



# The Capable Partners Learning Agenda on Local Organization Capacity Development

## Executive Summary of Our Report to USAID



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## BOX 1

### A VISION FOR THE FUTURE

*Seven habits of highly successful international development organizations*

1. They take “ownership” seriously – once they engage in a relationship and commit support they begin to relinquish control
2. In seeking partners, they look first for qualities like passion, refusal to become dependent and a strong, supportive constituency
3. They put part of their focus on strengthening the civil society infrastructure, from the human resource pool to the legal and regulatory regime, to philanthropic space, to certification protocols, etc – instead of individual organizations
4. If they choose to engage in relationships with local organizations they recognize that this requires time; they invest people and money (in that order) over extended periods
5. They define risk in terms of lost opportunity for learning and impact, not just in terms of money
6. They use measures that assess change in terms of those served, not in short term quantitative results
7. They develop an internal culture that takes seriously the goal of “working ourselves out of a job,” and accept the implications of that goal

## 1. THE CONUNDRUM OF OWNERSHIP

*“Development is no longer seen primarily as a process of capital accumulation but rather as a process of organizational change.”<sup>1</sup>*

Over the last 25 years or so the development paradigm has shifted, unevenly and fitfully, but it has shifted, and on two fronts. First, the trend in thinking has been away from the delivery of money, things and services, towards knowledge, institutions, systems and linkages. But while the latter emphases are now much talked about, much that is done by aid donors and INGOs continues to lie in the former arena. Rhetoric is always ahead of reality. At the heart of institutional and organizational change is capacity, and so one could say without too much exaggeration or simplification that: *Development is capacity.*

The second front in the paradigm shift has also occurred gradually and in bumpy fashion, and perhaps over an even longer time, and that is the shift from “us” to “them.” Beginning with notions of “participation” in the 1980s the emphasis on “them” rather than “us” became explicit two decades ago in the development community, with USAID at the forefront, as exemplified by then Administrator Brian Atwood:

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<sup>1</sup> Hoff and Stiglitz, 2001:389, Quoted in Peter Evans, “Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation,” *Studies in Comparative International Development*, Winter 2004, Vol 38, No. 4, pp 30-52, p.30.

*“The fact is, unless development assistance is informed by local realities and the people who experience them daily, it will very rarely succeed....The reason for this is quite simple. It is their country, not ours. It is their community, not ours. We can advise, we can assist, and we can choose not to assist, but the decisions about development priorities and policies must be reached by that society at large, not by us.”<sup>2</sup>*

Of course this second shift – from us to them – has been uneven; again we see the contrast between the rhetoric and the operational reality of development assistance. For well into the present, development priorities continue to originate largely from, if not dictated by, “us” and less so by “them.” Nonetheless “participation” has had a second life in the 2000s. In the aid effectiveness declarations of the early 2000s (Paris 2005, Accra 2008, and Busan 2011) we see a more robust expression of participation. The shift has been from a somewhat ambivalent subtext of participation (“we’ll make sure you feel *you* are participating in *our* ideas and plans”) to talking about **ownership** – a concept that does not really allow for such sub-textual diversion – “you cannot really own it if it is still ours, so if you own it, it is yours.” And this is where the rhetoric of “working ourselves out of a job comes in” and here we, as Northern aid donors and practitioners, have a conundrum. For if they are to “own it” what is to be our role?

Again capacity is at the heart of the conundrum, for if we want to hang on to our “job” a little longer (and it seems we do), then it becomes convenient for us to believe that they are not quite ready to “own it” because they do not have enough requisite capacity.

The Learning Agenda seeks ways to elucidate, and then to resolve this conundrum.

## **2. THE BACKGROUND OF THE LEARNING AGENDA**

The Learning Agenda (LA) focuses on local organizations, their capacity development (CD) and USAID’s role vis a vis both. The practical goal of the project is to help USAID more fully understand the implications of its avowed intention (embedded in the agency’s reform program Forward IPR 2 – now called “Local Solutions” – and in the Administrator’s 30% ‘top line indicator’ for 2015) to partner more with local organizations and bolster country ownership. We wanted to flesh out the day-to-day reality of local organizations, the challenges they face as participants in their country’s development and in their relationships with donors.

