

# UNITED STATES OF AMERICA CASE STUDY: US CSOs AND RELATIONSHIPS WITH THE US GOVERNMENT IN DEVELOPMENT COOPERATION

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## 1. AN OVERVIEW OF THE CSO ENVIRONMENT IN THE USA

### 1.1 NUMBERS AND TYPES OF CSOs

The term normally used to refer to a US civil society organization (CSO) or non-governmental organization (NGO) involved in international development or humanitarian assistance is Private Voluntary Organization (PVO). This paper will use the term 'CSO' except when describing PVO registration with the United States Agency for International Development (USAID). The definition of a PVO, according to USAID, is "a tax-exempt, nonprofit organization that solicits and receives cash contributions from the general public and conducts or anticipates conducting international program activities that are consistent with U. S. Foreign Policy objectives". The term 'PVO' is important because USAID, on its website, currently includes for-profit organizations within the definition of 'NGO'. The full USAID list of CSOs includes: US, local (indigenous) and international PVOs; cooperatives; US, local (indigenous) and international not-for-profit organizations; US, local (indigenous) and international for-profit organizations; private and public foundations; and private educational institutions.

US PVOs register with USAID so that they can be eligible to compete for certain types of funding, such



as development and humanitarian assistance grants and cooperative agreements. Through registration, USAID is able to:

- identify PVOs that engage in, or intend to engage in, voluntary foreign aid operations;
- determine whether PVOs meet certain general operating guidelines and accountability standards; and
- approve registration of those PVOs eligible to apply for USAID assistance.<sup>1</sup>

As of 1 April 2012, organizations registered with USAID included 579 US PVOs, 95 international PVOs (from countries other than the USA) and six US cooperative development organizations (CDOs) that work expressly with US cooperatives and cooperative development organizations.<sup>2</sup> The US PVOs range in size from tiny organizations such as Agape Samaritan International — with total revenue of slightly over \$28,000 and expenses of \$12,924 — to World Vision, with total revenue and expenses of over \$1 billion.<sup>3</sup> PVOs registered with USAID work in all sectors of development including education, health, agriculture, democracy and governance activities, economic development, women’s empowerment, civil society strengthening and the environment. They include organizations that work in only one sector or country, some in only one region, and others that work in many or all sectors all over the world. PVOs include secular organizations and faith-based organizations (FBOs) of all sizes and religious orientation. FBOs comprise 22 percent of the members of InterAction, the national platform of US CSOs working in international development and humanitarian assistance (see below for more information on InterAction, and Annex 1 for more information on InterAction membership).

Although FBOs may proselytize, they are not allowed to use US government funds for such purposes. The choice of where they work may be influenced by their desire to proselytize.

US CSOs have several sources of funds. These include donations from private US citizens, US government agencies, foundations and corporations. According to USAID, "During fiscal year 2010, US PVOs registered with USAID received \$20.9 billion in support from non-US government and private sources, over six times the \$3.3 billion that USAID channeled to USAID-registered PVOs. Other U. S. Government agencies and international organizations provided an additional \$3.5 billion, bringing the total private and public support and revenue for registered US PVOs to \$27.8 billion."<sup>4</sup>

In addition to grants, cooperative agreements and contracts for development and humanitarian assistance projects and programmes, USAID provides US PVOs with Public Law (P.L.) 480 Donated Food Aid, P.L. 480 Freight assistance for shipping the food, and Sec. 123 Ocean Freight assistance. While USAID is the largest government funder of US PVOs, a total of 22 US government agencies now provide funding for development and/or humanitarian assistance. Among the other US government agencies that provide the most funding to US PVOs are the Department of State, the Department of Health and Human Services, and the Department of Labor.

The amount of US government funding as a proportion of PVO budgets varies widely. The largest US CSOs, especially those that are part of international CSO confederations (including CARE, Save the Children, World Vision, Oxfam) raise significant amounts of money from private individuals and also raise

money from other governments, foundations and corporations. While they receive large amounts of money from the US government, the total funding from other sources is often equal to the total or higher. For example, World Vision's total annual budget for fiscal year 2011 was slightly over \$1 billion. Of that budget, money raised from private contributions, other private sources and in-kind contributions amounted to over \$891 million, whereas funding from US government sources was approximately \$164 million. Save the Children's annual budget in fiscal year 2011 was slightly under \$560 million. Approximately \$300 million of that came from individual contributions, other private sources and in-kind contributions, whereas US government funding equalled approximately \$250 million.

At the other end of the spectrum, there are very large US CSOs that rely heavily on US government funds. For example, International Relief and Development (IRD) had a total FY 2011 budget of just over \$720 million. US government funding amounted to approximately \$582 million of that total, whereas private funds were approximately \$15 million, with somewhat over \$120 million in in-kind contributions. Management Sciences for Health had a total FY 2011 budget of approximately \$268 million. Of that, \$217 million came from US government sources and only \$51 million from private sources.

Among medium-sized and smaller US CSOs, the range of US government funding versus other sources varies widely. Figures for each US PVO that is registered with USAID can be found in the Report of Voluntary Agencies.<sup>5</sup>

InterAction is the national platform of US CSOs working in international development and humanitarian

assistance and has 195 members.<sup>6</sup> In 2009, members of InterAction raised \$8.3 billion from private sources of funding.<sup>7</sup> In 2006, an internal InterAction survey identified 800 corporate partners that either funded development efforts of members or were partners in joint endeavours.<sup>8</sup>

The vast majority of InterAction's members carry out development programmes in developing countries.<sup>9</sup> They work in one or more of the sectors mentioned above. Some US CSOs provide assistance to refugees, either to internally displaced people, those in countries of first asylum or for resettlement in the USA. A few undertake only public and media education and advocacy in the USA, such as Bread for the World and the One Campaign.<sup>10</sup> A small number work in the areas of democracy and governance. The International Center for Not-for-Profit Law (ICNL), for example, works to promote an enabling environment for CSOs in countries around the world.<sup>11</sup> The International Foundation for Electoral Systems provides "technical assistance and field-based research to the electoral cycle worldwide to enhance citizen participation and to strengthen civil society governance and transparency."<sup>12</sup>

Approximately 70 — or slightly more than one third of InterAction's members — carry out humanitarian assistance. The vast majority of these organizations do both humanitarian and development work. Very few organizations provide only humanitarian assistance. Of the 70 that carry out humanitarian assistance, only 10–20 of them have significant capacity in this area. These include well-known CSOs such as CARE, Oxfam America, Red Cross, Save the Children and World Vision, which are members of international confederations or affiliations.

