Abdrahmane Diallo, Deputy Program Office Director
James Redder, Regional Controller
Darlene Cutshall, FMO
Gora Niang, Financial Analyst
Francis Carayol, Financial Analyst
Phillip Tresch, RCO
Bernadette Daluz, CO
Salamata Ly, CO
Aaron Brownell, NRM Program Officer
Rebecca Acuna, AOTR
Mustaphy Ly, AOTR (and again on Dec 9)
Oumou Ly, AOTR
Sarah Banashek, AOTR
Nicole Tresch, AOTR
Alfreda Brewer, Deputy Mission Director
Melissa Knight, GDO
Sounka Ndiaye, M&E

Marie Ba, OD Consultant, CAP/AED (Dec 7, 8, 14, 15)

AFAO (grantee) (Dec 7, 2010)

Mrs. Khady Fall Tall, President
Members of the AFAO Board
Project Manager (Rufisque site)
Assistant Project Manager
Plant Supervisor
Cereal Production Supervisor

CARITAS (Grantee) (Dec 8, 2010)

Abbé Ambroise Tine, Secretary General
Madeleine Sene, Finance Director

CREPA – Dakar (grantee), 12/8/10

Fodé Camara, Project Coordinator
Bounama Gueyé, Finance and Administration

RADI – Dakar (grantee)12/9/10

Dame Sall, Secretary General
Mamadou Thiam, Coordinator, Water Project
Ibrahim Djiane
Mr. Tijiane, Civil Society Project
Mariam Sarebou, Accountant
Mr. Niang, M&E

GESTES – Saint Louis (grantee 12/10/10)

Alpha Ba, Sociology graduate student and Program Officer
Ousmane Niang, Sociologist graduate student, and Project Manager
Fodé Kanté, Law Student

SYAFD Grantee (Ziguinchor) 12/13/10

Bacary Sane
Lamine Dramé

1 federation (President and seven officers)
1 Women's Assocation president with four members

NGO Enfance et Paix

Director

RADI Field site in Passy 12/14/10

Coordinator
Animateur, Water & Sanitation

Visit to community in Djilor

Meeting with Sub-Prefect (Diouf Gueyé) and representatives of community

CARITAS Field office, Kaolack 12/15/10

Mr. Sene, Director
Boucar Diouf, Animateur
Adrien Senghor, Coordinator

Angola

USAID/ Angola (January 10 & 18,2011)

Carol Wilson, EDO
Domingos Menezes, DGP Program Manager and AOTR.
Catherine P. Griffith, Political Officer, U.S. Embassy, Angola

KixiCredito (Grantee, Luanda, Angola Jan. 11, 2011)

Joaquim Catinda, CEO
Lauriano Tchoia, Operations Manager
Silva Calei, Coordinator DGP Project
Alberto, Loan Officer

3 KixiCredito borrowers (in their places of business)
3 non-borrowers (chosen at random in the same area)
1 former borrower

Alfalit (Grantee HQ, Luanda Jan 12, 2011)

Eduardo Maveza, Executive Director
Jeremiah Matondo, Finance and Administration director

ADPP (grantee HQ, Luanda, Jan 12, 2011)

Rikke Viholm, CEO
Anca Voorhoeve, Finance Director

Alfalit (Project site Quibala – Jan 13, 2011)

Carlos, Coordinator
Fernando, Co-coordinator
Juliana Pedro, Teacher

ADPP (Project site, Benguela – Jan 14, 2011)

Gabriel Cabo, Project Leader
Joaquina Kapoko, student

Twayavoka (Grantee HQ & Project Site, Benguela – Jan 15, 2011)

Antonio Capela, Executive Director
Mr. Ngongo, Micro Enterprise Coordinator
Manga Kambongo, Head Mentor
Olga, Mentor
Enrique, Mentor
Ilda Felix, Mentor
Pedro Nuno, Accountant
Madeleine, Secretary

MicroEnterprise Client #1 – clothes maker with seven employees applying for a $2,500 loan

ME Client #2 – Grocery Store owner with eight employees, applying for a $20,000 loan.

ME Client #3 – Bakery owner with three employees, applying for a $20,000 loan.

ACCAO Humana (Grantee HQ and project site, in Cazenga, outskirts of Luanda, Jan 17, 2011)

Pombal Maria, Director General
P. Vakoko, former Coordinator of the center, now off contract
Luiz, former Mentor, now off contract.
Alfonzo, Mentor, still under contract with the project
Annabella F., Operations manager

Client #1 – a woman in the used clothing business, now doing money changing.

Client #2 – a woman seller of canned food.

Client #3 – a woman seller of canned food.

Zambia

USAID/Zambia (Jan 19 & 24, 2011)

Beatrice Mweene –AOTR DAPP
Beatrice Hamusonde, AOTR WEAVE
Olive Ndekasi Kaluwa, AOTR, AFE

Tom Kennedy, Peace Corps Country Director, Zambia (formerly USAID/DCHA/PVC (now ODP/PVC)

AFE (grantee) 1/19 & 24th, 2011

Carianne de Boer, Country Director, AFE project
Mr. Mwala, Technical Officer, AFE Project
Mr. Henry Lubinda, Technical Officer, AFE Project
Mr. Khama Mbewe, Owner, Lumono Chili Sauce
Farmer #1 in field 45 km from Lusaka – retiree and wife on 12 ha.
Farmer #2 retired CHW on 7 ha
Farmer #3, Moses, young man on 4.5 ha.
World Vision attendees at AFE Value Chain workshop in Lusaka 1/24/11

DAPP (Grantee) 1/20-21/2011, Kasama, Northern Province

Rene Shultz, Managing Director DAPP/Zambia
Peter Chelemu, National Coordinator, DAPP Project
Mr. Chola, M&E, DAPP (Kasama)
Construction supervisor
Charles Msumba, Senior Buildings Officer, Provincial Office, Ministry of Education
Kunda Gestor, Senior Planning Officer, Provincial Office, Ministry of Education
Ms. Tuma Makuwa, Community Development Specialist, National Rural Water Supply & Sanitation Programme, Provincial Support Team (Kasama)
Reinar Odsgaard, Team Leader, National Rural Water Supply & Sanitation Programme, Provincial Support Team (Kasama)
Sister Agnes, Head Chifwani Basic School
Head of PTA
Various teachers, pupils
Head, Musa Basic School
Chair of PTA
Headman of area
Various masons, pupils
Head, Luyeye Basic School
Deputy Head, Basic School
Various pupils, masons
Head, High School, near Mungwi town
District Commissioner, Mungwi town

Nascent Solutions Inc, WEAVE Project (DGP Grantee), 1/22/11, Mpika

Priscilla Banda, Country Director
Catherine, Women's Empowerment Coordinator
Constance, Nutrition Coordinator
George, Finance and Administration

Nutrition Volunteer and one women's group, Kasongo Village
WE Volunteer and one women's savings group, Kasongo Village

Malawi

USAID/Lilongwe 1/25 & 2/1/11

Curt Reintsma, Mission Director
Archanjel Chinkunda, M&E Officer
Cybill Sigler, Economic Growth Team Leader
Stephan Mwale, AOTR – CUMO
Madalitso Chisale, AOTR -- FAST
Martin Banda, AOTR, HPI
Joanne T. Hale
Patrick Wesner, Project
Maggie Chibwana, AOTR

Keith Aulick, CAP RTA 1/26/11

FAST (Grantee) by telephone1/26/11

Mr. MacLean Sosono, Director,

TAPP (Rejected DGP Applicant)1/26/11

Prof. James Banda, Executive Director,

CADECOM (Rejected DGP applicant)1/26/11

Mr. Henry Kwavale
Ms. Martine Zhidodu

Cumo Microfinance (DGP Grantee), Dedza, 1/27/11

Ezekial Phiri, CEO
O'Brian Mandala, DGP Project Director
Joshua, CUMO, Lending Officer
Japhet Zingani, Microenterprise Training Officer, DGP Project

Eighty members of lending groups in meeting in Lobi village

Total Landcare, SPICE Project (DGP Grantee)1/28/11

Zwide Jere, Co-Founder/Managing Director
Phillip P. Tembo, Project Coordinator, Marketing
Brand Mbale, SPICE project Manager
Michael Whiteman, COP, Kulera Biodiversity Project, Total Land Care

Heifer Project International (Grantee) 1/31/11

Lawrence Matiasi, Program Manager
Frank, Field Officer in Mchinji
8 beneficiaries in the district, visited individually

Ethiopia

USAID/Ethiopia, 2/2/11 & 2/7/11

Hermela Merid, Program Office
Reshid Abdi, Alternative AOTR Health
Hiwot Seyoum, AOTR for Health
Mouna Bayou, AOTR Convoy of Hope
Konjit Ehetu
Alemnesh Hailemariam Badisho, AOTR, AAII
Kevin Smith
Stephen Fitzpatrick

African Aids Initiative International (grantee)2/2/11

Zewdie Shitie, Project Director AAII DGP Grant
Elleni Gebreamlak Presdient, AAII
Girma Haile Giorgis, International Director, AAII
38 women sex workers, met as a group

Global Team for Local Initiative (Grantee)2/3/11

Lori Pappas, Director

Convoy of Hope (Grantee)2/3/11 & 2/5/11

Joshua, Project Director
Ganette
Jim Batten, Executive VP, Convoy of Hope, (visiting from Missouri HQ)
Kara Edson, Int'l Programs Manager, Convoy of Hope, (visiting from Missouri HQ)Mark Metzger, Finance Director, Convoy of Hope, (visiting from Missouri HQ)
4 graduated micro-business owners, met individually

Beza Vision Ethiopian Aid Association (Rejected DGP Rnd 2 applicant)2/4/11

Dr. Mohammed Nur Zein, Programme Director
Dr. Demeke

Mr. Suleiman, Finance Director

People for People/ Life in Abundance Ethiopia (grantee)2/7/11

Dr. Yared Mekkonen, Executive Director
Lemma Debele, COP
Abram Orma, Program Manager
Teseya Abeta, Program Officer

South Africa

Southern Africa Regional Office, USAID/ Pretoria, 2/9/11

Vusi Mkambule, Financial Analysis
Doreen Robiuson, Environment Team Leader
Sesana Mwoaka, Project Development Specialist
Martin Fischer, Contracting/Agreement officer

Keystone Associates (Global DGP Program Evaluation, part II), Capetown, 2/12/11

Andre Proctor

Georgia

USAID/Georgia 3/9 & 3/15/11

Nino Kobakhidze, AOTR, Office of Economic Growth
Dorothy Bell, AOTR, Office of Energy & Environment
Eka Gamezardashvili, Acquisition Specialist
John Lord, RCO
Jock Conly, Mission Director
Joakim Parker, Deputy Mission Director
Monika Gorzelanska, Deputy Director, Economic Growth
Lela Kerashuili, Evaluation Officer, Program and Project Support
Aviva Kutnick, Junior Program Development Officer
Shorena Amicgulashvili, Financial Analyst
Mariam Ubilava, AOTR

AED/MSI –CAP 3/10/11

Nino Saakashvili, RTA

CTC (Grantee), 3/9/11

Irina Khantadze, Executive Director

Giorgi Tvaliashvili, Trainer
(visits to six beneficiaries in the area around Gori)

GCCW (grantee)3/10/11

Mr. Ramaz Gokhalashuli, Project Director

APDWIT (grantee), Samegrelo area, 3/11 & 12/2011

Leila Kakachia, Director
Accountant
Head of WEC, Senaki
Head of WEC, Goro…
(Visits to six beneficiaries in the area)

Women's Fund in Georgia (Grantee)3/14/11

Nana Pantsulaia, Executive Director
Gukha Vediashvili, Coordinator
Ia Kajaia, Monitoring
(visits to six beneficiaries in the field)

Caucasus Environmental NGO Network (CENN, grantee) 3/14/11

Nana Janashia, Executive Director
Kakha Bakhtadze, Programs Manager
Tamar Mtvarelidze, Policy Specialist

Annex B
Mini-Cases

Mini Case #1.
Huasta, Ancash region, Peru.
Can you bring us more?

The village of Huasta lies in an undulating valley at about 10,000 feet in the Peruvian Andes. Fodder and other crops are planted on terraces above the village. The village itself comprises about 130 households and to the outside eye has the earmarks of moderate poverty. There are a few hole-in-the-wall shops, hardly any vehicles, and the people seem to live in the same condition – mud brick houses with rudimentary sanitary facilities, basic furniture, a single bulb on the ceiling, one running water point in each house with the women cooking in dark spaces on clay ovens, using firewood collected locally.

After our arrival it takes about an hour to gather together five members of the Reforestation Committee, which had been formed when the current TMI project began (TMI is The Mountain Institute, a US NGO). TMI incidentally had worked in this area before and the new DGP project built onto relationships established earlier.

The core of the effort here is a program of reforestation using a native tree called PolyLepis (aka "quenuales"), a slow growing long-lived species with multiple advantages in water and soil retention, and thus, over the long term, in adaptation to climate change – the umbrella under which all of TMI's work in the area is done.

But because there is no immediately visible advantage, villagers who participate in the first efforts need to be convinced of the advantages; thus a lot of awareness building must occur. This is the central part of TMI's work. But TMI has a small staff; it takes 2 or more hours to reach Huasta from its base in Huaraz, and there are other places which the project must cover. So after the initial series of meetings and presentations, regular follow up visits can be done only monthly. At the same time, a person from the area, Juan, is present full time in Hausta as a TMI technical adjunct. He has some years of experience working with TNI on planting the trees.

The head of the Reforestation Committee points to two murals on the wall of his house. One shows two sheep, and the other the PolyLepis tree in mature form with a couple of colorful birds in the tree. He explains about the sheep. The project has contributed 15,000 Soles (ca. $5,500 @2.73) to the purchase of five rams of a superior breed and donated these to the five groups the project is working with. Each group consists of six families. Under the previous TMI project seven groups of families had received breeder rams. Two of these groups are not participating in the current project, which means that the additional five sheep will go to the same five groups who had received breeder rams before. The cost of each ram is in fact roughly 10 percent higher than the subsidy amount and the groups themselves make up the difference. The idea is that the rams will be available to the whole village for breeding and thus over time all the sheep in the area will be improved.

"Who takes care of these rams since they belong to six families at once?" I ask. The sheep graze in the pasture, they do not need much care, answers the *presidente* of the committee. But what if there is a need? What if the ram needs a vet? Well, then the duties are rotated among the families. I ask if there is any perception of unfairness since now five groups have each received two rams. No, he answers.

I ask about the trees. The first trees are donated as seedlings by the project and then the villagers are shown how to produce new seedlings from the trees, so at some point no more new trees need to be supplied. The groups volunteer their own labor for the planting.

There are vulnerabilities: The young trees need to be protected from animals (livestock grazing, particularly cattle, is the main economic activity in Huasta), and some fenced enclosures need to be built – above all the trees need to be watered until the rains come, and if the rains are late, there is all the more need to buy hoses and water the trees.

We sit down in another house to meet the five members of the reforestation committee and discuss the project. After telling us how grateful they are to have this help and how much they have learned about protecting their environment, we talk about how the committee was formed, and how the groups were formed. The initial cohort of seven groups dropped to five because of the committee's rules about meeting attendance and volunteering the labor for the tree planting. Two of the groups had not met these requirements and were asked to leave the program. But they are excluded only for one year and then they will be permitted to come back in if they wish.

It remains unclear whether the whole village can be involved.

I ask about their expectations in the future. They would like TMI to help them start up a processing plant for cheese production. Do they know that TMI doesn't get involved in such things? Some do seem to know this. But this is their dream, we are told.

Have they thought about getting a loan from a bank and starting such a plant? They don't trust banks and anyway there isn't one nearby. Do they have bank accts of any kind? No. Have they heard of microfinance? No.

They mention other needs: milking machines, material to construct stables, the introduction of better fodder crops.

I raise the question of sustainability; do they see ways in which they could manage to fulfill these needs without getting help from an outside project? Loans, pooling their resources, forming a coop? They recall a gift of cash some 25 years ago from an outside foundation which, they say made a long-lasting difference.