## **3. WHAT WE DID AND HOW**

Between May 2012 and September, 2013 we conducted fieldwork in nine countries, meeting with local organizations of many different types.<sup>3</sup> The approach was qualitative and involved one-on-one or two-on-two meetings in informal settings where frankness was encouraged. We also met with the USAID Mission in each of those countries. Altogether 325 organizations have

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<sup>2</sup> Statement of Principles on Participatory Development, The Honorable *J. Brian Atwood* Administrator USAID, November 16, 1993

<sup>3</sup> Sri Lanka, Morocco, Jamaica, Peru, Moldova, Nepal, Tanzania, Kenya, Philippines, plus a brief visit in India.

been interviewed along with about 70 USAID personnel in the missions. Nine country reports have been produced as well 15 short case studies (called “mini-cases”) done in teaching case style.

In addition we conducted a two part historical study of the majority of USAID’s work that would fall under the current rubric of capacity development. This involved interviews with current and past USAID personnel as well as archival research. A large part of that work focused on the history of PVC (the office of Private and Voluntary Cooperation), and suggests the ways in which PVC functioned as a kind of internal “skunk works”<sup>4</sup> in creatively supporting capacity development for a significant number of U.S. NGOs.

In order to better understand the ways in which networks work, we engaged the NGO *Root Change* to apply its proprietary network analysis software and approach in two countries (Tanzania and Nepal). Their report shows interesting trends and patterns in how local organizations and donors relate to and influence each other in the local organizational ecosystem. In particular it reveals quite graphically the extent to which the external development assistance community - donors, international NGOs (INGOs) and contractors - are a part of the local ecosystem, often in ways that work against local CD.

We conducted a literature review of papers, books, briefs, and articles on capacity development going back to the 1970s. In all we have over 250 documents read and for the most part annotated. These are located in an online library. We have quantified some of the key themes in that literature corpus (see our website [www.developmentiscapacity.org](http://www.developmentiscapacity.org)).

Besides the reports and reviews above, we have done a series of ten Guidelines for Missions and a full final report to USAID which of course focuses on practical options and recommendations.

Finally we note that in the last five years or so a number of other initiatives on capacity development and local organizations have been undertaken around the world including some instigated by USAID, such as the Overseas Development Institute (ODI in the UK) work on localizing aid, the work of the NGO SNV (Netherlands), the work of OxfamAmerica, the recent publication of the results of a long study by Collaborative Learning Projects in Cambridge, Mass. which involved some 6,000 respondents, and the Keystone Development Partnerships Survey. Much of what we have learned echoes these other studies in whole or part.

## **4. THE MAIN MESSAGE**

The world of local organizations (indeed the world of development itself) is changing more rapidly than ever, and to a large extent many donors and INGOs have not kept up with those changes as fully as they might.

An International NGO (INGO) leader in Kenya told us:

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<sup>4</sup> The term “skunk works” originated in the early 1940s at the Lockheed Aircraft Corporation. It has come to be widely used in business and other fields to describe a group within an organization tasked with innovating, and thus is given a high degree of autonomy, as well as some freedom from the organization’s bureaucracy.

*“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 3 years. 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.”*

The changes include the proliferation of civil society organizations (CSOs) which has accelerated in the last 25 years; governments’ attitudes towards civil society are more fluid than before; legal frameworks and registration regimes around civil society (CS) are changing. And whether it is an underlying cause of these changes or an effect, in general people everywhere are catching on to the notion that they have a voice and are beginning to use it.

To be sure, various reviews and reports note the continued tensions between civil society and governments and some evidence of a rise in repression of CS.<sup>5</sup> At the same time there are positive deviants that suggest progress can be made in places where traditional hostility towards CS has been the norm.<sup>6</sup> In any case our research suggests a more complex reality – in the interstices between legal regimes and CS’ reporting of lack of freedoms there are signs of a willingness to work together simply because both sides see some practical advantages in doing so.

Recent initiatives under USAID Forward, and the work of USAID/PPL, DCHA and IDEA under IPR 1 and 2, along with the Local Capacity Development (LCD) teams within Missions are significant moves in the right direction. USAID is half way there. It has a sound sense of the **WHAT** of local organizations, of the need to localize aid, of a more nuanced view of capacity development as more than just the capacity to work with USAID. But the rest of the journey lies ahead and most of it is about the **HOW** of reform and change. The challenges on this path are substantial. They range from the challenge of changing the deployment of human and financial resources, to a streamlining and reduction of the complexity of USAID rules and procedures on compliance, to a balancing of fiduciary risk, reputational risk, and the greater risk of having little impact, to a rethinking not just of capacity but of learning itself, as well as to encourage changes in the underlying culture and attitudes within the agency.

