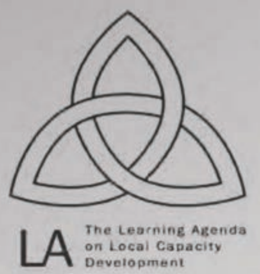


The Capable Partners Learning Agenda on

Local Organization Capacity Development

Main Report

Thomas Dichter

February 20, 2014

TABLE OF CONTENTS

PREFACE **1**

1. INTRODUCTION **6**

2. A REVIEW OF THE LITERATURE ON CAPACITY DEVELOPMENT – WHAT IS IT TELLING US? **21**

3. UNDERSTANDING CIVIL SOCIETY IN ITS CONTEXTS **38**

4. THE STATE OF CIVIL SOCIETY **47**

5. CIVIL SOCIETY ORGANIZATIONAL LIFE CYCLE AND ITS RELEVANCE TO CD **64**

6. COMMONALITY OF KEY THEMES ACROSS OUR FIELDWORK COUNTRIES **77**

7. CAPACITY DEVELOPMENT **83**

8. DONOR TRENDS **105**

9. USAID AND FORWARD **126**

10. RECOMMENDATIONS **141**

ANNEX I 162

ADS	Automated Directives System
AKDN	Aga Khan Development Network
AKF	Aga Khan Foundation
BPW	Business and Professional Women’s Association of Moldova
BRICS	Brazil, Russia, India, China and South Africa
CBO	Community Based Organizations
CD	Capacity Development
CGD	Center for Global Development
CID	Harvard Center for International Development
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
COD	Cash on Delivery
CS	Civil Society
CSO	Civil Society Organization
DAC	Development Assistance Committee (see OECD)
DFID	Department for International Development (UK)
DGP	Development Grants Program (USAID)
DIV	Development Innovation Ventures (USAID)
DLI	Development Leadership Initiative (USAID)
DRC	Democratic Republic of Congo
EAAG	East African Association of Grant Makers
ECDPM	European Centre for Development Policy Management
FARA	Fixed Amount Reimbursement Agreement
FCS	Foundation for Civil Society
FOG	Fixed Obligation Grant
FSN	Foreign Service National
FSO	Foreign Service Officer
GI	Giveaway Index
IDRC	International Development Research Centre (Canada)
IDS	Institute of Development Studies (U.K)
INDH	National Initiative for Human Development (Morocco)
INGO	International Nongovernmental Organization
IPR	Implementation and Procurement Reform (USAID)
ISO	Intermediate Service Organization
JICA	Japanese International Cooperation Agency
KCDF	Kenya Community Development Foundation
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KM	Knowledge Management
LA	Learning Agenda
LAC	Latin America and the Caribbean
LCD	Local Capacity Development
LenCD	Learning Network on Capacity Development
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MIC	Middle Income Country
NEPAD	New Partnership for Africa’s Development

NGO	Non Governmental Organization
NICRA	Negotiated Indirect Cost Rate Agreement
NORAD	Norwegian Agency for Development Cooperation
NPI	New Partners Initiative
NPO	Non Profit Organization
NUPAS	Non-US Pre-Award Survey
NUPITA	New Partners Initiative Technical Assistance
OCAT	Organizational Capacity Assessment Tool
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PDIA	Problem Driven Iterative Adaptation
PEPFAR	President's Emergency Plan for AIDS Relief
PFMRAF	Public Financial Management Risk Assessment Framework
PSC	Personal Services Contractor
PVC	Private Voluntary Cooperation
PVO	Private Voluntary Organization
QQQ	Quantity vs. Quality Quotient
RBM	Results-Based Management
RFP	Request for Proposals
SAC	Special Award Conditions
SIDA	Swedish International Development Cooperation Agency
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VfM	Value for Money
VOLAG	Voluntary Agency
WANGO	World Association of NGOs

PREFACE

The "CAP Learning Agenda on Local Capacity Development" (LA) is part of a USAID cooperative agreement called the Capable Partners Program (contracted to Fhi360 and MSI). It responds to two related agendas, one specific to USAID, the other to recent international declarations on capacity development (CD).

The first is the desire to align what is happening in the world of local organizations more closely with USAID Forward's "Implementation and Procurement Reform" (IPR, now called Local Solutions or LS), and specifically with Objective # 2 which states:

> *"strengthen local civil society and private sector capacity to improve aid effectiveness and sustainability by working closely with our implementing partners on capacity building and local grant and contract allocations."*[1]

[Also related to USAID's IPR is the Development Grants Program (DGP), designed to provide direct grants to small and local NGOs working in developing countries.][2]

The second agenda is the 2005 Paris Declaration on Aid Effectiveness, followed by the Accra Agenda for Action (2008) and the Busan Agenda at the end of 2011. Together they underscore the importance for development effectiveness of country "ownership," increased reliance on "country systems," and "enhanced developing country capacities" tailored to country-specific situations and needs. While the notion of countries taking responsibility for, and making decisions about, their own development goes back decades in the development discourse, the renewed emphasis in the above declarations makes the idea more widely shared, more "officially endorsed," and in a sense more urgent. Especially since, as stated in the Busan declaration, we now live in a

> *"more complex architecture of development co-operation characterized by more state and non-state actors, more South-South and triangular co-operation, and new public private partnerships."*

Finally, the Busan Declaration put explicit emphasis on **learning** as one of the core aspects of enhanced capacity.

While all development actors (including multinational, bilateral and other donors and implementers) could do with greater capacity to think through, innovate, implement, manage, monitor, and measure the performance of development programs and projects, there is the assumption (probably reasonable) that developing countries, for reasons that include the fact that so many interventions have been instigated, implemented and paid for by outsiders, need even more such capacity development if outsiders are to play a less direct role in their development.

---

[1] http://forward.usaid.gov/reform-agenda/implementation-and-procurement

[2] Direct small grants to local NGOs are relatively new to USAID; some other donors have longer experience, such as the UK's DFID, the World Bank's Civil Society Fund, Development Grant Facility, and its Japan Social Development Fund, among others

THE LEARNING AGENDA PLAN

Our original plan was to undertake an iterative, empirical study using a method grounded in open-ended, frank interviews with a wide range of types of local organizations, many beyond the 'usual suspects' or below the radar. The objective was to gather empirical data that would provide insight into the capacity development challenges of local organizations, with an emphasis on how their relationship with donors like USAID can become more fruitful and collaborative.

We set out to examine a broad typology of organizations; to look at their history, leadership, founders, mission, whether or not faith-based, their funding patterns, etc. We intended to ask who does what, how are they connected, where there are potential and possibly overlooked connections, as well as to look at the extent to which development "space" is increasingly "shared" by actors who were not present until recently (e.g., private companies engaged in relationships with communities; companies with a social development component, social venture capital firms, etc.).

The plan called also for delving into the values and missions of these organizations; their ability to execute well, the role of "passion," ideology, as well as their "legitimacy" or "authenticity" in the eyes of different constituencies and clienteles. We sought to understand how they see the world, their role, the obstacles in their path; what they understand and know about development (regardless of their focus); and how they have come to know what they know. We also looked into the drivers of success in organizations working in development, whether government units, civil society actors, or private sector players with an interest in social development.

The plan called for an analysis of the ecosystem within which all such organizations operate, including the division of labor in development work in a particular society. We looked for overlapping skill sets and whether there are options for shared services. We looked at how organizations survive financially; how they compete with their peers for funds; who they recruit and what is the pool of talent from which they recruit; how stable are their members/employees (staff poaching, post-training brain drain issues etc.); and through what channels they get information about finances and personnel. And we asked whether there are viable players in the "organizational service environment" capable of supplying CD services to organizations in development, and if so what kind and in what way.

Finally the plan called for an analysis of the political economy within which these organizations work– what do these organizations or entities perceive to be the "rules of the game;" what do they believe they need to do to relate to donors; how do they get access to donors, what influence do donors have on them (e.g., accountability and reporting demands such as quantitative performance indicators, results frameworks)? This part of the analysis touched also on legal and regulatory issues especially as they relate to civil society – tax laws, labor laws, potential and incentives for philanthropy.

WHAT WE DID AND HOW

Our project, like many others, had its limitations – we did not and could not have covered every country, nor read everything, or covered every intended aspect of our plan in every case.

Country Field Research: In the seventeen months between May 2012 and September 2013 we interviewed 325 organizations (about 600 people) in nine countries – Sri Lanka, Morocco, Moldova, Jamaica, Peru, Nepal, Tanzania, Kenya and the Philippines. The average time spent in each country was over two weeks. Interviews were done on a low profile non-intrusive basis with an interviewing team of never more than two people, and mostly in conversation with one or two people. In each case we interacted with the USAID Mission in country. A country report has been done for each country (see our website www.developmentiscapacity.org).

We were able to take advantage of the luxury of independence. By not wearing a USAID hat, and presenting ourselves as neutral researchers, we were able to talk to many kinds of interlocutors, and believe that our independent stance, and an interviewing approach designed to elicit frankness and based on active listening enabled us to elicit ideas, opinions, patterns, and other data about CSO life and challenges that may be different than what people say when they talk to USAID officially and directly.

Advisory Group: In April 2012 we recruited a six person advisory group (called the Reference Group) to act as a sounding board for our work. These six senior people have collectively two centuries of experience in development, and in capacity development in particular (James Adams, L. David Brown, David Ellerman, David Hirschmann, Karen McGuinness, and Ian Smillie,) Three meetings with this group were held (in April and November of 2012, and in July, 2013), where we vetted and debated our findings and approach.

Literature Mining: Beginning in April 2012 we collected and read about over 250 articles, studies, papers and books on capacity development. This corpus of literature dating back to the early 1980s is available on Zotero.com via our website www.developmentiscapacity.org. We also did a bibliography and annotated about a third of this body of work.

We Conducted an Historical Study of USAID Institutional Partnerships: (led by Niloufer De Silva, with a follow-on by Diane Ponasik). This is an analysis of USAID's history of work on Capacity Development efforts (aimed both at U.S. NGOs and local organizations), institutional partnerships, and related funding mechanisms employed over four decades of CD programming.

Liaison with USAID: We held eight formal and many informal meetings with various persons and departments in USAID involved in IPR (LS) 2 and Local Capacity Development (LCD).

Guideline Series: Based on our findings we produced a set of ten Guidelines for USAID, a series that could form part of a curriculum for staff orientation to work in the LCD area. These are:

1) Understanding Country Context as it relates to LCD
2) Due Diligence in Mapping and Selecting potential LO partners
3) Key Aspects of a Qualitative Methodology for Interviewing Local Organizations

4) Knowledge Exchange as an effective capacity development intervention
5) Communication within USAID as well as between it and potential partners
6) Capacity Development Indicators
7) A Scorecard Approach to Understanding Local Organizations' Perceptions of USAID
8) A Primer on Stakeholder Analysis
9) A Brief Typology of Capacity Development Services and Approaches
10) A Brief Primer on Organizational Learning

Mini Cases: We also wrote 15 short (four to six page) teaching case studies culled from the field research. These narrative "mini cases" offer further insight into the issues covered by the LA work, and could also serve as part of a USAID staff orientation curriculum on LCD.

Network Analysis: On our behalf the U.S. NGO ***Root Change*** undertook a network analysis study in two countries (Tanzania and Nepal) in order to trace the interconnections between and among development actors and reveal lines of influence and knowledge exchange.

Finally, we have produced a full report, of which this preface is part. The report ends with scores of recommendations under different headings, from changes needed in overall culture of the agency to procedures in human resource development.

Again all the written work of this project is available on the website noted earlier:

www.developmentiscapacity.org

ACKNOWLEDGEMENTS

During the course of the work on the Learning Agenda, many people contributed. The project was directed by Tom Dichter who led seven of the nine fieldwork visits, and is responsible for most of the document writing. Jamie Beck has been the project's principal research associate. Jamie contributed research and one of the sections of the main report, wrote one of the case studies and was responsible for most of the graphic presentations as well as the library. She and Riley Abbott of FHI360 conducted the fieldwork in Jamaica. Riley Abbott has also been the main point of contact with FHI360 and has made various substantive contributions throughout the life of the project. Dr. Niloufer de Silva worked as a research associate in Sri Lanka and conducted and wrote Part One of the USAID historical study as well as a number of our case studies. In Morocco Dr. Nadia Guessous was the research associate; in Moldova Dr. Carmen Luca Sugawara; in Nepal Dristy Shrestha; and in both Kenya and Tanzania, Keith Aulick of FHI360. The field work in Peru was conducted by Joan Goodin of MSI and Dr. Cynthia Sanborn and assisted by Alejandra Villanueva. Part two of the USAID historical study was conducted by Dr. Diane Ponasik. Dr. Vivienne Wildes conducted research on USAID's human resource process and her findings are incorporated in the main report.

The Root Change study in Nepal and Tanzania was led by Evan Bloom and Claudia Liebler and assisted by Alexis Smart.

A number of people supported the project's conception and implementation. We thank Barney Singer of FHI360, Director of Leadership and Capacity Development Programs. Larry Cooley, founder and president of MSI, has provided crucial moral and intellectual support for the project from before its inception, as has Thomas Carter of USAID. Joyce Friedenberg, Shohreh Kermani-Peterson, Zufan Mulugeta and Daniel Grant of USAID have also been regular interlocutors as the project has proceeded.

We thank also the members of our advisory group (aka " Reference Group,") who were the projects' conceptual advisors: James Adams, L. David Brown, David Ellerman, David Hirschmann, Karen McGuinness and Ian Smillie.

But above all we thank the hundreds of individuals we spoke with in the nine countries visited. It is the time they took and their willingness to meet with us and share their concerns and ideas frankly that are at the heart of this work, which, at its core, is about them.

A NOTE ABOUT THE INTRODUCTION TO THE REPORT

The first section of this report is the Introduction rather than the traditional executive summary. We have chosen to put the Executive Summary as a separate document which is available on the website, rather than as an integral part of the main report. The introduction and the executive summary make the same major points, the difference being the use of quotes from our interviewees in the executive summary.

1. INTRODUCTION

> *"There is a limited number of common human problems for which all peoples at all times must find some solution...All variants of all solutions are in varying degrees present in all societies at all times."*[3]

THE CONUNDRUM OF CAPACITY DEVELOPMENT IN THE CURRENT AID INDUSTRY

The broad conclusions of the Learning Agenda research project tend to go against the tide of the development assistance industry. So does the best of the literature on capacity development and development aid (the work of Grindle, Pritchett, Andrews, Woolcock, Ebrahim, Ferguson, older work like that of Korten, Edwards, Hulme, Morgan, the writing of people like Ubels and Natsios, and very recent work from David Lewis, Emma Crewe, Tina Wallace, Rosalind Eyben, Karas and Rogerson, Sanjay Reddy, Thomas Carothers, etc.[4] In various ways they all call for a fundamentally different approach to aid and to capacity development than what currently prevails in donor operations. Some of the key emphases from this body of work are:

- Long-term relationships built on deep knowledge of local organizations
- Iterative, 'next steps' approaches as opposed to fully mapped out plans
- Flexible and adaptive management
- The limits of the "project" as the main mode of intervention
- The limits of an "engineering" mindset for any development goal other than delivering things
- Acceptance of the nature of development as messy, uncertain and complex
- Embracing, or at least accepting, imperfection and failure
- The supreme importance of context, and thinking in terms of systems
- Risk of limited or no impact more important than fiduciary risk
- Taking the political economy of aid itself into account
- A renewed focus on Development writ large, and not just on "poverty"

The conundrum is exacerbated (and also perhaps potentially solvable) because these concepts fit with and reflect what many practitioners already know, and that is that the inherent messiness of development requires those who are "on the ground" to be **artful**. As British anthropologist Rosalind Eyben puts it, echoing Bill Easterly:

> *"Much of international development practice involves working with messes. In such contexts relationships between actors matter and actors themselves change and evolve through their interaction with each other. At their best, aid practitioners surf the unpredictable realities of national politics, spotting opportunities, supporting interesting new initiatives, acting like entrepreneurs or searchers, rather than planners. They are keeping their eye on processes and looking to ride those waves that appear to be heading in the direction that matches their own agencies' mission and values."*[5]

---

[3] Clyde Kluckhohn, "Some Reflections on the Nature of Cultural Integration and Change" in Sociological Theory, Values, and Socio-cultural Change, ed. E. A. Tiryakian, New York, Free Press, Macmillan, 1963, p. 221
[4] See the Learning Agenda Bibliography, posted on our website www.developmentiscapacity.org
[5] Eyben, Op. Cit., CDRA, 2010-2011

Put another way, we kid ourselves if we think we can make a firm connection between engineering a solution and seeing a clear result. As Neil Smelser wrote in a report to the World Bank some time ago:

> *"Our knowledge about the interconnections among political/social process and economic processes is, unfortunately, not as precisely formulated or understood as the relations among economic variables. [...] Most important, the causal mechanisms that are at work in the relations among political/social variables are not of the push-one-button-and-expect-definite-results variety. Effects of interventions are likely to be more the results of processes of long and indirect causal change and cumulative diffusion."*[6]

Moreover a great many of the people we spoke with in Civil Society (CS) and government, the majority of whom are experienced practitioners, sense that not only is the best thinking about development going against the official donor tide but a good part of the aid industry is in fact becoming *more rigid, less supple, and less adaptive*. They see what is happening as working *against* thinking in terms of contexts, as *preventing* longer-term and more iterative approaches, as preventing the development of relationships of trust, and as preventing deep understanding. They seem to see a widening gap between how the aid industry does things and the messy real world, fraught with its conflicting influences, structures, and values.

To slow down, to take things in next steps fashion, to be adaptive (to "probe, sense, respond," as Snowden and Boone put it[7]), to put in the time and resources to study the context thoroughly, to learn as one goes, to link learning to actual problems, to be relational, above all to foster local ownership through a more light-handed "wise support" approach; all of this goes against age-old development industry habits, as well as against recent and largely unquestioned enthusiasms for "value for money," "quick wins," and "measurable results."

From a stakeholder perspective there is another powerful obstacle to a more adaptive, less linear, less engineered, more light-handed approach. The post Paris Declaration emphasis on country systems, country ownership, and local capacity implies a return to the intention of "working ourselves out of a job," a phrase that was not taken very seriously in the past. Now, however, when perhaps for the first time it could be taken seriously because there is so much more capacity in the developing world than there was 50 years ago, the aid industry has grown to contain a huge number of Northern jobs, many of them within the contracting side of aid – the private for-profit and non-profit agencies to which much of development work has been outsourced.

Moreover in the human resource 'pipeline' there are thousands of Northern students preparing for careers and jobs in development agencies and INGOs that thousands of Southern people are now capable of doing. These Northern stakeholders, rhetoric aside, are not likely to welcome an approach where the currency is more ideas than things, where the stance is more back-seat than front, and where the emphasis is on institutions and organizations, and less on the delivery of

---

[6] Neil Smelser, *"Social Dimension of Economic Development,"* Social Assessment series 048- Environment Dept. Papers, The World Bank, 1997, p. 15

[7] David J. Snowden & Mary E. Boone, "A Leader's Framework for Decision Making," Harvard Business Review, November, 2007

short-term projects that trade in goods and services – in short a potentially reduced role. And yet these changes represent the most promising avenues of development, as so many thoughtful analysts agree. The future of development is not one laden with delivered cargo or services and the foreign aid money that pays for them, but with the institutions and organizations that undergird development in the countries where everyone wants to see more of it. Thus capacity is at the core of development, not a peripheral add-on, but the center of things. And yet even while this notion is recognized in the public statements of many development industry actors, our old habits tell a different story and our own stakes reinforce it. They continue to favor imposition from above, in blueprint fashion; simply it appears that we do not want to give up much control. Peter Evans makes the point provocatively:

> *"Development theory has moved form a single minded focus on capital accumulation toward a more complex understanding of the institutions that make development possible. Yet instead of expanding the range of institutional strategies explored, the most prominent policy consequence of this "institutional turn" has been the rise of "institutional monocropping": the imposition of blueprints based on an idealized version of Anglo-American institutions."*[8]

Such monocropping minimizes the role and the ownership of local organizations and of local knowledge.

But we cannot have it both ways – *us* embracing the idea of *them* owning development, but *us* still trying to direct and control the process. Simply put: **if they are to own it, we cannot.**

If this is in fact the nature of the conundrum, there is no easy way to sugarcoat the conclusion that many donors, including USAID – if they are serious about the goal of promoting country systems and local ownership – will need to undergo a series of radical and fundamental changes.

The irony is that USAID Forward, now entering its fourth year, sounds all the right notes. It is ambitious about changing the way USAID does its work, in particular its emphasis on partnership. But in recalling an equally ambitious and very similar intention voiced two decades ago, it is sobering to be reminded that sounding the right notes is only a start; the **What** is relatively easy to articulate; the hard work is the **How.** Here is former USAID Administrator Brian Atwood, in 1993:

> *"We will practice a respectful partnership with indigenous and American or international private organizations, ranging from non-profit development institutions to professional associations and businesses, that collaborate with us in providing development and humanitarian assistance. We will work with those that are committed to strengthening institutions and empowering people in the recipient society. Our partnership means that we will listen to our partners' views and will work together in ways that reflect our complementary strengths."*[9]

Partnerships based on listening, partnerships that are respectful of other views, other cultures, our research suggests, is perhaps more of a challenge for USAID now than years ago, since today the

---

[8] Peter Evans, "Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation." In Studies in Comparative International Development, Winter 2004, Vol 38, No. 4, pp 30
[9] Brian Atwood – 1993

agency must adhere to an explicit policy of promoting American security, prosperity and values. [It is to be noted that President Truman's Point Four program, formalized in the 1950 Act for International Development focused on capital and capacity and said nothing about our values, our prosperity or our security.[10]]

A key additional challenge is a view prevailing among many agency staff that local organizational capacity is lacking. This deficit view of capacity could be seen as convenient because it leads naturally to giving USAID and its prime contractors the responsibility for assessing and then strengthening the capacity of local institutions and organizations.

But such a role seems increasingly miscast, since the most important finding of our research is the existence of far more capacity of many kinds in developing countries than is recognized. Rapid global change (and exchange) plus an increased access to information have changed the development landscape. In 1961, when USAID started out, strong local partnerships were not much of an option. Major players were few and competent local organizations scarce. Now many talented and diverse local organizations are out there, from CSOs to NGOs, some government actors, business and philanthropic organizations, think tanks and university players.

THE WHAT VERSUS THE HOW

The combined message of the three major fora on development effectiveness (Paris 2005, Accra 2008 and Busan 2011) is that we cannot do effective development without local (country) strengthening and especially ownership. USAID like other donors has endorsed these principles. And unlike many others it has enormous resources; it is attempting very important things which can affect millions of lives. Steps are being taken under USAID Forward towards these goals, such as the use of the PFMRAF guidance (see ADS 200 of 3/26/12), the NUPAS, the LCD teams at the Mission level, the LCD field work done by various Washington based departments, as well as the efforts underway to adjust funding mechanisms like the FOG, the FARA, and simplified grants, to these new emphases. In addition there is a new policy on evaluation, generally greater rigor in design work, and creative thought being given to the issue of risk. There are scores of people leading these changes, asking and refining questions. And there have been at least two summit meetings (June and November, 2012) which have brought in useful perspectives from both inside and outside the agency.

USAID briefings and papers in the last few years show an awareness of new and different thinking about capacity and ownership. There is recognition in USAID that one ought to think about capacity in terms of the organization itself and not in terms of a designated project intervention; there is recognition of the limits of the "donor-driven result-based management (RBM) approach," and an acknowledgment (evidenced in a recent USAID paper) that donors

[10] "It is declared to be the policy of the United States to aid the efforts of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital." In Harry S. Truman, Years of Trial and Hope, vol. 2 of Memoirs, (Garden City, N.Y., Doubleday, 1956.)

need to move towards a learning approach "*that does not define objectives at the outset and is more focused on generating feedback and learning as the CD process is underway.*"[11]

Other major players in development also note the correlation between good performance and a focus on local initiative, long-term support, and local organizations as organizations in their own right rather than as instruments. The World Bank in a major evaluation from 2005 stated:

> *"The study finds that Bank-supported CBD/CDD projects have typically performed better on capacity enhancement—an important objective of the projects – when they have supported indigenously matured participatory efforts or when the Bank has provided sustained, long-term support to communities beyond the length of a single subproject."*[12]

And there is broadening recognition of the need for contextualized approaches; the need for systems thinking, whole-of-mission and whole-of-agency approaches, and more concretely a recognition that USAID needs to rebuild its in-house skills and recruit and train many new people.

The USAID "Experience Summit" in November 2012 acknowledged these new emphases as well as the challenges they pose for the agency.

> *"Adopting a systems-strengthening approach puts a premium on understanding a particular system, the actors within it, and the context that affects it. A number of analytical tools were proposed that could contribute to this understanding, including institutional analysis, political economy analysis, value chain analysis, and social network analysis. Whatever the tool(s) used, it is important to understand the incentives facing system actors, as well as to have ways to assess the resilience and sustainability of a system. Finally, it is important to capture key information from informal systems.*
>
> *USAID (and other aid providers) must be willing to engage politically through sustained policy dialogue. Such policy dialogue is critical to developing common understanding of policy constraints, agreeing on system strengthening measures, and—most importantly—building the trust with key stakeholders that is essential to country ownership. Analysis can help provide a foundation for engagement (for example, understanding the political economy and the balance of state and societal roles), but ultimately policy dialogue is built on (often time-consuming) personal communication."*[13]

These two paragraphs alone imply significant operational challenges. Again the "**how**" of these new emphases is the tougher challenge, and the November 2012 Summit implicitly seemed to recognize this. The importance of understanding the "incentives facing system actors," "capturing key information from informal systems," "building the trust with key stakeholders," "basing policy dialogue on (often time consuming) personal communication," – resonates strongly with our research on civil society strengthening.

---

[11] Executive summary of W. Stickel paper on LS M&E 12/17/13

[12] "The Effectiveness of World Bank Support for Community-Based and -Driven Development," An OED Evaluation, 2005 The World Bank, Washington, D.C., p. ix

[13] Experience Summit Event Brief, p. 15

But understanding incentives, elucidating informal systems and engaging in personal communication (as the summit organizers recognize) all require time, as well as the ability and will to get out of the office, and an internal culture that looks at local organizations and systems differently than in the past. The current structure and culture of the agency do not allow for much of this to happen.

Our aim here is to use our research findings to amplify for USAID both the bridges and barriers to the "how" of these new emphases that exist within USAID's own systems.

One example of a small but revealing conceptual barrier: Many of USAID's documents and notations on capacity and strengthening continue to use the terms "building" and "tools." But words matter and they are not as carefully used as they ought to be. Our research suggests that "building" capacity is a misleading term for two reasons: first it presumes an absence, a deficit. As we noted above we are finding that there is no dearth of capacity in a great many of the countries USAID works in, even of the kind of capacity USAID wants to instill in order that grantees comply better with USAID rules. Second, the message sent by using the term "building" is one that runs counter to the partnership message implied in USAID Forward, for it suggests that "we" will help construct something for "them" and that it is we who have the "tools" that can enable that. An asset-based view would make more sense and be better aligned with the spirit of the Paris and subsequent Declarations, and so at the least the term capacity "development" ought to be used throughout the agency.

Moreover the complexity of the analytical challenges noted above, the need to establish trust, to invest in time-consuming personal communication, suggest strongly that the solutions are beyond the scope of mere "tools." Just as there are no "tools" for cutting edge customer service in a department store where managers acknowledge that great customer service comes mostly from the personality, character and will of the persons employed in the store, similarly, while one can hone improvements in communication and trust building, these are not arenas that lend themselves very well to being engineered through the use of a set of "tools."

We would point out also that both the PFMRAF and the NUPAS could be better aligned with the notion of understanding informal systems in each country as well as understanding their institutional and social structures, as talked about in the November Summit. Our own research suggests that what is going on *informally* in local CSOs and within the CSO eco-system in general is a better predictor of success than the kinds of things the NUPAS and the PFMRAF look at. Understanding the *informal* rules of the game; understanding the life cycle and character of CSOs takes time of course, and in some cases USAID has shown a willingness to invest that time. As was reportedly done, for example, recently in El Salvador in a PFMRAF exercise, enough time was provided to do in depth analysis. That exercise involved a team of 20 staff over five months of data gathering, and while the team conducted only 24 interviews, those five months could have provided ample time to do more institutional and social network analysis.[14]

More important, and more concretely, the basic implementation modality of USAID remains the project. Critics of the project modality have been around for decades, saying that the project,

---

[14] See USAID "Achievements" Issue No. 3., Feb 1, 2012, p. 1

while a convenient instrument for the donor, is not a good fit with the complexity of the development endeavor. Now with the emphasis on country systems and ownership, the project has become a major *bête noire* in the local CSO community world wide. It is by far the most often cited limitation on the evolution of local civil society towards being effective development partners with an agency like USAID. And ironically, projects have become shorter, smaller, and greater in number than ever before. In Malawi in the 2000s, donors ran 70 different 'project units,' almost half of which were under USAID. In the Democratic Republic of Congo (DRC), at one time, there were more than 30 donors in the health sector assisting 362 projects, of which 262 were less than $1 million. In Tanzania, the government declared a mission-free period every year so that civil servants could get some work done. It received 541 donor monitoring missions in 2006, of which less than 20% were joint (with two or more donors).[15]

In short, what USAID and other donors say they want to do is hampered, if not contradicted, by how they operate, and their many real world (and mounting) pressures make it difficult to face these contradictions squarely. At USAID Missions, despite the call for reforms, staff are driven by old incentives and job descriptions. You get rewarded not for how many local organizations you have got to know but by how large a portfolio you manage. And getting out of the office to spend time getting to know local organizations at length and in depth is made hard by security concerns and by the pressure of paperwork, other duties and priorities. Thus the very behavioral traits that local organizations have told us they increasingly want – trusting relationships, regular communication, and longer term engagements, are not the behaviors that USAID is currently set up to encourage.

The work of the Learning Agenda can benefit the work being done under USAID Forward by illuminating areas where we have been able to delve deeply into a wide array of organizations and cover a large body of literature that USAID's own teams have not had the time or the neutral stance to do.

HIGH LEVEL CONCLUSIONS

- Changes in the developing world are accelerating faster than most aid donors can keep up with. Among those is a civil society (CS) explosion – with positive effects, many attributable to donor influences. Examples are South to South cooperation, a more pro-active voice among previously passive disadvantaged people, the rise of many leaders and actors with passion. But there are also some negatives: disarray, cacophony of multiple voices, competition and jealousy, weak networks, mutual isolation, and (with exceptions) a dearth of development knowledge and new ideas.

- This explosion has been partly driven by the donor supply of money. The donor focus continues to be on delivery via the project form, a form that fits the donors' needs more often than the grantees'. The "project" form encourages and supports "accountability myopia" (see Ebrahim - 2005),[16] especially "obsessive measurement disorder" (see Natsios), short

[15] See Box 2, p. 9 in "Localising Aid: can using local actors strengthen them?" Overseas Development Institute, London, U.K., August, 2012
[16] Alnoor Ebrahim, "Accountability Myopia: Losing Sight of Organizational Learning," Non Profit and Voluntary

termism, and an emphasis on quantifiable "deliverables." And despite the consensus on country systems and ownership most donors continue to set implementation priorities in top-down fashion. The resulting "projectization" phenomenon has had some negative effects on the CSO life cycle. In particular these tendencies of the project form run counter to development effectiveness and local organization capacity development, especially learning. Many of these issues have been cited for over 30 years. (See Korten (1980), Edwards and Hulme (1996), and others.)

- Capacity "building" reflects a deficit view and presumes an indispensable role for outsiders. Our research suggests this is misguided. There **is** capacity locally; in many instances lots of it, and of many different kinds. Many donors focus only on "1.0" kinds of capacities (the standard package of organizational procedures and structures modeled on the western firm – board governance rules, administrative systems, human resource manuals, strategic plans, M&E, etc.) yet there is no firm evidence that these are the crucial variables of success in development. But even if and when they are, we are finding, they do not need to be developed by outsiders. Our work suggests there are higher order capacities that are more important. Indeed many at USAID who are working on IPR (now Local Solutions or LS) have cited the "5 Cs" developed by ECDPM (The European Centre for Development Policy Management). These are the capacity to: act and commit; relate; adapt and self-renew; achieve coherence; and deliver on development objectives. These are examples of a "2.0" level of capacity.

- In any case it is the **how** that counts more than the **what**. And more and more we find that the critical **how** of capacity development for local organizations has to be internally motivated, real-world-problem-related, self-generated or peer-guided, and thus more spontaneous, more organic, and less structured than most donors would have it. And if the how of CD can benefit from an outsider's help, that help ought to be more horizontal than vertical; more indirect than direct, more "guide by the side" than "sage on a stage." (see David Ellerman).

GENERAL FINDINGS

COUNTRY SYSTEM AND CONTEXT

With respect to context perhaps the single most important finding to emerge from our work is the degree to which the international aid establishment (donors and their international partners) is an integral part of the country system in those nations we visited. Any attempt to understand local context cannot exclude the role of donors – the history of donor involvement, the incentives created by it, and the overall influence of donor emphases (and changes in those emphases) over time.

The practical implication of this central point is that as outsiders trying to understand country systems, we must look at ourselves as much as we look at "them." We are, to put it bluntly, a

---

Sector Quarterly, Vol 34, No 1, March 2005

major "elephant in the room," and our money and priorities, because they carry weight, can both be constructive and destructive to country ownership.

In aid-dependent countries, donors bring in resources and these, naturally – in supply and demand fashion – attract a market for those resources. While the general explosion of CSOs since the early 1990s is certainly due to complex indigenous factors, it is also in part due to the exogenous fact of the donor presence. Donors' preferences also invite new players into the market place, such as for example, the rise in donor funding going to private sector entities.[17]

And as the donors and the countries have shifted since the early 2000s towards a broad embrace of the notion of country ownership, tensions that in the past have been below the surface are now peeking above it. New and bolder kinds of questions are being asked: Whose aid assistance agenda is to take precedence? Whose capacity are we talking about? And capacity for what? What does local organization sustainability mean if it is merely the ability to reach out to more international sources of funds? What are the imperatives that really ought to drive things, as opposed to those that currently do?

As the new ethos of country ownership takes hold, some details of what that will entail for actors both inside and outside the country are beginning to emerge. In a number of places there are pockets of resistance to donor influence, and to donor money. Shifts in the inherent power imbalance between donor and recipient are being called for. The situation is in flux, as one would expect, but this presents donors with the challenge and the opportunity to change. And since we are at the beginnings, perhaps for the first time in a generation, of a genuinely new 'paradigm' for development assistance, there is really no other sensible option but to proceed with a new humility; to move forward iteratively; to take a "next steps" approach to whatever is done. There are no magic bullets, there can be no clear road map for a broad structured plan of execution, there may be no single framework that captures 'evidence' usefully enough to be applied broadly. Development interventions can no longer be thought about just in the language of engineering with its embedded metaphors of construction and design. Instead, there is now a need to recognize that working with country systems requires as much *artfulness* as it does an engineering or 'scientific' approach.

A second broad conclusion is the importance of informal systems. By this we mean

> *"the patterns of activities and interactions that cannot be accounted for by the official structure, but which find their expression in a network of social relationships and in prevailing practices."*[18]

These informal systems can exist separately from formal structures, outside or parallel to them, or they can exist within formal structures, operating in tandem with formal systems. That is to say there can be formal rules of the game, and at the same time informal rules of the game, and both can be in use simultaneously. In parts of South Asia, for example, a modern meritocratic system can exist alongside a reliance on caste and family as ways of making hiring decisions, or

[17] Since 1990 multilateral development bank financing to the private sector has grown ten fold, to $40 billion. See "Bottom lines, better lives? Rethinking multilateral financing to the private sector in developing countries," Eurodad, March 2010
[18] Peter M. Blau, "Bureaucracy in Modern Society," New York, Random House, 1971

on who gets a promotion. Tradition and custom, ethnic identity and language, regional identity, memories of past conflict, all play a role in determining loyalty to party, person, and even to ideas. And they can play such a role alongside logic, reason and self-interest.

Indeed there is more and more research pointing to the importance of informal systems. Here, for example, is what U.K. based Institute of Development Studies (IDS) has to say on the basis of a recent study:

> *"…relationships and informal arrangements […] seem particularly important in creating more effective, accountable public authority, the circumstances in which they may emerge, and the ways in which they can support a transition to more inclusive, formal arrangements."*[19]

A third broad conclusion from our research is the importance of taking culture into account in analyzing context. We mean culture in the sense of shared meanings, attitudes, and mental constructs. These can be both productive and counter productive. They are also constantly changing, but some attitudes and constructs change faster than others, resulting sometimes in contradictory impulses. Thus for example, in certain arenas of life in a particular country, one might encounter a culture of complacency; while in others more of a bold 'can do' attitude.

The implication of these points is that understanding country context is a challenging endeavor and requires more time, effort and talent than are usually applied to it (see the LA Guideline Series #1 for a discussion of contextual analysis).

NATURE AND LIFE OF CIVIL SOCIETY ORGANIZATIONS

Civil society is a relatively new sector in most developing countries. There is a general view that in recent years the tensions between CS and government (between the so-called "third" and the "public" sectors) have increased in many places, such that CS is seen as in some degree of peril. There are instances of curbs on the right of assembly, on the receipt of foreign funding, on labor rights and on the freedom of CSOs to access internet and other communication. A recent review of progress on the commitments on Civil Society made at the Busan Forum in 2011, cites:

> *"… a worrying trend that the less-than-conducive environment for civil society reported pre-Busan by the Task Team and others continues today, and is perhaps growing in a wider range of countries."*[20]

In our research in a rather diverse group of nine countries, while we did find tensions and some repressive tendencies, we also saw signs of a greater willingness to work together and to communicate on issues, notwithstanding the distrust and even mutual disdain that remains between the sectors. Indeed even the post Busan review cited above concluded that "multi-stakeholder dialogue is on the rise at the country level."

---

[19] "An Upside Down View of Governance," Institute of Development Studies, U.K., 2010, p. 72

[20] "Review of Evidence of Progress on Civil Society-related Commitments of the Busan High Level Forum," Task Team on CSO Development Effectiveness and Enabling Environment, International Institute of Social Studies, The Hague, December 8th, 2013

A positive, though somewhat back-handed way of looking at these tensions between CS and governments is to posit the possibility that CS has become big enough and important enough to warrant distrust on the part of government. They have got their attention. And this has to do in the first instance with numbers.

The proliferation of civil society organizations (CSOs) is staggering. The estimated numbers – definitional issues aside – are surprisingly high: the very rough total for the nine countries in our research is about 150,000 entities. Obviously in such a cohort there is a wide spectrum of quality, genuineness, and ability to function. Clearly the majority of these CSOs do not (and may never) have the capacity to undertake a fruitful relationship with a donor, even if we put issues of strict compliance aside.

But many hundreds – if not thousands – are fairly strong. Having survived start-up and matured, there are many with vision and leadership and many as well that have worked with the aid establishment as sub-grantees or members of a coalition of partners in a project. There are thousands who speak the language of development and are familiar with current trends in project preferences. In addition, there is almost everywhere a fairly rapid rise in what we might term a consultant culture – individuals and firms that have hived off from projects, from international donors and international INGOs and contractors to start their own businesses as sector specialists or as specialists in capacity development.

Those CSOs who have had experience with donors, directly or indirectly, have a single shared lament – they see themselves as victims of "projectization." They reply to calls for proposals in which the funding on offer is for the carrying out of a project (or more likely a part of a project) and while there are ways to apply some of that money to overheads or indirect costs, the organization is often constrained in terms of its ability to develop as an organization in its own right. It often cannot invest in full time employees, much less their skill development; it cannot invest in acquisition and maintenance of office space; it cannot above all achieve the space and longitudinal time line required to learn and evolve. When a project ends – and the project time frame is often a matter of only one or two years – the organization often has to go back to square one.

Thus a surprisingly common life cycle among many CSOs, regardless of country, is a pattern of up and down oscillation – going from high to low revenue and back again repeatedly over a period of eight, 10, 15 years; taking on staff, letting go of staff, and therefore not really evolving as an organization. One of our interviewees captured this phenomenon, albeit a bit melodramatically, by saying *"there are no NGOs, only projects."*

Size and age matter of course. A 20 year old CSO with multiple donors and many projects under its belt may have been able, like their U.S. NGO counterparts, to acquire some assets and reserves and thus achieve a degree of stability. However, our research shows that these organizations reach such a level often after having paid a price in terms of compromises to their original mission and vision.

This phenomenon is not entirely the donors' fault. No organization is required to answer a Request for Proposal (RFP). But the issue is not fault here, the issue is the overall ethos under

which both sides exist – and that is an instrumental view of civil society shared by both sets of actors – CSOs as the executing agents of donors' emphases and plans. Despite the emphasis on country ownership and country systems coming out of Paris, Accra and Busan, the gap between good intentions and practice on this score continues. The recent review of progress since Busan cited earlier notes that:

> *"many donors maintain CSOs' right of initiative in some funding envelopes, while others increasingly use financial incentives to direct CSOs to partner solely on the basis on donors' priority areas of focus."*[21]

Indeed, the evidence suggests that donors continue to prefer working with local organizations indirectly; as sub-contractors to INGOs and private for-profit firms from their own countries. And they are likely to increase this preference in the light of "ever-growing pressures" for value for money investments, since INGOs and private contactors continue to be seen as having a "quick understanding of donor requirements."[22]

It is hard to discount the possibility that at least some of these continued habits on the donors' part have to do with their reluctance to "work themselves out of a job." In any case it is the "instrumentalist" construct which many thoughtful CSOs are now questioning.

We are also finding a common theme in the shifting nature of the human resource pool from which local organizations – in both government and the third sector – draw. Unlike in the U.S. where the current trend seems to be for the "best and brightest" young people to seek out "meaningful" work in the non-profit sector and, at least for the time being, to shy away from corporate and banking careers, the opposite is the case in the countries we visited. As the private sector grows, there are attractive and far more lucrative opportunities for educated young people. In addition, in quite a few developing countries (as we will discuss in section four of this report) the CSO/NGO sector has lost some of its luster. In Tanzania for example, one NGO reported that their job applicants were unable to name a single NGO they admired, citing opinion polls that consistently rank CSOs "at the bottom of the list as sources of information, services, value, importance."[23]

So besides the poaching and "revolving-door" challenges faced in developing country civil society and between government and civil society, a big practical challenge right now seems to be a dearth of truly turned-on, highly educated, and exposed young people working in development.

In the majority of the countries we visited a diaspora has come into existence in the last 20 or so years. There is clearly potential in these external communities for an injection of new skills and new ideas into civil society and the development of their countries. But this potential is not being tapped in systematic or concerted ways.

---

[21] Ibid, p. ii

[22] Wood, J. and Fällman, K., 2013. "Official Donors' Engagement with Civil Society: Key Issues in 2012" in CIVICUS 2013 *State of Civil Society 2013: Creating an Enabling Environment*. see http://socs.civicus.org/wp-content/uploads/2013/04/2013StateofCivilSocietyReport_full.pdf, p.145

[23] See Rakesh Rajani, "How CSOs get it wrong and what we should do instead: Reflections from Tanzania," presentation to the Independent Africa Canada Forum on Aid Effectiveness, Quebec, 1 October 2007

We have noted a great need for change management in many organizations, including especially local government and national government units. Often the obstacles to enhanced capacity are not the lack of systems or skills, but resistance to change that occurs often at the top of organizations. More needs to be done to understand this phenomenon and address it.

Finally, our research also suggests a broad lack of innovation, rigorous thought, and capturing of knowledge amongst the local development community. While there are individual thought leaders, and here and there some viable think tanks and policy institutes, the CSOs engaged in development work do not spend enough time, do not have the time, and do not have the motivation to think rigorously about their work, to draw lessons from it, to apply lessons from the past or from other countries, or to document what they are doing. This, in our view, is one of the hidden obstacles to their effectiveness and one which donors could be addressing as a corrective to their traditional narrow focus on "projectization," which has played a role in restricting what we would call CSOs' "reflective space."

CAPACITY

In general we have been finding a great deal more extant capacity than we expected. While, as we have said, there are many organizations lacking in "1.0" capacity, they may have other capacities, harder to see or easily categorize, that approach the 2.0 or higher level. Passion, vision, leadership, courage, adaptability, a concern for the welfare of a particular constituency, detailed local social and cultural knowledge, are examples of these "softer" capacities. And it may be, as our research so far is suggesting, that these soft capacities correlate better than, or at least just as well with, effectiveness as the 1.0 capacities that remain the focus of those who wish to "build" capacity.

We are also concluding that it may be worth questioning certain 1.0 level organizational development assumptions, for example, that everyone needs a strategic plan, or a human resource policy manual, or a well-constituted board of directors; at the least, the assumption that these capacities are critical to success is worth investigating. Equally important to think about critically is the donor tendency to embrace capacity assessment frameworks that score organizations on a vast number of indicators (some of these frameworks have upwards of a hundred indicators) without noticing that there is hardly an organization anywhere that can possibly embody all of these, much less at a high level of achievement (including the donors themselves). The zeal for such frameworks and assessment tools has perhaps gotten out of hand, the result being a growing disconnect between what one believes ought to be, and what is realistic or "good enough."

We do not however dismiss all 1.0 capacities as unimportant. Indeed, virtually all the credible established local organizations we met recognize the need for financial management, governance systems, management information systems, and the like as the foundation stones for sound organizations. What we are finding however, is that while these are important, there are other capacities which may be more so. In any case, as for the basic 1.0 capacities, the most important conclusion so far is that there are many existing local options for developing these capacities –

from receiving training by local trainers and firms, to coaching and mentoring through exchanges among organizations, to incubator or "accelerator" approaches that encourage peer-to-peer learning. It is increasingly apparent that the need for outsiders to play a direct role in delivering such capacity is diminishing.

Moreover, as these countries become more and more internet linked, and a more people have access to new media and technologies, the opportunities to acquire and exchange basic 1.0 knowledge grows – there are potential innovations in using technology to deliver such capacities that are as yet unknown and untried, but surely will come.

The two most important tentative conclusions about capacity that we draw from our interviews are 1) the growing tendency of CSOs to ask for whose benefit 1.0 capacities ought to be learned, and 2) the rise of an anti-training movement – in short a major questioning of the current "how" of CD.

1) The question of CD for whose benefit is synonymous with the notion of the local CSO being seen as a donor instrument. More CSOs want to turn this around. There is resistance to the idea that CD amounts to attending workshops to learn the complex and time consuming methods of complying with pages of donor rules, many of which are seen as not really applicable to local organizations. While CSOs recognize the universal rule of "he who pays, plays;" that if one takes money from a donor, the donor has some right to impose conditions, they ask why things cannot be more reasonably attuned to who they are and to their environment.

   More important, the deeper question arises of whether the donor sincerely wants to help civil society play an effective role after the donors leave. If so, much more attention needs to be paid to the life and challenges of the CSO as an organization, and not just as a grantee implementer of a project.

2) Practically everywhere we have found a growing anti-training sentiment. The widespread elucidation of the negative role played by the 'sitting allowance' – Tanzania provides an excellent example – suggests that more and more people see that training risks becoming a pale substitute for real learning.[24] Our research also corroborates the hypothesis that the ways people learn, from small children to adult students, have much to offer the development establishment about alternatives to training. These include the importance of regular feedback, the importance of trial and error, the importance of trust, the importance of learning as you go, of problem-based learning, and generally the importance of horizontal rather than vertical methods of transferring knowledge, for example, peer to peer learning, or as David Ellerman puts it, "guide by the side" as opposed to "sage on a stage."