I ask again about the future. What do their children want to do? "They want to continue our way of life; our work." "We are livestock people, that is what we do." Are there villagers who work outside and send remittances? No. Is there any migration from here? No.

I ask what they would suggest to USAID as a way to help them. They bring up these needs again. I ask if they think the two years of the TMI project is enough. In one loud voice they say "No". What would be the ideal time? Five years, they say.

We continue talking - about local politics, about change, about corruption and vote buying, about the weather, about changes they„ve seen. A meal is presented, local chicken and three different varieties of potatoes. When it is time to leave, we are all again profusely thanked for our visit, and the *presidente*, when he shakes my hand, asks that I not forget to convey their need for further support to USAID.

Mini case #2
SEAL Association, Canrey Chico, Recuay district, Ancash, Peru
TMI

Six members of the twenty member group are present in a round building built with materials provided by the government in 2000 under the PROMPERY program. The building has five rooms, meant to house two tourists each, and is nicely designed with a central well-lit gathering area. However, it was never completed; only two rooms have beds, the roof leaks in several spots, the walls show signs of decay, and there is dirt everywhere, both inside and out. The bathroom facilities outside the building, in a separate shed, were also not completed. Yet when asked, one of the group members says that some 60 tourists stayed there this past season.

The main source of revenue here is agriculture, sheep grazing and dairy cows. Perhaps 10 to 15 percent of annual income for some of the men comes from individual services (portering and donkey and llama trekking) for tourists. They claim no bank accounts, no remittances, and little migration.

Over the years the village of 120 families has had very little outside help. Government has rarely done much for the area, and recently some two kilometers worth of cable intended for use to finish electrification of the village were stolen. The villagers say they will have to come up with money to replace the cable. Reportedly only 30 percent of the families here have direct access to potable water. Many children suffer from parasitic diseases. But recently they say, the government has begun some projects (canal maintenance, road improvement, and reforestation).

At some point in the past, there was also a project in the village to start a cheese making operation and another to put up a small animal medicine repository ("*botequin*"). Both of these are now defunct.

The village had had contact with TMI under previous projects for 12 years. TMI staff say it has taken this long to build trust and for them to create this association, which essentially is aimed at 20 families. There are 10 hectares under management of the group in pasture improvement.

Their key concern is water. The water has changed in quality and seems to be affected by changes in the glacial structure (natural contamination). It tends to "burn" some of the pasture land. They are hoping there can be solutions to this such as small dams and canal diversions from upstream rivers and streams. Part of what they hope for from TMI's work are solutions based on some scientific studies that are underway.

If solutions are found, who will pay for them, I ask? They answer that they expect the money to come from TMI. They also note that USAID should (through TMI) help them resurrect the cheese operation. What lessons did they learn from the prior failure of the cheese operation, I ask? They say they need to become a registered entity, to have a stronger organization. (They do not mention a business plan, management, a market analysis.)

The work they are doing with TMI is on a tiny percentage of the communities' pasture land. They are focused on their own holdings which in total are between 10 and 15 hectares (average private holding is one-fourth to 1 hectare – reportedly no one in the village is a large landholder). But even though not all the 63,000 hectares contained in the village are pasture land, what they are working on represents a fraction. If water retention on the whole of the community's land is not improved, then improving the pasture on their own plots will not make a lasting difference. [water knows nothing of property lines].

Nila of TMI reports that an earlier project supplied some $10,000 worth of fencing materials (wire and poles) because the area had never had fencing before. Seeds were also supplied.

World Vision has also been working in the area teaching sanitation and latrine construction, and engaging in some child sponsorship.

Mini case #3
Asociacion Urpichallay
Huaraz, Peru
Sometimes the good ones are never heard of

The local NGO Asociacion Urpichallay is a small (four staff) 16 year old organization focused on revitalizing local Andean knowledge of all things natural in the Sierra environment (water, air, soil, plants, mountains, fauna, etc.). It is aware enough of current development interests to call aspects of what it does agricultural diversity, food security and climate change.

Its operational work is largely with children in the schools, making full use of its clear understanding that children are open to ideas and can be powerful agents of change within their families. Like many others who wish to raise awareness of good conservation practices it tries to instill respect for nature and emphasize household sanitation and solid waste recycling, among other themes. But its approach is somewhat more creative than that usually found in awareness raising efforts. Urpichallay digs into local culture to rediscover local language, symbols, and concepts. For example it reminds people that a ground water spring is traditionally called an "eye," and in quechua, the word "patsa" reportedly conveys both time and space as one entity. They use also concepts like giving birth to, or creating when they talk about crops; when they talk about corn and potatoes they emphasize the names of and properties of 150 varieties of potato (and potato relatives) etc. Thus aspects of the local and natural environment are anthropomorphized; made alive in ways that are dramatic and easily captured. The supposition is that such quick-takes on things may lead people to take action more than simple moral exhortations, which are the usual approach.

Urpichallay has had an informal relationship with TMI since 2000. They collaborate in meetings and share their work and ideas.

Their capacity to deal creatively with issues that are on the minds of USAID would seem to suggest that they might be a natural DGP grantee. Yet USAD/Peru appears to know nothing of them, and vice versa. I ask Eduardo Suarez, Urpichallay's director: "Have you heard about the DGP? "No." "Do you know much about USAID?" "No." "Have you ever tried to approach DFID or other bilaterals?" "No." Why not? The answer is a useful finding for the DGP: small, dedicated, mission-driven, often passionate local NGOs concentrate on their work and don't have the resources or the time to actively pursue funding. They may knock on a door or two, but their main goal is to continue working.

Who funds them? Right now Urpichallay has five years of modest funding from the Canadian Lutherans ($140,000 per year for five years); and 80,000 Euros for four years from Terre des Hommes in Germany.

Mini Case # 4
The Madres Adoratrices Center for victims of Trafficking in Persons and domestic violence
"Singed by the Burn Rate"

Five women, all in their early 30s sit around a table in the alcove of the center in Quito, Ecuador. They are former prostitutes and have been benefitting from the family-like warmth of the center and the nuns who run it.

They are a lively, almost child-like group, and while we talk, they hug each other, make jokes (they flirtatiously ask me to take them with me to the States, and to teach them English) and emphasize the laughs with light jabs at each other.

We're talking about the DGP project under which they are some of the 50 intended beneficiaries. The original goal of the project was to prepare these women for "re-insertion into the formal labor market." Ecuador's official unemployment rate in late 2010 is estimated at best at 8.5 percent (less than that of the U.S.), but no one I asked believed that to be accurate. In any case the project has concluded (after 14 months of work to date) that this goal is unrealistic. The women have not gone beyond primary school, and have no skills. The only realistic work available is maid-like work, such as house-cleaning. At the same time, the project has been able to save considerable money from its original budget by receiving free training materials from partner organizations, materials that it originally had intended to pay for. The project leaders have discussed what to do with the unspent money. The only real option, they concluded, is to convert the money into donations to the women, of up to $500 each. "We know it's not a good idea to provide giveaways, but there is pressure on us from USAID to get results and to spend the money." The CAP RTA for the region had suggested to the grantee that perhaps they could work together with another grantee who is facing a similar dilemma and create a revolving fund so that the money could be used as loans and thus recovered, but they concluded this would take six months or more and thus their "burn rate" would suffer, as would their compliance with the "results framework." So they agreed to go along with USAID and submit a modification to their CA. This takes two months to get through the bureaucratic hoops, but in the meantime they are preparing for the donations to the women. In discussions with USAID they came to the decision not to give any cash to the women but instead to do business plans for the creation of microenterprise start-ups and use the money to buy equipment.

In the center run by the nuns the women are learning sewing and handicrafts. We discuss this. One woman wishes to get into the business of making bedding material (covers, pillow cases and the like). Another would like to make stuffed animals, and another Tee shirts. I ask what they know about market demand. They say there is lots of demand. I ask about the cost of the machines they say they need to start their businesses. Between $700 and $1,200. "Well, I ask, if the project contributes $500 how will you get the rest? Do you have savings?" They all laugh and say no. One says they will get a loan from a bank. They discuss this. One woman says she knows a bank where the minimum loan is $5,000 at 5 percent, but they cannot take on that kind of debt. If they were to borrow

$400 or $700 the interest rate would be 12% which is too high. I ask about microfinance. They do not know of such opportunities. What about supplier credit? No, they say, that won't work since if a supplier lets you pay for the machine on time, it will cost much more. What about getting together and forming a cooperative? They laugh heartily at this suggestion, saying they want to work independently. I ask about buying used machines. They say they would not be able to know if the machine was in good condition or not. "No," they say, "we want new machines." After ten minutes of this discussion we have not come up with any solution to the gap between the project's gift and the amount they want to buy their machines.

One of the women is working on the hem of a skirt as we talk. She is carefully and slowly measuring a one inch margin as she stitches her way from one end to the other. I ask her whether she has done anything like this before. No, she says, she is learning. I wonder how she can compete with the industrial textile industry. She says she is not concerned – there will be demand for what she makes.

As it comes time for us to leave, I thank them for their time and say that I hope to come back in two years and see them prospering. "No, No," they say, "come in six months. Two years is too long. We will be prospering in six months."

As we are about to leave, the women all turn to me, and almost in unison begin saying "*la machina, la machina*. We know you will find a way to bring us the machines we need."

Mini Case #5
Dakar, Senegal
"Charity begins at home"

The food processing plant, on the outskirts of Dakar, Senegal is running into daunting problems about five months into its operation. This DGP project ($400,000 for three years) is intended to "support the professionalization of Women's Groups in the Production, Transformation and Commercialization of Fruits, Vegetables, Fish Products and Local Cereals." Right now (December, 2010) there are three production "lines:" cereals (including couscous), fruit juices and syrups, and peanut butter. Some 60 women, from two GIEs (*Groupement d'Interet Economique*) are the intended beneficiaries of the project. They are poor, I am told, but there are no socio-economic baseline data about them, because, as I'm told by the project coordinator, "we don't have the resources to do that study." To become a member of the GIE, one needs to pay a membership fee of 5,000 CFA. I ask if they have to renew this each year. I am told no, but I note that on the membership cards each woman gets, there is a space for a rubber stamp for each year of membership. The women work in shifts on designated production lines at different times. I ask to see their time sheets, but the person in charge of these was not able to locate the most recent ones. I explain that I want to see these in order to get a sense of the absentee rate, i.e. the consistency of the labor force. They told me this could be calculated but they had not yet done so.

I asked also to see some figures on production for October and November (the last figures I saw were in the Quarterly report to USAID for July, Aug and Sept). They had not yet done the October and November figures, I am told. I suggest to them that knowing the exact production figures each month would be useful feedback for management. They agree, but point out that production was even lower in the last two months than in August and September. In fact the only month with high production was July, the month the project was officially launched. At that time, I am told, they had bought a large amount of inputs in order to show high production for the dignitaries and media who attended the opening ceremony. Attendees included two government ministers, regional presidents of other West African country branches of AFAO and others. This event was followed by a day of filming done by TV5, a French TV station. (Mrs. Fall, who has led AFAO Senegal since its inception, appears to be well-connected to both the current Wade government and the previous Diouf government). In any event, July's cereal production was 38,185 kg, in contrast to the August figure of 249 kg, and 355 kg for September. If October and November were even less, as suggested above, the cereal line looks like it is close to non-operational.

This stark drop in production almost immediately after start-up is explained to me by the personnel at the site and by the president in the headquarters office, as a "chronic" problem of not having the resources to buy the raw materials or to pay the workers.

How could this be? I ask. The president says that they made a "mistake" by not including these costs in the budget they proposed for the project. [I recall that in process of selecting the grantees, the USAID Mission sub-technical committee recommended funding the project "assuming that that the following changes are made…" These included "The sub-TEC strongly suggests that AFAO make a concerted effort to use a private sector approach (i.e. to borrow the needed funds from an outside lender or to rent the equipment) in order to acquire their production equipment"; in addition the sub-TEC requested "proof of market demand", and finally the sub-TEC requested "a copy of the business plan for the existing GIEs, if business plans exist." Later I am told at the USAID Mission that AFAO did not comply with these suggestions and conditions. The grant was made nonetheless.]

What does appear to have been included in the original budget are a) the purchase of all the machinery for the project, but not its maintenance; b) the rent for the building (which the project had previously renovated using a grant from the President of Senegal); and 3) the salaries of the key personnel of the AFAO and the production unit; and 4) utilities. AFAO's President complains quite forcefully to me that USAID is gaining considerable "visibility" by funding this project and therefore ought to provide more "resources" to cover these mistakes, which she readily admits, and also for overhead. She notes that she had to spend $1,000 of her own money to send personnel to the CAP workshop because there was no money for this in the budget. I asked her whether these matters, and her other concerns, had been discussed with their USAID AOTR. She said no, they had not.

At the plant itself, the equipment, sourced locally, and thus relatively cheap compared to imported machines, appears to be rudimentary in design, and in the case of cereal grinding, not of high enough quality to eliminate all foreign matter. Therefore there is much manual sorting of the raw grain before it can go through the machines. Next I am shown the machinery to make juices and syrups. The production manager notes that the machine, which they expected to use for syrup, does not function except for lighter juices. So they are making the syrups by hand. They say they have talked to the supplier about this, but he has said the machine was never intended for syrup production and he cannot adapt it to do so.

The plant's electricity supply, as is the case in Senegal in general, is regularly cut off, and so the project had to spend about $4,000 for a generator. Several months into its use, however, the generator has developed a record of continual break-down (it was not operational at the time of my visit), and the supplier has, I am told, been reluctant to do much about this.

We look at the peanut butter line. The machine does not appear to be used much. I'm told they have a problem with the cost of the 5 and 15 kilogram plastic buckets in which they sell the product. When the cost of raw materials is combined with the container cost, they say, there is no margin for profit. They do not know what to do about this.

They are also unsatisfied with the gas supply which right now is reaching the machines through rubber hoses laid on the floor. They have addressed this to USAID, hoping to get additional money.

There appear to be at least eight staff for the factory and no provision at all for reaching financial self-sufficiency, not to mention the "professionalization of the 60 women in the two GIEs" which their proposal sets as an objective. The women are merely paid workers, and the project goal is to increase their income from CFA 1,500 per day to 2,500. There does not appear to have been an analysis of what volume of sales it would take to cover all costs, the amortization of the machinery, its maintenance, downtime caused by breakdowns or electricity shortages, salaries, marketing and printing costs, packaging, and so forth. Nor does there seem to have been any effort made to move forward on the expansion of the project to other areas as originally intended. Finally it is unclear how the products are sold, when there <u>is</u> production. At least some of the 60 immediate beneficiaries are both paid a daily wage for their work and also receive the finished product to sell in the informal marketplace, though in future the project intends to develop specific branded points of sale. Who will run these? This too is not clear.

There appears also to be a discrepancy between the Project's description of how some of the raw material for processing will be sourced and what is actually happening. The CA notes that six hectares (15 acres) of land owned by the AFAO will be used by the women to grow at least one of the cereal crops. In fact the primary grain material is bought on the open market, and when questioned about the land itself, I was told by the president that there were 10 hectares (not six) and that AFAO did not yet have clear title to the land.

I ask about an analysis of demand. They tell me they have looked at the market and there is a strong demand for their products because it is natural and "people like it".

Towards the end of the visit I come back to the issue of working capital for worker pay and inputs. I ask if they have considered going to a bank. Virtually everyone laughs. That would not be possible, they say. What about micro and small business funds, or microfinance? They haven't tried this avenue. What then do they propose to do? They answer that they hope USAID might add some funding, but in the meantime they are actively approaching other donors to make up the difference.

Mini Case #6
SYAFD (Senegal)
"We'll Take whatever you've got"

The front room of the NGO "Enfance et Paix" has been donated to the SYAFD DGP project, called "Support for Increasing the Capacities of the Sedhiou Region Civil Society organizations to Enhance Good Governance" for its "resource center." The center, with its four brand new Dell computers, chairs and tables, is one of the "deliverables" for this project aimed at strengthening civil society groups in the Casamance, the southern region of Senegal that has been in a state of low-level civil war with the central government since 1990. The area is desperately poor – the fishing industry is moribund, there is little or no new investment, tourism is limited to gated enclaves like Club Med, and government, perhaps punishing the area for its rebelliousness, has allowed the few paved roads to fall into total disrepair, with some sections 60 percent pot-hole, and 40 percent pavement. The Enfance et Paix NGO is well-funded as it works with the USAID PEPAM project, a large water supply project.