The opportunity to lead, to initiate changes, to experiment, and to learn is at an optimum point now and is likely to remain so in the next year or so as we approach the 2015 date for achieving the 30% indicator set by the Administrator. Much more can be learned from the Development Grants Program (initiated before USAID Forward, and now in its 5<sup>th</sup> round),<sup>7</sup> from Missions that have initiated interesting experiments, and from other donors working in a similar arena. USAID

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<sup>5</sup> “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 8<sup>th</sup>, 2013.

<sup>6</sup> “Enabling Reform: Lessons Learned From Progressive NGO Legal Initiatives,” in Global Trends in NGO Law, ICNL, no date (2013).

<sup>7</sup> 224 DGP grants have been made in 64 USAID missions to date, 80% of them to local organizations.

can take the lead in partnering with local organizations and undertake new roles significantly different than ones it has played in recent years.

## 5. OUR FINDINGS

### 5.1 The changing nature of local organizations.

The numbers of CSOs and local government entities (municipal, county, ‘oblast,’ provincial and other sub-national levels) is enormous. In most countries the proliferation of CSOs has taken place in the last 25 years; local government units have also grown in number as countries have begun decentralizing. CSOs come in a wide variety of types, from grassroots informally organized ones to formal NGOs, some are big, some are multi-sector and look and sound like INGOs, and some are focused and small; some are nascent, others mature. Of course the quality of their work varies. But even among those that have achieved a degree of legitimacy both in the eyes of their own governments and internationally, the growth is exponential. For example, the number of NGOs (from both the North and South) in consultative status at the United Nations rose from about 600 to about 3400 in the last twenty years, a rise of 470%.<sup>8</sup>

One important finding from our research is the extent to which international donors and INGOs and contractors are a central part of the ecosystem in which local organizations operate (including governments). A key existential dilemma for many local organizations is as much their position vis a vis donors and their handmaidens (the INGOs and contractors) as it is their position vis a vis their own constituents nationally. For while local organizations have grown, so have INGOs and contractors. For example, the amount of USG money going to INGOs for development rose 44% between FY 01 and FY11 (from \$2.4 billion to \$3.45 billion).<sup>9</sup> If there is to be localization; if there is to be some movement towards Northern players ‘working themselves out of a job,’ local organizations are not seeing many concrete signs of movement in this direction.

Many CSOs came into existence because of a perception of donor money availability, and many come and go when those monies and the priorities to which they are tied, change (in the Philippines there is even a category of NGOs referred to facetiously as COMNGOS (“come and goes”). Thus an issue that virtually everyone talks about is “projectization.” As a couple of our CSO respondents put it sardonically, there are really no local organizations, just projects. This reflects a common organizational life cycle; the oscillation from having a project and the staff it affords to being in-between projects, letting go of staff and not being able to pay the rent.

A Moldovan NGO leader said:

*“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*

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<sup>8</sup> “Ahead of the Curve, Insights for the International NGO of the Future,” FSG.org, 2013 (no date), p.12.

<sup>9</sup> Ibid.

*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 USAID DGP 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.”*

A Nepali leader said:

*“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.”*

The Kenyan CEO of a local capacity development provider lamented:

*“Kenyans are not in organizations; they are in projects.”*

At the heart of this problematic donor-local organization relationship is a growing ambivalence about it. Many CSOs and government units see the inherent power imbalance between giver and taker; they want aid money, but are less and less comfortable taking it or asking for it. There are complex psychological elements in this ambivalence - shame, self-consciousness, even anger. In fact the psychological complex resembles in some respects the phenomenon of “co-dependency,” where there is a fixation on others for sustenance and approval, embedded in patterns of control and denial. But more organizations are pushing back against the donors saying “this is who we are, this is what we do, take it or leave it.” A few are simply saying “no” to donor money, or are applying their own conditions to taking it; for example setting a limit on what percent of their work is supported by any one donor, or insisting on basket or pooled funding, and negotiating the terms of reporting requirements. Many are increasingly aware of how much overhead costs donors provide to their own national INGOs, and how little they as local organizations are allowed to get. Above all, what local organizations are asking for is more long-term, “faithful” engagement with donors, more genuine partnership and the opportunity to win trust.