[24] See for example the Norad study undertaken in Malawi, Tanzania and Ethiopia - "Hunting for Per Diem - The Uses and Abuses of Travel Compensation in Three Developing Countries," NORAD Report 2/2012. See also "Reforming Allowances: A Win-Win Approach to Improved Service Delivery, Higher Salaries for Civil Servants and Saving Money," Policy Forum, Dar es Salaam, September, 2009

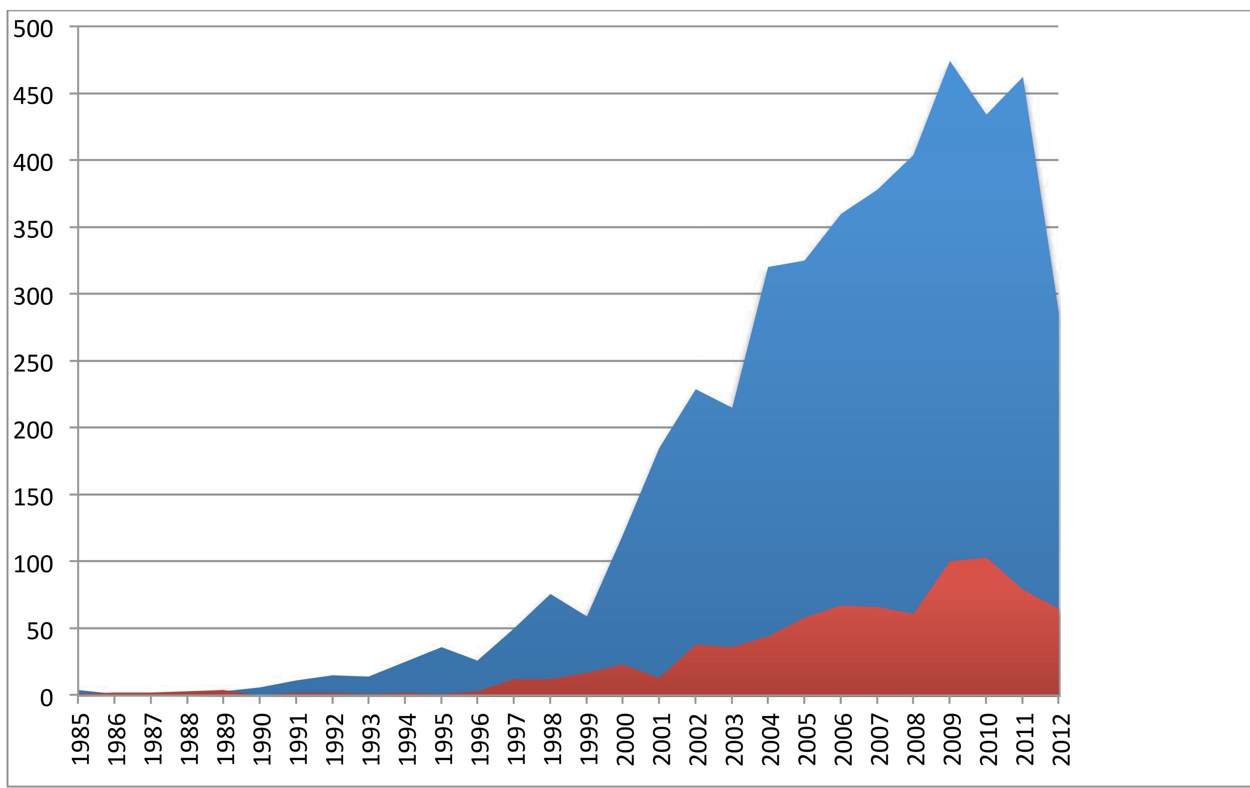
The implications of these findings for USAID Forward include the major question of whether a mission ought to approach country systems strengthening – especially working with civil society – in wholesale or retail fashion or some combination of both. The core issue is quality. Right now most USAID Missions do not feel they can take on direct relationships with local CSOs and other entities, unless they stretch even more thinly their own human and time resources – what many Mission Directors lament as the "management burden" issue – and thus admittedly are not likely to do justice to the core concerns emerging in the study of LCD.

In the recommendations at the end of this report we will talk about a different approach to assessing risk, different metrics to assess capacity, and especially of the need to learn more about the capacities that seem to count most for effectiveness as an organization, rather than only as a USAID implementation partner, namely those 2.0 and 3.0 capacities which may be best developed organically, with a light-handed approach supported by the donor, that is, more fostering and facilitating and less "doing."

Finally, USAID needs in each context to be able to accept that if there are organizations that are not yet able to master even the 1.0 capacities, they are perhaps best left alone.

2. A REVIEW OF THE LITERATURE ON CAPACITY DEVELOPMENT – WHAT IS IT TELLING US?

The first thing to note is how much has been written on the subject of CD over the last 30 years. In the chart we compiled below, the blue represents the number of publications with the words "Capacity Building" in the title; the red the number with the words "Capacity Development."[25]



While this type of keyword search is of course only a rough indicator of trends, it seems clear that there has been dramatic growth in the interest in the subject in the decade from about 1999 to 2010. Besides "fadism" (which ought not to be dismissed) there could be a correlation with the post 9/11 aid industry rise in funding as well as the rise of the aid effectiveness agenda after 2005. As for what appears to be a dropping off in the last couple of years, it is too early to tell if this is a meaningful trend; if, for example, this is a matter of saturation.

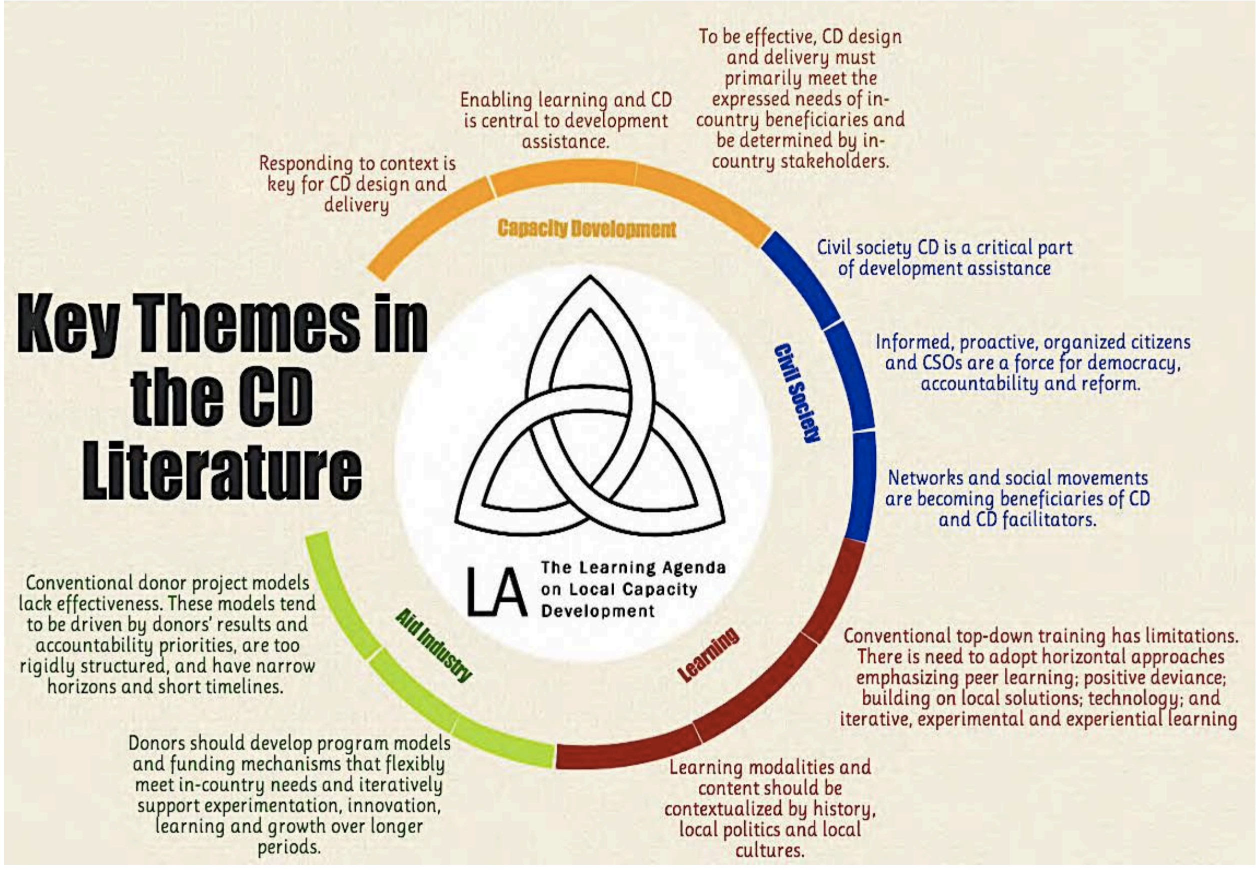
But what is important is the sheer accumulation of what appear to be thousands of publications that touch on the subject (albeit many are directed at corporate sector CD). It should not be a surprise, then, that there has been much duplication and repetition (major donors, as we point out elsewhere in this report, have each done their own extensive research on the capacity development needs of, and effects on their grantees (UNDP, the Dutch, the British, the World Bank etc.); and that there is a striking commonality of themes. Perhaps most important, despite the common themes and the long history of the discussion on capacity development, we in the development field do not appear to have translated much of what has been said into actual

[25] Chart researched and designed by Jamie Beck

operations; into how we do business. We will address later on possible reasons for this, but let us continue looking at what has been said.

BROAD THEMES FROM THE LITERATURE

We collected and read about 250 items from what we can call the "corpus" of literature on capacity development: papers, articles, manuals, guides, research studies, case histories, and a few books. Based on that reading, the graphic below represents the most common themes that emerged on the following broad topics: capacity development, civil society, learning, and the aid industry.



More specifically:

- Almost all note the difficulty in defining capacity; the need to ask capacity for what? capacity in what? etc.
- Almost all talk about the need for systems approaches to CD analyses
- Almost all talk about the need for multi-stakeholder approaches to CD
- Almost all refer to the need to see organizational capacity dynamically

- Almost all refer to the importance of context (and to some extent culture) in looking at local capacity 'needs'

- Virtually all say that capacity development takes time – more than we usually give it – and that there is no one-size fits all

- Some point to the distinction between what the ECDPM study (quoted below) calls the "hard" vs. the "soft" dimensions of CD – the hard being what we refer to as the standard package approach or what we are calling "Capacity 1.0" (financial management, HR systems, strategic planning, communication and marketing, M&E, etc.) the soft being "2.0" (or even "3.0") capabilities like the "5Cs"[26] We could also call these "first order" vs. "higher order" capacities. Here, for example are:

The 5Cs
The capability to act and commit The capability to deliver on development objectives The capability to adapt and self-renew The capability to relate to external stakeholders The capability to achieve coherence

- Many papers and studies offer variants on such critical capabilities as the 5Cs, with some offering important differences, but what is clear is that the state of the art thinking about CD has moved *beyond* the standard 1.0 realm to something more challenging, less easy to harness, and most important less easy to "train." These are the "softer" capacities like the 5Cs, and other capacities that fall in the realm of organizational culture and character, such as passion, vision, and the capacity (including the space and time) to reflect and think

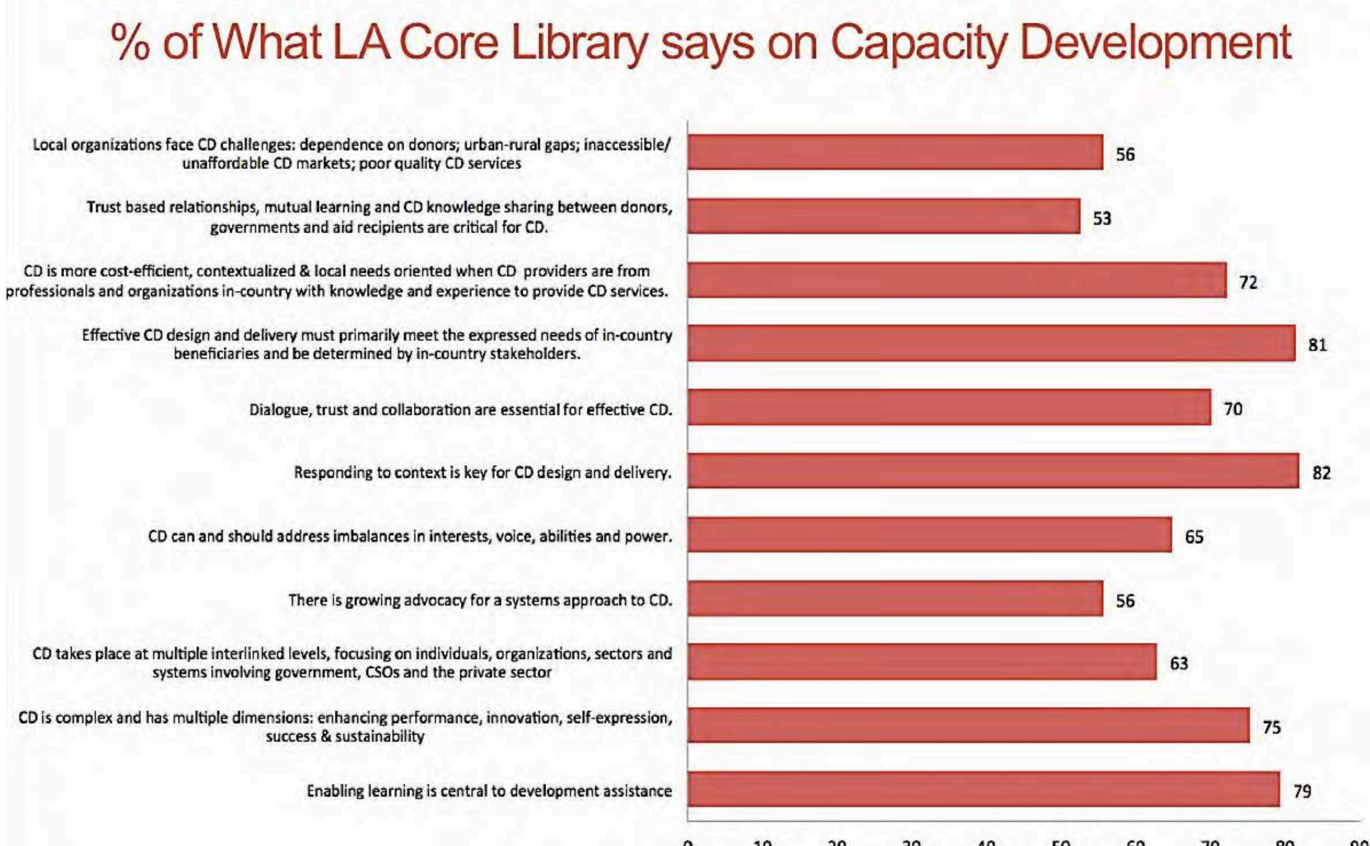
- Almost all talk about the dangers of donors distorting the CSOs' missions, and ignoring a fundamental challenge – the sustainability of CSOs as organizations in their own right. Much of the literature that brings up the donors' role both in fostering and possibly obstructing capacity development notes the growing volatility and unpredictability of donor priorities and how this poses a challenge for CSOs

- Finally some of the literature moves into the realm of thinking in terms of assets rather than needs or deficits – criticizing what they see as the pre-dominant donor stance – a deficit view of local organizational capacity, and even citing the harmful effects of such a view.[27]

A COMPENDIUM OF THE STATE OF THE ART IN THE LITERATURE

[26] See Heather Baser & Peter Morgan, Op.Cit. 2008
[27] See for example the work of John L. McKnight and John P. Kretzman of the Institute for Policy Research at Northwestern in the 1990s, on U.S. domestic poverty programs, in particular their paper on Mapping Community Capacity" 1990, p 20-21, on neighborhood asset maps

Among the corpus of literature that focuses specifically on capacity development issues, the following sub-themes emerge:



Because it states the issue of common themes quite well, as well as noting some of them, it is worth quoting at length from a 2011 study done by the ECDPM in the Netherlands:

> *"One defining characteristic of development cooperation is the lack of common agreement on many terms which form the basis of its core business. Examples are poverty, growth and indeed development. Capacity development is no exception. A medium-sized library can be filled with studies looking into the concept of capacity and how it develops over time. [...] Given the significant investment made in capacity development, the lack of an agreed concept and adequate policy discussion is worrying. Nevertheless, available theoretical and empirical studies - as well as policy statements – indicate a growing consensus on a few basic assumptions. [...]*
>
> ***Capacity is a multi-faceted phenomenon***. *It is based on different competencies or capabilities that combine and interact to shape the overall capacity of a purposeful human system. Ways in which elements are present and combine can vary enormously within and between types of organisation. Generalisations should be made only with great care,*

placing more trust in those that derive from experience with the type of entity or entities one is working with.

*Single organisations, a group of organisations, social institutions or a sector should be seen as '**living and dynamic systems**'. This perspective stresses the need to understand not only concrete observable features of organisations, but also the more intangible dimensions and connections. Working on capacity development requires making both visible.*

*The **uncertain, 'emergent' nature of capacity** also implies that its development is unlikely to be a linear, well-planned, predictable process. Consequently, active observation of changes and responsiveness are important.*

*A practitioner needs to be **conscious about the framework and specific dimensions that one uses and the assumptions** one relies on. Such self-understanding positions the practitioner in relation to the frames used by others, which may be very different.*

*The lens employed to see and read an organisation in its history and context makes a big difference: in diagnosis, in negotiation and selection of remedies, in accountability for and commitment to change, and so on. Identifying adequate action requires a **robust and inclusive understanding of a situation**.*

*Given that capacity is a highly relational concept, a sub-theme is that **power matters**. Practitioners need to be aware of what types of power are in play, where they are located and how they are applied."*[28]

As for direct advice for donors, here is what the ECDPM Paper says:

- *"Be aware of and prepared for the fact that capacity development can create anxiety as well as enthusiasm.*
- *Aid relationships involve differences in power. External 'encouragement' of change can be perceived as a requirement for support that can undermine ownership and trust. Honest discussion about power can promote relational mutuality.*
- *Addressing capacity development requires increased investments. It will need to be seen as a speciality requiring dedicated resources.*
- *Time must be invested to explain and explore the 5Cs framework with stakeholders and to make it context-specific.*
- *Building and sustaining good relations among stakeholders is a prerequisite to apply the 5Cs framework.*
- *Capacity development requires incremental planning processes.*
- *It requires organisational incentives to encourage staff to take part in the process, including encouraging, effective leadership to help groups to work together Engaging stakeholders in building the common plan, defining their positions, in dialogues with other*

[28] "Bringing the invisible into perspective - Reference document for using the 5Cs framework to plan, monitor and evaluate capacity and results of capacity development processes," ECDPM, Maastricht, the Netherlands, December 2011, p.7

parties to ultimately develop a shared analysis and shared action.

- *Be aware of the formal and informal processes that can shape and modify patterns of ownership over time. This implies having a good understanding of the context and of stakeholder interests and influence, and staying engaged."*[29]

Among the best and most forceful recent papers on CD is one done by LenCD for the OECD which puts donors squarely at the center of the issue and notes how challenging the changes they need to make will be.

> *"[…]if donors are to embrace the emerging consensus for fundamental change, they will need to practise the changes that they hope to see in the rest of the sector, but this will not be easy. For example:*

- *Changing the incentive structure calls for a very substantial change in the way donors work.*
- *Moving beyond RBM [Results based management] approaches to those that reflect complexity and emergence will require risk taking and a significant shift towards longer-term perspectives on CD.*
- *Donors have to demonstrate that they are changing in response to lessons learned if they want others to do the same.*
- *If donors accept that a significant understanding of local culture and context is a prerequisite to effectiveness, they must also accept that acquiring such an understanding takes time. At present donors are not willing to pay for providers to have that time.*
- *Donors can only ensure that the service providers they fund have a good-enough knowledge of local culture and context if they have it themselves, which has implications for donor agency practices of mission postings, career progressions and so on.*
- *Donors need to recognise that their presence and power complicate and sometimes constrain the relationship between the beneficiaries and service providers, which can have a detrimental effect on both process and outcomes."*[30]

The LenCD paper is also one of the few to confront the current embrace of Results Based Management (aka "evidence-based," aka the use of "Randomized Control Trials") pointing out that it is not all that useful when applied to the complexities of development.

> *"At the simpler/lower levels of systems and their capacity needs RBM approaches can be helpful. The relevance and usefulness of RBM decreases as the complexity of the system increases."*

And here is what a 2009 paper on the NEPAD Capacity Building Framework, cites as the key needs for donors wishing to work in CD:

> *"Promote the adoption of a comprehensive and integrated approach to capacity development that takes into account the totality of organizational dynamics and its functioning;*
>
> *Enhance and expand the quality of leadership to ensure that every individual and/or*

[29] Ibid, p 22

[30] Jenny Pearson, "Training and Beyond: Seeking Better Practices for Capacity Development," January 2011, Learning Network on Capacity Development (Len CD)

institution assumes responsibility for their role in ensuring the attainment of set development goals;

Promote the creation of an enabling environment and organisational processes and systems aimed at unlocking the resourcefulness and creativity of Africans at an individual and institutional level and collective level;

Foster a culture that induces the spirit of responsibility, mutual accountability and unwavering commitment to performance excellence across the public sector, private sector and civil society;

Build networks and constituencies of expertise within and beyond Africa for experience sharing and ongoing mutual learning"[31]

Virtually every point made in the above cited works cited above is reflected by our fieldwork in nine countries. Variations on these points were made repeatedly by people we spoke with. And, as we said earlier, many donors, including USAID, have taken on many of these ideas in their written statements of intention or policy. But as we have noted earlier, they have either not seen or not accepted the full implications of these ideas in terms of the necessary changes in their culture and operations.

THE LITERATURE IS MOVING TOWARDS ACCEPTING A "MODIFIED BLACK BOX" ON CD

It is possible to summarize the above cited works, along with many others that seem to us to represent the "state of the art" on organizational capacity, as converging on a view that amounts to a *modified black box*. In this view much of organizational capacity is about soft factors, somewhat hidden, hard to grasp and assess; a view in which CD is a non-linear process, inherently unstable and changeable; a view that CD is so intertwined with context and the enabling environment in which organizations exist that sorting out attribution in CD evaluation (the donor concern to find CD Indicators) is not possible. And to the extent that the literature tries to see a bit into the black box it moves way beyond the "1.0" level of organizational capacity, an idealized level where tools and technically rational systems count (administrative control systems, structures, human resource policies, strategic plans, board composition), and converges around Capacity 2.0, as in the 5C's above, and on to Capacity 3.0, the even softer but essential level we would call organizational "culture."[32] And all of this is added on to what CD thinkers have been saying for some time – capacity development takes time, and moreover, may not require others to do it – many organizations can and do develop their own capacities.[33]

---

[31] Lawrencia Adams, Consultant, Ghana, "Building an Africa Learning Platform on Capacity Development – Achieving the Capacity Development Priorities in the Accra Agenda for Action – Design Options," paper commissioned by the OECD DAC, August 2009, p.9

[32] Merilee S. Grindle, "Divergent Cultures? When Public Organizations Perform Well in Developing Countries," World Development, Vol 25, No 4., 1997. This study focused on 29 organizations in 6 countries, and determined that "organizational culture" was the key variable in accounting for good performance

[33] "Echoes from the Field, Proven Capacity-Building Principles for Nonprofits," A collaboration between The Environmental Support Center and Innovation Network, Inc. funded by the David and Lucile Packard Foundation,

Because of the growing implicit acceptance of the *modified black box*, those who would then address the practical question of how we as practitioners can be of help, recommend muddling through – quite the opposite of basing our actions on templates or frameworks: =

> *"This often implies that incremental "muddling through" is the best alternative; testing, trying and adapting approaches along the road, and accepting that the risk of failure is high. […] That implies sometimes doing less, sometimes doing more for CD. First of all, it demands a more managerial, strategic and dynamic look at CD and change, requiring that country and development partners change the mental mode in which they traditionally dialogue about and deal with capacity issues as if it was mainly a technical issue."*[34]

We see similar themes and emphases in works like Merilee Grindle's "Analytics of Next Steps" [35]; Andrews, Pritchett and Woolcock's "Problem driven iterative adaptation,"[36] Owen Barder's call for wholesale experimentation;[37] Donald Schon's work on reflective practice,[38] Chris Argyris' discussion of single and double loop learning, David Ellerman's work on horizontal learning and so on. And of course if we go back a century to John Dewey, we are reminded that not much is new, for there we see reflected the notion of learning by doing, of the oscillation between adaptation, reflection, action, failure, and trying again.

We can sum up these convergences by saying that the real world – complex, messy and unpredictable – is making a comeback. Indeed, it is largely because we in development (many donors especially) are so uncomfortable with (and more important, organizationally unprepared for) "messiness" that we keep hoping for templates and frameworks to ease our unhappy sense of disorder. Our research and the best of the literature on CD are telling us, however, that such a temptation ought to be avoided. And to be sure that we do not get too hopeful about the prospects of being rescued by frameworks and templates, there is the growing literature on complexity to remind us to learn to live with the mess, indeed to embrace it. Here, for example are Snowden and Kurtz, who question three assumptions, ones that seem to underlie our old habits in capacity development

> *"The assumption of order: that there are underlying relationships between cause and effect in human interactions and markets, which are capable of discovery and empirical verification. In consequence, it is possible to produce prescriptive and predictive models and design interventions that allow us to achieve goals. This implies "best practice." [...] It also implies that there must be a right or ideal way of doing things.*

---

no date

[34] LenCD Perspectives Note prepared in 2011 for the Busan High-level Forum. See also ECDPM, 2006, and Baser & Morgan, 2008

[35] See Merilee Grindle, "Governance Reform: The New Analytics of Next Steps," in Governance: An International Journal of Policy, Administration, and Institutions, Vol 24, No. 3, July 2011 (pp 415-418)

[36] Matt Andrews, Lant Pritchett, Michael Woolcock "Escaping Capability Traps through Problem Driven Iterative Adaptation (PDIA)," CID Working Paper No. 239, June 2012

[37] Owen Barder, "Complexity, Adaptation and Results," Sept 7, 2012 in the Blog - Global Development: Views from the Center

[38] Donald A. Schon, Educating The Reflective Practitioner, San Francisco, Jossey-Bass, 1990

The assumption of rational choice: that faced with a choice between one or more alternatives, human actors will make a "rational" decision based only on minimizing pain or maximizing pleasure.

The assumption of intentional capability: that the acquisition of capability indicates an intention to use that capability, and that actions from competitors, populations, nation states, communities, or whatever collective identity is under consideration are the result of intentional behavior. In effect, we assume that every "blink" we see is a "wink," and act accordingly. We accept that we do things by accident, but assume that others do things deliberately."

They conclude that:

> *"…in decision-making at both policy-making and operational levels, we are increasingly coming to deal with situations where these assumptions are not true, but the tools and techniques which are commonly available assume that they are."*[39]

Therein lies the gap we need to mind. Frameworks and templates are ill-suited to realms such as capacity development where assumptions like the three cited in the above (and probably others) are simply not true.

THE TENSION BETWEEN THE "MODIFIED BLACK BOX" AND THE RESIDUAL WISH FOR TOOLKITS

Having pointed to some of the "state of the art" thinking on CD, those works are still in the minority. A lot of the literature on CD tends to want to reconcile the irreconcilable – on the one hand there is an acceptance of a non-linear, iterative approach to CD, and on the other hand a desire to box it all neatly in a toolkit. Quite a bit of what we found in the CD literature are manuals, or manual-like – guidelines and toolkits for capacity development; "how tos" on what the steps are, or what the ideal attributes are to becoming a certain kind or type of organization.[40]

Even in the case of the writing on the 5Cs, for example, there is a tendency to idealize the attributes needed to maximize those capabilities. Take the **capability to adapt and self-renew**. The ECDPM paper says that

> *"The ability of an organisation to learn internally and to adjust to shifting contexts and relevant trends is mostly influenced by the following factors: Internal openness to learning (including acknowledgment of mistakes); Active pursuit of internal (organisational) learning on performance and strategy; Confidence to change: leaving room for diversity,*

[39] "The new dynamics of strategy: Sense-making in a complex and complicated world," by C. F. Kurtz, D. J. Snowden, IBM Systems Journal, Vol 42, No. 3, 2003

[40] See for example the nine page manual in the series "Problems in Managing Organisations; *Governing and Managing Organisations, Guidelines for AKDN's work with CSOs, No. 1* (Aga Khan Development Network, no date), or the 223 page *"Capacity building for local NGOs, A guidance manual for good practice,"* London, United Kingdom, The Catholic Institute for International Relations, 2005; or the 159 page *"Establishing and Running an Advocacy NGO: A Handbook,"* by Richard Holloway, PACT, Inc. 1998; or the 144 page *"Enhancing Organizational Performance; A Toolbox for Self-Assessment,"* Charles Lusthaus, Marie-Helene Adrien, Gary Anderson and Fred Carden, The International Development Research Centre, Ottawa, Canada, 1999

flexibility and creativity; Ability to analyse current political trends, awareness of external market development, and understand the consequences for the organisation; Use of opportunities and incentives."

But hardly any organizations (if any at all) of even the best and most mature sort have those attributes. Two things seem to underlie this normative quest; one is the unwillingness to concede that in the real world something may be "good enough;" the other is the lack of the humility to ask if we ourselves in the North have any organizational exemplars of such capacities and attributes in their fullest form.

In any case there are real world factors that seem to prevent a full actualization of such attributes in the developing countries. In the case of CSOs, donor fickleness for example – the tendency to change priorities and emphases every few years or so, and about which we heard much in our fieldwork – plays a role in preventing those attributes from developing. Whereas ideally, as the ECDPM Paper would have it, organizational *performance impacts on attractiveness for funders*[41] in reality it is more often the case that funders do not often look at performance in any systematic or rigorous way. They tend to choose organizations in more ad hoc fashion than they believe, taking a pat of least resistance by looking always at the 'usual suspects."

THE LITERATURE ON CIVIL SOCIETY

Here too we find a broad similarity between much of what is written and our findings from the field research. The best example is perhaps the report by CIVICUS in 2012 on the state of Civil Society in 2011 (based on 30 country profiles). It states among other things:

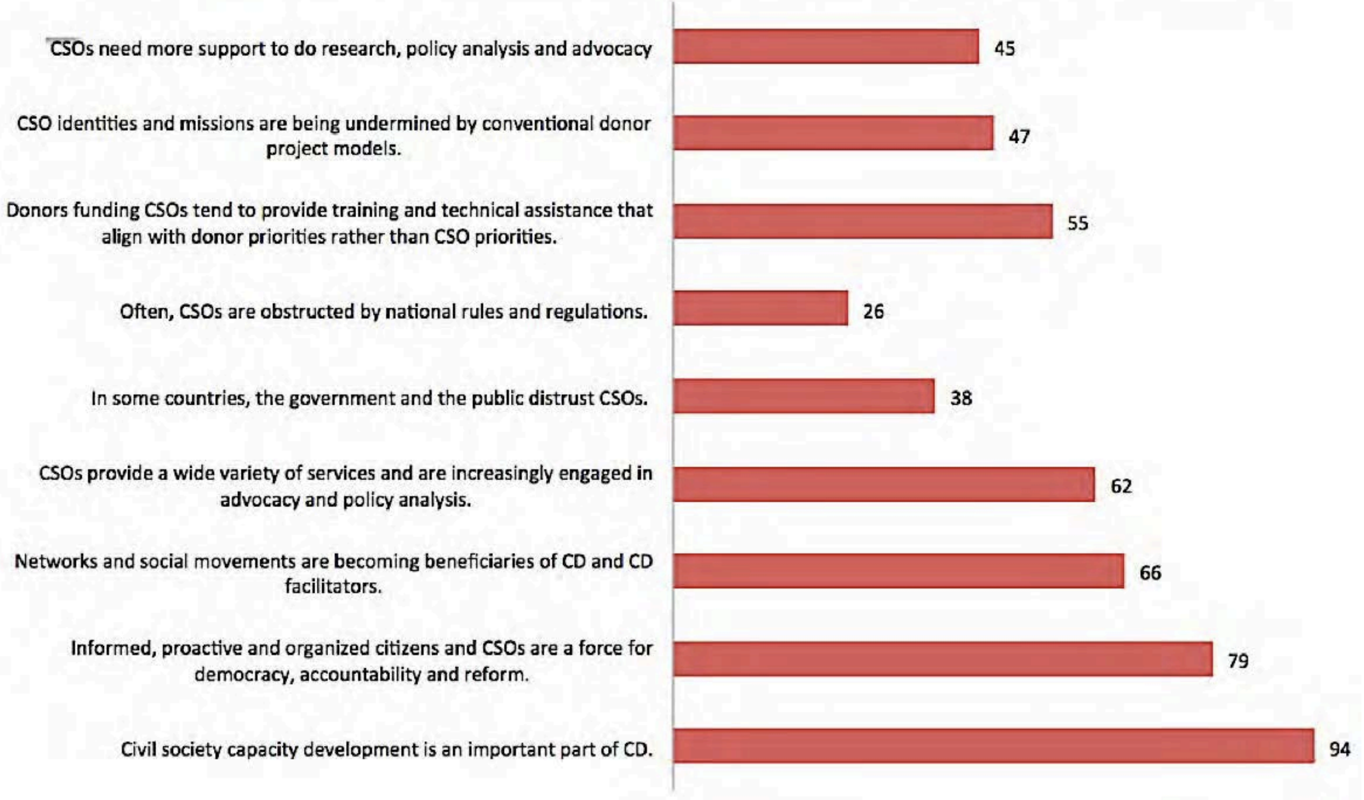
- *"Civil society space is volatile and changing;*
- *State-civil society relations are limited and mostly unsatisfactory;*
- *Financial and human resource challenges for CSOs are continuing and in some cases worsening;*
- *There is often a gap between CSOs' articulation of values and their internal practice of them;*
- *Networking is insufficient, with significant gaps in international connections and civil society-private sector relationships;*
- *CSOs achieve greater impact in the social sphere than in influencing policy, and there is a gap between high levels of activity and moderate levels of impact;"*[42]

These are the same conclusions we draw from our work in Morocco, Moldova, Sri Lanka, Jamaica, Peru, Nepal, and Tanzania, Kenya and the Philippines.

---

[41] Op.Cit., ECDPM, p.16-17

[42] "State of Civil Society," 2011, CIVICUS, Johannesburg, SA, April 2012, p. 10



The chart shows the percentage of core literature items that reflect each theme on civil society.

Other common themes in the literature on civil society organizations are:

- Ambivalence about their role vis-a-vis the state
- Loss of status and legitimacy in the eyes of the public
- NGO "particularism" where NGOs' focus is restricted to their own interests or constituents and thus do not see the larger picture
- Lack of scale
- A fragmented sector, jealousies and competition prevent networking and cooperation
- The dilemma of dual clienthood – being both beholden to intended target populations and to donors

The last two are expressed in a number of papers, articles and studies. Here is what Brown and Kalegaonkar have to say in a paper from 2002:

> "*The beneficiaries of development NGO activities are typically different from those who provide material support, so NGOs are accountable to multiple constituents. These multiple accountabilities are further complicated by the difficulty of measuring development impacts in clear and simple terms. So the sector remains vulnerable to*

questions about accountability or responsiveness to their primary constituencies."[43]

"The rise of civil society actors organized around diverse values and visions can create a sector of great richness and complexity. Sector pluralism, however, can also lead to mutual misunderstanding, destructive competition, missed opportunities for coordination and synergy, and failures to articulate shared strategies required for influencing larger actors. The capacity of development NGOs to carry out campaigns to influence national-level policies, for example, can be seriously undermined by fragmentation among civil society constituents. Strongly value-based NGOs often perceive other NGOs with slightly different perspectives as fundamentally alien, even when external observers might regard their differences as trivial. For instance, development NGOs in the Philippines for years regarded their ideological differences as a bar to cooperation and so missed opportunities to press for policy changes that might have been achieved by a united front. The problem of scarce resources can exacerbate fragmentation, as agencies compete with one another for limited resources."[44]

The pros and cons of relationships with international donors are noted often. On the pro side grantees gain clout and legitimacy in certain constituents' eyes, but on the con side donor dependency and the "projectization" syndrome (living from project to project) are frequently cited. Less cited, but still fairly often, is the danger that foreign funding leads to accusations of being foreign agents. The power differential between grantee and grantor is also brought up frequently, as we noted earlier in reviewing some of the literature on capacity development per se.

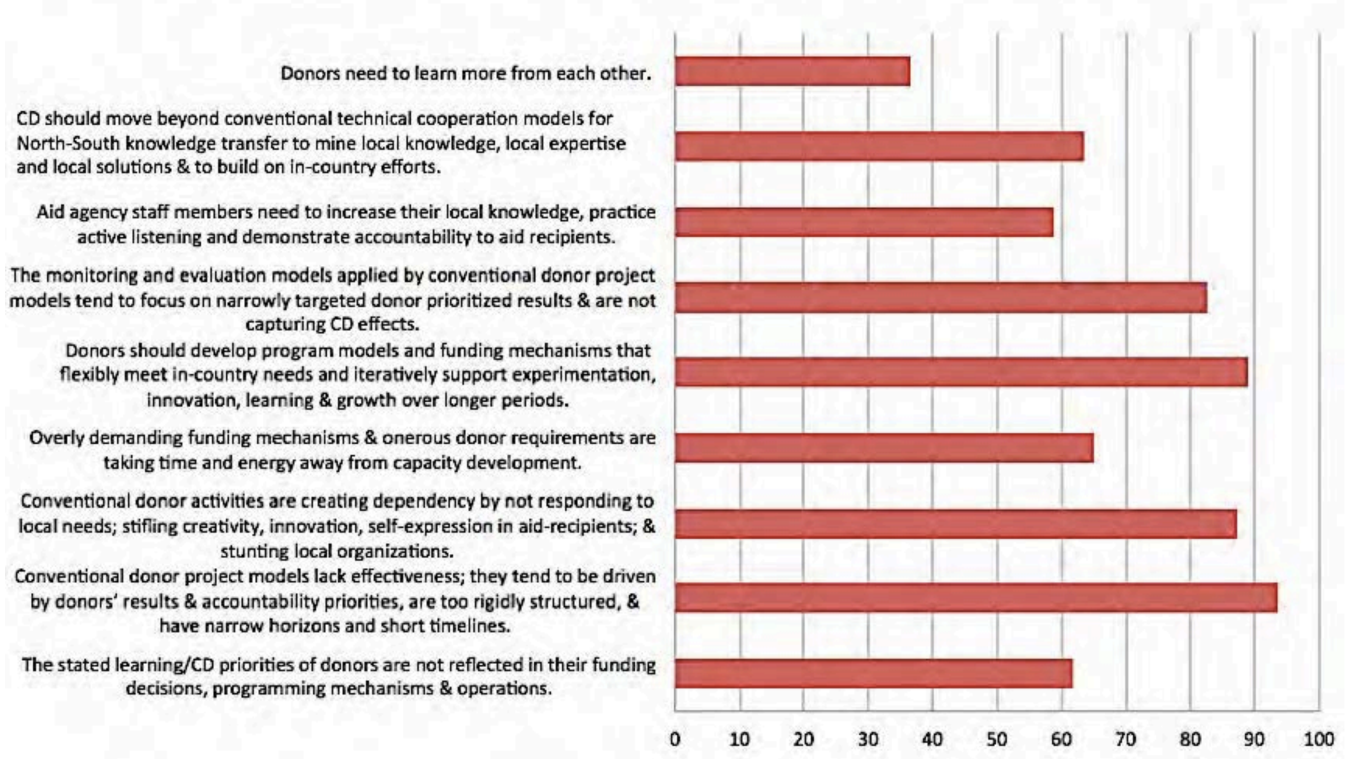
These donor-related issues are summed up in the Civicus report of 2012:

"[…] the civil society perspective on the funding they receive from donors is quite pessimistic. Donor support to CSOs seems to have levelled at best, and there is a greater tendency to channel support through CSOs for the implementation of donor projects rather than to projects initiated by CSOs themselves. There also seems to be growing influence of domestic political concerns on donor agendas. Many CSOs report declining funding, volatility and changing prioritisation of donors, and in response are giving more attention to fundraising and diversification of funding sources, particularly non-donor sources."[45]

---

[43] L. David Brown and Archana Kalegaonkar, "Support Organizations and the Evolution of the NGO Sector," *Nonprofit and Voluntary Sector Quarterly,* 2002, 31: 231
[44] Ibid., p. 236
[45] CIVICUS, 2012, p. 112. (On the international funding situation for CSOs, see especially pp 118-125.

WHAT THE LITERATURE IS SAYING AND THE GAP BETWEEN IT AND HOW WE AS DONORS AND PRACTITIONERS DO THINGS



The chart shows the percentage of core literature items that reflect each theme on aid industry issues.

Perhaps at the heart of the gap between theory and practice is a conceptual habit in our industry – the tendency to prefer deductive rather than inductive thinking and research approaches.[46] That is to say, we begin our work by imagining what something ought to be, and then construct our plan and program accordingly. This would explain the normative, idealized nature of our capacity frameworks and toolkits and seems to get us further away from dealing with how things actually are. As anthropologist Gregory Bateson once said:

> *"The major problems in the world are the result of the difference between how nature works and the way people think."*

This somewhat natural tendency also leads us to a kind of perfectionism and that too helps explain why we do not make much progress in bridging the gap between theory and practice. In contrast, a "next steps," "iterative," "good enough" approach to capacity development, if not to most development interventions themselves, is called for, and a growing number of recent papers

[46] See the LA Guideline #3 on methodology for a discussion of the difference

(some of which we cited earlier) point clearly in that direction. Here for example is what Andrews, Pritchett and Woolcock say in their paper from 2012:

> *"The emphasis on form (what organizations 'look like') over function (what they actually 'do') is a crucial characteristic of the capability trap facing many developing countries. […] The basic message must be that interventions are successful if they empower a constant process through which agents make organizations better performers, regardless of the forms adopted to effect such change. The politics of this re-focusing recommendation are obviously complex. They require, for instance, challenging perspectives about when and how to tie development funding to reform results, asking if external agents and solutions can build local state capabilities, and clarifying whether and how local agents and solutions should play a greater role in their own development. They may also entail adopting reforms that, at least initially, powerful critics can deride as unprofessional (promoting non-'best-practice solutions'), inefficient ('reinventing the wheel'), even potentially unethical (failing to meet 'global standards'). These are far from idle concerns."*[47]
>
> *"[…] we are reminded of theoretical arguments about how policy and institutional solutions often emerge; as a puzzle, over time, given the accumulation of many individual pieces. Modern versions of such a perspective are commonly called incrementalism or gradualism, and attributed primarily to Lindblom (1959), who famously referred to these processes as 'muddling through.' The approach holds that groups typically 'find' institutional solutions through a series of small, incremental steps, especially when these involve 'positive deviations' from extant realities."*[48]

There are two other habits that help explain our resistance to shifting to a more iterative approach to CD. The first is an old one, cited by David Korten over 30 years ago, and that is our tendency to "engineer" development (and by extension CD). He refers to this as our "blueprint" approach, which he links to our predilection for the "project" as the main vehicle of intervention.

> *"Though many national and international agencies claim commitment to participative approaches to helping the rural poor, little progress has been made in translating ambitious plans into effective action. The record of earlier community development and cooperative efforts is largely a history of failure, resulting more often in strengthening the position of traditional elites than in integrating poorer elements into the national development process. Many current calls for involvement of the rural poor are little more than wishful thinking, inadequately informed by past experience as to the investments in institutional innovation required to give reality to an important idea. The prevailing blueprint approach to development programming with its emphasis on detailed pre-planning and time bounded projects is itself cited as an important impediment."*[49]

The second habit is a bit newer, and mixes our engineering mind-set and our project preference, with the new emphasis on quick and measurable results. Here we get what Alnoor Ebrahim calls

---

[47] "Escaping Capability Traps through Problem Driven Iterative Adaptation (PDIA)," Matt Andrews, Lant Pritchett, Michael Woolcock, CID Working Paper No. 239, June 2012, pp 8-9

[48] Ibid., p. 14

[49] David C. Korten, "Community Organization and Rural Development: A Learning Process Approach," Public Administration Review, Sept-Oct, 1980, p 480

"accountability myopia," where a concern to measure and evaluate the work of CSOs/NGOs over the short term gets in the way of organizational learning, especially for small and local organizations. He says for example,

> *"[…] accountability is also about power, in that asymmetries in resources become important in influencing who is able to hold whom accountable. It is inescapable that NPOs [Non Profit Organizations] are accountable to numerous actors (upward to patrons, downward to clients, and internally to themselves and their missions). These relations may be said to form a system of accountability. Within this system, the dominant emphasis remains largely on accountability of NGOs to donors or patrons (i.e., upward accountability). This focus can thus be seen as myopic in two respects. First, it privileges one kind of accountability relation over a broader accountability system. Mechanisms for holding NGOs accountable to funders, for example, can overshadow or marginalize mechanisms for holding NGOs accountable to communities or to their own missions. In other words, this myopia focuses attention on funders and external stakeholder demands rather than on NGO missions and theories of social change."*[50]
>
> *"For the most part, appraisals by funders tend to focus on products – they are short-term and emphasize easily measurable and quantifiable results over more ambiguous and less tangible change in social and political processes. Such measurement, often operationalized through a method known as "logical framework analysis," has important implications for accountability. Edwards and Hulme (1996) suggest that the wide use of logical frameworks and their derivatives may "distort accountability by overemphasizing short-term quantitative targets and favoring hierarchical management structures" (p. 968)."*[51]

Sanjay Reddy, an economist and anthropologist at the New School, also argues that the reality of development and our methods for assessing and understanding are not aligned.

> *"Perhaps most fundamentally, however, the concept of an intervention gains its currency from an engineering approach, in which intervenors within a system are viewed as standing outside it and their possible actions are well-defined without reference to how the system acts upon the interventions. […] Explanatorily, it is at odds with a non-mechanistic understanding of society, in which all actions are defined as well as outcomes shaped by complex and often unpredictable processes of mutual interaction.*
>
> *This is not to say that one must throw up one's hands. Rather, by examining the political economy of individual cases through deeper contextual and historical investigation, comparing such cases across space and time to understand possible variations, tracing the individual processes that are at play and recognising their commonalities, one can begin to understand how and why policies do or do not work, and go beyond the conclusion that "it is complicated." Even those who are committed to a more sophisticated mode of analysis must strive to identify policies that do and do not work, and why, without simply reproducing ideological presuppositions. The large number of respects in which cases can vary and the small number of cases available for study, as well as the fact that non-deterministic factors operate in each case, imply that judgment*

[50] Alnoor Ebrahim, "Accountability Myopia: Losing Sight of Organizational Learning," Non Profit and Voluntary Sector Quarterly, Vol 34, No 1, March 2005, p. 60
[51] Ibid., p. 64

will necessarily be involved in such an exercise. This is not an embarrassment but rather the very condition of confronting reality."[52]

AN ANTHROPOLOGICAL CRITIQUE – AID AGENCIES CONSTRUCT REALITY TO FIT WHAT THEY CAN DO MOST EASILY, NOT WHAT NEEDS TO BE DONE

In April 2013 the Institute of Development Studies at the University of Sussex (UK) held a Big Push Forward Conference over three days, the title of which was "The Politics of Evidence" and produced a couple of dozen papers, many interestingly by anthropologists who study development critically.[53]

Their critique, which applies equally to capacity development, is that development aid justifies its purposes by "constructing" its own version of the problem set(s) it is there to solve. This construction, as Mosse and others put it, of what is "good to think" is essentially a reality designed to fit what aid agencies can and usually must do, which is move money. Since the best way to move it – best in terms of accounting for it, in terms of measuring it, in terms of spending it in a scheduled "burn rate" way – is to create development packages and deliver them, the reality needs to be suitable for such packages; and has to fit what the aid industry can have some control over. Since politics, aspects of culture, and some influences that come from outside the country do not fall easily under the aid industry's control, this critique says, they can by and large be ignored.

As a result the dominant aid industry vocabulary is by now familiar: "Delivery, Packages, Technological Solutions, Measurable Results, What Works, Value for money," and so on.

The conference papers noted also that this lexicon comes out of a view of engineered solutions, thus a natural match with technocratic skills, and a good fit with an underlying assumption in development work of finality – each problem worked on will be fixed, and then we move on to the next one.

A look at how new talent for the industry is trained suggests that this technocratic bias is not likely to disappear. Whereas in the world of business there has been a recognition that people with degrees in philosophy, English majors, anthropologists, political science majors, may well have something to contribute equal to or greater than highly trained MBAs, in the development field, we seem to move in the other direction. Degrees for those seeking a professional career in development are now quite specialized. One can now get a degree, for example, in "International Educational Development, with a Policy concentration" (Columbia), or "International Relations with a major in International Food Security, Culture, and Sustainability" (Georgetown).

---

[52] Sanjay G. Reddy, "Randomise This! On Poor Economics," Review of Agrarian Studies, Vol 2, No. 2, July-December, 2012, pp 64-66

[53] See, for example the work in Britain of Rosalind Eyben, David Lewis, David Mosse, Raymond Apthorpe, Emma Crewe. But in the U.S. there are few such examples, one of the few being less recent; James Ferguson with Larry Lohmann "The Anti-Politics Machine, "Development" and Bureaucratic Power in Lesotho," in The Ecologist, Vol 24, No. 5, Sept-Oct 1994

David Lewis at the London School of Economics, who studies and writes about development, laments the “ahistorical nature of the aid business;” the tendency to live in the “perpetual present.” He suggests this is in part a reflection of the speeded up “24/7,” “rolling agenda” world we are now in. He wonders if “all we succeed in doing is generating an industry of more briefing papers and policy papers, and the many think tanks all produce this stuff.”[54]

In conclusion, even a non-scholarly review (as we have conducted) of the literature on capacity and its relationship to development shows a clear gap between what thinkers and observers from different disciplines are saying and what the majority of the aid agencies are doing. Are the latter not paying attention because they have limited time to read these studies – a plausible partial explanation – and/or because, as the anthropological critique suggests, it is inconvenient to do so?

