

Chapter 1

Summary and Options

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Chapter 1

Summary and Options

SUMMARY

The African Development Foundation (ADF) is a small U.S. development assistance agency faced with a large task: supporting grassroots development in Africa. Congress created ADF in 1980 to “enable the poor to participate in the process of development.” As of 1987, ADF has given grants to organizations in 19 African countries and its FY 88 appropriations were \$7.0 million (figure 1-1).

OTA’S assessment confirmed the validity of the assumptions on which ADF was created and found that most ADF-funded projects were doing reasonably well. While a number of areas for improvement were identified, OTA concluded that the Foundation’s reauthorization is justified, ADF would need additional funding, however, if it is to implement recommended improvements without reducing the funds available for new grants.

Scope and Methods

This report, done at the request of the House Foreign Affairs Committee, its Subcommittee on Africa, and the House Select Committee on Hunger, is intended to assist Congress with decisions about the African Development Foundation’s role in U.S. foreign assistance. Consequently, this is not an evaluation of specific ADF-funded projects. Most of the Foundation’s projects are in early stages of implementation and any final analysis must await their completion. Nor is this the final word on ADF. The Foundation is young and evolving. It has had some successes, and some problems. This report suggests some ways to overcome these problems and thus enable the Foundation to fulfill more effectively the unique role that Congress has designated for it.

This report examines ADF’s overall funding program with a special focus on its agriculture and renewable resources projects and the use

of technology. As Congress requested, it looks at the broad impacts of ADF’s work: the results, replicability, and sustainability of its projects; and how it fosters the participation of Africans in their own social and economic development (figure 1-2).

The assessment began with an analysis of recent evaluations of similar organizations to compare different evaluation methods and identify common problems. In addition, experts in project and program evaluation, grassroots development, and field evaluation methods were interviewed. Project files in ADF’s Washington office were carefully reviewed to provide an overview of the Foundation’s funding program and highlight potential problem areas. Field visits to 12 representative ADF-funded projects (table 1-1) and interviews with African and donor officials in Africa formed the foundation of the report’s findings. Three regional field teams visited 6 countries, spending a total of 285 person-days gathering and analyzing information and suggesting possible improvements that ADF could undertake.

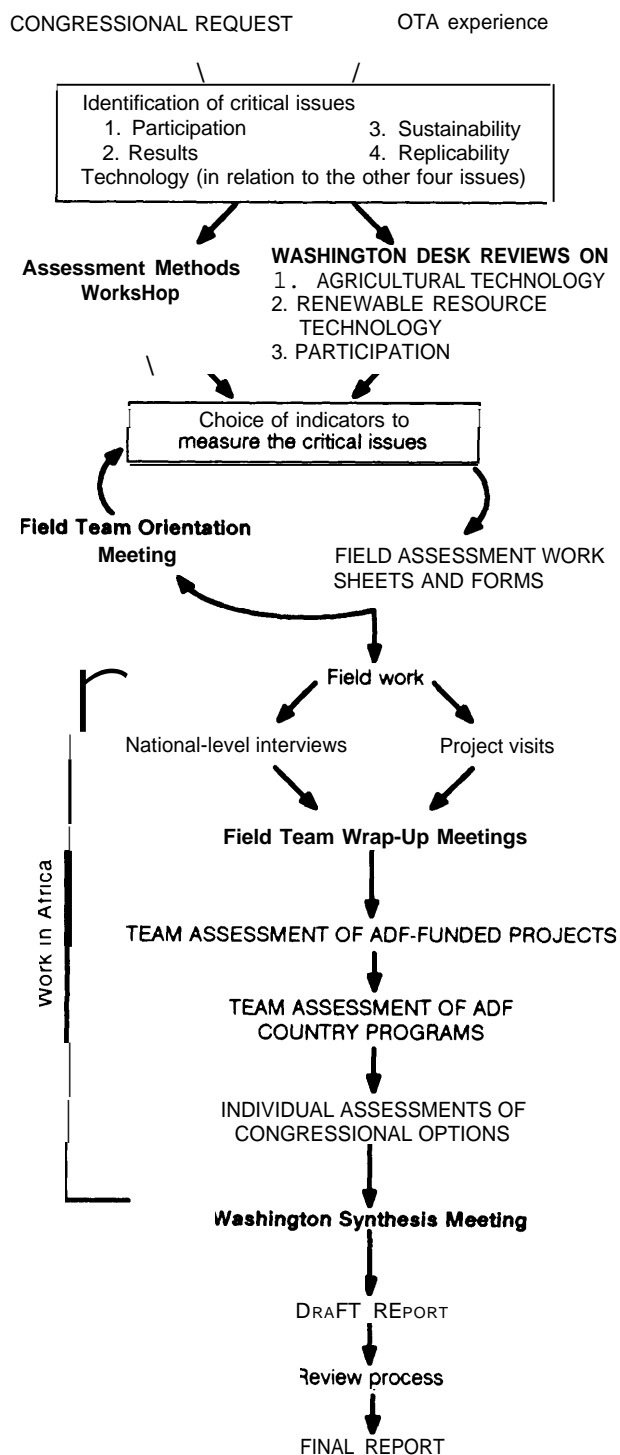
The Foundation cooperated fully with all parts of this work. For example, discussions with ADF staff provided a broad picture of ADF’s activities. Members of the Foundation’s African staff accompanied the OTA field teams on their site visits and assisted with local arrangements. Also, ADF provided substantial review comments while this report was in draft form. At the same time, however, OTA sought to ensure that its results were independent: selection criteria stipulated that no field team members had previous or current contractual relationships with the Foundation; ADF field staff did not participate in most interviews, including meetings with project managers; and the Foundation did not have access to OTA’S field assessment materials or the three teams’ reports.