A Nepali government official said:

*“Consistency and coordination are the big challenges. We are always in “transition phase,” it is almost permanent – it never changes. A donor like Japan comes with support to change the system (and any change takes a minimum of 3 years), so then we change and then another donor like Danida comes along with support to change the system in a different way, and in the name of change we throw out everything, and start anew, thus there is no institutional memory – instead the donors need to be more adaptive and gradual.”*

A Tanzanian who runs a CSO said:



*“I could do without USAID money. It’s not a partnership; it’s a funder-recipient relationship. They take over the management of the institution. It defeats the whole country ownership agenda and endangers the organizations themselves. The USAID Forward agenda is really about the unequal power relationship. I don’t see this as much with the Europeans and Canadians – it’s a matter of different attitudes and a different perception.”*

A prominent Moroccan civil society actor told us:

*“Why not work with us from the beginning? There are competencies here, we know our country, we know what needs to be done. There should be real partnership from the beginning, not after USAID decides what should be done”*

A Moroccan government official said:

*“USAID should treat us like real partners and not just like firemen or implementers of decisions already taken.”*

A Moldovan NGO staffer:

*“In the architecture of development today everyone talks about NGOs but in reality we are not equal partners, not even visible.”*

The director of an NGO in northern Moldova:

*“Sometimes we don’t need money, we just need relationships.”*

Of course there are lacunae on the local organization side as well –their capacity to learn and change is limited, as is their capacity to function well in formal networks.

An Aga Khan Foundation report on CSOs in Kenya noted:

*“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.”<sup>10</sup>*

A Nepali senior veteran of government, now with a research center said:

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<sup>10</sup> “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

*“NGOs here have become businesses without investment – it’s a try-your-luck, begging bowl approach; anyone can start one, it takes about three days. There should be a sorting out, but in fact the numbers are growing.”*

While responsibility for some of these lacunae has to lie with the CSOs themselves, some, as we have suggested above, have to do with the donor ecosystem – the very presence of the donors and their money, and the competitive pressures that arise when money gets harder to come by. One of the issues that came up often is the matter of salary differentials and their effects on the talent pool available for development work.

A Filipino leader said:

*“When a DAI or others like it leave the country, they don’t leave behind a capacity gap. The capacity was local anyway – the heart of the problem is salary. The tendency for someone who worked for an INGO or a big U.S. contractor is to move out and up – and not come back. That’s why you find Filipinos running projects in many other countries. The local organizations here cannot afford them.”*

A Filipino executive director of an NGO said:

*“People with certain degrees, you just cannot keep here; I can’t have a financial person with an accounting degree for example. They will not work for what I can pay.”*

A senior staffer of a Filipino organization said:

*“There are Filipinos here who can go up and down the log frame. The problem is that with rare exceptions they do not want to work for local organizations.”*

## **5.2 The enabling environment is changing.**

Whereas in the past there were classic tensions between civil society and the public sector, and aloofness towards both on the part of the private sector, these tensions are softening and the boundary lines blurring. As noted earlier in this summary there is still competition, distrust, mutual disdain and active repression in some countries, but in others it is tempered by a real world recognition that to get some things done one has to find ways to work together – there is more consciousness about what each sector can bring to the table. Thus at government level there is more listening to CS in general; and here and there a recognition that the legal and regulatory environment needs updating if not major reform.

Sustainability is on the agenda of many CSOs – to some extent in reaction to the ‘projectization’ phenomenon. They ‘get’ that they must find ways to survive on their own and they are looking to hybrid legal forms (holding companies, mixes of for profit and non) and seeking ways to acquire property and buildings as revenue streams and endowments. Likewise local philanthropy is growing, and the private sector in many places is moving beyond just Corporate Social Responsibility (CSR) to more direct engagement and partnering in programs and projects, including in a few cases, the creation of operating foundations under the corporate umbrella.

### **5.3 The question of whose capacity and for what is being asked.**

First there is widespread training fatigue – people are rejecting what we call the “Standard Package” approach – the workshop with its familiar rituals, and the use of idealized and proscriptive capacity assessment tools, as well as frameworks of organizational capacity that contain a standard set of “must have” elements for all organizations (an M& E system, cash flow management, inventory control, human resource manuals, strategic plans, job descriptions, etc.).