[54] Personal communication, May, 2013

3. UNDERSTANDING CIVIL SOCIETY IN ITS CONTEXTS

> *"[…]at any given moment of time the state of received knowledge is backgrounded by a clutter of suppressed information. […] the information in not suppressed by reason of its inherent worthlessness, nor by any passive process of forgetting: it is actively thrust out of the way because of difficulties in making it fit whatever happened to be in hand."*[55]

DONOR IMPERATIVES AND HABITS THAT CONSTRAIN CONTEXTUAL UNDERSTANDING

Our research has suggested that few donors have or take the time to do enough solid in-depth homework on a full range of contextual issues before considering or entering into engagements with local civil society organizations (CSO). Current program and project arrangements help explain this. Since those local organizations that work with a donor are most commonly executing a donor project, and more than likely under a sub-contractual arrangement where an INGO or Northern for profit contractor is responsible for overall performance, there is little reason or incentive for a donor to dig deep into contextual issues. Because of the "long value chain" that characterizes such arrangements – one or two prime contractors with anywhere from two to five or more local partners – the local partners are relatively far down the line from where the "head" of the project is, and are precluded in some cases from having direct contact with the donor.

Another reason for limited contextual homework is the urgency that often accompanies projects aimed at delivering services, where the immediate need is to understand the technical aspects of the problem. If the sector for intervention is health, for example, the donor might have gathered data on the epidemiology of the disease or set of diseases to be addressed, the structure of existing health delivery system, and in conjunction with local health officials and perhaps communities have assessed specific needs to be addressed by the project. To the extent capacity development is required it is usually directed at the compliance and the technical delivery side of the project.

A third reason is expressed in the quote above – certain aspects of a situation (another way of saying the context) simply may not fit with what a donor has decided needs doing or with the way in which it has decided to undertake certain interventions. Some contextual information in other words is inconvenient, just as some of the literature is, since it may complicate or prolong the planning process, or suggest that some hoped for results may be less than likely to be forthcoming.

If however a future donor focus is to be on capacity development of country systems, with an intention to include CSOs, then in depth understanding of civil society in its social, political, cultural and historical contexts will be necessary.

> *"There is a disconnect between what the donors require and what we want to do. We don't want to be used by others. The donors are too preoccupied with form rather than substance. They should not ask us to fill in a standard form with our track record.*

[55] Mary Douglas, Implicit Meanings, Essays in Anthropology, London, Routledge & Kegan Paul, 1975

Everyone here knows who we are and what we have done. They should first do their homework."[56]

KEY ELEMENTS IN THE CONTEXTUAL FRAMEWORK

When one commonly talks about the context for civil society, one often looks first to structures and institutions, laws and regulations. Then one looks at history, conflict legacies, disparities in wealth, power relationships, etc. For a donor that wants to engage more with local organizations, there are strategic options. Among those is the question of how many organizations one wants to engage with and for what end? If for example the goal is to enable more democratic space, there is the "thousand flowers blooming" approach – working with (directly or indirectly) large numbers of local organizations. But then one needs to estimate whether the benefits will be outweighed by fragmentation and ineffectiveness, or in contrast whether this "massification" effect will be sustained?

1. THE LEGAL AND REGULATORY ENVIRONMENT

CIVICUS in its State of Civil Society 2011 (published in April 2012) says that in general in 2011 the world has seen a "disenabling legal environment" for civil society,[57] characterized by laws that are outdated, fragmented, contradictory and not translated into implementation.

Is government wary of civil society? If so does it control what civil society can do? (see for example, the role of the "Presidential Task Force" in North & Eastern Sri Lanka).

In the legal and regulatory environment is there a full complement of laws on the books (or in process) that cover:

- Volunteerism – do laws create incentives for people to volunteer? For example, in Morocco a volunteer cannot count his or her time as part of their career. Were they able to do so they would volunteer more time?
- Registration – what does it entail?
- Legal status, and changes in laws - that enable or are adapted to the reality of different kinds of CSOs
- Conflict of interest – e.g., between governing board members and the organization (in Peru the lack of a law on this issue is a problem)
- Tax rules on different kinds of income for CSOs

2. POLITICAL ECONOMY

In the sense used here political economy refers broadly to the juncture of politics and economic phenomena – how the politics of a country plays a role in and influences its economy. One needs

[56] A local organization in the Philippines
[57] Civicus, Op.cit., p 10, and p. 14

to understand the interactions between competing forces or interests that can affect how things move or do not, from granting licenses or concessions, to the kind of space one can operate in, to the ways in which influence is obtained or deployed. In short hand form it might be useful to refer to a political economic analysis as an attempt to understand the prevailing "rules of the game."

And it should be understood that such understanding is made harder because there are always two levels to the rules in any situation – the formal and the informal. For example if one looks at the formal context for civil society organizations in one country it may appear that CS in general is in opposition to government or to the "establishment." Thus it could look like the formal rules regarding CSO registration, legal form options, taxation, and so on reinforce an attempt to control CS. A look at the informal rules might show, however, that there is much more fluidity than first appears to be the case. Negotiation and interchange take place ("deals are made") between the public and the civil society sector based on kinship, or school ties, or party affiliation, or tribal or ethnic identity. Who influences who, who gets favors, who is allowed to "bend" or make small changes in the rules, or get around the formal rules entirely is partly determined by these informal connections. A democracy like the Philippines for example, is in many ways an oligarchy, where a relatively small number of leading families dominate both the economy and politics, and not surprisingly that dominance is apparent in parts of civil society as well. Clear lines separating societal sectors on one level, appear less clearly separate on another.

Why is it important to know? It depends. If a donor's objective is merely to find five to eight NGOs or CSOs that can deliver health care in a particular region for the life of a project, then it is less important to understand the context at the level we are referring to. But if a donor's objective in working with CS is to open up more "democratic space,' for example, then it needs to know what forces it and CS might be up against.

Knowing what is going on is not as simple as asking a few interlocutors their opinions or reading a few books or speaking to scholars or experts. That is important. But it also means getting to know different actors in different institutions in society, the religious establishment, the justice system, the military, the educational establishments, and so on. And gaining the trust of individuals in these sectors takes time. Without it one will not get beyond a certain superficial level of understanding.

3. PAST HISTORY

The past (both recent and long ago) is essential to take into account. History begins to explain how the current rules of the game got to be what they are. And history can provide insights into aspects of identity, or confidence, or lack of confidence, fear, and other key elements of character that may exist in civil society, and determine how much help they may need, in what areas and in what ways, and more important what barriers there might be to their evolution in certain areas.

Several examples from our country studies:

a) In Moldova, which was part of Romania (1918-1940), and later part of the Soviet Union (1940-1990), that dual quasi-colonial past coupled with the fact that it has had little time as an independent nation, plus its small size and landlocked status, the large percentage of people who live in rural areas (it is the least urbanized country in Europe), and its large diaspora makes for a very particular mix.

   There are Russian speaking and Romanian speaking areas and pockets of both in the capital city. One town may be predominantly Russian speaking while another 20 miles away may speak Romanian. Some people who speak Romanian cannot read it unless it is written in the Cyrillic alphabet, others read it in the Latin alphabet, and some people read only Russian. Many civil society actors look to Romania for models of CSO success, as well as for consultants, others to Ukraine and Russia. Some politicians argue for a westward orientation, e.g. for European integration, others for market access to the east.

   But perhaps most important to take into account when looking at CS is Moldovans' tendency to think of themselves as "small fry" with big neighbors, and consequently to lack strong national pride. In addition to the classic "soviet mentality" problem cited in many Commonwealth of Independent States (CIS) countries – the tendency to wait for the state to take care of everything – Moldovans seem to add to it a kind of "what can we do?" passivity that comes perhaps from being so small and, in their view, historically unimportant. Swedish SIDA, in a report written in 2011, referred to the syndrome as "acquired helplessness."

   Obviously this history bears on how a donor would interact and engage with local organizations. At the least, such a complex set of historical legacies certainly speaks to the wisdom of avoiding a one-size-fits-all approach to organizational strengthening.

b) In Morocco, history has other lessons to take into account in considering CS engagement. Morocco has a centuries long history of conflict between central government (monarchial) control and an intermittently rebellious countryside. The origins of that chronic conflict are complex, having to do with religious sects, tribalism, topography, difficulties of communication, trade, and many other factors. With post-independence in the 1950s and the rise of King Hassan II a key government agenda was control. Over a period of four decades, the monarchy infiltrated practically every corner of the country with loyal administrators and political operatives. In those years civil society was associated with political opposition and dissidence, and in a sense did not really exist, or when it did was repressed. With the accession of King Mohamed VI (Hassan's son) in 1999, the beginning of a 'normalization' of civil society has taken place. But the Moroccan monarchy – a continuous line of succession since the early 17th century – did not painstakingly create an intricate system of control over the last third of the 20th century only to let it go. That control appears to be self-confident enough and firm enough to allow a certain "souplesse," as one of our interviewees put it – an ability to be a "just-in-time" step ahead of various movements for reform in areas of justice, rights, and so on, and to somehow send a message to those who oppose the government when limits on expression and reform have been reached. One of our interlocutors described this situation as "false pluralism." In essence one could say that Morocco's civil society is partly controlled by co-optation. The government in 2001 established the Agency for Social development, and a full fledged Ministry of Social

Development in 2004, and in 2005 a massive grant program called the National Initiative for Human Development (INDH) which has granted billions to civil society organizations.

With the rise in communication technology and modernization, Morocco which was isolated from the rest of the Arab world 50 years ago, has identified more and more with it, to the point where the use of language in the media and in the schools is closer to the Arabic of the Middle East than it was in the 1950s at the time of independence. This stronger connection with the Middle East has consequences for the U.S.; while it remains a strong ally officially (ties between Morocco and the U.S. go back to George Washington's administration) public sentiment (and civil society sentiment) have shifted. This has direct consequences for any USAID desire to partner with CS, for example in terms of its branding and marking policy. Moroccan CSOs do not want to have the American flag and USAID logo prominently displayed on their computers, vehicles, and desks. Moreover some of them may feel it is dangerous for them to do this, or at the least it reduces their legitimacy in the eyes of their own constituencies.

Thus to say context is "complicated matter" is an understatement. Again to understand contexts and the ramifications for LCD policy and action is more than a matter of reading books and talking to experts. It requires a serious investment in homework and a continuing investment in dialogue with many actors in society.

c) In Jamaica, with more than 2,000 registered NGOs, Limited Liability Companies (LLCs), and charitable organizations among a population of 2.8 million people, there is a very active civil society in Jamaica, yet the underlying structure is weak. To understand this it is important to look at both political history and donor history. A large number of organizations sprang up solely in response to donor solicitations.

Jamaicans see a lack of collaboration among CSOs and blame that on a divisive political environment. Citizens tend to align themselves with a political party based on their family or community history instead of on substantive policy examinations and hold onto the affiliation as an identifying characteristic. This *political tribalism* has the effect of stifling serious dialogue between parties and leaves politicians free to avoid serious policy discussions and decisions. Most organizations resist government oversight and involvement in their boards of directors because they fear political affiliations will prevent them from working in certain communities or accessing certain funds. Coalitions and associations rise and are sometimes successful, but they too are quickly politicized and thus avoided.

Vision Jamaica 2030 attempts to coordinate development activities among civil society organizations, donors and other actors in the country while monitoring the results of its goals. While the framework is in place, the governmental body tasked with leading this initiative, the Planning Institute of Jamaica (PIOJ), struggles to corral development partners and to get the word out to civil society about their respective roles in the national development plan. Still, the plan is relatively new (finalized in 2009) and it attempts to pick up where past national development plans have failed due to partisan interests and minimal popular interest.

Civil society organizations struggle with financial sustainability and dependency issues. There is a tendency among international donors, once they have found a successful organization, to aggressively finance that organization's activities. This practice is said to leave the organization susceptible to corruption or collapse. If the organization survives, it usually has grown so quickly that its funding sources are not sustainable so that when the primary donor exits or changes course, the organization suffers.

A high number of organizations are created for specific funding purposes, then quickly fade away only to reemerge under other names later. Such organizations are commonly known in Jamaica as 'Fly by Night Organizations,' and the individuals who engage in this behavior are called by some 'Non-Governmental Persons' (NGPs).

4. DONOR HISTORY

It is easy to forget that the "local context" in many countries includes the international aid system. We are part of the ecosystem for civil society in most developing countries. In countries like Nepal, Kenya, or the Philippines, where USAID has had a presence for almost five decades, there is a an archaeology of donor involvement that can almost be seen as sedimentary layers in geological time. In a given area or community, there are current projects set up or constructed (literally or metaphorically) on the top of former projects, which in turn may have been built on ones that went before them. These layers of programs and projects leave behind habits of mind, a lexicon, beliefs about donors and their ways, and sometimes resentments. Understanding how these "development assistance residues" affect the present expectations of civil society actors, and especially of their constituents, is essential if one wants to deal with the challenge of sustainability, and avoid or reduce dependency.

In a place like Nepal for example, one might even have the sense here and there that parts of society look at foreign donors as the legitimate governing body – the Nepali government seen as less legitimate and trustworthy than some international donors – this "preferential attachment" will have consequences for any effort based on engagement with local organizations.

5. CULTURE

Rarely do we look at culture in any deep way as part of context. There are a few reasons for this:

- Culture is politically incorrect. We get nervous about it, think of it judgmentally in terms of traits that are "better" or "worse" (e.g., for Europeans being on time is important and when they encounter other cultures with a "different sense of time" they tend to think of this disdainfully)
- Culture is hard, if not impossible to quantify, and its nuances are hidden from view for the outsider, and often the insider too
- We recognize implicitly that there are no quick fixes to culturally embedded habits and attitudes

But culture is important.

Anthropologist Ward Goodenough said long ago *"a society's culture consists of whatever it is one has to know or believe in order to operate in a manner acceptable to its members."*

If People's identity, sense of self, of gender roles, of childhood, views of what constitutes correct behavior, happiness, of what is an insult, what is a threat, what constitutes praise, when and how to apply praise, etc. are generally accepted as being different from culture to culture, then it is also likely that people's conception of leadership, organizational structure, teamwork, consensus, indeed such issues that in our culture we value highly, such as planning, may also differ culture to culture.

As the world has become globalized it has become too easy not to notice these differences – more and more people in different places use similar words, images, dress similarly, buy similar appliances and cars, consume more and more varieties of food that used to be confined only to one region or another. So when we hear an organization say that it would like to learn strategic planning or fundraising we leap to assume that they mean what we mean.

There is hardly an aspect of capacity development for an organization that would not be subject to the culture caveat:

- *Fundraising* – in our culture we think in terms of fundraising tactics and strategies; we look for past behavior in giving, we seek to build a relationship, we talk about the right moment to "make the ask." We get the idea of the gift as reciprocal – that no one gives something for nothing. But what that is may differ. In many cultures, it is shameful to "make the ask" in an outright manner. Status and hierarchy concerns can enter into it, as well as face. What would be an insult to someone in that culture, would not be to us.
- *Human resource issues* – One could easily imagine a situation where an external donor conveys that an organization ought to have a written HR policy, which would specify non discrimination, equal pay for equal work, hiring on merit, the conditions for severance, etc. But in a culture where jobs of certain kinds are meted out on the basis of kinship or favors perceived to be owed, and where merit and competence mean less, such a policy would not fit with established norms. Moreover while we would call parts of such a system nepotism and believe that it gets in the way of effectiveness and efficiency, we would fair to see that there for "them" such a system has advantages – loyalty for example.
- *Strategic planning* – There are cultures that view the future differently, that do not have a sense of being able to control events, here to lay out a firm plan is seen as folly, or where it is seen as an insult to destiny or fate.

There are also cultural twists that emerge from exposure to outsiders or from a colonial past. The phenomenon of "preferential attachment" we encountered here and there in the research – cases where something from outside is seen as better, where if given a choice between a local firm and an international one, some CSOs prefer working with the latter. This is not simply lack of confidence – it is often more complex and could in some places contain elements of belief in magic, or an association with power or status.

In general, understanding cultural elements in greater depth gets one into a web of traits and meanings that might include:

- honor, "face," esteem, respect
- hierarchy, authority
- values about harmony, consensus, teamwork
- beliefs about status, image
- beliefs about superiority/inferiority
- envy/jealousy/delusion

And any one of these webs will likely be related to kin/ethnic/tribal relationships, family ties, and will influence organizational settings, and the roles within those, including how leadership is defined.

Obviously, working with local organizations (both in CS and government) will benefit from a deeper understanding of culture. As will any analysis of the "country systems." What cultural and societal characteristics are "good" for CS? And what kind of political culture is a "good" environment for CS? Attitudes towards social capital, social trust, rule of law, authority, and public service all influence the environment for civil society.

Hierarchical/authoritarian/opaque political cultures can be reflected in CSOs, even when those CSOs advocate for a more open society; e.g., if the political culture condones or encourages nepotism, corruption, etc., those attitudes can also be found in CSOs.

For example, here is what a former president of Ecuador had to say about the relationship of "Latin American" culture to issues of social responsibility and citizenship. There is certainly room for argument about his conclusions, but what is said at the least illustrates rather dramatically how culture might influence the context for CS:

> *"In Latin American countries, most citizens lack a strong sense of public service. It is for their own benefit that they seek government posts, privileges or concessions. The populace does not see government's role as defending public property and general societal interests, serving legitimate rights, demanding fulfillment of contracts, or seeking the common good; rather, they consider it an instrument whereby individuals, social organizations, labor unions, economic groups, government employees, political leaders and private businessmen obtain favors, benefits, privileges and possibly even great wealth. In societies with high levels of impersonal social trust, people use wealth to go into politics; in societies with low levels of impersonal trust, people use politics to attain wealth."*[58]
>
> *"The paternalistic culture so deeply rooted among Latin American peoples has prevented the evolution of social responsibility and a sense of community from flourishing. Instead of solving problems on their own or uniting with others in their community, the members of paternalistic societies prefer to turn to officials, to the state and to political leaders for help. It has been common in the United States, for example, for private citizens to join*

[58] Osvaldo Hurtado, "Know Thyself: Latin America in the Mirror of Culture," The American Interest, January-February, 2010, p 13

together to form and support libraries, sports associations, parks, orchestras and more—all of which are open to the society at large. It would never occur to most Latin Americans to do any such thing. The mass of society instinctively expects government to take care of all such things without citizen input."[59]

Can USAID take all these cultural subtleties into account? Practically speaking, no, it cannot, and should not become an institute of anthropology, engaging in studies of cultural change and so on. But the agency should become more aware that culture matters; that there are differences, and thus imposing a standard approach to particular capacities, or indeed believing that capacities other than first order ones like strategic planning or other standards of administration, are necessary, is worth questioning.

MUCH OF CONTEXT IS A MOVING TARGET

In our Guideline series, we have a Guide on Contextual Analysis (#1) that emphasizes the view that context is dynamic.

Context and social relations are not static; beliefs and meanings (about everything from wealth and poverty, to status and power, to health, beauty, wisdom, etc.) are constructed and negotiated. Thus the social and cultural context surrounds and shapes interactions of all kinds, whether they relate to contractual arrangements or other areas of social and economic life.

Hence it is important in contextual analysis to see the trajectory of cultural and social elements, such as social capital. Is a particular sentiment or trait changing? If so in which direction is it moving – on the wane, or on the ascendant?

In conclusion it cannot be overemphasized that contextual analysis is complicated and thus demands a serious investment in time and human resources.

---

[59] Ibid., p.16-17

4. THE STATE OF CIVIL SOCIETY

HISTORICAL BACKGROUND AND DEFINITIONS

Civil Society Organizations have been around for millennia (though of course they did not bear that name until very recently) – they are implied in Plato's Republic and Aristotle's "polis," and in part of the discourse on politics in ancient Rome. Much more recently, in the "North," civil society associations of all types grew significantly from the early decades of the 19th century on (e.g., the first vegetarian society came into being in London in the 1840s). In the U.S. today one way to capture a sense of the numbers is to look at those organizations that are tax exempt since one defining characteristic of CSOs is that they are nonprofit. There are 1.8 million of these, which means one for every 177 people in the United States.

At its broadest, civil society (aka the "3rd sector") comprises organizations, associations or institutions in many arenas, such as:

- Education
- The professions (law, medicine, science etc.)
- Information
- Research
- Trade
- Leisure
- Sports
- Community welfare
- Immigrant welfare
- Chambers of commerce
- Business associations[60]

The kinds of CSOs we were concerned with in our research (and those USAID seeks to engage) have at their core the notion of a voluntary association of people who form groups outside the for-profit or the public sectors, to advance **development** in the largest sense (humanitarian and relief work, poverty reduction, economic growth, and advocacy for rights or against abuses, e.g., Trafficking in Persons). These entities are formed for the most part for the benefit of others (one term for this today would be for the "public benefit") as opposed to the benefit only of those who are part of the entity, e.g. the members of a football club. There is thus an implied aspect of *social capital* in that there is an assumption of mutual responsibility within a community of people – that all people are on some level part of a society and thus must take responsibility for each other. This can manifest itself in the notion of helping others overcome poverty, of helping others who are disabled or sick, or who lack access to basic elements of disease prevention such as clean water and sanitation facilities, and so on. In the case of advocacy groups there is an underlying notion that they all work towards a more informed citizenry and thus a citizenry that is better able to hold government accountable.

Development-oriented CSOs are a relatively new phenomenon. While CSOs in the industrial "North" in general may date back to the 19th century as far a terminology is concerned, CSOs

[60] See the website of the American Society of Association Executives

with an explicit concern for the **development** of society; for a public benefit (such as those addressing poverty) are largely a mid 20th century development. The term NGO (which has in many quarters become synonymous with CSO) itself dates to the United Nations in 1945 (and the term "international NGO" dates to February 1950 when it appeared in an UN-ECOSOC resolution). As for CSOs in the South, they are a still newer phenomenon; their rapid rise having taken place only in the last 25 years or so.

To further characterize what we are talking about – in a realm that all observers agree lacks clear definitions – CSOs often embody an element of pecuniary sacrifice (that is, those who formed the organization did so out of a degree of dedication to an idea or cause, either contributed their time up to a point, or accept compensation at a level below market rates in the public or private sector). This element of sacrifice is related to the concept of development work as a calling or vocation (the Latin root of vocation contains the sense "to be summoned or called" to do something).

In terms of the SCOPE of activity for development-oriented CSOs, we are talking about multiple levels of action – the community level (CBOs), the national level, and the international level.

AN EXPONENTIAL EXPANSION OF CIVIL SOCIETY ORGANIZATIONS IN DEVELOPMENT

Our research in nine countries palpably confirmed the evidence of a worldwide growth of developmental CSOs. Characterizing this growth as an explosion is not an exaggeration. Accurate numbers are not readily available, in part because of different registration regimes, but there is no doubt about the growth, explosive in the South, but continuing in the North as well, albeit not at the same pace.

As for the North, there too we do not have a good count of the numbers of CSOs/NGOs under the development rubric, but we can use the 2012 VOLAG report – a registry of Private Voluntary Agencies with USAID – as a useful proxy.

As of April 1, 2012 there were 579 U.S. PVOs/NGOs registered with USAID, plus six CDOs (Cooperative Development Organizations, which are also NGOs, but in a somewhat different category) for a total of 585 U.S. based NGOs. There were also 95 International NGOs registered.

Among the U.S. organizations, we find venerable names like CARE, Plan International, Save the Children, World Vision, the American National Red Cross, Lutheran World Relief, as well as less well known and rather specialized organizations like Solar Cookers International, The American Soybean Association, and Fauna and Flora International. Some, like the Institute of International Education, which started out providing scholarship assistance in 1919, precede the very concept and terminology of NGOs.

In FY 2010, USAID provided $3.3 billion in support to registered NGOs, but these same NGOs also received private support and revenue of $21 billion plus an additional $3.6 billion in other USG support.

Of the 585 U.S. registered PVOs, 60 of them (or 10.25%) had total support and revenue from all sources of over $100 million. And 110 (or 18.8%) had total support and revenues from all sources of over $50 million.[61]

Worldwide, in 2010, 16.2% of ODA supplied by the 24 member nations of the OECD DAC flowed to or through CSOs (North and South).[62]

Lack of good comparative data aside, it is still clear that the CSO cohort in the North is two to three generations older than most Southern CSOs, thus more mature, and considerably larger. Most important, they have been able to sustain themselves for years – a comparison with the VOLAG reports in the 1980s and 1990s suggests clearly that hardly any have gone out of business. Clearly, size and age matter, as does the country in which the CSO exists.

Likewise, data limitations notwithstanding, it is also obvious that we find very few equivalents in size or maturity anywhere in the South, including India, which may well have the oldest and largest cohort of such CSO/NGOs. There are only a few well-known exceptions in the South – BRAC, founded in Bangladesh in 1972, is said to be the largest NGO devoted to development (sometimes referred to as NGDOs) in the world by number of employees (120,000). In 2009 its total revenues were $480 million, of which it is said up to 80% are self-generated. Sarvodaya, founded in 1958 in Sri Lanka is the largest NGO in the country but its financial totals are difficult to determine since they have not been reported on their website since 2005 and are separated into three accounts, but at best they do not exceed $4 million. In India there are venerable organizations like SEWA, founded in 1972 as a trade union; Deepalaya in 1979, and many newer ones like Pratham (1994) and the Uday Foundation (in the 2000s).

The numbers issue is in itself revealing of the newness of Southern CSO/NGOs. National registries are new, as are national apex associations and where they exist it is unclear whether they capture the majority of organizations. In the U.S. for example, InterAction, the association of American NGOs in development has 197 members, a small proportion of NGOs working in development. In 2000 a World Association of NGOs was established (see WANGO.org) and has a registry of 51,614 organizations worldwide broken down regionally as follows:

- North America 22,875
- Central and South America 931
- Oceania 639
- Asia 5,535
- Europe including Eastern Europe and former CIS 17,710
- North Africa 201
- Sub Saharan Africa 3,722

And yet in Morocco alone, we heard numbers of CSOs between 50,000 and 100,000; in Nepal the National NGO Federation counts 5,227 members while the Government's Social Welfare

[61] Two organizations, the American National Red Cross and World Vision exceeded $1 billion in total support and revenue, with the Red Cross at $3.66 billion

[62] "PARTNERING WITH CIVIL SOCIETY: Twelve Lessons from DAC Peer Reviews,' OECD, Draft, 3 September 2012, p. 5

Council where all local NGOs are to register, counts above 30,000. In South Africa devex.com reports 76,000 NGOs, and one estimate for Russia cites 277,000, and one for India cites 3.3 million.[63] If we were to take these large totals as meaningful, we are easily in the realm of many millions of CSOs in the South.

But whether we are talking about 100,000 Southern CSOs or five million, it is clear that the Southern CSO/NGO phenomenon is relatively new. Recall for example, the 1987 London conference "Development Alternatives, The Challenge for NGOs," which brought together 120 Northern and Southern NGOs from 42 countries, to discuss NGOs as an alternative for delivering the services that government does or should do. But part of the subject at the conference was also an acknowledgement of the existence of the Southern NGO as a rising phenomenon. At that conference there was a certain tension about who was going to play what role – would the North mentor the South, and if the North were to partner with the South would the latter be junior partners; was there a threat implied either to the future of the northern NGOs or the long term viability of the Southern ones? The conference captured, quite presciently, a set of issues that is still very much with us.

Still 1987 is over a quarter of a century ago, and as with many categories in the development field, lines between them have blurred. Local and International were very distinct categories then, they are less so now. Besides the new phenomenon of INGOs spinning off, mid-wifing, or otherwise spawning Local NGOs, there is the fact that in many ways INGOs themselves are local in human resource terms. For example reportedly 90% of World Vision's 40,000 worldwide staff are local.

CS IN MOST PLACES IS GENERALLY INSECURE AND STILL NASCENT

In the course of our research we spoke with over 600 individuals in some 325 organizations; the largest category being NGOs/CSOs (69%). Both from their own comments, and those of interview subjects who observe or interact with the civil society community from the outside, the impression we received is that CSOs have lost their luster – or are losing it - in much of the South. After one or two short generations, in many countries they are insecure, disorganized, and in some cases feel under siege by donors, their own governments, and even the general public, which increasingly has become cynical about CSOs in development work, and particularly those that seek or get external donor monies. Among many CSOs there is bitterness and cynicism about aid, and about its international players. There is jealousy and self-protection, fueled by competition for donor resources, and that competition is not just within CS, but between CS as a sector and government as a sector, each feeling that official development aid should flow directly to them.

Many are ambivalent about what role to play, and in places like Morocco, Moldova, Nepal, Tanzania, and the current post-war Sri Lanka, so is government. Relationships with government tend to run hot and cold. Governments now seem aware that the international community is playing closer attention to attempts to curtail civil society freedoms (attempts to outlaw the

[63] "Hobbled NGOs wary of Medvedev," Chicago Tribune, May 7, 2008. "First official estimate: An NGO for every 400 people in India," *The Indian Express*. July 7, 2010

receipt of foreign funds, attempts to 'de-register" CSOs, attempts to curb their freedom of assembly, etc.) and thus there seem to be less blatant attempts to curb the space, and more attempts to co-opt many of the CS players (as in the case of Morocco below). One might say that both CS and government are engaging in a cautious dance around each other. At the same time, we saw evidence that in certain sectors like health and social services, governments are taking a practical turn – an almost "if you can't beat them, join them" approach – and working with local CSOs for the simple reason that government recognizes it does not have the means to do these things alone.

Clearly the bulk of CSOs are in a nascent state, in flux, a work in progress. Some examples of the current situation from our research follow.

TANZANIA

In Tanzania, The Foundation for Civil Society conducted a survey of 4,120 organizations and produced a "State of CSOs in Tanzania 2011" report.[64] The responses reveal a still nascent civil society; in general a cohort of relatively small, underfunded organizations weak in terms of human resources, weak in terms of physical assets needed to function, dependent on volunteers, and lacking in strategic leadership. There is uneven distribution between urban and rural areas, with informal CSOs dominant in rural areas and formally registered CSOs in urban areas. Registration and legal structure, as in quite a few other developing countries, takes place under a fragmented, sometimes anachronistic set of laws and government entities, for the most part un-coordinated, (there are at least nine different laws under which various types of CSOs can be regulated and structured in Tanzania) and issues such as taxation exemptions for nonprofits – critical for CSO evolution – appear to be not yet tackled in a robust way.

History, in Tanzania as elsewhere, explains a lot about the state of CS. After the Arusha Declaration of 1967, Tanzania entered a long period of self-reliance and experiments with state controlled socialism. This *ujamaa* period lasted well into the 1980s and during that time civil society as we know it today did not really exist. Indeed, government, seeing the predilection among donors to work through NGOs, created semi-autonomous organizations ("GONGOs" or government owned NGOs) in order to receive their funds. It is only after 1992 with the end of single party rule and political liberalization that space for civil society again opened up. And here is where, as elsewhere, the international donor community stepped in, with its view that welfare and development delivery services can best be provided through CSOs. These factors, along perhaps with rising unemployment (several of our respondents said that the creation of an NGO is a "last resort" for people who have had no luck finding a job), resulted in the "explosive growth" of CSOs, as the Foundation report puts it. In 1993, for example according to a study done by the Friedrich Ebert Foundation, there were 224 registered NGOs in Tanzania and 8,499 in 2000.[65] And again as elsewhere, the late 1990s and the early 2000s saw the first laws on NGOs – in particular the NGO Act of 2002.

---

[64] "Annual Report on the State of CSO in Tanzania 2011," The Foundation for Civil Society, Dar es Salaam, Tanzania, 2011
[65] Cited in Op.Cit., Lange, Wallevik, and Kiondo, 2000

Given this history, the data from the FCS survey are not surprising. Most Tanzanian CS organizations are small. Of 3,506 organizations reporting memberships in the FCS survey, 87% had fewer than 100 members; 60% had fewer than 25 members. Only 21% of organizations surveyed had full-time paid staff. 49% of staff of all organizations surveyed had only a primary education. A full half of CSOs reporting their annual budgets had annual budgets of less than 10 million TZS ($6,660 at an exchange rate of 1500 Tzsh to the USD). 82% had annual budgets under $33,300. Only 14% reported grants from external sources. Most organizations provide (or try to provide) services to targeted disadvantaged or marginalized groups – people with disabilities, the elderly, youth, women and widows, children, orphans, and people with HIV/AIDs. Virtually half of the surveyed CSOs reported a focus on only the last three categories.

Most significantly many CSOs lack the minimum basics of an operational organization: 17% of surveyed CSOs had no physical space in which to operate; 18% owned a space; 67% had no computers; 61% had no access to the internet. 43% reported no board of directors or governing body.

MOROCCO

In Morocco the civil society sector is regulated by Law #58 on the right of association, public generosity, and public utility, dating originally from 1958.[66]

Under international pressures, King Hassan II, who ruled Morocco with relentless control from 1962 to 1999, started "liberalizing" the public sphere in the last two decades of his rule, and especially in the 1990s. Although some human rights and feminist CSOs were created as early as the late 1970s and early 1980s, most Moroccan CSOs were created in the 1990s and 2000s.

The initial growth of civil society took place in the context of the structural adjustment programs of the 1980s when CSOs were called upon to start filling gaps in the delivery of public social services. The "liberalization" of civil society in other words was directly correlated with the partial withdrawal of the state from the public sector under pressures from international agencies such as the World Bank. This correlation between the withdrawal of the state and the growth of civil society continues to have serious implications today. We were told that regions of Morocco where the state has been most absent are the ones where civil society has been most vibrant. This includes the Souss/Draa region, the Tensift/Haouz region, and the Oriental region.[67]

When King Mohammed VI inherited the throne upon the death of his father in 1999, he proclaimed himself "King of the Poor." He invested in "social issues" such as poverty alleviation, unemployment, literacy, slum eradication, the rights of the disabled, and women's rights. He created the Mohammed V Foundation for Solidarity in 1999 (named after his grandfather) to support the poor, the needy and people with special needs, and in 2005, the National Initiative for Human Development or INDH. In addition to providing services to

[66] For a full text of the law see, http://www.indh.gov.ma/fr/doc/Module3.pdf and/or http://www.tanmia.ma/article.php3?id_article

[67] Though especially in the Souss, the influence of a large diaspora community in France plays a role

marginalized and vulnerable populations (the youth, the elderly, the disabled, the poor, etc.), these and other new agencies and ministries were given the mandate of providing support to and working in close partnership with civil society. The Mohammed V Foundation for Solidarity, for example, describes itself as a partner of civil society. In its latest activity report, it states that its mission would be impossible to accomplish without the know-how and expertise of civil society partners who work in proximity with local populations.[68] Since its creation in 1999, the foundation has spent 3.73 billion dirhams (about $470 million) on its various projects.

In the case of the INDH, some estimate that as many as a third of currently existing CSOs were created after 2005 and in part as a result of the money available through it. The INDH operates under the Ministry of Interior and is endowed with a large budget (10 billion dirhams over a period of five years – $1.14 billion at a recent exchange rate of 8.95 MDH to the dollar). It is based on a tri-partite governance structure that includes state services, local elected officials and civil society organizations. Its activities receive a lot of media coverage, especially when the king is called upon to inaugurate a new center or initiative.

As a result of all this, as was noted in the previous section, the beginning of a 'normalization' of civil society has taken place. But it has its limits under a continued policy of state control of almost all aspects of the Moroccan polity. Again as noted earlier, one of our interlocutors described this situation as "false pluralism."

The exact number of civil society organizations in Morocco is not known. Numbers that we heard vary between 50,000 and 80,000 organizations, with some estimating the numbers at 100,000.

Recent events in the Arab world (Egypt, Tunisia, Libya, Syria, Bahrain, etc.) have led to the emergence of new social movements such as the February 20th youth opposition movement which has been calling for greater democracy and social justice. This has given rise to major debates and, according to some, a new dynamism within civil society.

The constitutional reforms of 2011 that were approved by a national referendum are seen by many as a response to the demands of the February 20th movement and as a way of keeping the country "stable" in an era of revolutions and social change.

The new constitution places emphasis on the role of civil society and calls for the creation of a ministry in charge of relations with the parliament and civil society. Article 12 of the revised constitution for example states the right of organizations interested in public affairs and CSOs to contribute, in the context of participative democracy, to the elaboration, implementation and evaluation of the decisions and projects of elected institutions and public powers. Article 13 calls on public authorities to create consultative bodies to allow civil society to participate in the elaboration, implementation and evaluation of public policies. Article 33 calls on public authorities to encourage youth to participate in the social, economic, cultural and political

[68] See the 2010 Activity Report of the Foundation, http://www.fm5.ma/sites/default/files/Rapport%20d%27activit%C3%A9%20FM5%202010%20VF.pdf

development of the country and to help them become involved in public life/community service (la vie active et associative).[69]

NEPAL

We noted considerable doubt and skepticism about the integrity of many Nepali CSOs and heard descriptions of their motivation similar to what we heard in other countries: many are in existence to capture donor money; many are one-man shows; many are in competition with each other and with government. And we heard also that they each tend to think they are unique and right, while in their view all the others are not.

We also heard from a surprising number of Nepalis the belief that the better known CSOs get support from political parties, providing them with useful contacts, funding and power to remain in business and grow. The political history of Nepal does provide some evidence for this belief. For example, over a decade ago when the monarchy held most of the power in the state, NGOs that were favored by the royal family flourished. However, the introduction of multiparty democracy opened up the political arena to the overwhelmingly diverse and poorer Nepali population. Consequently, the 1990s saw a steep rise in new CSOs aimed at serving various ethnicities and minorities that had been stuck at the bottom of the social structure for hundreds of years. The various political parties in the race to win popularity tried every means to appeal to this gradually uprising population. They articulated a philosophy that resonated with the poor, financially supported the CSOs serving them, put pressure on international community to push their development agendas in Nepal and also, one could say, 'glorified' the poverty and neediness of the country to foreign donors. Meanwhile, domestically, in the Nepali market of CSOs, the differences between the "stronger" ones and the struggling ones continued growing. The CSOs with a high number of urban elite contacts, powerful political connections, reliable funding sources and well-managed, long-term relationships with donors have the upper hand on the project-based development work that most donor do.

Many of our interviewees felt there are simply too many CSOs in Nepal, and that it should not be so easy for someone to start one – according to several with experience, an NGO can be started up in a matter of days. Likewise it is easy for a foreign NGO to start up work in Nepal. One senior project manager, a Nepali, lamented that:

> *"…it is very easy for hundreds of small US and European NGOs to come in and set themselves up with $50,000 or $75,000 in money and do a project and then leave."*

As one European donor representative put it:

> *"Many people are skeptical about NGOs – their accountability is in question, they are all affiliated with political parties. It's hard to say who constitutes civil society."*

Another interviewee said:

---

[69] See the text of the revised constitution (2011), http://www.maroc.ma/PortailInst/Fr/logoevenementiel/Projet+de+la+nouvelle+constitution.htm

"Ideally CS should be motivated by the concept of Niskam Karma – the culture of helping without expecting anything in return, but in fact the Civil Society here is "projectized." I see many CSOs therefore as a kind of "bonded labor."

MOLDOVA

In Moldova we found that the views of government and of civil society about the donor role differ in fairly clear and predictable ways. Civil society does not want to see donors supporting government, and not just because they would rather receive funding themselves. As the executive director of an economic policy think tank put it:

> *"How do you go about helping a country? Support should be to foster country systems and NOT to cover up for the temporary deficiencies that are the result of government inefficiency. By doing this donors […] contribute to a lack of movement; a lack of urgency - This is moral hazard. The government must learn and change; instead there is a strong dependency on donors."*

But CSOs for their part are equally if not more dependent on donors. Most of those we met feel that foreign donors are in Moldova to stay, and that there is no option for them except continued reliance on their grants. We met no one with a view of a donor-free future. *"We will need to continue to rely on foreign donor support"* is what we heard from many CS organizations. And Government, predictably, feel that donors should work through them, and not directly with civil society.

Compared with the public and the private sector, CSOs in Moldova appear to be in a good position to spearhead democratic practices and local development programs by virtue of their commitment and energy, and to some extent their access to international development aid. At the same time, civil society faces the barrier of general social apathy and alienation from the overall process of governance and citizen participation in the decision- making processes. Part of this is an historical legacy from the communist period – what a Swedish SIDA report refers to as "acquired helplessness syndrome."

As is common in many countries, getting an exact count of CSOs in Moldova was a challenge. Our information suggests a range of between 6,000 and 9,000 CSOs in Moldova, of which perhaps 25% are active. Of those organizations with a degree of maturity and professionalism, a large number are congregated in the capital. Many smaller cities and villages have no CSOs (other than in name only).

The Moldovan civil society sector developed most rapidly after the 2009 change in government. While some attribute this late development to the presence of civil society activists in the government (hired from the civil society sector by the new governing coalition), there is unanimous recognition of the role of the international aid community in both giving birth to and strengthening key parts of the civil society sector. FHI360, Soros Foundation, and The East Europe Foundation are the three main groups that have been working to strengthen the civil society sector. In fact, it is essential to recall the crucial "seeding" role that Soros played in the

early post Soviet Union days – many of the more mature and relatively effective organizations in Moldova trace their origins to Soros.

Some of the most notable progress has been in the legal environment, including a specific contribution to a law on volunteerism, and efforts to improve the public image of Civil Society.

The infrastructure of the civil society sector also improved with the formation of the National Participation Council (in 2010), the development of CIVIC.MD (a CSO portal), and the increased capacity and activities of networks and coalitions in 2011 (CSO Sustainability Index, 2011). The National Participation Council consists of 30 non-governmental organizations and serves as an advisory board to the Government of Moldova on the development of public policy. Its main role is to "develop and promote strategic partnership between public authorities, civil society and private sector to strengthen participatory democracy in Moldova by facilitating stakeholders' communication and participation in identifying and achieving strategic priorities for country development at all stages and by creating the institutional framework and capacities to ensure the full involvement of stakeholders in the decision making process."[70]

The legal environment continues to improve with the promotion of a series of laws enacted in 2010 and 2011. These include the Law on Volunteering (2010), the Law on Social Services (2010), the Modifications to the Law on Public Associations (2010), the Law on Accreditation of Social Service Providers (2011), the Law on Central Public Administration (2011) and the 2011-2014 Action Plan which brings an update to the legislation regulating public associations and foundations according to the European standards. In addition, the reform of fiscal, philanthropy, and public legislation to improve public-private funding (see the USAID-CSO sustainability Index, 2011) has improved the legal environment. But while new and relevant laws are now on the books, many people we spoke with note that activating those laws remains an uphill climb.

Nevertheless, despite the strengthening provided by these civil society initiatives, Moldovan CSOs are not popular in the country, and civil society actors struggle to establish trust with citizens and local governments. In the November 2011 Barometer of Public Opinion, the level of public trust in CSOs decreased from 30% of respondents who trust civil society initiatives in 2010 to only 24%, in 2011(CSO Sustainability Index, 2011).

KENYA

While there is baggage from the past, particularly the time in the 1980s when civil society came to mean "anti-government," because of the overwhelming challenges facing government, it has become not only a rhetorical nicety but a practical necessity for government to work in partnership with civil society, and also with the private sector.

---

70 http://www.cnp.md/en/about-npc/overview

But when it comes to how to work in partnership decisions in government are made harder by complex and sometimes overlapping laws, especially on procurement. And it is in this area – procurement, where multiple new and the old rules and procedures exist side by side – that things are slowing down, leading to more frustration. According to KIPPRA (Kenya Institute for Public Policy Research and Analysis) there are about 35 different funds within the Government of Kenya (GOK) and all with different procurement rules. While government would in principle like to open things up to a more diverse private and civil society participation, what often happens, as a staffer at KIPPRA put it, is:

> *"You end up with a very small number of applicants (contractors, CSOs, etc.) who attend all the meetings and thus who gets what becomes routine – it is rigged. And now everyone blames procurement rules for the delays and standstills in development efforts. There is a huge need to simplify."*

Ironically, some of this bottleneck is in part a result of external donor pressure to have proper procurement laws in place, and the perceived need to respond quickly led to things being done without taking the time to develop, digest, and implement any real procurement reform policy.

Kenya's NGO Coordination Act of 1990 begins a period of debate about the identity of Kenyan CSOs – who and what is a CSO? Some 6,000 organizations are registered with the NGO Council, the body charged with carrying out the registration under the ACT, but this number represents only a small portion of CSOs if one includes social movements at different levels, such as self-help groups, welfare associations, and other people coming together to pursue political or economic empowerment purposes, plus trade unions, cooperatives, relief organizations, development service providers, and advocacy/policy groups at both the local and national level.

As a leading Kenyan put it in a study of Kenyan CSO leaders' opinions on NGO standards,

> *"Civil Society is not defined by the few registered organisations but by people's and society's ability to express itself and work for its own future."*[71]

As elsewhere CSOs continue to proliferate in Kenya, and for the same variety of reasons we see elsewhere: genuine concern to improve society or one's community, the shared vision of a group of people, as well as self-interest, or lack of other employment opportunities.

One indicator of a sector's maturation is the extent to which people are thinking about who they are, where they fit, and how they should be defined. This seems to have been much debated in the 1990s. During the 2000s the dialogue moved beyond that to include thinking about standards, codes of conduct and best practices, and even around the issue of "quality," seemingly a step up in the maturation of the civil society sector. And interestingly, an Aga Khan Development Network sponsored study during which participants were encouraged to voice their concerns about their own problems and challenges, highlighted (almost word for word) many of the same issues we have been hearing now, over six years later.

---

[71] "Enhancing the Competence and Sustainability of High Quality CSOs in Kenya," Report of an Exploratory Study Commissioned by Aga Khan Development Network (AKDN), May, 2007, Submitted by Poverty Eradication Network, p. 12

A particularly strong position held by respondents in that study was that the NGO sector in Kenya was "unsustainable." As the report put it,

> *"Most CSOs and especially most NGOs implement donor driven projects. Not many of them have enough courage of conviction to stand up to donor or other pressures because they are dependent on one or few sources of foreign funding; they lack loyalty for their constituents; and they are not creative in local resource mobilization. Most CSOs lack the ability to collaborate and network with the corporate sector thus further limiting their fund raising opportunities."*[72]

AND YET CS SHOWS INCREASING MATURITY AND HAS CAPACITY OF ALL KINDS

While much of Civil Society in many places is insecure and still nascent, and while there are many inauthentic players for whom the forming of a CSO is about personal gain – often with the expectation that a donor will fund them – there are also many mature and serious CSOs, with savvy, with a sophisticated understanding of development, and generally possessed of far more capacity than most donors seem prepared to believe. A sector-wide example is a somewhat unsung part of civil society in the South – think tanks and their rise to prominence. Of 6,603 think tanks surveyed in 182 countries by the University of Pennsylvania in 2012, 42.5% were in the global South (554 in Africa, 1194 in Asia, 721 in LAC and 339 in MENA). In Sub-Saharan Africa, just to name a few countries, South Africa has 86 think tanks, Kenya 53, Nigeria 46 and Ghana 36. About a quarter of the top 100 think tanks in the world (rated by the survey) are in the global South. Needless to say, almost all of the Southern think tanks came into existence in the last two decades.[73]

With information access through the internet, exposure to "best practices," intellectual debates on development issues or new concepts is there for the asking, a serious CSO can become self-educated rapidly if there is the will to do so. Moreover there are positive deviants in the CS community – good organizations that know what they are doing – that often lie at the edges of donor consciousness – organizations that either choose to remain small, or are simply not visible to donors, in part because they do not need them.

There are also many individuals who are in the process of forming new organizations, and new consulting operations, or who have left INGO work or CSOs in order to become freelance consultants. We met scores of such people who in our view are the equal in terms of their skills and knowledge to anyone in the North.

Perhaps the best sign of maturity is "knowing who you are." In this sense there is a growing number of local organizations who are mature – they have good leaders, good staff, are aware of their capacities and of those they currently lack, and most important see themselves as independent members of a society they want to help improve. For them the donor is **their** instrument, rather than them being the instrument of the donor. If a donor wants to help, then well and good, if not, that too is OK.

---

[72] Ibid, p. 27

[73] "Global Go To Think Tanks Index Report," James G. McGann, University of Pennsylvania, International Relations Program, Think Tanks and Civil Societies Program, 1.28.2013

Take the case of the Policy Forum in Tanzania, a 10 year old network organization with 106 member organizations, with a focus on government budget policy issues. This is a sophisticated organization with lean management and good leadership. They have made a conscious decision not to go above $1m in funding, and never to take more than 30% of their budget from any one donor (as of the time we interviewed them they had six donors).

> *"A good donor for us is one who understands what we're doing and is willing to take a long term view. We have 10 people and we have a core funding (i.e., basket funding) approach which is that we have one strategic plan and one focus and if you want you can contribute to it. Our threshold is that no more than 30% can come from any one donor. You buy in to what we do and give us the money and all our costs are in there. There is no cherry-picking of targets or subjects or sectors, no ear-marking and moreover we don't write 6 or 10 different reports – if we did it would take us all year – we write one which everyone gets."*

We also found a full awareness that to keep to one's mission takes effort in the current donor environment. As the founder of a large Filipino NGO told us:

> *"The source of funds determines your results if you are not conscious about it. There is just no point in carrying out someone else's agenda."*

A Kenyan CEO of a local organization that does not ask for, or take money from USAID or other bilateral donors, put it this way:

> *"With most donors you don't get money and flexibility at the same time."*

Of the hundreds of CSOs we interviewed easily half had elements of this kind of maturity and perhaps the most striking finding was a willingness to push back against donor dominance and in many cases a willingness to say "no" to donors. This attitude seems hard to imagine 20 years ago.

