The American University Practicum Team combined information gathered through interviews with USAID personnel and analysis of the agency’s program evaluations to better understand the local capacity building focus described in USAID’s recent reform agenda, USAID Forward.
MOVING FORWARD:

USAID and Local Capacity Development

BY

Lee Blaser, Shruti Godbole, Gabriella Krohmal, Abdel Perera, Daniella Restrepo, Prachi Sharma, Sasha Svyryba, and Shawn Trumbo
ACKNOWLEDGEMENTS

The American University Practicum Team would like to thank Professor Hrach Gregorian, for his guidance and patience throughout this entire process; Partners for Democratic Change, for having the faith in our abilities and nascent expertise to conduct this report; and the School of International Service, for providing us with this opportunity to develop our professional abilities.
# TABLE OF CONTENTS

Acknowledgements........................................................................................................... 2

Table of Contents............................................................................................................. 3

Acronyms and Abbreviations .......................................................................................... 5

Executive Summary.......................................................................................................... 7

Introduction..................................................................................................................... 9

Literature Review............................................................................................................ 11

   I.  Civil Society Theory.................................................................................................. 11
   II. Development in Practice.......................................................................................... 17
   III. International Applications of Civil Society Theory and Capacity Building........... 20

Methodology and Methods.............................................................................................. 25

   I.  Ethical Measures..................................................................................................... 26
   II. Limitations.............................................................................................................. 26

Operationalizing USAID Forward.................................................................................... 28

   I.  USAID Forward: A Brief Overview....................................................................... 28
   II. Analysis of Relevant Documents............................................................................ 29
   III. Analysis of Interviews Conducted with USAID Personnel and Stakeholders...... 40

Program Evaluations...................................................................................................... 53

   I.  USAID/Sudan: DG Fixed Obligation Grants............................................................ 54
   II.  South Africa: Hospice Palliative Care Association................................................... 56
   III. Bangladesh: Rupantar............................................................................................. 59

Key Findings and Recommendations............................................................................... 63
I. Key Findings ................................................................. 63
II. Recommendations ..................................................... 65

Conclusion ..................................................................... 68

Appendix 1: Interview Citations ..................................... 71
Appendix 2: Notes ......................................................... 72
Select Bibliography ...................................................... 80
# ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accra/AAA</td>
<td>The Accra Agenda for Action</td>
</tr>
<tr>
<td>ADS</td>
<td>Automated Directives System</td>
</tr>
<tr>
<td>AUW</td>
<td>Afhad University for Women</td>
</tr>
<tr>
<td>Busan</td>
<td>The Busan Partnership for Effective Development Co-Operation</td>
</tr>
<tr>
<td>CSO(s)</td>
<td>Civil Society Organization(s)</td>
</tr>
<tr>
<td>CFR</td>
<td>Code of Federal Regulations</td>
</tr>
<tr>
<td>DEC</td>
<td>USAID Development Clearing House</td>
</tr>
<tr>
<td>DG</td>
<td>Democracy and Governance</td>
</tr>
<tr>
<td>DOS</td>
<td>US Department of State</td>
</tr>
<tr>
<td>DRG</td>
<td>USAID Center of Excellence on Democracy, Human Rights and Governance</td>
</tr>
<tr>
<td>F-Indicators</td>
<td>Standard Foreign Assistance Indicators</td>
</tr>
<tr>
<td>FAR</td>
<td>Federal Acquisition Regulation</td>
</tr>
<tr>
<td>FOG(s)</td>
<td>Fixed Obligation Grant(s)</td>
</tr>
<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>HPCA</td>
<td>Hospice Palliative Care Association</td>
</tr>
<tr>
<td>IGO(s)</td>
<td>International Government Organization(s)</td>
</tr>
<tr>
<td>INGO(s)</td>
<td>International Non-Governmental Organization(s)</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IRB</td>
<td>Institutional Review Board</td>
</tr>
<tr>
<td>ISO(s)</td>
<td>Intermediary Support Organization(s)</td>
</tr>
<tr>
<td>LCD</td>
<td>Local Capacity Development</td>
</tr>
<tr>
<td>LGU(s)</td>
<td>Local Government Unit(s)</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>M/OAA</td>
<td>Bureau for Management’s Office of Acquisition and Assistance</td>
</tr>
<tr>
<td>NCF</td>
<td>National Civic Forum</td>
</tr>
<tr>
<td>NGO(s)</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NUPAS</td>
<td>Non-U.S. Pre-Award Survey</td>
</tr>
<tr>
<td>OCA</td>
<td>Organizational Capacity Assessment</td>
</tr>
<tr>
<td>OVCs</td>
<td>Orphans and Vulnerable Children</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>Paris</td>
<td>The Paris Declaration of Aid Effectiveness</td>
</tr>
<tr>
<td>PDC</td>
<td>Partners for Democratic Change</td>
</tr>
<tr>
<td>PDS</td>
<td>Partners in Development Services</td>
</tr>
<tr>
<td>PEPFAR</td>
<td>President’s Emergency Plan for AIDS Relief</td>
</tr>
<tr>
<td>PMP</td>
<td>Performance Monitoring Plan</td>
</tr>
<tr>
<td>PPD</td>
<td>Presidential Policy Directive</td>
</tr>
<tr>
<td>PPL</td>
<td>Bureau of Policy, Planning and Learning</td>
</tr>
<tr>
<td>PDS</td>
<td>Partners in Development Services</td>
</tr>
<tr>
<td>QDDR</td>
<td>Quadrennial Diplomacy and Development Review</td>
</tr>
<tr>
<td>RGA</td>
<td>Rapid Governance Assessment</td>
</tr>
<tr>
<td>SAP(s)</td>
<td>Structural Adjustment Program(s)</td>
</tr>
<tr>
<td>SICM</td>
<td>Sudanese Initiative for Constitution-Making</td>
</tr>
<tr>
<td>SCL(S)</td>
<td>Sudanese Comparative Law Society</td>
</tr>
<tr>
<td>STI(s)</td>
<td>Sexually Transmitted Infection(s)</td>
</tr>
<tr>
<td>USAID</td>
<td>United Stated Agency for International Development</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

The United States Agency for International Development (USAID) reformed its development agenda in 2010 with an aim of increasing aid effectiveness through local partnerships that promote sustainable development. The new USAID Forward (“Forward”) agenda focuses on capacity building with a special emphasis on local ownership, leadership, accountability and transparency. This report, compiled by a research team from American University’s School of International Service (“Practicum Team”) for Partners for Democratic Change (PDC), assesses USAID’s implementation and evaluation of data on local projects and measures outcomes of the Forward policy applications.

The literature review that starts the report outlines the concept of civil society theory and the role of capacity building in development. It provides a detailed overview of the history of debates which formed the basis for development of current capacity building programs, including the role of civil society in the process, in the United States as well as globally. The Practicum Team notes that international frameworks such as the Paris Declaration on Aid Effectiveness (2005), Accra Agenda for Action (2008), and Busan Global Partnership for Effective Development Cooperation (2011) provide a set of guidelines and principles for capacity building of local civil society organizations with a focus on effective partnerships.

To assess the operationalization of Forward, the Practicum Team interviewed USAID personnel as well as other stakeholders. Documents and reports provided by the interviewees and data available online regarding Forward objectives and implementation strategies were also reviewed. Additionally, the report assesses three program evaluations in order to study the practical applications of the Forward policy. These complement the findings of the desk-based research and interviews.

Data collected from the desk-based research helped clarify Forward policy objectives regarding local capacity building and the tools and approaches USAID currently applies to fulfill them. An overview of the grant and contracts process of USAID describes the procurement and implementation aspect of the Forward policy. Qualitative analysis of interviews revealed important pros and cons of the Local Capacity Development (LCD) approach of USAID with its emphasis on sustainability through direct funding to local, non-governmental institutions. The new policy was expected to increase effectiveness of the development work of USAID and foster cooperation among its various bureaus and agencies. However, it was not completely successful, due to staffing shortages, uncertainty about expectations and financial constraints.

The report highlights the following findings and recommendations:

1. USAID has been implementing local capacity building approaches for decades. The new Forward reform aims to strengthen the existing approach by providing direct aid to local partners.

2. Government-to-government aid is an important element of the Forward policy. The goal of providing 30% of mission funds as direct funding to local partners is a combined target for both local CSOs as well as governments.
3. USAID’s approach to Monitoring and Evaluation (M&E) focuses more on measuring the success of program implementation than on assessing program impacts. There is also a lack of a monitoring mechanism to measure the sustainability of an organization and/or project. Therefore, it is deemed prudent that USAID make the following changes:

   a. Incorporate long-term sustainability into both the program implementation and M&E structures at USAID by conducting follow-up evaluations measuring whether programs continued to operate after funding was withdrawn.
   b. Create a comprehensive list of indicators for measuring LCD, which is easily accessible to USAID’s partners.
   c. Perform a comprehensive review of all previous program evaluations and reports to assess results and search for common lessons and best practices across projects.
   d. Focus on developing an innovative technique to track grant and sub-grant awards in order to identify the ultimate use of USAID funds and their impact on LCD.

4. The agency’s ineffectiveness in communicating the intentions of the Forward agenda clearly and effectively has made USAID’s partners fearful of what the policy might mean for their revenue flows and projects. A targeted messaging campaign should be developed to ensure that all USAID staffers and development stakeholders fully understand the new agenda and its objectives. Training programs for mission staff should be centrally organized to ensure consistency in information transfers.

5. Cross-sectoral engagement with CSOs has increased under the Forward reform with various bureaus and offices working closely with CSOs to include capacity building and civil society development in their programming. Communication needs to be enhanced further to identify gaps in capacity development and to address the interrelated challenges in developing countries.

6. Despite existing tools such as LCD mapping, understanding contextual differences within each country is still a challenge. M&E is practiced differently in various countries and regions, with differing levels of importance attached to quantitative data. The agency should continue to improve its awareness and understanding of local cultural contexts, both for program implementation and M&E purposes. Missions should also work with local governments and CSOs to design contextually appropriate projects.

This report focused on one aspect of procurement reform: capacity building of local partners, primarily CSOs. Therefore, the findings and recommendations address this particular aspect of Forward only. USAID faces many challenges in implementing the recommendations mentioned above. There needs to be a greater emphasis on research by the agency in order to fulfill the objectives of Forward, with special importance being placed on the evaluation and operational aspects of local capacity building.
INTRODUCTION

In 2010, the United States Agency for International Development (USAID) undertook a large-scale reform of its programming agenda to further development goals, in part by increasing relationships with local civil society organizations. USAID Forward emerged from this initiative to increase aid effectiveness by fostering high-impact partnerships that promote sustainable development, investing in innovative solutions to development challenges, and delivering results. The philosophy of USAID Forward embraces a new approach to development that focuses on capacity building, with special emphasis on local ownership, leadership, accountability, and transparency.

To understand how the Forward policy pronouncements are being operationalized, Partners for Democratic Change (PDC) tasked a research team from American University’s School of International Service to examine key elements of this initiative. In particular, the research was to focus on how USAID implements policy, assesses data on local projects, and measures outcomes.

The report that follows is divided into five parts: a literature review and close reading of key documents pertaining to Forward; an examination of methodology; interview results; an analysis of key findings; and a series of recommendations. The report will first examine the literature and theories underpinning international development throughout modern history, with a particular focus on civil society development and local capacity building as advocated in seminal international agreements: the Paris Declaration on Aid Effectiveness (2005); the Accra Agenda for Action (2008); and the Busan Global Partnership for Effective Development Cooperation (2011). The review will outline the guiding principles and theories underpinning the shift towards supporting locally driven civil society engagement and capacity building as a part of effective aid. Next, the methodology the Practicum Team employed to conduct research and undertake analysis will be presented. Primary research consisted of interviews with key USAID personnel and development experts knowledgeable of Forward, as well as published and unpublished government documents. Secondary sources included both academic publications and media reports. The study also examines three specific program evaluations, intended as illustrative examples of the operationalization of Forward.
The report evaluates the application of Forward, summarizing and synthesizing the information gathered from documents and interviews. It concludes with a number of recommendations and insights for USAID, and for researchers and practitioners, organized around three overarching themes. First, while gaps between the stated policy and the operationalization of Forward are evident, it is important to note that the implementation of Forward is a matter of process and that USAID recognizes these gaps in practice and is taking measures to address them. Second, a significant amount of the operationalization concerns of Forward were a matter of rollout difficulties and miscommunication by USAID to development partners about the program’s intentions. Lastly, it must be noted that USAID has been involved in civil society development and local capacity building for decades, and that Forward represents a strengthening and institutionalization of this practice.

Finally, the purpose of this report is to analyze the progress of the agency’s stated policy and objectives. The report concludes that while flaws and gaps remain in Forward implementation, this is not necessarily an indication of bad policy. It is the hope of the researchers that this study can serve as a serviceable tool for both USAID and partnering development practitioners.
LITERATURE REVIEW

The twentieth century saw several conflicting theories and strategies for inspiring political, economic, and social change in the developing world. These theories often had the same aims—to alleviate poverty, encourage economic growth and create strong, sustainable societies—but focused on substantively different political objectives and methods for achieving them. The intention of this literature review is to provide an overview of the concepts and practices witnessed throughout the history of development, civil society assistance and local capacity building. The review section is divided into three parts. The first section will cover the theoretical basis for civil society theory, and the role of capacity building in development. The second section will provide a historical overview of the debates surrounding development practices in the United States, and the third will discuss international attempts to apply civil society and capacity building theories worldwide.