## 1.2 MODALITIES OF CSO INVOLVEMENT IN DEVELOPMENT AND HUMANITARIAN ASSISTANCE

**Development programmes:** For CSOs that work in development activities in developing countries, the majority carry out service delivery either directly or through local CSO partners. Many provide varying degrees of capacity strengthening assistance to either personnel of their field offices or partner local CSOs. Some also carry out advocacy to national governments in sectoral areas such as health or education. Many well-established US CSOs are members of international CSO confederations such as CARE, Oxfam, Plan International and World Vision.<sup>13</sup> Most of these CSOs work through field offices in developing countries. In some instances, these field offices have become national CSOs registered with their governments and with Boards of Directors chosen in the particular country. However, they are not exactly independent local CSOs but belong to the international family of the particular organization. Other CSOs work with independent local CSOs in partnerships. However, the term ‘partnership’ can mean different things. As just described, some US CSOs, such as CARE or World Vision, work with indigenized CARE or World Vision organizations in developing countries that are referred to as partners. In many instances, other US CSOs work through sub-grants or subcontracts with local CSOs and call these partnerships. A few US CSOs such as Lutheran World Relief<sup>14</sup> and Oxfam America work with independent local CSOs in arrangements where power and decision-making authority are shared, and where the local CSO receives grants from the US CSO. With USAID now channelling more funding directly to local CSOs, we may see local CSOs sub-granting or subcontracting activities to US CSOs.

**Humanitarian assistance:** For CSOs that work in the humanitarian field, the vast majority provide service delivery assistance directly in developing countries. Where these CSOs talk of partnership, in almost all cases, what is meant is that the US CSO in the particular country has become indigenized but remains a part of the US CSO and is not an independent organization (as described above for development CSOs). Only one US organization, Oxfam America, has made efforts to create real partnerships with independent local organizations. However, in large emergencies, Oxfam America usually enters a country through Oxfam International. Oxfam Great Britain, for example, functions very traditionally in providing assistance: it works directly in the country and not through pre-existing independent local organizations.

When operating with US government funds, the US CSO is obliged to pass on to local CSO partners all the administrative and reporting requirements that the US CSO, itself, has been given through the governmental funding arrangement.

In certain circumstances, US CSOs work in consortia with other CSOs and sometimes with consulting firms and universities. This is especially true in projects funded through the President's Emergency Program for AIDS Relief (PEPFAR), which has provided very significant quantities of money to both CSOs and consulting firms over the past several years.

### 1.3 CSO COLLABORATION IN THE USA

There are several networks through which US CSOs share information, collaborate, coordinate and advocate to government agencies in support of development and humanitarian assistance goals and issues. The main networks involved in advocacy

are InterAction, the Modernizing Foreign Assistance Network (MFAN), and the US Global Leadership Campaign (USGLC). Other sector-based coalitions (such as the Basic Education Coalition) work to advocate for more funding and good policies for the particular sector. The CORE Group works to promote more effective action on preventable deaths of mothers and children. InsideNGO works to improve the management and operational performance of CSO staff and occasionally advocates to government in regard to proposed regulations.

InterAction is the 28-year-old US CSO platform comprising 195 members that work in any or all of the following: development and/or humanitarian assistance, democracy and governance activities, public and media education, and advocacy. InterAction provides a variety of services to its members, works with them to improve their operational practice, carries out advocacy with them to the US government and international organizations (UN agencies, World Bank) and participates in global CSO advocacy through avenues such as BetterAid and Open Forum. For example, in the run-up to the Busan 4th High Level Forum on Aid Effectiveness, InterAction and about 15 of its members carried out policy dialogue on a number of key issues with the US government through a series of round tables. However, in recent years, regular policy dialogue between US CSOs and US government agencies, especially USAID (the lead US government agency in development) has been sorely lacking.

MFAN<sup>15</sup> is a “reform coalition of international development and foreign policy practitioners, policy advocates and experts, concerned citizens and private sector organizations”. Created several years ago, it is working in a bipartisan way to promote the US government as a leader in poverty reduction



and economic growth and to help it work in a more effective, efficient and transparent way.

USGLC<sup>16</sup> is a “broad-based influential network of 400 businesses and CSOs, national security and foreign policy experts and businesses, faith-based, academic and community leaders in all 50 states who support a smart power approach of elevating diplomacy and development alongside defense in order to build a better, safer world”. It was created in 1995 and works around the USA to inform and educate Americans to promote advocacy for a robust US government International Affairs Budget (commonly called ‘the 150 account’).

The Basic Education Coalition<sup>17</sup> is an independent, non-profit advocacy organization comprised of 19 members that works to ensure that all children have access to a quality basic education. (A few of its members are profit-making consulting firms.)

The CORE Group,<sup>18</sup> founded in 1997, now has over 50 members and works to “provide resources and links for child survival, integrated management of childhood illness, malaria, polio and resources for the PVO and CSO community”.

InsideNGO<sup>19</sup> groups 270 member organizations in a “collaborative community that strengthens operational and management capacity of the international development and relief non-profit community in pursuit of global development”. While most of its members are non-profit, a small number of profit-making consulting firms and universities also belong to this network. Local CSOs in developing countries can join if they are registered in their country and have been in operation for two years.

InsideNGO holds approximately 80 workshops per year around the world to assist organizational personnel in a wide variety of topics related to management and operations. It also advises members regarding US government rules and regulations related to funding for international development and relief. Occasionally, it advocates to the US government regarding regulations, particularly when such regulations are being written or revised.

For CSOs providing humanitarian assistance, coordination and collaboration are carried out largely through InterAction. This involves sharing information regarding specific emergencies in particular countries, coordination and efforts to improve operations. Global collaboration regarding policy and practice is done through international entities such as the Inter-Agency Standing Committee,<sup>20</sup> a 20-year-old inter-agency forum comprised of key UN agencies. It is housed at the UN Office of Humanitarian Affairs (OCHA) and managed by OCHA's Emergency Relief Coordinator. Three CSO coalitions — InterAction, the International Council of Voluntary Agencies (ICVA)<sup>21</sup> and the Steering Committee for Humanitarian Response — and the International Committee of the Red Cross are members. ICVA is an international coalition comprised of 75 members, created in 1962 and headquartered in Geneva, Switzerland. The Steering Committee is comprised of the largest international CSOs such as CARE and Oxfam, and includes the Red Cross. There is also a new Gates Foundation network of six to seven CSOs that is focusing on capacity strengthening.