THE STATE OF NORTH/SOUTH CSO/NGO RELATIONS

A donor response to the call for country ownership is to fund more CSOs directly and in greater numbers. USAID's intention is to reach 30% of direct funding to local organizations (including government) by 2015. Not only does such an intention imply a changing role and stance on the part of donors like USAID, but it does so also for INGOs.

It is useful to recall the debate in the late 1980s on the role of NGOs (then Northern) in development work, and its recapitulation in the literature in the mid 1990s. In an article in 1999, David Lewis and Babar Sobhan talk about the rush by donors to direct fund NGOs and note three main issues in the "changing relationships between Northern and Southern NGOs" (which they refer to below as NNGOs and SNGOs respectively):

> *"(i) […] donor support to NNGOs has tended to rest on a view of NNGOs as effective aid delivery mechanisms rather than as organisations capable of assisting SNGOs in the wider strengthening of `civil society'; (ii) […] there may be a danger in direct funding that SNGO agendas may be distorted by donor objectives; and (iii) […] while the trend*

towards increased direct funding is sometimes perceived as a 'threat' to NNGOs, it may also be viewed as an opportunity for creative thinking about enhancing the effectiveness of donor, NNGO, and SNGO roles and relationships.

Following from the third point Edwards (1996) has drawn attention to a potential crisis of identity and legitimacy among NNGOs as increasingly effective SNGOs take over most of the activities previously carried out by organisations from the North. […] The changing environment in which NNGOs now operate therefore raises a set of important questions about their possible future roles."[74]

Almost 15 years later what has happened? First, donors **have** shifted somewhat to seeing INGOs (and in the case of USAID, also for American for-profit firms like Chemonics and DAI) as capable of strengthening local civil society organizations, though usually the training of local partners has been in relation to the technical aspects of a particular project sector (PEPFAR projects for example), and much emphasis has been on compliance with the donor procedures and rules (we refer to this level of capacity development elsewhere in the report as Capacity 1.0). Second, with respect to the danger that donor direct funding may distort the agendas of Southern NGOs, our research shows clearly that this does happen repeatedly and happens even when Southern NGOs are indirectly funded (as sub-grantees under an INGO prime contractor that manages the program or project). And as for the third point, the prediction by Edwards that INGOs would undergo a crisis of identity and legitimacy, that seems not to be happening in any big way, though clearly many INGOs are beginning to think more strategically about a different future for themselves. A recent study by FSG on the future of INGOs suggests little real attempt to redefine themselves, though admits of some sense that changes must now be made.[75]

There seem to be two reasons for the slowness with which many INGOs are coming to terms with a possible different future. First, INGOs are generally doing well financially, if not better than ever as suggested above by the data from the VOLAG. Thus there is not yet any pressing incentive to change; many continue to receive their support from their own government bilateral agencies, certainly still the case with USAID, and have learned to partner with private philanthropy as well as with the private sector.

Second, in several discussions with representatives of INGOs and private contractors working as "primes" in some of the countries we visited, there is a cynicism about the donors' intentions to work more with local organizations – a belief that this effort will "backfire;" that once donors try to direct-fund Southern organizations, those organizations' inability to comply with complex donor regulations will result in a return to the faithful trusted Northern INGO and private contractor as the only responsible partners. This not only suggests that they do not believe it is likely that a donor like USAID can change its rules and procedures in a substantial way, but that they also believe local organizations are simply not capable. Underneath this view is one that many in the donor agencies share and that is that local organizations are not to be trusted, though this view is not expressed openly. Again, as we said above, our research found many local organizations that are both capable and trustworthy.

---

[74] David Lewis, Babar Sobhan, "Routes of Funding, roots of trust? Northern NGOs, Southern NGOs, donors and the rise of direct funding," in Development in Practice, Vol 9, Numbers 1 & 2, February, 1999, p. 118

[75] "Ahead of the Curve, Insights for the International NGO of the Future,"FSG.org, 2013 (no date)

IN SOME KEY AREAS, LOCAL CS WEAKNESSES OFTEN MIRROR THOSE OF DONORS

While we often found lacunae on a basic Capacity 1.0 level – such as an inability to manage cash flow, lack of awareness of the value of job descriptions, and other administrative and managerial weaknesses, what was more disturbing was a lack of innovation, and critical thinking amongst many local CSOs. If they were part of a donor project there was little questioning; no one asking "why are we doing this?" In some cases, where the local CSO was at the lower end of the "long value chain" of project partnerships, where the prime leader of the project was distant form them, they were neither aware of how their part of the work fit with the whole, nor all that concerned that they were unaware.

There seemed often to be a kind of "Silo effect," CSOs isolated from a larger goal, lacking in curiosity, not very outward-oriented.

More deeply though, we sometimes sensed a cognitive gap – many we spoke with in the CSO world had no thoughtful or educated sense of the development process and its daunting complexity (the delicate balancing of dependency and sustainability, the importance of time, the complex relationship between intention and unintended consequences, etc.). For example when the word sustainability came up – and it did often, it was the sustainability of the organization that was meant, not the sustainability of the impact of their work.

Ironically a large number of the CSOs we met use the term knowledge management (KM), and many projects they work under have KM portals and systems. But we found very little use of these portals or systems. Not only did it seem there was a disinclination to seek out more knowledge about development, but often a lack of awareness that they lack such knowledge. Perhaps, as some suggested to us, the reason for such lack of awareness or curiosity is that main concern for such CSOs is for action, for doing good, for providing services. Thinking and reflecting is not something they have time for, nor necessarily something they want to do much of.

These KM and conceptual lacunae may also be related to two other factors. First it seems that many of the best and brightest young people are shifting their interest to the private sector and away from direct involvement in the social good arena, and second, there is little time and space to think and read. Donor fickleness – changing priorities from one year to the next, short project time frames meaning a CSO may go from one grant to another every 18 or 24 months, movement in and out of personnel, all play a role in limiting robust debate and thought about development. We often had the impression that amongst many CSOs there was an unquestioned acceptance of a familiar aid culture everyone has become used to.

THE ENABLING ENVIRONMENT FOR CS NEEDS MORE DONOR INVOLVEMENT

NETWORKS AND UMBRELLA ORGANIZATIONS

Partly because of encouragement by donors, and partly in an effort to emulate CS in the North, many apex or network organizations have been formed in CS in developing countries. The potential advantages are fairly obvious: from coordination of effort, to enlarging the voice of CSOs vis-a-vis government, to enabling knowledge exchange, to scaling up activity in key sectors, etc. But apex/umbrella organizations or networks require staff and funding and when CSOs are themselves seeking funding, there is little left to support a network organization. Moreover member enthusiasm and energy to cooperate waxes and wanes according to whether or not there is an active threat to their interests. When there is, one sees collective action, but when there is not, commitment to, and participation in networks or umbrella organizations wanes. But more important perhaps is our general finding that networks are fairly weak everywhere we visited, and many have fallen into the classic trap of competing with their members for donor funds. This causes rapid loss of credibility, and this may be why in one country we heard people refer to networks as "notworks."

Yet donors are not actively engaged in the network end of things. The first thing they might do is invest more in research to understand how they do and do not work. The Root Change study part of the Learning Agenda (see their final study report on our website) revealed much about the nature of networks and the gap between their potential for enhancing the social capital of the sector and what is currently the case.

LOCAL PHILANTHROPY

20 years ago local philanthropy was an unrealized dream. But in the 2000-2010 decade the world began to see the rise not only of traditional philanthropy embodied in corporations and trusts in growing economies like that of India, but of "community foundations," defined as self-directed local entities using local money and assets. According to the Global Fund for Community Foundations, community foundations grew by 86% during this recent decade.

Kenya is at the forefront along with South Africa and two or three other countries of an African movement towards building local philanthropy. The East African Association of Grant Makers (EAAG) notes that the number of private corporate foundations in Kenya has increased dramatically in the decade since the network was founded. The region is much more aware now of philanthropy and the need for tax regimes that encourage it.

This is clearly an area of interest to USAID, and one in which it can play a convening, fostering role, not to mention getting back into ways to directly support endowment creation. Certainly one need is to understand better the dynamics of community foundations, of how and why people decide to give of themselves and their assets.

CD SERVICE PROVIDERS

Finally, a significant advance in many developing countries is the growth in numbers and quality of local organizations capable of providing capacity development services to others. While much more needs to be known about this relatively new cohort of civil society organizations, it is clear that the direction of movement is towards a time when the need for outsiders to play a role in LCD will diminish. And especially so in the arena of basic capacity, what we have been referring to as Capacity 1.0. These standard capacities, long emphasized by donors like USAID in many cases have been so well taught that there are many local consultants in some countries who, as one of our Filipino interviewees put it, *"can go up and down the log frame"* as well as anyone.

Obviously, the question of the relative quality of CD service providers is a key concern. Along with attempts in the general enabling environment for CS to rationalize registration regimes, create certification bodies and standards for CSOs generally, there is the same need to vet and certify the providers of CD services. For example in Kenya, in the case of an online portal aimed at helping facilitate partnerships with local CSOs (http://csokenya.or.ke) there were 167 organizations in the site's data base as of June 2013, and 52 of these – almost a third – were listed as CD service providers. This is a significant number. But such a portal would be more useful if some quality rating system had been developed.

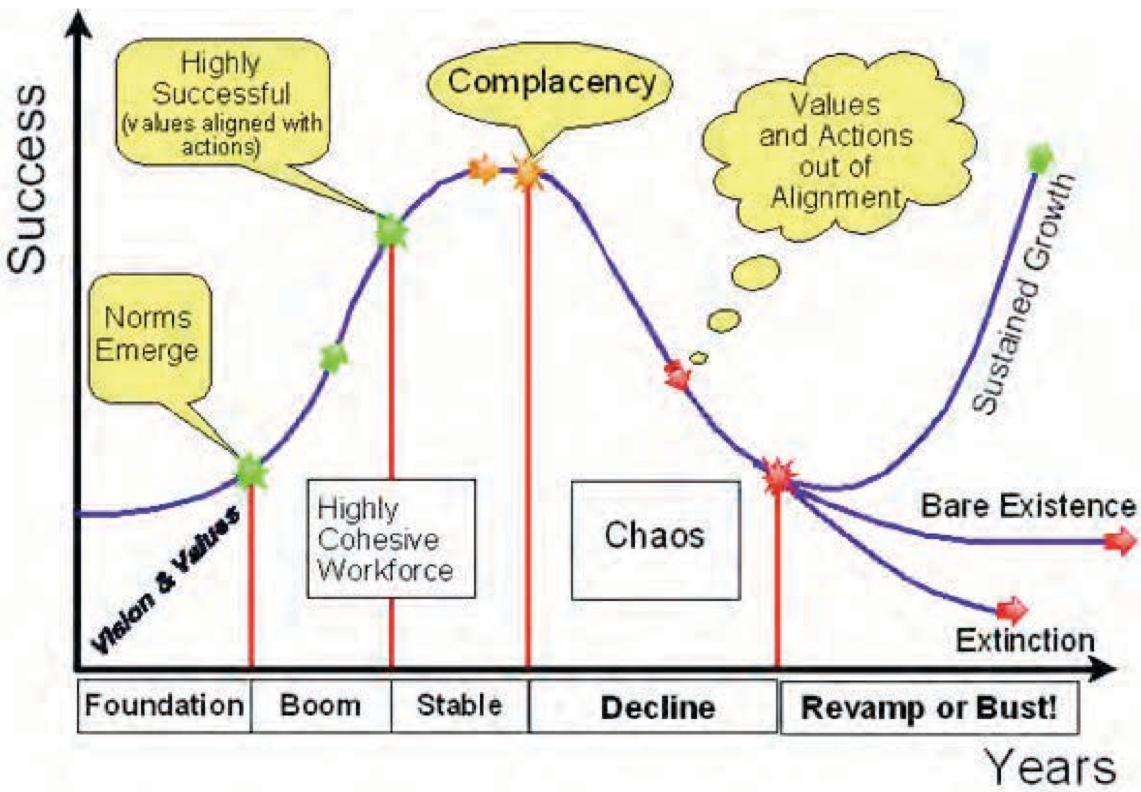
There is a great need for research and policy formulation across the board on these and other enabling environment issues, from quality standards and certification, to taxation, to governance, to the status of volunteers, to the parameters and potentials of local philanthropy. If donors are serious about country systems strengthening and country ownership, more investment in the enabling environment for civil society would have long term and positive results.

5. CIVIL SOCIETY ORGANIZATIONAL LIFE CYCLE AND ITS RELEVANCE TO CD

("Capacity Development Interruptus")

If one Googles "organizational life cycle" the first thing one sees will be literally thousands of colorful pictographs showing one or another proposition about the life cycle of organizations.[76] Evidently, hundreds of scholars, thinkers and others have come up with their own schemas, graphs, and theories. The bulk of these apply to corporate organizations but quite a few to non-profits.

When the Google screen comes up it only takes a few minutes to see that the most common shape is the bell curve, with some showing a modified bell curve ending in an upswing, towards "sustained growth," or just "bare existence," like this:



Or, one sees a more or less straight rising line, suggesting that things just keep evolving; getting better, stronger, more effective over time.

Most of the depictions tend to show four to five stages or phases in the life of an organization, usually beginning with birth (or a euphemism for it, like "founding") and ending with death, or at

[76] http://tinyurl.com/l39syrj

least coming close to it, and then “renewal,” “revamping,” or “rebooting” or any word that suggests a turnaround and a new lease on life.

There are two obvious analogies here; one is the notion of evolution – a linear movement forward and upward (however bumpy) towards the next phase or stage; presumably, in the case of a CSO, a more professional, more sophisticated, more systematized, more effective, more mature stage. The other is the analogy with the human life cycle. And since humans do inevitably die and organizations do not necessarily have to, the analogy stops short of organizational death, to allow for rebirth or renewal. But for the organizations our research looked at, we found that linear progression (evolution) in the current environment is not an appropriate assumption, nor is the human life cycle an appropriate analogy.

There are people who grow, learn, evolve and change throughout their lives; there are those who grow and learn till age 20 and then coast along for the rest of their lives. There are people who retire at 52 and fish; there are those who work until they die. And there are people who make it financially and in their careers, until one day their careers implode, their savings evaporate, their health deteriorates, their families fall apart and they are living on the street. The variety of human “life cycles” would seem to be pretty extensive. Certainly in the cases of some people the graph does not trend ever-upwards, or look like a bell curve. What explains this variety? Nurture, nature, the political and economic environment, culture, religious affiliation? We don’t have a firm grasp on these different causes or explanations, and the same may be true for the kinds of organizations we have looked at in the developing world.

Obviously local development oriented CSOs exist for a number of reasons. Besides capturing donor funds, the motives include wanting to have the power and influence to change things, to carry out a mandate, to serve a community, to represent a particular cohort or group of people or citizens. But we did not see a strong correlation between the motives for founding an organization and the kind of life cycle in the above bell curve. Obviously, if the founder’s motive is to capture donor funds and he or she is well-connected, this may influence the life cycle; likewise if the organization is a membership organization supported by a community, this too influences the life cycle, but in the current marketplace, the role of luck and circumstances seems to play a greater role in life-cycle ‘determination’ than the original *raison-d’etre*.

OUR INITIAL MODELS

When we began the research we posited a hypothetical life cycle, based in part on the literature, and in part on the human life cycle analogy.

The founding/idealistic/passionate phase (youth) characterized by:

- Voluntarism
- Informality (no systems)
- Grassroots focus
- Self-sacrificing
- Cause-oriented
- Dedicated

- Self-confident
- Sometimes cocky

Growth and early success (Adolescence/early adulthood) characterized as:
- Heroic
- Uplifting
- Ambitious
- Self-promoting
- Proselytizing
- Competitive
- Greedy (one of the deadly sins)

Maturity, characterized by:
- Pride (another deadly sin)
- some self-doubt
- some signs of 'coasting along" ('sloth,'?)
- Loyalty

Mid-life crisis characterized by:
- Mission drift or distortion
- Inconsistent quality of projects/programs
- "Divorce" (some staff splitting off to form own org.)
- Morale problems
- Staff turnover
- Bureaucracy
- Donor-driven
- Survivalist
- Growing energy invested in image management

Regeneration characterized by:
- Founder replaced by new generation
- New focus
- New commitment & passion
- New strategies

The literature on life cycles indeed reflects stages like the above, and the best of what has been written goes much further and into great detail. For example the BoardSource's "Nonprofit Organization Lifecycle Assessment Grid" is many pages long and covers five stages: Start-up, Adolescence, Maturity, Stagnation, Defunct.[77] Under each are large headings for four capacities: Adaptive, Leadership, Management, and Technical. And under each of these, in each box, there are sub-headings, for example under Adaptive Capacity, one looks at:

---

[77] Paul M. Connolly, "Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders," BoardSource, 2006

- "Needs assessment
- Organization assessment
- Program evaluation
- Knowledge management
- Strategic planning
- Collaborations and partnerships"

And, for example, in the box under the Start-Up phase, next to Program Evaluations, the grid suggests the following characteristics of the organization:

> *"Program volunteers and staff have periodic reflective discussions about what seems to be working with the programs and why, and keep track of anecdotes and stories that relate to outcomes."*

Two boxes further over, under "Maturity" the suggested characteristics for Program Evaluation are:

> *"Organization develops formal system for regularly evaluating programs. Program model is documented so that it becomes more transferable to others."*

Under Knowledge Management, in the Start-up phase, the box says the organization will look like this:

> *"Staff and board will have periodic reflective conversations about what was learned during informal needs assessment, organizational assessment, program evaluation, and other sources, and how it relates to possible organizational improvements. Organization develops simple systems for storing, organizing, disseminating, and using its knowledge."*

Under Management Capacity one looks at:

- Human Resource development and management
- Internal communication
- Financial management

And under each of these, in turn, there are boxes for every life cycle stage suggesting what the organization's characteristics will be.

Obviously these structures, stages, characteristics sound desirable to Northern ears. And indeed in every life cycle schema or vision, there are interesting insights on what things ought to look like. And some are quite idealized (as is the above from BoardSource) telling leaders "this is what you ought to aim for." But what we do not find much reflected in either our own initial hypothetical lifecycle, or in the literature, are the kinds of real world phenomena and patterns that we saw in our research. For things are really not like this.

THE IDEAL VS. THE REAL: WHAT REALLY HAPPENS IN THE LIFE OF A TYPICAL LOCAL CSO

After Frederick Taylor's time and motion studies in American factories in the 1880s, the world of organizations in the North began to believe that there could be "scientific management." And

with the assembly line processes that characterized most large firms in the late 19th and first half of the 20th century (autos, appliances, and virtually all manufacturing) there was a degree of applicability. Workers were cogs in a large machine and thus scientifically analyzing the steps in their work day could translate into efficiencies, cost savings, and greater profits. But in the 21st century, while there are still "workers," a larger and larger number of organizations contain fewer and fewer "blue collar" workers, and in the realm of development, virtually all who work in it are "white collar," which is to say we are not in the business of making things – there are no assembly lines, and the question of what constitutes "efficiency" or "mature systems" in our work is a real conundrum (or should be).

Take a day in the life of an NGO in Sri Lanka that we interviewed. There is little order, much less "scientific management." The organization was founded 14 years ago by eight women professors to do research on women's issues. They are now in their 60s and 70s. They rely a great deal on volunteers. They are passionate about their work, but they are tired. Some are more active than others. They operate without much structure, non-hierarchically – there is no CEO or boss. Still, there are jealousies; there is ego involved. For example, when an outside researcher arrives, or a representative from a donor, which of the eight women speaks to that visitor? When certain decisions have to be made quickly, where is the authority to do so? Some people want recognition; others do not seem to care about it. Emails come in and cell phone calls interrupt. An article in the newspaper needs to be responded to. A new project they took on to keep the salaried administrative staff on board is not going well. Today the project vehicle broke down, the electricity went off, the exchange rate dropped drastically in the last week and the two women who were going to attend a conference in a foreign country now cannot buy two tickets, so one will have to drop out. The monthly newsletter is late, and the person who was to edit it is sick.

The likelihood that

> *"Program volunteers and staff have periodic reflective discussions about what seems to be working with the programs and why, and keep track of anecdotes and stories that relate to outcomes."*

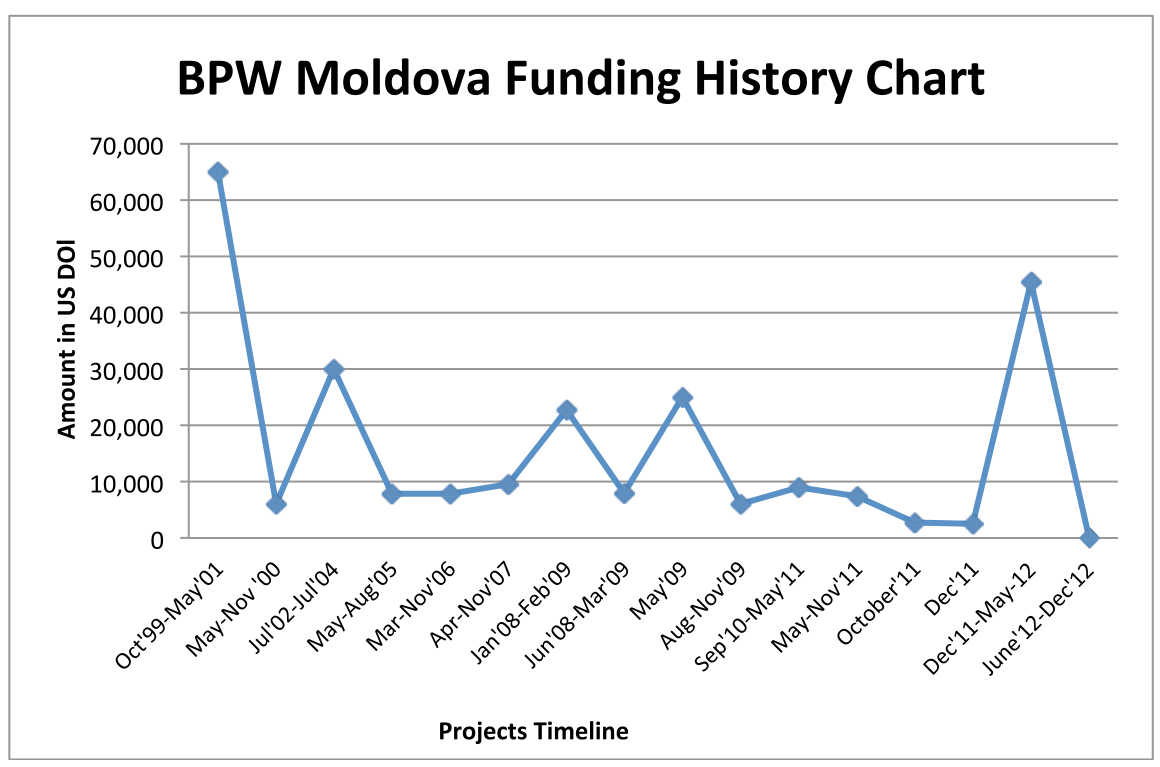
is pretty slim here.

Nor do the CSOs we met think much about long-term capacity issues. We found that their energies are directed to the practicalities of their daily life. And this is echoed in the case study work done by the ECDPM in 2008;

> *"Most of the practitioners in the cases had little interest in devising a sophisticated understanding of the term. Their concerns lay in solving daily problems, keeping the finances straight, raising money, meeting deadlines, meeting with funders, getting good staff, protecting their organisation, and so on. Only a few actually talked in specific ways about the overall capacity of their organisation or thought about it in strategic ways."*[78]

The most common life cycle we encountered looks like that of the following organization in Moldova, the Business and Professional Women's Organization of Moldova (BPW):

[78] Heather Baser & Peter Morgan, "Capacity, Change and Performance," European Center for Heather Baser and Peter Morgan, Study Report, Development Policy Management, April 2008, p 21



An organization like this, that is 10 to 15 years old, that has not found a path to steady upward growth (and most have not), seems to live basically in crisis (aka chaos) and change. Things are almost always messy. Now one might argue that an organization can learn to anticipate such a pattern; that its business model can incorporate the ups and downs of these capital flows, and in theory it could, but again it is the reality here that we are concerned about – most of the organizations we talked with do not think that way and more important perhaps, they do not have the opportunity to learn to do so.

Our research suggests the possibility that within many CSOs in developing countries, different capacities move in different patterns and at a different pace. It seems likely that the basics of an administrative system or financial accounting system once set up and installed, are likely to remain in place and functioning. At the same time, it seems likely that what we call second and third order capacities – Capacity 2.0 or 3.0 (reflective practice, learning, knowledge management, etc.) will either not have the time to develop, or if developed, could recede once the organization is in the down part of the cycle.

RANDOM OSCILLATION & "PROJECTIZATION"

In any case, in the funding history chart above – funding being the lifeblood of many CSOs – we do not find so much stages or phases, as what might be called **"Random Oscillation"** – one step forward, two steps back, then three steps forward, two more steps forward, and five steps back. There are "moments" of authenticity and autonomy followed by moments of in-authenticity and dependency and back. In one year there is a semblance of an organization – an office, computers, staff, systems. Two years later, the office is still there but the staff is not, the computers are

covered in dust, and the systems not used. The organization is in a sense a hollow shell with a name, and while one might see the founder present at his or her desk waiting for the phone to ring, the organization is in dormancy.

So the pattern seems to contain phases or key points in time like these:

- Birth – founder(s) begin with a degree of interest/passion/vision.
- First activities – this could be using volunteers; it could be using a grant that came their way easily; it could be using just some small money from members/founders/family.
- In its youth, the organization registers with the authorities, carries out an activity for which it received funds and it begins to learn certain things, but the activity is short-term, so the learning is compromised and cut off. This assumes of course, that learning must reside in people, and that if the people leave because of funding loss, much of the learning goes with them.[79]
- In some organizations habits are developed (for example, praying together on Monday mornings) some of these stay even when staff changes; some habits are good for the long term sustainability of the organization, some are bad.
- A new project is won – a $12,000 grant for one year to carry out the project. The organization sees what is going to happen – it has been here before – but it takes on the project anyway, calls around to gather up people who are willing to work for only one year with no assurance of anything after, scrambles to get the project underway, knowing it is at a loss in terms of expertise and skill, does the best it can (which isn't all that much) and then, boom! it's over.

This pattern is common enough that fully 75% of the local organizations we met talk about it and use a word that is part of the local vocabulary: "projectization." In its most common form, projectization is "caused" by the nature of the financial ecosystem in which local organizations and their sources of money operate. Those who take donor money take it usually as instruments of donor projects. The project has been the mainstay of donors for most of the history of official development aid. It is a structure conceived to enable the donor to design and plan an intervention – it has a beginning, a middle and an end and thus fits the need for accountability of funds. Were the project to be open-ended, for example, it would not be "budgetable." But because the local organization is seen as an "instrument," and because the project is short-term in nature (two to five years), and because there continues to be the idea that local organizations are cheaper than INGOs, the funding provided is only for the carrying out of the project. There is no core support for the organization.

Two caveats: our research in nine countries suggests a couple of exceptions to the pattern we are describing. Small, weak and new organizations tend to have less chance at a "proper" life cycle (again our reference is the modified bell curve above) than do larger stronger, older, more established ones. In terms of achieving something that could be called a proper "life cycle," size and age matter for Southern organizations.

[79] We are talking about registered CSOs here, and paid staff. It is possible, even likely that in informal, rural community based organizations, using volunteers, that does not exist in isolation and operates as part of the larger community/society, its interactions and learning are *not* so projectized

Second, we noted that CSOs, size aside, which suffer the least from this sort of oscillation are the ones with a fairly steady focus on social welfare (e.g., in Morocco the *Association of Parents and Friends of Children Afflicted with Cancer*, or in Moldova, the *National Center for Child Abuse and Protection CNPAC*). While not without significant challenges, this type of organization has wider and steadier appeal to local and foreign donors, as well as to local volunteers, than others simply because of the universal emotional connection associated with traditional charitable giving to children-related issues.

There are many distortions that come from the projectization phenomenon. First there are consequences of the insecurity inherent in projectization. Staff know that they have no long term employment prospects and so in a project with an 18 month or 30 month lifespan, the energy level begins to run down in the last six to 10 months or so as staff naturally begin looking for their next option. There can also be the natural tendency to be complacent about the post-project future – the belief that because this donor gave them a role in a project this time, that they are assured of a similar role in the same donor's next project.

A Nepali interviewee calls this the "good client" syndrome and links it to the donor dominance of the CSO scene:

> *"Many South Asian CSOs begin with a passion or cause, have a political view, but pretty soon their passion doesn't fit with donors' and so they realign themselves to fit into log frames and financial management systems and thus become implementers who aspire to be "good clients." – in this way everyone becomes "professionals." The expectation is that if one donor drops you another will pick you up."*

A mature Kenyan organization with HIV/AIDS experience notes how it is constrained by not having money outside the strict confines of a project:

> *"We need help replacing our computers, but every budget we submit the first things that are cut are the non project expenses. Document best practices – we need money for that too. But this also gets cut. And also it would be good to think about clusters – a twinning approach for peer to peer learning. Finally we cannot do international travel under our grants, yet that is the key to real sophistication – international exposure. It takes wide international experience to really be good."*

A Moldovan NGO leader told us:

> *"The project phenomenon is a big problem in Moldova. Donors are procedure-driven rather than needs driven. If an organization needs a laptop, the U.S. has rules about procurement which make it either impossible or too expensive (e.g. software licensing), so it cannot be done. There is money to get 'immediate results' but no money for the organization. Many CBOs and local NGOs simply die and disappear. In Moldova we say that NGO management is project management. There is no other kind."*

A Kenyan recipient of a USAID DGP grant, told us:

> *"The bulk of our funding is project – it's a global problem and it is worse now, we see our core funding diminishing."*

A Kenyan NGO that incurred a 40% drop in staff level because their largest donor-funded project ended said:

> *"The risk when this happens is not just the lowering of morale and of course productivity because people begin looking around, but also a reputational risk. We are looked at differently now in the marketplace."*

The head of a Filipino CSO, a local sub-contractor under a U.S. contractor:

> *"After the project is done there is nothing left over – it is the [U.S.] contractor who "enjoys" the multiplier [the NICRA= Negotiated Indirect Cost Rate Agreement]. And when [our first] project ended, we were not yet three years old and so we couldn't qualify for some other projects where the minimum requirement was to have been in existence for three years. So we had nothing. We began to realize we had quickly become completely dependent on USAID. We realized we couldn't build any reserves this way and of course we didn't and couldn't pay enough attention to other funding sources. We had no funds to train and develop our people, or to keep them on while we applied for new work. We survived the six months between the end of the [old project] and the [current one] because one of our Board members supported us – indeed he is the source of the benefits we pay to our staff – who are technically speaking consultants – and thus not eligible for benefits."*

The Kenyan CEO of a capacity development provider, an organization spun-off from an INGO, said:

> *"Kenyans are not in organizations; they are in projects."*

A relatively new player, the founder of a young (two years old) local organization operating on a shoestring budget says:

> *"CBOs [Community Based Organizations] are at the end of the chain yet they are the ones who do the "donkey work."*

Even a venerable international INGO, a USAID/Development Grants Program grant recipient, told us:

> *"The bulk of our funding is project – it's a global problem and it is worse now, we see our core funding diminishing."*

This challenge of core funding can also lead to playing accounting games.

A long established Kenyan organization, admits having learned to do a certain amount of accounting "calisthenics" in order to cover certain costs.

Another laments that the costs of applying for grants, the costs of waiting for a grant to begin, and the costs of installing the systems to comply with donor reporting demands, are not covered or even understood.

> *"Donors aren't realistic about the costs of their requirements."*

If the challenge is not directly about core funding, or the costs of compliance, it is about not having enough time to prepare projects more carefully, or to adapt when changes occur. As an

INGO with projects in Kenya put it, the need for doing careful preparation for a project is greater than ever because of what they see as a more challenging, faster moving and complex environment.

> *"And with an RFP that gives you 2 weeks – it's hard to build in an inception phase – and becoming harder and harder. Plus the changes are dynamic and faster – It's harder and harder to keep up with things. There is a whole bunch of new actors – a whole new world. This isn't the world of 20 years ago. Much more complex. We don't spend the time to understand local culture and rules. In some contexts you're simply not going to change things in three years."*

The same person goes on:

> *"We all talk about adaptive capacities and resilience and this contradicts the results and log frame. We still cannot get outside the 4 X 5 matrix."*

As we noted in the previous section, the frustration with the projectization phenomenon is part of what is driving some of the more serious CSOs to be as free as possible of donor dependence. They spend a lot of energy figuring ways to do so, uppermost on their minds being a drive to acquire assets that can bring in revenue, especially buildings and land. In Kenya, fully eight of the 11 local CSOs we interviewed were in fact on that path, with four of them already holding such assets.

BOX 1 - KCDF

KCDF (Kenya Community Development Foundation) is a Kenyan grant-making organization that represents this new breed. KCDF, now a strong and generally independent-minded foundation began some 15 years ago with much help from Ford Foundation (FF). The Aga Khan Foundation (AKF) "mid-wifed" it – originally by allowing it to be housed in their offices and enabling the FF money to be passed to them through AKF.

The story of their growth and learning is a classic case of a learning as you go, iterative, "next steps" approach, something explicitly allowed by the original donors FF and AKF. For example, there was lots of back and forth on the legal structure of KCDF and finally it registered as a company limited by guarantee, with a trust that holds the assets and thus the formation of a board of trustees (the trust monies service the foundation).

When AKF saw the organization emerge as a solid entity during its ten year long relationship, it transferred the building KCDF was using to them as an asset, which became the basis of what is now a growing endowment. They were able later to buy their current premises in a relatively new building, making it possible to use the original building, which they retain, as a revenue generator.

All along Ford Foundation remained a faithful donor (also over a decade long relationship) and in 2006 offered a three to one challenge grant, saying that if KCDF could raise $1m on its own, FF would match it with $3m. KCDF was successful and thus their endowment received a major injection.

Interestingly, much of KCDF's internal learning as an organization came about through what amounts to a self-generated form of horizontal or peer to peer connections.

> *"As for our own growth we strengthened our systems and got ourselves linked up with other grant making foundations – went to conferences and now feel our systems are top quality. We do not lose sight of the long term"*

By far the largest number of local organizations in civil society in developing countries are small, and relatively new, as we detailed in the previous section. We do occasionally see growth, but it is often stunted. There is capacity development, but it is short-circuited, interrupted, or

reversed. There are down times and crises, but they come sooner rather than later in life. We did not find much on these aspects of the life of such organizations in the literature; few references to accident and serendipity; nor to how learning can be stunted and even reversed.

THE PRACTICAL TRUMPS THE THEORETICAL – TO THE FORMER'S DETRIMENT

In virtually every one of our interviews with hundreds of local CSOs in nine countries, we asked what capacity was foremost on their minds as the one they needed more of. Almost always the answer was fundraising. But in this regard, with few exceptions, we were surprised that there was little creative thought given to the challenge. Even savvy and well-connected organizations were not surfing the web looking for prospects among the tens of thousands of private foundations in the world, nor googling the phrase "How to raise funds," or reading the myriad articles on the subject. Few had heard of the new internet crowd-funding sites (e.g., Kiva, Global Giving).

Our observation was that they tend to stick with what they know. They respond to requests for proposals about which they may hear through the local grapevine, and look only at the traditional set of donors with which they are familiar. In part because people do recognize that fundraising is about relationships, they are reluctant to cast the net widely, since that implies "going in blind" and thus entailing a high risk of losing time and energy, with little prospect of success. But at the same time, they recognize quite realistically that being more creative about fundraising could pay off, but the investment of time and the acquisition of specialized people to do it is not something they can afford.

A struggling NGO leader we met, with experience and internal connections in the international donor community, is lamenting his CSO's inability to raise funds, not because they are not there (though indeed money is harder to come by than ever), but because he and his few staff cannot find the time to do it.

> *"There simply isn't time to do it. And the resources to find a top fundraiser are just not there. It's hard to get funding when you don't have relationships and when you don't have the confidence that if they say no you'll be ok. And when you are under pressure, you just can't do it. […] It's hard to be creative about this when you cannot pay your staff."*

On all these issues, virtually all of those we met would share the sentiment expressed by one CEO:

> *"It would be great if we could create an open space where we could share these dilemmas with the donors."*

FROM PROJECTIZATION AND INSTRUMENTALITY TO CSOS AS ORGANIZATIONS IN THEIR OWN RIGHT

Our research suggests quite vividly how complex and layered are the questions of "country ownership," "strengthening country systems" or "localizing aid." Responding to these laudable

concepts is not just a matter of donors coming up with new funding modalities, or providing training or capacity development. On the donor side at the least a deeper understanding of a complex set of issues is required; a willingness to change roles from short-term results manager to organizational and institutional facilitator; and on the INGO side it means grappling with similar changes in role, if not an understandably reluctant acceptance of reducing their presence in the field, if not going out of business. And on the local organization side it means coming to terms with a history of dependency, for the donor-local organization relationship, we often found, has become one of "co-dependency." In a co-dependent relationship the problem of dependency is not just that of the dependent person but of the network (family, community, co-workers) within which that person exists. The pattern psychologists have identified is often one where the co-dependent person is fixated on another person for approval and sustenance. The same kind of pattern, we have observed, can exist between a donor and a local CSO grantee.

A core thread running through our research is that many local CSOs/NGOs are in whole or part a product of the development industry itself – this is why in many places they are not looked at positively – they are seen as "a business" and the number of creative and pithy names for them is legion – "café NGOs," "ComNgos," "BRINGOs," "fond du commerce" NGOs, etc. But that is also why there is a deeper psychology here that has not been acknowledged or dealt with. In many places, we found local organizations unwilling to become mature full fledged players in development; whether because they do not want to take the chance, have got used to being second fiddle, or because it is indeed too hard.

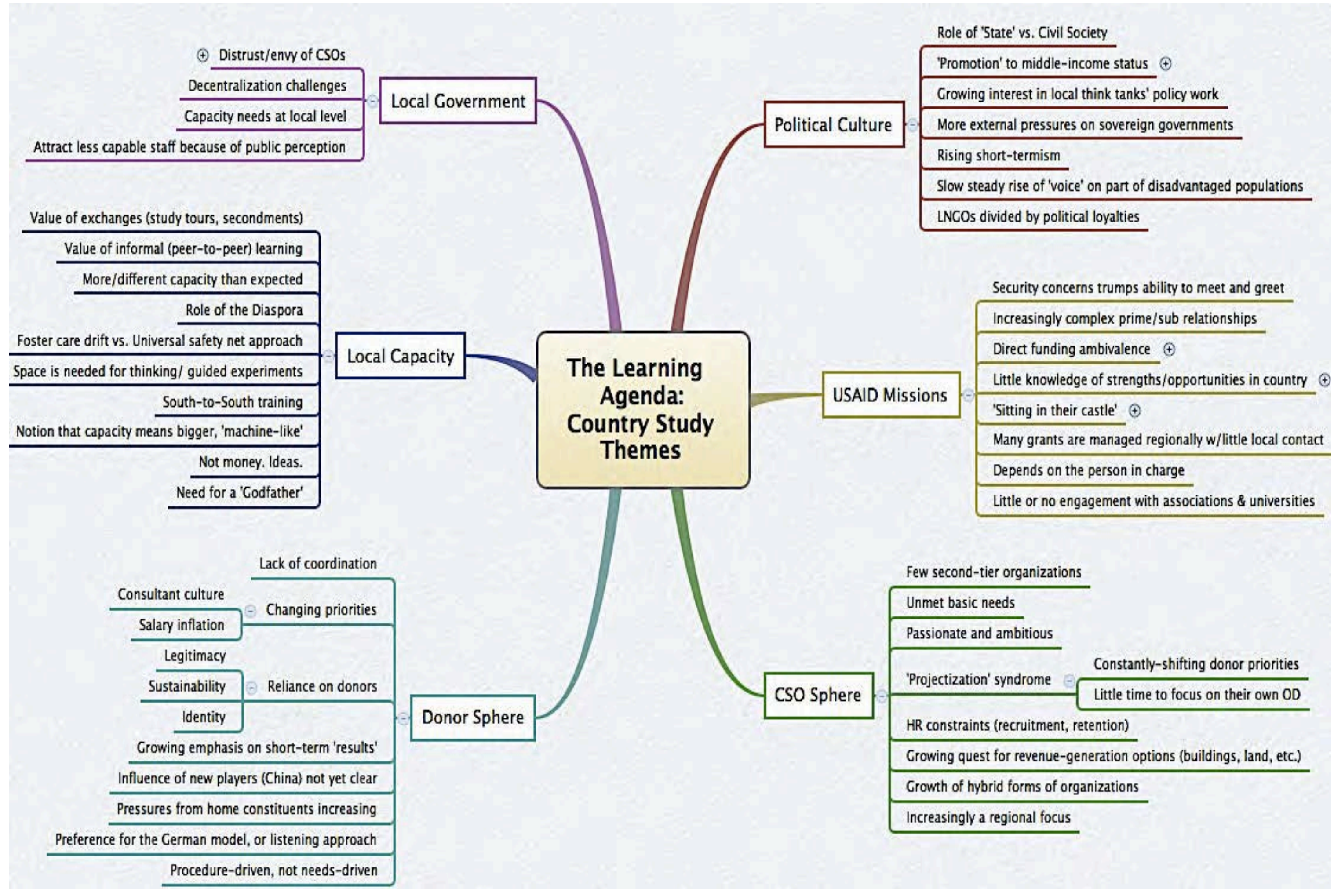
The complaints on the other side; by the donors, or by governments – that NGOs are in disarray, or disorganized, lacking in unity, reluctant to work together – can perhaps be traced, in part to a degree of infantilization as a result of their "projectized" relations with donors.

Finally one has to note the dilemma of legitimacy in looking at CSO life cycle. Many organizations are aware that they have to straddle a fine line between being seen as 'legitimate" in the eyes of their own constituents and being seen as legitimate in the eyes of their donors. The most obvious danger is that if they are seen as too close to their donors, they may lose legitimacy in the eyes of their local constituents or perhaps for a time enjoy a kind of false legitimacy related to the cachet of being associated with external donor money, as in the case of those who "borrow" legitimacy from a donor. For example, USAID has certainly lent legitimacy to many small organizations that have received first time grants, such as the Moldovan organization *Pro Business Nord*, to which other now turn for advice and counsel. In short legitimacy can be dynamic – one can have it, lose it, regain it, and moreover it can shift from one constituency to another. But also emerging from our research as factors which influence legitimacy are self-confidence and mission integrity, which in Morocco, for example, many people think of as an inborn element of character – referring to it as the "*fibre associatif*" (the inner trait that orients one towards social capital).

BOX 2 – A BRIEF SUMMARY OF SOME REAL WORLD BARRIERS TO AN EVOLUTIONARY CSO LIFE CYCLE

- 'Preferential attachment' – a function of many CSOs in the developing world having a self-image as somehow "behind," "less than," "backward," "2nd class," and thus an external organization has more value as a trainer or fount of wisdom etc.
- Brain drain – the best and brightest phenomenon – either good folks leave or the best and brightest don't want to work in the sector at all
- Poaching, and careerism
- Fear of not getting on or staying on the donor funding cycle
- "mobile expertise" – more and more use of consultants, who carry their knowledge with them when the job is done
- Donor misunderstanding about how local organizations really work and what they face
- Poor communication internally, and externally – 'signal loss'
- Absorptive capacity – people (and organizations) can usefully only take in so much at a time
- Cognitive dissonance – with an increasing amount of information about a growing number of activities, programs, initiatives, philosophies, and more and more access to that information, the tendency to shut much of it out is likely to increase

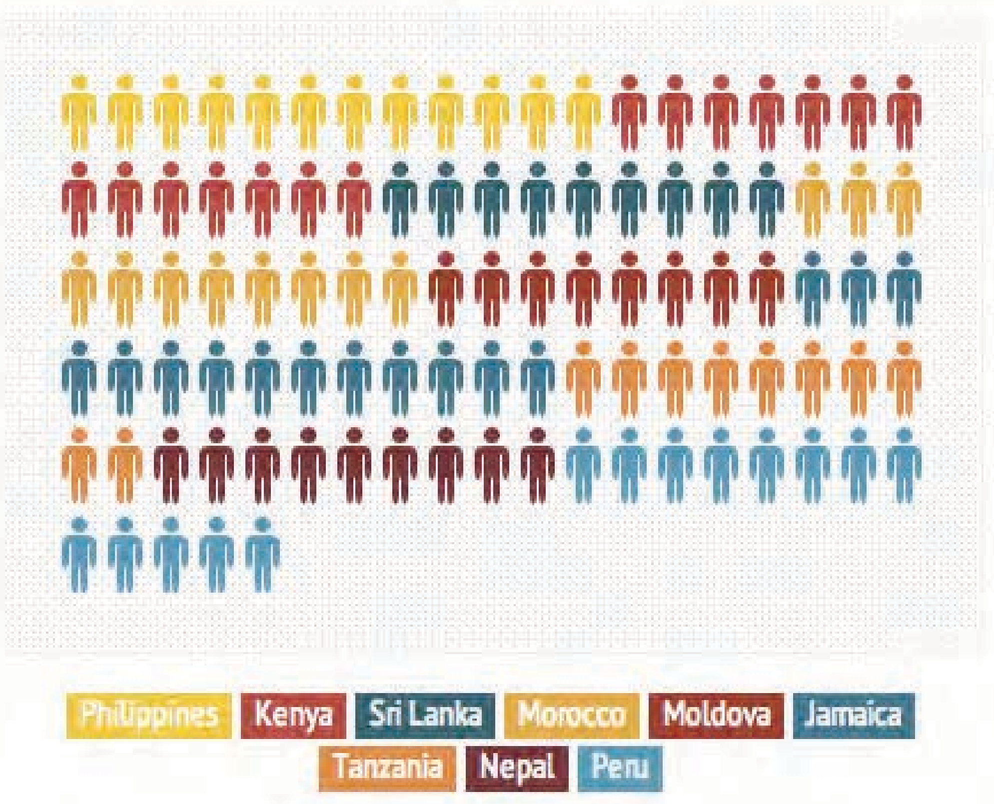
6. COMMONALITY OF KEY THEMES ACROSS OUR FIELDWORK COUNTRIES



PROJECTIZATION

This issue came up very often. CSOs everywhere are beginning to use this term to describe the common habit of donors who fund them (directly or indirectly through sub-contracts) of providing only money to carry out the project at hand, and hardly any for the organization as such.

75% of LNGOs surveyed said 'projectization' is a hindrance to their sustainability.



From the Learning Agenda desk research, 1 out of 4 works cited emphasize that conventional donor activities are creating dependency, and that their demanding funding mechanisms are taking time and energy away from capacity development. In Kenya, one organization reported that their staff size decreased by 41% when their largest donor-funded project ended. And more than half of the respondents in all nine countries said that they spend at least 50% of their time writing proposals.

OWNERSHIP

The mature CSOs in the South take country ownership seriously, and there are signs of push-back against donor dominance of priorities, as well as INGO and private contractor dominance of implementation practice, particularly social service delivery. Some organizations are saying "no" to donors, dictating terms, priorities, and saying "here is what we do, if you want to support that's fine, if not, OK."

ASSETS AND ENDOWMENT CREATION

The more confident and strong CSOs in some countries are not waiting around for the donor community to change; they see the prospects of donor pull-back, and more are experimenting with hybrid structures that might enable them to generate revenues on their own. In Sri Lanka, 58% of the LNGOs get funds from "local people," not from grants. A surprising number of organizations voice the intention to acquire land and buildings as revenue generating assets. For example, 25% of the NGOs interviewed in Kenya hold assets such as buildings or land, as a way of bringing in revenue to reduce their dependence on donors. And 18% of surveyed NGOs in Tanzania own their own space.

EQUAL RELATIONSHIPS

To the extent CSOs want engagement with traditional donors (and most still do) they want a more equal relationship – indeed they want a relationship to begin with – to be talked with and listened to on a regular basis. They want their donors to take a different kind of stance vis-a-vis their grantees and play a fundamentally different role.

Years ago the Ford Foundation initiated a unit called GrantCraft, aimed at deepening the understanding of the complexities and challenges inherent in grant making.[80] One of its contributions was an analysis of the multiple roles that a grantor can (and often in reality does play), from "sounding board," to "collaborator," to "disturbance generator" to "rescuer" to "talent scout." GrantCraft took what often actually happens in an informal way and codified these things, with the idea of encouraging an expansion of the nature of the philanthropy as a relationship – something "beyond the money." The use of the word "craft" is not accidental – it was meant to suggest a degree of artfulness, of consciousness about the quality of what is being done.

A DIFFERENT KIND OF CAPACITY DEVELOPMENT INVESTMENT

Specifically CSOs want a different kind of capacity investment – much more horizontal – they want knowledge brokering, exchanges such as cross-visits, twinning and other peer to peer opportunities, platforms for discourse, and they want help in meeting the basic needs of an

[80] Grant Craft is now affiliated with the Foundation Center and the European Foundation Centre

organization – physical space, equipment, and the build-up of endowments and revenue generating investments like land and buildings. Nearly 45% of organizations that were included in the research had taken part in a South-to-South training.