The director of a Tanzanian program to strengthen local organizations said:

*“Off the peg CD” is not what is needed here – that’s about learning to go through the donors’ hoops.”*

A Kenyan leader told us:

*“You can’t do just trainings, you need to develop a relationship...The key in most organizations is leadership.....But it’s hard to judge leadership through an OCA[Organizational Capacity Assessment] – you have to spend time with them.”*

From the Aga Khan Foundation report on NGOs in Kenya:

*“Organizational Assessment tools which are currently used to determine the capacity building needs of CSOs were said [by the respondents] to have been designed to assist donors’ conduct [of] rapid assessment of an organization’s service delivery capacity and its qualification for funding. They are not designed to promote the accountability of CSOs to their local constituents and/ or their long term sustainability.”<sup>11</sup>*

The more mature or self-confident CSOs want to define capacity their way and while they will still accept the donor’s version, it is often because they see it as a condition of receiving the money. They recognize some of their own capacity lacunae and some of these have to do with areas like better administrative functions (what we call the Standard Package or Capacity “1.0”), but above all they want the capacity to become self-sufficient; to learn more, and the time and space to do so. They also say (almost universally) that capacity has a simple operational aspect – the capacity to pay administrative staff, hire a fund-raiser, replace the worn out computer and change the light bulbs in the office.

The pedagogy of the standard package capacity 1.0 development approach is being questioned. People want much more custom-tailored approaches; more real-time, problem-related

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<sup>11</sup> Ibid, p. 37.

approaches that engage mentors or involve peer to peer learning. The preference for these “horizontal” as opposed to “vertical ‘ approaches is growing.<sup>12</sup>

A Jamaican university professor told us:

*“The only capacity development approach I have ever seen work is embedding a senior technical expert into an agency or organization and having that person or team work with the agency or organization work with them for a period of at least 2-3 years... This is the only approach that has come remotely to making long term capacity development changes.”*

#### **5.4. There is a lot of capacity out there.**

The level of savvy and sophistication, awareness of development challenges, and technical skill is very high almost everywhere we went. Based on our intensive interviews with local organizations and perusing their activities, we believe over half of those we met are as capable as most Northern counterparts, not only in carrying out projects, but also as deliverers of standard package capacity development itself. Indeed there is a growing awareness that outsiders such as contractors or INGOs have less to offer than used to be the case. When we asked what Northern organizations bring to the table, the answers we heard most often had to do with a) clout in leading to the sources of money, b) some degree of protection from their own governments, c) taking the ‘hassle’ of dealing with donors off their shoulders, or d) influence.

A Kenyan local CD provider sub-contracted to a US prime INGO told us:

*“The big difference is that we have skills; we have institutions and organizations, but we are lacking in influence and we don’t have much capacity to take risks - an MSH or an FHI360 can take risks because they’ve been around for awhile and have accumulated some reserve cushion; some financial resilience.”*

The recent Keystone Development Partnerships Survey found:

*“Making an important contribution does not however mean that INGOs are seen as leaders in their sectors of work. 44 out of 62 INGOs receive a negative NP score for this aspect. This negative data, combined with the perception that INGOs do not sufficiently promote partners publicly shows certain dissatisfaction from partners with INGOs trying to claim too much credit for the work done.”*

## **6. THE DONOR REALITY TODAY**

We met with many USAID Missions and personnel. Of course Missions vary considerably, and the extent to which a Mission’s values and approach are derived from its leadership is telling.

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<sup>12</sup> David Ellerman, author of Helping People Help Themselves, expresses the difference in this way: ‘Sage on a stage’ is being replaced by ‘Guide by the side.’

But what we found almost everywhere is what one might call a “two cultures” issue – the program versus the compliance culture – the USAID AOR (“Agreement Officer’s Representative”) responsibility to guard and protect the money and the Program person’s impetus to spend it wisely, productively, but also as a way to encourage learning. These two “cultures” do not see the work of USAID in the same way.

An expatriate Chief of Party (COP) in Kenya said:

*“...they [USAID] are all about the ‘gotcha.’ That’s how they are recruited and more important that’s how they are trained. The FSNs and DLIs – they have to listen - the starting point [with grantees] has to be we both want the same thing. But instead they go in [to a contract] with the belief that ‘you’re trying to screw us.’ They are simply not going to be able to get into a relationship of understanding with local organizations with that mentality.”*

A former high level officer in USAID Washington said:

*“We need ‘cross training.’ The reason why many of the personnel are not development people is that they are buried in their own specialties. We need to have lawyers and accountants who are also development professionals. Everyone needs exposure to this. Take the role of the AOR – these people talk back to you and say, ‘no I have a legal obligation to fulfill my “warrant” and I will not bend or change the rules or I’ll be in trouble.’ “*

We found that many USAID staff have not mastered the compliance rules and part of the fear and nervousness about compliance may derive from that – the rules are elaborate, complex and changing, and in the absence of not knowing them fully (or the extent to which they allow leeway and flexibility) the safest route, and the route that most reduces cognitive dissonance is to take an ‘it-can’t-be-done” stance.