In this environment there are many hundreds, perhaps thousands of civil society groups, legally constituted as such and layered into *groupements*, federations and federations of federations. The expectation is that by learning about organization (administration, management, financial planning, etc.) and other basic roles of an organization (e.g., the roles of a president, vice president, secretary) and being taught something as basic as that "the President is not necessarily the supreme boss," local people will become "citizens" who will know their rights and be able to approach local elected official and convince them to be more responsive to their needs (which range from infrastructure, to better schools, to economic opportunities.)

SYAFD, the DGP grantee, has been around for a decade, and has two main staff along with people hired on a project basis as "consultants." It was founded by 14 concerned people, teachers, former staff members of defunct NGOs, etc. In the last 10 years the NGO, with funding from the EU, from Intermonde, and other sources, has worked in literacy, natural resource management, and HIV/AIDs. The current project is seen by them as a continuation of a prior effort in governance they undertook with EU funding.

Their main challenge now is funding. "We need to do dissemination and *multiplication [*replication*]*. This can't be done without money." Where are they aiming to disseminate? The federation level. We go to a village. The president of the association does all the talking with seven silent members of his association (all officers) present. What he says sounds very much rehearsed. He talks about civil society and governance and tells us "What we need is the ability to multiply the learning/training we've received." What does that mean? I ask. We need to be able to reach all the organizations at the base. Well, what is keeping you from doing that? We need money to pay the participants to attend the meetings; money for lodging, for travel, and for food. What kind of money are you talking about? Well with each set of groups we would need about 450,000 CFA (c.a. $900). Wasn't this in the budget in the first place? I ask. The president answers no; USAID, he says, told them they could only have $100,000, so they adjusted their budget accordingly, and came down from their original budget of $180,000.

I ask "who will learn, the local people themselves, the associations' officers?" And then I ask how the center will be sustained? I ask the group of seven officers who sit in the front of the room to speak. No one wants to. The president again speaks for them.

[I have begun to wonder if sometimes trainings are aimed at the wrong people, just as sending the heads of the grantees' organizations to the DIMP at the Meridien Hotel in Dakar might have been a mistake. In the case of the DIMP, this was probably perceived as a prestige event and so the folks who need to go are discouraged from doing so. Perhaps the culture of the chief is one of the constraints here. The chief will take care of us, and so we'll need to support him.]

The name USAID means money to them, and my presence seems to reinforce that. All afternoon, in the three meetings we had, the same script is repeated. "We need more resources, we need to reach more groups, there needs to be more „*multiplication*.'"

(When I asked back at their offices, what the project expected from AED CAP, whose RTA was with us, they replied first that they wanted help in raising money, and for AED CAP to act as recommenders, as references, and to introduce them to different "partners.")

The women's group we visit next gets to the point quickly - we need income, they say. We need Income Generating opportunities and we hope you'll help us to get them. We need a store nearby, it's too far to walk. But, we point out to them, there would be a store nearer if there were enough of a market to make it worthwhile. They say they need a store nearer. They seem to expect the project to help provide that. The group's president also complains that many of the local "civil society" groups are run by politicians.

In any case people here seem to be learning the language of civil society. These ladies, sitting on a blanket on the ground, talk about "*Solidarité,*" "*principes de bonne governance*," "*formation,*" "*société civile*." The phrase we hear most often is "without training, there is no development. " And "we need *suivi*" – follow up – which seems like it could be a euphemism for more money. Is the message here simply “Don’t drop us, don’t leave us alone, don’t go away”?

[Is what we see here perhaps a kind of monetization program? Something intangible – “training” - becomes something that folks can get something from, a bit of cash, in the form of a per diem to attend, perhaps a temporary job as a “community mobilizer,” a connection, to become part of a network, anything to find a hook on which to rise in this brutal system.]

I then ask them questions about the income generating part of their proposal, which calls for value added to local products. What is it you want to earn income from? They mention peanuts, shrimp and the resources of the forest. But who and how will these be transformed into value added products? What is the idea? What is the business plan? We get no answers.

When, back at the new Computer resource center, we ask what amount people will be asked to pay for the computer use, they say they will have a participatory meeting and the members will decide. The CAP RTA asks if they did any analysis of the running costs, and what they would need in terms of numbers of clients to keep this going? No, they did not. What if the computers fail after a couple of years? “Well, we will find donors to give us new ones. “

Mini Case #7
RADI water project in Djilor (Kaolack region)

Forty years after some major lessons learned about water, many donor funded projects still seem to be doing water projects in much the same old way. Poor quality PVC pipes laid underground in trenches dug by the community, public standpipe connections with low quality faucets, connection boxes with low quality valves, and hand pumps that are not easy to maintain. But here in Djilor, perhaps the most essential lesson about water - that it has to be paid for by the user – seems to be applied.

There are also some minor technical improvements – the covers of the valve boxes are more solid than 20 or 30 years ago – they are concrete and heavy – hard for one or even two persons to lift; and the trenches are dug deeper and straighter. Still, what is being built seems fundamentally vulnerable. Over time, with shifting ground, pipes will leak, and with poor quality components and poor maintenance water will be lost, faucets will break, valves and pumps become defective.

The project people think they have solved some sustainability problems by having the water use paid for and expecting that the person(s) charged with collecting money at the spigot will take her/his pay from the receipts. The person has the key to the locked faucets, and is present during set hours and collects on the spot. The local water committee, or users’ association, is charged with keeping an account that is to be available for maintaining the system.

In Senegal, in two projects visited, the price at the spigot is set at between 300 and 400 CFA per cubic meter (between $0.62 and $0.72) which is remarkably close to the price paid for water in US municipalities.

CARITAS, another DGP water project grantee, in its Kaolack water project has done a thorough cost analysis and shows convincingly that water income can cover the running costs of the system and even support the pay-back of a three year bank loan (of $14,000) to make up the difference between what the DGP grant covers and the actual cost of restoring a water tower.

Still we come up against multiple layers of administrative bureaucracy at the local level – the need to pass everything through each layer – and the slowness of progress. One to two months after the trenches were dug and the pipes laid in one community, the enterprise charged with installing the valves and actually making the connections to the spigot stand, has not arrived, despite repeated calls by the project people. In the meantime the junction box at one of the two stands remains uncovered and is filling with silt and garbage.

Everyone agrees that the challenge at the village level is behavior change. People need to learn everything from washing their hands, to the need to use latrines rather than going in the "bush," to the benefits of aeration, to the connection between germs and disease (a cholera outbreak last year in the community visited appears to have been a good motivator to begin to believe these things).

Thus there is more integration in water projects, almost all of which are now "water and sanitation" projects. The health link and the environmental link are now built in. And to those links are added local institution building in the form of water user associations; social marketing campaigns; baseline data collection; business plans for the water user association; and a shift from free H_2O to payment per family to payment by volume of consumption, and – envisioned for the future -- to eventually all metered systems.

Caritas says there are 14,000 villages in Senegal. Their analysis is that if you do a borehole for less than 20 villages, it is not financially viable. There are also water pressure problems once the distance exceeds 25 meters for private connections.

The test is time of course. We will see in a few years whether these projects and the training of the water user associations, the key to sustainability, will result in regular maintenance and cost coverage.

Mini Case # 8
Kixi Credito, Angola

KC is today one of the top 100 microcredit operations in Africa, with 10,000 clients and a portfolio of about $11,000,000. It began as a project of the NGO Development

Workshop in the late 1990s with the USAID funded SLP (Sustainable Livelihoods Project) as one of its supporters. In 2007 it became a company, and is the only "non-bank financial institution" (NBFI) in Angola, under the Central Bank. Thus KC is a profit-making institution with 11 branches and is growing. It has some loan finance from banks, some of which are soft loans, and two donors, USAID (under the DGP) and the oil company BP (to open a branch in Soya where BP has operations). KC has about 200 staff in total, and each branch in principle has a manager and 10 loan officers. The lending model is solidarity groups with women representing about 60 percent of borrowers.

KC operates under the present banking regime cannot mobilize deposits. Interestingly KC loans and repayments are made through banks and nothing is done in cash. This puts a transaction cost burden on clients, but KC does this because it has learned over the years to overcome many problems of insecurity and theft. Banks, of course, take a commission on the transactions. But usually a member of a solidarity group is chosen as the person to do the transaction and must be accompanied by up to five others to make sure there is no theft.

There are vulnerabilities in this model, but for the time being KC says it is now fully self-sustainable and makes profits. In the last two years it has more than doubled its benefits and salary package to employees, in order to stay competitive in a market with lots of demand for qualified people.

KC reports to the online microfinance database "Mix," and is connected to the international MF world. In Angola it is the only provider of loans in the $300 to $1,000 range. There are three banks doing "microcredit", but these work on the basis of individual loans in amounts up to $50,000 and all require collateral.

There is a sense at KC that USAID DGP is there for them to support pilots, in this case an experiment to set up kiosks (mini branches) that will serve ambient street sellers. KC did do its homework to understand how these sellers work and what their needs are.

Reporting has not been an issue, though they claim that they must report monthly when they would prefer quarterly. The only issue KC has with the DGP is CAP. They were visited in August and September 2009 by Sasha and a Brazilian-German consultant and went through a two day IDF, which revealed a need for a much more subtle and data complex MIS. They complain that since then there has been no follow up at all (four to five months later).

The MIS system they would like to install is much more expensive than what they are using – Loan Performer. They would like to switch to Abacus but hope they can get donor funding to support this and the training that would be required to go with it.

Right now their MIS is not capable of tracking client graduation, for example, which would be a key indicator of poverty reduction. A person who is a group member and then becomes an individual borrower is registered in the system as a new borrower, and so the data base "loses" this person as a "graduate."

KC is a relatively mature and increasingly toughly run MFI, which wants to maximize all opportunities, including using donor money to pilot new ideas and to get better MIS.

Can they continue to be successful? This depends in part on the question of unmet demand. Right now they estimate an adult population of five million in the country, at least half of whom (some statistics say 70 percent) are in the informal sector. Thus their argument is that even if they grow from 10,000 to 50,000 clients, they would be touching only one percent of the potential market.

This is also still a post-war cautious culture, with a low percentage of bankable population and a bank culture that is not customer friendly. Money lenders are everywhere (we saw three in the same area where KC clients were) and the "*Kixi Kila*," the traditional form of ROSCA still functions in many areas. Finally, according to KC itself there is a vestigial culture of entitlement; expecting something to make up for the deprivations of the war, and in the early days people routinely took loans and walked away. This is changing however.

But there would still seems to be a pretty high risk of default and while KC tracks its PAR 30, it goes up and down, having recently reached five percent. Thus a risk control and monitoring unit has been installed in each of its zones.

The informal sector in Angola perfectly resembles what we see elsewhere in poor Africa – a default mode with low barriers to entry and millions of sellers, essentially selling to each other and others. Very few of these are true entrepreneurs or have the capacity to grow very far. In fact when offered the chance to move from the informal to formal , KC's own experience tells them that borrowers prefer to remain in the informal sector where they can be far more flexible- being entirely unregulated. A true risk mitigation strategy is to remain informal. And yet informality and the nature of that market mean a limit to loan size graduation if not to portfolio growth.

During our field visit, the clients approached were of two types, those who were KC clients and those who were not. Of the three we spoke with who were not, two had not heard of KC though they were within 20 yards of KC clients. (KC has perhaps to do more active outreach instead of relying on word of mouth)

But all of the six borrowers we spoke with had started up with borrowing from relatives – a classic tradition. They have also moved from product type to product type. A woman who began selling iron roofing sheets moved to selling plastic flip flops, a case of learning to move downwards rather upwards.

A carpenter moving out of making things to selling blue jeans; a man selling used small auto parts.

Again no one knows where all this goes. KC does not do research on clients' initial capital sources much less on social and political networks.

But it seems clear that there are at least as many people out there who could be potential clients who do not want to be – who feel that debt is dangerous and who are simply there to turnover cash on a daily basis. One man selling watches on a stand showed real contempt about the idea of taking a loan, saying he relied entirely on his own resources. He in fact looked like a real entrepreneur.

As for the DGP-supported pilot project of street sellers, it does seem they are a vibrant part of the sector. Almost all are single young men because ambient street selling is physically difficult, your customers are in cars and you have to run to sell. Many of the men, we are told, come in from the country to make their first cash and move back. According to KC, on a good day, a seller can make a margin of 100 percent. And some, it is hoped, will use the KC loans to move into wholesale. The experiment hopefully will yield some interesting data.

The only question to ask vis-a-vis the DGP, is whether it might have been better for KC to finance this experiment itself.

Mini Case #9 Alfalit Angola
Russian dolls

Based in Miami and begun by a Cuban woman in Costa Rica 49 years ago, Alfalit has specialized in literacy training. It has operated in Angola for eight years, having had several donors and was part of a large five-year grant with USAID via its Miami HQ. Though technically registered as a local organization – a blurry issue obviously -- and one with a past history of USAID support, it is technically in a "new" relationship with AID, and is, by the way, about to receive $300,000 as a sub-grantee to ADPP (another of DGP's Round 1 grantees) in a separate (non-DGP) project.

Alfalit's DGP project, like some others, appears a bit like the Russian doll set, wherein each doll reveals another underneath it, except that, unlike the Russian dolls, the ones in the Alfalit case resemble the first one less and less the further down one goes. Its project description looks close to irreproachable. What could be wrong with providing literacy training to 900 females ages 12 and up, where 70 percent are expected to graduate, as specified in the CA? And while Alfalit does not have much experience doing anything but literacy, their promise to do a "small business training program" as an add-on to the literacy training must have seemed like icing on the cake to those who read their proposal.

When one visits Alfalit's HQ in Luanda, things look good though not quite perfect. There one hears talk of the organization's proprietary literacy training methodology, their coordination with the Ministry of Education, the refresher training of teachers and the emphasis on helping the country make up for the lost time due to the country's 27 year long war (which ended in 2002). HQ staff emphasizes how motivated the teachers are – they are "volunteers" who receive $110 a month and, we are told, they would not do this work if their heart were not in it. When one asks however about the "small business program," they readily admit that this has not begun, in part because USAID was caught in a funding crunch and this caused delays with Alfalit.

Arriving in Quibala, where the project is actually implemented, we visit one classroom used by the Alfalit students from 6:00 to 7:00 each morning. It is one room in a standard government-run school which has a sign on it indicating support from SCF USA, Exxon and the Ministry of Education.

The Alfalit office in Quibala town, like the classroom, is rudimentary. There it becomes more apparent that the organization has little capacity to do small business training in any but the most perfunctory way, and when I ask about this part of the project it is clear this is not on the agenda of the staff present, nor are they prepared for it, if it were.

What is of note is that of the 900 students enrolled in the DGP in the area (in 30 different classrooms located in communities around the town) the gender break-down is as follows:

329 male (36.5%)
571 female (63.5%)

And of the 900, fully 28% are over 35 years old; 26.4% are between 26 and 35; 2.2% are between 19 and 25; 8.8% are between 16 and 18; and 14.45% are between 12 and 15. That is to say that well over half (54.5%) are adults over 26 years old. The enrollment records looked at also list <u>all</u> the students as "farmers."

The students are tested at the end of each three month period. A look at a randomly chosen sample of one class of 30 showed three without any grades (possible drop-outs) 33.3 % were rated very good, 14.8% good; 29.6% sufficient and 22.2% as bad or failing. At the end of the second three month period the results for this class remained the same. This meets the expectation of 70 percent graduation.

Teacher motivation seems an issue as the major suggestion made by the project staff when I asked them what they would like USAID to know, was that teachers ought to be paid more. They are currently receiving $110/month which is from 1/4th to 1/5th of what a government school teacher might make. On the other hand they work only five hours per week.