A MORE LEVEL PLAYING FIELD FINANCIALLY

The more mature CSOs do not want any longer (though they still reluctantly accept) to be instrumentalized, projectized, and sub-contracted. They now know about Northern perquisites like the USG's NICRA (Negotiated Indirect Cost Rate Agreement); they know or sense that much of traditional aid to developing countries goes back to the donor country. As Raymond Apthorpe puts it in "Adventures in Aidland" this is the phenomenon of *"[…] the return gift, accruing larger benefits at home."* When an MSH, or a Mercy Corps, or an FHI360 wins a project as the "prime," savvy CSOs now know that a large percentage of the money does not reach them or their constituents. [If one takes worldwide ODA (Official Development Aid) at about $60 per year per poor person, and then deducts studies, consultancies, administrative overhead, partner country administration, debt relief, corruption large and small, as well as payouts to non-poor beneficiaries in the supply chain (vehicle salespeople, other suppliers, hotels, airlines, etc.) the funding available for actual project purposes may be as little as half.[81]]

MEASUREMENT FOR THE SAKE OF THE DONOR

Some CSOs do not see the logic of projects they are involved in where they are required to track and report on hundreds of indicators. For example the five year $126 million PEPFAR project under USAID's NUPITA (New Partners Initiative Technical Assistance) with U.S. for profit organization JSI as the prime contractor required some 190 separate indicators that needed to be tracked.

AMBIVALENCE

Still, for now these privately voiced reservations do not translate into open revolt – most CSOs want to get donor funds and are caught between their desire for those funds and their awareness of a basic approach they perceive as contradictory to the development endeavor, and certainly their own evolution. They take the money and don't like it, resenting both its power and their complicity in a set-up that often runs counter to what they believe.

Many local people feel that things are too rushed, work is done superficially, too much in the interest of filling in the results frameworks and ensuring the money flows. 85% of organizations included in the Learning Agenda research that have been a USAID partner say their award timeframe was too short to achieve the project mission and build any sort of sustainability. Only a few, so far, are willing to break out of this cycle. Were the discontent to express itself in a

[81] Homi Kharas and Andrew Rogerson, "Horizon 2015 - Creative Destruction in the Aid Industry" ODI, 2012, p.10

recommendation to donors it would echo recent remarks made by British anthropologist and aid practitioner Rosalind Eyben:

> *"[…] the complex and contingent nature of societal change and the impossibility of predicting that a particular event will lead to a certain outcome suggests an approach to donor action that is to develop long term and consistent relations with selected recipient organisations who are pursuing a social change agenda compatible with the donor's own values and mission. Rather than aiming to achieve a predetermined specific real world change in which the recipient organisation is treated as an instrument to that change, the focus of donor effort would be in supporting that organisation's own efforts in what may be a rapidly changing policy environment."*[82]

The few with a sense of history would like to see a more robust return to and genuine interest in institution building and policy reform.

In sum, a majority of our interviewees see the worst characteristics of an outdated aid approach becoming worse: Project time frames are as short if not shorter than ever; an increase in the number of and complexity of partnerships in large projects (what some have referred to as the "long value chain"), making information flow, coordination, and quality control harder; greater rigidity in measurement tools, more intense application of a results framework, greater focus on "evidence-based" projects; greater fickleness in donor priorities; the lack of core support; the lack of space and time to reflect, to adapt, to be flexible; the need to fill in boxes, etc. (It is humbling to note a USAID sponsored analysis from 25 years ago of why sustainability has proved so elusive, referring to *"the effects that internal donor incentives to obligate funds, ensure financial accountability, and take a short-run perspective have had on the sustainability of development projects"*[83])

THE CSO SPHERE – CHALLENGES

- CSOs suffer from high turnover, brain drain, staff poaching
- No or few 2nd tier organizations
- Low network density
- Lack of standards on transparency/accountability
- An evolving, increasingly expensive "consultant culture"
- Many CSOs "silo'd" – (see Brown & Kalegaonar on 'NGO Particularism') – limited knowledge of what's going on outside their purview, tend to see themselves as unique, limited view of development, don't collaborate; have no awareness of potential private sector synergies
- Umbrella organizations when they exist are weak

---

[82] Rosalind Eyben, "Relationships matter: the best kept secret of international aid."
In CDRA - An Annual Digest for Practitioners of Development, "Investing in the Immaterial," 2010/2011, pp. 27-38

[83] see "SCOPE - A Conceptual Framework for Institutional Sustainability," draft prepared by the International Development Management Center, Colleges of Agriculture and Life Sciences, University of Maryland at College Park, and the Development Program Management Center, Office of International Cooperation and Development, USDA, July 1988

SOME STRENGTHS AND OPPORTUNITIES

- Lots of passion and individual talent and quite a bit of professionalism
- Potential for CD services both in the university sector and in some major private sector areas (e.g., the mining companies in Peru)

CAPACITY DEVELOPMENT

- There are local CD providers but many are either weak or not well adapted to the sector
- Value of study tours comes up often as a key means of CD
- Role of national diasporas in CD not yet galvanized but lots of potential
- Increasing number of consultants, but quality uneven (often come from academia, do not understand complexities of CSOs)

7. CAPACITY DEVELOPMENT

> *"Learning should not only take us somewhere; it should allow us later to go further more easily."*[84]

A DEFINITION

We are reluctant to add yet another definition of capacity development (CD) to the many that now exist, especially so because we think that local organizations need to define CD for themselves. But basically, CD is anything that enhances a development organization's ability to solve its and its constituents' problems, adapt to changing circumstances and to learn from experience. Moreover whatever CD is, it must be looked at relative to a particular environment.

Donor Capacity Development Approaches are at risk of becoming overwrought and over-engineered, and do not seem to be leading to positive change.

In some ways the current zeitgeist around local organization CD seems to be replicating the era of the late 1880s when Americans Frederick Taylor, Henry Gantt, and others created "scientific management." That movement arose out of the post Civil War acceleration of the industrialization of the U.S. and was led essentially by engineers. Its objective was to make manufacturing more efficient and more profitable. 125 years later, our interviews with capacity development thinkers and practitioners as well as our perusal of the CD literature suggests a growing attempt to make CD into a scientifically managed field of development assistance – to more finely engineer capacity development, to wrestle and corral what is in reality an unwieldy field into a tidy set of definitions, tools, and frameworks. Much time has been and is spent on all of this, much talk and many meetings and of course a lot of money.

But our research raises the question of whether such a level of effort is necessary; whether this process has become overwrought to the point where it has left the real world behind and missed the essential point that CD – in the realm of development assistance – is about learning to be artful, to be reflective while at the same time active and adaptive in a highly complex and indeterminate field.

CD HAS BEEN WELL FUNDED OVER THE YEARS

By one estimate, about $400 billion dollars have been spent over the last 50 years on "technical cooperation" – a large part of which is training.[85]

More precisely, according to Aid Data, between 1973 and 2009 spending by all donors on "civil society strengthening" (another rubric for LCD) was $22.146 billion, and in the third of a century between 1978 and 2009, U.S. spending on civil society strengthening totaled $6.675 billion, both

[84] Jerome Bruner, The Process of Education, New York, Vintage, 1963
[85] Jenny Pearson, "Training and Beyond: Seeking Better Practices for Capacity Development," January 2011, Learning Network on Capacity Development (Len CD)

all donor and U.S. spending on civil society strengthening showing an almost steady rise in that period.

MANY RESEARCH INITIATIVES AND MEETINGS

Just in the last 15 years there have been at least a score of prominent initiatives on CD in the aid field, such as the New Partners Initiative in Africa (a USAID Cooperative Agreement that worked through two main contractors to provide CD to 43 African NGOs), The Africa Learning Platform on Capacity Development, and The International Working Group on Capacity Building of Southern NGOs begun in 1996. Major donors like the World Bank, CIDA, SIDA, USAID, and DFID have done research and studies on CD, as have think tanks and research organizations like INTRAC and ODI in the U.K, ECDPM in the Netherlands, the African Economic Research Consortium, as well as large NGOs like SNV (Netherlands), and the organization Civicus. In addition the World Bank's Capacity Development Resource Center, and the World Bank Institute have all done studies and come up with CD frameworks and designs.[86] There have been many fora and meetings, such as the High Level Retreat on the Effectiveness of International Development Training in Berlin (June 2008), Improving the Results of Learning for Capacity Building Forum in Washington (June 2009), the Learning Link event in Turin (December 2009), the LCD Summit in Washington (June 2012), and the Measuring Capacity Development Results CD Network Conference (June 21, 2012) at Georgetown University.

Since the 1990s we have also seen a plethora of "frameworks" for assessing the capacity of development organizations, such as:

- The McKinsey Capacity Assessment Grid, 2001
- The ISR – Institutional Self Reliance: A Framework for Assessment," Jerry VanSant, Research Triangle Institute, 1991 originally prepared for the UNDP
- The OCAT – Organizational Assessment Capacity Tool - PACT, 1996
- The DOSA – New Directions in Organizational Capacity Building - PACT and EDC, 1998
- The TTAP – Training and Technical Assistance Plan- Counterpart International, 1999
- The ISA – Institutional Strength Assessment – USAID/PVC, Child Survival Technical Support Project (CSTS), Macro International, Inc.
- The IDF – Institutional Development Framework, Management Systems International (MSI)
- The OCI – Organizational Capacity Indicator scale, Christian Reformed World Relief Committee (CRWRC), 1997[87]
- The Capacity Development Results Framework – A strategic and results-oriented approach to learning for capacity development (Otoo, Agapitova & Behrens, 2009)

It is hard not to be staggered by the number of frameworks, numbered lists, grids, and graphs that tell us what are the important capacities for a development organization, such as the seven principles of CD taken from the USAID review of the New Partners Initiative (NPI):

---

[86] "The Capacity Development Results Framework – A strategic and results-oriented approach to learning for capacity development." S. Otoo, N. Agapitova & J. Behrens, 6. 2009

[87] Jerry VanSant, "FRAMEWORKS FOR ASSESSING THE INSTITUTIONAL CAPACITY OF NGOS," Duke Center for International Development Duke University, Revised, December 2008

1. Comprehensive
2. Contextualized, customized & assessment-based
3. Locally-owned
4. Readiness-based and timely
5. Sustainability-based
6. Inward and outward oriented
7. Learning-focused[88]

Or the much replicated and adapted McKinsey & Co. Capacity Assessment Grid, which also divides up the world of capacity into seven elements:

1. Aspirations (vision, Mission,…)
2. Strategies
3. Organizational Skills
4. Human Resources
5. Systems and infrastructure
6. Organizational Structure
7. Culture (which is the thread running through the above[89])

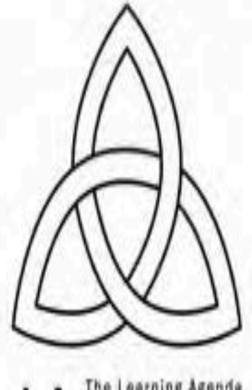
These seven elements are then further divided into a total of 57 aspects or capacities that then are scored according to four different levels of achievement. An adapted version of this grid (and of the PACT OCAT) is the OCAT developed by the East Africa Region of USAID which contains 84 indicators of capacity across nine different categories, again scored in terms of achievement.

These types of frameworks represent in a sense a "laundry list" or "all-but-the-kitchen-sink" approach to organizational CD. One imagines a group of people sitting in a room and brainstorming about what to put in a framework. One of their concerns is to make sure they leave nothing out. Once having listed all the elements they can think of – presumably put on flip charts and then taped to the walls – it remains to create a framework. The result of this deductive approach – the opposite end of the spectrum from an empirical and inductive approach – is something that flies above the real world – it is idealized, prescriptive, normative, if not wholly perfectionist. While many would argue that these frameworks and grids and lists are merely "aspirational," there seems little acknowledgement that there may well be no organization in the world that could or would score well on any of these grids, and thus what is one aspiring towards?

[88] The Seven Principles of Capacity Building of Civil Society Organizations: Lessons Learned through the NPI in Africa, USAID, 6/2012
[89] "*Effective Capacity Building in Nonprofit Organizations,*"Mckinsey & Co. for Venture Philanthropy Partners, 2001

Figure 1

From Capacity 1.0 to 2.0



LA The Learning Agenda on Local Capacity Development

- The Standard Package (1.0) = the metaphor of the engineered machine
- Capacity 2.0 implies imperfection, adaptability, reflective practice, learning by doing. In 2.0 the "skills" or "competencies" are less important than organizational character and culture

Figure 2

Behavior Engineering Model

ENVIRONMENTAL	**Information** • Roles and performance expectations are clearly defined; employees are given relevant and frequent feedback about the adequacy of performance. • Clear and relevant guides are used to describe the work process. • The performance management system guides employee performance and development.	**Resources and Tools** • Materials, tools, expert support, and time needed to do the job are present. • Processes and procedures are clearly defined in reference documentation. • Overall physical and psychological work environment contributes to improved performance; work conditions are safe, clean, organized, and conducive to performance.	**Incentives** • Financial and non-financial incentives are present; measurement and reward systems reinforce positive performance. • Jobs are enriched to allow for fulfillment of employee needs. • Overall work environment is positive, where employees believe they have an opportunity to succeed; career development opportunities are present.
INDIVIDUAL	**Knowledge and Skills** • Employees have the necessary knowledge, experience and skills to do the desired behaviors. • Employees with the necessary knowledge, experience and skills are properly placed to use and share what they know. • Employees are cross-trained to understand each other's roles.	**Capacity** • Employees have the individual capacity to learn and do what is needed to perform successfully. • Employees are recruited and selected to match the realities of the work situation. • Employees are free of emotional limitations that would interfere with their performance.	**Motives** • Motives of employees are aligned with the work and the work environment. • Employees desire to perform the required jobs. • Employees are recruited and selected to match the realities of the work situation.

USAID: Human and Institutional Capacity Development Handbook, October 2010.

Figure 3

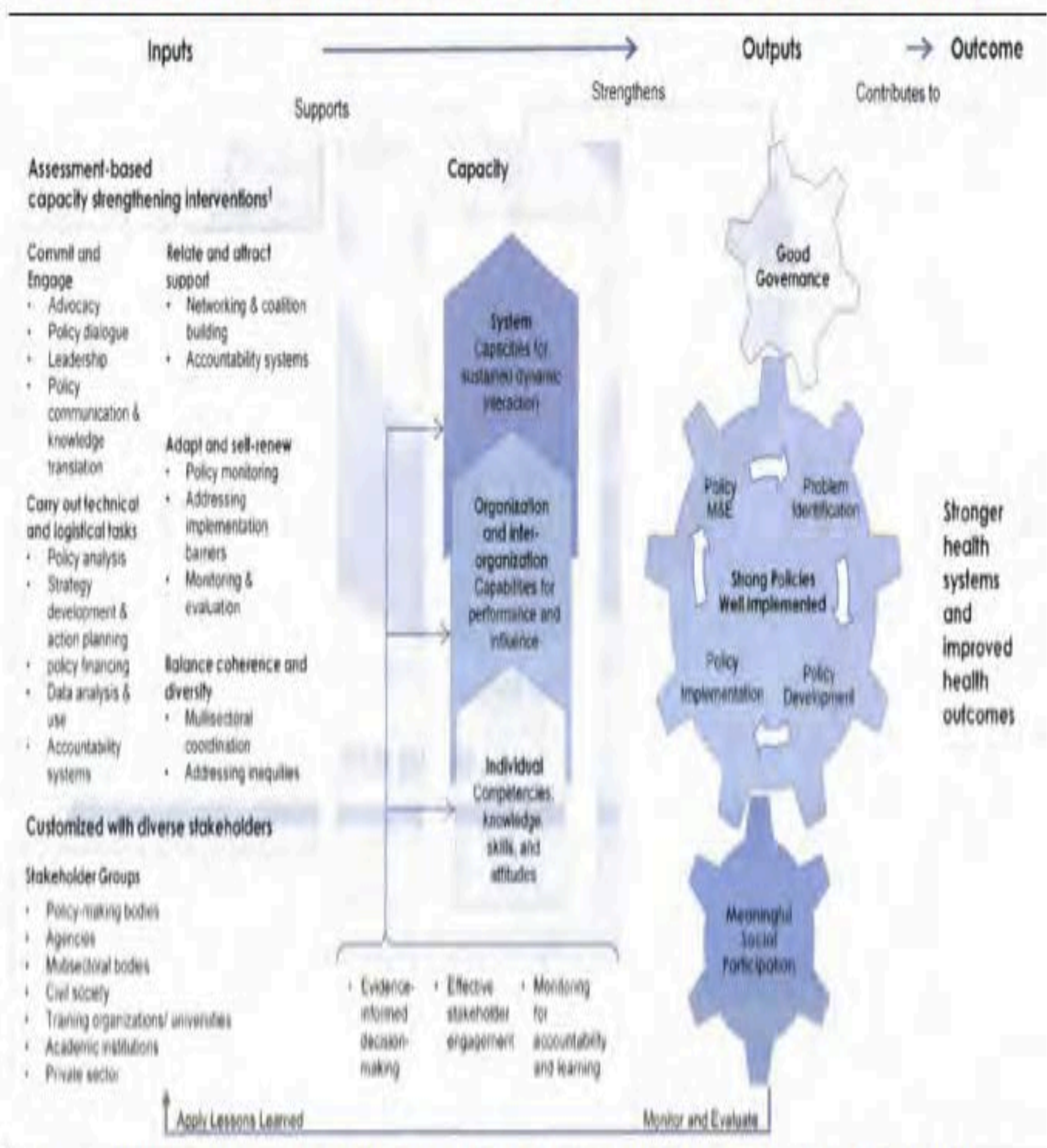


Figure 4

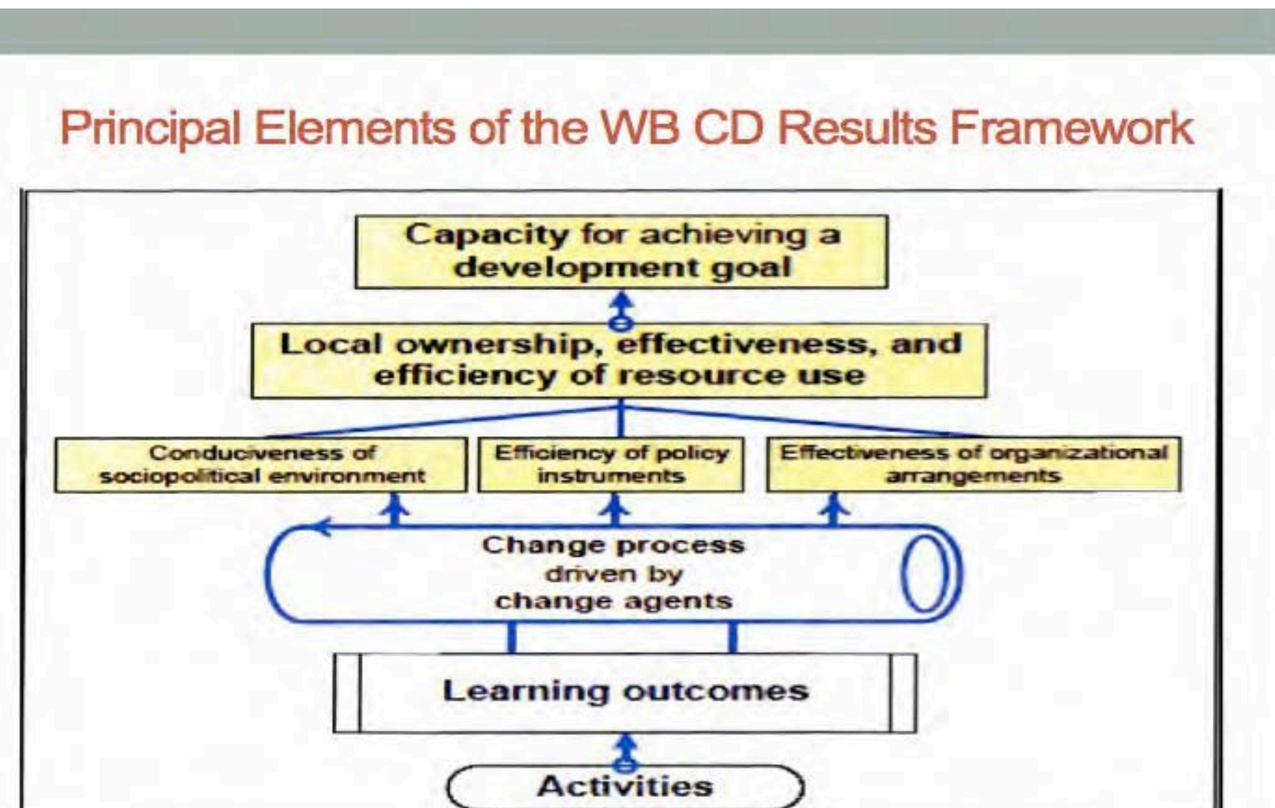


Figure 5

Figure 6

Pact's Conceptual Model

(a) Stronger local organizations;
(b) Improve their performance; and
(c) Have greater impact in their target communities.

LA The Learning Agenda on Local Capacity Development

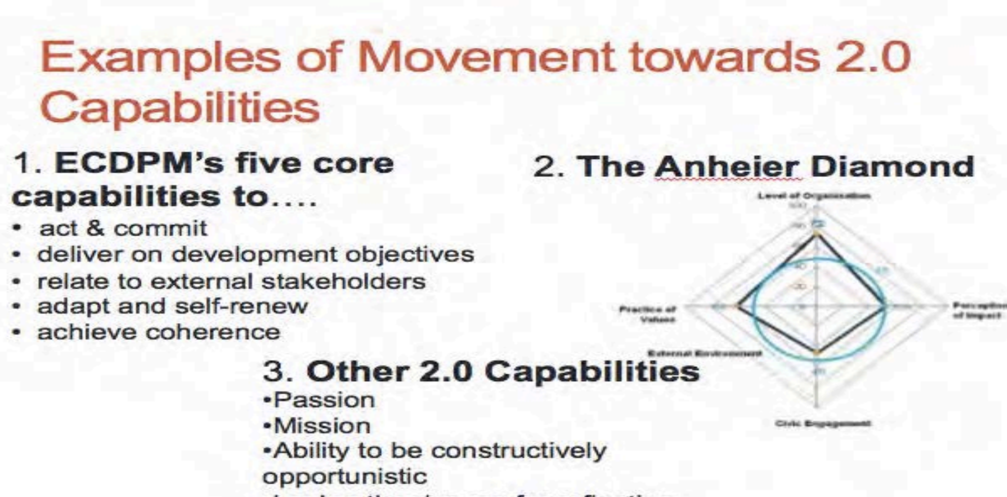
Outputs
Change in the systems, skills and policies of individuals, organizations, networks and systems

Outcomes
Improved performance of individuals, organizations, networks and systems

Impact
Improved health, environment and/or livelihoods in the communities served by individuals, organizations, networks and systems

Figure 7

Figure 8



Given the funding for CD from many donors, the meetings, summits, seminars, and the steady rise in the numbers of papers, articles, studies, and think pieces on the subject of CD over the last 30 years (see section 2 of this report), it should not be surprising that there is considerable duplication of effort in this broad field. But what is somewhat surprising is that in the roughly two decades during which all this effort has been expended, the core issues that have been identified (some long ago) remain largely unaddressed in donors' practices. Two in particular have not translated into changes in practice: the recognition that CD takes time, and the recognition that there can be no one-size-fits-all approach to CD. At the least therefore, it would seem we have a knowledge management problem, and at worst, we are seriously "silo'd" from one another and from what the literature has been saying, or perhaps more simply, we have been unwilling to take action for other reasons.

The many hundreds of projects with a capacity development component funded by various donors, all say they have "built" capacity. But what capacity has been built? The work of development has not changed significantly, nor have we seen significant large scale reductions in poverty or improvements in how projects are executed that can be attributed to capacity development interventions. Large shifts in poverty as have occurred in China and India have little to do with what the players in the development assistance industry do or have done. And improvements in health such as those seen in the HIV/AIDS arena associated with programs like PEPFAR are not so much related to changes in organizational capacity as they are to large amounts of money distributed through many mechanisms involving local organizations that have been trained to carry out and comply with donors' plans. In short it seems reasonable to conclude that much of what donor supported CD has focused on is the rather narrow range of skills that have to do with the technical details of the delivery of specific services, and the capacity to deal with donor reporting and accountability requirements.

THE INCOMPATIBILITY OF "SCIENTIFIC" CD AND THE REAL WORLD OF DEVELOPMENT ORGANIZATIONS

Thoughtful observers of capacity development have noted for a long time a basic incompatibility between any "scientific" or engineering based approach to CD and the reality of development assistance.

It is over 20 years since Elliot Berg wrote "Rethinking Technical Cooperation, Reforms for Capacity Development in Africa." He wrote it after several decades during which capacity development was a central component of many development assistance projects. Not much had changed by 1993 when he wrote the book, which is why he called for a "rethinking."[90] Surprisingly, not much has changed in the two decades since then either. We are still generally oriented, it seems, to one or another variation on these old models of capacity development. One of these is what Berg called the "resident expatriate-counterpart model." And while he was talking about the classic type of arrangement one saw much of in government ministries, where the expert worked with his counterpart, the model also includes any expert, whether "expat" or not. But the underlying premise is still the same – essentially a "deficit" view – one side has the knowledge, believes it knows why it is important and that others, who do not have it, are seen as needing to acquire it.

The other, related model is what one might call the technical rationality model. It too reflects the scientific management, engineering tendency we have been noting in this section. This is the underlying (and unquestioned) belief that relevant knowledge can be reduced to techniques, procedures, as in the owner's manual for a stove or a microwave. Indeed, in the realm of CD for development, as noted in our section on the literature "corpus," there are countless manuals and they include some valuable ones, albeit still a bit stuck in the technical rationality model (e.g. Holloway's "How to establish an advocacy organization" which has several sections beginning with "getting started.") In this model, when a program of knowledge transfer is designed, it is structured around techniques, whether the subject is management of a cooperative, developing a CSO M&E unit, or a strategic planning process, or how to space corn plants in a field. And the program of transfer itself – the training – is also structured around techniques of training that have by now become standard in our industry (the "ice-breaker," the PowerPoint slides, the taping of the flip chart pages to the wall, the break-out sessions, etc.).

But again the fundamental incompatibility of development reality and "scientific" CD remains unreconciled and perhaps explains why we have fewer positive results than one might expect given the amount of time and money spent. Peter Morgan in a paper for CIDA in 1998 put the incompatibility this way:

> *"Most efforts at capacity development bump up against the tension between control and structure on the one hand and flexibility and experimentation on the other. Many participants are concerned about clear objectives, accountability, the achievement of agreed results, transparency and predictability and the meeting of contractual requirements. Yet the process of capacity development is inherently unpredictable and un-programmable. It depends critically on constant learning and adaptation to be*

---

[90] Elliot J. Berg, "Rethinking Technical Cooperation; Reforms for Capacity Development in Africa, " DAI, 1993

effective. Detailed planning fails virtually in all cases. Managing this tension becomes one of the main challenges involved in achieving effective results."[91]

Morgan's point has been made often. When we did a quantitative analysis of the corpus of literature we collected on CD we found that 94% of 59 articles on the aid industry highlighted the poor fit between donor project models and an effective increase in local capacity development; and 96% of the 56 articles on training found conventional top-down training flawed and called for new approaches.

And in our interviews with hundreds of local organizations we found that what donors offer and organizations need often do not mesh. Many local organizations want much more horizontal forms of capacity development. They do not need or want to be directed toward donor-chosen sectors or to follow donor-led project designs. They resist being put into a framework and scored on 57 or 84 separate elements, many of which they feel do not apply to them. Rather, they want knowledge brokering, knowledge exchanges, peer-to-peer opportunities, platforms for discourse, and help in meeting the basic needs of the organization.

Whether we talk of project design or training efforts, the critical literature and our own field work all tell the same story. What should be merely guidelines, ways to help measure success, have become ends in themselves. Engineered solutions, easily matched with technocratic skills, set up an idealized perfect that obscures the messy, uncertain and complex realities of development.

None of this is to say that the "standard package" – the canon of Capacity 1.0 (monitoring and evaluation, strategic planning, human resources management, cash flow analysis and so on) ought to be thrown out – indeed most organizations appreciate these ways of systematizing and routinizing certain functions where it makes sense to do so. But the "standard package" needs to be put in its place – it is applicable and advisable here and there, depending on the nature of the organization's mission and work. But we need to get beyond CD 1.0; we need finally to align the life cycle and reality that local organizations face with capacities that are outside the standard package; capacities that may not be "packageable" at all, but are equally if not more important than those that are.

A DIFFERENT VIEW OF CAPACITY AND THE DONORS' ROLE IN IT

Interestingly, the majority of those CSOs we interviewed, when asked what came first in their view of capacity, responded with an answer that was practical and down to earth. They want and need the capacity to keep going physically; to pay the rent, to equip and maintain their offices, to communicate with the world (phone and internet) and to get around.

After that they talked about fundraising as their next capacity priority. Only then did they talk about the standard package (1.0) capacities; and those interviewees who brought up such

[91] Peter Morgan, "Capacity and Capacity Development – Some Strategies," CIDA, 1998, p.5

capacities did so always in reference to prevailing donor practices – these are the capacities the donors want, but not necessarily what local organizations feel they need.

CAPACITY AS CHARACTER

When we talked with CSOs that were more mature and thoughtful, we began to hear more about what we have come to call Higher Order Capacities (aka "2.0" and "3.0"). This level of discussion brought out, among other traits, the importance of passion, of an articulated vision, a sense of mission, good leadership, adaptability, the capacity to communicate externally and to build and maintain relationships with others.

As our discussions continued we began to see that many of the things people were talking about lay outside the standard realm of capacity and in a sense encompassed what one might refer to as organizational character and culture. A few CSOs we met were good at standing back and looking at themselves critically; others talked about how much they learned from their mistakes; a few leaders highlighted the need to take risks and to recognize serendipity, that is, when an opportunity comes along to see it as such and take advantage of it even if it means changing course. Some talked about organizational self-confidence and how it evolved, others talked about their experience in gaining the trust of their communities. These and other things were not on their list when we asked about capacities per se, but rather came out in the context of the broader discussion of their evolution as organizations.

As we participated in these discussions we were reminded of some aspects of the literature on "emergent order," order that is not designed or imposed but which emerges "through the interaction of many entities."[92] In fact in much of current thinking about complexity in organizational systems the concept of an *a priori* ordering of traits is viewed not only as far removed from the real world but even as disadvantageous. Snowden and Kurtz in their intriguing paper, quoted above, suggest that lack of order may actually be the case *a priori* and that "lack of order" has its advantages. They suggest a view of "contextual complexity" where the "planned" and the "organic" (the emergent order) can exist side by side.

Such thinking and the associated evidence from our interviews again suggests that a linear, 1.0 view of capacity may be appropriate if we are talking about a factory making auto parts, but may not capture, or be appropriate to, the aims of development, not to mention strengthening country systems. As we suggested earlier in this section, many of the elements in the standard package may not correlate with effective development work in certain contexts. We met CSOs and individuals who were highly thought of by others and who did effective work with their communities and who would **not** have scored well on an OCAT for example; CSOs that did not have many of the recommended capacities of the standard package – clear board rules, tight administrative systems, clear written job descriptions, good inventory management and the like.

[92] C.F. Kurtz, D.J. Snowden, "The New Dynamics of Strategy – Sense-making in a complex and complicated world." IBM Systems Journal, Vol. 42, No.3, 2003

In short our research suggests that donors like USAID need to rethink not just the aim of CD but also to recognize the dangers of the "perfectionist" view, and begin linking CD work to the challenges in the real world of development. And finally they need to entertain the possibility that some of the more important capacities (2.0 and up) may not be as amenable to being directly "developed" as they are to being fostered indirectly.

Some capacities of development organizations, as with some aspects of an individual's personality may not be amenable to be trained, mentored or coached. In some cases the challenge will simply be to find these higher capacities, or the seeds of them, and in others the challenge will be to foster self-guided or organic learning, just as a parent fosters the learning of a three year old child by buying an educational toy that the child then learns to use by herself. In short, the role of an outside capacity development provider organization may turn out to be rather limited in terms of Capacity 2.0. At the least it needs to move towards a more light-handed approach, recognizing that the donor/outsider role can be a negative influence on learning if it is not more light-handed and facilitating:

> *"Learning is an organic, internal process and ultimately any outsider's role can only be to support its emergence. Outsiders can influence learning negatively, however. For example, an imbalance of power between donors and recipients can distort learning if the need to comply with donor requirements takes precedence over learning important lessons from the implementation of a project."*[93]

LINKING CD TO THE REAL WORLD OF LOCAL DEVELOPMENT ORGANIZATIONS

As we have suggested, the record of success in transferring capacities, even of the 1.0 variety, is mixed at best. Elliott Berg in his 1993 book used the term "Teflon" to denote the fact that much of what was transferred in his day did not "stick" – either it was not acquired by the learners or if it was, it had no fertile ground in which to be adapted or used. Local ownership of the knowledge was often weak, and commitment to the ideas, techniques, and procedures being conveyed was often limited. And the pedagogy behind the CD – basically the training workshop model where information is presented and discussed, remained unquestioned as to its efficacy and its underlying assumptions about learning.

A strong incentive for donors to use these models is that they are essentially delivery-based; knowledge as a commodity which can be delivered in measurable ways (numbers of trainings and TOTs) to a quantum of people or targeted organizations. These models have been convenient for us as donors – they can be broken down into deliverable units. But they also tend to be top down and supply-driven, as many of our interviewees noted. Donors decide, for example, that what "they" (local organizations) need, whether they are administrators in a health ministry, staff of a CSO, small farmers, or local traders, is to acquire the basics of "modern management," whether that be accounting systems, written human resource systems and manuals, cash flow management systems, or crop rotation systems. And "they," because they understand that one of the conditions for aid is to be trained in these capacities, go along and say that this is indeed what

[93] Pearson, Op.Cit. p. 5

they themselves need. And while it is reasonable to suppose that "they" do need some of this type of knowledge – from our point of view, we know from experience that these systems make a difference – we cannot be so sure that these are their genuine or more relevant needs. We are talking about a complex set of actors, especially in the CSO world, and we have not really tested the qualities that sort out – in a given sector - effective organizations from those that are not. Moreover, the technical material that donors want to convey is also conveyed in a technical way – structured, packaged, modularized, so as to be "trainable."

Real local organizations in development are messy, complex, and layered combinations of linear and non-linear thought, of rational thought and irrational motivations, of careful action and decision-making and panicky shoot-from-the hip reaction. Local development organizations these days may look like they fit a framework, but in reality they do not very often. Some people in an organization have mixed motivations, they are ambitious, want to leave, are there to manage impressions, others, are sincerely hardworking, selfless. Some are inherently compulsive and try to deal with all emails and communications and "get everything done" on time. Others are inherently disorganized and comfortable with chaos and leave much unattended to. Some have longer attention spans than others.

And in the world of development work, if the concern of the CSO is to organize a community, advocate for a cause, work on behalf of the poor in the slums, things are messier than usual. There are for example, few clear lines of approach to a community – some people will be trusting, some will have different expectations than others, some will be devious, some will be helpful and willing. And in the current world where there is access to more and more information, and where globalization impinges on practically every corner of the world, the role of 'cognitive dissonance' needs also to be taken into account in understanding the complexity of a CSO or NGO. Cognitive dissonance refers to the problem people have when confronted with conflicting ideas or beliefs within themselves, and who in reaction need to reduce the dissonance either by rationalization or by ignoring the clashing beliefs. The latter part of the theory can be adapted to the development arena because there are more and more ideas and studies out there, more and more information. Aside from conflicting information, the dissonance is increased by the sheer volume of information, which can lead to a desire to reduce if not close down the noise. Ironically, in such a world, where decisions were made before in the absence of information, today it is just as likely to make poor decisions because there is too much of it. All the more reason why in reality the best of organizations proceed by making artful guesses. The question is whether that artful guesswork can be honed to be more effective, more often right than wrong.

Take the issue of strategic planning for example, one of the canonical elements of the 1.0 "standard package" of capacities. Does having a strategic plan make the artful guesswork of a local organization better? Virtually all the CSOs we met with talk about their need to learn strategic planning, but when we probed on that we began to suspect that strategic planning is a capacity need they were told to have by donors. Interestingly, 20 years ago in the business world the usefulness of strategic planning had begun to be questioned, and the core of the argument was that it was ill-adapted to the way real organizations work.

Henry Mintzberg's 1994 article in the Harvard Business Review in which he debunks the formal toolkit approach to strategic planning, was widely circulated.

> *"Strategic planning is not strategic thinking. Instead strategic planning often spoils strategic thinking […] and this confusion lies at the heart of the issue: the most successful strategies are visions, not plans."*

> *"Formal systems, mechanical or otherwise, have offered no improved means of dealing with the information overload of human brains, indeed they have often made matters worse. […] formalization implies a rational sequence from analysis through administrative procedure to eventual action. But strategy making as a learning process can proceed in the other direction too. We think in order to act, to be sure, but we also act in order to think. We try things, and those experiments that work converge gradually into viable patterns that become strategies."*[94]

Mintzberg pointed out as well something any planner knows – by the time strategic plans are drafted, vetted and then finalized, the conditions and assumptions that went into them are likely to have changed. And yet strategic planning remains high on the list of "must dos" in the eyes of donors who wish to strengthen country systems and local organizations.

It is revealing that many CSOs we met echo the donor belief in strategic planning and other elements of CD 1.0, but implicitly or explicitly also recognize that these are not all that relevant to their reality.

One of the people we interviewed in Sri Lanka directed us to an article he had written in 2007 in which he pointed out how different NGOs' answers were to questions about capacity when the questions were asked by donors, as opposed to when they were asked by him and his fellow researchers. He says:

> *"[…] Let's consider the simple question of what kind of training needs NGOs have. When this question was asked by donors, the answer was a long list consisting of: reporting, planning, monitoring, financial management, evaluation, etc. But when we asked the same question, this list was not shown. Instead, they had a long discussion on issues such as the difficulty and challenge of understanding a context that is very complicated and changing rapidly and constantly."*[95]

In terms of pedagogy, it is critical to make the distinction between those skills or capacities that can be imparted by others, such as financial management, and those that cannot so easily be trained, but can, on the other hand, be learned by being reinforced, fostered, and perhaps, indirectly facilitated, such as the capacity to keep up with a rapidly and constantly changing context. And likewise to recognize that in some situations a CSO that is strong on the latter but weak on the former may be more effective than one that has its standard package CD 1.0 skills all in order, but is poor on the latter.

---

[94] Henry Mintzberg, "The Fall and Rise of Strategic Planning," Harvard Business Review, January-February, 1994, p.108-110

[95] Udan Fernando, "The Serendipity of Capacity Building: A Story from Sri Lanka," INTRAC, Praxis Note No. 29, February 2007. p.4

FACILITATING CAPACITY 2.0 AND 3.0 VS. TRAINING CAPACITY 1.0

Learning to fill out forms for a donor grant or contract, or understanding the reporting requirements, or learning the protocols for maintaining a vaccination cold chain in a health project – there are steps one repeats and soon they become familiar. A training workshop where these steps are presented and practiced is a reasonable approach to such capacities. Learning to adapt to rapidly changing circumstances, to think through a problem, to get to a root cause in a social phenomenon, is a different kind of learning because these are different kinds of capacities (2.0 or 3.0) and involve aspects of thinking that are somewhat elusive, such as the capacity to think creatively.

Jerome Bruner has said that creativity consists partly of "effective surprise;" of the "shock of recognition" that takes one "beyond common ways of experiencing the world." This also can involve "a willingness to divorce oneself from the obvious."[96]

Learning in a local development CSO resembles individual learning in that the more there is a real life dilemma, a problem to confront, the more there are questions to be asked that are based on that real world, the more one is motivated to learn. Having questions is the beginning of learning. If you go out to see something in the field, you come back with some questions about why something works or not, and you begin learning.

The challenge for most local organizations engaged in development is to grapple with what Donald Schon calls the "swampy indeterminate zones of practice," that characterize a great deal of what local organizations confront in their efforts to promote and support development in their countries. It is in those "zones" that what makes a difference are more often than not the "artful" 2.0 capacities.[97] Any agency that wishes to foster capacity development in such environments needs to understand the context, the character of the organization, the multiple challenges it faces. This understanding will determine things like frequency of the CD interaction, the mix of abstract presentation and follow-up; of facilitation versus "doing," the duration of the intervention, the kinds of relationships that need to be built to foster confidence and overcome doubts, etc.

In moving towards capacity 2.0 and higher we are essentially also moving towards experience-based capacity development, away from "sage on a stage" vertical approaches to training, and towards "guide by the side" horizontal approaches to learning.[98]

The most common model of experiential learning is that of the craftsperson who learns by being apprenticed to a master craftsperson. For example, in furniture making and joinery, the apprenticeship process often lasts three years or more. In its simplest form the apprentice is mentored, coached as he or she imitates the master. The apprenticeship ends when the apprentice designs and makes a finished piece on her own, which is then judged by peers and other masters. But that is only the last of a long process of experiential learning, which is to say a process of

---

[96] Jerome S. Bruner, On Knowing, Essays for the Left Hand, New York Atheneum, 1971
[97] Donald A. Schon, Educating The Reflective Practitioner, San Francisco, Jossey-Bass, 1990
[98] We attribute these two phrases to David Ellerman, a member of our project's Advisory Group

fumbling, making mistakes, learning to overcome them, building confidence, and finally enough mastery, so that at some point one is free to become creative and adapt and change on one's own.

One underpinning in all of the above is the operation of "feedback" – either feedback from a teacher or peer, and/or feedback from the experience itself.

Feedback can have an amazingly quick and direct link to learning and behavior – take the automated camera-activated speed signs now being introduced in the U.S. and Europe. These are far more effective at reducing drivers' speed than ordinary speed limit signs, because they provide real time feedback directly to each driver. They began by feeding back the actual speed of the driver, and then add further feedback in the form of coloring the digital numbers red (for too fast for this zone) or green for the correct speed, and then adding still more feedback by putting an emoticon next to the actual speed – if your speed is within the limit, you see a smile emoticon, if not, a frown.

John Hattie, who has synthesized hundreds of studies on what makes a difference in learning outcomes among school children, has come up with some ideas that are entirely applicable to CD for local organizations, beginning with feedback[99]:

- He notes the importance of feedback but adds that the feedback has to be both ways, from the student to the teacher as well as from the teacher to the student. In this double feedback loop the teacher receives feedback on their teaching from parents, peers, and their students
- He finds that the highest learning effects of the different aspects of teacher-student relationships were related to non-directivity, empathy, warmth, and encouraging higher order thinking
- He finds that the amount of time in which to develop a teacher student relationship is crucial
- And he finds that the degree to which the student is in "control" of the learning is important[100]

Our research corroborated many of the points made by Hattie's research. We also found the following to be important variables in accounting for successful development of higher order capacities:

- The intensity, frequency and duration of the CD
- The role of "authority" (or "legitimacy"), that is, the degree to which the learner believes the conveyor of knowledge genuinely knows something
- The role of "motivation" of both the conveyor/facilitator and the learner
- The role of incentives
- The role of trust

Perhaps the most intriguing thinking on adapting learning theory to organizations is that of Chris Argyris who talks about double and triple loop learning, in essence a parallel to Capacity 2.0 and 3.0.

[99] John Hattie, "Visible Learning: A Synthesis of Over 800 Meta-Analyses of Achievement," U.K., Routledge, 2009
[100] P.13 in Hattie

Single-Loop Learning asks *Are we doing things right?*

Single-loop learning assumes that problems and their solutions are close to each other in time and space. In this form of learning, one looks primarily at actions and makes small changes to practices, procedures and rules based on what has or has not worked in the past. This involves doing things better without necessarily examining or challenging underlying beliefs and assumptions.

Double-Loop Learning asks *Are we doing the right things?*

Double-loop learning leads to insights about why a solution works. In this form of learning, one considers one's actions in the framework of one's operating assumptions. This means becoming more reflective and asking, "What is going on here? What are the patterns?" With insight about these patterns one can change the way decisions are made and deepen the understanding of one's assumptions.

Triple-Loop Learning asks *How do we decide what is right*?

Triple-loop learning involves principles. The learning goes beyond insight and patterns to context. The result creates a shift in understanding context or point of view. This form of learning challenges one to understand how problems and solutions are related, even when separated widely by time and space. It also challenges one to understand how previous actions created the conditions that led to one's current problems. The relationship between organizational structure and behavior is fundamentally changed because the organization learns how to learn. The results can include changes in the purpose of the organization, and a better understanding of how to respond to the environment.[101]

ALTERNATIVE TO STANDARD TRAINING

Training Fatigue

"The world is tired of training." We heard this a surprising number of times. Everywhere, countless people have attended training workshops – it has become a routine by-product of development projects and many have developed a cynicism about it – it is a chance to travel, to stay in a hotel, even to shop. There is skepticism and fatigue. The "Teflon" effect is widely acknowledged. Generally the reasons are that there was too much information presented; low absorptive capacity; information was not entirely relevant to trainees own experiences; trainees were not carefully selected; trainers were not of high quality; the setting was not conducive to learning, lack of follow-up, etc.

Today partly in reaction donors talk more and more about coaching and mentoring. They recognize that there needs to be follow-up to training. But what they recognize a bit less is that

[101] Adapted from Chris Argyris, On Organizational Learning, Cambridge, Mass. Blackwell, 1993., see also his work with Donald A. Schon

there has to be quality of follow-up; it has to be more labor intensive than it has been and the people who do the coaching and mentoring must be carefully selected. In short, to do these things right can mean an investment in time and money.

There are alternatives, however that could cost donors less money and involve them less directly.[102] These come under the category of facilitation and almost all are horizontal and involve an element of peer to peer capacity development or learning, the essence of which is "exchange."

At the heart of peer-to-peer learning is the notion that two heads are better than one, the idea that another person or organization may see a problem differently and help think through a solution, or bring to bear knowledge that they may have. An example is the Business incubator concept now growing in Washington D.C. In the last decade, beginning with Affinity Lab in 2001, about a dozen shared space incubators have opened in the city. These contain space for start-up companies and non-profits. The organizations involved save on rent and utilities and simply by their proximity to one another begin (organically) to share information, ideas, and learning.

Peer-to-peer learning or knowledge exchange can come in other forms such as twinning, cross visits, or consortia of organizations that are not located in the same place but are in touch with each other on a need basis (see the Northern Michigan example in Guideline #4), or secondments and study tours.

From the donor point of view the concept of facilitation is the key – and the degree of involvement can vary, from a close to no cost brokering or matchmaking function (putting organization A in touch with organization B) to various levels of investment such as subsidizing the rent of an incubator space for a time, to maintaining the secretariat of a consortium arrangement, to the arrangement and funding of study tours or cross visits or even scholarships. But in all of these facilitation functions, the donors' role is that of encouraging and fostering the exchange of ideas, knowledge, or experiences.

Finally there is also the potential value of donor involvement in the enabling environment for CD. That is the country system or ecosystem through which local CD can be reinforced, by for example, encouraging, supporting the development of quality (standards) for local capacity development providers, playing a convening role in meetings, gatherings or exchanges, associations, and so on. Another part of the enabling environment for local CD is the talent pool for new entrants into CSOs or local government. In some countries young people do not have a positive attitude towards public service or work in the social sector. If that is the case, why do they have such an attitude and what can be done to change that image? A donor could play a role in empirical research done by academics on the nature of people's attitudes, or could take a more pro-active role, for example, in using social marketing media to change awareness.

[102] We discuss these alternatives in more detail in Guidelines #4 and #9 of our guideline series

THERE IS MORE CAPACITY "OUT THERE" THAN DONORS TEND TO REALIZE

In virtually all nine of the countries we visited we were surprised at how much capacity of the 1.0 type there is – in part a tribute to the donors' emphases on these things. In Moldova, for example, the most mature organizations tend to be the offspring of the early days of Soros Foundation or Open Society Institute interventions, and to some extent of USAID and other donors' insistence on having solid financial management and other administrative structures and policies in place, e.g. the Moldova Civil Society Strengthening Project; in the Philippines with decades of donor interventions behind them, there is a strong cohort of NGOs and individual consultants who know how to satisfy donor demands for compliance and are familiar with procedures; the same is true for Kenya and Peru, and to a lesser extent in Nepal, Tanzania, Morocco and Jamaica.

CSO strengthening projects have proliferated in the last decade and hundreds of CSOs have gone through these trainings. The focus has largely been on 1.0 capacities and more specifically in the case of USAID, on how to work with the agency.

While there are of course 1.0 capacity gaps (many NGO critics say these capacities are thinner than they first may look), at the least the majority of the CSOs we met speak the language of standard package CD – and are even up on the latest trends in the development arena ("evidence based planning," RCTs, Knowledge Management, etc.)