There is considerably confusion about capacity development and about IPR Objective 2 (the 2<sup>nd</sup> objective of Implementation and Procurement Reform, now called Local Solutions, which is part of USAID Forward) in general. People at the Missions feel overwhelmed with their routine task demands and in an area like Local Capacity Development (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, and the structure of their work reinforces that discomfort.

A young new staffer in one African Mission spoke about working with local grantees.

*“The agency just didn’t understand just how labor intensive this kind of effort is. A Tech officer managing 5 local orgs’ grants is just plain impossible. Things need to be freed up here – we are overwhelmed with enormous reporting requirements.”*

A senior manager at one Mission told us:

*“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.”*

Associated with the above of course is how risk is defined and mitigated in the agency’s practices. Risk is largely defined as fiduciary risk and it this kind of risk that reinforces an underlying attitude that many local organizations are lacking in capacity (read as capacity to manage USAID’s money).

Budget allocation drives all before it, and one of the key issues with LCD under IPR 2 (now LS2) is that it often 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.

An experienced officer at one Mission:

*“There are no budgets for LCD. LCD has to come with some money dedicated to it. It is an unfunded mandate.”*

A big challenge is the agency’s human resources. Staff (FSOs, Civil Service, FSNs, and political appointees) are not recruited in the same way, nor trained or incentivized to engage with local organizations in a way that would lead to fruitful long-term partnerships. Security concerns limit the ability of Mission personnel to leave the office. Length of tour and deployment practices and rules limit continuity of relationships (a grantee might go through 3 AORs in a 3 year period).

A newly hired staffer 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.’ ”*

A USAID retiree with decades of experience in South and East Asia told us:

*“There needs to be increased flexibility around the length of time FSO’s spend in one place... If folks really have forgotten the reasoning behind that two tours of two-years rule, maybe it’s time to revisit it. Even if they do remember the reasoning, maybe it’s time again to test it, looking at what might be gained through some changes.”*

*The current host of USAID’s FSOs would certainly want to be involved in any such discussions. On the whole, most are probably used to the current system; it is what they have come to expect. If they are currently in a country where their kids are doing well and they and their spouses are happy, they would probably like to see longer tours. If they are in a place that is not working for them, they would probably like to stick with shorter tours. The trick will be engaging them in a more disengaged discussion around principles and practice wherein their current experience would not dictate the last word.”*

With respect to capacity development, the widespread tendency in USAID to use the term “capacity *building*” continues to suggest a deficit view of local capacity rather than an asset view – as if the job was to construct capacity from the ground up, rather than help *develop* what is already there. And underlying attitudes towards local organizations sometimes hint of patronization and “we know best.” Attitude and tone are part of the challenge of moving towards genuine partnership and local ownership. Often donors like USAID do not fully grasp how they come across.

A Tanzanian said about USAID:

*“Look at radio spots for example. “Wear a condom” or “Make sure your baby is protected by a mosquito net at night” and then you hear “This message brought to you by the people of the United States.” Do I need the United States to teach me how to take care of my baby? This is patronizing and I wonder if they realize this.”*

At least 10% of the local organizations we met who had had contact with a USAID Mission recalled having letters or emails go unanswered, or being treated with what they perceived to be lack of courtesy.

There is also a significant conceptual challenge. The overarching concern for evidence and results, for measurement and quantification, has influenced project length, cycle, and funding in ways that run counter to six decades of lessons learned about development.

A USAID Mission person in Africa told us:

*“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.”*

A staffer in another Mission said:

*“It’s the numbers, the counting, that is the day to day distortion. A local NGO does good work in advocacy, but what can you count? So they end up producing leaflets and roundtables.... They have to do it because they have to have deliverables. In the end if you set fixed percentage limits linked to deliverables and countable things, you cut yourself off from good projects.”*

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 (à la William Easterly); these are not central ideas in the current USAID culture. Indeed, decades after much of the corporate world has acknowledged the severe limitations of strategic planning in favor of strategic thinking,<sup>13</sup> the

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<sup>13</sup> See for example, Henry Mintzberg, “The Fall and Rise of Strategic Planning,” Harvard Business Review, January-February, 1994.

writing of strategic plans continues to occupy a central place in the agency's work, and is accordingly conveyed as a key to organizational effectiveness in its capacity development prescriptions for grantees.

