Working with local non-governmental organizations (NGOs) in developing nations is an effective way to increase country ownership and promote sustainable development. Supporting NGOs in developing countries has long been an important aspect of the United States’ way of doing development. However, it is time for USAID and other U.S. government agencies to renew this emphasis through sustained capacity building and a long-term and strategic approach to engaging with local NGOs. The U.S. government must move beyond a short-term service delivery model to one of meaningful partnership.

**How can USAID support local ownership and build national capacity?**

Partnership and capacity building with local NGOs may not reap the same immediate results as working with an international partner, but in the long-term this approach will deliver the dividends of locally-owned development programs. Currently the U.S. government’s prioritization of rapid, large-scale outputs can conflict with the realities of working with local NGOs.

**Solution 1: Recognize the important role of local organizations in development**

Working with local NGOs can bring greater risks for the U.S. government than using its tested, experienced international partners. There is little way around this.

Although local NGOs may have less capacity and experience, they do bring a range of other advantages to the table. The risks of working with local NGOs must be balanced with the sustainability and ownership that these local actors bring to development programs.

To show their commitment to building the capacity of local NGOs, USAID and other U.S. government agencies need to consider the engagement of local NGOs and civil society actors as the first and best option whenever possible. In particular, the following should be considered:

- **Articulate and mainstream a new policy to direct USAID and other U.S. government agencies’ engagement with local NGOs:** USAID’s main policy document on working with NGOs, *The USAID-PVO Partnership (2002)*, devotes only a few paragraphs to the support of local NGOs. The remainder focuses on USAID’s relationship with U.S. organizations, leaving USAID missions and headquarter bureaus to carve out *ad hoc* approaches with local NGOs. Other agencies, such as PEPFAR, have more clearly articulated policies towards local NGOs.

- **Empower an influential champion in USAID and other U.S. government agencies to state the case for working with local NGOs:** A number of entities in USAID are responsible for coordinating with and formulating policy toward NGOs. These include the Private and Voluntary Cooperation Division in the Office of Community Initiatives and the Advisory Committee On Voluntary Foreign Aid (ACVFA).

- **Track and publish available information regarding how much funding reaches local NGOs:** USAID and other U.S. government agencies have grappled with collecting data and do not routinely share information about funding awarded directly or indirectly to local NGOs. While some agencies, such as PEPFAR, have made efforts to make this information more transparent, conversations about how to improve U.S. policies are generally hindered by a lack of data.

**Local NGOs and development**

By local NGOs, we mean the not-for-profit organizations that are based and work in developing countries. These local NGOs work both at the national level and down at the community level often in the most remote areas where populations have the greatest needs and lowest access to services. Local NGOs fulfil many important roles:

- Acting as intermediaries between government and citizens, and donors and citizens;
- Holding government and donors to account;
- Mobilizing communities and including citizens’ voices in decisions about the allocation of resources;
- Building the skills and capacities of communities and local people;
- Providing access to communities and on-the-ground information to international NGOs;
- Providing cost-effective services; and thus retaining development resources in-country;
- Influencing national or sectoral policies;
- Filling gaps in the provision of services.
Solution 2: Increase support for long-term capacity building

Capacity building takes time, expertise and resources – commodities that are in short supply in an era of quick results and an understaffed USAID.

To balance these competing dynamics, the U.S. government should address the following:

- Understand that the comparative advantage of local NGOs lies in more than service delivery: Country knowledge, relationships with local communities, the ability to act as intermediaries between government and citizens, and value for money are key strengths of local NGOs. Yet the service delivery model pursued by the U.S. government as part of its drive for speedy and well-documented results undervalues these attributes. It pushes local NGOs to implement certain tasks but pays minimal attention to the use or transfer of broader long-term skills.

- Meaningfully re-engage local actors in project design and implementation: Progress is made through the application of new and better ideas. However, a side effect of the drive for results and stringent quality control is the loss of creativity and an aversion to trying new (but potentially risky) approaches. Instead of tapping local NGOs and other partners for ideas and experience, grants and contracts are increasingly designed and managed in Washington, responding less to on-the-ground realities and under-utilizing local knowledge.