I. Civil Society Theory

A. Civil Society Defined

The concept of civil society can be traced from antiquity but its modern manifestations have roots in 18th century Enlightenment thinking. Civil society developed as a domain parallel to but separate from the state, or rather “a realm where citizens associate according to their own interests and wishes.”¹ The organizations and institutions that make up civil society offer citizenry modes of interaction and mobilization outside the sphere of government control. The term, although falling into general disuse throughout the 19th century, was kept alive by thinkers as diverse as Hegel and Alexis de Tocqueville; the latter an admirer of the associational nature of American political life.²

It was the post-WWII geopolitical landscape, however, that witnessed a renaissance of the concept as civil society became linked with development and international development assistance. With the theoretical ascendancy of neoliberalism in the 1970s, civil society began to be associated with “participatory and people-centered forms of development, [that were able] to fill gaps left by the failure of states across the developing world in meeting the needs of their poorest citizens.”³ As structural adjustment programs forced reductions in state-sponsored development and aid, the market replaced the
state as the driver of development strategies, and CSOs were perceived to be viable alternatives on
which donors could focus.\textsuperscript{4} Moreover, a distrust in state-led development practices led to a rise in
market-driven aid assistance, which “fuelled interest in NGOs [and CSOs] as desirable alternatives [to
the state in aid allocation], viewing them [as favorable] for their representation of beneficiaries and their
role as innovators of new technologies and ways of working with the poor.”\textsuperscript{5}

Subsequently, discussions of civil society often focused on its potential role in democracy development.\textsuperscript{6}
Scholars have often prescribed strengthening civil society in order to foster democracy in states outside
the developed world, particularly those undergoing transition from one-party systems to more pluralistic
political and economic structures.\textsuperscript{7} Democratization efforts have emphasized the role of civil society in
fostering the norms and practices of democratic and inclusive societies. This constructivist role of civil
society can be observed in the transitional experiences in South Africa, the Philippines and Eastern
Europe, where “citizens have used civil society to carve out independent political space, to learn about
democracy, to articulate a democratic alternative to the status quo, to spread this idea within society and
to mobilize millions of their fellow citizens against repressive regimes.”\textsuperscript{8} The success of non-party
institutions in challenging the rule of communist parties in Eastern Europe in the 1980s is but one
element.

Simultaneously, civil society was associated with “people power movements”—those socially
constructed efforts to push out dictators and usher in an “enlightened” phase of Western democracy.\textsuperscript{9}
This practice grew in prominence throughout the 1990s, as democratization opened up space for civil
society in formally dictatorial countries, specifically throughout the former Soviet sphere, where
“privatization and other market reforms offered civil society the chance to step in as governments
retracted their reach.”\textsuperscript{10}

These historical observations demonstrate how CSOs can simultaneously shape government policy and
social attitudes. By occupying a sphere of citizen activity outside direct government control, civil society
can be a counterweight to state power.\textsuperscript{11} CSOs play an important role in direct advocacy work, exerting
pressure and providing expertise to governments in order to help shape policy. As implied above, CSOs
foster citizen participation and civic education by building the social principles for inclusive and
democratic values. Consequently, civil society theory evokes a constructivist framework; by providing
forums for citizens to pursue shared interests, citizens learn about fundamental democratic values of participation and collective action, subsequently disseminating these values in their communities.\textsuperscript{12}

In summary, CSOs and NGOs, constituting a sphere separate from the state, offer “the opportunity for generating bottom-up opportunities for development, reflecting the needs and wants of local communities and disadvantaged groups.”\textsuperscript{13} These theoretical constructs continue to influence the policy and practice of development practitioners today, as subsequent sections of this literature review will demonstrate.

**B. The Role of Capacity Building**

Capacity building, or the building of organizational and institutional capacity, is perceived as essential in a civil society centered approach to development assistance.\textsuperscript{14} The United Nations Economic and Social Council defines capacity building as “the process by which individuals, organizations, institutions and societies develop abilities to perform functions, solve problems and achieve goals.”\textsuperscript{15} Accordingly, capacity development involves the creation of an enabling legal environment with appropriate policy frameworks. Ideally, such an environment fosters organizational development with protections against corruptive practices; competent performance of country systems and state institutions; an adequate ability to deliver basic goods and services; and a capability to provide “a suitable policy and regulatory environment for development to take place.”\textsuperscript{16}

Robert Chambers is credited with altering the landscape in civil society theory towards local capacity building in the 1980s and 1990s, particularly through the influence of his seminal publications, *Rural Development—Putting the Last First*, and *Whose Reality Counts: Putting the Last First*. Chambers stressed a growing disparity in the realities between the wealthy centers of power dictating development policy and their counterparts in the peripheral poor. Chambers was among the first to stress participation of local populations in analyzing and assessing their own needs and taking necessary action, simultaneously driving development away from a Western neoliberal construct. In assessing development, Chambers stated that:
“[These approaches] project more industrial and urban conditions, concerns and categories onto more agricultural and rural realities. [These approaches] miss much and mislead [and as such] professional biases remain deep, secure and distorting.”

In essence, indigenous or local knowledge of local needs is often greater than the knowledge assumed by Western practitioners, and development professionals should recognize “the complexity, variety and validity of indigenous knowledge systems [and view local people’s] knowledge as an ‘enormous and underutilized national resource.’” Chambers’s analysis led to a theoretical shift towards local ownership of development through local capacity building that stressed the location-specific, complex, holistic, diverse and multi-dimensional nature of the realities of poor people. This theory shifts the onus of analysis and action to local populations and places them first, demonstrating an application of “people-centered development.”

Subsequently, while originating as a concept affiliated with leftist economic and development theory, capacity building began to be cast as part of the neoliberal agenda “of rolling back the state, privatizing public services (the ‘marketisation’ of social welfare), good governance and democratization.” Modern thinking on capacity building is primarily influenced by ideas concerning participation, empowerment, civil society and social movements. Put more broadly, capacity building is understood “as the ability of people, organizations and society as a whole to manage their [own] affairs successfully.”

In the international arena, promotion of capacity building refers to the work of outside partners—either domestic or foreign—in supporting, facilitating or catalyzing capacity development and related institutional, social and/or economic changes. Examples of such roles include the facilitating of access to knowledge, brokering stakeholder agreements that remove obstacles to capacity development, participating in policy dialogue or advocacy, providing resources, and creating spaces for “learning by doing.”

Any definitions of successful outcomes of capacity building are inherently broad and often differ across sectors and practitioners, but most apply the following parameters: capacity building should result in an organizational “ability or potential to mobilize resources and achieve objectives […] and it is everything necessary to construct the relationships required to achieve an organization’s vision, mission, and
goals.” In the application of theory to practice, the role(s) of international aid agencies, NGOs and International Governmental Organizations (IGOs) are critical as they are often the primary practitioners of capacity building in the developing world. The implications of the international application of these theories are critical in determining the success of development moving forward.

C. Criticisms

Criticisms of a civil society centered approach to development focus on both the legitimacy of CSOs and their capability in fostering development goals. Not only have legitimacy concerns recently increased, but there are also “ongoing questions of [their] comparative advantages” in filling in the gaps left by states to meet the needs of the poor in the developing world. Questions abound regarding their growing distance away from low-income communities, as well as their donors. Their ascending role in the development paradigm, it is argued, has led to “a change in their relationships with the state, donors and the poor […], NGOs have become too close to the powerful, and too far from the powerless.” In short, their ascending stature has limited their capacity to represent those who most need it in the developing world, limiting much of their former comparative advantage.

Moreover, questions have arisen concerning the legitimacy of CSOs, in light of questionable practices by some. Identifying authentic CSOs is often difficult in developing states where transparency and accountability remain challenging, and organizations adhering to development causes are often indistinguishable from those that take up such causes for self-interest, profit or exploitation. Further, civil society promotion can lead to rampant proliferation of organizations, which stifles effective governance, debilitating the workings of representative institutions and distorting policy outcomes to favor the wealthy and well-connected.

Another significant criticism is the idea of civil society as a separate sphere from the state. Such an idea implies a degree of separation between state and society, and different strategies that non-state or political forces can adopt. This notion has the potential to obscure the fact that many NGOs and CSOs are instruments of the government itself, used as a function of state penetration into society. Related is the fact that civil society is heavily dependent on clear legislative and institutional support from the state, the sole guarantors of NGO/CSO autonomy. Discussions of aid delivery, especially in establishing
domestic partners as envisioned in the Paris Declaration (see below), conflate “two dissimilar concepts: ‘country’ and ‘government.’” While assuming that creating relationships in partner “countries” can be interpreted to mean establishing meaningful development ties to local organizations and CSOs, establishing such links with governments is something quite different altogether. It is governments who produce national development plans, while the sphere of civil society remains ambiguous, rendering it difficult to calibrate a coherent action plan for development across all sectors. Essentially, “it is not possible to negotiate an assistance package with an entire country; something of an abstraction at the least […] the government is and should be a proxy for the country.”

Critical in this analysis is the notion that civil society’s separation from the state leaves it with little leverage to remedy structural issues in development. CSOs “have had little participation or impact in tackling the more structurally-entrenched causes and manifestations of poverty, such as social and political exclusion, instead effectively depoliticizing poverty by treating it as a technical problem that can be ‘solved.’” Structural economic changes and critical policy initiatives remain the domain of governments; CSOs can provide expertise, input and implementation, but in policy, their role nonetheless remains one of influence and advice.

Of late, nascent criticisms have begun to emerge regarding the localization of development. These fall under the rubric of “inclusive liberalism,” an idea that places the emphasis of responsibility on local communities to overcome the structural problems of poverty and exclusion. Inclusive liberalism, as a “third way” approach to development, is regarded as the direct successor to more “red-blooded” forms of neoliberalism, whereby a preference for market-base solutions remains dominant but is joined by recognition of the need to ameliorate the worst flaws of free market capitalism. Inclusive liberalism emphasizes improving local capacities through social policy and community-based support, and prioritizing inclusion, local empowerment, local participation, consultations with citizens, and community driven development. Inherent in the concept of inclusive liberalism is a debate that “on the one hand, it is [the] most empowering way forward for marginal citizens, and on the other, it is […] an abrogation of responsibility by development trustees.” These approaches, the critique contends, produces highly localized accounts of poverty and exclusion that demand local/community action as a, if not the, major part of the solution. As such, those least able to help themselves are rendered responsible for development shortcomings.
This approach risks ignoring larger regional, global and structural reasons for inequality and exclusion, placing the onus on the local community to emerge as the “key mechanism” to “stimulate a sense of community, civic regard, civic energy and active citizenship,” mobilizing “previously indolent subjects into active doers and claimants.” As such, the underlying causes of social breakdown, and consequent development challenges—often the result of global practices inherent in a neoliberal framework—are overlooked as the local community is expected to act upon a “preference for a ‘normativity of cohesion as a cure.’” In effect, local development problems are seen as local in origin in need of local cures.

Finally, theoretical approaches assume that CSOs exist in conducive, safe and transparent environments and societies. The fact is that many aid-recipient countries are conflict ridden, corrupt, and failed or failing states. Without accountability and transparency by which aid can be assured passage to intended recipients, the role of these organizations remains dubious at best.

**II. Development in Practice**

Around the globe, and particularly in the United States, international development and foreign aid policies have always shifted in response to political and social realities. In the 1940s and 50s, disillusionment with balance-of-power politics, colonialism and laissez-faire capitalism—which were blamed for two massive world wars, draining Western countries’ wealth, and the global economic depression of the 1930s—was widespread. A new economic order was therefore built on the ideals of global cooperation and Keynesian liberal economic theory. New institutions such as the World Bank and International Monetary Fund (IMF) were created to ensure economic openness, free and fair trade, and stability. These institutions were also charged with providing loans for the improvement of international social welfare in developing countries.

Over the course of the latter half of the twentieth century, international development theory and practice evolved constantly. When the development community’s post-war emphasis on a combination of import substitution, technological modernization and increased agricultural output fell short of policy-makers’ expectations, it went out of style. After the intellectual and social movements of the 1960s and 70s, increased awareness of environmental and sustainability issues caused development practice to shift
from an emphasis on technological modernization and industrialization to nationalized development planning and a focus on meeting peoples’ basic needs.\textsuperscript{49,50} Most relevant to this paper’s discussion of the U.S. Agency for International Development’s new policy agenda, USAID Forward, are the changes brought about by the rise of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States in the 1980s. These two neoliberal leaders condemned Keynesian economic interventionism, emphasized structuralist theories of economic development and free markets, and wrought huge changes in the way development aid was utilized and dispersed.

Thatcher and Reagan’s emphasis on structuralist theories of economic development had two major international impacts: they called for implementing new Structural Adjustment Programs (SAPs) in developing countries, and led the World Bank and IMF to collect on loans that had been made to those countries during the 1970s.\textsuperscript{51} The SAPs required certain structural economic changes, including privatization of government-run businesses, an end to government manipulation of currencies, and the elimination of tariffs and other trade barriers.\textsuperscript{52,53} These programs thus sought to accelerate economic growth by emphasizing free markets and trade, while relegating states to a secondary role.\textsuperscript{54} However, many of these structural changes opened up fragile economies to international competition, decimating local industries and leading to a universal decline in real wages. By the 1990s, these strategies, in combination with the IMF and World Bank’s loan policies, had created a massive debt crisis in the developing world.\textsuperscript{55}

In addition to impacting the way the developing world received and dealt with international aid dollars, President Reagan’s neoliberal policies changed the way USAID approached implementation of international development programs.\textsuperscript{56} The Reagan administration’s policy on USAID, known as the Private Enterprise Initiative, encouraged private sector involvement in delivering U.S. aid by employing American firms as USAID contractors. This removed or strongly limited the government’s role in the global economy and offered new opportunities for private businesses. Proponents of this framework looked at contracting as a way to cut costs and remove the government’s burdens without diminishing service provision. The impetus for contracting out services was privatization, which had been at the forefront of the economic policy debate over the years and promised smaller government and more reliance on private initiatives to address development challenges.\textsuperscript{57}
By the late 1980s and early 1990s, there was a realization that modernization and “growth-maximizing strategies [had] isolated the poor and in many respects [had] made their lot worse.” At the same time, the end of the Cold War caused many developed countries to rethink their emphasis on international development. There were questions about the need for foreign aid in a unipolar world and disagreements on how to overcome development failures associated with structuralism. In the United States, USAID’s staff was reduced significantly, and in 1997, the foreign aid budget hit an all-time low—equaling just .09% of gross national income (GNI).

Under the Clinton Administration’s National Performance Review in the early to mid-1990s, USAID continued contracting out its development programs and projects to private for-profit firms as well as large NGOs; this time under the assumption that USAID would become more efficient, while at the same time creating jobs in the United States. Critics of this policy quickly emerged, arguing that the goals of efficiency had not been met by the policy and instead had created a contracting industry dependent on USAID funding. By the year 2000, USAID had been awarding development money in large contracts to a small number of firms with very little oversight and relaxed performance indicators. The international community and host countries voiced concerns about this policy, with its particular emphasis on short-term assistance rather than sustainable development. As a result, there were calls to strengthen USAID’s development programs through an emphasis on civil society, capacity building and sustainable development.