<u>Mini Case #10</u>
<u>Twayavoka</u>
<u>Try too much, too soon and too fast.</u>

Twayavoka (TW) began in Benguela, Angola as part of a local Catholic church youth group in the 1990s. It became a formally registered NGO in 2001 with the assistance of CRS. Since that time it has worked in a number of areas – HIV AIDS, Community development, conflict resolution, Polio prevention, and informal education. It has had relationships as a direct or sub-grantee with Oxfam, Unicef, ADPP, NCV, the Global Fund and World Learning. Only in 2009 did it begin working on economic development, a micro-enterprise (ME) finance project under the present DGP grant, which is $300,000 for 18 months.

The project's purpose, as stated in the USAID Cooperative Agreement, is to "enhance the capacity of local MEs to access formal finance," with a focus on pineapple and banana growers (and others) in nine municipalities of Benguela (a few of the municipalities are at some distance from the main town, e.g. Ganda which is 2.5 hours away). The two associated goals of the project are to offer Technical Assistance to the MEs to "enhance their value chain, and to disseminate recommendations on methods to improve access to finance," in short an implicit commitment to disseminate Lessons Learned.
The goal of fostering access to formal finance already implies (or should) that these enterprises are in, or on, the cusp of the formal economy – they are registered, they occupy owned or rented space, they have employees, and have needs that cannot be met by standard suppliers of "microcredit." To call them "micro" is a bit confusing therefore since this term has been applied to virtually any recipient of microcredit, and to such an extent that a woman selling a bucket of lemons on the side of the road who receives a $20 loan is called a microenterprise. Comparatively speaking therefore, the targets of the TW project should more appropriately be called small enterprises, or in the Angolan context, even "medium enterprises."

The niche these enterprises occupy has generally been ignored by development actors and yet it is clear that small and medium enterprises (SMEs) are the sector where real entrepreneurs are likely to be found and where employment can best be generated. In Angola banks are reluctant to lend to this sector in part because of a history of defaults and of enterprise owners using loan funds outside their businesses. But their hesitation is also a function of a lack of understanding of the sector and its potential. Ultimately banks need to have trust in their borrowers, to know and understand them, and clients need to see banks as allies. The subtle trust issue is a critical part of what TW is implicitly addressing since when they introduce a client to the bank they are adding a kind of moral guarantee and reducing the bank's risk by providing better information on the business. In short, at its best this project can be viewed as a necessary and worthy experiment aimed really at bringing lessons learned about the SME sector into policy dialogue and policy reform circles.

Such a project, moreover, ought to be done with a high level of professionalism, with business mentors and guides who understand business, and especially those with enough time to work with a number of clients and banks to achieve that trust and generate in depth information and insights on the sector. It is hard to imagine achieving any of this in 18 months.

The TW project, like some others, is constrained by a number of mismatches between intent and capacity. The time frame is too short, and the personnel are under-qualified for the job – the mentors are all young and fresh out of school, and they themselves received only some basic training, though there are refresher courses built into the program. More important, TW has a record of getting funded for projects and expanding and contracting its personnel accordingly. For example they have just finished a big HIV project and have let go of staff, but are on the verge of becoming a sub-grantee to World Learning on a new HIV project involving governance, where they will take on new staff. They now have a total of 20 people and a BOD of 3 based in Luanda. With no experience in this new (and challenging) SME sector, one has to ask how they put this project together and why. In discussions they imply they had help from USAID itself. And they work with training materials and guidance supplied by the CEIC, a business oriented part of the local Catholic university, which may have played a role in the project design.

Not surprisingly, it turns out the challenges were bigger than TW expected. Of 50 clients selected (from a total of about 100) 38 percent dropped away either because they felt frustrated by the banks' loan requirements or because they became convinced the banks ultimately would not fund them no matter what they did. And while TW intended to focus on pineapple and banana growers, it was found that they have greater barriers to overcome than other types of businesses – often they have no legal land title, and the market for unprocessed pineapples is limited when there is no easy transport to markets. And since these growers are further away from Benguela, just staying in touch with them was problematic. As a result only 15 percent of clients are now in the pineapple and banana sector. Almost inevitably the project focused on projects closer to town, of which now 50 percent (of a total of 26 who have concluded the process) are in general commerce (small stores), 4 percent in pharmacy, and 31percent are service providers such as a clothing maker, a carpenter, and bakery. But whether the project has been slowed down by the banks' reluctance, the clients' reluctance or other difficulties (their vehicle broke down; USAID has not done much follow-up, etc.) the bottom line is that reportedly only 10 full loan applications have been submitted to banks thus far. The loans applied for, according to the data presented at my meeting, vary from $2,500 to $20,000.

While the project <u>has</u> done an assessment of barriers and constraints to formal finance access, it does not appear to have gone into great depth on this, as witnessed by some of the confusions that emerged when I visited clients along with many of the project staff. The staff showed a lack of clarity about loan interest rates, and about key business details of clients that they ought to have known intimately.

There was no sign of any attempt to improve the clients' value chain, and this is not surprising since the mentors are relatively inexperienced. The mentors, while they are supposed to visit clients once per week in the city, appear not to have done so, according to questioning of the clients. They do however stay in contact by phone, and for those clients in rural areas they rely even more on phone contact.

The mentors are supposed to work on inventory management, marketing, financial systems and accounting, and finally business plans. It appears though their main focus is putting together the business plan <u>on behalf</u> of the client and these are then submitted to the CEIC for fine tuning (since TW itself is not yet expert enough to do them alone) and then they become a part of the bank package.

The classic issue of "doing rather than teaching" is present here and would be important if the core goal was to make the clients themselves more capable for the future.

In any case, there is considerable confusion about whether a business plan is even required for larger loans. A one hour discussion with the project staff and one client in front of her bakery suggested that the three banks which do lend to SMEs will not lend above $5,000 without two cosigners who must have accounts with the bank and agree to be responsible for payment. Few of the clients can come up with this or are willing to and moreover the terms are not conducive to a small struggling business: a maximum 12 month loan at 35% interest with monthly repayment of interest and principal.
As for TW's own capacity building, only the executive director went to the DIMP workshop held in South Africa. What did he feel was most important? Learning how to report to USAID in the way it wants. Sasha, the CAP RTA, came to visit TW and they liked his intervention but there has been no follow up since. They see their big need now as professionalization and strategic planning. As for their connections to the AID Mission, they have had one visit from their AOTR who came with, as they describe it, a "photographer."

The TW project is of such importance that a dedicated and pointed policy dialogue effort ought to have been part of the design. The project ought to have begun with a core of solid (better paid) people, and with grant support for a period of four years (or two + two based on results at end of the second year). The design could also have benefitted from an arrangement that would have ensured higher client motivation – by asking them to pay a commission to TW once their bank loan is negotiated, and banks could in turn have been asked to pay a finder's fee to TW for doing some of their due diligence. And finally, pressure ought to have been put on the media, the policy realm and at the Ministry of Commerce to get across the needs of these businesses.

Overall the project thus far is a thinned out version of what it ought to have been and perhaps there is not much else that could be expected, given the nature of where things are in the country. But that is all the more reason why the lessons learned part should have been a core focus.

As it is, there is less to show than ought to be the case, and what value has been captured is at risk of being lost.

Mini Case #11
"Help us, teach us, but don't kick us"

The Asabranca market in Cazenga on the outskirts of Luanda, Angola is filled with activity – thousands of informal sector street sellers – mostly women, many overloaded trucks, homemade hand carts pushed by young men, lots of exhaust and dust and, when it rains, mud.

"Where have you been?" the woman asks one of the "mentors" from the USAID DGP funded women's entrepreneurship project. "You stopped coming, it has been months and we are forgetting what you taught us." She is about 30 and sits on an upturned plastic bucket holding a wad of cash. Right next to her on her left is a woman selling potatoes; on her other side a woman sits selling plastic flip-flops. I ask the cash lady what she learned from the project. "Many things" she says. "Like what, for example, what did you learn that you didn't know before?" I insist. She pauses and then tells us that she was learning how to do accounting so she'd know how much profit she was making. That's good, I say. "So, what is your business?" "I sell used clothing," she says. "But I don't see any used clothing here, I say. She explains that her business is off for now because the supply has become limited. So what are you doing today, I ask. She says she switched to money changing. (The mentor/translator with me says this is an illegal activity.)

Fifty yards away, after making our careful way through the mass of buyers and sellers, trying to avoid the tangle of the plastic garbage and miscellaneous detritus that line every alleyway, we stop at two ladies selling pyramid stacked canned tuna, sardines, canned peas and canned sausages. They look up. Recognizing one of the mentors, one of them says "Where have you been?"

He explains, she nods, and then, after getting her permission to poke my nose in her business, I ask my questions. When did you start this activity, what else did you do before, what product makes you the most money, what have you learned you did not know before, etc. One of the two began two years ago after coming to Luanda from the provinces. She has used her own resources, she says, to build up her business. She says she is doing well and can afford to support her family, though business now (in January) is down because after Christmas people have less money. She has six cases of goods stacked up, on top of which are the cans. She is in her twenties and very lively and blunt – After we speak for 10 minutes she tells us to please move out of the way (there are five of us) "you're blocking my customers."

I come back to ask more questions. She says she pays about $40 a case for the tuna, and uses her earnings as working capital. She tells us she has never borrowed any microcredit. But she would like someday to open a store – a real one, and to do that she would need a bank loan. She doesn't know how much, but says she knows her business could work. How do you know? I ask. I know there are customers who want to buy my products, she answers.

In the project car, later on, I ask the mentors if they think it realistic that such sellers can move from the informal to the formal sector (the goal of the project) and just as important, whether they really would want to. There are fixed costs like electricity and rent, employee costs, equipment purchases, maintenance, there are high interest rates on formal capital, regulations to comply with, documents to be provided, fees and possible bribes (called "*gazoza*" meaning sparkling water) to pay. But here, with none of the above complications, the canned food seller says she is making enough to get by selling four items. When things change, as well they are likely to, she, like the money changing cum clothing seller, can quickly switch to another activity or product. She can change her location. Moreover when business is slow, she can enjoy the company of the women who are next to her on both sides and in front and behind.

This project, run by a local NGO with 10-years' experience in the fight against HIV/AIDS was begun in partnership with two institutions, a university business development center which has put together the training materials used by the mentors, and a Portuguese research institute. The NGO, like several others in Angola has had a history of short projects (four months, a year, and now this one of 18 months). Begun with a desire to fight for the poor, they see their big success as helping to get a law passed that gives everyone the right to AIDs medicine. They have worked with sex workers to promote condom use, and continued to work in HIV/AIDS until they could not get more funding. Like other NGOs in Angola (perhaps even more so) they live a hand-to-mouth existence, losing staff and gaining staff as one project ends and another begins. Their founder and director tells us he works for $400 a month, anywhere from an eighth to a tenth of what he might make in the private sector with his education. One of the persons who attended the CAP workshop in Johannesburg, subsequently left and the other, an Angolan born and raised in Zimbabwe, spends time back in Zimbabwe and his continuity with the project (he is listed as its coordinator) is unclear. (Incidentally it was this person who wrote the proposal in English when they responded to a USAID ad for concept papers in women's entrepreneurship.)

They have had some funding from BP, from a Catholic European NGO named Trocaire and are in a relationship with US NGO, World Learning, as a small part of their Malaria project [WL from 2003-2008 also ran the NGO Sector Strengthening Project under AID/Angola]. A year ago they were approached by Population Services International (PSI) who, they assured me, took their data on sex workers and went off and got a grant without including them. [In December, 2010, PSI and World Learning were awarded an $8.3 million USAID PEPFAR project for Angola.]

As we sit with the five people from the organization in their offices, we hear an increasingly more blunt and impassioned set of complaints – the office is spare and they have no internet; it is only because one of the staff has a husband with a good job that they have internet access through her, when she goes home at night. We learn that two of those present no longer officially work for the organization because there was no budget for them to continue but they came in to meet me because they hoped AID might hear what they have to say, through me. They explain that when they began working, they opened a center for entrepreneurship which they view as the core of the project. The intention was that the women would want to come to get information, to make copies of needed documents and to learn. They have (or had) three mentors (the project agreement called for 10). But they are inactive, and the center has been closed.

I visited it later and noted the mud on the ground around it – it is close to inaccessible when it rains. The roof leaks, the building is small and there are cracks in the walls. They wanted me to see this in order to press the point that they have no resources to make it workable. On the wall facing the street, in large letters, is the USAID Logo – "From the American People."

The center was closed because they could not pay the rent and the landlord threatened to take the computers in compensation. They deftly removed them to their offices. They let go of two people because they had no money for salaries and the mentors have therefore not visited the market ladies since September. And all of this, they tell me with considerable passion, is because USAID/Luanda did not transfer their grant funds. They waited four to five months without funds and then when they began to flow again, a month ago, instead of receiving all they were owned in one go they only got the first missing month, and have waited till January to get the second one.

Their operations manager, who works partly as a volunteer, says that she went to the US embassy asking to see the AOTR. She was told she could not see him because she had no appointment. She tried again and said she would wait. When she called, she says, the calls did not go through and were not responded to. In November they sent a letter to the AID Mission program director and did not get a response. In the meantime, staff left and those who stayed were not getting paid. One person died of malaria, she says, because without his salary he could not buy medicine. She adds, "…and the market ladies complain to us when we begin seeing them less often." "You know," they say, "you are just like the rest. You talk and you don't do anything. You come here and waste our time." "You know," this staff member continues, "these ladies are tough, they have had to fight for everything, their lives are not for joking, and they think we are joking with them." "What we are trying to do, what USAID wants us to do, this is based on achieving trust with the clients. But now they don't trust us anymore."

"After we learned a little from USAID of what the problem was – and we still don't really understand it - we tried to explain to the ladies why we couldn't come anymore, that we didn't have the money. But that's not our problem, they said."

"I know we have lots of things to change. We have to change, but we have to be taught. We are slow – I know – but that is Angola. But don't kick us. OK, you are the best, but you are going to leave. You have to show us the best way to work. Teach us, help us, but don't kick us, and in the end leave us with nothing."

After this rather passionate outburst (which was in English, by the way) I ask whether they tried to contact anyone else at USAID. I add that if it is true that they did not get a full explanation, they had the right to demand one, especially if all parties are serious about the word "partnership."

She pauses and then points to her boss and says: "You know I know the head of AID, and I said to our director, let me go and talk to him. But he said to me, no, we have to be careful, we don't want USAID to be mad at us, they will say we are being difficult and we won't get any future money."

I ask if they have ever been visited by their AOTR. Never, they say. But one recalls having had a visit in October 2008, from someone who has since left AID, and then there was a visit from someone from Pretoria who needed to see their financial system. And yes, they also got a visit from CAP in September 2010 to do the ISF. This was good. He and his colleague were there for two days. They explained everything to him and he said he would try to help. But they heard only that he'll eventually come back.

Finally I ask about the project itself. Have they got anywhere despite these difficulties (it is mid-January 2011 and the project officially ends on March 31, 2011). The agreement calls for 10 mentors working with 25 women-led businesses (or group businesses) with employees or members totaling about 150 women and the key to it is the pilot concept – they will better understand the barriers and bridges to formalization; they will engage in policy dialogue and disseminate lessons learned.

They say there is little chance they can do all this in 18 months, and because of the funding delays they are way behind. Why then, I ask, did you agree to do all of this in 18 months? "Well, that is the length of time they [USAID] told us we would get funding for," they answer. "And when we said we want to include the salary of our director in the budget, they said no, this grant is not for salaries for non-project people."

"Obviously," I say, "you'll need an extension of the project. Have you asked for one?" They have not.

All the more reason, I say, why did you not at the beginning engage in a discussion with USAID; present your own ideas about what is needed? Make a case for what you need to do and how you think it should be done?

"But," they insist again, "they told us you can have this amount of money for 18 months. And we are not in a position to say no."

Mini Case #12
Catering to USAID

The ADPP project in Benguela, Angola is part of the ADPP DGP grant: "Vocational Training of Young women in Benguela, Cabinda and Luanda." The project targets 270 young women who will each receive one year of training in three of the ADPP run vocational schools in the above cities. The vocational foci are catering and tourism, administration and accounting, and a course aimed at becoming a "sales assistant." The project intends that 80 percent of these women will begin a micro-enterprise, find a job, or continue to study.