There remains a strong underlying preference for a linear approach to issues; and for control; a predilection for a substantialist, mechanistic, rational view of what to do and how to do it. These preferences limit the possibilities of new roles and approaches that are iterative, "next steps" and experiential. The possibilities of what Donald Schon has called "reflective practice" are limited.

In terms of capacity, the deficit view tendency noted earlier connects with the desire to develop and rely on standardized tools and proceed on the basis of an idealized view of the forms of organization – how organizations should look rather than on how they really work. That much of the most relevant capacity for good development work lies – often hidden - in the interstices of the organization and in informal contacts and networks in its ecosystem, and that many standard "1.0" capacities do not translate into effectiveness, is thus hard to accept.

## 7. NEW ROLES

A retired USAID officer with 30 years at the agency asks:

*Are we good listeners? Is our decision-making based on evidence? Or do we appear arbitrary or ideological? Do we appreciate and respect (X country's) political and economic accomplishments? Or do we appear dismissive, disrespectful, untrusting and arrogant? Are we distinguished by our presence—are we out and around, easy to find, see, speak to and understand? Are our agendas and processes clear? Or are we invisible, distant, impossible to reach and understand, opaque?"*

A Filipino CSO director on what USAID should do in working with local organizations:

*"Look for passion and the vision and the fortitude to stay. Certain kinds of work are not built on good organization – yes, to scale up you need systems, but that is not the essence that's needed to help others become what they can become. You have to see what is already being done and build on that."*

The director of a local network organization:

*"You have to take the time to understand how they [local organizations] think, it's not just about the formal controls on the money – you have to attend, observe."*

An officer of another major bilateral donor told us:

*"Everyone, CSOs included, is frustrated, thus there needs to be a major change in how we do things. We need to deconstruct how we interact and engage with Civil Society, to get away from seeing CSOs in terms of service delivery and carrying out the advocacy for things the donors believe is necessary. The political economy of aid needs to be taken*



*into account. We (the donors) need to reduce the use of contractors; to get involved more directly with their partners. To do that means we must interact; have a regular dialogue and see each other as partners. This is in contrast to the typical aid management approach where the donor officer just wants to see the quarterly report.”*

There is an opportunity under the LCD emphasis to begin changing USAID’s role from engaging large contractors to “do and deliver” to becoming more of a facilitator, broker and convener. Years ago the Ford Foundation initiated a unit called GrantCraft, aimed at deepening the understanding of the complexities and challenges inherent in grant making.<sup>14</sup> One of its contributions has been an analysis of the multiple roles that a donor can play, from “sounding board,” to “collaborator,” to “disturbance generator” to “rescuer” to “talent scout” and many more.

Moving a large organization with complex constituency pressures in a new direction however does not happen easily. Therefore we suggest an experimental approach, an adaptation of the “skunkworks” idea used in the business and technology worlds, to which we alluded earlier. In a way the skunkworks approach makes the challenge less daunting. In essence USAID not only does not have to figure it all out at once, but should not try to. Interestingly a recent USAID paper suggested why this type of “islands of excellence” approach could work in quoting from a DFID paper written by Graham Teskey in 2005:

*“It may be possible (and desirable) to nurture isolated “islands of excellence” but wholesale improvements...are difficult to bring about through organizational change alone.”<sup>15</sup>*

The skunkworks approach could be done in self-selected missions, or missions selected on the basis of a competition, that would then be given a dedicated budget and personnel, and enable them to experiment and test in a number of areas:

### **7.1 wholesale vs retail.**

At present most Missions are not equipped to engage at retail level in direct relationships with more than a few local organizations. There will continue to be the need to create prime and sub-prime arrangements, but the temptation is great to merely shift the “prime” partners from INGOs and Northern for-profits to Southern and local organizations and not really change the underlying nature of the relationship. Indeed, in some sectors such as the PEPFAR funding of HIV/AIDS projects large and well trained local organizations have been created that are in some sense clones of the Northern counterparts and are steeped thus in an old way of doing business. If donors simply shift from working with Northerners to Southerners without changing how they do so; without fundamental shifts in attitude, stance and role, then the goal of country ownership and country systems strengthened to be effective in development work, will not move forward much.

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<sup>14</sup> Grant Craft is now affiliated with the Foundation Center and the European Foundation Centre.

<sup>15</sup> W. Stickel, Executive Summary 12/17/13, page 4.