In 2009, President Obama issued a Presidential Policy Directive (PPD) on Global Development, the first of its kind by a U.S. administration, calling for the elevation of development as a central pillar of American power. In support of the PPD and the National Security Strategy, the U.S. Department of State (DOS) released the first Quadrennial Diplomacy and Development Review (QDDR), and proposed steps to strengthen the U.S.’ diplomatic and development capabilities to better meet foreign policy objectives. During the same year, and in response to the President’s PPD, USAID Forward was created to address concerns regarding the U.S.’ development strategy. It spoke to the importance of including developing countries in the formation of joint long-term development goals, and the need to invest directly in civil society organizations rather than continuing with the privatization practices inherited from the 1980s and 90s.
These were significant steps redirecting US policy that reflected a growing global consensus on aid effectiveness. As will be discussed in the section that follows, The Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership for Effective Development Cooperation were all reflective of a new framework that was taking shape. These understandings worked to operationalize civil society theories of development on a global scale. There was a major call for steps to ensure an environment of accountability.

III. International Applications of Civil Society Theory and Capacity Building

The twenty-first century has been a turning point for development assistance, with the international community’s recognition and rediscovery that lack of coordination, overly ambitious targets, unrealistic timing of program implementation, budget constraints and a lack of political will has prevented aid from delivering more positive results. Several CSOs and developing countries have been highly critical of the top-down approach used by donors and international organizations when implementing aid programs. They have called for a bottom-up approach to facilitate partnerships between donors and beneficiaries to maximize the impact of aid. They argue that joint action is urgently needed to transform the way developing countries and donors conduct business together in order to improve the quality of partnerships. In reaction, the aid landscape has shifted to include new players that can channel small and large contributions to developing countries in a manner that empowers local actors and leads to fundamental structural change.

The 2002 International Conference on Financing for Development and the 2003 High Level Forum on Harmonization were the first in a series of meetings aimed at recognizing a new paradigm in development assistance. The 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the 2011 Busan Global Partnership for Effective Development Cooperation were the continuation of aid effectiveness efforts that, among other objectives, took pains to include stakeholders, donors, and representatives of developing countries and CSOs at the negotiation table. Most importantly, these three declarations shifted the debate from effective donorship to effective partnerships.
A. The Paris Declaration on Aid Effectiveness (2005)

The Paris Declaration on Aid Effectiveness is the international community’s guide on “the direction for reforming aid delivery and management to achieve improved effectiveness and results.”\textsuperscript{71} The Declaration lays out a practical roadmap to improve the quality and impact of aid on development with 56 commitments.\textsuperscript{72} It not only established specific measures for implementation and performance indicators that assess progress, but also “call[s] for an international monitoring system to ensure that donors and recipients hold each other accountable.”\textsuperscript{73} Capacity building is mentioned in the Paris Declaration as an imperative to achieving development results, building ownership, leveraging alignment of aid and providing for accountability.\textsuperscript{74} The Paris Declaration was organized around five principle of aid effectiveness to be achieved by 2010:

- **Ownership by countries:** The principle of ownership emphasizes the importance of developing countries coming up with their own strategies for enhancing economic growth, improving institutions and tackling corruption.\textsuperscript{75} The ownership principle demonstrates a shift in international thinking on aid delivery to focus not only on political leadership, but a wider inclusion of stakeholders.\textsuperscript{76}

- **Alignment:** The principle of alignment arose as a result of the consistent failure of Structural Adjustment Programs. The Paris Declaration called on donor countries and organizations to use local systems for managing development activities and align their country programs with local development strategies.\textsuperscript{77}

- **Harmonization:** The principle of harmonization called on donor countries and organizations “to implement common arrangements,” as opposed to organizing several different, but related projects simultaneously.\textsuperscript{78} Harmonization of programs would ultimately lead to a reduction in transaction costs through the consolidation of separate field missions into joint projects.

- **Managing for Results:** This principle emphasized the importance of measuring and evaluating results in order to determine the success of various programs. Donors and their partners needed to implement systems “to collect data that reflects whether aid is having an effect towards the desired results.”\textsuperscript{79} This would improve decision-making processes and strengthen performance.\textsuperscript{80}
- **Mutual Accountability**: This principle suggested that both developing and donor countries are equally responsible for development results.  


After the Paris Declaration was signed, its successful implementation was hindered by several components, including the agreement’s focus on government-to-government relations, a lack of political will, and exclusion of CSOs from the aid effectiveness debates. Many CSOs zealously voiced their concerns over the principles of the Paris Declaration and the future of aid effectiveness policy. As a result, the 2008 Accra Agenda for Action (AAA) brought together developing and donor countries, the United Nations, multilateral institutions, CSOs, and private sector institutions to accelerate progress toward the principles outlined in the Paris Declaration. The AAA contained 48 new commitments and called for deeper partnerships with CSOs in order to incite and encourage effective aid. The AAA recognized the value of cooperation that reached beyond traditional aid arrangements and stressed the fundamental role of CSOs in engaging citizens. It called on the international community to acknowledge the need for reliable data and stressed the importance of country-based action plans that are regularly monitored and evaluated.

The AAA identified actions for country-led capacity development and revealed three main areas where progress toward reform was too slow: country ownership, building effective partnerships, and accountability. Governments of developing countries needed to be more proactive with their own development policies and engage further with their respective parliaments and citizens. The AAA recognized that developing countries without strong institutions and local expertise could not be effective in advancing their development processes. Both the AAA and the Paris Declaration put emphasis on developing countries as the primary developers of their own capacity developments with donors playing a supportive role, while technical cooperation was viewed as “one mean among others to develop capacity.” Developing counties themselves need to determine to what extent donors can support “their development efforts at national, regional and sectoral levels.” However, deeper partnerships between development players, including middle-income countries, the private sector, CSOs and others, need to be improved. This is because partnerships become more efficient “when developing countries are in a position to manage and co-ordinate them.” Finally, developing countries
Moving Forward

need to make their revenues, expenditures, budgets and procurement, and audits public in order to improve transparency and accountability.\(^{88}\)

Despite these notable changes in aid dispensation, the Paris Declaration and AAA have been criticized for not addressing human rights, social justice and equity.\(^{89}\) The Paris Declaration and AAA focused extensively on promotion of ownership, alignment and partnership, but both neglected to put in place monitorable commitments and indicators measuring progress in implementation of core principles.\(^{90}\) The Paris Declaration and AAA ignored the need for policy change in many countries.\(^{91}\) According to former USAID official Gerald F. Hyman, aid effectiveness depends entirely on the level of development in each country, which requires changes in domestic policies and relations.\(^{92}\) The Paris Declaration was silent about the context of development strategies and focused exclusively on “process and relationships, not substance and consequences.”\(^{93}\) The principles of the Paris Declaration treated all recipients equally “regardless of their character, their plans, or their procedures” and failed to recognize that some countries had less capacity than others.\(^{94}\) In fact, financial and management systems and procedures in each developing country needed to be used by aid donors when implementing aid in order to be successful, but donors most often did not use them. In addition, development processes of partnerships and policies needed to be “aligned with international and regional agreements on human rights and gender equality” in order to be nondiscriminatory and efficient.\(^{95}\)

Critics saw the Paris Declaration and AAA as “empty gesture[s] of political correctness rather than guide[s] to actual standards of practice and the real use of resources.”\(^{96}\) A survey conducted to monitor the success of the Paris Declaration concluded that only 1 out of 13 targets had been met as of August 2011. Implementation of these targets had barely improved in 6 areas.\(^{97}\)

Many critics argued that the lack of profound changes was a result of the Paris Declaration’s failure to recognize that CSOs could play an important role in enhancing country ownership. The ownership principle focused exclusively on the donor to government relationship and failed to recognize that ownership should be shaped from the bottom-up.\(^{98}\) Such an approach, it was argued, would allow for ownership to be formulated, implemented and evaluated by citizens of developing countries and CSOs, not exclusively by donors or national governments. CSOs could lay the foundation for the bottom-up
approach to building capacity, combating poverty and accelerating economic development.

C. The Busan Global Partnership for Effective Development Cooperation (2011)

The Busan Global Partnership for Effective Development Cooperation (Busan) was the result of a year-long process of consultations among political leaders, IGOs, private sector institutions and CSOs. Participants at the forum recognized that promoting human rights, democracy and good governance were “integral part[s] of [our] development efforts.” Busan sought to evaluate the progress of international development aid and encourage improvements in the following areas emphasized by Paris and Accra: country ownership, a focus on results, inclusive partnerships, and transparency and accountability.

The failures associated with the Paris Declaration and AAA prompted a new wave of debate around the role of CSOs. Article 20 of the AAA and Article 22 of the Busan Declaration referred to CSOs as “independent development actors in their own right,” and recognized that CSOs play an important role in enabling people to claim their rights, promoting development policies and partnerships and managing the implementation of different programs. Aid is about building partnerships of development, and these partnerships can become strong only when they “fully harness the energy, skills and experience of all development actors.” Most importantly, CSOs can strengthen mutual accountability and shape domestic foreign aid policies, such as USAID Forward, to make them more inclusive.
METHODOLOGY AND METHODS

The international development efforts of USAID and its procedures and processes are extensive and complex. With 13 major bureaus (8 functional and 5 geographical), the agency implements a wide range of development projects and promotes various development practices. This report analyzes a subset of practices outlined in the USAID Forward reform agenda.

Qualitative research methods were used to examine how USAID has been operationalizing its overseas programs under the Forward reforms. The data was collected through desk-based research, examination of several USAID program evaluations, and analysis of interviews with USAID personnel and other stakeholders. Primary sources consulted include:

- Published documents on USAID Forward philosophy, objectives, and approaches for creating strategic development goals and plans
- Materials explaining USAID tools for analyzing local organizational capacity and for providing and evaluating government-to-government aid and grants to local CSOs
- Internal and unpublished USAID documents provided by interviewees
- NGO, IO, and government reports and international agreements
- Program evaluations on USAID’s “Development Experience Clearinghouse” (DEC) webpage
- Seven in-person and electronic interviews with USAID personnel, contractors and academics

Secondary and auxiliary sources that were consulted include:

- Books
- Academic journals in print or electronic form
- Magazines, newspapers, and other media sources

The program evaluations analyzed in this paper assessed programs implemented after the USAID Forward reforms. Of the 186 evaluations available on the DEC as of mid-October 2013, the research team identified three programs in which USAID funds were awarded directly to local CSOs involved in local projects.
During the period of this research, a total of seven interviews were conducted with former and current USAID employees, as well as contractors from partnering organizations and academics with extensive knowledge about USAID and international development. For confidentiality purposes the interviewees in this report are identified by a random number from one to seven in parentheses (see Appendix 1). Interviewees were selected using the snowball technique, whereby initial participants referred the team to additional contacts for further insight into the Forward agenda. Interviews were conducted for roughly 45 minutes to two hours, and were transcribed using handwritten notes taken during the interview process.

I. Ethical Measures

Given that this research involved human subjects, the research team took early actions to ensure compliance with ethical standards that would protect interviewees from any risks associated with the research. Therefore, the research design, interview schedule, a list of potential interview questions, and an interview consent form were submitted to the American University Institutional Review Board (IRB). The consent form provided to participants explained:

- The nature of the research
- Assurance of confidentiality (anonymity of subjects in the final report)
- Disclosure of “minimal risk” to interviewee as a result of this study

After reviewing the consent form, participants provided verbal agreement to participate in the interview process. The research team also requested the interviewees to specify their preferred title or affiliation, if referenced for the purpose of this report.

II. Limitations

The AU practicum team faced several limitations and challenges in conducting the research for this report. First, due to scheduling conflicts and time constraints, different groups of one or two team members conducted each interview. Furthermore, in complying with the ethical measures previously
mentioned, recording the interviews was discouraged to protect the privacy and confidentiality of the participants. This created challenges in the coding of interview data.

Second, as a group of student researchers, the team had limited access to contacts at USAID and partnering organizations. Some references were very interested in the project, others were either unresponsive or unwilling to participate in the study. The data, thus, can only be characterized as selective. Data collection was further impacted by limited time availability. This project was conducted from September to December 2013. However, from October 1 to 16, there was a federal government shutdown that delayed the scheduling of interviews with U.S. government employees.

The USAID program evaluations that were selected for analysis in this research project were chosen to present a variety of funding structures and levels of success, and are by no means representative of the overall pool of evaluations. Furthermore, the percentage of program evaluations that funded local CSOs directly was low, giving the group fewer cases to choose from. It is possible that ongoing USAID-CSO projects have not yet been evaluated, or that other completed evaluations have not yet been added to the online webpage.
OPERATIONALIZING USAID FORWARD

As stated in our methodology section, the Practicum Team gathered data from semi-structured interviews with USAID staff, government documents available online or provided by the interviewees, and the program evaluations that have been published on the projects that fall under the USAID Forward timeframe. The following section contains an analysis of the way in which USAID Forward is operationalizing its intent to build the capacity of local CSOs based on the data gathered.

I. USAID Forward: A Brief Overview

Before looking at the specific ways in which USAID is attempting to strengthen the capacity of local partners, we must first understand what USAID Forward, the agency’s large-scale reform agenda, entails. USAID Forward was launched in 2010 as part of the Obama administration’s initiative to incorporate development as a third pillar of the American foreign policy, along with diplomacy and defense. Overall, the reform seeks to achieve three main objectives:

- Foster high-impact partnerships that promote sustainable development
- Invest in innovative solutions to development challenges
- Focus on delivering results

In order to achieve these goals, USAID has identified seven key reform areas. These areas are:

- **Implementation and procurement**: In order to make contracts with and provide grants to more and varied local partners, as well as create partnerships that result in conditions where aid is no longer necessary, USAID will streamline its procurement processes, increase partnerships with small businesses, build metrics into implementation agreements to achieve capacity building, and use the host country system when appropriate and feasible.