The Benguela school is a U- shaped complex situated on farmland some six kilometers from the town. To get to it takes time as the road is dirt and pitted with ruts in the dry season and deep mud in the rainy season. At the school, which has been in existence for 17 years, the record seems to indicate a lack of continuity between one set of courses and the next, and the decisions as to what courses to offer seem to have depended entirely on the emphases of particular donors at particular times. According to the director, one of the most successful things ever done at this school was their construction and electricity course. The director says most of these graduates (all were men) found jobs, and the demand for a repeat of this course continues to be very high. But since there are no more funds for this course it has been dropped. There were funds for Women's Empowerment, however, so that is what ADPP applied for under the DGP. Over the life of the school the curriculum has moved its focus from agriculture (which is why the school is located so far from town and so difficult to get to), to handicrafts, to construction, to computer training to basic education to current emphasis on women's entrepreneurship. Interestingly in all this time there have been 419 graduates.

The DGP project, according to the director, ended up with eight women in the sales assistant course and 14 in the administration and accounting course. Six women dropped out because, he says, of the distance (one student we spoke with takes 40 minutes by "moto taxi" to get here in the morning and the same in the evening and pays $3.00 for the round trip). In the case of the sales assistance course, according to the final chart of grades, 50 percent did not receive a "pass" at the end and that is because, I was told, high absenteeism.

Moreover 16 subjects are to be taught over the course of the teaching cycle which is a total of 1,065 hours. Among these subjects are English, Angolan history and Life Skills aimed at making the young women employable (N.B. one 18 year old girl we spoke to was picking her teeth with a toothpick as we spoke, and had one shoe off).

In the Administration and Accounting course the breakdown is

23% Administration
14% Human resources
13% Statistics
23% Accounting
11.7% Enterprise management
7% Legal and economics
7% IT

Homework is not part of the course, and there are four male teachers, all hired within the last 18 months, two of whom seem to be in their 20s and two perhaps in their 40s. Their salary package is low compared to government schools, and there is evidence of turnover as a result, and as a result of changing the course subject matter according to which donor project is being carried out.

As for the expected results, the story is not encouraging – only three of the 22 young women were offered employment after their one month practicum and it was not clear whether all had been able to have a one month practicum. The hope that some might start an enterprise, not surprisingly has not panned out, as none have done so. As for the rest, they end up in what appears to be the default category - "continuing their studies."

Finally, while the detailed budget for the project calls for a cook in each of the ADPP schools, after the first month in the Benguela school lunch stopped being offered to the girls, and according to the director, the cook (hired under the project) has become the cleaner. The project was supposed to have purchased books for all the students. But, it turns out, none at all were given out here because, we were told, the supplier had not received them. The teachers were the only ones with books. The budget also notes the provision of caps and uniforms to the girls with the project name on them. This was not done.

Mini Case #13
"Water water everywhere…."

The 3 year DGP grant "School WASH and Quality Education" given to DAPP Zambia is for $1.5 million, less than a fourth of the overall $6.2 m project budget (part of an „earmark' for Africa water). DAPP also received an additional $400,000 from Coca Cola for this project.

DAPP is a Zambian registered NGO and also part of an international network – Humana -- based in Zimbabwe and Switzerland, and is linked through it to another DGP DAPP grantee in Angola (ADPP). DAPP has a staff of 480 in Zambia, including 130 who manage 30 shops around the country where used clothing donated from Europe generates profits for the organization of about $1 m per year. DAPP has been working in Zambia for over 20 years, the bulk of it in HIV/AIDs work. Its emphasis has been on charitable activities like educating street children in Children's Town, doing "Community-Based Integrated Rural Development" and supplying interest free "microcredit" to farmers for irrigation systems. Water and sanitation is a relatively new sector for the organization.

DAPP has had relationships with over twenty donors including CDC, UNICEF, USAID/PEPFAR, the Global Fund, Project Concern International and Mothers to Mothers. Its total budget for 2011 will be around $9 million.

The School Wash and Quality Education project goes by the name of WASHE – and is widely known in the Northern Province since it covers a lot of ground, much more than the DGP part, which the project itself sees as basically an add-on. In fact, DAPP was "pleasantly surprised" when it was called in to USAID/Zambia and in essence asked to apply for a DGP grant, on the recommendation (I am told) of AID/Washington.

Sixty percent of schools in Northern Province reportedly have no sanitation facilities, and a greater number have no water source. Pupils attend to their needs at home before and after school or go in the bush. The project aims at a quarter million students in 800 schools in 12 districts. Its intent is to provide them with safe water, the rehabilitation and construction of latrines and ablution blocks. But the three year time frame puts pressure on the project and it shows. While the rhetoric of their model touches some "state of the art" bases -- "peer educators," "trained and equipped pump menders," community volunteer construction supervisors called "area leaders," "village action committees" and the concept of community ownership and responsibility, observations made during the site visits strongly suggest that this project is a fairly standard issue water project circa 1980. Quite simply these water and sanitation facilities are not likely to last any longer than other failed water projects, because the maintenance mechanisms are not deeply enough instilled, too much is being done too fast, and future resources for maintenance are unlikely to be available from the institutions who ought to provide them.

[A day after visiting the DAPP project, 130 kilometers down the road, I stopped in Mpika district in an area rural health clinic to await my connection with the next grantee. While there I had a talk with the director of the clinic who showed me a chart which indicated that 50 percent of the boreholes drilled in the area in the last five years had failed. Outside the clinic I walked to a borehole drilled in February 2006. It is not functioning, because, the clinic director explained to me, it was: a) not sited correctly; b) the drill casing was the wrong dimension; and c) the high iron content of the water had corroded the pipes. The concrete slab on which the pump sat was also broken. Fifty meters away, a woman was pulling a pail on a rope from the original well in the area.]

There are, to be sure, some new ideas and design improvements in the WASHE project. The VIP (Ventilated Improved Pit) latrine is better than the older type; besides the pipe vents, the pits are deeper and better lined; the innovation of the "tippy tap" to encourage easy access to hand washing after using the toilet (a simple device that can be made in an hour with no investment except a few sticks, string and a plastic can); the standardization of hand pump concrete slabs and run-off channels to the stone lined drainage box by using metal molds for the rims of the slab and the channel, to name a few. But still, at the very beginning of the life of these installations, there are already clear signs that their lifespan will be short and these signs are classic -- channels off level on the horizontal bias meaning that run-off water will overflow before reaching the drainage box; taps and valve handles on the verge of breaking off; tanks placed for hand washing without having bothered with a slab or drainage; VIPs that smell terribly because something in the vent pipe arrangement is not working right; shower stalls in girls ablution blocks that are leaking; toilets where the tank is already askew and where, after my test flushing, the water leaks around the seal where the bowl meets the floor; PVC piping not buried deeply enough and thus vulnerable to breakage; trenches dug crookedly that had to be redone; and so on.

The pump menders are trained, the masons are trained, but the training is both too short and follow-up too thin and too unprofessional. Too much is being done too fast with too much supervision (in the name of community participation) pushed down beyond where it should be - in the hands of volunteers who are ill informed, inexpert, and possibly only partially motivated by the small "allowance" they get.

Villagers, through the mandatory PTA structure in each school, are required under GOZ policy to contribute 25 percent of the project construction cost in kind – sand, stones, brick – this being the innovation that is thought to ensure "community ownership," but the anecdotal evidence supplied to me by DAPP suggests that very few communities come through with even this small "cost-share." [Actually we heard that the Ministry requires not just an in kind contribution but a cash contribution of 1,500,000 kwacha – about $3000, for each water point – but we saw no evidence that this level of contribution was even being discussed.] And when communities don't come up with the bricks, sand or stones, the project picks up the slack, against its better judgment, because of course it wants to keep its numbers up and does not want to let the school and the community down. But, in any case the project is providing the bulk of the cost; labor, the steel bars, the pipes, the pumps, the faucets, the roofing material, the paint, sinks and toilets. A fair number of the projects are rehabilitations of previously constructed ablution blocks that have fallen down, failed latrines or failed boreholes that had been installed between five and 15 years ago by other projects and other donors. This "graveyard" aspect, painfully visible at some of the sites, ought to be a signal to DAPP (and to USAID) to move much more carefully, much more slowly, and with much more diligent attention to detail than ever. But if things proceeded that way the numbers would be lower and the task longer. And few of the personnel in the effort seem to take note of nearby signs that the community does not in fact take responsibility for other things not associated with the project, but which are right next to it. Taps left open by the students, dirty water sitting in stagnant pools, drainage boxes filled with garbage, or in the case of the most "showcase" school of the four I visited, broken window glass on the ground coming from a now pane-less window in the newly renovated ablution block, which has not even been officially opened.

The project document calls for the training of local pump menders, who are also supposed to be equipped with a full kit of tools (spanners, pliers, levers to pry the pump head from the seal, etc.) to repair pumps as soon as there is a problem. It turns out, however, that no such tools exist in the market in Zambia and the main supplier of the India Mark II pump – the one in universal use here - does not appear to stock the tools, perhaps because if he did he would sell fewer new pumps. So the project has set up a metal fabricating workshop to design and manufacture the tools and this is only in its early stages. In the meantime, the pump menders have received their 14 day training and a bicycle, but await the tools.

Virtually everywhere I visited, schools and government offices, we heard the same pleas - for staying around and for more resources. One tribal headman asked me to ask DAPP to reduce its demand for community contributed materials. A PTA head asked me to ask USAD for the "favor" of more pumps and tanks; A District Commissioner asked that we (USAID and DAPP) not leave at the end of three years; The chairman of the PTA in another, more rural, school (which appeared in truly dire condition) pleaded with us to ask DAPP to go beyond its help in water and sanitation and to build teachers' housing, supply desks, and refurbish the senior teachers office.

And while everyone at the provincial Ministry of Education and the Department of Water Affairs and in the schools and communities speaks the rhetoric of preventive maintenance and community involvement, of lessons learned, of sustainability, they all say rather soon after our arrival that what they really want is for USAID to continue supporting DAPP to continue this work of rehabilitation and construction and drilling. They do not at all like the idea that the project might end, calling it "a sad day" if and when that happens, and virtually all officials met and all school personnel talked to, made this plea (even one group of seven- to ten-year old pupils in one school had been well rehearsed to repeat it.)

When the Water Affairs Department biologist demonstrated for me the use of a $12,000 portable lab (one of only a few in the country, and which was arranged for by DAPP using money from another donor) he turned to the DAPP coordinator and said the Department needed seven more vials for the machine and asked DAPP please to purchase these.

Meanwhile, in talking to other officials in the area and in Lusaka we learn that Irish Aid and Water Aid have apparently just done 200 boreholes that are in risk of failure because they did not even bother creating mechanisms for maintenance or community responsibility and made no demands at all on villages. And the African Development Bank has provided to the GOZ a basket of funding for another 1,000 boreholes to be sunk.

Even though the current prevailing wisdom in the water sector worldwide is that water consumption must be paid for, and moreover on a rising scale rather than a descending one, the GOZ's policy is to encourage health and thus they want people to use more water -- "the more you use the healthier you are." Likewise the GOZ discourages schools from locking up their boreholes because, school officials told us, this would alienate the communities around the schools if they were denied access. Indeed the Ministry of Education apparently still has no clear guidelines on school water and sanitation. We heard contradictory figures for example on the ratio of sanitation facilities to pupil (20 girls to one squat hole, and between 25 and 44 boys for one squat hole.) To add to the complications there is a fear, expressed to us by one person in the Water Department that collecting money for water is a culturally dangerous thing in this area, as the person designated to be the collector risks being bewitched.

Finally we heard from a Danish water engineer working in another project of an alternative pit latrine being used in Ghana which lasts twice as long and is less costly to build than the now ubiquitous VIP latrine, but no one else we spoke with in the water sector in Zambia appears to know about it.

Still the rhetoric continues. The school officials, the project and government officials all repeat to us that water and sanitation are keys to school success, since when there is no water and sanitation kids are sick and don't come to school, or come to school sick and don't learn. Even the pupils – a committee of seven of whom we met – say things like "we need toilets so we can learn properly." Of course there <u>is</u> this connection, but the rhetoric is so universally adopted that one wonders if folks have not simply found a way to raise the ante in the eyes of the donor so that the urgency of their need appears even greater.

DAPP has sincere staff and many good ideas but again the emphasis on the numbers and the pressure to get them, makes some of these a bit hollow. The "talking walls" idea is an example. These are artist renderings of water and sanitation facilities with hortatory mottos written above the pictures such as "Wash your hands after using the toilet."

At the Luyeye basic school (so overcrowded that there are four shifts for the younger grades of 2.5 hours per day each, and where if you want to sit in some classrooms you bring your own stool), I stand in a group of about 30 pupils near the "talking wall." I ask for a volunteer to read it to me. No one can. Finally one girl of about 13 steps up and slowly reads it. What does it mean, I ask, why ought one to wash their hands, and is washing with water enough? No one answers. The teacher nearby does a bit of cajoling and finally a few kids come up with the words "germs" and "soap".

Mini Case #14
Zambia
"Watch Your Language"

This DGP grant ($1.190 million for three years) calls for "increasing the ability of 12,000 HIV Positive women to start and manage small businesses" by, among other things:

- teaching literacy
- creating economic independence,
- rights awareness
- HIV AIDS prevention
- Starting 400 functioning savings and loan groups or village banks,
- And most importantly a program of teaching mothers to cook more nutritional food.

"Income-generating agricultural businesses" is one of the terms in the CA to refer to what is really a very basic level poverty alleviation (not reduction) project aimed at the most vulnerable rural women in one of the world's poorest countries. These are illiterate women, single mothers, some HIV positive, with often malnourished children. Most cannot read or do more than basic arithmetic. Some of the women cannot even count money. They have very few skills.

Besides the obvious fact that to do all these things in a three year time frame would be impossible even if done superficially; that setting up and supporting 400 savings groups is by itself a demanding task for experienced professionals; that the nutrition program is also, by itself, something demanding follow-up and continuous reinforcement – besides all that the language of the proposal alone ought to be enough to raise a red flag to a USAID review panel, the project application was approved and funded.

The problems of agribusiness in rural Zambia are daunting – transport, poor roads, land tenure, just to name a few big ones. What will these women's "small businesses" have to sell in the marketplace? And to whom?

For years the phrase "income-generation activities" has been a euphemism for very small, low input, low capital, low skill, low barriers to entry, activities -- the occasional selling of fruit, vegetables, plastic flip flops, used clothing etc., often by the side of the road. We see one of these on the day we visit the project.

Two six-year old boys are on the road holding a giant mushroom. The driver stops and pays $.80 for one and drives away. We look back. The two boys are gleeful and head back towards what is probably their village. What we just saw might be called an "income generating activity," but it is clearly not a "business." Yet increasingly these very different kinds of activity – one about bare survival, the other about investment and risk and savvy, are more often than not conflated in development language and thought.

The DGP project we just visited is really a standard issue welfare project. The proposal ought to have said: "We will help start 400 rotating S&Ls, we will talk to the women about HIV AIDS, and help them learn to read a bit, and we will show them that by mixing certain basic foods they can improve their children's health." It ought not to have promised anything more, nor ought USAID to have expected anything more.

By not watching one's language, by letting such inflated words as "small business" go unquestioned, everyone has been put in a compromised position, the AOTR, the USAID Mission, USAID/W, the grantee, and of course the beneficiaries.

Mini Case #15
(A rejected DGP Applicant)

The Trustees of Agricultural Promotion Programme (TAPP) a fully local NGO founded in Malawi in 2000 and registered in 2004 was started by a professor at Bunda College with long experience in livestock and agriculture (He holds a Ph.D. from Germany) who was concerned about the decline in the genetic quality of cattle in Malawi. By 2004 TAPP had established relationships with several partners (The UK-based Harvest Help Find Your Feet Fund; Land of Lakes, Inc., the Government of Malawi, and others) and through these small grants of US $15,000 to $60,000 had kept the organization active.