It is higher order capacity, Capacity 2.0 or 3.0, that is less articulated, and less visible, but it too is there in large measure, and interestingly many organizations that are uninterested in a relationship with donors under current circumstances, possess these capacities.

LOCAL CAPACITY TO DELIVER CAPACITY

Perhaps more important is the finding that there is considerable local *capacity to develop capacity*, either through training or consulting, not to mention peer-to-peer approaches. In Sri Lanka we found at least six organizations capable of 1.0 training. These intermediate service organizations (ISOs) exist everywhere. Our guess is that among the cohort of local organizations we interviewed at least 15% that are capable of delivering basic 1.0 types of training to others. There are also organizations that resemble very much a Chemonics or a DAI in the sense that they are mature, capable of organizing, managing and delivering a donor's project, including sub-contracting local organizations. Finally there are many consultants, and many trainers (though again there is variation in quality).

Whenever we found a high level of capacity we asked the question, what is it that outside providers bring to the table? In many cases, even when there was enough confidence in the organization to say "we can do the job as well as any outsider," there was still a demand for outside perspective and worldwide experience. Indeed this was the one area where virtually everyone seemed to concede an advantage to outside INGOs and contractors, while acknowledging that there is no logical reason why local organizations, assuming good internet access and opportunities for knowledge exchange could not also acquire such perspectives in

time. At the same time, everyone with this view also felt they, as local organizations, had greater local knowledge of culture, language, and the intricacies of how things work in their societies, as well as the technical capacity to carry out specific projects. As for other advantages of outsiders, many CSOs we met said that the outside contractor or INGO, when acting as the prime in a project, "covered" for them with USAID. That is to say, they took on the "hassle" of dealing with the rules and procedures, so local organizations did not have to. But this "cover" effect was also acknowledged to come at a price – a lower place in the long value chain of current project arrangements where there may be as many as a half-dozen or more players in a project (a prime, a sub-prime, and many sub-contractors or grantees under them). And with that lower place comes a loss of exposure to the big picture, to strategy, and to the donor itself (since in many Missions the view is that the local sub contractors or grantees cannot communicate directly with the Mission but must go through the prime.)

Finally, there is the issue of money. Our research found that along with greater local capacity, and growing confidence, there is a greater awareness of how donors spend their money. The issue of overheads or indirect costs came up virtually everywhere and with virtually everyone, and not just in terms of the problem of projectization. When local CSOs were in a USAID project as a sub-grantee, they were aware of the Negotiated Indirect Cost Rate Agreement (NICRA) amount being received by the U.S. or foreign Prime contractor. They do not openly protest this, but often quietly resent it and this is where the issue of what the outsider brings to the table becomes concrete; for then the question becomes is this additional cost worth the benefit? If a U.S. INGO or contractor gets 35% to 55% for indirects and overhead, and the local organization might get 6 or 7% this is cause for accusations of unfairness, rent-seeking on the backs of local organizations, and even discrimination.

In sum, there does not seem to be any solid basis for assuming that capacity strengthening *has to come from outside* anymore. And if one moves more towards horizontal forms of CD, peer-to-peer learning and more knowledge exchange mechanisms (study tours, cross visits, twinning etc.) then CD can be had at a lower cost to the donor, especially so in those cases where the donor takes on a facilitating, brokering, matchmaking role.

WHEN TO LEAVE WELL ENOUGH ALONE

We are found also that many organizations do not want CD or don't feel they need it. Many community based organizations live on small funding, are more or less content to do what they do and are not interested in capturing large funds or becoming big. They are usually propelled, and often run by volunteers, and gather local contributions which often are specific to a single issue or a single campaign. In a sense there may be at some levels quite a bit of self-sufficiency.

Some key elements of a learning organization

- People learn from mistakes; the learning is captured and held on to by the organization [e.g., Each practitioner places into the monitoring system a quarterly statement of what is working and what is not]
- Patterns of error/success begin to be recognized, captured, interpreted and shared. Errors are then avoided; successes reinforced
- The organization keeps abreast of what others are doing in its field
- Staff feel free (if not obligated) to dissent; staff do feel obligated to respond to requests for information and help
- Honesty and transparency are recognized and rewarded
- The organization embodies a two-way street for organizational and personnel renewal through a systematic inflow of outside volunteers, AND a systematic opportunity for staff to work/volunteer with other organizations at intervals and for periods to be determined
- There is a defined space and broad guidelines for experimentation
- Local experiments are fostered as is peer-to-peer learning at the local level
- Parallel experiments are allowed (several at once) with benchmarking taking place between them[103]
- There are regular venues such as brown bag-lunches, trip debriefs, presentations by visitors (periods/intervals to be determined) for open discussions of larger issues/theories/ideas
- The organization and its people convey a basic humility about what is done and what is known
- Most staff are "self-reflecting;" they think critically about what they do especially when what they do seems routine and "rote"
- Most approaches and processes are arrived at inductively rather than deductively – that is they proceed from the particular to the general
- Technical staff are part of networks that include people outside the organization
- Information and knowledge is collected, analyzed, synthesized, interpreted and is diffused horizontally and not just from HQ "down"[104]
- In general the "center" does not routinely dominate the periphery (HQ vs. field)
- It is sometimes OK for leadership to be ad hoc (short-term, temporary, filling-in)
- People and the organization are adept at "double loop learning"
- It is permissible (within reason) to question the need and purpose of any meeting
- Alternatives are always considered before making decisions
- When an organizational wide problem is perceived, the "center" (i.e. HQ) sponsors a contest to "solve" it. Similarly the "center" can identify "laggards and leaders" in the organization and will sponsor horizontal learning between them[105]

[103] See work of Sewall Wright
[104] On decentralized learning see work of Everett Rogers
[105] See Sewall Wright again

8. DONOR TRENDS[106]

> *"We in development do not understand well enough that the folks who work on the ground or at 'street level' are the ones who have to deal with the real world of compromise, crisis, and changing priorities that come from above – one day the word is 'empowerment,' the next day it is 'livelihoods,' but they have to do the best they can."[107]*

During the course of the LA research in the field 6% of our interviews were with other donors, and 10.8% were with international NGOs or contractors. These interviews plus our perusal of a number of recent publications and data sets provide insights into current donor trends vis a vis civil society and country ownership in general.

DONOR CULTURE AND TRENDS

- Lack of donor coordination
- A general "watering down"[108] of key principles of the major global conferences on aid effectiveness (e.g., alignment, harmonization, quality of aid, ownership, greater predictability, openness, trust and mutual respect, moving toward development effectiveness rather than "aid effectiveness")
- The general approach to programs and projects remains basically top-down, normative, prescriptive – pushing own agendas and ideologies
- The "project" mode and framework continues to dominate funding approaches
- Nonetheless, some donors willing to work with a "basket-fund" or pooled finding approach
- Many donors working directly with CSOs tend to support input-based, supply driven, one-off, small–scale, short-term projects in the hands of many small, fairly new and fairly weak CSOs – thus high transaction costs and little cumulative effect (scale)
- In certain sectors (HIV/AIDs for example) major initiatives like PEPFAR have created large local NGOs that are left somewhat orphaned after the projects are over and donors not sure what role to play in ensuring their sustainability
- Donors becoming increasingly similar in wanting more and tighter accountability
- Increasingly results-obsessed in areas where results cannot be easily determined, much less quantified
- Donor grant application, compliance and reporting processes are ill-adapted to local CSOs
- Increasingly "fickle" (priorities change, emphases change, demands on grantees change)
- Less room than ever for experimentation, innovation
- Some important donors considering pulling out (if have not already) because some countries now approaching (or are already in) middle income status

---

[106] This section was researched and written by Jamie Beck
[107] David Lewis, London School of Economics, personal communication
[108] See "The *Busan Partnership*: implications for civil society," Rachel Hayman, INTRAC Policy Briefing Paper 29, February 2012

KEY ELEMENTS OF CHANGE IN THE BROAD CONTEXT OF INTERNATIONAL AID

The developing world is changing, faster than ever, and seemingly faster than most donors can keep up with. These changes suggest a future where traditional donors may be less relevant than before, unless they make rather major changes.

Global poverty is decreasing and with it, the rise of the number of Middle Income Countries (MICs), that will need less traditional aid. Poverty (defined as under $2.00/day) is increasingly concentrated in the so-called fragile states, and especially in Africa. A recent ODI study projects that 60% of the world's poor in 2025 will be in 10 African countries, beginning with the Democratic Republic of Congo, alone projected to have 16% of the world's poor at that date.[109]

There is an increasingly diverse source of development funding. The BRICs and other emerging economies are making more investments, private and public, in the developing world. The rise of crowd funding and private philanthropy in general along with growing cash transfers (remittances plus new forms of aid) suggest a trend to by-pass governments and official aid. The trend is reinforced in the last ten years with the increased melding of social and commercial goals (e.g., the new field of social impact investing). The legal environment is following suit – in the U.S. in 2010 the creation of the "B" company, the "community interest company" in the U.K in 2005, and in Kenya the 2012 Public Benefit Organization Act.

There are more and more South-South transactions, both private investment and development assistance exchanges, e.g., a southern consulting industry, and developing country NGOs such as BRAC, becoming INGOs and doing work in their region or in the South in general.

There is growing transparency, driven by internet access, a resulting information explosion, and somewhat by civil society, which is also exploding. In brief it is generally getting harder to keep things secret or to be egregiously corrupt.

The broad cultural shift towards awareness of, and laws reinforcing, human rights, that has characterized the North since the mid-twentieth century is trickling down to the South, and while much of this is translated in parochial ways (rights are for "me" and not necessarily for all others) there is a steady rise in voice among even the most remote and disadvantaged.

There are subtle but possibly significant shifts in the human resource pool for development work – young social-good-motivated talent in the North is more and more inclined to bypass the traditional aid system and look towards the new arena of impact investing and internet or social media based kinds of approaches, and more and more talent in the South sees the aid system as a less attractive job option than the growing private sector.

Governments are trying harder to do the right thing, and perhaps because they are, they are at the same time, increasingly overwhelmed. The downside is the tendency to do many things in ad hoc fashion, to try to implement policies too fast, and to change gears too often, but the upside is an admission that they must reach for help, to the private sector, to think tanks, to civil society. And

---

[109] Homi Kharas and Andrew Rogerson, "Horizon 2015 - Creative Destruction in the Aid Industry" ODI, 2012, Annex 3, p.32.

while mutual distrust and many efforts to restrict as well as obstruct civil society continue to prevail (as discussed in previous sections), necessity is making working together more of a reality.

Long-delayed governmental reforms in definitional and hence legal registration frameworks for NGOs/CBOs/CSOs are beginning to be tackled. In their train come attempts to devise codes of conduct, certification and rating systems.

LIMITED PROGRESS ON THE DECLARATIONS OF PARIS, ACCRA & BUSAN

Despite the number of high level conferences and declarations over the last decade, our research suggests that the donor world is not keeping up with its intentions.

The conferences we refer to are:
- The Monterrey Consensus (International Conference on Financing for Development) - 2002
- The Rome Declaration on Harmonisation - 2003
- Joint Marrakech Memorandum - 2004
- The Paris Declaration on Aid Effectiveness - 2005
- The Accra Agenda for Action -2008
- The Busan Declaration - 2011

According to an INTRAC paper in February 2012[110], the key Paris Declaration indicators Were:

- *"**Ownership** (Countries put in place national development strategies with clear strategic priorities.*
- ***Alignment (with national priorities, development strategies, existing fiduciary systems, procurement systems, etc.)***
- ***Harmonisation (donor coordination, donors do their field mission and analytical work together with recipient countries)***
- ***Managing For Results** (transparent, measurable assessment frameworks to measure progress and assess results.*
- ***Mutual Accountability (regular reviews; more donor trust in partners, etc."***

However, the paper argues that by the time of Busan in 2011 these principles had been watered down.

> *"**Ownership** remains a central concept, but it is primarily government rather than country ownership, with some nods towards other actors vis-à-vis accountability. **Harmonisation** is barely mentioned, but is revamped to 'reducing fragmentation', which appears to be an acceptance of diversity among aid actors rather than continuing the attempt to get donors onto the same page. **Alignment** likewise is downgraded, with more space given over to predictability and transparency. There is not much about **capacity***

[110] "The *Busan Partnership*: implications for civil society," Rachel Hayman, INTRAC Policy Briefing Paper 29, February 2012

__building__. And the document is extremely quiet on donor commitments, both donor failure to live up to prior agreements and proposals for new commitments.

[…] at heart the Busan Partnership is all about fulfilling 'respective' and 'differential' commitments, i.e. no donor (especially southern) is bound to do anything it does not want to, and the real work of turning the partnership into action remains to be done."

Our work on CSOs in nine countries confirms this rather depressing picture. We have been seeing the opposite of harmonization and alignment. Instead we note four tendencies that if anything appear to be taking us backward:

- Projectization – more and more grants are for projects and CSOs respond to the market incentives at a high cost to their missions and capacity development
- The planning mindset still dominates the aid effectiveness effort
- A marked absence of any theory of change
- A growth in the influence of Development industry market forces – e.g., the rise of a consultant culture; of a cynical chasing after grants and contracts simply to keep afloat
- Atomization/fragmentation – more and more donors funding smaller, and short term projects that are seemingly scattershot in terms of sector or any consideration of impact or at the least experimentation. For example, in 2007, 54 countries received over 14,000 donor missions in a year, that is 260 each[111]

CURRENT FUNDING PRIORITIES AND PRACTICES

We looked at the funding priorities and practices of foreign aid donors from the Paris Declaration to the present, in order to determine recent trends and gaps and to identify some '"ositive deviants" from which donors may learn. Data was collected from information published by the donors, as well as statistics provided by the OECD, the Aid Transparency Initiative, USASpending, ForeignAid.gov, DevEx and others.

Among the themes analyzed were the extent to which donors fund the operating costs of organizations (versus funding specific projects), subcontracting trends, indirect cost trends, and sector emphases. "Innovative" financial mechanisms such as results-based aid, pooled funding and social impact bonds were looked at to determine which donors appear to be forward thinking in these areas and whether their efforts are bearing fruit. We looked also at how much progress donors have made toward the commitments they made through the Paris Declaration and the Accra Agenda for Action.

AID TRANSPARENCY

Through the Paris Declaration on Aid Effectiveness in 2005, donors committed to

> *"enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance…"*

[111] Owen Barder, *"Beyond Planning: Markets and Networks for Better Aid"* Center for Global Development, 2009

However, the donors have been on different timelines for when, how and what kind of information they would report to meet this requirement. According to the DAC's 2010 survey on progress made under the Paris Declaration,

> *"Partner [developing] country authorities appear to have gone further in implementing their commitments under the Paris Declaration than donors, though efforts – and progress – also vary across countries and donor organisations."*[112]

This makes any research comparing donors over time challenging.

Though only one of the 12 indicators agreed to in 2005 had been met by its 2010 deadline, donors had improved upon their transparency in varying degrees by increasing their tracking and monitoring of how and where their funds are spent and by making some of that information available to the public.[113]

The Aid Transparency Initiative was launched at Accra in 2008 to monitor donors' progress. It brought together donors, developing country governments, civil society and aid information experts to agree on a common, open, international standard for publishing more, and better, information about aid. The public can search and download data from the corresponding data registry, which includes raw data from 195 organizations (as of this writing) and counting, including DAC countries as well as foundations such as Gates and Hewlett, and local organizations such as BRAC. 43 criteria are used to measure donors' transparency such as type of aid given, receipient type, whether agreements or MoUs are published, overhead costs, etc. A full list of these crtieria is attached as an annex.

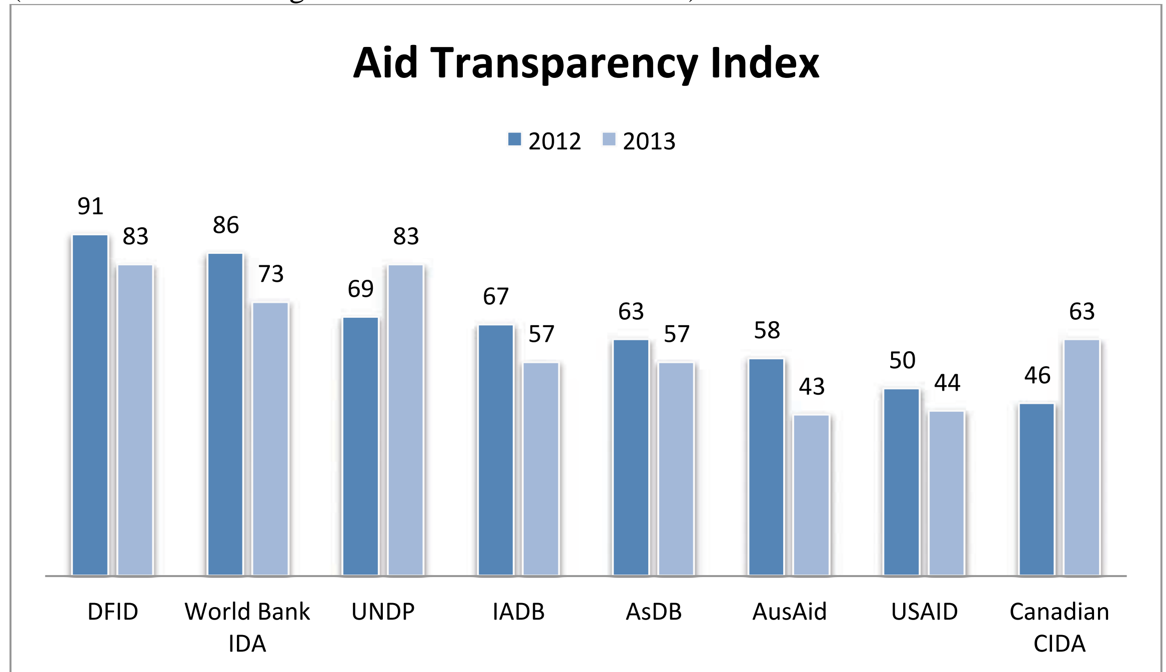
DFID was ranked first out of bilateral donors and the Global Fund was ranked first for multilaterals. One reason for DFID's high ranking is its integration of its NGO implementing partners' data with its own. USAID signed on in 2011 and is ranked #22 of 67 major donors, for a 'fair' rating.

---

[112] *Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration* draws on the results of the 2011 Survey on Monitoring the Paris Declaration, building on similar surveys undertaken in 2006 and 2008. A total of 78 countries and territories volunteered to participate in the final round of surveys, which look at the state of play in 2010

[113] 'Strengthen capacity by coordinated support' is the only of the 12 indicators that was met by its 2010 deadline, and this by a scant margin

Transparency of Donors' Funding (%)
(A selection of the largest bilaterals and multilaterals)



Source: Aid Transparency Index 2013

FUNDING TRENDS

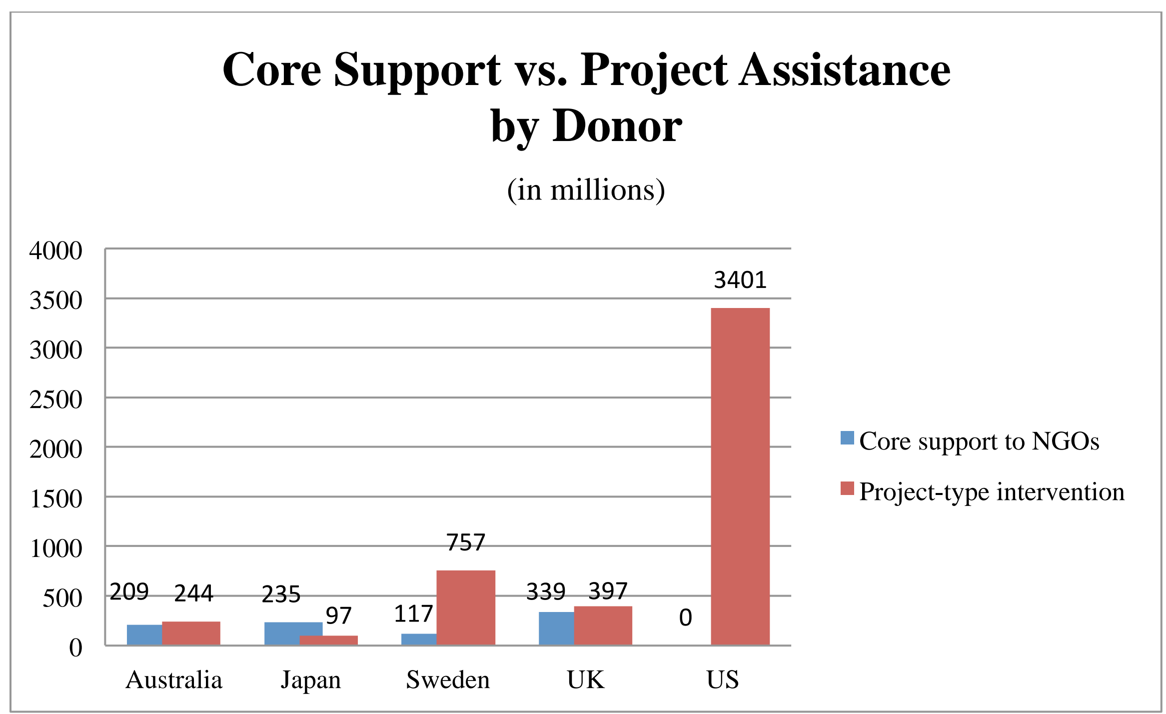
Here we explore four aspects of donor funding that can influence recipients' growth and capacity development: core funding trends; indirect cost funding trends; international versus local civil society organization (CSO) funding trends; and programmatic and geographic focus area funding trends. Together, these aspects of donor priorities and trends shed light on how funding flows to local organizations and the extent to which funds remain available to support capacity development itself.

A) CORE FUNDING TRENDS

In the developing world – and in many U.S. based organizations – a focus on capacity development is still a "nice to have." Very few civil society organizations can afford to focus on it explicitly when they spend the majority of their time applying for funds. And the Learning Agenda country research reveals a widespread lament among local organizations that they are too "projectized;" that is they get money to carry out an activity but not for the core functions of their organization. According to recent OECD data, the U.S. awards little or no general support grants, illustrated in the graph below.[114] Not included on the graph, however, is USD $8M that

[114] In 2010, the OECD began recording types of aid flows (2009 for Austria, Canada and Portugal) to distinguish between the various modalities of aid. For years before 2010, types of aid were not reported by donors. Therefore, 2011 was used as the year for the following comparison. These numbers, while they reflect some degree of accuracy for comparison, are not likely to reflect the entirety of donor's activities. 2012 data are not yet available

USAID has awarded in general support in its public-private partnerships. USD $8M is less then one tenth of one percent of USAID's total operating budget in 2011, $21B, and 0.2% of what USAID spent on what the OECD categorizes as 'project-type interventions' (US $3.4B in 2011).



Japan and the UK gave the largest percentage of their budgets to core support in 2011 versus project-specific interventions. The Japanese International Cooperation Agency (JICA) contributed even more towards general support funding in 2011 than project-specific interventions. Likewise AusAID has moved in recent years toward core funding and longer-term partnerships by implementing what they call "partnership agreements." An external evaluation conducted by Australia's Office of Development Effectiveness on AusAID's programming stated "*AusAID's move towards longer term partnership agreements and core funding represents good donor practice.*"[115] Data from the OECD confirm this shift, with the percentages of AusAID's budget going to core support and project-specific interventions nearly equal (USD $209M vs. USD $244M). A quote in the evaluation from a local NGO reveals the benefits,

> *"Before we had specific donors funding different projects. This put pressure on us in dealing with all the different reporting requirements. When AusAID moved to core funding and partnership agreements, this helped us to consolidate our work and focus more on doing our work."*[116]

Still, core support tends to be more easily accessed by large, well-established international NGOs (INGOs). For example, the OECD peer reviews of the United Kingdom (2010), Belgium (2010), New Zealand (2010) and Denmark (2011) found that they all provide high levels of predictable,

[115] www.ode.ausaid.gov.au/current_work/documents

[116] *Evaluation of AusAID's work with Civil Society in Vanuatu: A Country Case Study:* AusAID Office of Development Effectiveness, September 2010

core support to their INGOs.[117] However, to be eligible donor country INGOs must meet specific criteria that seem to be exclusive to well-established organizations. Danida requires Danish INGOs that receive core support through multi-year framework agreements to have mandates and program objectives that are relevant to its objectives. INGOs that receive core support from AusAID must adhere to a robust code of conduct managed by an Australian national NGO body. In any case, Denmark, Ireland, the Netherlands, the Scandinavians and the UK seem to place the strongest emphasis on core support of the DAC members.

B) INDIRECT COST RATES

The consequences of the projectization phenomenon become more evident when one considers the indirect costs incurred by CSOs with each project they take on. Indirect costs are those costs incurred by the implementing organization that are not directly attributable to a particular activity or project, but that are nevertheless necessary for the general operation of an organization and thus the successful implementation of its projects. Indirect costs are vital organizational costs that are many times taken on as a result of accepting donor projects and which benefit those donors in an indirect way.

Most donors attempt to cover some percentage of these costs for their grantees by establishing Indirect Cost Rates (ICRs), or as they are called in USAID, Negotiated Indirect Cost Rate Agreements (NICRAs), that an organization receives from each of its funding sources to pay its share of indirect costs – ideally at the exact rate that funded direct activities create associated indirect costs. ICRs, however, require established and sophisticated accounting systems before the government will agree to them; a luxury that many local CSOs/NGOs do not have. Until very recently, USAID encouraged local organizations not to include indirect costs in their budgets:

> *"Most local non-U.S. organizations have a handful of employees, few U.S. Government awards at one time, and basic accounting systems. Indirect cost rates are generally not warranted unless an organization has many government awards at once necessitating a system to equitably allocate shared costs (i.e. indirect cost rates). Thus, it is generally best for local non-U.S. organizations to charge all costs direct when possible, rather than establish indirect cost rates."*[118]

Many local staff interviewed for the Learning Agenda listed this inability to cover or recuperate their indirect costs as a major source of instability. According to one former USAID grantee in Jamaica, the inability to include indirect costs in their grants was *"setting [us] up for failure."*[119] However, as part of the USAID Forward initiative, an August 22, 2013 addition to the aforementioned directive was issued that allows for USAID's local NGO recipients to be paid a fixed amount to cover indirect costs. As of this writing, we were not able to determine how much this fixed amount is, or whether it sufficiently covers the grantees' indirect costs.

Whether donors allow a fixed amount, a percentage of the total project, or no indirect costs at all, research into what the appropriate amount should be is still lacking. In a study conducted in May

---

[117] *How DAC Members Work with Civil Society Organisations: an Overview, 2011*
[118] USAID's Automated Directive Services, Chapter 300: Best Practices Guide for Indirect Costing (May 2012)
[119] Jamaica final report, September 2012

2012 by ESSENCE (Enhancing Support for Strengthening the Effectiveness of National Capacity Efforts), 15 funders (including DFID, GIZ, IDRC, NORAD, the Bill and Melinda Gates Foundation and others) responded to a survey related to their practices in funding indirect costs in grants.[120] The finding was that permissible indirect cost rates vary greatly from one donor to the other (between 0% and 50%). The grantees that were surveyed (including a sampling of local grantees of the donors listed above) revealed that very little thinking goes into how they determined their indirect cost rate percentages, because it often was not taken into consideration by the donor. Often, the grantees said they base their indirect cost rates on the rates allowed by funders, instead of calculating accurate costs and negotiating appropriate rates with donors. The survey further reveals that the fixed rates allowed by donors very rarely cover their actual operational costs associated with a particular project.

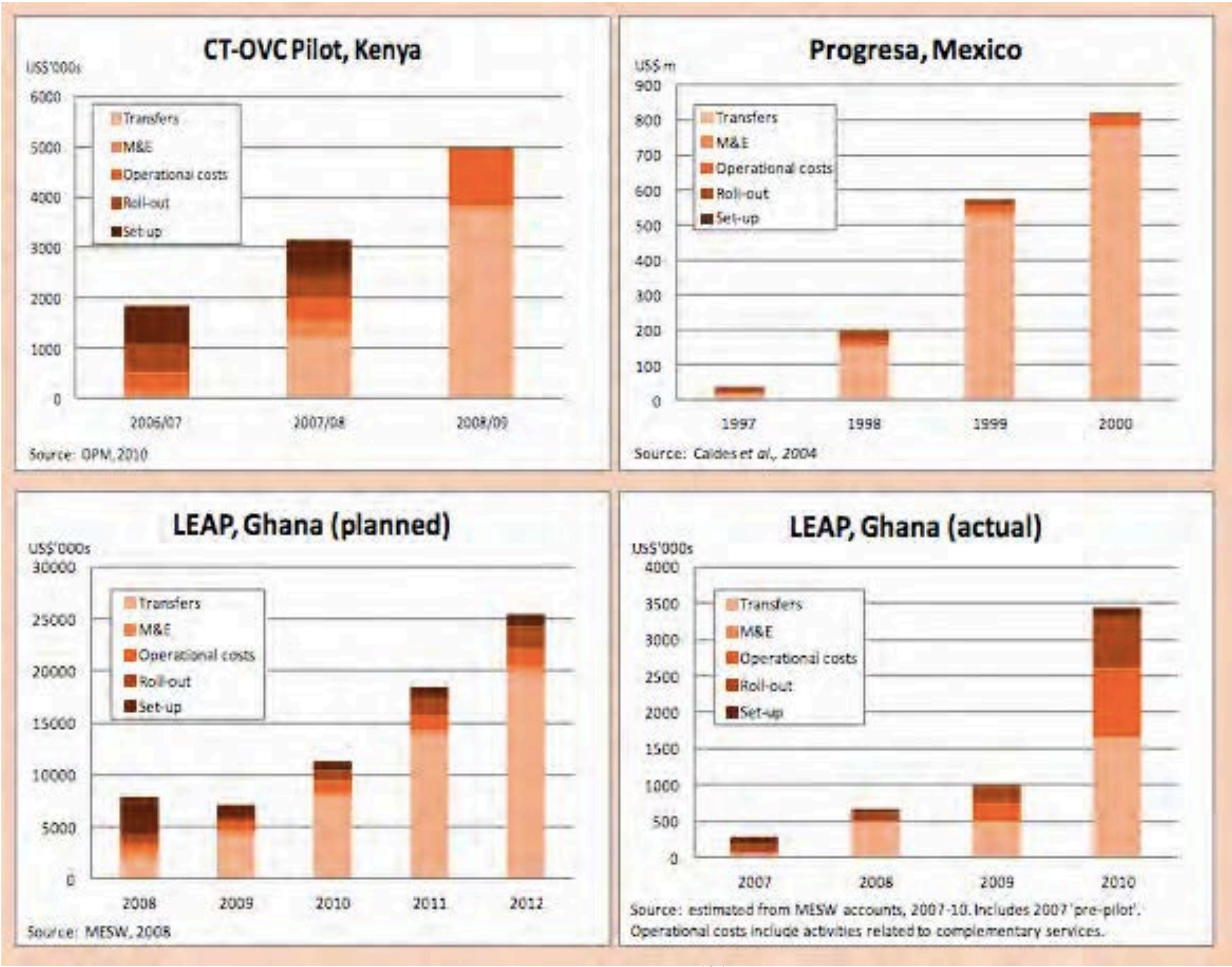
DFID is apparently exploring how they can mitigate the indirect cost issue for its nonprofit partners. In its *Guidance for DFID country offices on measuring and maximising value for money in cash transfer programmes* publication from April 2013, DFID notes the challenges in capturing indirect costs as they pursue increased value for money (VfM). One of DFID's goals in this area is to

> *"obtain better, more standardized data on direct and indirect costs and performance, and how they change as programmes mature."*

DFID increasingly recognizes that as organizations grow and evolve, their organizational costs per project also change. Take the following four examples from DFID and consider the instability that may be caused by the organization receiving a fixed indirect cost across all years of the project, despite the drastic changes in their actual administrative costs:

[120] "*Good Practice in Research Costing: the 5 Keys*," May 14, 2012

Differing Indirect Cost Structures in Three Projects



Department for International Development, April 2013[121]

The first example on the top left shows the expected pattern of costs for a new project, where the operational costs are fairly consistent. The Progresa Mexico example (top right) shows a drastic fall in the proportion of operational costs to program costs as the program grew, falling from 71% to 15% of total costs between Years 1 and 4. The final two LEAP Ghana examples illustrate the extent to which planned costs (bottom left) can deviate from actual costs (bottom right).

A Root Change study from 2001 agrees that paying attention to organizational and program evolution is important when considering indirect costs:

> *"When not properly funded, an organization's time, effort and resources must be diverted from mission-driven, programmatic delivery, to searching for alternative ways to cover*

[121] White, Philip, Anthony Hodges and Matthew Greenslade, "Guidance on measuring and maximising value for money in social transfer programmes – second edition: Toolkit and explanatory text" April 2013

imperative core costs. This can reduce NGO capacity and effectiveness, ultimately harming the intended beneficiaries and other stakeholders."[122]

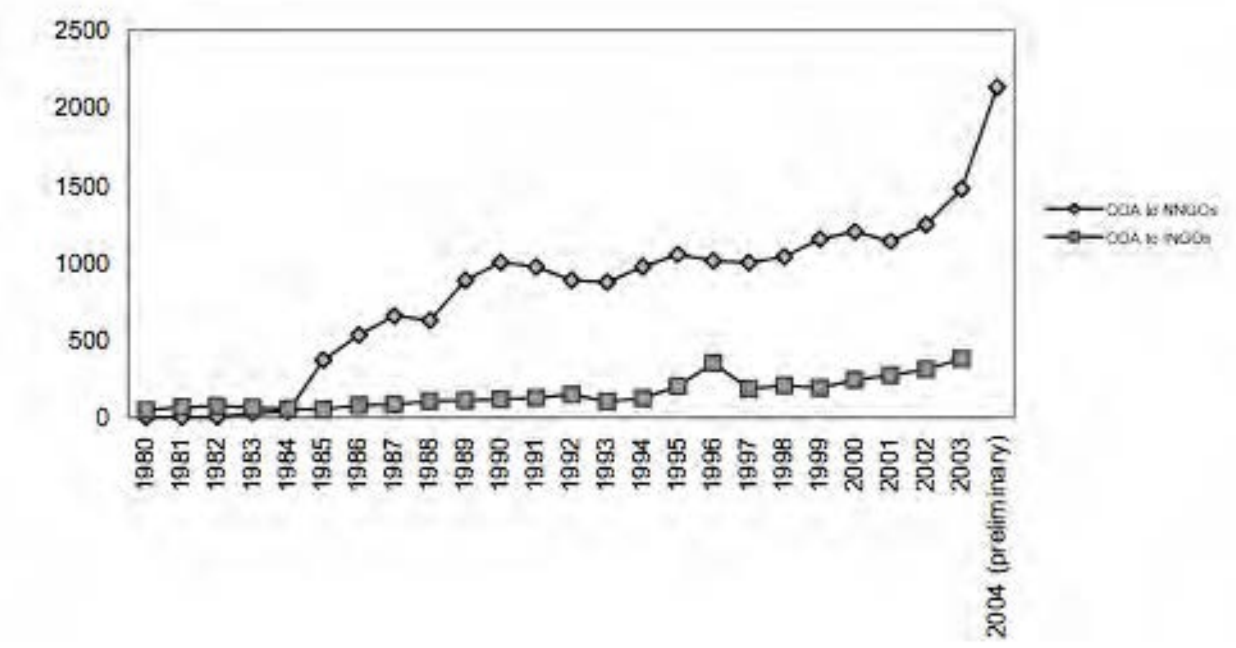
In other words, a grantee may fall further and further behind every time it agrees to implement a project that pays insufficient indirect costs, or one that they had not adequately budgeted for because of the vagueness of the costs themselves. Donors would do well to fund or undertake more research to determine appropriate indirect cost payments that more accurately reflect the operational costs that a grantee assumes in taking on donor-funded projects.

C) NGO FUNDING TRENDS

DAC figures from 2006 show that funding for INGOs based in the donor's own country has risen sharply. In 2003, for example, INGOs received almost four times as much official aid as developing country-based NGOs.

The following two graphs paint a picture of the history of funding trends to and through local and international NGOs, versus what OECD calls National NGOs (NNGOs), or NGOs based in the DAC member country (which we refer to in our documents as INGOs). It should be noted however, that the DAC figures do not disaggregate the amounts going to local versus international NGOs in developing countries.

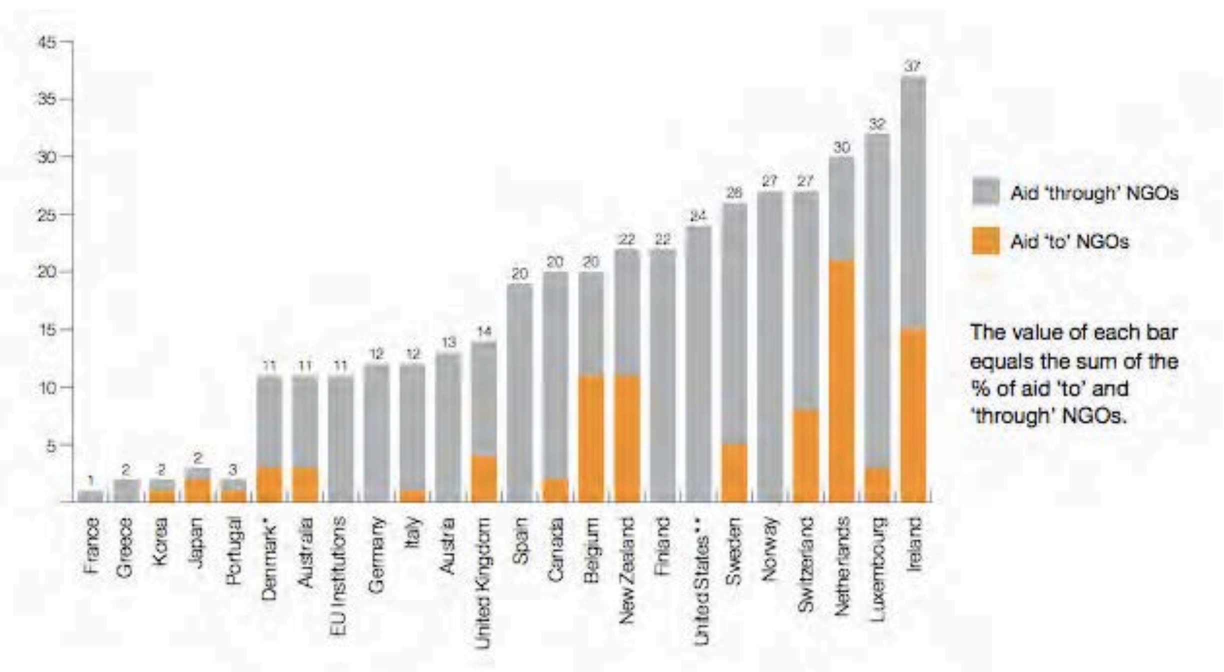
1. ODA to National NGOs (NNGOs based in the DAC member country) or International NGOs (INGOs including Local NGOs in developing countries)



[122] *Core Costs and NGO Sustainability: Towards a Donor-NGO Consensus on the Importance of the Proper Measurement, Control & Recovery of Indirect Costs*" February 27, 2001

2. Percentage of Bilateral ODA allocated to and through NGOs by DAC Member 2010

("to" refers to contributions to NGOs to finance their work (core support) and "through" refers to contributions to NGOs to implement donor-initiated projects (earmarked funding).[123]



Source: Development Assistance Committee (DAC) Creditor Reporting System (CRS)
**Data for the United States on ODA through NGOs are incomplete

D) PROGRAMMATIC FUNDING TRENDS BY SECTOR & COUNTRY

Since the Accra Accord (2008), several donors have made policy changes in their approaches to development and the sectors that they fund. In 2011, DFID announced that it was undergoing a process of changing its approaches to pursue "best value" with its development dollars. The most significant change was its decision to refocus the number of countries on which it concentrates, from 43 down to 28. It also vowed to increase its work with multilateral bodies like the UN to reach areas where it does not have a presence. Before its closure (and merging with the Foreign Ministry) in early 2013 Canadian CIDA had changed the way it funded NGOs to encourage unsolicited proposals – proposals that do not necessarily respond to an RFP or RFA from the Agency – in an attempt to support projects that were already working in the country and to avoid causing mission drift among its recipients.

[123] Published in *How DAC Members work with Civil Society Organisations: an Overview 2011*: http://www.dochas.ie/Shared/Files/4/How_DAC_Members_work_with_CSOs_2011.pdf

In USAID's FY 2014 Budget Request, USAID likewise announced a shift in strategic direction, stating that they would take a more strategic approach to realign its presence in selected regions to "maximize operational effectiveness, adjusting its "footprint" to better achieve foreign policy and development outcomes." This includes focusing resources in countries where they are needed the most, to activities that are the most cost-effective, and to those programs where USAID will have the most sustainable impact. They plan to do this by focusing on specific "geographies, populations, and on fewer program units." It should also be noted that in FY 2012, USAID spent $223,789,100 on "Program Design and Learning."

Funding by Selected Donors by Sector: 2011

(Latest available OECD Data as of November 15, 2013)

Sweden

United States

Australia

United Kingdom

E) SUBCONTRACTING TRENDS

USAID is one of only a few donors that reports its subcontracting activities with any level of detail. Prime contractors and grant awardees that receive federal funding from USAID, the State Department, or any other U.S. government agency are required to report first-tier sub-awards pursuant to the Federal Funding Accountability and Transparency Act of 2006. This information is valuable both in terms of transparency of aid as well as to track monies that actually end up with local NGOs and for what purpose. According to available data, over the past three years, on average approximately 8.68% of USAID's total amount obligated in contracts and grants has been granted in subcontracts and sub-awards. However, sub-award data was only recently mandated on USASpending.gov, so historical data is not readily available. As more contractors and grantees adhere to this requirement, the 8.68% figure is likely to increase. Subcontracting data were not readily available from other donors.

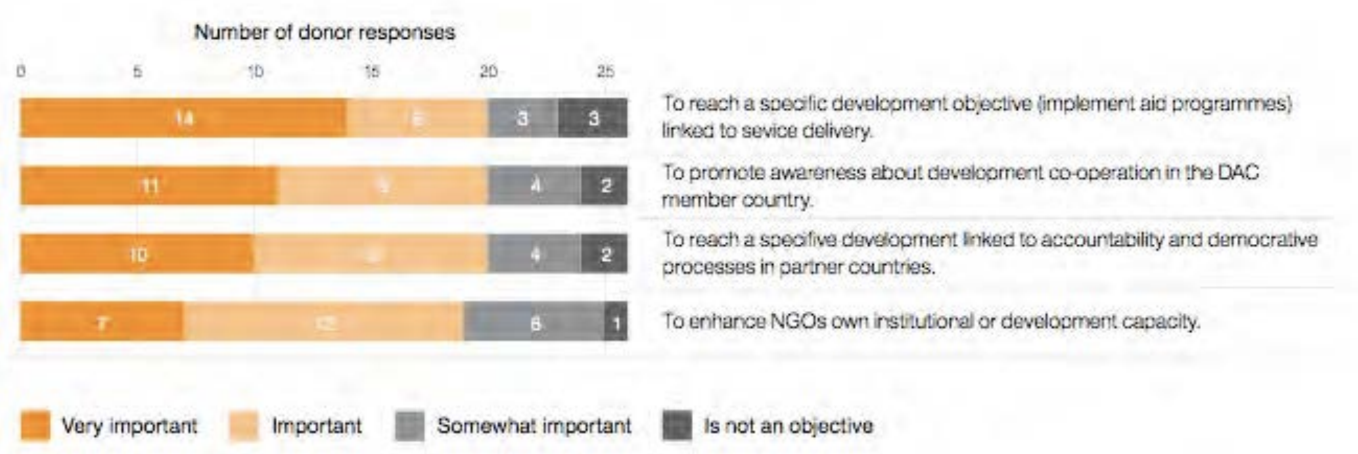
CAPACITY DEVELOPMENT

In 2010, the OECD conducted a survey on donors' progress toward meeting the commitments made in Paris in 2005. Part of the subsequent report evaluated how well donors met the commitments they made to supporting CSOs, and in particular, to support the development of the capacity of local NGOs to *"take an active role in issues of development policy and the role of foreign aid"*. While OECD statistics show that aid from DAC donors and the EU Institutions channeled to and through international (read developing country) NGOs in 2009 represented 13% of total ODA, no data on the assistance provided to strengthen the capacity of the NGOs themselves are available. One 2010 report (Griffin and Judge, 2010) suggests that donor support to NGOs/CSOs based in partner countries is increasing, even if there is little core support for local organizations. The report did find, however, that support for capacity development remains supply-driven rather than responding to genuine needs. Relatedly, only five of the surveyed DAC members will accept funding applications prepared in an NGO's own format.

An excerpt from the OECD report:

> *A survey among the aid agencies of DAC donors and seven umbrella bodies of NGOs shows that donors use a variety of modalities and channels to support the activities of CSOs. The majority of DAC donors (20 out of 24) report that they provide direct support to local CSOs based in partner countries, and 11 have decentralized mechanisms for funding CSO activities. A total of 19 donors stated that they engage in policy dialogue with partner country governments to enhance the enabling environment for CSOs, and 20 donors reported that they encourage partner country governments to engage directly in policy dialogue with CSOs. Most of the NGOs consulted considered that DAC donors could do more to support an enabling environment for CSOs in partner countries (OECD, 2011)."*

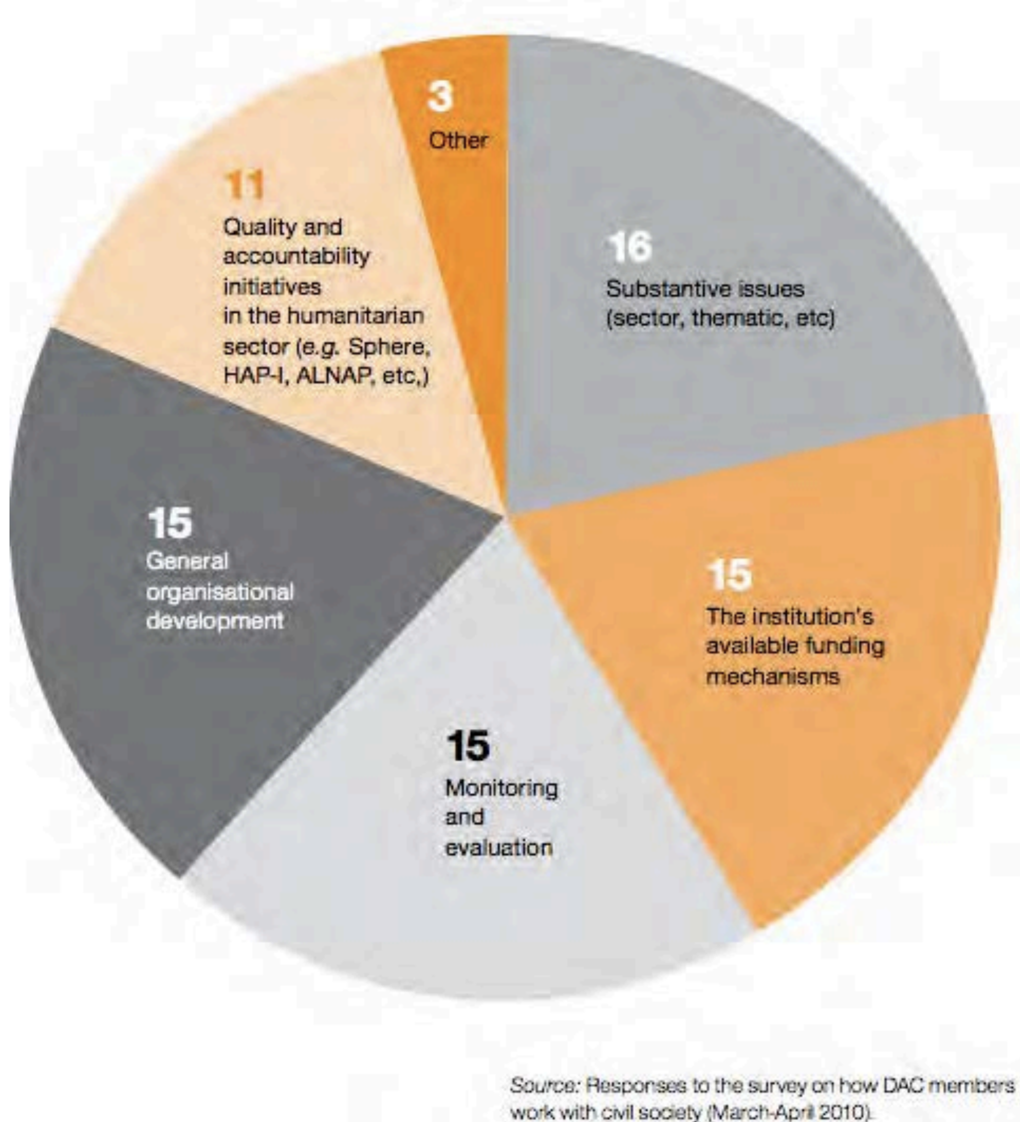
DAC Member Responses on why they fund Local NGOS
Source: OECD, *How DAC Members Work with Civil Society Organizations 2011.*



The chart above presents a picture of donor motivations in funding local NGOs, with 'to enhance NGOs own institutional or development capacity' ranking last on the list. From the OECD's above-referenced survey there are also other reasons that donors support local NGOs:

> *"Australia, for example, highlights the important role of NGOs in filling governance gaps and promoting policies that are not always met or supported by government strategies. Australia also stresses the cost-effectiveness of CSO development work (AusAID, 2008). Korea and Japan both note the importance of building partnerships with NGOs to achieve better aid (Korea, not dated, and Ministry of Foreign Affairs International Co-operation Bureau, Japan, 2007). DAC members consider CSOs as important partners in delivering services, stimulating public debate, encouraging democratic processes and accountability, and strengthening civil society. Only Belgium, Denmark and the Germans said that service delivery was 'not an objective' of their support to NGOs. However, in the case of Belgium, while immediate service delivery to a local population by a Belgian NGO is generally 'not an objective', what is often intended is for a local NGO to deliver a service in partnership with a Belgian NGO. The Belgian NGO builds the capacity of the local NGO to do this."*

DAC Members' Support for Developing the Capacity of Local NGOs



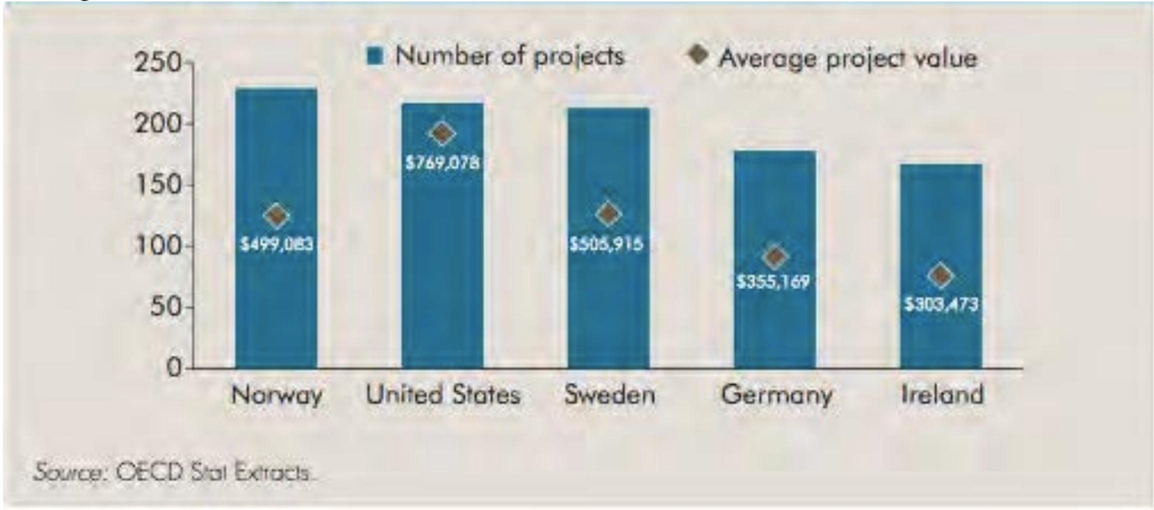
A NOTE ABOUT MULTILATERAL VS. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE

Overall, approximately 28% of all official development assistance is funneled through multilateral agencies. The United States' percentage is much less than the average, and among the lowest of the DAC countries at 12%. Multilateral aid accounts for the highest share of gross ODA in Sweden, at 26%, and for the lowest in the US at 12% of overall contributions.