- **Talent management**: The agency wishes to attract and retain the best employees that reflect global diversity and are innovative problem-solvers. Therefore, it will improve its hiring and training tools and add incentives for employees. In addition, USAID will expand professional roles for staff recruited from host countries.
- **Rebuilding policy capacity**: The new Bureau of Policy, Planning and Learning (PPL) will promote evidence-based policy-making through research, knowledge sharing and evaluation, and will serve as the intellectual nerve center for the agency.

- **Strengthening monitoring and evaluation**: To ensure accountability and enhance their results-driven focus, USAID will improve its monitoring and evaluation process, linking it to program design, resource allocation and strategy development.

- **Rebuilding budget management**: The creation of the Office of Budget and Resource Management will help USAID achieve greater autonomy over its budget, direct resources towards effective programs and key priorities, and face difficult tradeoffs.

- **Science and technology**: USAID will upgrade its internal science and technology capabilities and build science and technology capacity in developing countries through cooperative research grants, better access to scientific knowledge, and education and training opportunities.

- **Innovation**: USAID is generating opportunities to connect its staff to leading innovators in the private sector and academia. Additionally, it will create the Development Innovation Ventures Fund to test and scale-up successful creative solutions.103,104

The focus of this paper, USAID Forward’s efforts regarding capacity building of local CSOs, falls under the implementation and procurement area and is just a small aspect of the entire reform program. We must note, when referring to increased interactions with local partners, USAID rarely distinguishes between CSOs and governments. While the core of the analysis that we will present next is directed towards non-governmental organizations, government-to-government aid often comes into the equation when considering whether or not USAID is successfully meeting its targets.

**II. Analysis of Relevant Documents**

As mentioned in the previous section, USAID is looking to increase the number of local partners receiving direct support from the agency, while contributing to strengthen their capacity. The underlying hypothesis is that this will lead to greater sustainability and long-term effectiveness because 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.”105
This section will present the way in which USAID is approaching local capacity building, based on the analysis of government documents available online and internal USAID documents provided to the Practicum Team by the interviewees. First, we will briefly describe what is understood by capacity building and what goal USAID has set for the agency in that respect, then we will look at the tools and approaches they are using in the field, and finally we will give an overview of the grants and contracts process.

A. Capacity Building for USAID

When referring to local capacity development, USAID Forward has embraced three OECD (Organization for Economic Co-operation and Development) definitions:

- Capacity is the ability of people, organizations and society as a whole to manage their affairs successfully.
- Capacity development is the process by which they create, strengthen, adapt and maintain capacity over time.
- Promotion of capacity development is what outside partners can do to support this process. Support ranges from expert supervisory visits and peer-to-peer learning, to improving financial and management systems, and purchasing new equipment and software.\(^{106}\)

In search of best practices, USAID determined that successful local capacity development is better when:

- Customized to suit the needs of the local organization client, reflecting a good understanding of its context
- Flexible and dynamic
- The client owns and shares responsibility for the process.\(^{107}\)

With this in mind, USAID Forward seeks to provide a greater percentage of its annual program allocation - 20% in FY2013 and 30% in FY2015— granted directly to local governments, civil society organizations and businesses as an indicator of support for partner country systems and local
institutions. These are objectives for the agency as a whole and the figures were “based on best estimates of the time it will take to modify legislation, regulations and policies and train staff.” We must stress that mission targets are context-specific and may be higher or lower than agency-wide targets. It is the responsibility of each mission to develop its own strategic plan and detail its contribution to the agency’s procurement targets, as appropriate for its specific situation.

In order to support the missions in this endeavor, USAID has provided a series of tools and approaches for local capacity development. To gain a greater understanding of the context of the host country in which they operate, missions can use the Local Capacity Development (LCD) Mapping tool. Besides identifying possible future partners, the LCD Mapping tool is also useful in determining which local capacity building approach to use. After selecting local partners, missions must make sure they comply with the minimum standards to receive an award or contract. This can be done by applying the Non-U.S. Pre-Award Survey (NUPAS). Finally, it is recommended that missions encourage their partners to apply the Organizational Capacity Assessment (OCA) at different stages throughout the project in order to evaluate their capacity building efforts.

The LCD Mapping, NUPAS and OCA tools will be examined closely in the following sections. After that, we will look at the different local capacity building approaches that USAID is using in the field.

B. Local Capacity Development Mapping

Before engaging with local partners, USAID considers it important to have a broad overview of the host country’s social system, including the different types of civil society, private and public sector actors present in the area; the environment in which they operate; and their estimated initial capacity. Mapping the system helps the agency determine the feasibility of establishing certain partnerships, and think about new and creative ways in which relationships can be built.

LCD Mapping is “a tool for identification of potential partners, clients, and other stakeholders, rather than a partner selection tool,” thus organizations should bear in mind that being included in this process does not guarantee that they will receive funding later on. Mapping does not substitute competition.
LCD Mapping should be carried out with strong participation from the existing USAID staff, while also relying on Foreign Service Nationals and local experts that understand the host country’s culture better. Before starting the mapping exercise, the mission should define:\textsuperscript{113}

- Development objectives
- Intermediate results expected
- Scope of the mapping exercise
- Functions needed to meet the desired development objectives

LCD Mapping is usually carried out in four phases. **Phase one** is aimed at understanding the national, local and sector contexts in which local CSOs and private organizations operate, and how that context enhances or affects their performance. This will help determine strengths and weaknesses of future partners that may be location-specific, and inform decisions on the most feasible kinds of interventions.\textsuperscript{114}

**Phase two** consists of gathering information on the location, size, staffing and activities of the actors previously identified, as well as the existing relations between them. Relevant information can be obtained through a written survey and open-ended discussions. A site visit to the offices of the CSOs and businesses that appear to have the potential to become direct USAID partners may be useful to explore their capacity further. The LCD-related questions should be standardized at mission level to enhance the comparison of information over time.\textsuperscript{115}

In **Phase three** the mission can identify local providers of capacity development support and thus nurture the existing capacity development market.\textsuperscript{116} Missions must be careful not to undercut the market by offering at no cost services that local organizations would pay local providers to receive.\textsuperscript{117}

Finally, in **Phase Four**, the mission has enough information to draw conclusions that can be used to inform project design and the steps to address local capacity development. Depending on the relevant partners that have been identified and on their particular characteristics, USAID may choose to take one of several different approaches.\textsuperscript{118} These approaches will be discussed in part E of this section.
In short, the LCD Mapping tool provides a general overview of the system and serves to inform USAID staff about the host country’s context before designing and implementing projects related to local capacity building. However, the resulting analysis is not detailed enough to determine how to appropriately support local partners. In order to carefully study the strengths and weaknesses of an organization, missions must turn to the other tools developed by USAID for this purpose: NUPAS and OCA.

C. Non-U.S. Pre-Award Survey

Before the creation of the NUPAS, there was no standard tool within USAID to determine that a non-U.S. organization had the means and ability to complete the requirements of an award. Instead, missions had their own formats, which focused mainly on fiduciary issues.

In June 2012, NUPAS was introduced to help USAID assess a potential partner’s ability to comply with the standard provisions of an agreement in the case of contracts, grants and cooperative agreements under $5 million. The standardized survey also serves to determine whether the future partner possesses enough capacity to manage the funds appropriately and to identify possible organizational weaknesses early on in the process. Furthermore, NUPAS can be used to select the most appropriate method of financing a particular grant and to establish the degree of support and oversight needed to ensure proper accountability of funds.\textsuperscript{119,120}

The NUPAS is carried out firstly through a desk review that involves collecting documentation from the potential partner, and later by conducting a survey that assesses the strengths and weaknesses of the organization. Although it is meant to be a standardized tool that can be used across the globe, missions are encouraged to make changes and adapt the NUPAS to suit their particular needs by adding or removing criteria as appropriate, given the context. In most cases, the scope of the NUPAS will be very broad, “encompassing legal structure, financial management and internal control systems, procurement systems, human resources, performance management, and organizational sustainability indicators.”\textsuperscript{121}

Contrary to the LCD mapping tool, which is a recommended identification tool of potential partners, NUPAS is a mandatory selection tool that precedes the award. A non-U.S. organization cannot receive a
grant or contract before USAID determines, based on the information provided by the NUPAS, that it meets the minimum requirements to manage it successfully.

One final function of the NUPAS is to serve as baseline information for the post-award OCA, which will be discussed next. By providing a clear description of the organization’s strengths and weaknesses, the NUPA complements the OCA in its intent to measure progress in terms of capacity building.

**D. Organizational Capacity Assessment**

The OCA is a recommended self-assessment tool, which analyzes an organization’s strengths and weaknesses at different stages of the implementation of a USAID award or contract. This tool, which may be facilitated to the local partner by USAID staff or by contractors, focuses on areas such as:

- Governance and legal structure
- Financial management and internal control systems
- Administration and procurement systems
- Human resources management
- Program management
- Project performance management
- Organizational management and sustainability

Ideally, an OCA should be conducted repeatedly during project implementation, making sure it is applied within the first three months after the awards have been made, one to two years after the initial baseline, and finally once more before the end of the agreement.122,123

Given that the OCA is not an external audit like the NUPAS, but rather a self-assessment that is frequently reevaluated, the specific ratings are not important by themselves. The scores will not affect the status of the current award or the prospects of another one.124 Instead the OCA ratings should be used to track progress, identify capacity development priorities, and build Action Plans to address the needs of the organization. Its objective is to “enable organizational learning, team sharing and reflection.”125
E. Local Capacity Development Approaches

When carrying out a local capacity development project, missions can choose between several different models: umbrella, tiered, inverse, parallel and phased. As we have seen from the previous sections, USAID staff can better select how to address capacity building when they have a clear understanding of the local context and of the strengths and weaknesses of their future partners.

The umbrella approach (figure 1) is one of the most common approaches to capacity development. In it, one direct awardee (“prime”) manages sub-awards and provides technical assistance to local organizations. This “prime awardee” can be international or local. With the umbrella approach, USAID is able to reach a larger number of local partners, albeit indirectly, with a low management burden.

The umbrella model is useful when the host government does not allow USAID to engage directly with local organizations, when there is insufficient capacity to implement the project at the mission level, or when an intermediary that is accepted in the local context and that is seen as independent of USAID is needed. For this approach to be successful, the prime must have technical and local capacity building expertise, and capacity development targets must be embedded into the project objectives in order to hold the prime accountable.

The downside of the umbrella approach is that it does not always directly empower local organizations. Another danger is that the prime awardee may provide a standardized package that does not reflect the needs of every particular CSO, or that the prime may be biased when selecting the sub-recipient local organizations.

The tiered approach (figure 2) involves an international or local prime that manages sub-awards and provides technical assistance to local intermediary support organizations (ISOs). These ISOs in turn are responsible for building capacity and managing the sub-awards of local CSOs and businesses. This
American University Practicum Team

model differs from the umbrella approach in that it addresses long-term sustainability more directly. The tiered approach expects that ISOs will not only manage sub-awards, but that they will focus on local capacity development and technical assistance.132

The tiered model may help enhance the capacity development market by empowering local organizations as service providers and holding each tier accountable for capacity building targets. However, it fails to completely empower the local recipients of capacity development support by continuing to use an intermediary, and there can be communication breakdowns due to gaps and delays in the multiple tiers involved.133

In the inverse approach (figure 3) a local organization receives an award directly and enters into a sub-award with an international or local partner that can provide them with local capacity development services. This empowers the local organization by tailoring capacity building to their existing mission and organizational culture. At the same time, it provides incentives for the service providers (ISOs) to be more responsive to the demands of local CSOs, who are now granting the sub-awards.134

The inverse model is most effective when USAID wishes to invest in a single key local organization and promote its leadership role in a particular sector. The disadvantage is that a significant investment concentrated in one local CSO may increase the risks of fund mismanagement for USAID if the project fails. Additionally, the local partner may defer too much to the international organization, minimizing the benefits that come from receiving a direct award. A way to avoid this would be to limit the portion of the local prime’s budget that is eligible to be allocated to the service provider.135

![Figure 2: Tiered Approach](image1)

![Figure 3: Inverse Approach](image2)
When missions undertake a **parallel approach** (figure 4), simultaneous awards are given to local organizations for technical programs, and to international or local organizations for capacity development services. In this way, USAID can make sure they are choosing the most capable providers by being directly involved in the selection process, and they can oversee their work, while still empowering local partners to a certain degree.

For this approach to work appropriately, relationships must be clearly defined to promote collaboration and avoid confusion or duplicate work. Missions must be aware when using this model that delays can arise from lack of clarity and coordination, and that non-local technical assistance providers may not have the context-specific knowledge to address the host country organization’s needs.

Finally, a mission can decide to go with a **phased approach**, in which the award granted to the prime has a different scope of work for every phase. Phase one begins with an umbrella approach that transitions into phase two during the project period. Phase two (figure 5) is similar to the parallel approach, in which local organizations receive direct awards for technical work and the prime continues to provide capacity development services.

This model is most useful when multiple local organizations need to further develop their capacity, but it requires more mission resources and time. In addition, the phased structure and its underlying incentives may affect the power relationship between local capacity development providers and recipients. USAID has encountered that often “when the prime is no longer funded, the local organizations lose their incentive to improve their organizational capacity.”
Through the umbrella, tiered, inverse, parallel and phased approaches, USAID claims it has been doing local capacity building for decades in most of its projects, even before USAID Forward. What has changed as a result of the reform agenda, however, is the idea that the most effective capacity building usually takes place through localized aid. With the 30% target discussed in part A of this section, USAID is measuring the percentage of their annual funds that are allocated directly to local partners, without having an international intermediary. Therefore some of the approaches discussed here, although relevant to capacity building, do not necessarily count towards meeting the agency-wide target (7).

### F. Grants and contracts

When implementing projects that aim to build the capacity of local partners, USAID uses the same grants and contracts procedures as with US contractors. Before granting the award, USAID must make sure that the organization is in compliance with the Federal Acquisition Regulation (FAR), the Code of Federal Regulations (CFR), and the agency’s Automated Directives System (ADS).