At InterAction, training is carried out in several areas. In the humanitarian assistance area, training programmes on various topics are conducted periodically, including security management, protection, and gender-based violence. In the area of evaluation for development

programmes, webinars are conducted periodically, and workshops on impact evaluation are forthcoming. A workshop on how to conduct advocacy is carried out at least once a year.

In the past, when InterAction received funding from USAID in substantive development areas, training was held regularly on specific development topics or cross-cutting issues. For example, when InterAction's Commission on the Advancement of Women (CAW) was being funded by USAID, training was done regularly on gender audits and how to incorporate work on gender equality into CSOs. Substantial work to encourage and assist the creation of partnerships between US and local CSOs was carried out during a 10-year period in the 1990s.

#### 1.4 CSO ACCOUNTABILITY AND QUALITY STANDARDS

**The PVO standards:** These are a set of ethical guidelines — a code of conduct — designed to ensure accountability and transparency in fundraising, financial management, governance and programme performance. Developed in 1990, these standards are a requirement of InterAction membership, and members self-certify compliance every other year.

Since 2010, InterAction has been developing an NGO Aid Map that is an interactive tool that showcases work of members in food security around the world, humanitarian assistance in Haiti since the earthquake of January 2010, and work in the Horn of Africa. Expansion of this tool continues currently. Included in the map are specific areas of countries where members work, including their activities, funding levels and partners.

**Humanitarian assistance standards:** For CSOs working in humanitarian assistance, the Sphere Project is a well-known international body that has developed operational standards. InterAction, ICVA and major federated CSOs such as CARE and Oxfam are on its Board of Directors. Sphere works exclusively to improve the operational standards of CSOs in humanitarian assistance. As for evaluation and accountability, the Humanitarian Accountability Project works primarily to ensure accountability to beneficiaries of humanitarian assistance. Its creation derives from the failure during the Rwandan genocide and its aftermath to prevent infiltration of refugee camps in the Eastern Congo by Hutu extremists who had fled Rwanda and were intent on continuing to kill Tutsis. It aims to generally operationalize the principle of ‘do no harm’.

**Monitoring and evaluation:** Most well-established US CSOs (such as those that are members of InterAction) now have monitoring and evaluation units that track progress on development and humanitarian assistance programmes. Some monitoring and evaluation units are a part of a larger department or division in a CSO that oversees programme quality and support and/or also develops lessons learned and best practices. In a 2008 InterAction research project carried out in five countries (Ghana, Honduras, Kenya, Nepal and Viet Nam) with over 200 in-country interviews, almost 100 percent of US and local CSOs reported having a monitoring and evaluation system in use (91 percent of US CSOs, 100 percent of local CSO partners, and 94 percent of local CSOs with direct USAID funds).<sup>22</sup>

USAID’s new evaluation policy now requires monitoring for all USAID-funded programmes and projects, whether funded as cooperative agreements (assistance) or contracts (acquisition). (See Section 3.4 for an explanation of these terms.) For cooperative

agreements, once an award is made, the recipient is expected to provide USAID with a monitoring framework that indicates a timeline of when results promised in the proposal will be achieved. Generally, monitoring reports are submitted on an annual basis. When recipient CSOs carry out evaluations in cooperative agreements, USAID must approve the evaluator selected by the CSO for the assignment. Any projects that are considered to have 'above average' funding (according to a USAID definition) are now subject to an external end-of-project evaluation. 'External', in this instance, means that an organization or group that is independent of the CSO being evaluated would do the evaluation. Only 10 percent of these evaluations would be impact evaluations.

## 2. AN OVERVIEW OF THE DIFFERENT OPERATIONAL STRUCTURES FOR CSOs

### 2.1 CSO GOVERNANCE

**CSO governance mechanisms:** To obtain non-profit status in the USA, organizations must be registered under the category of 501(c)(3) of the US Internal Revenue Service tax code. In most instances — and always for InterAction members and CSOs receiving US government funding — CSOs have an independent volunteer Board of Directors as its governing body. The CSO also has internal accounting and, sometimes, programmatic accountability mechanisms. InterAction's PVO Standards has sections on all aspects of CSO organizational work (management, fundraising, programmes) to which all members adhere.

**Modalities for decision-making:** Several factors determine US CSO decision-making on priorities for programmatic work. The mission of some CSOs

determines that they work in one or more sectors. Other larger CSOs work in many or all development sectors and often in humanitarian assistance as well. It is the norm for well-established CSOs to have a strategic plan that determines the sectors and emphasis within the sectors on which the organization will work. The ambitions included in a strategic plan must be tempered by availability of funding. In the 2008 InterAction research study in five countries (referred to above), 82 percent of US CSOs and 70 percent of local CSOs had country strategies. Seventy-five percent of the US CSOs and 71 percent of the local CSOs with direct USAID funding had sector strategies.<sup>23</sup>

US CSOs that receive US government funding seek assistance for the sectors in which they work. Sometimes, the availability of government funding means that an organization will work more in a particular sectoral area or will take up activities in new areas. The availability of substantial sums of money through the PEPFAR programme beginning in 2003 meant that many new — often small and often faith-based — organizations sought this money. Some began working in developing countries for the first time. Some more well-established CSOs entered into consortia with other CSOs and, in some instances, with for-profit consulting firms and universities to meet requirements in requests for proposals for PEPFAR money.

Sometimes, the US government is responsive to overtures by one or more CSOs to put more emphasis on a particular development problem. For example, Save the Children has been concerned about the negative effects of poor nutrition on babies and young children, and proposed to the US government that it focus more attention on this issue. As a result, former Secretary of State Hillary Rodham Clinton launched the

1000 Days Project, through which increased resources were made available, and educational efforts were increased to call attention to this issue.