- Rebuild USAID staff capacity to engage with local NGOs: One of the motivations for using large contracting mechanisms has been the erosion of USAID's staff numbers and a concomitant reduction in ability to manage more numerous, smaller grants and contracts. Between 1975 and 2007, the number of employees at USAID fell from 4,300 to 2,417. Concurrently, the budget USAID was responsible for managing increased from $6.5 billion in 1992 to $13 billion in 2007.

Why building the capacity of local NGOs is a sound investment

Much of the cost of creating ownership of development programs is the time it takes to bring the skill-base of inexperienced organizations up to standard. Building the capacities of local NGOs is not a quick process. It is, however, important as a means in itself and also as a sound investment for the U.S. government, creating effective partners and furthering U.S. development goals.

As the indicative diagram above illustrates, as local organizations are assisted to improve their technical skills, strengthen their financial and project management systems, and broaden their funding base, lower levels of U.S. funding can yield increasingly high returns.

- Place civil society engagement officers in USAID missions: Large USAID missions and regional offices should have someone responsible for coordinating partnerships with local and international NGOs on the ground. Regional offices should be staffed to act as a resource to smaller country missions. More generally, USAID and other U.S. government agencies should encourage staff learning around capacity building and partnership models with local civil society.
Solution 3: Level the playing field to make it easier for local NGOs to work with the U.S. government

There are a number of barriers for local NGOs receiving funding from U.S. government agencies. In most countries, it is highly unusual for a local NGO to successfully win or even to apply as lead on a U.S. government contract, grant or cooperative agreement. At best, local NGOs mostly act as a subgrantees to international organizations. Reforms that could level the playing field include:

› Smaller, more competitive acquisition and assistance instruments: The U.S. government has increasingly pursued a funding strategy that channels large volumes of resources through indefinite quantity contracts (IQC) to a narrow group of international NGOs and companies. In fact, the share of USAID contracts awarded to the top five contractors rose from 33 percent ($57.3 million) in FY1996 to 52 percent ($1.4 billion) in FY2005. Using these large and complex contract arrangements puts a significant share of the U.S. government's development budget out of the reach of local NGOs, which do not have the capacities to manage large programs. Smaller grants and contracts would open up the market to more organizations and also reduce fiscal risk.

› Simplify the application process for U.S. government grants and contracts: Save the Children estimates that an average U.S. government grant or cooperative agreement application takes two full-time staff up to 30 days to complete, with other program and finance staff contributing further time. Proposals often run to more than 60 pages and require minute detail on all aspects of the organization and proposed project. These requirements are the same whether for a grant of $250,000 or $25 million. To remedy this, a simplified application process for projects beneath $100,000 per year could be introduced as standard; or, increase use of the two-stage process sometimes practiced by USAID and other agencies involving submission of a short concept note followed by a full proposal.

› Make application guidelines more ‘user friendly’: U.S. government agencies’ standard rules and regulations on allowable costs, financial systems, procurement permissions and terrorism certifications, among many others, run to hundreds of pages of dense legal documentation and are written in a way that can leave even the most experienced project managers confused.

› Strongly discourage mechanisms that require pre-financing: By working through contracting mechanisms that require organizations to front project expenses prior to reimbursement, USAID and other agencies restrict their partners to those organizations with large financial reserves. Pre-financing is typically out of the question for local NGOs. Instead, USAID should consider advancing funds to organizations with limited financial resources – even small amounts, such as $5,000, could increase the engagement of local organizations.

› Lift restrictions on the ability of U.S. government agencies to award subgrants: Some U.S. government agencies with international programs, such as the Department of Labor's Child Labor Education Initiative, currently do not have specific authorities under their Congressional appropriations to allow subgrants. This acts as a significant block to funds directly reaching local NGOs, concentrates money in the hands of international organizations, and prevents them from forming partnerships with local organizations.

“Ten years ago we had much more direct contact with USAID. The vision is now different. Now there is more substitution rather than support... Now it’s more likely for USAID to install an American structure with contractors, rather than reinforce Haitian organizations. Before it helped a lot of organizations and promoted self-reliance but the tendency has changed to being more directive.”