The main steps involved in the USAID Forward award process are:

- **Project design:** USAID missions develop a 5-year Country-Development Cooperation Strategy with input from all relevant stakeholders. In it, they outline the challenges and resources available. USAID then designs projects and creates an implementation plan that addresses the country’s needs.
- **Identify the requirement:** USAID defines the results that need to be accomplished through an assistance or contract. Here, it is important to consider the following definitions:
  - **Acquisition** refers to obtaining goods and services for the agency through various contracts. In contracts, USAID has a higher level of control over the partner in obtaining results.
  - **Assistance** refers to the transfer of funds from USAID to a third party for the implementation of programs. This can be done through a grant, in which USAID does not need to be substantially involved in the implementation, or a cooperative agreement, that requires a significant involvement on behalf of the agency.
Moving Forward

- **Market research:** In this step, USAID acquires information about the feasibility of its projects and how best to implement them.

- **Agency Business Forecast:** USAID provides tentative information the public about possible offers by posting at FBO.gov for contracts and Grants.gov for assistance.

- **Solicitation:** The solicitation describes the requirement or program and how USAID will evaluate the applicants. These are also made public through FBO.gov and Grants.gov.

- **Evaluation:** In reviewing the proposal, USAID usually takes into account the following criteria:
  - Past performance (does not have to be USAID past performance)
  - Technical approach
  - Personnel
  - Corporate capability
  - Management plan

- **Negotiation:** If an organization’s proposal is being considered, the Bureau for Management’s Office of Acquisition and Assistance (M/OAA) will often contact them for negotiation, unless USAID decides to make an award without further discussion.

- **Award:** After all of the steps are completed, USAID will award the selected partner. Generally, the organization will be invited to a post-award conference to discuss implementation and other related matters.\(^{142}\)

As mentioned before, the overall award process, consisting of the aforementioned steps, is the same for U.S. and non-U.S. partners. However, since November 2010 USAID has been looking to promote greater use of Fixed Obligation Grants (FOGs) to non-U.S. NGOs with limited or no experience in receiving and implementing USAID grants. These FOGs allow grants “with first time and higher risk recipients that have demonstrated technical capabilities, introduce revised eligibility requirements, allow for advance payments under specific conditions and make payments based on the completion of defined outputs or milestones.”\(^{143}\) In this way, USAID is looking to give a chance to local partners that may have no previous experience of managing their own direct award, while minimizing the risks by making payments based on achievements at various stages of the program implementation.

After having looked at the way USAID Forward is said to be encouraging and approaching local capacity building, as stated in their policies and in-house documents, we will now proceed to examine
how staff members are perceiving the changes that came as a result of the reform agenda. In the next section, we will present and analyze the data gathered through our interviews to further illustrate the way in which USAID Forward is being operationalized.

III. Analysis of Interviews Conducted with USAID Personnel and Stakeholders

The Paris (2005), Accra (2008), and Busan (2011) Declarations collectively articulated the global commitment to building sustainable civil societies, and to partner with in-country actors based on principles of ownership and cooperation. As previously stated, these agreements set the precedent for conceptualizing the USAID Forward policy and its focus on LCD. Since 2010, the agency has been implementing organizational reforms under the USAID Forward framework, particularly strengthening strategic planning and design, direct management of projects by USAID staff, private sector partnering, and investment in breakthrough innovations. The elevation of local capacity building as a central pillar of development effectiveness under the USAID Forward agenda provided an opportunity to highlight previous efforts to address long-term sustainability. During interviews conducted with USAID staff members, consultants, and other stakeholders, various themes emerged that helps one understand the operationalization of the Forward agenda, as well as the challenges and opportunities that arose as a result of the agency’s focus on long-term sustainability.

The first theme that emerged from the interviews was the conversations at the onset of the policy, which focused around the objectives presented by the reform and strategies needed to meet the expectations. Given the high-profile attention fostered by political leaders within President Obama’s administration, the new reform agenda gained rapid support within USAID (5). Additionally, a lack of proper messaging to the INGO-NGO community and overseas missions was also a general concern among interviewees. The agency struggled to properly communicate the objectives of the policy during the operationalization of the Forward agenda. Sources revealed that long-time partners received mixed messaging about their future role within the USAID bureaucracy, and missions worldwide awaited direct guidance on implementing and measuring the effectiveness of their programs under the new policy.
A third theme that was uncovered throughout the interview period was the importance of the contextual application of USAID Forward policy. There was a need to elevate other issues within the local capacity dialogue and foster a wave of cooperation among the various bureaus. As will be discussed later in this section, the initial excitement within the agency was overshadowed by staffing shortages, uncertainty about expectations, and financial constraints. These operational constraints disillusioned staff members, who were faced with a demand to deliver on a specified target with limited resources (5). Nonetheless, many argued that the high-level focus the administration gave to long-term sustainability would make it easier for local organizations to engage with missions directly, given that the agency would streamline the grant-making process to encourage local CSOs. Finally, government-to-government aid is seen as an essential component of the Forward policy, from measuring its success to creating long-term sustainable local systems. The following sections will outline what interviewees shared with the practicum team regarding the successes and shortcomings of the reform agenda, and the agency’s response to some of the criticisms received.

A. Operationalization of the USAID Forward Policy

Sources indicate that working groups were formed at the agency to address the operationalization of USAID Forward policy objectives, and began to conceptualize important terms in the policy (5). The civil society working group, for example, aimed to define words such as sustainability, civil society, and local capacity development, and each team began to strategize ways the agency could partner directly with civil society. Discussions within the agency also focused on the weaknesses of the contracting approach, which had created an agency dependent on contractors to carry-out development functions. Mainly as a result of an increase in retirements and the focus on retrenching, USAID lost vast amounts of technical capacity to handle programmatic expansions into new regions, and depended on consulting firms and international organizations to design development projects (3). One source explained that in 2009, less than 2% of USAID awards were given directly to local NGOs and less than 0.5% to the private sector; most of the money appropriated for development was given to large contractors (3). Forward policy therefore expanded program budgets, allowing the agency to hire additional staff and bring project design back in-house (3).
Debates over contractors’ roles in implementing development projects disadvantaged the immediate operationalization of Forward policy, given its indirect effects on the USAID-INGO relationship (5). In its initial stages, it appeared to some in the field that there was a goal to reduce reliance on for-profit and nonprofit organizations, and some critics considered the policy a direct attack, portraying USAID’s long-standing partners as opportunists in the development field. A CSIS report called on the “development ecosystem” to act strategically as a sector and consider how to address the apparent criticisms on their USAID’s approach to development. Despite initial concerns, a USAID staff member noted that Forward’s stated goal of building long-term sustainable civil societies, to the extent that USAID funding would be eventually pared down, was not intended to alienate partners or “develop them out of a job.” Unfortunately, USAID lacked a messaging campaign to address these concerns, and as a result INGO and NGO partners were worried about the swift changes within the agency (5). Another interviewee shared that regardless of initial challenges in communication, the process of understanding the policy and its operational implications began to open-up a dialogue between USAID and its partners.

One keystone argument made by the INGO-NGO community was that the agency needed to evaluate the potential loss of capability for U.S. government and the impact a shift in support of its partners might have on attaining real local capacity. It was clear within USAID that the Forward policy was never meant to distance implementing partners, given their lasting relationship with local civil societies and the role they would come to play within the Forward framework. Despite this recognition, it is important to highlight that the agency aims to maintain a balance of funding given to contractors and local organizations. One interviewee explained that there is a need for both types of funding given the contextual differences between one project and the next, and the need for certain kinds of expertise particular to one society over another.

As referenced above, the application of Forward policy is highlighting the importance of the social, political, and economic environment in which projects take place. Bureaus began to enquire whether a contextual application of USAID Forward policy was needed as it intended to address cross-sectoral problems, such as democracy building and health, which was not evident from the initial interpretation of the policy objectives. The Bureau for Democracy, Human Rights, and Governance (DRG), for example, was encouraged by the new Forward policy to include the Bureau’s goals (e.g. political
activism, civil involvement) within the programmatic framework of other sectors, such as education and health (1). Bureaus began to collaborate in the way they addressed specific contextual challenges by including their goals in other bureaus’ initiatives—a period of cooperation across agency bureaus was a successful outcome of the Forward agenda.

Additionally, during the initial trainings on local capacity building, DRG pushed for the inclusion of a contextual understanding in program design that would evaluate each individual country independently. Operationalizing the Forward policy, a USAID staff member explained, was a matter of understating that the policy could not be applied across the board; thus, there had to be an understanding of what was feasible within the contextual environment of each country (5). The in-country context, be it political, economic, and/or social, is vital to successful project design and implementation, an element that, critics have argued, needs further operational guidance in the new approach.

The feasibility of USAID Forward policy was a major area of contestation between USAID staff members in Washington, D.C. and overseas missions, with particular regard to the 30% goal of direct funding to local partners by FY2015. In part, the debate was rooted in another communication shortcoming during the implementation of the policy, where missions sensed that there was a misunderstanding between the information received overseas and expectations at headquarters. A contractor working with USAID at the time explained that during trainings held for agency personnel, both at headquarters and overseas, the “target” question was raised frequently, primarily during financial management trainings (4). Overseas mission staff shared concerns about the implementation of the 30% goal, and questioned whether this goal would reflect individual mission targets or global targets. No concrete answer was given (4).

One USAID staffer shared that there were indeed messaging challenges at the onset of the policy with mission leadership, particularly with the 30% target, but the agency clearly maintained that these expectations were based on a global goal, rather than from each mission individually (7). For some working groups, the target provided the initial framework, but it remained understood that it was not a target that could be met, given the challenges presented above (5). Although the Forward policy established a 30% target, a USAID staffer clarified that it was intended to encourage missions to look for more civil society organizations that could receive and successfully fulfill a USAID grant or
contract, making the target an aspirational goal (1). The policy did, in fact, encourage overseas missions to set their own targets, based on country differences.

A senior USAID official explained that under Forward, the agency tried to focus on localized aid by forcing a target on overseas missions, losing sight of the real goal of the reform (7). In reality, Forward was adhering to U.S. obligations under the Paris, Accra, and Bussan declarations on aid effectiveness, which focuses on strengthening and using local systems—be it governments, local CSOs, or the private sector. In particular to local capacity building, the interviewee explains, USAID incorporates this approach to approximately 80% of its projects, and the 30% target is primarily concerned with funding given directly to local partners and CSOs (7). This distinction is explicit in the newly released consultation draft titled, “Local Systems: A Framework for Supporting Sustained Development” (Consultation Draft), which is an attempt by the agency to restart the conversation on long-term sustainability by updating the Forward framework.

B. Local Capacity Building: Challenges and Opportunities

The interviews conducted as part of this research revealed that the operationalization of USAID Forward policy is an iterative process. As explained by a former Mission Director for USAID, program officers have been engaging local civil society in project implementation for decades (6). What is unique in the Forward model is the direct partnership with local NGOs and contractors to carry-out development projects. USAID recognizes that the principle of supporting local actors in meeting their own development needs is not a new idea, and aims to build on this experience and those of its partners to meet the Forward objectives.

A source with knowledge of mission-level trainings during the operationalization of Forward policy shared that the main challenge for USAID is determining CSOs’ ability to handle the agency’s regulations and requirements for funding (4). Local NGOs and contractors may not be skilled in strategic planning, project design, or management of funding. Therefore, channeling funds directly to local organizations will prove disadvantageous because CSOs must first acquire the knowledge to successfully implement a project’s components (6). Despite this criticism of the policy, one USAID source indicated that USAID staff and contractors carry out trainings, town-hall meetings, conferences,
and mentoring programs, where implementing partners share best practices on building local capacity (1). Additionally, the policy has encouraged overseas missions and partners to use assessments to evaluate potential risks within the project cycle. Specifically, they have been encouraged to fill out more pre- and post-grant organization capacity assessments to determine the risks associated with receiving funding from USAID and how they plan to overcome those risks and meet their project objectives (1).

It is expected that if Forward policy aims to significantly reduce “the middle men,” or the international contracting companies, the agency has to ensure that the CSOs have the training to be self-sustaining (4). The LCD Mapping tool, NUPAS, and OCA are specific assessments that bureaus within USAID are utilizing to improve their engagement with civil society organizations. These series of tools and approaches, discussed earlier, have been developed to assist overseas missions with this task. One interviewee stated that missions are also making the contractual language easier for the local population to understand grant applications, and are opening up the missions for site visits, which has been instrumental in the operationalization of the USAID Forward policy (5). USAID staff members agree that local CSOs need to be involved in all aspects of the project cycle because the development projects will be flawed without the direct participation of these actors.

Interviewees agree that identifying local efforts, both by the CSO community and the local government, is the quintessential model for development. However, it presents a challenge to supporting long-term sustainability unless local organizations, governments, and contractors have the capacity to understand the regulations and benchmarks underpinning USAID funding (6). A source, who worked on trainings held in conjunction with USAID’s Acquisitions Office, revealed that there is further need under the Forward policy to do capacity building with governments directly (4). Government-to-government aid is seen as vital to the operationalization of the Forward agenda, and the agency continues to engage local governments to determine in which ways they can partner with local actors and create long-term sustainable projects while avoiding dependency.

An agency staff member shared that government-to-government aid is an important component of local capacity development, and both are intertwined under the objectives of the Forward policy (5). Greater emphasis has been placed by the agency on public-private partnerships, which includes providing funds to local governments and CSOs. The agency includes both, direct CSO funding and government-to-
government aid, in the 30% target by FY2015.\textsuperscript{150} If USAID meant for the 30% to represent a combined financial objective, it is imperative to use this standard to evaluate and measure the Forward policy.