Many US CSOs currently report that the trend in USAID funding is more towards cooperative agreements and contracts through which the US government can have more and more control over the specific project. When USAID (the vehicle through which US CSOs compete for awards of cooperative agreements) issues a Request for Application (RFA), the specific sector has already been chosen and the overall framework of the project has already been designed. This limits the flexibility US CSOs have in how they carry out their projects. When US CSOs bid on USAID-funded contracts (issued through a Request for Proposal), there is very little flexibility in the way the CSO may carry out the project. Because it is a contract, the CSO is simply carrying out work for the government and has no ability to alter the project design. Because of these restrictions, US CSOs use unrestricted money that they have raised from private citizens and, sometimes, foundation funding (if it does not have constraints) to carry out their independent programming.

## 2.2 OVERVIEW OF STAFFING

**Staffing:** Most well-established US CSOs have executive staff (a Chief Executive Officer and other senior managers), programmatic staff to oversee programmes in developing countries, financial and administrative staff to handle the organization's finances and day-to-day operations, sometimes specialized fundraising staff (if the organization is large enough to afford this) and, for those CSOs that can afford it, advocacy and communications staff to educate Americans and the media about development and humanitarian issues and to advocate to the US

government for appropriate policies and funding. As mentioned earlier, most well-established CSOs now have monitoring and evaluation units, and some focus attention on lessons learned and best practices.

**Branding:** An issue that has become quite important during the past 15 years or more is 'branding'. The largest US CSOs, especially those that are part of international CSO confederations (CARE, World Vision etc.) have developed an organizational 'brand' that is designed to be used in marketing the organization — for funding from government, foundations, corporations and individuals, as well as for publicity about their work. Each wants its brand to be highly visible. The brand appears on all written materials, vehicles, equipment of various kinds, at training and other events held, and in other instances as well. When an organization receives US government funding, the US government's brand (for example, the USAID handshake) must appear on all vehicles, equipment, materials etc. that are part of the funded project. Therefore, there will be at least two brands on anything. US government branding can sometimes be dangerous for CSOs in conflict areas such as Afghanistan and Iraq where CSOs may be mistaken for US government personnel.

While branding can be a problem that impedes coordination for CSOs in development programmes, it is a very significant problem for CSOs working in humanitarian assistance and impedes genuine collaboration in emergency circumstances when such collaboration is badly needed.

### 2.3 ESTIMATES OF NUMBERS OF VOLUNTEERS

In terms of volunteer assistance, this varies according to particular programmes and the kinds of CSOs involved. For example, faith-based organizations rely



heavily on volunteers through churches, synagogues and mosques to carry out education and advocacy toward the US government. Secular CSOs also rely on volunteers for advocacy toward the US government (such as letter writing, or visits to congressional offices in support of a policy or funding level). In developing countries, secular CSOs normally do not rely on volunteers, but local religious organizations often use volunteers to work in programmes. Of course, communities organize to provide self-help in many, if not most, development programmes.

There are virtually no volunteers involved in humanitarian assistance programmes other than local communities who are providing self-help. CSOs engaged in humanitarian assistance are very focused on carrying out professional assistance and do not rely on volunteers. The only instances where there may be volunteers in any sizeable quantity are in situations such as the period following the earthquake in Haiti when individual Churches and other organizations arranged to send volunteers to the country to assist. Following the tsunami in Indonesia, there were also large numbers of volunteers, but the majority came from Singapore, Japan and other Asian countries rather than from the USA.

## 2.4 NATURE OF STAFFING ROLES

For CSOs working in development and humanitarian assistance, the vast majority of staff members working in countries — 90–95 percent — are nationals of the particular country. Only the managers and directors are expatriates. What is changing over time is that increasing numbers of expatriate managers now come from other countries of the global South, such as Asians working in African countries and vice versa, nationals of a region managing a country programme in that

region but usually not in their own countries, rather than only coming from the global North. For some US CSO country programmes that have very large amounts of US government funding and/or intense security concerns, such as in Afghanistan and Pakistan, the director or manager is an American citizen.

As mentioned earlier, more CSOs now have monitoring and evaluation units and focus more attention on learning. Various CSOs, especially the largest and best-funded, produce handbooks on how to carry out work in particular areas based on information learned from the CSO's experience in the sector over time. Many US CSOs, however, do not seem to have readily available documentation of the overall impact of their services on poverty reduction and the well-being of those they serve. They can provide statistics for particular programmes in particular countries or regions of countries, but evidence of overall impact from their work is often not readily available.

### **3. THE RELATIONSHIPS BETWEEN CSOs AND THE US GOVERNMENT**

#### **3.1 OVERALL LEGAL/REGULATORY FRAMEWORK**

As noted in Section 2.1, US CSOs, whether working in development or humanitarian assistance, must abide by Internal Revenue Service regulations governing the conduct of non-profit organizations (designated as 501(c)(3) under the tax code). They must also abide by a variety of US government regulations put forward by the Office of Management and Budget. These include OMB Circular A-122, Cost Principles for Nonprofit Organizations, OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations (the government compliance audit for federal recipients) and accounting industry standards issued through

the American Institute of CPAs.<sup>24</sup> As can be seen from a review of the ADS Chapter 303 referred to in the footnote, requirements are very particular and can be confusing. Any CSO that wants to apply for USAID funding must be prepared to invest time and resources in learning about the regulations and staying abreast of them, since they are amended from time to time.

### 3.2 US GOVERNMENT FUNDING MODALITIES FOR CSOs

There are three basic modalities used by USAID to provide funding to US CSOs. (Of US government agencies, USAID tends to have more burdensome requirements than others, so their modalities will be put forward here). These are grants and cooperative agreements in the 'assistance' category and contracts in the 'acquisition' category.