Figure 1.1.—Countries With ADF.Funded Projects



Map adapted from the African-American Institute, Inc., copyright @ 1984.

Figure 1 -2.—Flow Chart of OTA'S Assessment Methods



KEY: Items printed in capital letters are reports or written materials
Items printed in bold are meetings

SOURCE: Office of Technology Assessment, 1988

ADF Yesterday and Today

The Foundation was established by Congress in 1980 to complement official bilateral and multilateral development assistance programs such as those of the Agency for International Development (AID) and the United Nations. ADF's legislation was modeled on the Inter-American Foundation but its history is quite different. ADF had a difficult start. First, the Administration delayed appointment of ADF's Board of Directors until 1983. This stalled the agency's start-up because ADF's legislation required that the U.S. President appoint a Board to be responsible for the Foundation's management and to select its president. Then, high-level staff resigned in 1984 creating more uncertainty about ADF's program. As a result, Congress asked the General Accounting Office (GAO) to assess ADF's management capacity to implement its mandate. Although GAO raised some difficult issues, its qualified endorsement of ADF's capabilities led Congress to reauthorize ADF for five years beginning in 1985.

In 1984, under the leadership of a new president, the Foundation began to develop its funding program in earnest. Procedures were devised to identify potential grantees, approve grants, and conduct project monitoring and evaluation. Some processes, such as project approval, have changed little since 1984. Others, such as research and evaluation procedures, are being developed further now as the first projects are reaching completion. Certain key activities, such as the responsibilities for project approval, are under continuing ADF review.

ADF's Washington and Africa-based staff grew to 52 full- and part-time employees, contractors, and interns by February 1988. Twenty-five staff members are full-time employees, within the Office of Management and Budget's 27 full-time employee limit. Virtually all funding decisions are made in Washington, e.g., screening, reviewing, and approving project proposals. The addition of ADF's African staff (4 regional officers and 14 part-time country resource facilitators) is recent, however, and may alter this high degree of centralization.

ADF has awarded grants to 114 projects in 19 countries in Africa totaling \$10.3 million in