– A Haitian civil society organization

Institutionalizing a role for civil society in accountability

The Millennium Challenge Corporation (MCC) sees local and civil society as domestic actors for ownership and accountability. It does not think of NGOs primarily as service providers; rather it institutionalizes an advocacy and accountability role. The MCC’s model includes:

› Engaging local civil society in Compact consultation, making use of national knowledge and establishing early ownership of programs.

› Including representatives of civil society in the country-based MCC Board of Directors.

› Establishing stakeholders’ committees to oversee the implementation of MCC projects, composed of civic and private sector actors, as well as government officials.

› Promoting informal mechanisms for civil society engagement such as making information about the MCC’s activities freely available and easily accessible.
Solution 4: Get creative about how to build better partnerships with local NGOs

If the U.S. government is serious about strengthening the capacities of local NGOs, it must also get serious about trying new ways to increase resources and make partnership more straightforward. Some ideas include:

- Extend initiatives that are specifically designed to increase partnership with local NGOs: Schemes such as PEPFAR’s New Partner’s Initiative (NPI), PMI’s Malaria Communities Program (MCP), and USAID’s Development Grants Program (DGP) are all specifically designed with the goal of increasing the U.S. government’s pool of development partners. These programs set-aside a pot of money for organizations that have not previously worked with the U.S. government and also emphasize strongly capacity building within projects funded.

However, greater efforts could be made to direct this funding to local NGOs. In three rounds of NPI funding, 56 awards were made to 54 new partner organizations. However, the majority of these new partners was based in developed nations and only 43 percent were local NGOs. USAID’s DGP scheme tells a more positive story – in its first year in FY2008, around 60 percent of its grants were awarded to organizations in developing countries.

- Be prepared to invest over the long-term: Providing support to local NGOs over a number of years is vital to build upon progress made and capacities built. Restrictions should be lifted on facilities often used by local NGOs (such as USAID’s Small Grant awards) that prevent grants from being amended to add either additional funds or longer durations. As standard, USAID and other U.S. government agencies should aim to commit funding to local NGOs for no less than five years, based upon positive annual performance reviews.

- Emphasize models of partnership that include the handover of responsibility to local NGOs: For example, PEPFAR partners working on Track I treatment projects are required to transition the implementation of programs to local partners by the end of PEPFAR Phase II in 2013. Moreover, the U.S. government agencies responsible for implementing PEPFAR are also annually required to review the performance of their international NGO partners in strengthening local partners. This must be done in a way that acknowledges the limited capacities of local NGOs in many countries.

References
6 Information provided by USAID’s Private and Voluntary Cooperation Division.

USAID’s successes with local civil society

USAID has had some notable successes in working with local organizations. Save the Children’s research in Malawi discovered two examples of USAID’s particularly successful support to the creation of sustainable networks of local NGOs.

Starting in 1995, USAID funded an international NGO to support smallholder farmers in Malawi. By 1998, the agribusiness associations set up through the project had banded together to form the National Smallholder Farmers’ Association of Malawi (NASFAM).

Today, NASFAM has more than 100,000 members. Among its services, it organizes transportation of produce to markets for its members and links them to badly needed credit and fertilizer markets. NASFAM products have also gained a foothold in international fair-trade distribution channels.

In 1999, USAID and four international NGOs established the Umoyo Network to provide technical assistance and subgrants to 15 Malawian NGOs, allowing them to build capacity and scale-up HIV-related services.

USAID funding helped to strengthen the NGOs’ governance structures, increase their ability to respond to donors, and become better able to engage with and influence policies related to the rights of people living with HIV/AIDS.

Today, many of the NGOs supported by the Umoyo Network are continuing their work. In particular, one partner - the National Association of People living with HIV/AIDS in Malawi (NAPHAM) - now has more than 20,000 members and is a highly influential voice in HIV/AIDS policy in Malawi.

About the research

With support from the Hewlett Foundation, Save the Children has been carrying out a research and advocacy program to improve the effectiveness of U.S. foreign assistance programs.

The research contained in this briefing paper draws upon information gathered during a series of research trips to countries in Africa, Asia, the Middle East and Latin America, and research interviews with key stakeholders in Washington, DC.

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