**Grants:** A grant is the modality that has the fewest requirements for a CSO and can only be awarded to a non-profit organization. A grant also gives a CSO the greatest flexibility in carrying out a project or programme of its own design. In the past, USAID awarded grants to CSOs that submitted 'unsolicited proposals' for particular projects. This meant that a CSO submitted a proposal without a published invitation, or Request for Application (RFA), from USAID for a project designed solely by the CSO. Such grants are now given in extremely rare instances, if at all. Currently, a small number of grants are awarded to both US and local CSOs through the RFA process. This means that USAID publishes an RFA to which CSOs are invited to respond with their proposals. According to the ADS Chapter 303, grants or cooperative agreements are awarded "when the principal purpose of the transaction is to accomplish a public purpose of support or stimulation as authorized by the Foreign Assistance Act of 1961, as amended (FAA)".<sup>25</sup>

**Fixed Obligation Grants (FOG):** These grants are currently given through the Development Grants Program of the Local Sustainability Program in the Office of Innovation and Development Alliances (IDEA), and possibly through other USAID programmes. As described in the ADS 303, a FOG can be awarded under the following circumstances:

“When USAID awards a grant to support a program with very specific elements, the FOG format allows performance without monitoring the actual costs incurred by the recipient. The FOG is appropriate for supporting specific projects when the Authorizing Officer is confident that a reasonable estimate of the actual cost of the overall effort can be established and USAID can define accomplishment of the purpose of the grant through defined milestones. For US CSOs, the total amount of the FOG must not exceed \$150,000. For Non-US CSOs, the total value for each year of the FOG must not exceed \$500,000. For both US and Non-US CSO recipients, the duration of the FOG must not exceed three years.”<sup>26</sup>

According to USAID, these milestones are not intended to add bureaucratic requirements to a grant but, rather, to incorporate rigour and a regular monitoring of activities. Milestones could include such things as a product, the completion of an implementation plan for the project, or recruitment and training of staff.

**Cooperative Agreements (CAs):** These fall within the ‘assistance’ category of USAID funding modalities. USAID began using CAs for funding CSOs, rather than just using grants, in the early 1990s and still uses them today. While these CAs are awarded to CSOs to carry out programmes and projects designed by USAID, CSOs have some limited latitude to adjust the projects based on actual circumstances as they implement the project.

These CAs give USAID more control in the funded project than in grants. The phrase used to describe this control is ‘substantial involvement’. InterAction and its members spent several months in the mid-1990s negotiating with USAID regarding the scope of these requirements so as to limit them and not to hamper CSOs in the implementation of the projects. Two of the three ‘substantial involvement’ requirements agreed on then — that still stand today — are:

- approval of specified key personnel (i.e. the CSO’s project director and senior staff involved in the activities); and
- approval of the recipient’s implementation plan.

The third requirement negotiated in the 1990s was USAID approval of the CSO’s annual monitoring and evaluation plan for the project. This has been replaced by an ‘Agency and Recipient Collaboration or Joint Participation’ plan. This new requirement is broader and still includes approval of the recipient’s monitoring and evaluation plans by USAID.

While these three requirements are supposed to define ‘substantial involvement’ by USAID, additional language in the ADS 303 seems to encourage USAID staff to become even more engaged:

“When the recipient’s successful accomplishment of program objectives would benefit from USAID’s technical knowledge, the AO [authorizing officer] may authorize the collaboration or joint participation of USAID and the recipient on the program. There should be sufficient reason for Agency involvement and the involvement should be specifically tailored to support identified elements in the program description.”<sup>27</sup>

As a result, USAID personnel overseeing the CAs in field missions often play a much larger role in tracking the implementation of the CA, requesting information and overseeing activities. Because many personnel in field missions are newly hired under USAID's commitment to rebuild its level of staff, they do not have the experience or knowledge necessary to provide proper and limited oversight for these CAs. Some CSO personnel have commented that they often find themselves informing these new USAID staff of USAID's own regulations and attempting to limit otherwise burdensome involvement by USAID.

US CSOs are not required to register as PVOs with USAID to be eligible for most CA awards. Moreover, for-profit consulting firms are eligible to receive CAs provided that they take no fee.

**Leader with associate:** This modality falls within the 'assistance' category. It is awarded based on an RFA for a particular worldwide activity. Once the award is made, USAID missions or other offices can award separate grants to the Leader Award recipient without further competition. Awards by missions would be for local or regional activities that fit within the terms and scope of the Leader Award.

**Contracts:** These funding modalities are in the 'acquisition' category, meaning that a contract is buying services of a recipient organization to carry out work for the government. Whereas grants and CAs have varying degrees of flexibility as to how the particular project can be implemented, a Request for Proposals (RFP) — USAID's method for requesting proposals from potential recipients — seeks organizations to carry out projects that are already designed and are expected to be implemented according to the government's wishes.

Contracts are available to both for-profit and non-profit organizations. However, because of the sometimes high cost of preparing a proposal, as well as a cost-reimbursement arrangement for paying recipients for their expenditures in the project (rather than providing advance funds to use for expenses with subsequent accounting for the money), many CSOs cannot afford to bid on contracts. Others choose not to, at least partly for philosophical reasons: CSOs do not want to be implementers of government programmes but, rather, partners of the government in programmes jointly designed and carried out.

The modalities described above are used for both US and local CSOs. The same modalities (grants, CAs and contracts) are used for CSOs involved in either development or humanitarian assistance projects. In certain circumstances, a recipient CSO is required to share the costs of a project. For example, InterAction has several CAs from USAID's Office of Foreign Disaster Assistance (OFDA), and in each of these InterAction is required to pay 25 percent of each staff person's salary from its own core budget, with OFDA covering the other 75 percent.

**Evolution of funding arrangements:** From the 1970s well into the 1990s, USAID provided grants to US CSOs for programmes designed and carried out by the CSO itself. In the 1970s, USAID provided Development Program Grants (DPGs) that functioned largely as core support and were intended to develop the administrative and programmatic capacity of US CSOs. US CSOs that are now very well established but had just been founded (such as Africare, Technoserve, among others) were the recipients of these DPGs.

In the 1980s and 1990s, through its office of Private and Voluntary Cooperation (PVC), USAID provided

specialized funding in the areas of child survival and microenterprise to US CSOs to build their capacity to provide service delivery assistance in developing countries. The PVC office also provided matching grants to US CSOs through which these organizations could carry out experimental work in several countries.

In the early 1980s, PVC provided a series of matching grants through which US CSOs specifically developed the institutional capacity of local CSO partners. USAID/PVC prepared a synthesis report on 12–15 of these grants to show the major lessons learned by CSOs in how they succeeded (or did not) in developing the institutional capacity of local CSO partners. In these years, the PVC office was quite sizeable. It served as an internal ombudsman for CSO issues as well as a sizeable budget to provide grants to US CSOs. The PVC office was reduced significantly between 2000 and 2010 and has now evolved into part of IDEA.