Table 1: The 2 ADF Projects Visited by OTA Teams

Name of project ¹	Name of recipient organization	Country	Type of recipient organization	Project scope ²	Grant amount	Proposal submitted	FY grant committed	Grant period (FY to FY)	First check disbursed	No. of participants (groups)	Type of activity (sector)	Goods or services offered by ADF grant	Intended outcomes
1. Farm Rehabilitation for the Agricultural Society of Dagnare	Dagnare Agricultural Society	Niger	Intermediary (association of coops)	R	\$88,817	2/27/85	1986	1986-89 3 yrs.	3/6/87	660 (3 groups)	Fruit, vegetable, and cereal production	Equipment, technical assistance	Restore and modernize cooperative irrigated fields
2. Dakoro Herders Cooperative (DHC)	Dakoro Herders Cooperative	Niger	Grassroots	L	7,255	7/9/85	1985	1985-86 1 yr.	1/8/86	74	Livestock production	a. Project planning. b. Livestock, commodities, training	a. Develop project plan b. Reconstitute livestock herd, repair well, and increase self-sufficiency
a. Planning Grant b. DHC II					08,275	7/24/86	1987	1987-90 3 yrs.	0/9/87		small enterprise creation		
3. Equipment to Strengthen the Agricultural Activities of the Association	Youth Association of Ros-Bethio	Senegal	Grassroots	L	58,639	2/88	1986-88	1986-91 5 yrs.	2/5/86	265	Irrigated agriculture (rice and vegetables)	Irrigation equipment, vehicle	Increase irrigated and vegetable production
4. Union Kaoural	Kaoural Federation of Cooperatives	Senegal	Intermediary (association of coops)		3/8,86	1986	1986-88 2 yrs.		9/87	2,076 (25 youth groups)	Fruit, vegetable, cattle, health	Equipment, commodities, livestock, construction	Improve group income and health care
5. Integrated Food Development Program	Department/Diocese of Morogoro	Tanzania	Intermediary (church-based)		248,378	1/2/85	1986-89 3 yrs.		2/2/86	106 1986/87 521 1987/88 (27 parishes)	Credit for inputs, tractor hire, maize production training	Equipment, commodities, credit, training	Increase maize production
6. Conservation Education Project	Kikati Village Malindi Club	Tanzania	Intermediary (PVO)	L	66,168	1/30/86	1986	1986-87 1.5 yr.	4/24/87	900 families	Water supply, forestry	Equipment, technical assistance, training	Improve water supply, and reforestation
7. NGK Self-Help Water Project	Gitero Self-Help Water Project Committee	Kenya	L		12/24/84	1985	1985-87 2 yrs.		5/22/85	250 families (3 communities)	Water supply (domestic and farming use)	Equipment, technical assistance	Increase water supply, irrigated land and potable water
8. Kenya Small Enterprise and Credit Training Project	Partnership for Productivity/Kenya (PPP)	Kenya	Intermediary (PVO)		24,880	10/84	1985-87 2 yrs.		5/1/85	2,750 (92 women's groups)	Training, (management) credit	Training, loan fund	Provide women training and credit for small-scale enterprises and agricultural inputs
9. Poultry-Market Garden Project	Boileka Agricultural Management Association	Botswana	Grassroots	L	35,072	8/84	1984	1985-87 2 yrs.	4/4/85		Poultry, vegetable and citrus production	Technical assistance, irrigation equipment	Develop small scale vegetable and egg production enterprises
10. Tutume Tractor Hire Project	Tutume McConnell Community Trust	Botswana	Intermediary (PVO)	L	40,604	5/30/84	1985	1986-89 3 yrs.	11/19/85	62	Tractor hire	Commodities, equipment	Increase productivity of farmers
11. Zimbabwe Coffee and Tea Project	Agricultural Finance Corporation (AFC)	Zimbabwe	Intermediary (parastatal)	L	7,31/84		1986-89 3 yrs.		2/24/85	144 1985/86 214 1986/87 (4 coops)	Credit for tea and coffee production	loan fund	Increase number of coffee and tea enterprises
12. Silvera House Development Fund	Silvera House	Zimbabwe	Intermediary (church-based)	R	20,808	7/0/84	1985	1985-88 3 yrs.	7/3/85	150 (11 projects)	Farm and nonfarm projects	loan fund	Improve projects through loans

¹Key: Italics indicate short form of project name used in this report.

²Key for project scope: L = Local, R = Regional

SOURCES: ADF project files for columns 1, 2, 3, 7, 8, and 9. Communication from ADF staff for columns 6 and 10. OTA teams for columns 4, 5, and 11 through 14.

the past 4 fiscal years (1984-1987). Individual grants range from \$700 to \$250,000; projects average approximately \$90,000, including grant amendments. Most commitments are for 2 to 3 years. Two-thirds of the projects have agricultural activities as a major component; some support other rural activities such as potable water supply and still others provide aid to urban organizations (20 percent). The Foundation awards grants to grassroots organizations and to intermediary organizations that provide services to local groups. Funded groups use ADF money to repair wells, build small-scale irrigation systems, improve animal health, plant vegetable gardens and orchards, rent tractors, raise chickens, obtain credit for fertilizer, form cooperatives, and many other activities. ADF grants enable intermediary organizations to provide services such as credit, training and technical assistance to grassroots groups.