TAPP's executive director, Prof, James Banda, and his staff heard about DGP through a contact at Land of Lakes. They looked at the USAID website and decided to apply. Their concept paper was accepted and they were encouraged to submit a proposal. This proposal - Smallholder Dairy Development for Improved Food and Nutrition Security, Income and Quality of Life of Female Headed Households in Lilongwe Milkshed Area -

resembled the HPI proposal (which was funded) but was for a different geographical area.

The proposal, as with those which won grants, was well-written and touched all the requisite bases. It was for $350,000 for three years. (The APS had specified a max of $500,000)

On March 18th 2009, TAPP received a letter from the USAID/RAAO in Pretoria, South Africa informing them that their proposal was not among the grantees chosen and that they had 10 days to request feedback and a debriefing. (Another rejected grantee, CADECOM, told me they had not received their rejection letter until two days after the ten days were up). In any case the rejection letters from Pretoria do not say from which date the 10 days ought to be counted, nor whether they are 10 calendar days or business days.

On March 25th TAPP sent a letter to USAID/Malawi and to the RAAO in Pretoria requesting a feedback debriefing. They never received a reply. [I asked the RAAO in Pretoria about this when I met him later on. He did not recall this letter, and also explained that the 10 window for requesting feedback applied for legal reasons only to applicants for contracts and not to applicants for grants. He therefore did not know why the grant applicant had received a letter specifying such a limit on feedback.]

Mini Case #16
Entrepreneurship Training on Wheels

Background: CUMO MicroFinance (MF) began in Malawi as part of a food security project under the British NGO Concern Universal in 2000. As their beneficiaries began to have surplus agricultural products and farmers had cash, Concern Universal (CU) helped start S&L groups and then short term loan products. CUMO MF spun itself partially off in 2007 as a Company Limited by Guarantee (in essence a non-profit company, as opposed to a Trust which in Malawi is an NGO). It is wholly owned by CU, and its board is chaired by CU's Country Director. Its original loan capital came from DFID and Irish Aid through CU. A grant from UNDP helped start a health, death and loan repayment insurance product which each borrower must have at a premium of 2 percent of the borrower's loan. By the end of 2010, CUMO MF had lent 650 million Malawi Kwachas (KW) ($4.2 m) and its portfolio was 240 million KW ($1.56m) with 50,000 clients – all formed in solidarity groups of five to 20 members.

CUMO claims to be the only MFI in Malawi that has an entirely rural focus, and the only one with a full insurance package. Its base is the town of Dedza, where its offices are 500 meters from those of FINCA, which has been operating in Malawi for over 15 years, and while it began in Latin America with a rural focus (finca means farm in Spanish), now in Malawi FINCA does mostly urban and peri-urban lending.

CUMO's group model is similar to FINCA's, except that while FINCA clients need to come to FINCA to receive and pay back their loans, CUMO is "branchless," making transactions through both bank accounts and small stores which exist closer to rural clients. These agents enable rural clients to reduce their transaction costs.

To supervise and train the lending groups, CUMO employs people who are from the communities in the area. These employees cover three to four groups per day for about one hour each. Each such loan officer might have between 20 and 30 groups to cover. They travel by bicycle. One of CUMO's problems - the slow speed of repayment information due to the fact that their affiliated stores do not feed in the information on a daily basis is about to be solved by supplying the supervising loan officer with an email-capable cell phone in order to speed up this information flow to their head office.

CUMO's typical "business" loan will be around 15,000 KW ($100) for four months, with a biweekly repayment in equal amounts for a total of eight repayments. A 20,000 KW loan for example would require first a 400 KW payment for insurance, and then eight payments of 3100 KW. To the extent the borrower is informed about rates, they are told they are paying a flat rate of 6% per month. Extrapolated over 12 months this would be a base rate of 72%, but in fact it is much more because the balance declines each time a payment is made while the interest amount does not, making the interest rise exponentially as the payments continue. In the case of a 20,000 KW loan for example, after the 6th biweekly payment of 3,100 KW, the borrower would have 1,400 KW left of his original 20,000 KW and still have 6,200 KW left to pay. Put another way, his 7th payment of 3,100 KW would be for the use of 1,400 KW for two weeks (or 60% per week), and his 8th and last payment of 3,100 KW, would be made for what is in effect the "non-use" of a negative balance of 1700 KW for the last two weeks. This complex calculation is unknown to the borrower, as is its result - a real annual interest rate that is astronomical. Borrowers do not understand this, but as we'll see later on in this narrative, they sense it.

There is another loan product – an agricultural loan which is for six months. One cannot take both types at once unless 50% of one type is first paid off.

Sometime between 2007 and 2009 the then-CEO of CUMO, a Nigerian, defrauded the organization. This was not discovered by USAID until after it had granted CUMO a DGP grant for the $500,000 three-year project (with a match cost share of $500,000). The Project is called: "Entrepreneurship Training on Wheels – Creation of a Mobile Training Facility for Village women in Malawi."

The first paragraph of the proposal contains this phrase: "a sustainable and village-focused social enterprise model for delivering knowledge and skills and other developmental values to village entrepreneurs who crave to improve their capacity to achieve entrepreneurial success."

The core of the project (and likely the most important reason why it stood out in the minds of the technical reviewers at USAID) is the purchase and deployment of a classroom on wheels, a van that could hold about 25 people at a time, thus enabling the project to reach its clients in 11 districts; a total proposed target of 45,000 clients (82 percent of whom would be women) over the LOP. The proposal introduces this van as "a home-grown (local content) and low-cost entrepreneurship training service" which besides entrepreneurship, would include market access training, HIV/AIDs information for behavioral change, and a fourth module on environmental impact awareness aimed at reducing the practice of charcoal burning, an important source of cash in the area.

The proposal's budget for this vehicle was $50,000. No quotations from suppliers (in South Africa) nor any specifications for the vehicle had been prepared prior to the proposal and USAID did not apparently ask to see such details. Were such a vehicle to be found that could hold a 25 person classroom (which was also to include computers) it would obviously have had to be rather large. The reason rural Malawi is not reached by MFIs however is that feeder roads to rural areas are dirt, very dusty in the period from May to September, and very wet in the period from December through March. A very large vehicle would have difficulty negotiating these roads without moving very slowly, meaning coverage of all districts would necessarily be rather thin, and though the van would probably be able to use the roads some of the time, the wear and tear on the vehicle, and on the high tech equipment in it, would realistically have put the van off the road inside of a year.

In the event, due to the unrealistic budget, the discovery of fraud, the resignation of the original CEO, the search for and bringing in of an interim CEO, the suspension of the project for about two months by USAID, the recruitment of the project coordinator (who began in mid-2010) the turnover of two of the first four people recruited, and the fact that as of February 2011 there were still three positions unfilled, the project only began some activities in October 2010, 12 months into its original time frame. As for the vehicle, when quotes were finally sought, it turned out to be between 100% and 150% higher than originally thought and so the idea has been given up. There will be no "Mobile training facility" as planned, but instead, if at all, a very scaled down version - a vehicle carrying chairs and a tent.

Moreover, the proposed four training modules (Entrepreneurship, Market Access, Environmental Awareness, and HIV AIDs) which were to be used to train loan officers in these subjects, who in turn would deliver the training to the clients, do not resemble the intent of what was proposed. As of the end of January, 2011 (42 percent into the project life), the training modules have been drafted, but to this reader they appear to be geared to an MBA level of education – covering virtually everything one might think of in each topic. While these are aimed at the trainers, they will surely attempt to get across much of this to the clients, most of whom are illiterate. The two manuals I looked at did not contain any "home grown (local content)," and in fact seemed a bit culturally insensitive (describing, for example, an entrepreneur in entirely western textbook terms.)

In Lobi village, 80 people show up to greet our entourage of seven (the AOTR, for whom this was the very first site visit, a driver, a 2nd vehicle with four CUMO personnel and me). Half the people in the school hall where we meet are men. Singing and clapping greet us. Speeches are made by the project staff as each of us is introduced. Soon volunteers in the audience stand up to tell what it is they have learned in their training – they seem to repeat back the titles of the four modules. The CEO of CUMO then lectures them on some notions of business and capital. After about an hour, I get a chance to ask some questions.

What are your biggest obstacles? Three responses: markets, capital, and transport. I ask several to describe their loan history. A man has taken four loans of 5,000, 5,000, 10,000 and 15,000 KW. A woman has gone in the space of five years from 3,000 to 30,000 KW, another from 7,000 to 22,000 KW. What have they used these loans for? To buy inputs, to buy a bicycle, to pay school fees. "What is the loan payment on 10,000 KW?" I ask. There is animated discussion and one man gives me three different answers until he is corrected by a CUMO person. I ask one of the borrowers whether he thinks of himself as a farmer or a businessman. "Farmer" he answers. Others nod. What is the product that makes you the most money? No one answers at first. Then one person says "cassava," another says beans, another says Irish potatoes, and another says tomatoes. When was the last time you received the training? November 2nd. (the meeting described took place on Jan 27th).

It turns out that Nov 2nd was also the first time they received any training, and while the project had promised to return in early December and again in early January, they had not done so, because, I am told, the project vehicles were in use elsewhere.

Finally, I ask the assembly if they have any questions. The tone and the mood changes surprisingly quickly. In succession people begin to complain and do so quite bluntly.

"I cannot get ahead. After paying my school fees and the fortnightly loan repayment, at the end after paying off my loan I have no capital left."

"Why cannot you allow us to pay once per month instead of twice? Twice is too hard."

"You used to give us the inputs directly, but now we take a loan to buy the inputs ourselves. And we have to pay you back. But after we do how can we buy more inputs for the next harvest?"

"The last time we were expecting a loan, it came weeks late. We need the money when we need it, not late."

"Why do you ask me to repay 50 percent of my agricultural loan before I can take a business loan?"

"You tell us to come to a training program and when it approaches lunch time you give us no food allowance and nothing to drink."

Later in the car, I ask whether the project people think the trainings will be able to attract people if they do not provide a "sitting allowance." The coordinator says this is a widespread expectation in Malawi (as it has become in neighboring countries) but, he assures me, they will solve this problem by beginning earlier and ending the session before lunch.

We speak to Agnes, one of the paid community level loan officers. She covers 27 loan groups, supervises their record keeping, disburses the loans, and deals with the repayments. She works hard and apparently is quite tough as her groups' arrears rate is zero percent. I am allowed to see the record book of one group and it appears indeed that they have no arrears problem. She spends three to four hours a day on a bike traveling to cover the three to four groups she must in order to reach all of the 27 she is responsible for. The CUMO director tells me later that they are looking for funds to put Agnes on a motor bike so she can cover more than 27 groups in a fortnight – that would help their efficiency. But how is Agnes, who is not paid much (they admit to high turnover at this level of the program), to be able to cover more groups on the lending front and then be able to deliver and/or reinforce training in: 1) Entrepreneurship; 2) HIV/Ads prevention awareness; 3) Environmental awareness; and 4) "market access"?

The project proposal also talks about moving these 45,000 "village entrepreneurs who crave to improve their capacity to achieve entrepreneurial success" into "new, innovative product areas that will have a value added component." But there is nothing nearby to suggest any such possibility and the products being marketed are the traditional ones marketed by all the farmers (mangoes, potatoes, beans, and tomatoes). Indeed these are all one sees as we ride through this hilly rural area. There is uneven electricity coverage, no transport except bicycles, ox carts and head loads (in plastic buckets and baskets), and at the retail end of things, we see these same four products everywhere in small amounts, (10 tomatoes, 30 potatoes, 20 mangoes). Land tenure is, as elsewhere in the region, a tricky matter – this is still tribal Africa where customary land holding prevails (in this area it is a patrilineal system with chiefs in control), and where with population growth, average land parcel size is diminishing. And of course most male farmers are barely literate, and almost all the women are. While it does seem that all the farmers earn some cash, most are probably in some sense content to stay where they are, naturally unwilling to take the risks involved in doing something untried, and continuing to let the more entrepreneurial middle men with trucks and contacts buy their products and pay them cash. Moreover, as the questions at the end of the meeting suggest, many have limited understanding of the lending system they are part of, limited capacity to get the rudiments of enterprise, and still harbor expectations of free goods whenever an outside project comes to "help."

In short, there would seem to be little fertile ground in which to plant the business concepts (planning, record-keeping, knowing costs and profits, market access, engaging in organized and well-managed cooperative ventures, etc.) much less really getting their heads around "environmental awareness." The now dead "mobile entrepreneurship training vehicle" won't really be missed.

Mini Case #17
Early Warning Signs

The Heifer International (HI) Project in Malawi seems to be running well. It is more or less on track, on target, and meeting its objectives. Staff has come on, vehicles procured, an office set up, partnerships established, dialogues held with the appropriate government officials etc.

The project, called "Malawi Smallholder Dairy Development Project" is for three years with $500,000 from USAID DGP and a $500,000 match from HI in the U.S. Its intention is to work in western Malawi around the town of Mchinji to supply 90 farmers (of whom 70 percent are to be female) with Holstein-Frisian pregnant heifers imported from South Africa at a cost of about $2,500 each. The first 45 heifers arrived in March 2010 and the second batch in September. After a selection process requiring the recipient candidate to go through a training program and be a member of a community group, the candidate signs a contract with HI and is made to understand that as long as he or she manages the cow properly it may remain in their possession. The recipient must put up a standard design shelter, with a partial concrete floor and concrete feeding bins (concrete supplied by HI) and then receive the heifer. The heifer will not free graze in any field but will stay in the shelter under a "zero grazing" regime which means the recipient must bring the feed to the cow, and stock feed for the dry season. After calving the calf stays with the cow for six to seven months and is then "passed on" to another member who in turn will pass on its offspring. Any further offspring from the mother cow after one has been passed on belongs to the original recipient.

In addition the recipient receives an imported aluminum milk can ($130). The project also calls for the construction of the first bulk milk chilling plant in the area, and that is also on schedule, with local labor being supplied by the community.

HI Field Officers employed by the project are on call all the time in the event of disease and carry a kit with injections and medicines. Of the eight cows we visited, five had had some illness in the first year and all were attended to immediately and recovered. All told the project has lost two animals out of the 90 procured.

None of the recipients had kept animals of this type before. They are taught everything from milking to the reproductive cycle of the cow, to feeding needs and how to mix feed supplements (while Holsteins are great milk producers, they are also, not surprisingly, big eaters), to the rudiments of cattle diseases.

Obviously there are vulnerabilities here. This is a project with a high Giveaway Quotient, with hardly any contribution demanded from the recipient except labor and found construction materials (poles and thatch) for the shelter. Though there are mechanisms in place to ensure recipient commitment -- the initial sensitization meetings, candidate selection based on character judgments by elders and others in the community, efforts at community involvement, the setting up and training of Community Animal Health Workers, the "contract" the recipient must sign, the presence of 11 bulls whose caretakers are meant to supplement the Artificial Insemination part of the project and who will receive 2,000 KW for a service call - $13.50 -- it would be surprising if all 90 recipients treated their animals with equal care and commitment. In fact within the first six months of milk production, the field officers can already say which caretakers are doing things well, particularly hygiene and feeding (and thus reaching high milk production) and which are doing less well. (My impression is that there may be a correlation with poverty here – in particular, the poorer the recipient, the less well they are able to anticipate the animals' feeding needs).

But none of this matters much while the project is still going on; while it is on the ground and in close touch with the heifer recipients. The Field Officers can be reached quickly by mobile phone, and they respond. Of course it is in the project's interest to ensure that the animals survive and are robust. And the returns to the families once milk selling begins are immediate and can be dramatic (e.g., two months after beginning milk sales one family put a new roof on their hut, bought a bike, and began eating meat two times per week).

But threats to sustainability lurk everywhere in a project with a high Giveaway Quotient – indeed the threats can be viral and so need to be pounced on quickly. Here is one small example.

We visit a woman who has charge of one cow and in another shelter one bull. We visit the bull. As we watch, it appears that he is not terribly successful vying for food in the feed bin with two cows which seem able to push him out of the way with ease. We ask about the two cows. One has been there 12 days, the other two days. It is normal, we are told, that when a cow begins to be in heat, she is brought to the bull for a day or two who then services her. That seems to be the case for cow #2. But what about the cow that has been here for close to two weeks? We ask about this and the answer we get seems to suggest that the owner might have not wanted to do the vigilance needed to tell when the cow is in heat and so to avoid any chance of missing the crucial window, he simply said to himself, well, I'll just install the cow there until it is in heat and then it will be serviced. But as the field officer with us notes, the owner of that cow is putting the animal at risk of disease, and more important a reduction in condition due to insufficient food, and less room to move around in quarters not meant for three animals.