**Core and non-core funding:** Currently, the vast majority of USAID funding that is provided to US CSOs is for sectors chosen by USAID and for donor-developed priorities and projects. This is true whether the modality is a grant, CA or contract. Donor support for CSO-generated programming has ended almost entirely. There is no core support provided to any US CSO.

Within this context of no core support for US CSOs, some funding under the Development Grants Program of the Local Sustainability Program in IDEA is available for capacity strengthening in basic areas of operation, such as monitoring and evaluation or other aspects of organizational development. Funding from this programme is restricted to US CSOs that have not received more than \$5 million worth of USAID funds in the past (as a way of encouraging US



CSOs that have not been very engaged with USAID to become more involved in their programmes) and to local CSOs in many countries. There is an annual RFA issued that contains specific guidance from different USAID missions regarding the sectors involved in the particular country. Proposals made by CSOs are submitted directly to missions. In the proposal, CSOs decide the countries and sectors for which they choose to propose activities.

Within these awards, there is flexibility to be responsive to the needs of grantees. For example, if a local CSO might need assistance with financial administration, the USAID mission might look for assistance by a consultant, university or another organization within the local market of the particular country to respond to this need. Under the programme, three-year grants are awarded up to a maximum of \$2 million. The total funds available for the overall programme are \$40 million. The programme is relatively new and is currently in its fourth year of operation.

### 3.3 GOVERNMENT DECISION-MAKING ON CSO FUNDING

Virtually all awards of funding are made through competitive bidding processes. As mentioned earlier, USAID decides on the countries and sectors prior to the beginning of the competition process.

### 3.4 CSO ADVICE TO THE US GOVERNMENT

Some CSO commentators believe that policy dialogue in recent years between US CSOs and the US government on development issues has been less than satisfactory. USAID has often briefed CSOs on new policies and practices to be put in place. However, consultations that engage CSOs in discussion whereby

their views might be considered for the proposed new policies and/or practices have been infrequent. For instance, in round tables between US CSOs and US government representatives, issues that were to be considered for the Busan 4th High Level Forum on Aid Effectiveness were discussed enthusiastically, but advocacy issues put forward by CSOs regarding USAID's own policies and practices were not well received. Since 2012 InterAction has been engaged with USAID through a CEO Task Force that is discussing the issue of the role of US CSOs vis-à-vis the agency in the post-Busan aid effectiveness era. As a part of this effort, InterAction has produced a paper entitled 'A New Vision for the USAID-US CSO Relationship: Partnering for Effective Development'.

In August 2012 USAID announced a new consultation process involving both international and local CSOs for the Presidential initiative on food security, called 'Feed the Future'. While the initiative has been in place for three years, CSOs believed it did not have a satisfactory consultation process with international and local CSOs regarding its direction. The consultation process has now been launched after an extensive set of meetings between USAID staff and representatives of InterAction member agencies, which involved an iterative development of a set of consultation guidelines with substantial CSO input.

While US CSOs regard the policy dialogue described above on development issues as unsatisfactory, they see the engagement with USAID's OFDA on humanitarian assistance issues as continuous and quite satisfactory.

Individual US CSOs provide advice to US government agencies from which they receive funding, often within the context of a particular project. There is no

way to track to what extent government agencies take this advice and/or incorporate it into future policies and procedures. In certain instances, as noted above in Section 2.1 regarding Save the Children urging more attention to the nutritional well-being of infants and toddlers to the Department of State, CSOs have been successful in convincing the government to pay more attention to a particular issue.

## 4. OVERVIEW OF US CSOs OPERATIONAL RELATIONSHIPS IN DEVELOPING COUNTRIES

### 4.1 RELATIONSHIPS WITH DEVELOPING-COUNTRY CSOs

Regarding the degree and the ways in which US CSOs are operational in host countries, these two issues have been detailed earlier in Section 1.2. To reiterate, US CSOs working in development carry out service delivery work either directly or through local CSO partners in developing countries around the world. Most US CSOs provide some level of capacity strengthening to local CSO partners, with the degree of effort varying depending on resources of the US CSO and the particular project or programme involved. In some instances, US CSOs, together with local CSOs, advocate to national governments regarding sector issues. This advocacy normally derives from experiences CSOs have in operational projects in the country.

Sub-grants or subcontracts are the normal modalities used between a US CSO and a local CSO. In some instances, US and local partners agree on a partnership Memorandum of Understanding, which delineates the particular roles of each partner and the manner in which they will work together in carrying out projects,

conducting advocacy, strengthening each other's capacity and otherwise supporting one another.

Most USAID funding for CSOs has historically gone to US CSOs. In past years, 'umbrella' grants or CAs that have been awarded to US CSOs have provided capacity strengthening sub-grants to local CSOs. Some well-established local CSOs have received USAID direct funding for a number of years. In 2012, as part of its general support of the Busan commitments to aid effectiveness and the use of country systems, USAID promised to increase the percentage of its funds that will be channelled directly to local CSOs and has begun to carry out this mandate.

## **4.2 RELATIONSHIPS WITH HOST-COUNTRY GOVERNMENTS**

For both development and humanitarian assistance, host governments enter into agreements with US CSOs regarding the presence and operations of these CSOs in the country, but there are virtually never funding agreements between the two. The agreements tend to cover such issues as import privileges, the extent to which US CSOs will be expected to pay local taxes, if at all, and other issues related to operations in the country. Some countries require separate agreements for every project. In some development programmes, US CSOs and their local partners work with ministries or local government representatives, sometimes formally but more often informally. For example, CSOs might work with district agriculture officers or with local representatives of a ministry such as health officers and medical personnel running district health clinics. In some instances where CSOs have made excellent connections with local government structures, such arrangements can enhance the effectiveness of the particular programme. In some health programmes,

local non-governmental structures work with governments in carrying out programmes.

Regarding humanitarian assistance, while host governments value the assistance of US CSOs, they also increasingly view them as 'Western' agents bringing in cultural values that the government may not want.