How Well Are ADF-Funded Projects Doing?

People's participation in ADF-funded projects, the projects' sustainability over time, and their replicability from location to location are fundamental aspects of ADF's congressional mandate. And appreciable positive results, leading to social and economic development, are expected to be a major outcome of supporting grassroots efforts. Therefore, these were the four critical issues—participation, positive results, sustainability, and replicability—on which the performance of the 12 visited projects was assessed (table 1-2).

Table 1-2.—Rating the Critical Issues in 12 ADF-Funded Projects

Critical issue	No. of projects rated		
	High	Moderate	Low
Overall Degree of Participation . . .	6	2 ^a	4
Overall Results	4	6	2
Overall Sustainability (for next 3 to 5 years)	6	5	1
Overall Replicability in Region or Country	3	7	2

Participation

Fostering the participation of Africans in their own development is an important goal of ADF. This assessment of 12 ADF-funded projects showed high overall participation in one-half of the projects but low overall participation in one-third. These ratings were adjusted for the local context and were based on elements such as people's support for project design and its technologies; their access to the project and benefits in light of their contributions; their role in project decisionmaking; and how participatory the recipient organizations are.

A number of issues remain for ADF to settle and, if addressed, are likely to improve the Foundation's record on participation. For example, ADF must give increased attention to the various elements that characterize participation, rather than allowing one, local control, to supersede all others. A project may be controlled locally, yet people who contribute time or other resources may not support the activities undertaken or take part in decisionmaking. Involvement in decisionmaking seems to be key but ADF has little information on this or other elements of participation.

In the 12 cases studied, either an African grassroots group or intermediary organization originated the project in every case. Of the funded groups visited, four were grassroots organizations and eight were intermediary organizations. More intermediary organizations had low participation than grassroots groups. Both types of organizations face difficult questions of access. For example, women have a low degree of access to projects in one-third of the projects visited, and rarely participated in management.

Generally, participants were representative of the community, agreed the project addressed a need, and shared equitably in costs and benefits. On the other hand, usually participants did not take part in evaluation and financial decisionmaking. A third of the projects were judged low on participants' acceptance of the proposed technologies, their share in project

management, and participatory provision of technical assistance.

Results

One of ADF's main purposes is to help bring about social and economic development. A way to assess whether ADF is achieving this purpose is to evaluate the results of ADF-funded projects. OTA'S rating of results was based on whether projects achieved their objectives and, more importantly, whether positive economic and social impacts had occurred, or were likely to occur, without significant negative effects, including those on the environment.

Because of the early stage of most of the projects visited, project results could only be estimated. Actual impacts were observable in only half of the projects. Ten projects were judged likely to have positive impacts on social and economic development of poor people in the locale but the levels of impact varied from significant to negligible. One project brought about a 30 percent increase in income for women who received small agricultural loans; an irrigation project doubled land value in another. Two other projects, however, were unlikely to benefit the poor even though they were likely to reach some of their objectives.

To adequately assess the results, or outcomes, of **projects**, the benefits must be considered in relation to the costs. Thus, OTA considered the contributions of ADF, the local communities, and other donors.

Ž Grant size and numbers of participants varied widely. As a result, ADF's grant size per person ranged from \$50 to \$3,507, averaging \$650.

- Just under one-half of the money ADF is putting into the 12 visited projects is spent for equipment. Another 18 percent goes into revolving credit funds. About 10 percent is spent in each of three categories: 1) agricultural inputs, 2) salaries and office expenses, and 3) ADF audits, evaluations, and other expenses including contingency funds. The remainder funds vehicles, transportation, training, and technical assistance.

- Communities usually provide labor for projects. In six projects, a majority of participants also provide some money and materials.
- All 12 of the visited organizations were recipients of funds from other external donors in addition to ADF. In four of these cases, the specific project funded by ADF was also funded by other donors. The other donors include AID, the U.S. Ambassador's Self-Help Fund, European religious donors, European and U.S. private voluntary organizations (PVOS), private foundations, the World Bank, and the African Development Bank.