There are many complex reasons for how donors decide to allocate bilateral versus multilateral aid, but for some there seems to be a tension between the desire for control and accountability

over how their money is spent, and the wider benefits of pooling funds: larger pool of resources, extended reach and more expertise. One exception to this is earmarked funding through multilateral organizations, which is growing faster than other components of ODA.[124] Earmarking allows donors to track results more easily, to have more control over specific uses, and to raise the visibility of their contributions in the eyes of domestic constituencies. Several donors have also decided to concentrate their bilateral aid on fewer partner countries, as noted above, which encourages them to channel funds through multilaterals that have a presence where they do not.

Large numbers of donors and projects can burden recipient countries. An example from Tanzania, 2007 shows approximately 1000 projects supported by five donors, with an average funding of about $500,000:



Indeed, it is worth noting that overall the broad trend has been towards "aid fragmentation," suggesting that the desire to plant the flag still dominates much donor thinking. A recent draft report by Easterly and Williamson recalls the World Bank and IMF's Global Monitoring Report (2010, p. 131), which states:

> *"Reducing fragmentation and strengthening aid coordination is essential to enhancing aid effectiveness. When aid comes in too many small slices from too many donors, transaction costs go up and recipient countries have difficulty managing their own development agenda. In 2006, 38 recipient countries each received assistance from 25 or more DAC and multilateral donors. In 24 of these countries, 15 or more donors collectively provided less than 10 percent of that country's total aid. The number of aid agencies has also grown enormously, with about 225 bilateral and 242 multilateral agencies funding more than 35,000 activities each year. A recent OECD survey revealed that in 2007 there were 15,229 donor missions to 54 countries – more than 800 to Vietnam alone."*

The OECD highlights Australia as a country that has based its provision of foreign assistance on effectiveness and an awareness of its strengths as a donor. Based on its known expertise and capacity, it plans to channel more funds through multilateral bodies because it considers the

[124] OECD statistics

approach the most effective, efficient use of funds. The proportion of its aid that it now channels to and through multilaterals is now over 40%.

NEW AID FUNDING MODALITIES

SOCIAL IMPACT BONDS & CASH ON DELIVERY PROJECTS

One initiative in DFID's "Results-Based-Aid" approach is Social Impact Bonds, which is essentially a pay-for-performance contract between the government and private investors to provide outcomes rather than service – a contract that puts the risk on the investors who, in turn, hire the service providers. This model assumes that investors will only risk their money if they believe that the project will succeed; and if contractors do not deliver, the investor will pull out their money or find a new contractor. One example is DFID's work in Ethiopia where payment will be determined by the numbers of high school students who pass a specific achievement exam. DFID is concurrently launching health projects in Rwanda and Uganda based on the same model.

The Center for Global Development endorses a similar model for aid, the Cash on Delivery model, summarizing it thusly:

> *"COD Aid is a funding mechanism that hinges on results. At its core is a contract between funders and recipients that stipulates a fixed payment for each unit of confirmed progress toward an agreed-upon goal. Once the contract is struck, the funder takes a hands-off approach, allowing the recipient the freedom and responsibility to achieve the goal on its own. Payment is made only after progress toward the goal is independently verified by a third party. At all steps, a COD Aid program is remarkably transparent: the contract, the amount of progress made, and the payment are disseminated publicly to highlight the credibility of the arrangement and improve accountability to the public. Proponents of the COD model say that it would have two positive impacts; emphasizing outcomes rather than inputs and giving recipient governments freedom to choose how to reach their goals. Others claim that COD and social impact bonds say that the model emphasizes short-term gains rather than long-term impacts and institution building."*[125]

There is some debate whether this modality is either new or possible (interestingly, some of this criticism is similar to arguments made by critics of USAID's use of the Fixed Obligation Grant (FOG)). Some question whether incentive contracts can be written with clear, meaningful outcomes in mind, and whether donors will be able to contain fraud on the part of investors and service providers. Others doubt that bureaucracies that control the aid money will put up with the degree of transparency implied in the contracts. And still more are critical of the approach's focus on short-term deliverables rather than long-term improvements or the capacity development of institutions.

---

[125] Birdsall, Nancy and William D. Savedoff Cash on Delivery: A New Approach to Foreign Aid. July 30, 2012

Regardless, the model has five key features:

- The donor pays after the fact for a well-defined (ideally single) outcome, not for inputs, over several years
- The recipient has full responsibility for and discretion in using funds
- The outcome measure is reported periodically by the recipient government and is verified by an independent agent (paid by the donor)
- The contract, outcomes and other information are made fully public to enhance accountability of donor and recipient governments to their own citizens

IMPACT INVESTING

Another hybrid nonprofit-forprofit model, impact investing, leverages investors to fund organizations whose work aligns with their own. The Omidyar Network, run by the founder of eBay, is a pioneer in this kind of investing and has put it to work for positive social impact in areas like internet and mobile phones, entrepreneurship, financial inclusion, government transparency and property rights. In these areas, their approach is to leverage investors to fund their investee organizations, which they find through their existing networks and do not accept unsolicited proposals. They make investments of more than $1 million and work closely with our investees to help them achieve their goals, seeking a governance role where appropriate.

Perhaps the most interesting feature of the Omidyar process from which traditional foreign aid donors could learn is their "Problem First, Structure Second" policy. By first fully understanding the issue or problem one is trying to solve, and then finding the appropriate financial or procurement mechanism that is most appropriate, one ensures that the project is most likely to succeed. Their use of innovative procurement mechanisms such as hybrid structures exemplifies this commitment.

POOLED FUNDING

Management consultants like Arabella Advisors are relative newcomers to the international development arena, but play an important role in enabling donor collaboration. By bringing together like-minded donors and facilitating and managing their pooled funds, donors can amplify their impact, expand partnerships, and cut back on the administrative burden for grantees as well as themselves. This approach takes undue focus away from an individual donor and streamlines reporting processes so that grantees are better able to focus on their constituents.[126]

It also increases donor access to rural communities outside of their traditional grantee groups. If USAID were able to invest in this kind of collaboration, Arabella Advisors suggest that it would go a long way in generating enormous goodwill, better branding for the Agency, and increased learning and amplified thinking for the development field in general.

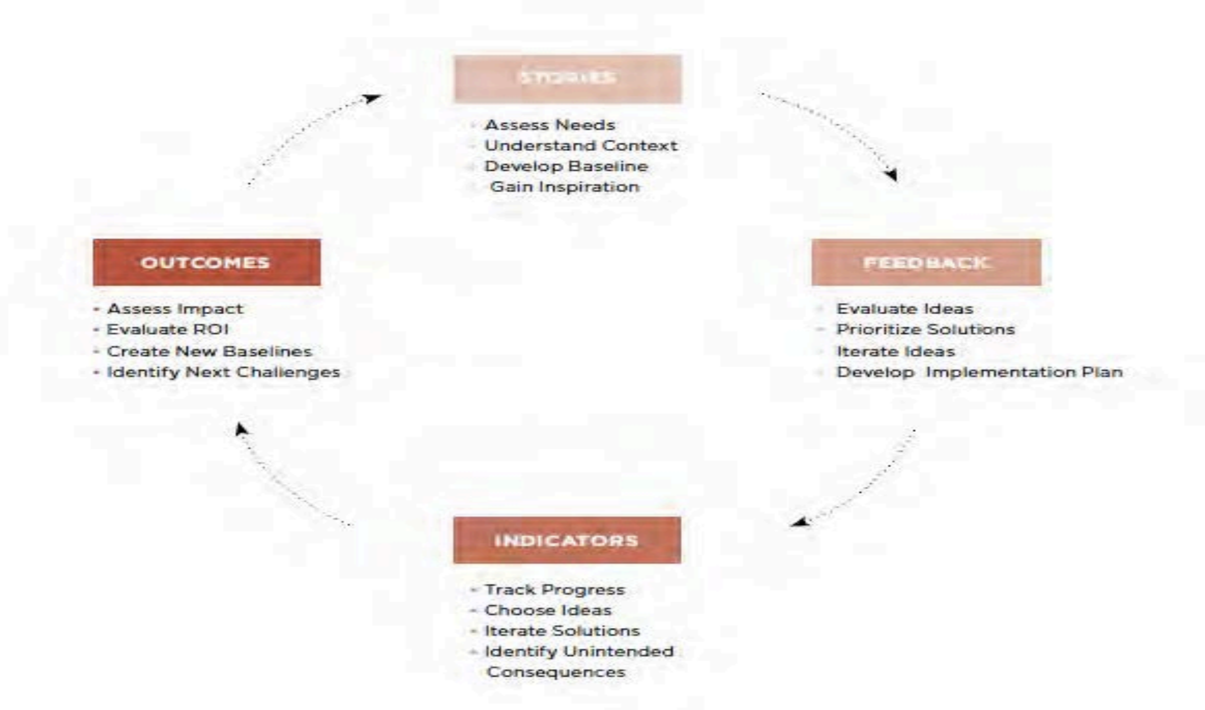
---

[126] An Advisory Board that consists of individuals with various expertise who are regionally, ethnically, and demographically diverse manages the pooled donor funds. Obviously, this also means that donors give up some decision-making power to the group and implicitly share their vision

An interviewee from the Heller School at Brandeis University suggested that donors might act through a local service provider that in turn provides services to local NGOs. This kind of relationship provides an important and often overlooked benefit to local organizations: legitimacy. Donors should not underestimate the power of their role as a broker of legitimacy in their partnerships.

ITERATION AND ACCEPTANCE OF FAILURE

A design company called IDEO has recently entered the international development field with its nonprofit arm IDEO.org that partners with both U.S. NGOs and locally-based CSOs to help design innovative solutions to global poverty.[127] They take a "human-centered design" approach where products and interventions are designed side-by-side with the community that will use it. They place a high value on failure and iteration; as one staff member said they "haven't had one success that didn't first experience at least one failure." And when a product or service fails, they meet with community members again to understand why it failed, and to iterate new ideas to better meet the communities' needs. This includes looking for unintended negative consequences to their interventions, and addressing them directly in their next iteration. They then publish their failures as well as the final product, for others to build on and learn from. Their results so far include community-designed toilets in Ghana, cookstoves in Tanzania, and community-driven mobile money solutions in Ghana and the Congo. Below is a representation of their process:



IDEO.org Human Centered Design Toolkit, 2nd edition

[127] The company IDEO designed the first low-cost Apple mouse in 1980. The nonprofit arm, IDEO.org was established in 2011

IDEO is a current grantee of USAID under the Development Innovation Ventures (DIV) initiative. USAID's website describes DIV as

> *"An open competition supporting breakthrough solutions to the world's most intractable development challenges – interventions that could change millions of lives at a fraction of the usual cost."*

In the course of a recent interview we conducted with IDEO, they pointed out that they entered this partnership assuming that in such an innovative program, an openness to failure on the part of USAID was to be expected. This was apparently not the case. Although IDEO praised their DIV representative as being "laid back" about the nontraditional approach of the organization, and allowed them to do what needed to be done to implement the project successfully, IDEO felt the Agency was not at all open to failure. *"Despite the heavy emphasis on innovation"* one IDEO employee said, *"the [DIV] initiative is still bound by the rules and regulations"* that are aimed at avoiding risk. Thus the iteration and experimentation that often comes with failure and leads to more sustainable successes is also discouraged.

CONCLUSION

Many donors have put strategies into place for increasing donors' work with local CSOs, processes have been clarified and streamlined, and systems for accountability and reporting on funding levels have been instituted. However, engaging in meaningful dialogue with both one another and local civil society about development policy in general and project interventions specifically remains a challenge. Donors would be wise to focus on increasing the quality of relationships and the quality of listening and research that should be the foundation for their programs and decisions around development policy. Connecting the dots between the strengths, needs and voices of local NGOs/CSOs and policy and practice designed by donors is critical to the success and sustainability of donor goals – and the ability of people in developing countries to own and bring about their own development.

9. USAID AND FORWARD

Early on in our research we saw that the aid donor system is a major part of the ecosystem in which local organizations operate in most developing countries. Therefore we began trying to deepen our understanding of how USAID Missions respond to USAID Forward, and to look at certain key procedures of the agency, as well as its underlying corporate culture.

In the course of our research we met with about 70 staff at nine USAID Missions. In Washington between April of 2012 and the early 2014 we met with a similar number of USAID staff, many in one-on-one meetings. We also shared our project summary with some 20 retired USAID personnel, and submitted a brief survey on the relationship of job skills and job training to actual job skills needed for local organization capacity development to 30 people. That produced an 80% response rate.

SOME FINDINGS REGARDING USAID MISSIONS

- In many countries USAID Missions are less well-informed about local actors than they should be, given the emphases of USAID Forward; a problem exacerbated by post 9/11 security rules ("it's almost as hard to get out of an Embassy as it is to get in."), and by management burdens that limit people's time
- Many staff feel confused about Implementation and Procurement Reform agenda (now called Local Solutions); often lack information or have misinformation about revisions to grant and contract mechanisms
- Lack of due diligence in efforts to understand contextual issues
- High degree of Mission ambivalence about the 30% top line indicator and direct funding – all cite the "management burden "issue; many distrust local NGOs
- A deficit view of local capacity dominates. And underlying attitudes towards local organizations sometimes hint of patronization and "we know best"
- Mission staff lacking in deep development experience, especially in key technical areas
- Many staff feel Missions have very limited autonomy – Washington tells them what to do and how to do it
- But strong Mission leadership can determine approaches that go around DC dictates
- There are often "two cultures" – the accountant/ policing culture of the contracting people and the program officer culture
- We found that many USAID staff do not know the compliance rules themselves and part of the fear and nervousness about compliance may derive from that
- Many staff feel overwhelmed with their routine task demands and in an area like LCD want toolkits and structures. They are not comfortable with the open-ended and iterative approach that is being called for by more and more local organizations
- Associated with the above of course is how risk is defined and mitigated in the agency's practices
- Many who are behind the LCD effort feel it has no dedicated budget as such but is always tied to sector specific or earmarks. As such it has the stigma of a second class citizen at a time when the rhetoric would have it be a top priority

- People are not recruited, trained or incentivized to engage with local organizations in a way that would lead to fruitful long-term partnerships
- FSNs are not in many cases recruited or incentivized to be empowered or to engage with local organizations
- A number of staff in each Mission feel the concern for evidence and results, for measurement and quantification, has gone too far
- The idea that development is complex and messy, that problems in the real world get solved iteratively and not all at once, that organizational change based on learning and reflection is key, that one should embrace searching more than planning (a la Easterly) are not central in the USAID conceptual framework
- There is a strong underlying preference for a linear approach to issues; and for control; a predilection for a substantialist, rational view of what to do and how to do it

USAID AT HQ LEVEL

- Many feel that the steam has gone out of USAID Forward; new initiatives and priorities have pushed it to the back burner
- A large number of internal CD efforts going on without coordination or coherence; thus some duplication
- Little noticeable or effective knowledge management function.
- Poor communication (or perhaps it is "signal loss") between HQ and field
- Atomization – more and more smaller, and short term projects that are seemingly scattershot in terms of sector or any consideration of development impact (as opposed to alleviating extreme proverty), or at the least experimentation
- A marked absence of any shared/accepted theory of development
- A fear of talking about results in less than fully positive ways (see the quote below from one of our interviewees)

  "Everyone wants to report on good results – we are all players in a chain. Once I was asked to prepare a success story. So I took a report from a beneficiary NGO I worked with. Knowing the NGO very well, I was aware that their report was nicer than the reality but in general it was true. So I polished it a little bit more, emphasized good things, deleted those that were not so good and sent it to the HQ of my organization. At HQ they polished it further and submitted it to USAID. Then it was redone again and presented to the U.S. Congress (or something like that). Finally the story was published as a success story in a local magazine. I was impressed with the NGO and the success they had and only at the end of the story when the name of the organization was mentioned I realized that this was in fact the organization whose report I received and then sent on. I couldn't recognize it. I call this type of reporting VAT – "value added text." Everyone in the chain added a little value to the result, and everyone is happy."

THE COMPLIANCE CONUNDRUM FOR USAID

Many thoughtful people we spoke with raised the issue that one has to talk about local organization capacity development in the context of what USAID desires to achieve as a

development agency, not just in the context of what USAID hopes to achieve by having more local partners.

The director of a small foundation in California said:

> *"[…] if USAID is intending to fund more local and indigenous organizations, the question needs to be asked 'to what end, for what outcome'? […] Based on what I'm hearing, the outcomes of funding local and indigenous organizations seem to be 'an improved reputation for USAID', 'lower implementation costs for USAID', and 'increased capacity of local and indigenous organizations to handle more money', but for what outcome is not clear.*"

In keeping with our view that USAID gets the "What" of Forward but has some difficulty accepting its implications, we went back to the beginning of Forward in 2010. In a memo to Administrator Shah, the head of a fact-finding mission on Local Capacity Development – LCD – (who has since left the agency) said:

> *"Capacity-building is outsourced to large US-based entities and focuses on compliance with USAID rules and regulations. It is no wonder why we have so few indigenous organizations amongst our prime partners. We need to tie capacity-building support to measurable progress in the organizational development of local partners. Our large partners have no incentive to create strong, local organizations. We have trusted and assumed that we share a common objective with other large development organizations and that they would therefore work to 'graduate' their local partners into prime partners. This has occurred on occasion in spite of, not because of, the system we have in place. The time has come for us to demand accountability and measure impact as we lead the development world in re-focusing on our core mission: to build strong local capacity that allows people to develop their own countries so that we can exit."*[128]

The many large U.S. based entities referred to above have developed law-firm sized departments within their organizations that often understand the intricacies of USAID compliance better than USAID itself. These private firms to which a significant part of USAID's objectives on capacity development are entrusted along with many other concerns – firms like Chemonics, John Snow Int'l, Development Alternatives Inc., Louis Berger, ARD, Inc, ABT Associates - which all get well over $100 m a year in contracts[129]) have to keep up their compliance knowledge, and even they occasionally get into trouble (e.g., the case of AED in 2010-2011). And in the last 20 years, non-profits like Family Health International (now FHI360), IRDS, Catholic Relief Services, Mercy Corps and Save the Children, and others, all also with over $100 million per year in USAID agreements, have had to develop similar knowledge.

The very questioning of this "U.S. entity outsourcing" model that is embodied in the original conception of Forward ("to change the way USAID does business") is based on an implicit recognition that country ownership is not strongly engendered by such an approach. These entities implement projects, do it credibly – that is they meet the targets agreed upon, and then leave. They **<u>are</u>** compliant, but it is of course unreasonable to expect that any local organization

[128] Memo to Rajiv Shah, from Ari Alexander, Sept 3, 2010.
[129] http:/Developmentwork.net

would be capable of being equally so. As former USAID Administrator Andrew Natsios put it in 2010:

> *"[…] a greater and greater proportion of agency funds is being spent through known partner organizations – NGOs, contractors, universities, and cooperatives – that understand federal law and regulations and agency business practice so well that they are less likely to get into counter-bureaucratic trouble. This practice has restricted newer, smaller, and local organizations from competing for grants and contracts, because these organizations lack the business systems to follow U.S. federal law and regulation, to account properly for all funds, to disburse money quickly, and to produce measurable and auditable results. The notion that a developing world company can easily comply with the requirements of the Federal Acquisition Regulations and the Foreign Assistance Act – a reform under consideration by the Obama Administration (which I designed and began trying to implement in 2005) – is preposterous."*[130]

Our research clearly supports this view – not only are almost all of the hundreds of entities we met with unlikely to acquire the capacity to be fully compliant with the myriad of current regulations at USAID, a great many of them question why they would even want to become so. Since they are not U.S. organizations, they do not understand many of the reasons for particular aspects of compliance, and most important they see how much time and effort they would have to devote just to being compliant with one donor. None of this is to say that they do not understand the need for transparency and accountability, and to the extent they have learned to tighten their financial management, they all appreciate the discipline this has taught them. But using the SF 1420 as a basis for salaries, for example; aspects of branding and marking, many of the requirements on procurement and the like, not to mention terrorism, are another matter.

LACK OF A SHARED UNDERSTANDING OF DEVELOPMENT WITH A CAPITAL "D"

During the time that our work was underway, USAID undertook a number of efforts in the Local Capacity Development arena (LCD) and in at least two cases conducted research very similar to ours. In 2012 the DRG/W (Democracy, Human Rights and Governance unit) sent two teams, one to Central Asia and one to Indonesia to gather lessons learned about LCD. Their conclusions align almost perfectly with ours in terms of what CSOs want, and the challenges they face with donors. Their recommendations fit perfectly with some of our own (e.g., if USAID is going to do direct granting, then it must put in somewhere between 7% and 30% for capacity development of the organization as an organization in its own right).[131]

Their report does not address (nor was it their remit to do so) the how and why of LCD, but very much concentrates on the "what."

But the deeper issue, as the earlier quote from the California-based foundation suggests, is the question of what development outcome is intended by working more with local partners? Does

---

[130] Andrew Natsios, "The Clash of the Counter-bureaucracy and Development," Center for Global Development, July, 2010, pp 33-34

[131] *Local Capacity Development Lessons Learned – Indonesia, DRG/W Team* - Claire Ehmann, Faye Haselkorn, Yoke Sudharbo (USAID/Indonesia), report September, 2012

USAID have a uniform theory of development that is understood and shared by all or at least most personnel? For example, a broadly accepted view of the end goal of development assistance is economic growth as the most sustainable way to alleviate poverty. And that view contains sub-theories, clauses, in a sense, about the conditions that seem to enable such growth – institutions (and the institutionalization of) the rule of law, of property rights, of opportunity; about governance and the elimination of rent-seeking in government; about stability which in turn implies reducing internal conflicts; about democratic process under which one would put the evolution of civil society, and pluralism, the empowerment of women; about education and health, food security and basic infrastructure.

In talking about improving aid effectiveness, we are presumably intending to improve the sustainability of the results of our work; about bringing things to scale, and promoting country systems and ownership so "they" take over their own development.

Threaded through all such questions is capacity. And if their capacity is to be enhanced, or if it is found to be already quite high (as our research suggests) then major changes in the donor's role and stance are implied.

However, from our talks with USAID personnel and perusal of countless documents coming out of the agency in the last four years, it is not clear that there are shared understandings about development, about USAID Forward, and especially about the implications of LCD and the eventuality of greater country ownership. The concept of working ourselves out of a job, while present at times in the rhetoric of the Administrator, seems ignored in the way the agency continues to do business.

In fact, many people inside and immediately outside USAID – including retirees, see the agency as having lost the thread of Development itself by dissipating its energies and having been politicized.

A 40 year veteran of international development, who has worked in many USAID contracts on several continents said:

> *"This is now the Agency for International Relations – they seem to have forgotten about Development."*

Another person, a Chief of Party on a USAID contract said:

> *"USAID needs to stand up in public, like members of Alcoholics Anonymous and admit the truth – we can't do everything and we have to stop thinking we can. We don't have it all figured out and we can't figure it all out – we have to stop believing we can. There will always be adjustments to make, mistakes and unintended consequences. Maybe then they'll be able to do something."*

A Mission Director:

> *"There's no balance anymore, everything has been become highly politicized. More political appointees than ever – these people are looking to manage perceptions so that they can move quickly to a higher position inside the agency or outside it. The big issue is*

that there is no experience – the folks who put forward all this stuff have no experience doing development."

Another Mission Director:

"[Back then] it was all about the fundamentals. Now policy is central and we've lost the essence of what made USAID great."

A retiree with 35 years experience:

"From my personal perspective USAID continues to go down a path of inventing its own parallel development universe which has increasingly less to do with what our beneficiary clientele need and want."

A retiree with 20 years of experience at USAID:

USAID continues to go down a path of inventing its own parallel development universe […] the way it requires implementation folks to operate today precludes any possibility of service delivery efficiency, encourages bloated administrative overheads at all levels and is incredibly satisfied with mediocre results."

THE "SQUEEZED MIDDLE" AND THEIR VIEWS ON LCD

At some of the USAID Missions we encountered, people we talked with note how much things are personality driven, where people try to do what they know makes sense, despite the rules and regulations. The concept of the "squeezed middle" seems applicable in these cases:

"The squeezed middle is pressurized to behave against their better judgement, while they try to protect front-line practitioners and partner organisations from the deleterious effects of such artefacts [as log frames, evidence based RCTs, quantifiable deliverables…]. The 'squeezed middle' either mock or vent their anger and then cynically comply." [132]

About half the people we met show some of these symptoms. Many program people especially are critical of the Agency; they feel they are part of an "audit culture," "a gotcha culture." They agree with former Administrator Andrew Natsios' contention that USAID is dominated by accountants, compliance and procurement officers; they say USAID has become more of a contract processing organization, and less a development one. They would agree with another recent critique that says that the results and evidence-based "what works" approach almost automatically leads to smaller and smaller interventions, ones that aid agencies can control, and while these are aimed at poverty alleviation in the short term, they are less aimed at fostering development.[133]

As one Mission staffer said:

"We (USAID) are good at processing things; not at being a development agency."

---

[132] Rosalind Eyben, "Uncovering the politics of "evidence" and "results"- A Framing Paper for Development Practitioners" April 2013, Big Push Forward Conference (UK)

[133] Sanjay G. Reddy, "Randomise This! On Poor Economics," In Review of Agrarian Studies, Vol 2, No. 2, July-December, 2012

On both a personal and professional level, many USAID Mission staff lament that tighter security rules and impossible deadlines to produce strategic plans and keep up with reporting keep them from getting out to the field to work with and get to know the very people and organizations USAID Forward sets out as the basis of a "country-owned" approach to development assistance.

And as in the local CSO community itself, those USAID personnel with field experience recognize the messiness of development; they "get" that change in the real world is complex, uncertain, emergent and above all shaped by context. In an often inchoate way they sense how much is getting left out - local politics, culture, social structure, history[134] – in the interest of a results framework that may give the illusion of control as well as that of satisfying the demand for value for money, part of a politics of accountability driven by competition for scarce resources.

As for capacity development itself, most people we met at USAID and indeed other agencies agree in the abstract at least, with the idea of being sensitive to context, to power dynamics, of the need for time, and of the importance of a solid relationship between the provider of capacity and the recipient. If they talk about training workshops they agree that there needs to be follow-up – they like the concept of mentorship and coaching, which is now on everyone's list of good things to promote. Again the **WHAT** is more or less present. But the **HOW** continues to reflect the old ways, even when new things are being done. The OCAT (Organizational Capacity Assessment Tool) is widely embraced, and unquestioned. The canon of CD 1.0 (strategic planning, human resource policy manuals, an M&E system, a properly constituted Board of Directors, etc.) is applied more often than not in check-the-box fashion and against an idealized perfect.

The obstacles to a more enlightened practice of capacity development seem in fact similar to those facing the development endeavor as a whole. As Chris Mowles puts it:

> *"Many capacity development handbooks draw heavily on systems theory and the idea of optimisation. The field of capacity and organisational development is awash with grids and frameworks that purport to help analyse and assess the state of the 'whole' organisation, usually comparing it to an idealised organisation towards which it can be optimised. Systems theories have proved particularly effective in engineering and the biological sciences from which they originate. They are helpful in situations that benefit from logical disaggregation, that function more causally or in which there is a need for optimisation, such as a manufacturing or financial process. In organisational terms they are also useful for senior managers, or for funders trying to understand in general terms what a development programme is trying to achieve.*
>
> *A number of difficulties arise, however, when representations of reality are taken to be reality and begin to shape the work. For example, logframe milestones, which were simply the project designers' best guess about how the project would unfold, can become sticks with which to beat project participants. Managers begin to bend their efforts*

---

[134] See Thomas Carothers' *Development Aid Confronts Politics: The Almost Revolution* (with Diane de Gramont), Carnegie Endowment for International Peace, 2013

towards previously best-guess milestones, perhaps at the expense of what is now required for the project to function. In addition, systems thinking often reduces complex and dynamic nonlinear phenomena to simple if–then causality and fixes them. Complex and fluctuating interactions among people, qualitative data and particular ways of knowing disappear in the schemata that are so prevalent in capacity development."[135]

But in any case, most people we met feel that either the agency is not fully behind the concept of LCD in terms of the willingness or the possibility to commit time and resources and staff, or that it is simply not a good fit with the way things are done.

A USAID program officer in one Mission:

> *"Do we really want to invest in this? [direct funding of local organizations] How do we determine who is a partner, who to invest in? It has to be worth it. It has to have legs and long term possibility. DCHA, DGP, SPANS (that is the CLAPD grant) all of this comes from DC – that's why we do it. But we have to ask if things fit with our country strategy. As it is we have the best of the worst forced on us."*

A Chief of Party of a USAID project that aims at strengthening local NGOs said:

> *"You can't change CD without changing the USAID regulations – since today that's what most of CD is about. We end up doing half the paperwork for our grantees. We don't even tell them about the terrorism search requirement – it's embarrassing, but we need to comply so we do it for them. Working with the USAID regulations is a constant dance of compromise.*
>
> *Quite simply USAID doesn't know how to work directly with local grantees. We cover for them (both USAID and the grantees.) In the case of one grantee – a good project, […] a local NGO, solid idea, but then USAID comes along and says where's your procurement policy, where's your construction policy??? These organizations don't have such things.*
>
> *And don't even get me started on the SF 1420 issue. You know some regulations don't even require a 1420 – all they require is a market based survey on salary, but different people at the Mission view the regulations differently and some insist on the 1420. But suppose you are a local consultant and you worked part-time or you worked as a volunteer – if all USAID goes by is the 1420, then that person can't have a decent salary working for a grantee."*

A USAID officer in talking about the Development Grants Program, said:

> *"It would have been very difficult to do an open call, especially with very nascent groups, It would have led to an open floodgate of applications."*

Another said with respect to their first effort to work on DGP that they regret not having tried to learn from other missions:

> *"We do not do a very good job of learning from other Missions."*

---

[135] Chris Mowles, "Beyond the dotted line," Capacity.org *29 October 2010*

Some comments from a USAID Mission in Africa (these are comments from several people in a meeting):

> *"The IPR indicators and targets are ridiculous. We can't count what we are doing that makes sense, and we cannot report. We're coming to a standstill in reporting on IPR targets. If we're serious about Capacity Development of local organizations it has to be the objective itself – otherwise because of our counting demand it is always going to be tangential."*
>
> *"If we are serious about CD and local organizations, we would need five times more staff – It's hard enough for us to get INGOs to comply with all our rules, forget about the local organizations."*
>
> *"Every time we figure something out, we've got a new hoop to go through. Now we've got a huge increase in our DRG Budget – a four year program involving direct grants to government entities – but there is a limited number of grants we are allowed to do."*
>
> *"AID requirements are too complicated: we really have to simplify."*
>
> *"Much of what we do here on capacity development is formulaic and packaged – "it's just training."*

A DLI says about getting out to the field:

> *"I got out more in the beginning – but it's very hard to do. I'm being asked to support an approach with partners but don't know really what's going on out there and who they are. You're always led by other imperatives – 'let's get this launched.'"*

Another DLI told us:

> *"Life here is totally different than what I imagined. I'm the victim of ignorance. I thought we would get to know the grantees, fill their needs, match-make, help them, and be a nomadic tribe on the road. Now I cannot imagine it. I cannot understand these weird time crunches we have to work under – we talk about 2015 [this comment was made in mid 2012]and have no time to do a proper analysis of the implications. We plan and we plan and we are always doing things at the last minute – I don't understand it."*

A program officer in an African Mission:

> *"We need more staff on all sides, especially financial management. More staff, more staff, that is my mantra."*

A senior manager:

> *"We need more training for our technical officers – more exposure to ideas and knowledge, we need more opportunities to talk and to brainstorm – we need more ideas."*

FORWARD'S MOVEMENT HAS SLOWED DOWN – CONTRADICTORY IMPULSES

In mid 2011, USAID responded to the HELP Commission, a 21 member commission created by Congress in 2004, which with $4 million in funding undertook field visits and met some 20 times in its first two years. The Commission report is filled with recommendations aimed at USAID. Here is a small sample, taken from only one section, with USAID's responses in red:

> ***Recommendation 4.2*** *[…] Lengthen overseas assignments of foreign assistance agency staff when feasible. Moving personnel from country to country or region to region on short rotations prevents foreign assistance staff from developing the level of expertise they need. … Recruit and train the development agency workforce to the same standard of language and cross-cultural sensitivities as its counterpart in the Foreign Service at the U.S. Department of State. Provide sufficient funding for training in critical competencies. Train U.S. foreign assistance personnel in change management techniques.*
> ***No USAID response***
>
> ***Recommendation 4.4*** *[…] Design new procurement processes and vehicles to help implement other recommendations of this Commission. Take into account through these processes the increased participation of recipient countries in their own assistance plans, as well as new efforts to monitor and evaluate the effectiveness of development assistance.*
> ***"The USAID Forward initiative is moving precisely to implement this recommendation."***
>
> ***5.1-1 Principle 1:*** *Understand that Development Must Be Locally Led and Owned*
> ***"USAID Forward's Implementation and Procurement Reform is aggressively moving forward with this as a guiding principle. Objective 2, which focuses on building sustainable assistance programs directly with local entities and the local host government have achieved much in less than a one-year time frame.***
> ***For instance, USAID now has Local Capacity Development teams in the field and ready to engage with Missions to expand their capabilities to work directly with the local organizations."***[136]

While not every recommendation was responded to, the response report suggests that, as of mid 2011, USAID was making rapid progress. And even in areas where they do not claim to have made progress they indicate an understanding of the reasoning behind the recommendations.

But at the level of the **HOW** – looking at the actual practice of development, the trends in the donor community and its constituencies, the paradigms and frameworks under and through which most things are implemented in the field, things appear to have slowed down considerably if not begun moving in the wrong direction. Moreover many of the agency's processes and procedures **contradict and cancel out** many of the elements in USAID Forward (example, bringing in more specialized contracting and procurement people from the law and accounting professions, thus potentially isolating them further from program staff).

[136] "HELP Commission – Status of Recommendations (as of June 17, 2011)

In the first 18 to 24 months of Forward USAID invested a significant amount of time and effort in moving forward on IPR, and on its Objective 2. There have been working groups, and sub working groups, and teams dealing with the details of carrying out the reforms, reviews of past policies and mechanisms, changes in the Automated Directives System (ADS) including the establishment of a Pre-Award Survey (PAS) designed for non-U.S. entities (NUPAS), the Acquisitions Regulations and the Acquisitions and Assistance Policy Directives etc. New sites have been set up for internal use and feedback; field visits have been undertaken to discuss IPR with Missions and to do LCD mapping exercises; workshops and meetings have been held, consultations have been made within the agency as well as with other donors, and the US PVO community; and a number of documents created and vetted on LCD mapping, on Approaches and Operational Models for Capacity Development, etc. Instruments like the Purpose Accomplished Upon Disbursement (PAUD), and the FARA – Fixed Amount Reimbursement Agreement have been developed or adjusted.

There was also a recognition of the inherent value of local organizations. Here is a quote from a 2013 USAID paper:

> *"local actors have a **unique context-specific capacity**, in terms of **knowledge and understanding**, **awareness of informal systems and rules, social capital and credibility**, and **political skills**. As a result, engaging with those partners can provide more aid effectiveness, improve the quality of program approaches that depend on interaction with local systems and norms, and lead to a great likelihood of sustainability as interventions are infused with and owned by local ideas. Local Capacity Development (LCD) recognizes this reality, and focuses attention on strengthening the capacity of local actors to contribute, elevate, and give voice to their solutions to their countries' development challenges."*[137]

In quite a few instances USAID's efforts on IPR 2 seemed quite aware of the various nuanced challenges that the literature has been pointing out for some time. Here is an excerpt from a draft USAID paper on IPR:

> *"Capacity development has multiple dimensions including technical and administrative skills; systems and procedures; and attitudes, norms, and values that affect behaviors. Some aspects are harder to measure than others and impacts may be indirect. There may be long lag times before some changes or results can be observed.*
>
> *It can be difficult to attribute changes to particular USAID programs or projects because of capacity development support from other donors, the internal efforts of organizations, and individuals' own actions. Cumulative effects from the accumulation of incremental changes can be significant. The results depend on the providers of capacity development services as well as the recipients. Supply-driven support might not have the same results as demand-driven services. If donor funding decisions are linked to monitoring, the results can be distorted. These challenges help explain why norms and practices for monitoring and evaluation of capacity development have lagged behind M&E in other areas."*[138]

[137] Approaches and Operational Models for Local Capacity Development, V.1.0, April 2, 2012
[138] From an internal draft of a 15 page document on Objective 2 of IPR, probably 3rd quarter 2012

There has also been the introduction of considerable flexibility in mechanisms and in Mission autonomy, something many have been calling for. Fort example in the "guidance and support" document for the NUPAS, it is made explicit that Missions may adapt tools to their needs and context:

> *"USAID has designed three tools to support capacity development. Missions may amend them as appropriate for their local or regional context.*
>
> 1. ***Mapping Exercise** – conducted for the identification of potential partners, clients and other stakeholders.*
> 2. ***Non-U.S. Organization Pre-award Survey** (NUPAS) – a selection tool, to determine a potential partner's responsibility and whether special award conditions may be required.*
> 3. ***Organizational Capacity Assessment** (OCA) – a facilitated self-assessment tool recommended for use shortly after an award is made and periodically repeated to show progress and subsequent priorities."*[139]

And it is made clear that exceptions to rules can be made, at least in order to get things moving ahead:

> *"**Special award conditions (SACs)**:*
>
> *Low scores in areas critical to comply with USAID requirements, or considered to be a priority for the Mission and/or program, may prevent the organization from receiving an award. In such cases, the AO may make an award with special award conditions (SACs) in accordance with ADS 303.3.9.2. If the AO makes the award pursuant to ADS 303.3.9.2, or the NUPAS findings are not resolved prior to the award, the AO must insert a provision, or "special award condition" (SAC), in the resulting instrument to require the recipient to correct the reported deficiencies."*[140]

People involved had done their homework – covering many of the most thoughtful work in the literature on capacity development. But, as we note repeatedly, the lacunae have been on the implementation side, and to a large extent in not facing the strategic implications of some of the principles the agency embraced in its Forward rhetoric.

Besides the contradictions between what is being asked of the agency, and what people believe is realistic there are contradictions like that between the embrace of a major tool – the OCAT (Organizational Capacity Assessment Tool), and the belief that "Local Organizations should define their own capacity needs;" between the concept of different kinds of capacity and the kinds that are referred to in the OCAT, between the top line indicator demanding that 30% of funds go to local organizations by 2015 and the philosophy of respecting the context and specificity of local conditions and possibilities.

Not enough attention appears to have been paid to the quality of particular exercises. For example while the LCD Mapping exercise is comprehensive, there is little guidance on how to do it well, nor is their guidance on how to undertake a truly careful and thoughtful selection of grantees or partners. There is guidance on the criteria and the process, but there is no emphasis

[139] USAID, NUPAS Guidance and Support, V.1.4, 6/28/2012 (ADS 303sam), p.3
[140] Ibid., p.6

on the difference between doing it in a pro forma way and doing it genuinely well. That makes all the difference.

The emphasis on "service delivery" continues and remains extensive. It suggests that the focus on "how to work with USAID" continues to be at the core of CD. Here, for example is a quote from a SOW for a "Capacity Building Support" bid put out by USAID/Morocco (referring to the Development Grants Program (DGP):

> *"The DGP was designed to expand the number of direct partnerships USAID has with U.S. PVOs and indigenous, local NGOs and to build the capacity of these organizations to better meet the needs of their constituents. The objective of the Capacity Building assistance for program recipients is to equip the key staff of these organizations with necessary knowledge, skills and template documents needed to better implement the USAID grants and properly follow established procedures."*

This paragraph captures the gulf between what ideally USAID stands for, and what it actually helps organizations to do – between the purpose of the DGP – *"to build the capacity of these organizations better meet the needs of their constituents"* and the objective of the proposed capacity building assistance, which is to make it possible for the organizations to *"better implement the USAID grants and properly follow established procedures."* In short to better meet the needs of USAID.

USEFUL LESSONS FROM USAID'S OWN PAST

In trying to build a platform for Forward, USAID appears not to have taken a productive look at its own past – thus there has been a tendency to reinvent, common to many large organizations. But the Agency 30 and 40 years ago was thinking about capacity development, and the implications of direct granting to NGOs, and thinking about it creatively and iteratively. Sometime in 2006 in the then office of PVC (Private and Voluntary Cooperation) a paper was commissioned on the history of the office.[141] PVC existed form 1971 to 2007 – 36 years, and the paper reviews the history and accomplishments of a number of the programs that PVC either took over or initiated, including the Matching Grants Program (1969-2007), the Development Education Program (1981-1999), the Development Program Grants, the Operational Program Grants, and the Child Survival Program.

The paper lauds the PVC office, noting that its outreach to the then somewhat peripheral US NGO community was very much based on the creation of "a climate of collegiality and shared purpose."

In almost a perfect reflection of the issues being discussed today, the paper states that in the decade of the 1970s, there was:

> *"[…] debate […] on the wisdom of allowing a Washington-based office to provide support to build management capabilities that were not directly and immediately related to field projects or to Agency priorities and the advisability of funding experimental*

[141] "Private and Voluntary Cooperation - A USAID Success Story," Stark Biddle, Nan Borton, with Joan Goodin, unpublished, uncirculated, no date

initiatives that might or might not bear fruit. From the perspective of some at USAID, PVOs were no more entitled to headquarters support than any other group and the grants that they were given should be for projects only and sharply limited to specific Agency priorities. Others felt that PVOs were more creative and flexible and harbingers of a new paradigm in foreign aid and that building their long-term capacity was essential. PVC worked hard to coordinate its grant programs with the missions and regional bureaus and always linked PVO headquarters' technical and organizational support to field activities. The methodology transformed PVO program performance in the field and strengthened headquarters capacity to backstop programs"[142]

The paper also notes a 1982 Agency Policy Paper,

"[…] that attempted to find a balance point and establish an overarching set of guidelines that would govern relations and funding decisions. The Paper is important because it dealt with a number of representative concerns that have shaped Agency relations with the community including:

- *The balance between autonomy and independence on the one hand and compliance with Agency goals and priorities on the other*[143]
- *The need to better integrate PVO programs with the work of field Missions*
- *The importance of discouraging PVOs from becoming financially dependent on the US government for support*
- *The necessity of simplifying procedures and the establishment of a central point of contact in AID for PVO relationships"*

In another echo of what CSOs in our research have told us, the paper notes that PVOs complained about USAID's red tape. But PVC reduced those complaints by instituting two things that our project is also recommending, and that were also recommended in the 2010-2011 Global Evaluation of the DGP.

"During the early years, there was a constant drumbeat of criticism regarding the thicket of red tape that a PVO had to wade through before getting support. Although the process was never easy, the volume and stridency of complaint significantly abated. Two imaginative techniques stand out as being helpful:

- *Workshops, with panels and open discussion tended to foster understanding between partners but also functioned as a capacity building tool. The process introduced good project design and the necessary linkages between budget, staffing, and objectives in an open and participatory way, greatly benefiting those preparing to apply for grants.*
- *Equally innovative was the practice of debriefing at length those who did not win grants, so that their submissions in future years could better meet grant criteria and procedural requirements. These were helpful and cordial discussions which increased the numbers of acceptable proposals, creating healthier competition."*[144]

[142] Ibid., p. 7

[143] "AID Partnership in International Development with Private and Voluntary Organizations, Bureau for Program and Policy Coordination," USAID, September 1982, p.8

[144] Ibid., p. 11

According to the above referenced study, the star of the PVC was the Matching Grants Program:

> *"The Matching Grant Program had four important attributes. First, it was competitive, and grants were awarded on the basis of a strong technical review process. As a result, preparation required considerable analysis and careful strategic thinking if the application was to be successful. Second, Matching Grants required that the recipient provide half of the program costs in cash, which for many U.S. PVOs, particularly in the early years of the Program, constituted a daunting task and compelled them to reach out creatively to new funding sources. Thirdly, the Program invariably linked a direct capacity building component with a country-based program component and introduced the practice of including evaluation as an integral and necessary component of the grant. Finally, and of great significance to PVOs, was the fact that Matching Grants were for five year multi-country field activities across several sectors with an emphasis on scaling up and replication in new locations."*[145]

One of the interviewees (of 50) for the study was quoted:

> *"In those days PVC was the best office at USAID because it was the only place you could get money for experimentation and innovation. Did it always work? Of course not but there was no one else that would take the risk."*[146]

Finally, what is remarkable was the implication that PVC was a somewhat hidden "skunk works" within the agency:

> *"Because PVC was a relatively small office, located outside the mainstream of Agency activity, and located in a Bureau with diverse interests in other areas, it was able to "fly under the radar" and test approaches that might otherwise have been neglected. The Office was markedly successful in attracting young, very bright albeit sometimes inexperienced young professionals who brought with them considerable inquisitive energy and commitment. One PVO executive whose organization received an early Matching Grant marveled that:*
>
> *"Somehow that little Office was just full of more young talent and more bright minds than anywhere else that I could find in the Agency. I do not know why or what attracted them but they were all motivated, they worked like crazy and they were terrifically helpful and interested in what we were doing."*

It is significant that the paper was never published and is not available in the DEC.[147]

---

[145] Ibid., p. 12
[146] Ibid., p. 18
[147] Personal contact with someone who was in the PVC office at the time noted that the paper "sat in LPA until I finally spoke with someone there not very high up who said it sounded like sour grapes aimed to create sympathy for PVC and was concerned that we were trying to stop the BHR decision to close the office."