USAID is addressing the challenges presented in this section by emphasizing a model of development that expands on the 2010 reforms under Forward, including: partnering with local agents of change, emphasizing a dialogue with the host government on policy reforms, providing technical expertise to government agencies, engaging the private sector, allocating funds directly to local entities, promoting robust citizen participation, and working with implementing partners to facilitate the changes already taking place under the Forward agenda.\textsuperscript{151} The proposal aims to move local systems—governments, civil society, organizations, and universities—to center stage in all development efforts, including the project design phase, in collaboration with all partners and counterparts throughout the U.S. government.\textsuperscript{152} In addition, the newly released Consultation Draft, which is being circulated to elicit comments internally at the agency and externally from the contractor community, the alumni association, and friends of the agency, emphasizes four main areas where USAID is identifying a need for further progress:\textsuperscript{153}

- Identifying and assessing local systems
- Designing multi-faceted projects that address weaknesses in the local systems
- Evaluating risk in the decision-making process
- Developing M&E tools that accurately monitor progress in building sustainable CSOs

Monitoring and evaluation has become the cornerstone of operationalizing the Forward agenda, as measuring the success of LCD depends on various factors. It is critical to underscore that most of USAID’s programs are organized and carried out at the mission level, and data collection has become a burden for missions overseas (1). With no technology to streamline and measure sub-grants, the data collection process is resource intensive, which results in the inability of the agency to track funding that impacts LCD (1). In this context, it is understood that there are challenges within USAID Forward policy, but there is also a collaborative undertaking by USAID staff members to understand local systems. The efforts and interactions of these actors produce development results within the specific country contexts, and by making them visible through the tools discussed earlier, the agency is creating a means by which to expand its measurement capabilities.\textsuperscript{154}
C. Program Tools & Implementation

As previously mentioned, there are several tools developed to help USAID staff and implementing partners carry out project mandates. Some of the skills CSOs want to gain from USAID are financial training, proposal writing training, and human rights standardization. USAID periodically hosts “How to Do Business Sessions” in Washington, D.C. as well as in USAID missions overseas. Some special sessions are also held across the United States in coordination with other U.S. government entities and other organizations.

Social Impact, an NGO focused on effective international development, collaborates with USAID’s Policy, Planning and Learning (PPL) bureau to deliver one and two-week evaluation courses—“Evaluation for Program Managers” (EPM) and “Evaluation for Evaluation Specialists” (EES)—that discuss on-the-job requirements and real-world obstacles and solutions. Other focused trainings, such as the “Local Capacity Development 101,” have been designed to help those involved in program implementation become more familiar with specific issue areas. This five day training (developed by one of the interviewees) addresses multiple definitions of LCD, how to effectively use the LCD mapping tool, recognizing risks of direct awards to local organizations and the NUPAS process. The interviewees generally referred to these tools and trainings as useful, explaining that the purpose is for program development staff and other implementing organizations to share successes and failures of capacity development.

One interviewee explained that USAID requests for proposals (RFPs) and requests for applications (RFA) are competitive processes. USAID Forward changed this process slightly by allowing limitations on who can apply for certain grants and contracts (e.g. competition can be limited to local CSOs—meaning organizations that are under the local legal regime and are more than 50% owned and/or run by locals). Forward has also asked grant and contractor specialists to consider organizational capacity and past performance rather than just good grant-writing skills.

Another interviewee mentions the tedious and time consuming process of giving an award to local organizations because extensive time and energy is expended in training and education to ensure they
are prepared to receive and utilize funds. There may at times be too much focus on administrative matters, timelines, and deliverables instead of sustainability.\textsuperscript{157}

As previously stated, USAID Forward has encouraged missions and partners to fill out more pre- and post-grant organization capacity assessments. Pre-award surveys judge the organizations’ capacities and help judge what risks might be associated with giving them grant money. First, a grants and contracts officer does an assessment of an “apparent successful applicant.” This assessment reviews aspects such as the organization’s capacity to utilize grants, its chain and command structure, and its financial capabilities as outlined per the ADS 303 guidelines. After the award is granted, organizations assess themselves on their priorities and progress (1). Each project is also supposed to develop customized development indicators specific to their project (3).

The Forward reforms have also led to a few important policy changes within USAID, such as allowing for more fixed obligation grants (FOGs) and site visits for staffers. FOGs are good for civil society development because they require organizations to meet lower thresholds to qualify—meaning smaller organizations can still apply and receive training to become more capable and sustainable. They also allow smaller organizations to apply and receive grants, with the condition that they meet certain capacity development benchmarks along the way. This allows the CSO to both grow and become more sustainable. Additionally, the benchmarks allow USAID to avoid investing aid money to organizations that fail to meet their standards of achievement. According to one of the interviewees, there are, however, limits to policy changes, as some policies were set by law and cannot be altered without the support of Congress (1).

\textbf{D. Monitoring & Evaluation}

As expressed in its policy objectives, USAID Forward is focusing more attention on measuring and evaluating the success of its projects and programs. According to a document provided by one interviewee, at least 3% of each operating unit’s program funds are designated for external evaluations of their work.\textsuperscript{158} Evaluations at USAID are broadly divided into two categories:
Moving Forward

- **Performance (90% of total):** These evaluations determine why or how results are being achieved (understanding what the program has done, how it is being implemented, if expected results are occurring, etc.). Both qualitative and quantitative methods can be used for data collection to analyze program design, function and performance, and make judgments about the implementation success of the program.

- **Impact (10% of total):** These evaluations are based on a credible counterfactual or comparison group, and may not be suitable for every project. Generally these use “experimental (randomization) or quasi-experimental (statistical) methods to define a counterfactual and measure change using baseline and post-project data sets.”

Some USAID evaluation policy goals that have been set for capacity development are respectful engagement with partners—including partner country experts who are not involved in project implementation—strengthening individual knowledge and skills, and providing resources and support to sustain evaluation.

As discussed by one interviewee, every mission unit creates its own Performance Monitoring Plan (PMP), making this process decentralized by nature. The minimum requirements for PMPs include:

- A detailed definition of each performance indicator
- The source, method, frequency and schedule of data collection
- The office, team, or individual responsible for ensuring data are available on schedule

USAID’s top level indicator is the funding levels themselves. The higher the level of funding for civil society organizations, the better civil society organizations must be at managing money and carrying out projects. However, there are several challenges with this measure. Measuring overall success is incredibly difficult because it is not always clear what metrics are best suited to use. Not every aspect of a project can possibly be measured, thus making the evaluation of what matters the most a subjective process.
Some micro-level indicators and methods of measuring an organization’s strength and capacity referenced in one interview include (1):

1. Diversity of fundraising base
2. Workers knowledge of their organization’s vision and mission
3. Clarity in hiring practices and standards
4. Clarity in the bureaucracy and decision-making process
5. Auditing practices
6. Self-measurement and evaluation techniques
7. Success rates of projects and proposals
8. Completion of post-grant action plan

One interviewee referenced the standard foreign assistance metrics that can be applied to all projects called F-indicators. These indicators were jointly developed by the U.S. State Department. However, the list of more than 500 indicators may actually complicate the evaluation process (3). 162

Some success stories were also shared, specifically regarding USAID-CSO projects related to DRG issues. In fact, two of the USAID staffers recalled a program that took place in July 2012, where USAID invested in a health organization in Kenya, asking them to evaluate the capabilities and areas for improvement amongst other domestic health providers. In partnership with USAID’s regional financial management and contracting offices, the East Africa Local Capacity Development Team produced a chart of indicators for measuring civil society results. Nine broad categories were identified for evaluation: governance, administration, human resources, financial management, project management, resource development, business organization model, knowledge management and local capacity development services provision. Each subcategory was given an “indicator computation” and an “indicator description (definition) and benchmark.” 163 This helped create consensus and standards amongst CSOs providing healthcare (1 and 3).

In regards to evaluating a country’s ability to manage government-to-government aid properly or responsibly, one interviewee explained that missions look at Public Financial Management Indices and perform risk analysis and mitigation plans. This occurs multiple times a month. Missions have also
started providing fixed loans to ensure that local governments do not misuse the funds. A suggestion made to improve accountability was to periodically survey local citizens in measuring levels of confidence of their respective governments (1).

USAID Forward calls for using methodologies such as counterfactuals and the Most Significant Change in their program evaluations. Since USAID Forward has emphasized rigor of evaluations, third party stakeholders are integral to this goal. The Cedar Center, for example, has conducted valuable sustainability research, trying to determine what happens to USAID-supported organizations once USAID leaves. Perhaps future programs would benefit from results of such research by other third parties (1).

E. Bureaucratic Challenges

In several interviews with USAID staffers, questions about challenges to the agency revealed a common theme of staffing shortages. While the Forward reforms have strengthened the agency by creating more partnerships with donors and implementing partners and investments in newer programs, according to one interviewee, an increase in program awards may lead to an increase in workload that mission staff cannot handle (1). Before Forward was implemented, the types of trainings previously mentioned were mostly facilitated by implementing partners because USAID staff did not have the appropriate background to handle such a variety of subject matters. Due to time constraints, missions were developing their own country plans on how to work with civil society—with no input from Washington—and organizing and deciding on how funds should be allocated to local governments (5). Therefore, good leadership is critical at that level, making staff shortages an even more pressing issue (4).

As a result of USAID staff insufficiencies, the agency has continued to rely on third parties for technical expertise across the agency. Since contractors are hired for a short number of years, a considerable amount of time is devoted to educating and training new, non-USAID employees about the agency (2, 3). This could be one factor that impedes effective and efficient M&E.
New mission strategies originating from headquarters are often inserted into projects that have already been initiated—what one of the interviewees referred to as “retro-fitting.” When new information comes in, it is difficult to fit into a program that is well on its way to completion. A suggestion was made to change the theory of the design and flow of the agency’s organizational structure (2).

Project design is another aspect that requires careful attention before missions can begin to implement a new program. Regarding monitoring and evaluation, random sampling is done by comparing conditions pre- and post-program implementation. If this is to be done effectively, M&E must be built into the initial project design. This would also be helpful because contracting offices are uncomfortable with making changes to the initial design. This becomes especially problematic when certain project budgets do not get approved until six months after the project start date. Thus, the weak point of M&E is that it is not conducted along the way (2).

It is difficult to find good evaluation designs from NGOs, so the agency cannot rely on implementing partners. There are differing views on who should be included in a project’s team of program evaluators. One interviewee believes that, with the exception of the team leader, evaluators should be internal (2).

This section outlined the effectiveness of various USAID tools that were developed as a result of the Forward reform agenda from the interpretations and experiences of the participants in this study. Benefits and challenges of the reform agenda were also discussed, particularly in regards to local capacity building. The next section will highlight how the reforms are being practiced by examining three USAID programs that granted awards directly to local CSOs and were implemented after the reform.
PROGRAM EVALUATIONS

This section discusses three program evaluations, which showcase the practical applications of the USAID Forward policy since its implementation. The three examples together provide an analysis of the effectiveness of the Forward policy in different issue areas with specific reference to local capacity building. Mindful of the objective of this paper, the selection of cases was based on the criterion of provision of USAID Forward funding directly to local civil society organizations as opposed to channeling it through local governments or INGOs. With this particular aim, six cases were identified as appropriate for this analysis out of 186 program evaluations available on the Development Experience Clearinghouse section of the USAID website. Some of the most salient issue areas that were addressed were HIV/AIDS, health, democracy and governance, rule of law and local capacity building. The following program evaluations are illustrative of some of these issues, with a particular emphasis on projects implemented after 2010, when the reforms associated with USAID Forward began.

The first program evaluation, which reviews multiple projects in Sudan and will be referred to as “the Sudan evaluation,” analyzes the effectiveness of FOGs as a programming mechanism through the Democracy and Governance division of USAID. This example was chosen for its specific emphasis on funding disbursements and link to local capacity building. A second example, “the South Africa evaluation,” pertains to USAID funding an umbrella organization for hospices in South Africa called the Hospice Palliative Care Association (HPCA). Together with the President’s Emergency Plan for AIDS Relief (PEPFAR), HPCA aims to reduce the impact of HIV and AIDS on individuals, families, communities and societies. This case highlights the overall success of USAID policy in the health sector in terms of local capacity building. The final program evaluation, or “the Bangladesh evaluation,” studies Rupantar, a local NGO that aims to promote local democratic governance in rural areas. It highlights sustainability and M&E issues associated with USAID involvement.

The three case studies selected are representative across issue areas, and they demonstrate common themes. An important selection criterion was the sustainability of the projects. Although the Sudan evaluation prescribed strict timelines and objectives to be achieved during the course of the project, there was a lack of a monitoring mechanism that would ensure sustainability after its completion. Likewise, sustainability mechanisms were not stressed by USAID in the Bangladesh project design, and
they were not implemented. Another common theme that the Bangladesh and South Africa evaluations highlighted was the bureaucratic challenge of working with USAID. Complying with the rigid USAID requirements was considered a hurdle to implementation in both projects.

I. Sudan/USAID: DG Fixed Obligation Grants

A. Background

The Sudan evaluation was conducted by Partners in Development Services (PDS), a Sudanese consultancy firm with a focus on research and training, at the request of USAID. The project objective was to evaluate the agency’s system of FOGs. The evaluation considers the performance and impact of three completed projects, two active projects, and the status of a newly awarded grant implemented by four Sudanese civil society organizations: Sudanese Initiative for Constitution-Making (SICM), National Civic Forum (NCF), Afhad University for Women (AUW), and Sudan Comparative Law Society (SCLS). The evaluation aims to shed light on how the DG FOGs have performed to-date and how effective FOGs are as a programming mechanism for DG activities in Sudan.

The total value of funds disbursed by USAID-DG was $1,297,672 for projects in the areas of rule of law, aimed at advancing and protecting human and individual rights, and civil society, focusing on empowering individuals to peacefully exercise these rights of expression, association and assembly. The evaluation examines the three completed projects in greater detail, loosely referred to as the ‘nation-wide debate on development of Sudan’s permanent constitution’ by SICM, ‘support[ing] the role of women in democratic values’ by AUW and ‘building the capacity of selected civil society organizations in Eastern Sudan, Blue Nile and South Kordofan,’ by NCF. The beneficiaries of these projects were educational institutions and trainers, AUW students, and NGOs, respectively.

B. Evaluation

USAID considers FOGs as a mechanism that can assist the recipient in strengthening and improving internal procedures, systems and policies during the course of the grant. FOGs involve the establishment of milestones for each verifiable product, task, deliverable or goal of the recipient, and
specify the structure of payments by USAID to the recipient after the completion of each of these goals. They also involve the provision of assistance to the recipient at both pre-award and post-award stages to ensure compliance and completion of the grant’s stated objectives. In line with these basic goals of FOGs, the evaluation process conducted by PDS for this project addressed the following questions:

1. To what extent did each FOG meet its overall goal?
2. How effective were the FOGs as a mechanism for DG programming?
3. How realistic and appropriate was the design of the project?
4. Were the appropriate stakeholders involved in the program, and to what extent did the program promote better coordination and collaboration between them?