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## INTERVIEWS

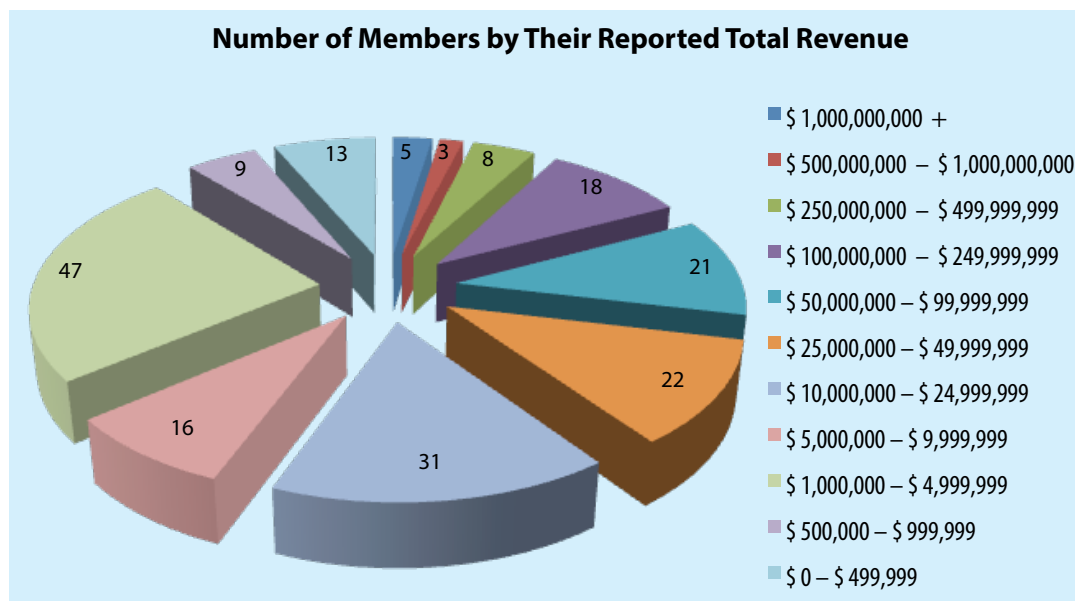
- Nilda Bullain**, Vice President – Operations, International Center for Not-for-Profit Law, 15 August 2012
- Joel Charny**, Vice President for Humanitarian Policy and Practice, InterAction, 30 July 2012
- Paul Miller**, Senior Advisor, Catholic Relief Services, 1 August 2012
- Bonnie Ricci**, Program – Finance, Grants and Contracts, InsideNGO, 25 July 2012
- Jenny Russell**, Director of Development Policy and Advocacy, Aid Effectiveness, Public Policy and Advocacy, Save the Children, 2 August 2012
- Laura Abrahams Schulz**, Division Chief, Local Sustainability Program, Innovation and Development Alliances (IDEA), US Agency for International Development, 13 August 2012
- Hajira Shariff**, Finance Team, Save the Children, input by email on 8 and 10 August 2012

# ANNEX 1

## Selected Information on InterAction Members

### 1 MEMBER REVENUE

Revenue Range	Members
\$ 1,000,000,000 +	5
\$ 500,000,000 – \$ 1,000,000,000	3
\$ 250,000,000 – \$ 499,999,999	8
\$ 100,000,000 – \$ 249,999,999	18
\$ 50,000,000 – \$ 99,999,999	21
\$ 25,000,000 – \$ 49,999,999	22
\$ 10,000,000 – \$ 24,999,999	31
\$ 5,000,000 – \$ 9,999,999	16
\$ 1,000,000 – \$ 4,999,999	47
\$ 500,000 – \$ 999,999	9
\$ 0 – \$ 499,999	13
<b>TOTAL MEMBERS</b>	<b>193</b>

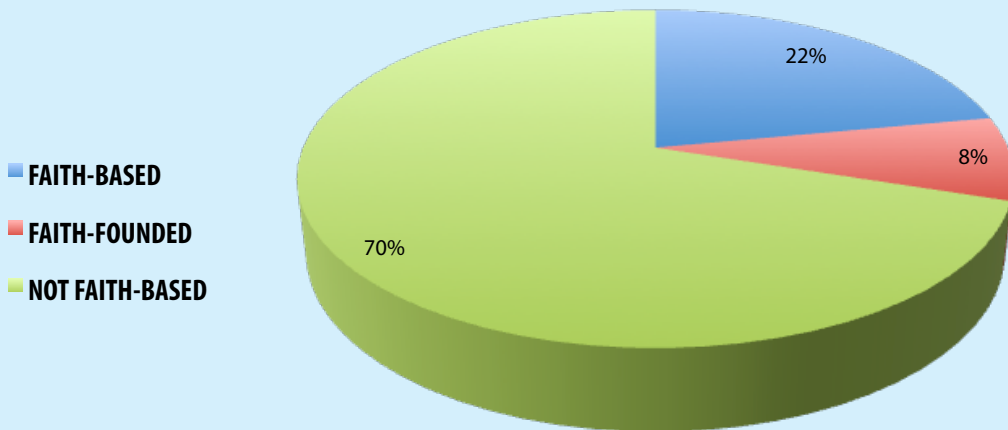




## 2 MEMBERS BY FAITH

Members by Faith	Total	Percentage
FAITH-BASED	42	22%
FAITH-FOUNDED	16	8%
NOT FAITH-BASED	135	70%