Mini Case #18
Sex Workers in Addis Ababa

Thirty-eight women are sitting in a large hall in one of Addis Ababa's slums waiting for our visit. We are late and they are impatient. For them time is money. Their "bosses," who run local bars where many of the women work as prostitutes, will fine them 10 Et.Birr ($0.60) for being absent, we are told soon after we arrive.

For the next two hours we engage in a lively discussion about their lives, their frustrations and their expectations of this project: "Income Generation for Sex Workers," a DGP grant to an American/Ethiopian NGO called AfricanAids Initiative International. Founded in the 1990s by an activist Ethiopian woman living in Cambridge, Massachusetts, the NGO is affiliated with Harvard University's W.E.B. Dubois Institute for African and African-American Research. In 2008 they put together a proposal to DGP for this program. They say they originally asked for $500,000 for three years, but were told they could get $200,000 for 30 months, since they were being looked at as a "test." [At least two other DGP grantees in Ethiopia, as untried as AAII if not less so, received the amounts they asked for.] The project is one of several the NGO runs, with other donors such as UNAIDS providing the funds. Their total staff is 27 people.

Of the 38 women sex workers present in the meeting hall, 25 percent are in the target age group (16-24) according to the list we are given. The rest are older, some in their mid-30s. [When I bring this up in the NGO offices later, I'm told that many of the women do not know their real age.]

Most are from Addis, and most have children, quite a few with two or more. One woman talks about her teenage daughter who she is afraid will go into sex work. They talk about violence from their clients, exploitation and abuse from their bosses, and how they are pariahs in society (which is one of the reasons why, later on, they tell me they cannot approach any bank or loan operation.) They say they have no family, no husbands, and are the sole support for many people - children, sisters and brothers.

We talk about sex work itself. It is by far the most lucrative of the opportunities available to them. After having gone through the project's "self-esteem" course a month or so ago, all are still doing sex work. They do not go into details of their income but from what we can tell, the incentives are there to earn, conservatively, between $20 and $60 per day. And agreeing to have sex without a condom earns them double what they would get if they refuse. They talk about how the clientele is endless, especially because Addis is a "hub" – "everyone comes through here," one woman says, "truck drivers, taxi drivers, and even diplomats with the African Union."

The project itself is behind schedule. Its Cooperative Agreement was signed in early September 2009 but they did not receive their first funds for seven months. Apparently, the way it was explained, the funds got stuck with a Maryland USAID "agent" and after "a hundred emails" between AID/Ethiopia and AID/W, the matter was finally resolved. Then Ethiopia's elections in 2010 suspended everything for months more. The project was only finally launched in July 2010, ten months late. By then the government institution FEMSEDA (Federal Micro and Small Enterprise Development Agency), which had been proposed as the skills training provider for the women had dropped out because of a change of function. The project coordinator told me that they were now getting "pro-formas" (bids) from private sector institutions who could offer the training "packages" (the ones chosen by the women, we are told, are catering, sewing, embroidery and carpet-making.) Of the 80 women selected as beneficiaries of the program, 11 chose carpet-making, 29 catering, 17 embroidery and 23 sewing. The coordinator tells me they will begin the training in two weeks. Later in the office, I ask which organizations they have chosen to do the training. He can name only one, and when I press the matter, it becomes clear the process of sub-contracting is not finalized.

I ask the women what they expect from the project. Many stand up. Several who want to do "catering" say they expect the project to provide them with pots and pans, stoves, a refrigerator, and one adds "my rent to be paid for a period of time, and other start-up capital." Another adds, "an allowance for my children." I ask how much start-up capital they would be talking about. They don't know, and the coordinator interrupts my questioning suggesting that it is too early to ask such a question.

The three project people present then stand up to tell the women that the project funds are finite and that yes, they will get some of these things, but they should not expect to get everything they want. One gets up and says she understands, and that "if I don't get what I need, I will find a way to continue my work, I will fall down and get up and fall down and get up until I succeed." Another gets up and says passionately "I need to get out of this work now, not tomorrow, but now, and I need your help." Another says she prays the project will not end, and that it will continue supporting her until she can make it on her own.

The skills training, the tuition for which the project will pay, is set to last three to four months, and take up about one hour per day of the women's time and will focus largely on the technical skills (baking, frying, sewing, etc.) themselves, with some attention to the ins and outs of running a business. During the entire time they are in training, they will receive a sitting allowance, and meals. When I ask about this, the director of the NGO says "we have to pay them, otherwise they would not come."

As we leave the hall, the project's accountant enters with a bag of cash. He is there to hand out 70 birr (about $4.25) to each woman present.

Later in their offices I ask the project leaders about sustainability. I ask if they think that the women will be motivated to continue these income generating activities if they have received all the capital and equipment as a gift? I point out that the women won't be risking as much as they would have if they had had to put up some of the capital themselves. They project leaders say they are sure this project will be sustainable, i.e., that the 80 women will have businesses that make good money and will continue to operate. They point out that the women have formed peer support groups and that after the project ends these peer groups will meet regularly and ensure the women keep up their work. But what if their businesses fail to earn them as much as they now make, I ask. After all, these are low skill, relatively similar businesses with no one having any inherent competitive advantage over any other (many people in the streets already sell food, many do sewing, etc.) And these new businesses are less portable than sex work, making it harder to change location (the city government during my visit was actively engaged in bull-dozing portions of the slums to make way for private housing developers). Is it possible, I ask, that some, if not many of these women will go back to sex work? No, we are told, that is unlikely to happen.

<u>Mini Case #19</u>
<u>Raising expectations.</u>

The DGP grantee project - "Lideta Women's Empowerment Project" - is led by a faith-based organization in the US with 16 years of experience, almost exclusively in food and medicine delivery in the U.S and seven developing countries. In 2009 the organization had total revenues of $40 million in-kind (food, medicines and donated materials from many corporations) as well as $10 million in cash donations. The year before they had begun working with the USAID Food for Peace program.

The organization's DGP project (less than 1% of their total revenue) initially intended to work with two Ethiopian partners: an NGO called RATSON and the Ethiopian Assemblies of God (EAG). [The grantee had never worked in Ethiopia before, but had had a relationship with the Assemblies of God worldwide network].

The proposal (which was written by a hired grant-writer in the U.S. with perhaps some input from RATSON's director in Ethiopia) calls for working in one of the slum sub-cities of Addis Ababa, Lideta, and reaching the "poorest of the poor," specifically women ages 16 to 25. It targets "1850 women who will meet for one year in microcredit/health education groups," and the incentive for these women to participate will be "nutrition disbursements through microcredit groups." Then "96 women with exceptional entrepreneurial skills will be offered an initial three-month microenterprise education which will conclude with 12 microenterprise coops being formed," and then each of the 96 entrepreneurs will be "equipped with start-up capital."

In addition the 96 new micro-entrepreneurs will receive six months' worth of reimbursements for their electricity bills.

Training will be done by 25 "community-based trainers" (through a TOT model) who will be given food support and sitting allowances during their training.

All of this will be done in a period of two years, and "in two years the project will "facilitate sustainable income generation activities." The DGP grant is $315,000 with a grantee Match of $222,000.

Almost immediately the project ran into conflict over power and control between RATSON and EAG. The issue required a visit from the grantee's HQ in the US to resolve, and also involved a budget reallocation which had to be submitted to USAID in DC. During this period the local government also raised some objections to the plan to give the entrepreneurs 9,000 Ethiopian birr in start-up capital, saying that its own microenterprise program (acknowledged as a failure by several observers I met) was based on giving start-up capital of 3,000 birr. Soon after the project ran into difficulty with the beneficiaries themselves, who, once they saw how few of the training participants were chosen to get start-up capital (about 5 percent) organized themselves, signed a petition, and took it to the Ministry of Women's Affairs, saying the set-up was unfair and that they all deserved start-up capital, not just the ones with "exceptional entrepreneurial skills." Three of the grantee's top officers then came to Ethiopia from the U.S. to try to work out what to do about these snags. They met with the project in country staff, local government, the beneficiaries and with USAID. With 19 months left, the project felt it had to make some compromises. In their first meeting with USAID/Ethiopia (which took place while I was also in country), they received, in the words of their executive director, "a well-deserved butt-chewing." They were told their reporting had not been correct and they were behind on targets. After two days of meetings with the local government, the project staff, and the beneficiaries, it was decided to lower their target number from 1,850 to 1,000 beneficiaries, and to expand the start-up capital giveaway from 96 to 550 women, each of whom would now receive 6,500 E. birr worth of start-up (in-kind). The grantee decided not to ask USAID for an extension of time, but instead simply "to speed things up."

One of the organization's officers said, "This is a new area for us; we had not anticipated the importance of government involvement; nor the potential for unrest among the beneficiaries. …We also learned that the food component we were giving the women (16 kilograms of flour, two bars of soap and a bottle of oil each month) was not what the women were coming for, but it was their expectation of start-up capital that attracted them."

At one point there had been a discussion of doing the start up through a revolving loan fund, but the grantee decided this would be too demanding and time consuming to set up and the rate of savings in the microcredit group (five birr per week, or $0.35) limited the capacity of the women to build up their own capital.

The target women are funneled to the project by local government officials who forward the names of eligible women based on criteria which the project manager says ensure that they are "the poorest of the poor." These criteria include having a house number and an ID. [Note that many of the very poorest people in Addis slums have neither ID nor a fixed residence, and my observation of four clients visited on Feb 3, 2011, was that these women were not only far from being the "poorest of the poor," but that few were between 16 and 25 years old. A large percentage of the women observed both in the ME training and during the food distribution seemed to be over 30.

The training of trainers takes place for five days and then, via the newly-trained trainers, is passed on to the microcredit groups. Then a test is given and this is how the entrepreneurs are selected. The health education component is now being done by a public address system in the project yard (next to a bulldozed slum area) by a man who reads a script on health issues through a public address system (loudspeakers mounted on a pole.)

Most of the first enterprise graduates (a total of 20 women in mid-January 2011) are in food production.

We visited four graduates, two of whom had already had years of experience selling in the informal marketplace.

In three cases, having been in these new operations for one to two weeks, their own records showed expenses exceeding income, and in one case household expenses (school fees) were indicated as a business expense (something the course explicitly teaches them not to do). All four of the women live with their families, and one had a working husband, another a retired husband living on a pension. Electricity to power the deep fryers supplied by the project as part of the start-up capital is not only unreliable, but in three of the cases was rigged up in such a way as to pose danger. Wiring in the slums seems to be done, as in slums elsewhere in the world, by connecting to someone else's line and paying a fee.

Receipts for the fryers had not been obtained because, as one of the project staff explained, the project took days to locate the fryers in the market-place and the one seller who did carry them had imported them illegally, and thus would not supply receipts.

Mini Case #20
"Empathy vs. Enterprise"

The project "Empower Women of Samegrelo, Georgia" is being carried out by APDWIT (Association of Persons with Disabilities, Women and IDPs in Tsalenjikha).

The grant agreement is for $482,000 over three years, with a cost share from the grantee of $55,418. The evaluation visit to the project was made in March, 2011, about 40 percent of the way through the project's life.

The project calls for vocational skills training in areas such as raising saleable plants in greenhouses, pig-raising, babysitting, daycare, cheese making from dairy cows, guesthouses, and office work. Selected women will be trained in three WECs (Women's Entrepreneurship Centers) to be set up under the project. The women will also receive courses in topics such as family violence, related to the goal of "improving cultural practices towards greater female controlled economic resources" provided by psychologists who will also be available to counsel those women who request it. Altogether 350 women will be involved in these trainings, and from these 240 will be encouraged to start or restart micro-enterprises. Of these 240, 70 will receive grants (mostly in kind according to the CA) of $1,200 each and the remaining 170 women will be included in group enterprises of five or more women. Thus 30 groups will receive grants of $3,000. It is anticipated that after monitoring the most successful 20 individuals will received additional grants of $500 and the most successful groups will receive additional grants of greater amounts.

APDWIT claims to be the only NGO in the Tsalenjikha area of western Georgia, some 15 miles east of Abkhazia, a Russian controlled semi-independent state since the Abkhazia-

Georgia conflict of 1992-1993. Until the cease fire agreement of 1994, the "ethnic cleansing" of Georgian population resulted in streams of refugees arriving on the Georgian side and these IDPs (Internally Displaced Persons) and their families constitute some of the target beneficiaries of the project. The area is mountainous. And while connected to the rest of the country with roads, it remains somewhat isolated economically. Like other parts of Georgia (and the region in general) it suffers from the stagnation that characterizes the transition from communism to capitalism. Twenty years after the collapse of the Soviet Union, rusted infrastructure and abandoned factories are everywhere; idle men stand in clusters; young people leave if they can; and of those who remain, most are poor and close to equally so. People get by on pensions, welfare payments, and by raising their own food, a pig or two, a cow, a quarter acre of nut trees (a cash crop). Outside investment is low, entrepreneurs are few.

APDWIT was founded in 1998 and is still run by a dynamic 37 year old local woman who learned early on how to keep her organization going using volunteers, engaging the local mayors, and reaching out to various donors. Over the years the NGO has received many small grants from donors such as Soros, UNHCR, and the EC. In 2005 with a small grant from USAID they received computers and were the first entity in the area to connect with the internet. As a result, the director claims, 90 percent of the population in the area including the mayor's office received their first training on computers and the internet from this NGO. Their computer operation is now a revenue source for the NGO itself. The DGP grant, the largest they have ever received, represents 90 percent of their budget in 2011.

The director feels that the help that APDWIT received from CAP is invaluable and they are hungry for more of it. They claim to have had their eyes opened on many issues and now understand how little they know about what it means to be a sustainable organization. As a result, the founder director seems to be brimming with ideas and questions. Among them is her hope to get help to resurrect a defunct canning factory, with donor money and help from the local mayor's office. She and her staff have discussed this with the CAP RTA but not yet with their AOTR.

They say that the DIMP workshop held in Kiev was useful, and that they have not found it difficult to learn how to manage their grant. Reporting poses no problem on the finance side and they feel very much a partner with their AOTR. The director suggests that a sign of how much they are in concert with USAID is that a used Lada Niva 4-wheel drive car was provided to the project "as a gift" (the vehicle was reclaimed by USAID after another project had finished).

Of course, the director and the beneficiaries actively hope USAID will continue supporting them after 2012.

We visit the first group business – five women who have received $3,000 to start a beekeeping business. The sub-grant agreement between the DGP project and the group is with the owner of the land on which the hives were placed. She appears very much the leader, speaking for the group. Her name is first on the agreement and the wording of hers (and the other groups) is “So and So with her partners so and so….” The signed agreement is in effect a USAID sub-contract and thus contains boilerplate about what is and what is not allowed, and includes clauses on environmental protection, and other prohibited uses of USAID funds. There is nothing in the agreement however which discusses how the group ought to function, what might or would happen if a member leaves or dies, whether and how costs and profits are to be shared, how labor is to be divided, or how the group is to be constituted legally if at all.

When I ask the group about some of these issues, it is fairly clear they have not thought about these things, nor has the project addressed them, nor has the CAP RTA brought up any of these issues in the grant management discussions she apparently has had with the NGO. I ask the group: “What about the fact that the hives are on one person’s land? Is that a concern any of you have?” They have no response to that, nor to other questions I ask about how they view labor sharing and cost and profit sharing. The leader and the project person reply however that they all trust each other and so there will not be any problem. What about the market for honey? What about containers? The group leader replies that the market for honey is vibrant and that they will buy containers in the market place for 50 cents each plus the lids.

(As we drive through the area on this and the next day, we see many small household plots with beehives, and in one area of the region, visited the next day, honey, we are told, is the only income generating activity possible.)