To answer these questions, PDS used the standardized methodological approach prescribed by USAID to conduct the evaluation. This includes the collection of primary and secondary data, such as review and analysis of project documents, reports, agreements, and other relevant documents; collection of quantitative and qualitative data; focus group discussions; semi-structured interviews; questionnaires; and views and inputs of critical stakeholders.

C. Findings and Analysis

Overall, the local recipients had a positive perception of the FOGs as a programming mechanism. The FOGs seemed to prove effective in regards to appropriateness, application, awarding and administration procedures. Specific milestones and time-frames facilitated planning, implementation and monitoring and evaluation processes. They also ensured financial accountability and minimized the possibility of abuse of funds. At the same time, local recipients claimed that the system was flexible and responsive to unexpected situations on the ground. The quick disbursement of funds was deemed as an added advantage to poorly funded organizations. All these factors greatly helped in achieving outcomes. However, with regard to local capacity building, the system faced some challenges.

With regard to program outcomes, these cases varied in levels of success and effectiveness. The projects conducted by AUW and NCF were deemed to be highly successful in achieving their stated goals, in turn benefiting their target audience of students and NGOs respectively. Nonetheless, both projects
seemed to lack monitoring mechanisms in the aftermath of these training programs that would ensure sustained long-term commitment. Likewise, the project by SICM achieved all stated results but did not fully meet its overall objective. Conducting a nationwide civic education and public awareness campaign with regard to constitution making was considered too ambitious for implementation by a single project in a year over a vast area.\textsuperscript{172} The size of the target audience and beneficiaries did not appear to correspond to the funding or the overall objectives of the project, raising doubts about the sustained impact of such isolated endeavors. The inherent problem with the system of FOGs, therefore, seems to be their inability to ensure robust local capacity building upon the completion of projects. As was the case in many evaluations studied for the purposes of this paper, sustainability of projects funded by the agency was a concern.

II. **South Africa: Hospice Palliative Care Association**

A. **Background**

In December 2009, the President’s Emergency Plan for AIDS Relief (PEPFAR) worked through USAID to award a Cooperative Agreement to South Africa’s Hospice Palliative Care Association (HPCA). This organization was established in 1987 to coordinate best practices among 176 South African member hospices.\textsuperscript{173} The purpose of these funds, totaling $32,730,174.00, was to strengthen the capacity of these affiliated clinics and organizations to provide quality services to HIV-infected persons and their families in all 9 provinces of South Africa. More specifically, the project had seven goals:

1. To strengthen and maintain the organizational capacity of the HPCA to manage the PEPFAR project
2. To build the capacity of member hospices to provide quality palliative care
3. To develop and promote palliative care education and training
4. To strengthen provincial palliative care structures and develop new palliative care sites
5. To promote public awareness and policy development in terms of palliative care
6. To build the capacity of hospices to care for orphans and vulnerable children (OVCs) and children requiring pediatric care
7. To build a responsive M&E system.\textsuperscript{174}

The program consisted of two major components designed to achieve these objectives: health service delivery and health systems strengthening. Health service delivery included adult and pediatric palliative care, therapy, counseling and testing services; and health systems strengthening encompassed the development of health coordination networks, human capacity development, advocacy, accreditation, and quality improvement.\textsuperscript{175} A large part of HPCA’s work with the PEPFAR funding involved granting sub-awards to member hospices, all of which are independent legal entities. During the three years of the project, 176 sub-awards were made to over 200 palliative care delivery sites.\textsuperscript{176} In addition, a star and accreditation system was developed to professionalize the field and ensure that consistent and high quality service was provided at all locations.\textsuperscript{177} As clinics joined the development program and demonstrated improvement through periodic reviews, they were able to move from being an affiliate member to a full HPCA member by earning a maximum of five stars. This accreditation system also served as a structure to organize grant distribution; as awards were distributed based on need, those sites with higher ratings received a smaller percentage of HPCA’s funding.\textsuperscript{178}

As one of the goals of South Africa’s National Strategic Plan on HIV, AIDS, and STIs is not just reducing the impact of HIV and AIDS on affected individuals and families, but also the impact on the larger communities and society, the beneficiaries of this project are numerous. This program benefited populations infected and affected by HIV/AIDS in South Africa, the local organizations and clinics implementing care services, and local and national government agencies.\textsuperscript{179}

B. Evaluation

A total of 48 structured interviews and five focus group discussions were conducted with many of those in the HPCA and HIV affected community, such as USAID/South Africa activity managers and other staff members; HPCA national staff at varying levels within the organization; Hospice Chief Executive; selected community health workers; and beneficiaries.\textsuperscript{180} In total, 80 community health workers and 15 palliative care service beneficiaries were involved.\textsuperscript{181} The information gathered from these interviews and focus groups was combined with quantitative data analysis from HPCA’s data management system.
Special consideration was paid to organizational structure as a component of capacity building in this evaluation. HPCA consists of a board of governors, which oversees Chief Executive Officers and a management committee. Reporting to this committee are four regional officers and a monitoring and evaluation (M&E) manager. Within each region, palliative care officers, partner organizations, and their corresponding M&E officers work on teams. In addition, there are committees focused on organizational development, advocacy, finance, M&E, and pediatric and palliative care. Three larger committees dedicated to human resources, audit, and ethics report directly to the board of governors. All of these groups are supported by administrative and program staff.¹⁸²

There are also multiple levels involved in the grant administration process. Site visits and other methods of pre-award assessments are conducted before contract approvals can be granted. Following this comes detailed monitoring of activities and monthly financial reviews and audits.¹⁸³

The hospices seem to work mostly on a volunteer basis, though comprehensive training and professional development plans are required of these staff members, which can number from 12 to 127 at each hospice.¹⁸⁴ Yearly job descriptions and signed memorandums of agreement serve as official approval of these positions. Training and other support for local hospices and clinics are provided by the regional teams and provincial mentors that work through HPCA.

At the national level, HPCA works with the South African government to advocate for and promote palliative care. They also host national conferences, which were a particular point of interest in the qualitative interviews conducted in this program evaluation.¹⁸⁵ Though criticized for being too scholarly and not as directly relevant to the daily work of hospice staff, those surveyed expressed favorable views of the conferences. Positive feedback was also given about the availability and value of the help from HPCA both regionally and nationally.¹⁸⁶

One area of concern is the high turnover rate of HPCA staff, especially as it affected some provinces more than others. Unfortunately, explanation for this rate of staff change was not available.¹⁸⁷
C. Findings and Analysis

The significant impact of this project is apparent. The quantitative data reported in this study reflects very strong and very positive results. For example, the number of orphans and vulnerable children receiving palliative care services increased by nearly five times over the course of a three year period.\textsuperscript{188} Similarly, the number of HPCA-supported hospices grew. Starting with just 70 in 2008, the HPCA funded over 176 in 2012 with the help of USAID funding under PEPFAR.\textsuperscript{189} The star and accreditation system developed by HPCA has been identified as a best practice and adopted for broader use by the South African government.\textsuperscript{190}

Even before being awarded USAID’s Cooperative Agreement, the HPCA served as a mentor to many smaller clinics and palliative care sites throughout South Africa. These relationships and an intimate knowledge of community needs and resources facilitated the organization’s shift into the role of grant coordinator. This umbrella approach to local capacity development was common in the program evaluations reviewed for the purposes of this paper. Be it an association of health care providers or a financial cooperative, USAID frequently funds a local organization that can distribute resources to others rather than directly funding a particular group’s activities. While this increases the amount of mission funding that goes to a local organization, it still faces some of the same challenges that are present in the model that uses INGOs as intermediaries in grant distribution. Managing the grant and communicating with USAID can be costly expenditures in terms of staff salaries, office expenses, and overhead costs. It is important to note that during the years of this program, PEPFAR was HPCA’s largest donor, accounting for approximately 90\% of organizational funding.\textsuperscript{191} One of the key recommendations of this program evaluation is that funding sources must be diversified in order for HPCA to continue its work.

III. Bangladesh: Rupantar

A. Background

In the early 2000s, USAID sought to strengthen local level governance in Bangladesh by changing the political environment surrounding local government units (LGUs) from one that was largely controlled
by the central government to one that was more independently managed. From 2002 through 2011, USAID partnered with and directly funded Rupantar, a Bangladeshi non-governmental organization, to strengthen their pre-existing functions in order to address this need. The Mission's project intended to build the LGU’s ability to deliver public services, communicate with and provide for citizens, mobilize local resources, and increase public awareness about their governing structure and opportunities.\textsuperscript{192}

Rupantar used a variety of traditional Bangladeshi song and dance techniques, as well as more standard methods such as leadership trainings, to provide adult civic education that promoted local democratic governance in rural areas.\textsuperscript{193} The tripartite change strategy worked through three different populations including elected leaders, Citizens Committees, and ordinary citizens. Elected leaders were trained and mentored on topics such as gender equality, accountability, and risk management. Rupantar also formed Citizens Committees of respected community members who were interested in being volunteers and activists. These citizens were similarly trained and encouraged to meet with their regional elected leaders on a monthly basis to become more involved in the governance process. Lastly, Rupantar’s performing troupes traveled the area and performed local songs and dances, known as ‘pot songs,’ to engage and educate local citizens in matters such as choosing a good leader.\textsuperscript{194} All three of these populations could be seen as beneficiaries of the project. The elected officials were given the training to become more effective leaders for their communities, while the citizens selected to be part of a Committee were empowered to take part in the political process, and local people were educated on social issues that directly affected them.

\textbf{B. Evaluation}

To evaluate the success of this project, desk-based research was conducted in addition to interviews, focus groups, and field visits to 12 Union Parishads, which are the smallest rural LGUs in Bangladesh.\textsuperscript{195} Of these 12, four were not part of the Rupantar project and served as control groups. During these field visits, the evaluators used a tool called Rapid Governance Assessment (RGA).\textsuperscript{196} This semi-structured survey form was comprised of open-ended questions and was used for individual interviews and focus groups to determine perceptions of local governance quality, functioning of Citizen Committees, leadership effectiveness, transparency, access to public services, female representation in governance, and other issues that were of particular concern to the project.\textsuperscript{197} While the Bangladeshi
moving forward

the government was not explicitly involved in the project, a representative from the Local Government Division was interviewed for this evaluation.\textsuperscript{198}

the findings gathered and coded from these conversations were condensed into a total of 12 “good governance variables” that came up most frequently, including dynamic chairman, clearly defined development strategy, relative freedom from Member of Parliament interference, open budget meetings, and substantive female participation.\textsuperscript{199} According to the results of the evaluation, the most important variable in good governance was dynamic leadership. Those areas with effective leaders achieved more results in a shorter timeframe than those where religious conservatism reigned.\textsuperscript{200}

\textbf{C. Findings and Analysis}

Rupantar was "generally successful in achieving sociopolitical mobilization,” especially in areas where it continued to work during all 9 years of the project.\textsuperscript{201} A large part of the organization’s success could be attributed to the fact that it was already credible in the local culture. Further, it was experienced in providing adult civic education, which meant that the organization could use the USAID funding to perfect and scale up the work they started previously. While USAID seemed to repeatedly praise Rupantar for its meticulous and punctual deliverables, there was some miscommunication.\textsuperscript{202} Rupantar had to learn how to comply with USAID requirements, and function in the direct programming relationship. The challenge of learning how to manage the bureaucratic process of working with a U.S. agency, which was described repeatedly in the program evaluations of projects implemented by local organizations directly receiving USAID funding, is one that is far less significant in grants that go through U.S. contractors because of long established administrative procedures.

Two striking shortcomings of this project include its lack of sustainability and lack of effective monitoring and evaluation practices. It appears that USAID’s project proposals only indirectly mentioned sustainability measures in the three phases of this project. Consequently, Rupantar did not implement any.\textsuperscript{203} Rupantar also struggled to use quantitative instruments in a meaningful way, and when it did gather data it failed to use this information as an opportunity to reflect and improve its programming.\textsuperscript{204} This could be the result of a different cultural perspective on the importance of M&E. Many evaluations studied for the purposes of this paper cited M&E as a much-needed area of
improvement, but this could be a difficult issue to resolve if the organization that USAID hires to implement the program does not value data in a way that meets USAID’s expectations.
KEY FINDINGS AND RECOMMENDATIONS

I. Key Findings

After reviewing USAID’s programmatic tools and approaches, analyzing interviews with USAID staffers and other stakeholders, and assessing several USAID program evaluations, the following lessons and key findings were identified in terms of the operationalization of the Forward agenda vis-à-vis local capacity building and development:

➢ **Finding #1:** Working with local organizations is not a new trend at USAID. There is wide recognition amongst staff members and affiliates of the agency, both past and present, that USAID has been implementing CSO-centered work for decades because local organizations are closest to resident communities and therefore more effective at reaching the population. Many interviewees identified ways in which overseas missions have involved local organizations in their programming over the years. They also argued that overseas projects are often tweaked to meet new policy objectives coming from Washington (6). The Forward agenda has tried to build on the existing relationship between USAID and CSOs by funding local organizations directly, rather than through international contractors or NGOs.

➢ **Finding #2:** USAID’s approach to M&E focuses overwhelmingly on measuring the success of program implementation, rather than on assessing program impacts. This is partially because measuring the impact of a specific program on a particular region is incredibly imprecise, and causation is nearly impossible to prove. It is also because of a lack of monitoring mechanisms to measure the sustainability of an organization and/or project. No follow-up report or survey is done to determine if a project was still being run after USAID funding was withdrawn, or if it had any long-term impact on the local population.

➢ **Finding #3:** Government-to-government aid is an important element of the Forward agenda and should not be overlooked. Forward’s stated goal to place “a greater emphasis on public-private partnerships, channeling funding to local governments and organizations that have the in-country knowledge and expertise to create sustainable change,” includes providing 30% of mission funds to both local CSOs and governments by FY2015. In its 2013 Progress Report, USAID analyzed funding to all local private and public sectors simultaneously—14.3% of mission funds
as of CY2012. Furthermore, all of the interviewees agreed that both CSO and government engagement are intertwined under the Forward agenda. If the agency views their 30% goal as a combined financial target, it would irresponsible of observers not to do the same.