10. RECOMMENDATIONS

The main findings from our field research as well as our perusal of the literature on CD can be summed up broadly:

- The developing world is changing rapidly, including local civil society
- The political economic, social and cultural contexts are increasingly complex
- Aid donors are part of the ecosystem and have developed/encouraged/engendered habits that create co-dependency with many local organizations
- The enabling environment for civil society is also complex and dynamic; among the plusses are the rise of local philanthropy; among the challenges are salary differentials, a shifting human resource pool, and government repression
- Local orgs have a lot of capacity, some in the 1.0 realm but many in the less accessible 2.0 realm
- There is growing local capacity to deliver capacity
- Local organizations engaged with donors like USAID are ”projectized” which prevents their evolution as viable organizations in their own right
- There is growing training fatigue
- There is growing ‘push-back’ against donor dominance
- There is growing interest in horizontal rather than vertical transfer of knowledge
- CSOs want relationships with Northern partners that are less fickle, more equal, more respectful and longer term

Our research project has taken as a given that USAID is committed to the general thrust of USAID Forward with its emphasis on country systems, country ownership and the resulting intention to engage more with local organizations, either in retail or wholesale fashion or both. This section lays out the implications for USAID of our findings with specific recommendations in key areas:

STRATEGY – THREE RECOMMENDED SHIFTS

1. DO MORE AND BETTER CONTEXTUAL AND CULTURAL “HOMEWORK”

A specific problem like inoculating children can be undertaken without a deep understanding of context (though of course that helps). But a key pathway to country ownership involves fostering a country’s institutional and organizational capacity development. Thus a greater investment needs to be made in understanding local contexts which are complex and increasingly dynamic. (Section 3 of this report discussed this issue in detail, and Guidelines #1, 2, 3, and 8 deal with aspects of contextual analysis) The implications for a donor like USAID are the need for:

- More time to do in depth homework
- Enlisting more local resources to understand contexts
- Casting a wider net
- Recognizing the importance of informal as well as formal systems
- Using qualitative as well as quantitative research approaches

We recognize that contextual analysis is a demanding endeavor and staff time is limited. Therefore Missions should be encouraged to partner with other donors, to use retirees, to undertake any number of creative ways to expand the resources needed to gain better local contextual knowledge.

2. GRADUALLY REPLACE THE PROJECT MODE AND DELIVERY FRAMEWORK WITH A FOCUS ON INSTITUTIONAL AND ORGANIZATIONAL DEVELOPMENT

Local organizations need to be seen as organizations in their own right, and not as instruments or agents of USAID projects. The implications of this shift are clear:

- A move towards longer term, and fewer blueprint approaches to funding and measurement
- The establishment of relationships based on trust and regular contact and follow-up

In order to work with partner institutions under USG regulations we know that they must be transparent and accountable. We also know that institutional development takes time and needs to be based on trust and continuity of support. Thus longer project time-frames and a more trusting relationship-based mind-set are better than shorter project time-frames where the donor's chief concern is eliminating fiduciary risk.

Again we recognize that there are limits to staff time and the ability to do this. We discuss later on in this section specific recommendations on Human Resources (HR) that can facilitate this shift in focus.

3. CHANGE THE CONCEPTION OF CAPACITY TO GO BEYOND "CAPACITY 1.0" AND BEYOND RIGID AND PRESCRIBED CAPACITY ASSESSMENT FRAMEWORKS

As has been explained in Section 7 of this report, two basic findings of our research are a) that there is more capacity "out there" than many donors have assumed, and b) that there are many effective local organizations that have capacities in a realm that has not received much attention – what we refer to as Capacity 2.0. Capacity 1.0 we also call "the standard package," a compendium of capacities that has been applied by donors, especially by USAID, to assess the capacity of local partners to work with the agency and to undertake or participate in its projects, and it is these 1.0 capacities that tend to be the focus of capacity development or CSO strengthening efforts. (For details on these differences see Section 7 of this report.)

The Organizational Capacity Assessment Tool (OCAT) has become an almost routine part of USAID's efforts and can contain up to 80 or more separate capacities, scored on three or four levels. Our research has suggested however that at the least this view of capacity needs to be questioned. Is there a correlation between effectiveness in development and these 1.0 capacities? While we do not yet have robust statistical evidence on this question, what is clear is that 1.0 capacities are correlated well with how to work with USAID, which is not the goal if country ownership is what is being aimed for. Our research suggests there might be a better correlation between effectiveness and 2.0 capacities such as passion, vision, artful adaptability and

nimbleness in the face of changing circumstances. Our broad conclusion about 1.0 versus 2.0 is that 1.0 capacities are less aligned with the real world of local organizations than 2.0 capacities and are too prescriptive and rigidly defined.

We note also that the standard package view is more convenient for the donors than it is for local organizations. It is easy to apply and measure in checklist fashion, and if found wanting, CSOs can be trained in these capacities. Capacity 2.0 level capacities on the other hand are less easy to assess, less easy to put in a framework, and not trainable in standard training workshop.

- USAID's efforts to work with CSOs, under Local Solutions, either in wholesale or retail fashion, need to expand beyond CD 1.0 to embrace CD 2.0 level traits
- Assessments of local organizational capacity need to follow suit; they should be based on an acknowledgement that tools and frameworks like the OCAT and the NUPAS have only limited value in getting at these possibly more important aspects of an organization
- USAID under Local Solutions needs to encourage local organizations to define capacity and to indicate what capacities they feel they need, and how they feel they ought best to acquire those

DETAILED RECOMMENDATIONS

METHODS: TOWARDS HORIZONTAL APPROACHES TO CAPACITY DEVELOPMENT IN CONTRAST WITH "VERTICAL" (STANDARD TRAINING) APPROACHES

In terms of pedagogic approach one could break down capacity development into two models – the "storehouse of knowledge" model and the "knowledge broker" model. In the first the message is *"we've figured out the best practices and here they are – so now we'll transfer these to you,"* and that has been the model behind the standard training workshop. As our research noted, there is widespread "training fatigue;" people are seeing that such a vertical approach has its limits. The second model is a more horizontal learning approach which involves mentoring, coaching, peer-to-peer, or self-guided learning, or learning that is facilitated through knowledge exchange. We have referred elsewhere to this difference as between the "sage on a stage" and the "guide by the side." The main advantage of such a shift in pedagogical approach is that horizontal approaches are better aligned with how people learn. We have referred elsewhere in the report to what some refer to as problem-related iterative learning as that which is more appropriate for organizations immersed in the messy day to day reality of development work.

We suggest here some ways in which horizontal CD approaches could be activated by USAID.

- Experiment with vouchers. As the 2012 "DRG/W lessons learned evaluation visit to Indonesia" report suggested, a **voucher approach** to CD support could be tried.[148] This, in keeping with what we suggest above, would allow the grantee to decide what kind of CD they need, when they need it and how they would like to receive it, with the possibility of Mission support to match the grantee needs and timing with resources such as a coaching

[148] Op. Cit., Local Capacity Development Lessons Learned – Indonesia, DRG/W Team, September, 2012

data base, a volunteer mentoring/advisory set-up, a cross-visit system, a peer group, as well as standard workshops.

- "Association Management." If Missions find that a group of local organizations really needs more development in the 1.0 realm a model called "association management" could be tried. This is where small organizations share professional services (such as accounting, time sheet management, inventory control, etc.) to ensure compliance with the donor without each organization having to develop its own costly in-house departments or systems. Such a mechanism is also a way to encourage informal peer-to-peer learning.

- Narratives as alternative M&E. An innovation that has been tried by the U.S. NGO Global Giving, adapting methods developed by David Snowden's Cognitive Edge organization is the use of stories, called 'micro-narratives" as a low cost method of monitoring that is adaptable to small grantees that cannot afford, and do not have, standard M&E capacity. The premise is that these stories tell one what is on people's minds.[149] At the least USAID could invest in research on such alternative methods that might be applicable to small local organizations.

- Incubators. A Mission could support an incubation/shared space approach. Just as in a cooperative workshop where space, large capital equipment, and bulk purchasing of inputs are shared, a group of CSOs could share a physical space, with the rent for that space provided by USAID (contingent upon milestones, and possibly graduated downwards as organizations evolve). This has two benefits: first it reduces the operating costs for the occupants, through bulk purchasing and sharing of office equipment. Second, it fosters informal, organic, peer-to-peer learning, the result simply of being in proximity to each other and being able to seek advice and ideas when specific problems come up.

- Accelerators. A more directive, semi-formal approach to fostering capacity development would be a capacity "accelerator" approach. Here the incubator space would be under the same arrangement as above, but there would be a more active coaching, mentoring role provided by USAID, for example, an on-site coach, or a visiting mentor provided on a weekly or other periodic basis.

- Knowledge exchanges. USAID could invest more in the kinds of knowledge exchange it once did much of. Study tours, fostering cross-visits, twinning one organization with another that is more advanced in key areas, arranging for long-term retired executive volunteering, and increasingly trying out various "secondment" types of arrangements, where a person in one organization is seconded to another for a significant period of time and where, if there are salary differentials or related costs, USAID would pay for these. In our Guideline #4, available on our website (www. developmentiscapacity.org) these kinds of exchanges are discussed in more detail.

- Training before granting. IREX, a U.S. NGO, experimented with a "no money" approach to CD. It offered training to advocacy organizations with which they were not yet involved, and let participants know that there **migh**t be money (i.e. a grant or project partnership) at the end

[149] See "Amplifying Local Voices," Suzie Boss, Stanford Social Innovation Review Summer 2011

of the training interaction but they would have to do some solid post-training homework to get it. They knew that not all would take the time and energy to do this homework. IREX built up their program gradually, held training number one, and then called for some homework, then the second training, all custom-tailored and labor intensive. At the end of the series a few of the trainee organizations got grants from IREX to do advocacy work. In the course of the work they had actually learned how to think strategically because there was a real world incentive and a real world set of problems to deal with.

MEASUREMENT: ADAPTING CAPACITY DEVELOPMENT RESULTS AND MEASUREMENT APPROACHES TO COUNTRY OWNERSHIP

Most practitioners recognize that coming up with indicators of CD success is a challenge. The issue of time and the issue of attribution are just two of the obstacles, and even the recently promulgated PACT Organizational Performance Index (OPI) acknowledges that this tool is not meant to deal with such issues. [Guideline #6 deals at some length with the question of CD indicators.]

- Indicators in specific contexts. To the extent one can design indicators, one ought to consider distinct indicators for advocacy organizations and service delivery organizations, and political context needs also to be taken into account. Success will also look different and occur in different time frames depending on the nature of the environment in which grantees operate.

- Financial and legal survival. There are of course some classic indicators of organizational performance: the most common being the organization's continued existence and financial sustainability. Has the organization diversified its funding sources; has it been able to create other funding streams such as linked profit-making businesses? How has it been able to adapt to complex legal structures/registration requirements? One could consider revenue growth in relationship to expenses or to fundraising effort as obvious indicators of improved financial performance/capacity. However, there are organizations that as a matter of strategy/mission choose not to grow their revenues. Again context needs to be looked at first.

- Character. *[Note: we have suggested in the following section on risk some "2.0" level traits that could also be used as indicators.]* Size and longevity could be seen as indicators of organizational performance or capacity, and yet one can think of organizations in development that have been around a long time, have had continued success in raising money, but no clearly attributable long term success in fostering development. Our research suggests that a set of indicators related to the organization's 2.0 capacities and its "character" would be more useful. Continuity of vision and mission could be thought about as a key indicator in this regard. Has an organization been able to overcome a financial crisis while keeping to its mission – has it been able to keep going even when times were lean (e.g. the CEO or other key staff members go without a salary for *x* number of months)? How many times has an organization been approached by a donor rather than the other way around? How many times have they declined to apply for a grant when they might have had a good chance to get it because it did not fit their mission?

- Reputation. One ought also to consider how the organization is seen by others in the eco-system and there are some possible tests of this. How many times has a government called upon an CSO/NGO for advice or input into a program? Is an organization consulted by other organizations? Which kinds of people tend to want to work for the organization? Has the governing body been steadfast in its support? Has there been turnover in key board members or staff? Of course such questions have two sides. High turnover, for example, can be a sign of success if it is the result of attempts at "renewal," but a negative sign if it is the result of dissatisfaction.

- Knowledge management. Learning and knowledge management are also key indicator areas. Depth of knowledge, depth of commitment to learning need to be looked at. Can staff all articulate the mission of the organization? How much documentation of its work has the organization done? Has the documentation been done with rigor and objectivity? Who has read this documentation?

- The importance of asking the local organization to define its key indicators. And finally since most who think about this issue agree that there is no one size fits all set of indicators, there is also good reason to ask the organization to define its own indicators of capacity success. Then the donor's challenge is considerably reduced – it need only judge whether or not the organization has satisfactorily complied with parameters it set out for itself.

In the end, all of these indicators come down to the need for a deeper level of due diligence that what be done with a set of easy-to-fill-in frameworks or other such tools. The challenge remains, both before an intervention and during it, getting to know the organization in depth.

RISK & FUNDING: NEW TESTS, CRITERIA & FUNDING MECHANISMS

A standard approach to risk looks largely at the management of an agency's money. Are financial management systems in place? Do they work? Can one account for how the money is spent? Are the costs being charged allowable? In considering working directly with local organizations these risk factors need to be integrated with other risks such as ***impact risk and reputational risk***. That is to say an approach that does not rest solely on compliance, but on weighing risk against hoped-for outcomes, allowing room for innovation and experimentation, and admittedly involving some guesswork at projecting future cost-benefit, and finally a cost-benefit calculus that emphasizes the long-term value of the results relative to the magnitude of the money spent to achieve them.

There are a number of options USAID might consider as risk mitigation approaches.

NEW CRITERIA AND INDICES

- Just as a small town bank or a credit union mitigates lending risk by knowing the character and reputation of the person to whom they are lending, due diligence with respect to local

organizations needs to incorporate more than the standard PAS or NUPAS criteria, but needs instead to be based on a fairly intensive interaction with the prospective grantee, delving into their *character* and looking at Capacity 2.0 elements.

- This implies adding (experimenting with) different kinds of assessment metrics and indicators than presently used. What follows are suggested ways to get at 2.0 level and the character of an organization. USAID could develop and experiment with such indices as:
  - The QQQ (Quantity vs. Quality Quotient) Index – which would look at whether the organization exhibits a tendency to value quantity over quality, and if so is this reflection of what the donor might be demanding of it?
  - The GI – Giveaway index – this would consider whether in its past work an organization has tended to rely heavily on "giveaways." Such an index could be quantified by noting the proportion of the budget that constitutes "giveaways"
  - The 'heart vs. mind' index – this would examine whether the organization exhibits more 'heart' than 'mind'? Or more mind than heart? Is there a need to redress the balance?
  - The "passion temperature" dynamic. Has the organization's original passion cooled off, is it in the process of cooling off, or is it rising? (Does organizational passion wane when the pattern of funding is "random oscillation?" as described in Section 5)
  - What is the passion "valence?"[150] Is it "hedonistic" (passion for the sake of passion) or "agonistic" (truculent, combative), or is it a deeply felt and steady commitment to an idea or cause?
  - The Inner vs. outer-directed index – is the organization locked in the "not-invented-here syndrome," thus prone to re-inventing wheels, OR is it looking outward to find out what else is going on?
  - The relational index – is the organization good at relationships, making them, keeping them up, seeking them out (is the organization even "relational" in the first place?)
  - The failure tolerance index – regarding mistakes and failures, is the organization reflective? Self-Critical? Risk-taking?
    - The speed index – is the organization on a fast track, or has it slowed down, and if so why? Is the organization on a slow track, and if so is this deliberate, or is it "just slow?"
    - The Maturity index – is the organization more often than not whiny, complaining, "it's-all-their-fault," thus childish; is it self-involved, narcissistic (adolescent), or is it more often than not mature?
  - The "No" index. Is the organization capable of saying "No?" to donors when they feel their mission might be compromised (in our research we found that organizations that have said "no" to donors' pre-set priorities tend to be more focused, more based on learning, and have generally more integrity than others)

- We also found that the steepness of the learning curve in an organization may correlate with the sector the organization works in. Some areas of work involve a steeper learning curve than others. In general our research suggests that CSOs in advocacy, especially those

[150] I use the term 'valence' here in a somewhat loose adaptation of its scientific sense – that is the combining power of its elements, or atomic weight; thus I use it to suggest the tendency towards having 'weight'

promoting democratic reforms in a country which is new to these, are the most frustrated and have the steepest learning curve.

ADAPTING AND TESTING APPROACHES FROM THE INSURANCE AND BANKING INDUSTRIES

- Actuarial research. USAID could invest in an effort to create actuarial tables based on past experience. This would involve mining project data of all kinds (especially evaluations) and building logarithms that would for example suggest the likelihood of different types of projects achieving scale, longevity of results (sustainability), and solving poverty problems. For example, one might find that if the "giveaway" component of a project is above 50% of total budget this impacts sustainability by *x* percentage points more than if the giveaway component is 25% of the project. If water users associations are imposed by outsiders rather than spontaneously created, this compromises quality; if slum housing is planned by municipal authorities without taking social dynamics into account this compromises the hoped for results, etc. Thus before any project is approved it would get a rating based on these historical 'actuarial' type tables.

- Adapting a type of loan guarantee. Risk can also be mitigated by adapting the "loan guarantee" model in microfinance – that is, creating an intermediate entity which would indemnify a new, small, untried grantee, by using a "bond" mechanism, with part of the cost of the bond being born by the grantee, on a sliding scale depending upon its achievement as its track record grows.

- Adapting a performance bond. The Performance bond concept used in construction projects could be experimented with. Premiums could be payable by the grantee based on the cash value of project at risk, and put in a pool of funds. Failure by the implementing partner to achieve milestones within a period of time would trigger a claim against the performance bond in the interest of USAID, or with claim fees put in a designated pool made available as a funding source for future local organizations. A downside to such a mechanism is that it is possible fewer organizations would bid for USAID projects, save for those that believe they will meet the performance criteria stipulated in the performance bond. And related to that, the bond mechanism might crowd out smaller implementing partners, but this could be mitigated by adjusting the bonding requirements according to the size and experience of potential partners – thus the large contractors would be asked to undertake the performance bond in its fullest form because they are capable of succeeding, and then smaller, newer partners would be differentially bonded at lower rates, penalties, and also rewards, with the idea that they would earn their way up the ladder. In any case, this is a concept worth experimenting with.

- An adjustable "burn rate." The impact of the work of a local organization grantee can tend to be negatively affected by the speed with which it is asked to use its grant money (the burn rate). A way to mitigate this type of impact risk would be to experiment with a version of an "escrow" mechanism. Such a mechanism would 'park' a portion of the grant money so that it would not be subject to the burn rate requirement – that is it would have a longer "spend" time frame.

- Royalties. Another option in funding mechanisms that mitigate financial risk is a variation on a "royalty pay-back" option, in which a grant becomes a quasi venture capital investment, providing it contains an element of core funding. That portion which is core funding would entail a forward contract of future royalty payments (set by agreement between the parties) to begin in *x* years or when the organization is a certain percent of the way towards sustainability, which ever comes first. The royalty might be set at 2%, 5% or more, or on a sliding scale, and the monies thus paid would be put into a trust fund for future use by other CSOs.

The point here is to suggest that there may be scores of ways to lower financial risks to the satisfaction of key constituents such as Congress. Controlled experiments with some of these in a number of countries would reveal what works and what works less well.

"WHOLESALE" APPROACHES TO LOCAL SOLUTIONS AND CIVIL SOCIETY STRENGTHENING

Our general conclusion is that at present and in the near term, because deep changes in the agency's structure and culture are normally slow to take place, most USAID Missions do not have the management capacity to undertake a retail approach with local organizations beyond working with a small number. Therefore we lay out here a number of needs that can be addressed in a wholesale approach.

There are two variants of a wholesale approach. One is in keeping with what USAID currently does in outsourcing its programs through contractors – just as a wholesaler sells good to retailers who in turn sell to the final customers. The difference in terms of the goals of Local Solutions would be that USAID would begin to shift to wholesaling through local capacity development organizations, who would eventually replace the Northern contractors and INGOs. An important concern (and challenge) however, would be to ensure that these new local contractors do not become simply clones of "beltway bandits" which then perpetuate a dependency on outside donors.

The second variant is the more metaphorical sense of the term wholesale – that is to work in indirect ways – as convener, turning plate, broker, matchmaker, "legitimator," – all aspects of what we call "wise support" to simulate local capacity development and country systems strengthening and ownership. These are what we concentrate on here.

Such approaches might include taking on the role of simply creating neutral space for dialogue between parties in the civil society ecosystem, or more actively playing the role of broker or matchmaker, or support to intermediate entities or structures, or simply sponsored research on key issues. Such roles of course presume a considerable investment in understanding the system and knowing the actors in it.

We note finally a view inspired by our Reference Group of advisors – the concept of "finding the moving trains," (aka "positive deviants"). The idea is that there are always and everywhere

interesting, promising, successful models of things happening that are beyond the "usual suspects" and often work despite the usual constraints. Because these may be "outliers" in a system, they need to be actively sought out. In many cases (as in the CDRT case in Morocco below) they are models that can be further tested and replicated to achieve scale.

Specific wholesale support options:

- Network creation or strengthening. To echo the 2012 Indonesia LCD/W report, the Missions could play a role in fostering network creation, both within a country and regionally. As that report states:

  > *"Hold partner meetings with grantees to allow for better networking and information sharing. The IKAT-US model of partnering Indonesian CSOs with other CSOs in the ASEAN region is promising model to promote CSO-CSO learning. USAID could use its international network to help local CSOs connect with CSOs in other countries such as India (where Pattiro learned about Social Networking) and elsewhere."*[151]

- Development studies for CSOs. An important gap in the CS ecosystem in many countries is in the area of broad development knowledge. In part because of the "projectization" phenomenon (donors funding projects and deliverable services rather than the strengthening of the organization) the time or space for learning is constrained. CSOs in general lack knowledge about development itself, its history and lessons. A Mission interested in a wholesale approach could promote a development studies program or "virtual development university" with seminars on such topics as:
  - History of development from the 1960s on – major lessons learned
  - Inputs, outputs, and outcomes
  - Sustainability
  - The dependency syndrome
  - How the project structure fits or does not fit with certain aspects of development

- Documentation support. We found a number of organizations with intriguing and valuable stories to tell but no time for, or skill in telling those stories, and no skill in putting forth analyses of these experiences, yet they contain valuable lessons for themselves, and the CS sector as a whole. A Mission taking a wholesale sector-support approach could experiment with **support for documentation** by doing such things as sponsoring contests or funding mini-sabbaticals for which organizations would apply, to allow support for a month, six weeks, eight weeks, etc. to write up and document what the organization has learned. Further support in this realm could be the convening of fora, seminars, conferences to present and discuss these cases.

- Improvements in registration data. One of the concerns in many countries is the proliferation of NGOs and the sense that there may now be too many, not because anyone believes there is a "right" number of organizations, but because of the widespread perception that the many registered CSOs are not genuine. Some of our interviewees believe that a sorting out is now

[151] Local Capacity Development Lessons Learned – Indonesia, DRG/W Team Claire Ehmann, Faye Haselkorn, Yoke Sudharbo, USAID/Indonesia, report September, 2012

perhaps in order. A Mission could support work (e.g., to a government statistical agency, or an academic institution, or a government body such as the Social Welfare Council in Nepal) on rigorous data gathering on memberships and registered organizations, and on ways to keep up registration data to ensure that the organization is still "alive." This is much needed in many countries.

- Certification and standards. Just as a movement arose in the microfinance arena to create credit rating agencies in countries, civil society in many countries would benefit from "rating systems," or standards certification systems. Such systems are first of all needed to distinguish the quality of Intermediary CD service providers (ISOs), as well as individual consultants, the numbers of which are growing everywhere. Such systems are being developed in a number of countries including the Philippines and India.

- Research on affiliate localization models. A wholesale support approach could also address the growing phenomenon of the blurring of lines between "local" and "international" NGOs. Our research suggests there are now several models of localization: e.g., the spin-off model, the affiliate model and the asset transfer model (see, for example our Mini-Case #10 on these models in Tanzania). In some countries there is growing tension between formerly international NGOs and "genuinely" local NGOs about this. Research is needed to understand and analyze the likely effects, processes, and eventual pros and cons of such a trend.

- Support for diaspora involvement in Capacity Development. In all the countries we worked in we have noted the important size and growth in national diasporas. Whereas in the past, a diaspora began usually as either a monolithic bloc of laborers, or as students going abroad to study and not returning, today the diaspora phenomenon is more complex and dynamic and has far greater capacity development potential than many donors realize. Driven worldwide by the post 2008 crisis as well as some signs of stronger growth in the South than in the North, we are seeing the beginning of a movement back to home countries, and/or a pattern of 'commuting." USAID would do well to pilot some efforts both in research (to unpack the phenomenon) and in action to create linkages with civil society, with government and especially the private sector, where skills, viewpoints, new perspectives, etc. that can be harnessed to existing capacity development needs.

- Enlisting retired professionals in local CD. In Morocco the organization CDRT (Centre de Development de la Region de Tensift) is a combination consulting firm federation or association and implementing organization that is composed of some 200 high level retired professionals from academia and government. They are engineers, economists, chemists, administrators, health experts and so on. CDRT is an NGO in its own right but also affiliated with some 100 smaller CSOs. CDRT can (and does) act as a pass-through for some funding for these affiliated organizations and do training, and especially advising. In a sense the group functions as a formal and informal roving corps of expertise. This is an example of the "moving trains" idea we referred to above. Obviously such a model would benefit from a type of case-study documentation and from an effort to see if it can be replicated as an additional source of CD for local organizations.

- Community level one-stop-shop. The Resource Center concept or "NGO supermarket" idea is similar to the setting up of a public library. This is especially needed in rural areas; citizens or local informal groups can go to such a center and be directed to training opportunities, to sources of knowledge, to services, or to personnel data bases including retirees willing to volunteer their time to help both formal and informal community level groups and organizations.

- Research support on the enabling environment. Including both academic research and action research. There is a widespread need for support for more research on the legal and regulatory framework for CSOs/NGOs, and the ways in which these laws (and conflicting laws) enable or thwart civil society. Some additional issues that came out of our research:
  - Legal options for hybrid forms of organizations. We note more and more local organizations seeking answers to their own financial sustainability by creating hybrid forms such as holding companies, real estate trusts etc. This trend needs research support
  - Talent pool trends. We noted that many CSOs cannot find or afford to hire good professionals in certain fields, especially financial management. The competition is growing for these specialties and salary differentials are part of the problem. But in addition there is evidence of a shift in preference by smart young people away from the social sector. Research is needed on these trends, and experimentation (action research) on ways in which young people can be re-attracted to social sector work
  - Local philanthropy. A major answer to the future of strong country systems is local philanthropy. Here too there is a need for research on connections between traditional forms of giving and cultural shifts thst would move giving behavior to non traditional directions

- Research on indirect cost rates. We have noted a growing awareness (and some resentment) of the NICRA that Northern USAID partners receive. There are complex reasons why local organizations do not receive such coverage, but at least part of the reason is their inability to calculate such rates, and USAID's lack of understanding of some local parameters that may not fit its own criteria for overheads. This is a complex arena that is also worthy of research investment and could reveal new paths to local sustainability.

- Experiment with a social stock market. This is an idea that could merit some consideration if not actual action research – USAID investing in creating a market for socially minded investors to purchase (in crowd funding mode) shares in a project or program. These shares would in essence be bets on the prospect of success in solving certain problems. It would be understood that there would be no dividend or capital gain on such shares, just as Shorebank in Chicago at one time promoted savings account with a less-than-market-rate return as a "social good investment," where the saver/investor exchanging social good for a lower interest rate or dividend.

A RETAIL APPROACH – ALTERNATIVE DIRECT FUNDING MECHANISMS TO ENABLE LONGER TERM, LESS BLUEPRINTED RELATIONSHIPS WITH LOCAL ORGANIZATIONS

- A focused, fostering approach – aiming at quality over quantity

If a Mission were to decide it had enough management capacity to go the retail route (direct funding of local organizations), based on a thorough contextual analysis, one of the first things it ought to consider is the concept of a focused, fostering approach, in which quality is the byword rather than quantity. In Bangladesh, Swedish SIDA asked itself:

> *"Which funding route is the more efficient method of means of disbursing development assistance for SIDA? Within the direct route the SIDA office in Dhaka has opted for a small number of quality relationships with NGOs, characterised by a trusting, "hands off" approach supported by frequent contact and communication."*[152]

Our research suggests that this implied element of trust and mutual respect is at the core of a country systems strengthening approach and more specifically at the core of Local Solutions with respect to productive relationships with Civil Society. But we stress that incentives and testing (a "tough love" approach) are necessary complements to trust and respect – i.e., the principle that trust must be earned. Some work done in urban poverty programs in the United States is worth thinking about in this regard. The so-called "Family Independence Initiative" (FII) in the U.S. has evolved an approach based on ***assets not deficits***, and one which essentially lowers to near zero the activity (and risk) of the funder, as well as putting capacity development in the hands of the recipient.

> *"We wanted to understand what would happen if 1) low-income families had access to some of the funds traditionally spent on professionals to help the families, and 2) families were instead encouraged to turn to friends and social networks for help and direction. FII did not form the initial peer groups. We enrolled families in groups of five to eight households who, upon hearing of the opportunity to join FII, self-selected to come together.*
>
> *FII staff did […] challenge the groups to take actions toward change as they saw fit. Families could earn about $25 to $30 for reporting and providing documentation of the progress they made, be it improving grades, saving more, or starting a business. The maximum they could earn was $500 per quarter and the wide variety of paths allowed did not dictate families to follow any preprogrammed actions. Families were paid for moving forward, regardless of the path they chose.*
>
> *The monthly reporting process itself turned out to be a change agent. In an evaluation families commented that reporting their progress kept them focused on making changes and that the feedback from the monthly tracking charts FII provided reinforced the progress they were making. The small amounts of capital that they earned by reporting and documenting their progress could then be invested to continue their progress as they saw fit. We found that giving the families control and choice at the outset led to an*

[152] See Op. Cit., Lewis and Sobhan, 1999, p. 123

organic process of change. This is at the heart of FII. Family progress was heavily influenced by personal choice, cultural values, and friends as they turned to one another to find the best childcare, new jobs, or emotional support."[153]

The report cited also notes something that resonates with what we heard from many international NGOs and donors with respect to small local civil society organizations – that they are not to be trusted to handle money responsibly. The FII report suggests that such views smack of stereotyping and needs to be confronted by empirical testing. The FII document continues:

> *"In two recent conference presentations, after explaining that we sent checks to families I was asked, "How do you monitor how they spend the money you give them?" I responded that the government does not monitor how middle- and upper-income families spend their tax refunds or other benefits. Why do we not trust low-income families in the way the rest of society is trusted? I am similarly often asked, "What if they spend it on drugs?"*
>
> *Over and over we see this bias and general mistrust of low-income families' capability to handle money responsibly, to make good decisions, to learn from mistakes, to find their own solutions, and to develop their own direction."*[154]

- Learning Grants. USAID could for example decide to work over four to five years with a group of 10-15 small organizations. It would "test" them in the initial phase by giving them small learning grants, with continued funding contingent on demonstrating innovation and promising results. There are many ways to encourage their development, including providing the type of business incubator type of space for them (which also promotes peer learning) that we discussed earlier.

- Earnest money (aka "skin in the game"). A short cut to determining commitment and seriousness is to ask a prospective organization to put up some kind of "earnest money." Obviously, small and relatively new CSOs do not have reserves of cash. But this can be done in many creative ways, all or most of which are adaptations of the concept of a "futures contract," amounting to a promise to repay in kind, or to provide free services to others once having reached a certain stage, or if there is an eventual revenue stream likely in a project (say interest earned on the provision of microloans) then a promise to pay a fee at a later date.

- Corporate mentoring linkages. The Biz Plus program in Sri Lanka provides grants and targeted technical and managerial assistance to local businesses. It is managed by U.S. contractors (such as Land O'Lakes) but in many cases the TA is provided through links with large local corporate partners for whom the smaller businesses become part of the product value chain. This type of linkage where there is both capacity development and a business-like connection could be adapted in creative ways in quite a few countries.

- Contingent long-term support. In keeping with the idea of aligning a theory of development with the way USAID does business, the most commonly agreed upon key to development

[153] Maurice Lim Miller, "The Uphill Battle to Scale an Innovative Antipoverty Approach" in "The Experience of the Family Independence Initiative," New America Foundation, February, 2011, p.2
[154] Ibid, p. 4-5

effectiveness is **time**. Donors and practitioners, INGOs and CSOs, all agree that short project and program time frames are inimical to development, though they may be appropriate for focused short-term emergency relief efforts. A practical solution to the dilemma of needing accountability in the short term but longer term in order to achieve real goals, could be to commit to a long-term "contingent" support approach. In certain types of work, such as health systems strengthening, that might mean a broad seven to 12 year commitment, but one contingent upon interim milestones, or regular restructuring of the objectives of the program based on documented lessons learned, but undergirded with the knowledge that a long term relationship (not always predicated on a continued flow of funds) is behind the effort.

- Pooled Funding. The most common issue for virtually all local CSOs met with in our research is the issue of lack of donor support for the organization **as an organization, the "projectization" syndrome.** Many call for "basket or pooled funding" approaches for core support. This is where the potential local partner says to the donor – "this is who we are, this is what we do, this is our strategy. If you agree with it and want to support us we ask you to put your money in a basket with other donors." In the most intriguing cases of CSOs we met who demand this approach, they also set minimum and maximum percentages for a single donor contribution (e.g. no less than 10% of their budget and no more than 25% of their budget from any one donor). This is done so that the organization is not dependent on a single donor, not beholden only to one donor, and to simplify reporting. In essence such an approach helps to insure the organization's integrity. One advantage for the donors is automatic harmonization since all receive the same report, and the disadvantage of course is that branding and marketing in such an approach is not possible.

- Laddered Institutional Support. There are other possible funding mechanism changes that could help local organizations deal with the "projectization" dilemma. One is a variation on the simplified grant or the FOG – which one might call the LISG – Laddered Institutional Support Grant. This would involve the creation of a mechanism for an institutional support grant involving a staggered arrangement, based on progress. In addition to project funding, the grantee would get, say, two years core funding at a rate of 18% of the project grant. If it sticks to its values and mission, learns to raise money, gets itself up a notch in terms of systems and capacity (the definition of which should **be left to them** to determine up front) then it would get two years more LISG at say, 24% of the total project. When it reaches a certain level of self-reliance or dependence on local fundraising or other local revenue generation, it would then pay the difference between the 18% and 24% into a core institutional support **trust fund** (ISTF) – which USAID would set up. This pay back arrangement could be based on negotiation as to the time frame, so that it might be permissible to pay this amount over a period of say, two, three, or four years.

- Lent endowments. Another possible variation to encourage long term sustainability of local organizations is the creation of a "lent endowment." The most straightforward approach to such a 'lent endowment' would be the purchase of a building – owned by USAID or its designee. The building would then be lent out – perhaps based on a competition – to a local NGO/CSO. It would act as the owner of the property, and decide to occupy part of the space for its own operations, and rent out the rest. It would keep the income from the rental and maintain the building. This arrangement would be conditional upon the organization's

demonstrated effectiveness and capacity. After 10 or more years USAID or its designee could decide to write off the building by giving it to the grantee, or take it back in order to lend to another organization.

- Matching grants. A Mission might experiment with a matching grant approach, something USAID used out of the PVC office between the 1970s and 1990s to support organizational development of U.S. PVOs. It is of course worth re-instituting and adapting that idea to local organizations.

IMPROVED RELATIONSHIPS WITH THE LOCAL CS COMMUNITY IN A RETAIL ENVIRONMENT

Besides adapting and simplifying rules and regulations, there are ways in which the process of engaging local organizations can be better guided and thereby engender better relationships with the community as a whole.

- Create a welcome kit for all proposal applicants. This might ideally be two to three pages long, 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 wonder about or find difficult and what resources the applicant might turn to for help, plus, perhaps a paragraph on what happens if one is 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).

- Proposal writing software development. Many CSOs interviewed in our research say that one of their capacity needs is proposal writing. This is a "need" only in the sense that it appears to them as a gateway to funding, even though most funding available through routine proposal writing is project-based funding. Since many CSOs skip over this capacity gap by hiring people to write proposals, there is no reason why the whole process could be captured in a software package. At the same time, a proposal writing software could be developed that encourages CSOs to think more clearly about what they do, what they are good at, and what really they believe is the basis for the kind of problem they wish to solve.

- Informal one-on-one interim feedback. For local grantee 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.

- Communication before reports are due. There should be more communication about post-award reporting. For example, towards the end of the first year of a grant, guidance should be given at least a month before the grantee's annual report is due – to explain how and why the Annual Report is different than the quarterly reports, to ensure that reporting is done on the right indicators – to encourage the grantees to re-read their agreements (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, nor a lot of boilerplate, nor a lot of repetition. But here is what we do need."

- Keeping failed applicants in the fold. The grant-making 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.

- Harmonizing feedback procedures for rejected proposals. USAID needs to ensure that all missions are using the same procedures on rejected applicant feedback. There seems to be confusion about the right to demand feedback and resentment when a rejection does not say much about why the grantee's proposal was rejected. The agency could consider ways to incentivize CORs and AORs 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.

- Create a "capacity safely net." In order to maintain relationships after awards have ended USAID Missions might create a "capacity safety net." This could be an individual from the Mission who remains on offer as a resource for the entity even after the project has ended, or it could be a reporting portal on a special website where the organization would have the opportunity to provide information, ask questions, get feedback as their capacity development process continues; and allows the Mission to learn about what worked and what did not.

BETTER ALIGNMENT OF USAID'S HUMAN RESOURCES PROCESSES WITH LOCAL SOLUTIONS OBJECTIVES

As part of our research we engaged a consultant to look at USAID HR in order to identify gaps between the long term objectives of Local Solutions (and USAID Forward) and past and present HR practices and processes. (See the annex on HR to this report.) Obviously people are the key to any organization. If they are not hired, oriented or deployed in keeping with the nature of the work involved in country ownership (especially working with local organizations), then there is a likely mismatch between internal capacity and agency objectives. Job descriptions, recruitment, selection and orientation for incoming staff would benefit from a tighter alignment with USAID Forward.

- Development studies program. At one time USAID ran a development studies program which allowed staff to spend time outside the office taking short courses on development provided by various resources. The agency could look into this history and consider re-instating such a program to which all staff would be asked to attend.

- Incentivize learning. A kind of book club approach to new ideas or themes could be implemented within the agency as part of a more continuous KM function. Such an approach might involve a monthly reading selection and encouragement of meetings to discuss the

reading. This would be reinforced by making sure management allows people a specified amount of time in each month to attend such meetings, and performance appraisals could include a concern to know from each person what in the course of the year they had done to broaden their learning on development issues.

- CD Training. We have produced nine country studies and 15 case studies. These could be part of a curriculum on capacity development that available to those assigned to (or wishing to) work with local organizations.

- Secondments to CSOs. In the Philippines, bilateral donor AusAid at one point seconded a staff member to a local organization. Such arrangements could be experimented with. This might involve a USAID staff person volunteering to spend two to four months working in a CSO. The person would have to apply for this and obviously the agency would need to look positively at such an initiative. The benefits would include a deeper understanding of the life of a local organization. Obviously mechanisms would need to be developed to avoid conflicts of interest.

- Getting out of the office. We found that many Mission personnel feel constrained in terms of their ability to get out and spend time with local actors. Many DLIs we met came into the agency with a strong desire to "meet and greet," and some with a real interest in getting out and learning, and found they eventually do less of this because of pressures on their work, because of security concerns, and because it is not seen as related to good performance evaluation. But if partnership with local organizations is to work, whether or not a Mission decides to take a wholesale or retail approach, there should be more interaction outside the confines of the USAID offices. People need to get out regularly, and spend more time, not just in "show and tell" interactions, or ribbon cutting events, but actually seeing who is doing what, and how they are doing it; getting to know the character of the organization – something that cannot happen if a visit is a photo opportunity or a quick check-list type of interaction.

- Length of tour for direct hires. According to ADS chapter 436.3.11.1 the standard length of tour for FS officers at USAID is two years, with a normal option/expectation of two such tours – for a total of four years. The rationale for this rule could do with some re-examining. Our interviewees in local organizations emphasized the issue of trust as a key to a relationship with donors, and trust is of course related to time. If a local person/organization feels the USAID person won't be around very long, then investing in such a trust-based relationship is simply not perceived as worth it. Here is a quote from a retired USAID FSO:

  > *"I remember the first week I was in Delhi back in 1982, my US supervisor took me over to the Ministry of Agriculture for my opening courtesy call on the person who would become my key contact. After we had tea and bikkies we stood up to go and he asked [my US Supervisor] to stay behind for a second. I was later told that after I stepped out that my Indian counterpart asked him how long I would be around for. He was told four or five years. My Indian counterpart nodded and said, "Then I guess it's worth the effort." Ever since, I have always assumed every one of the people we work with goes through a similar calculation. How much are you going to invest in someone who will only be around 24 months?"*

In the meantime, however, the length of overseas assignments can be thought about, again in experimental ways, by considering opportunities for voluntary extensions (covered in the ADS), or different incentives for different kinds of tour lengths in different contexts.

- Tighten language requirements for Local Solutions work. An implication of a retail approach to Local Solutions is that staff assigned to such work need to speak the local language. Improved language testing during recruitment, as well as better alignment of language capacity with posting is needed.

- Personal Service Contracts (PSCs). Our research suggested that in some countries PSCs, often Americans hired locally who are long resident in a country and speak the language, tend to take, on their own initiative and time, efforts to reach out and connect with local civil society. Their informal networks are important drivers of both their inclination to get out of the office and also sources of information that can inform the agency's interactions with its desired partners. A research effort to delineate whether there are in fact such differences in outreach between different categories of personnel would be worth undertaking. If it showed that PSCs because of experience and language advantages are more naturally inclined to build relationships with civil society, one option for the agency is to find more such qualified Americans (or third country nationals) in-country.

- FSNs. The agency could invest more in understanding how differences in the cultures it works in affect its procedures in the eyes of its FSN hires. For example, how FSNs relate to their jobs, and to the Americans at the country 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 more by the agency so that placements, assignments, job descriptions, job titles, can be realigned to overcome hidden obstacles to performance and responsibility.

REDUCING THE MANAGEMENT BURDEN AT MISSIONS TO FREE UP MORE TIME AND RESOURCES FOR LOCAL SOLUTIONS WORK

- The "balanced scorecard" system. The concept of "management units" could also be re-thought in order to change incentives in favor of more concerted interaction with diverse actors in the country. The agency might consider "development-oriented units" or "local engagement units" as a better measure of time spent. If a management unit is defined as a percentage of the mission portfolio under the management of an individual staff member, then the incentive to pay attention to the smallest grants is diminished. The agency might adapt from the *"balanced scorecard"* system which came into use in the private sector in the early 1990s.[155] The idea is that performance is measured by a balancing of sometimes radically different goals and metrics – e.g., finance, customer service, and learning. Thus a balanced scorecard approach might divide up an officer's scores into different parts and weights, e.g. part of the score could be the amount of the portfolio one is responsible for,

[155] Joel Zimmerman, "Using a Balanced Scorecard in a Nonprofit Organization," Creative Direct Response Inc., 2004

balanced against its potential for grantee learning and/or its potential for advancing the civil society sector, and so on.

- Improve clarity of Mission discretion on regulations. At the Mission level we noted signs of some confusion as a result of less than optimal clarity about regulations. In a number of areas, Mission staff seem not fully aware of the options that USAID policies allow them. In the case of branding and marking, for example, an area of some controversy right now in Muslim countries, the ADS of 5/5/09, Chapter 320.3.2.5 shows a fairly broad number of exceptions that can be applied, and in Chapter 320.3.2.6, an equally broad set of options is laid out where waivers of the branding and marketing requirement can be applied, including the possibility of a blanket waiver of branding and marking by entire region or country. Mission personnel are often unsure of what is possible and what is not, and may even tend to assume something is not allowed, when there is in fact considerable room for adjusting and customizing regulations.

- Timeliness of communications. Communications between DC and the missions, and between USAID and grantees could be improved. Our research among local organization grantees or those who have applied for USAID funding points repeatedly to a sense that USAID is not only too slow in its feedback (when it is offered) but often does not respond to requests for clarification or information.

- Institutionalizing feedback on mistakes and failure. As part of an improved approach to relationships with local grantees, Missions might consider adopting the idea of regular meetings to discuss, analyze and learn from mistakes, a la the Morbidity and Mortality (or "M and M") meetings in hospitals. These are weekly gatherings of doctors, off-limits to the public, which serve in most hospitals as a forum for the discussion of mistakes, complications, unusual cases, and even patient deaths that might have been preventable. It is a sort of quality-assurance conference where doctors hold one another accountable and learn from one another's mistakes. Obviously, this implies a move towards a culture where mistakes are seen as pathways for learning, rather than as reasons for reprimand.

- Self-managed Teams. Borrowing from the business world, it might be worth experimenting with the creation of self-managed teams for engagement with local organizations. The team would be responsible for program and compliance and free to adjust requirements and parameters as needed. The team would be measured on performance above all. And performance in turn would be measured along several time-lines since development outcomes are often not clear in the short term, and along several sets of criteria, such as the extent to which the local organization moved towards sustainability, the extent to which it showed resilience and creativity, the extent to which it improved its basic management, etc. Incentives for the team would be created in the form of bonuses paid to the team members upon the local organization reaching certain scores – determined by an external evaluator. The bonuses (a percent of salary) would be based on "vesting" criteria so that someone who leaves the team after two years would be vested differently (and receive a smaller bonus percent) than someone who stays with the team for five years.

- Creation of a CSO advisory council. Missions could establish a CSO advisory council consisting of representatives from local CSOs/NGOs who would serve for fixed terms (say two, three, or four years). Such a Council would function as liaison with the community, ombudsman and adviser to USAID on any number of relevant matters.

- A retiree "gadfly corps." USAID might consider an agency-wide "gadfly corps" consisting of a number of retired USAID staff with good communication skills and depth of experience in a number of areas who would be resident "gadflies" in a mission for anywhere from three to six weeks. They would pitch in on the project selection and due diligence aspects of a direct grantee approach and at the same time act as mentors to the mission staff, including DLIs and FSNs.

- Mine VOLAG data more thoroughly. Among the most important changes we noted in our research 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 strengthened to become a more robust knowledge management system that would capture those trends among U.S. and international NGOs that might bear on the USAID Forward agenda.

AN EXPERIMENTAL APPROACH TO CONCRETE PROGRESS IN LOCAL SOLUTIONS – THE "SKUNKWORKS"

In keeping with an iterative, flexible approach to working with local organizations an experimental approach makes the most sense if there is going to be a retail option in a Mission or region. One idea would be to create a "Local Solutions Skunkworks" unit in which there would be a degree of freedom from certain bureaucratic demands. This would enable a team to undertake low cost, low-profile experiments and try different funding mechanism, risk mitigation mechanisms, different CD support ideas and above all to capture lessons learned. A few missions would volunteer to do this and it would require dedicated staff and carefully chosen CORs who are trained to understand that development and compliance are not the same thing. These experiments could include voluntary longer staff deployments, much higher language requirements for direct hires, greater performance-review-related incentives to go out to the field, and much narrative creation to support the M&E process as it goes on, not to mention rethinking the whole question of CD indicators.

The skunkworks concept could be limited to a certain level of funding, say grants between $100,000 and $500,000 and for a specified duration after which the experimental approach would be declared ended, and the lessons evaluated and disseminated.

ANNEX I

Aid Transparency Initiative Criteria

- Quality of Freedom of Information Act (FOIA) or Disclosure Policy
- Engagement in IATI
- Publishes overarching strategy document
- Publishes annual report
- Publishes aid allocation policies and procedures
- Publishes total organisation budget for next three years
- Publishes annual forward planning budget for next three years
- Publishes procurement procedures
- Publishes tenders
- Publishes annual audit of programmes
- Centralised, online database
- Publishes country strategy paper
- Publishes forward planning budget for country for next three years
- Publishes Memorandum of Understanding
- Publishes evaluation documents
- Publishes results, outcomes and outputs documentation
- Publishes current activities in this country
- Centralised, online country database
- Publishes details of organisation implementing activity
- Publishes collaboration type
- Publishes flow type
- Publishes type of aid given
- Publishes type of finance given
- Publishes unique project identifier
- Publishes title of activity
- Publishes description of activity
- Publishes which sectors the activity relates to
- Publishes sub-national geographic location
- Publishes planned start / end dates
- Publishes actual start / end dates
- Publishes tied aid status
- Publishes overall financial costs of activity
- Publishes commitments / planned expenditures and disbursements
- Publishes transaction-level details of disbursements and expenditures
- Publishes current status of aid activity
- Provides contact details for the activity
- Publishes pre-project impact appraisals
- Publishes objectives / purposes of the activity
- Publishes the terms and conditions attached to the activity

- Publishes the budget for the activity
- Publishes the contract for the activity
- Publishes the design documents and /or logframe for the activity
- Publishes budget classification for the activity