Sustainability

Sustainability generally means that project activities or results will continue after the grant period. OTA judged ADF-funded projects on several levels: sustainability of the project, of project-related activities, and of the local group and/or intermediary organization. Also, sustainability includes economic, environmental, technical, and social factors; each was assessed independently but then combined in an overall rating.

Almost all ADF-funded activities were judged to have a high or moderate potential to be sustainable over the next 3 to 5 years. Changes were underway in a number of projects, though, and their eventual form might differ considerably from that proposed in the original project documentation. Community support and the self-help nature of the projects were the strongest reasons for sustainability. But the lack of careful economic and environmental planning were common constraints threatening sustainability, especially in the longer term. The most common constraint to economic sustainability in ADF-funded projects is lack of provision for future ongoing, or recurrent, costs (affecting five projects). Three projects already show negative environmental consequences—soil erosion, soil compaction, and land clearing without adequate reforestation.

The poorer performance of ADF-funded projects regarding longer term sustainability also

relates to the technologies being used. Almost all of the projects were judged technologically sustainable in the short term. Technologies used in nine projects, however, were relatively high risk; those in five were relatively complex; and those in five were comparatively high cost.

Replicability

Donors seek replicability to increase the impact of their funding program. Grantmakers, such as ADF, that fund small-scale projects intend that their sponsored projects will benefit local people, but they also intend them to have wider impacts. Replicability refers to more than the duplication of project activities, it includes dissemination of technologies, organizational methods, or skills beyond the funded group. In judging replicability of projects, OTA considered 1) the potential for other groups in the region or country to use the technology or repeat the project activity and 2) whether aspects of the organization's management structure or style could be beneficial to other groups.

Ten of the ADF-funded projects visited showed a moderate or high degree of replicability in the region or country, and two a low degree. Self-help processes, such as the ways groups identified, planned, or managed their activities, were judged more likely to be replicable than the technologies used. The major constraint to replicability was the high cost of the project activities or technology. In seven projects, more than one-half of those visited, project activities were judged unlikely to be repeated for this reason. However, the majority of funded groups made some effort to spread what they learned. Most intermediary organizations planned to replicate project activities with additional local groups. In three cases, non-participants adopted technologies introduced by the ADF-funded projects.

Interestingly, three projects involving grassroots organizations have had an impact on national institutions. One was among the first village associations to obtain credit from the new National Agricultural Credit Bank in Senegal. Its successful irrigated rice project raised the expectation that other local associations could



Photo credit: OTA/George Honadle

ADF funding allows groups to tap the wisdom and experience of their local leaders. This man leads a farmers' cooperative that produces tea and coffee in eastern Zimbabwe.

also handle credit. Another is seen by the Botswana Ministry of Agriculture as a successful pilot project on vegetable and poultry/egg production, worthy to be tried elsewhere by the Ministry. The third, a water supply and irrigation system built by residents of three communities, provides Kenyan officials with an example of lower cost local water projects.

How the Four Critical Issues Interact

Participation, positive results, short- and long-term sustainability, and replicability are all desirable but not necessarily simultaneously compatible. Generally, participation increases results. And positive results can increase participation and be a condition for replicability. On the other hand, over-emphasizing results can lessen participation, especially in the short term. And neither participation nor results are necessarily compatible with long-term sustainability, especially with environmental sustainability if dangers are dimly perceived. Thus ADF needs to balance the demands of these different aspects of its mandate in implementing its funding program.

ADF's Program and Possible improvements

Many of the ADF-funded projects that OTA examined are performing reasonably well. Some, however, have deficiencies regarding participation, sustainability, and replicability that are troubling given ADF's mandate. The Foundation inevitably made difficult choices as it translated its mandate into action. Together, those explicit and implicit choices have shaped ADF's funding program and they are reflected in the project findings discussed here.

The Foundation's choices in several areas have had clearly positive impacts. The Foundation has a highly committed staff with considerable African experience and it has contracted with qualified Africans to help carry out its program. It supports the growth of grassroots leadership and organizational capacity and its grant-making process is often flexible and responsive. The focus on agricultural projects is appropriate, and ADF's new evaluation program is promising.