**Finding #4:** Messaging has been a key challenge with regards to implementing the Forward agenda. In the beginning of USAID Forward, a number of high-level USAID staffers stated that the goal of the Forward agenda would be “to put us out of a job”—as in to help countries develop to the point where USAID funding became unnecessary (1). This led the agency’s partners in the INGO-NGO community to reject the reforms outright, fearing a loss of contracts and funding, and that USAID wanted to develop them out of a job as well. This was not true—according to employees at the agency, they understood that contractor expertise and support would still be vital in many parts of the world. Furthermore, the 30% target was more of an aspirational goal than a concrete policy item (1). This was never properly communicated to USAID’s partner organizations, however, and the result has been a strained relationship.

Additionally, the lack of effective communication between Washington and overseas missions during the initial implementation stage of USAID Forward led to confusion. Mission leadership did not understand the 30% goal—whether it should be an individual mission goal or a regional or global goal—and they began to question the policy’s feasibility in an age of financial obstacles and personnel shortages across the agency.

**Finding #5:** Cross-sectoral engagement with CSOs has increased under USAID Forward. Traditionally, the Democracy, Human Rights, and Governance Bureau led the way in supporting civil society and the involvement of individuals in the political life of their home countries. Now other bureaus and offices, including those focused on health, education, equal rights, and agriculture, are working closely with CSOs to include capacity building and civil society development in their programming. This method aims to employ a holistic approach to capacity building and to address deficiencies from several angles (5).

**Finding #6:** Understanding each country’s specific social, economic and political attributes is an important component of the project cycle, and should therefore be considered when deciding which approaches to use in managing development projects and capturing data. USAID utilizes LCD Mapping and other tools to identify various regional actors it could work with, including CSOs, as well as to observe the environment in which they operate. Despite these tools,
however, interviewees said that understanding the contextual challenges within each country remains an area for improvement. They also emphasized the need to engage CSOs and local governments in designing their own projects in order to ensure adherence to an appropriate cultural context.

- **Finding #7**: M&E is practiced differently in various countries and regions, and not all cultures value quantitative data to the same extent. To ask an organization that does not normally collect quantitative data to keep detailed records in the same way U.S. organizations are expected to do can be challenging (7). Currently, USAID hires local organizations to analyze the success of its projects, but it is difficult to make program evaluations both effective and uniform across all missions given different cultural contexts.

- **Finding #8**: Overhead costs are a challenge in funding both INGO and local CSO projects. Regardless of which kind of organization receives the funds, valuable capital must be spent on administrative costs, employing personnel and consultants to disperse sub-grants, and monitoring and evaluation.

## II. Recommendations

The operationalization of the USAID Forward policy will greatly depend on the agency’s ability to bridge the gap between innovation and cooperation in LCD. Cooperation with new and old partners will foster an environment conducive to new ideas on local needs, improve ownership among civil society and government officials, and promote interagency collaboration. Innovative methods and approaches to improving LCD are needed, with particular emphasis on measuring and evaluating the success of projects. Given the key findings, the following recommendations are made in hopes of addressing some of the challenges faced within the USAID Forward framework:

- **Recommendation #1**: According to USAID staff members, under the Forward agenda overseas missions are increasingly being encouraged to use the results of otherwise shelved project evaluations in their program design and implementation. This should be continued practice and solidified in agency policy. Furthermore, a comprehensive review of all USAID’s previous program evaluations and reports should be conducted in order to assess the results and search for common lessons and best practices across projects.
➢ **Recommendation #2**: M&E is a critical component of the USAID Forward agenda. Our research indicates that a comprehensive list of M&E indicators for use in evaluating projects, particularly those dealing with LCD, is missing or not readily available. Rather, there are too many project indicators spread across too many USAID sectors and documents. There needs to be a clear, more comprehensive list of indicators specifically for measuring LCD and this should be easily accessible to USAID’s partners.

➢ **Recommendation #3**: Monitoring and evaluating the use of USAID funding for LCD was a challenge identified by several staffers. This is due in part to administrative challenges that separate USAID from local organizations that may receive money from INGOs or local umbrella organizations. It is also due in part to a lack of technology to streamline the data collection process, which analyze where funds are allocated after they leave USAID’s hands. Presently, measuring this is resource intensive and costly (3). USAID should therefore focus on developing an innovative technique to track grant and sub-grant awards, allowing the agency to identify where its money is ultimately used and how it impacts LCD.

➢ **Recommendation #4**: Long-term sustainability should be incorporated into both the program implementation and M&E structures at USAID. Research conducted by the Cedar Center, which was mentioned previously, focuses on evaluating the sustainability of USAID-supported organizations in the post-project period. Future USAID programming should incorporate lessons from such evaluations when designing and implementing development projects; and USAID should conduct its own follow-up reports to measure the long-term impacts and sustainability of its programs.

➢ **Recommendation #5**: USAID should either perform or commission periodic surveys of local populations to help the agency determine how much confidence populations have in their governments. Indicators could include levels of trust in government, perceptions of responsiveness, and transparency. These surveys would help USAID determine how effective government-to-government aid would be, and could also inform the level of project ownership by local governments. Finally, the surveys would hold governments accountable to the implementation process in the absence of INGOs, which is an important component of the Forward agenda.

➢ **Recommendation #6**: The initial messaging challenges associated with USAID Forward hindered operationalization of the new agenda. In the future, a more targeted messaging
Moving Forward

campaign should be developed to ensure that all USAID staffers and development stakeholders fully understand the new policy and its objectives. Furthermore, training programs for mission staff should be centrally organized and uniform so that all USAID employees receive the same information regardless of location and job description.

- **Recommendation #7:** Communication between the different USAID offices and bureaus working with local CSOs needs to be improved. This will help identify gaps in capacity development and encourage various USAID branches to work together to address the frequently interrelated challenges in developing countries.

- **Recommendation #8:** It is important for the agency to continue improving its awareness and understanding of local cultural contexts, both for program implementation and M&E purposes. USAID must recognize the context of each society in order to adapt its regulations and grant-making processes to meet local needs, build sustainable local systems, and ensure proper evaluation benchmarks. Furthermore, if USAID aims to hold local organizations responsible for carrying out M&E, the agency must improve training programs for organizations tasked with writing the evaluations. Since quantitative and qualitative data are treated differently in various countries and regions, USAID must be sure to explain the importance of quantitative indicators to its evaluation partners and have an on-going discussion with them about ways to make their report more assessable and applicable for the agency.
CONCLUSION

With USAID Forward, USAID sought to support President Obama’s effort to make development a key area of foreign policy. Although the seven reform areas cover a wide range of topics, this report focused on one specific aspect of the procurement reform: capacity building of local partners, particularly CSOs. Thus, the lessons learned and recommendations outlined in the previous section refer to only a small portion of everything Forward entails.

Through our interviews and desk-based research, we were able to conclude that there have been various conversations regarding partnerships with local organizations within USAID. The agency is aware that there were inefficiencies in the way this was being approached in the past. Even more, it recognizes that there is still room for improvement. The Consultation Draft discussed on pages 44-46 of this report is one of the ways in which USAID is hoping to get feedback on the new policy from various stakeholders in order to address the weaknesses. Given that this is a new approach to development within the agency, USAID Forward is an ongoing process that requires constant revision and updating to reach its maximum potential.

The Practicum Team found that there has been a change in funding streams as a result of Forward. Even though USAID has been doing local capacity building for decades, the reform agenda is trying to promote direct awards to local organizations when the context calls for it. We must stress that the agency recognizes the crucial role that international contractors play in areas where their expertise, independence and transparency is needed. USAID is also aware that there are different approaches to local capacity development, as explained on pages 35-38, and that INGOs are able to support capacity building efforts. Therefore, missions can still choose the most appropriate way to engage and support their local partners.

On that same note, we see that although the essence of the grants and contracts process has not changed substantially, Forward is implementing better liability measures into project mandates by encouraging the use of FOGs. With this type of grants, USAID increases the opportunities given to organizations that have little previous experience in managing awards, while reducing their own risks by providing disbursements based on achievements. In addition, standardized tools like the NUPAS that determine
the ability of a potential awardee to comply with the minimum requirements to receive an award are encouraging local partnerships by streamlining the selection process.

This study found that some of the biggest concerns arising from Forward were not necessarily about the policy itself. On the contrary, they were a result of improper rollout and miscommunication. By involving stakeholders in the conversations moving forward, the agency will be better suited to meet their expectations and implement the reforms without major resistance. Yet, we must keep in mind that although communication could be improved, transparency across sectors has increased. USAID has several meetings and training sessions that are open to their staff in headquarters and in the missions, in which they can learn about capacity-building and the tools that the agency has developed for this purpose.

In terms of evaluating success, we must begin by saying that many of the programs that fall under the Forward timeframe are in the early stages of implementation, making it hard to tell whether the changes have resulted in positive outcomes. We suggest that reviewing past and upcoming evaluations to identify best practices becomes an agency-wide practice. Conducting a comprehensive review of these program evaluations to assess results and implications in the field will be both time and resource intensive, but ultimately, it will lead to more informed and effective programming. The same is true of compiling all indicators specifically related to capacity building used in USAID M&E processes into one widely accessible list and researching the sustainability of organizations in the post-project period. While the impact of these recommendations may not be immediately apparent, this type of reflective work will ensure that future projects are building off of the lessons learned in earlier ones.

Other recommendations, such as using enhanced technology to collect data in the field and survey local populations, are not only important for improving effectiveness but reflect the USAID Forward reform’s third tenet: a commitment to innovation. By investing in the science and research that will help USAID make bigger advances in the field, it is possible to simultaneously provide better support to local institutions and organizations and satisfy this third goal laid out by Forward. More broadly, a greater focus on research is needed in order to achieve the objectives identified in the Forward reform, with particular emphasis given to evaluation and technology.
Many challenges remain and, in order to successfully implement the recommendations outlined in this report, it is imperative that USAID and its partners avoid short-sighted initiatives and focus on lasting development practices. The purpose of local capacity building is to empower communities, organizations, and governments to resolve their own long-term social and economic challenges, as opposed to depending on other nations for assistance. This relates back to Paris, Busan, and Accra and their principles of local ownership, leadership, sustainability, and accountability. Making progress towards these goals will inevitably take time.
APPENDIX 1: INTERVIEW CITATIONS

(1) USAID Staffer, Democracy Specialist. Personal Interview. October 9, 2013.
(3) USAID Staffer. Personal Interview. October 22, 2013.
(4) USAID Contractor. Phone Interview. October 31, 2013.
APPENDIX 2: NOTES

4 Ibid., 5.
5 Ibid., 5.
7 Ibid., 5.
9 Ibid., 12.
10 Carothers, 1999-2000, p. 5.
11 Ibid., 5.
12 Ibid., 6.
13 Ibid., 11.
16 Ibid., 1.
20 Ibid., p. 200.
22 Ibid., 635.
23 Ibid., 633.
27 Ibid., 1.
28 Ibid., 12.
33 Ibid., 10.
34 Banks and Hulme, 2012, p. 1.
37 Ibid., 5.
38 Ibid., 2.
39 Ibid., 2.
40 Ibid., 5.
41 Ibid., 6.
42 Ibid., 6.
46 Ibid., 42-45.
52 Ibid., 1-13.
54 Rapley, Understanding Development, 2007, p. 78.
57 Ibid., 21.
58 Ibid., 21.


64. Ibid., 20.

65. Ibid., 20.


73. Ibid., 1.


75. Ibid., 1.


78. Ibid., 10.

79. Ibid., 10.


84. Ibid., 2.

85. Ibid., 3-4.
Moving Forward


Steinle and Denys Correll, August 2008, p. 5.


“The capacity development market refers to the universe of organizations or firms that provide capacity development assistance to other organizations or firms, including training and mentoring in areas such as financial management, governance, project management, human resources, business plan development, among others” (United States Agency for International Development, *USAID Mapping Guidelines v 1.4*, May 31, 2012, p. 7).

A prime is an organization that receives USAID funding and, in turn, issues sub-awards to other organizations (see United States Agency for International Development, *Approaches and Operational Models for Local Capacity Development v 1.0*, April 2, 2012, p. 3).
142 Ibid.
146 Ibid., 4.
147 Ibid., 4.
149 Ibid., 3.
152 Ibid., 1.
153 Ibid., 1.
154 Ibid., 1.
157 Ibid., Slide 38.
159 Ibid., Slide 7.
160 Ibid., Slide 12.
164 United States Agency for International Development, Development Experience Clearinghouse.https://dec.usaid.gov/dec/search/SearchResults.aspx?q=ZG9jdW1lbnRzLndlYi9jb2xvZWN0aW9uOiRk9SV0FSRCD3LmFsFsdWF0aW9uIik=&qcf=ODVhZhjk4NWQtM2YiMi00YjRmLTQxNjktZTcxMjM2MzBMDBmY2Uy&svn=ODVhZhjk4NWQtM2YiMi00YjRmLTQxNjktZTcxMjM2MzBMDBmY2Uy&pgsz=50 (Accessed October/November 2013).


204 Ibid., xi.
206 Ibid., 29.
SELECT BIBLIOGRAPHY


Moving Forward


United States Agency for International Development, Development Experience Clearinghouse. Accessed in October/November 2013. https://dec.usaid.gov/dec/search/SearchResults.aspx?q=ZG9jdW1lbmRzLndlY19jb2xsZWN0aW9uOigiRk9SV0FSRBldmFsdWF0aW9uIik=&qcf=ODVhZjkk4NWQtM2YyMi00YjRmLTxxNjktZTcxMjM2NDmY2Uy&svn=ODVhZjkk4NWQtM2YyMi00YjRmLTxxNjktZTcxMjM2NDmY2UyIXZpZXdJRF80NTA3ZmI2Mi1hM2U1LTQ0OWUtYWE4ZS1kYmQyMzJmZDE4MzM=&pgsz=50.


United States Agency for International Development. *Organizational Capacity Assessment (OCA) v 2.4.1*. Revised November 2012.