The second group we visit is a dynamic ex-teacher whose husband has veterinarian skills. Her group received $3,000 with which they bought five cows and feed. The shelter for the animals was built and constructed by the group we are told, but is on the land owned by the leader who has a very well-tended property of a few acres. The cows have already produced four calves, three of which are female. The intention is to sell the male, and keep the three females, thus increasing the number to eight cows. The group leader claims to be very poor, but she does seem to have assets (land, TV set). She has kept records of the labor contribution of the group members, but there is as yet no record-keeping of profits /income or costs, or of how the money is distributed. I ask if it will be distributed according to labor. No, she says, it will be equal.

The third person we visit does appear to be very poor; she is a widow whose only income we are told is from 100 kilograms of nuts on her small plot. She has been close to starvation. She received $1,200 with which she bought two cows, one of which is pregnant. She is now making five to seven Gelari per day, she says, from selling milk. Who are her customers? Neighbors, she says. Again there are no records, nor any business plan.

We visit a lady in another area who also received a $1,200 grant, for a chicken operation. She was advised by the project to do cattle, but she refused this, saying this would be too much work for her (she is described as having psychological problems) so she would prefer chickens. After the training, she apparently agreed to keep the chicks inside one of the buildings on her property. She bought 250 chicks but only 50 survived the first months. She had, it turns out, put them in an outdoor shelter, exposed to winds and cold air from the mountain right behind, and they did not survive. The remaining chickens looked healthy and were mixed in with a dozen large ducks (how these were acquired or why was not clear). On her property there were two satellite dishes, several dogs and two vehicles. She does not say much, and it is unclear whether or not she is selling eggs or chickens, or ducks.

We visit a guest house in a village high up in the mountains, with a well-known gorge and mineral water springs nearby. The grant is to a group, but it has been entirely used by a woman who uses her late mother-in-law's house as a tourist hostel, where guests used to bring their own bedding. She formed a group with three other women and received $3,000 with which she bought a fridge, a stove and beds and bedding so she now has three rooms equipped with beds. The business will be run by her and she will receive the income from the guesthouse. Her three "partners" expect only to be providing food and selling honey to the guests. This is a group in name only. I ask the woman what she expects to charge her guests (she bought the beds after last year's season ended and will only open up after June 10th this year. She says she will charge 10 GELari per day per person, but is thinking about raising the price. She says she is fully booked already. I ask to see her bookings and she shows me the list of phone numbers of past clients. I ask if she keeps a calendar so she„ll know who is reserving for what period. She says she does not, and adds that people in Georgia make their decisions at the last minutes. How does she know then that she is booked for the season? She says people have told her they want to come.

We visit a beauty salon group business in the town of Senaki. This is a group of five young women (though six were present in the salon while we visited) which has been in operation since October 2010. The five used their $3,000 grant to buy equipment, including equipment for services they do not yet offer (e.g. ear piercing) and they took an additional 1,600 GElari loan (ca $950.00) from a bank. That loan was guaranteed by the project staff member who runs the WEC in Senaki, and during our visit acted very much like both the mentor and the mother hen of the group, answering most questions posed to them. I asked to look at their records. They do keep a record of income according to each woman. The record showed a considerable difference in both attendance and income, with some women not working for several days at a time, and some making as much as 50 lari per day, and others 25 to 30. I asked about their expenses. They say they pay 400 lari per month in rent and are paying down their loan on a declining basis, but an average of about 150 lari per month. With utilities and supplies, plus a guard, it seemed clear from their income record that they are at best able to cover their expenses. I ask about this. They say that at least they are no longer sitting at home doing nothing. This is good, I say. How will they grow the business? Well they are hoping that soon things will improve since it will be graduation season and mothers will bring their youngsters in for hairdos and haircuts, and they are also planning to get into the wedding hair dressing business but to do that they need another grant in order to have a supply of dresses on hand since brides want to get their hair done in the same place where they rent their dresses. I ask if they have a plan for distributing profits according to how much each woman works. No they say; each will be paid the same no matter what. As we leave they thank us for our support and reiterate that they hope further support from the project will be forthcoming. When later I mention to the AOTR in Tbilisi that the women appear to be barely breaking even, I am told that the reason they told me this was because they thought that if they said they were making money then USAID would not give them the money they want to buy the wedding dresses.

There appears to be no written business plan with any detail of how the business might look in terms of balancing costs and income, including any sensitivity analysis of possible rising costs, nor any analysis of the market. And while the grant agreement specified that the grants would be mostly in kind, the project director tells us that in all cases the grants have been made in cash. No one had considered the possibility of beginning with a plan and having the plan determine the amount of money needed. Instead all received exactly the same amount $1,200 or $3,000. The training seemed weak, and while intense (three days a week for six weeks) five of the six weeks are on vocational skills with one week on "entrepreneurship." This seems to be a fairly boilerplate lecture on basic notions of marketing, customer service, bookkeeping. The trainees then present their "business ideas" which are discussed among themselves and with the trainer. An "evaluation committee" then identifies the best proposals. The funding seems to be based however on the sectors that the participants most want. In the November 2010 cycle for example, there were 15 proposals selected of which 13 (87%) were for "cattle breeding," with one for beekeeping and one for tourism. As the quarterly report for 4th Q 2010 states: "since the demand for cattle breeding was so high…the decision was made to fund proposals on cattle breeding." (It should be noted that in the beekeeping course, the trainees are provided fee with all the basic equipment needed for bee keeping except the hives themselves.)

The three WECs appear a bit questionable. In the WEC in Chkhorotsku, the building used is owned by a widower who is paid a small amount when the building is in use. On the land the project built a greenhouse, which appears too large to be something any one of the women could afford, and while one would think it would be kept as a demonstration, it was largely untended, with weeds, and only several rows of coriander, which we were told would be given away to the members as seeds. Moreover, there appears to have been little demand for greenhouse plants as a "business idea."

The second WEC in Senaki is in the home of one of the project staff. The computer used is in her dining room.

The third is the office of the project itself and this is where the new computers are housed along with the sewing center.

The project is heavy on empathy and light on rigorous analysis of business possibilities. It is far more a humanitarian effort than an enterprise development effort. There is nothing wrong with this – these people are indeed needy and perhaps one or two might do something with their skills, even if most of the businesses do not grow and if many of the groups dissolve, as some surely will. But the couching of this as sustainable, as something that is about "marketable skills," "workforce development," “entrepreneurship;” as something that is worthy of being measured by economic indicators, is waste of time and money. The social capital aspect of the project – the women getting together to discuss their lives, the reduction in their sense of loneliness and isolation, the exposure to laws on family violence, the psychological counseling – these are invaluable. Why couldn’t the project simply have focused on these things? To “force it” to be something it really cannot be is fooling the project, the beneficiaries and USAID.

While the founder director is certainly someone whom one would call today a “social entrepreneur” and her passion for helping others seems genuine, there is a sense that details of these ideas are not thought through, nor is there any tough follow up – no asking to see receipts, no monitoring of income, no further education on business. The motivation is one of pity and to reach the poorest, but as we see in some cases the poorest are the least able to be successful at running a business. The director herself seems to know this as she talks about getting help opening the defunct canning operation so that people can have jobs, which is what most really need.

As we leave, she indicates again, as have most of the grantees, a hope for further support and indicates that their next round of grants will be problematic because prices have gone up since they made their budget.

Annex C
Some notes on the changing context for NGOs

Only one category of the Ethiopia Yellow pages for 2009 has more pages devoted to it than NGOs and that is "Governmental Organizations." The 13 pages devoted to NGOs list over 600 of them. In contrast there are 3.5 pages of manufacturers, and 11 pages under "import."

There has been steady growth in the number of NGOs of all kinds as well as those in development, both US PVOs and indigenous and local NGOs. There is more and more blurring of lines between NGO types, as regional and international NGOs spin off locally-registered subsidiaries, and as a growing number begin to create complex structures that may include a for profit arm. There is more and more subcontracting and partnering, and many NGOs are increasingly adept at keeping their core staffs small and expanding or contracting according to their funding by hiring short term staff or consultants.

It seems significant that half of the DGP NGO grantees in this evaluation are adept also at claiming technical ground in which they have little track record or expertise. They are well enough connected to the rest of the world so that they are increasingly trend-aware, and those with ambition seek to follow these trends (and the terminology that goes with them). A third of the grantees claim to have worked in anywhere from five to 10 sectors (human rights, women's empowerment, microcredit, small business development, environmental awareness, good governance. …) and an even greater percent indicate experience in HIV/AIDS.

There are more and more committed young people and "development entrepreneurs" out there, and there are more and more organizations who see this is an industry they want to be a part of.

It also seems a significant development that x percent of the DGP Round 1 grantees' proposals were written by people outside the organization, either paid grant writers, or friends of the organization, or someone who had little contact with the country in which the proposed work was to be done.

The evidence from this evaluation suggests that at least half of the DGP proposals are designed first to get the grant, and second to set out what the organization is capable of doing or believes worth doing. Obviously NGOs need to find ways to fund themselves and everyone recognizes that proposals are a form of sales. But the need to sell or "oversell" is also in part a function of the conditions put on the applicant by the agency. In the DGP case there is an opportunity to shift the balance a bit, to encourage NGOs to say what it is they want to do; what they are good at; how they perceive the problems in their own countries.

The US PVO community:

According to InterAction (IA), US PVOs feel they are supplicants and unappreciated by USAID. They do not want to be told what to do; they want to be trusted and they want more of a partnership arrangement.

InterAction, with 250 members and growing, says that the U.S. NGO community is concerned about the trends in procurement. The broad perception seems to be that there are still more contracts than grants, and that it is hard to get in the USAID door. An InterAction staff member used the phrase "Development Industrial Complex" to describe the situation – thus once a big organization gets involved with AID, especially in the case of IQCs, there is a self-perpetuating advantage over those who are not in the system already. IA feels that transparency around contracts is troublesome, for it has found it hard to get good and solid data about who is getting what.

Two thirds of the IA members' funding comes from non-USG sources, and there are still members who do not want USG funding, feeling that it can compromise their mission. There appears still to be some ideological tension both between some members and (their perception of) USAID and amongst members themselves – this is around the distinction between economic development/growth and efforts to work directly with those deemed to be "left out" – the pro-poor, inclusion school vs. the economic growth school.

There is also tension between the "for profits" and the "non-profits" and a feeling that USAID has been favoring the "for profits". As for the latter there is a sense that they are adept at figuring out ways to adapt to any change in procurement; they'll change shape or form to continue to be in the game – they will "not want to give up market share."

Overall, the IA members seem to view indigenous local NGOs as an opportunity for bigger US PVOS (sometimes referred to as International NGOs, or INGOs) to play a role in partnering and capacity building and they see the advantage of being an INGO as being able to engage more in advocacy. "Capacity transfer" and "division of labor" are the terms often used to talk about parts of this.

There is also a concern about the general resurgence of the "development state" – the growth of direct foreign aid budget support to governments, similar to what multilaterals do. Governments however do not have a good track record of using development funds wisely or effectively and this movement, if it is indeed a movement. This too is seen as a threat by many IA members.

IA views the DGP as a valuable innovation – they like the idea, and see it as AID wanting to create more competition and reducing the barriers. All that is good, but they also see that the hoops one has to go through with AID are "enormously aggravating" and too many things are still done the old way, indeed the very emphasis on the Project, the short time-frame and the concern with outputs and deliverables rather than results and outcomes, impact assessment vs. M&E, continue to be seen as the core of the AID culture, and something that needs to change.

US PVOs continue to see themselves, perhaps, as a unique block, their real differences notwithstanding, and want their own way of interpreting things to be heard – e.g. the Open Forum which is a response to Paris and Accra – they do not accept entirely the way in which "aid effectiveness" has been defined.

DGP is seen as a step <u>back</u> in the right direction. But USAID, in IA's view, needs also to see how the context has changed in the last 20 years: IA points out that of the top 20 USAID partners in the 1980s 15 were PVOs, now it is one. The PVO community is increasingly privately funded, and it's not just the new philanthropy and foundations, but the "$100 folks." The important distinction is not "for-profit" or "non-profit", but the kind of money one gets. Out of their 250 members, 150 don't get USG money (n.b. 45 percent are faith-based.) For example SCF went from 70 percent USG to 30 percent. "USAID and we are moving away from each other." There are presently 13.5 million "donor units" (which could each have three to four people) giving to IA's 250 members.

IA explains this trend by citing the rise in a desire to "do good" and to help others. "Compassion is sexy among youth and among celebrities and among guys who made breakthroughs in new tech kinds of companies." The rise of the internet, the globalization of the world and, of course, new perceptions of global threats have led to the view that "my borders are no longer just the U.S." Young Americans are now backpacking in the developing world, not just Europe. So despite the downturn in "our industry" in which IA points out that 10,000 jobs have been lost, there has been a rise in private money; in some quarters 10 to 25 percent. In general year-to-year growth has been exponential. "It is a global world."

Global engagement isn't going to go away, IA adds. People aren't going to stick within their borders. Just as there is a brain drain, there is a "compassion drain" in the best sense. Everyone and everything is going global. "Where do you draw the line? Is World Vision Uganda a USPVO or an Ugandan NGO. It's all Uganda staff, it's an all Uganda board, much of the money is raised in Uganda and Australia. So where do you put it?"

The rise in compassion is also linked to American positivism: "I want to do something and I need to see it, touch it, visit it, so I'll do it myself." Thus uncounted thousands of $20,000 to $60,000 efforts are springing up, driven by one person who has a single project in Nepal or wherever. Especially the new guys who say „we make a breakthrough in our business so there must be something, there must be breakthroughs we can find, there must be a solution.'" And we'll take it on ourselves.

Yet, the big NGOs still want some USG involvement as do many of IA's smaller members who do want to get in the door. Part of what everyone wants is the legitimacy and leverage potential of working with the USG. A little bit of USG money results in a big lever to private money.

A few more comments on DGP and other matters:

Positive: "A godsend, the only way to build capacity; it gets us in the door; will there be more of this?

Negative: "pretty small relationship; is this all there is? People don't know much about it."

"The big question with the changes at AID, which we applaud, is will it happen? Will they meet us halfway? Is there some mechanism; some program that will meet us half way? If you can meet PEPSICO half way, why not us? What are the levers? If this Procurement Reform is about increasing competition, what is it we are competing on? Is having had a presence in one area for 20 years going to count for something?"

"USAID culture is about control. Risk and control don't go together."

"And USAID needs to look seriously at why many organizations (especially big ones) no longer want to work with them. For example, CRS doesn't want AID money in certain places now. Why is that? It's not enough to bring in new partners. A look at what's happened to the old ones is needed."

"In any case, if you want DGP to be a real wedge, there has to be much more money. "

On Capacity building: An IA staffer quotes an African organization: "For you [US PVOs] Organizational Development and Capacity Building is about plans, systems, processes, byelaws, board formation, etc." For us it's about having a computer, a staff person and a salary." "That's where you have to begin -- without that there's no OD."

"The desire to professionalize rises with the budget of the organization."

I ask about complexity and public perceptions. The IA staffer says a segment gets it, in part because they want to see impact, but also because of development education which (btw) is no longer being much done by USG. As a result both CARE and SCF have a large advocacy membership which didn't exist 15 years ago.

The frontier is linkages and partnerships. Multiple stakeholder partnerships.

"[A big US PVO] used to want to help 350,000 farmers. Now they ask what do these farmers need to link them up to markets. And equally important how can we link "down" the big corporations to farmers? But "our community doesn't have the resources to do this kind of linkage."

"Right now, the worlds of so many organizations are not relating to each other."

"For a local NGO that has lived from grant to grant of $5,000 or $10,000, a grant of $200,000, while welcome, is also scary. They don't know what to ask for; how to cost, and this shows, later on, when they find that they did not think about certain costs."

Women Thrive Worldwide

WTW are very supportive of DGP in principle, and were involved in discussions with Tim Rieser which led to the legislation.

They believe that "ownership" is a major key to development and this is why DGP moves in the right direction. But the Missions need more people to do this. Missions do not have yet a standard approach to outreach, support, or capacity building. To really develop these small local NGOs you need outreach. DGP needs to become less supply-driven.

"What local groups want the most is the chance to discuss what they see as the real needs and to get funded to do what they think needs to get done."