InterAction Members by Faith

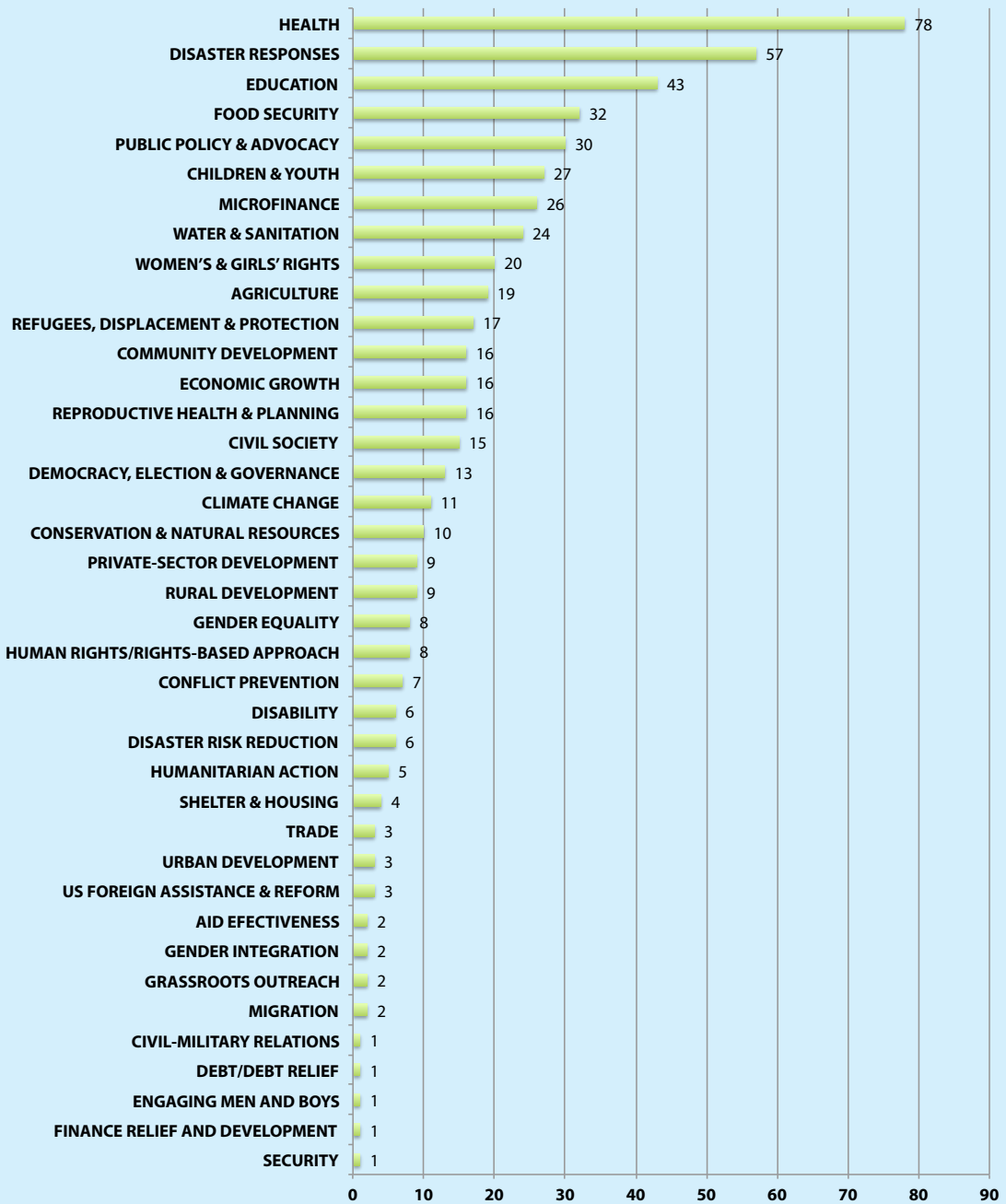


### 3 MEMBERS BY MAIN ISSUES OF FOCUS

(Note: some members focus on more than one issue)

Members by Issues	Total Members
HEALTH	78
DISASTER REPOSSES	57
EDUCATION	43
FOOD SECURITY	32
PUBLIC POLICY AND ADVOCACY	30
CHILDREN AND YOUTH	27
MICROFINANCE	26
WATER AND SANITATION	24
WOMEN'S AND GIRLS' RIGHTS	20
AGRICULTURE	19
REFUGEES, DISPLACEMENT AND PROTECTION	17
COMMUNITY DEVELOPMENT	16
ECONOMIC GROWTH	16
REPRODUCTIVE HEALTH AND PLANNING	16
CIVIL SOCIETY	15
DEMOCRACY, ELECTION AND GOVERNANCE	13
CLIMATE CHANGE	11
CONSERVATION AND NATURAL RESOURCES	10
PRIVATE-SECTOR DEVELOPMENT	9
RURAL DEVELOPMENT	9
GENDER EQUALITY	8
HUMAN RIGHTS/RIGHTS-BASED APPROACH	8
CONFLICT PREVENTION	7
DISABILITY	6
DISASTER RISK REDUCTION	6
HUMANITARIAN ACTION	5
SHELTER AND HOUSING	4
TRADE	3
URBAN DEVELOPMENT	3
US FOREIGN ASSISTANCE AND REFORM	3
AID EFFECTIVENESS	2
GENDER INTEGRATION	2
GRASSROOTS OUTREACH	2
MIGRATION	2
CIVIL-MILITARY RELATIONS	1
DEBT/DEBT RELIEF	1
ENGAGING MEN AND BOYS	1
FINANCE RELIEF AND DEVELOPMENT	1
SECURITY	1

Number of Members by Issues



# ENDNOTES

- 1 USAID, 2013a.
- 2 USAID, 2012: 5.
- 3 USAID, 2012: 136–137 and 164–165. See Annex 1 for further information on revenues for members of InterAction, the national platform of US CSOs working in international development and humanitarian assistance.
- 4 USAID, 2012: 7.
- 5 USAID, 2012.
- 6 See [www.InterAction.org](http://www.InterAction.org)
- 7 Estimate based on research of the top 100 InterAction member CSOs' 990 IRS forms.
- 8 Worthington and Pipa, 2011: 66.
- 9 See Annex 1 for the InterAction members' main areas of focus.
- 10 See [www.bread.org](http://www.bread.org) and [www.one.org](http://www.one.org)
- 11 [www.icnl.org](http://www.icnl.org)
- 12 [www.ifes.org](http://www.ifes.org)
- 13 Websites of these organizations include [www.care.org](http://www.care.org), [www.oxfamamerica.org](http://www.oxfamamerica.org), [www.planusa.org](http://www.planusa.org) and [www.worldvision.org](http://www.worldvision.org)
- 14 [www.lwr.org](http://www.lwr.org)
- 15 [www.modernizeaid.net](http://www.modernizeaid.net)
- 16 [www.usglc.org](http://www.usglc.org)
- 17 [www.basiced.org](http://www.basiced.org)
- 18 [www.coregroup.org](http://www.coregroup.org)
- 19 [www.insideNGO.org](http://www.insideNGO.org)
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- 22 InterAction, 2008: 14.
- 23 InterAction, 2008: 14.
- 24 USAID, 2013b.
- 25 USAID, 2013b: 10.
- 26 USAID, 2013b.
- 27 USAID, 2013b.