A different kind of “wholesaling” needs to take place, and that is a move to becoming a knowledge banker and broker, matchmaker, convener and platform for research, discussion and debate. There are open opportunities to fill gaps in any number of enabling environment issues, from a deeper understanding of the barriers to local philanthropy, to a deeper understanding of the role of salary differentials in moving parts of the human resource pool around the sector and encouraging brain drain, to looking more closely at registration regimes, legal forms, options for hybrid types of organizations, etc.).

Still some retail experimentation with a new kinds of relationships with particular local organizations, more homework on who they are, changes in how they are selected and assessed, and different funding mechanisms is worth undertaking. In reality a combination of wholesale and retail approaches in the short and medium term makes sense, until enough has been learned to determine what approach leads best to genuine country ownership.

### **7.2 Resources, Budget and Human.**

If LCD is to be meaningful it needs to have dedicated and appropriate resources. In a skunkworks experimental approach budgets for LCD need to be focused on the financial health and learning of the organization and not on a particular project or sector, and the staff in the skunkworks or volunteer Mission (both program and contract) need the time and flexibility to get out of the office and meet and greet, understand, explore and establish contacts, with a ‘beyond-the-usual-suspects’ impetus. Recruitment criteria, orientation and incentives for staff (FSNs and FSOs) need to be re-aligned accordingly. If partnership is going to be the new core emphasis, then recruitment needs to emphasize the qualities in a person that fit that goal. That would mean less reliance on paper qualifications, and more on an in depth interviews with candidates.

### **7.3 The 70% versus the 30%.**

While the USAID goal of 30% of its funds to go directly to local organizations is debated and discussed in many Missions, most people we met acknowledge that in reality the 70% (the traditional procurement regime) will likely dominate the agency in the short and medium term future as this is where the money for the big programs mandated by Congress and/or the Executive Office will go. But the % goal, especially if partially implemented through a skunkworks, ought to have the freedom to be redefined not in terms of numbers of organizations funded, but numbers of problems tackled that are fundamental challenges in institutional change and country ownership. In short, a different, more qualitative approach to measurement would need to be part of this change.

### **7.4 Activating a new view of capacity and capacity development.**

If one can begin with an asset view of capacity, and worry less about how USAID defines capacity and rely more on how local organizations do, then the dilemma of what to do about LCD is reduced. USAID can take a seat in the rear and begin playing a role supportive of *local* ways to develop *local* capacity that could involve, among other things, incubator/shared service models, accelerator/ peer to peer approaches, and knowledge exchange mechanisms (see for example our Guideline # 4 on knowledge exchange). Intriguingly, many such approaches would

be cheaper than the usual prime contractor approach aimed at “delivering” capacity. A fundamental premise here is that almost all organizations are capable of developing large parts of their own capacity if they have the political will to do so and can benefit from engagement with others as part of the process.

### **7.5 Activating a new kind of funding.**

In the CS sector in particular local organization sustainability is a central goal. USAID could focus on ways to seed endowments, on more mechanisms that focus on organizational learning, that encourage graduation and independence, that unleash constraints on local philanthropy. Experiments in matching grants, leveraged/graded grants, pay-back grants against future “royalties,” and variations on “performance bonds,” can all be undertaken. There are countless opportunities to fund action research directly or by investing and working with local and regional think tanks (the number of which is growing). All this implies a concerted effort in a skunkworks to look for knowledge gaps and fill them.

### **7.6 Playing a role in leveling the playing field in the ecosystem.**

There are some donor induced distortions of importance in the donor-local organization ecosystem. One of these – salaries – affects the talent pool for civil society and government. USAID can take the lead in working with other donors on issues like this, beginning with a deeper understanding of the political economy of the problem and then coming to agreement on policies to solve them.

## **CONCLUSION**

Our main report contains detailed options and recommendations. Suffice it to say here that what the points made in this summary amount to is that at least part of the agency needs to be free to let go of certain habits and imperatives:

- ✓ to see risk in terms of impact risk rather fiduciary risk,
- ✓ to move to a less idealized and perfectionist view of capacity,
- ✓ to see Capacity 2.0 as equally as, if not more important than Capacity 1.0,
- ✓ to shift to more inductive approaches to research and contextual analysis,
- ✓ to recognize that partnership means changing attitudes as well as changing staff deployment so longer term relationships can be built, and
- ✓ to let go of an engineering mind set (tools, kits, frameworks) in favor of one that embraces process, next steps, iteration.