In other areas, however, ADF is doing less than it could. Five major areas of improvement exist:

1. ADF's relationships with its applicants and grantees are not as effective as they could be. Decisions regarding ADF's evolving role vis a vis each funded group, such as the level of involvement, frequency of contact, and the balance between facilitation and evaluation, could be improved. Often ADF is too passive but at times it is too involved. In the former case, potential to assist the group's development is neglected. In the latter, the self-help process may be bypassed inappropriately.

2. Pre-funding analysis of project proposals is often inadequate in one or more of several critical areas: the socialpolitical context and organizational factors of the applicant group, technological choices, environmental implications, and the economic constraints and opportunities of the projected activities.

- Although ADF encourages a high degree of local control, other critical elements of participation, such as participants' involve-

ment in decisionmaking and access by women, minority groups, and the poor, are not sufficiently addressed. Thus, ADF is not fully meeting its mandate to foster participation by the poor in their own development.

- ADF's analysis of the stage of development—the growth and track record—of applicant groups and their relationship to government officials and other donors often is weak. Similarly, analysis of intermediary organizations and their relationships with grassroots groups has not been sufficient. As a result, ADF sometimes makes inappropriate decisions as to who, when, what or at what level to grant funding.
- Inadequate analysis of technical, environmental, and economic factors sometimes results in ADF funding projects with questionable technical soundness, economic and financial viability, and environmental sustainability. Also, ADF's work has not helped expand the choices of technologies available.

3. The way that ADF monitors projects often does not provide enough in-depth understanding and information to effectively facilitate implementation by project managers and participants. As a result, the Foundation misses opportunities to assist grantees and increase the likelihood of project success.

4. ADF African field staff are underused in pre-funding analysis and project monitoring. This slows decisionmaking, causes ADF to make funding decisions without the helpful analysis they could provide, and also means that funded groups are not receiving the best possible assistance.

5. ADF does not communicate sufficiently with other private and official development groups in Africa, so its ability to learn from others' experience and to help groups benefit from others' resources is reduced. Also, ADF does not prepare country-specific planning strategies to guide its use of sparse resources and place its work in context. This reduces its impact and makes it difficult for ADF to identify its specific role in each country.

In addition, other significant but lower priority problems exist. For instance, an unnecessarily long time passes between ADF's receipt of project proposals and the disbursement of project funds (12,5 months for the 12 visited projects). ADF has not yet completed agreements or reached informal understandings with the governments in 13 of the 19 countries in which it funds projects.¹ ADF's funding portfolio does not reflect the full range of possibilities granted in its legislation. The Foundation has not paid sufficient attention to evaluating its own funding program. Nor is its research program yet addressing issues raised by the organizations and activities it funds.

None of these problems is irremediable and ADF has begun to take steps to correct some already. For example, the Foundation is planning to expand the responsibilities of its African staff but has not yet clarified how to do this. The following suggestions could help correct these problems and are OTA'S high priority changes for ADF:

- revise and clarify the roles of staff in their working relationships with applicants and grantees,
- increase and improve pre-grant analysis and facilitate better planning by applicants during the project approval process,
- improve communication with the managers of funded projects and more actively help them identify problems and resources during project implementation,
- enhance the responsibilities of the African staff in project identification, approval, and monitoring, and
- increase communication with other development organizations, especially those that assist similar recipient groups. Begin to develop plans to guide its work in each country.

Each of these suggestions requires ADF to take a more active role as facilitator with its grantees, with its staff, and within the devel-

opment assistance community. OTA finds that such a role is consistent with the Foundation's mandate to support self-help efforts. This role, if it is pursued carefully, can be consistent with the Foundation's desire to encourage local control of funded projects and to avoid making funded groups dependent on the Foundation. For example, plans to guide ADF's work in each country that identify funding program priorities can be drawn up with the participation of grassroots and intermediary organizations. Also, they can be applied flexibly to be consistent with ADF's mandate to be responsive to local initiatives.

In implementing each of these suggestions, the emphasis should be on simple, inexpensive, and rapid methods. For example, existing appraisal methods could be used for collecting information quickly to enable ADF to make better decisions. OTA is not recommending expensive, large-scale feasibility or environmental impact studies. In some cases, small planning grants could enable ADF's applicants to conduct much of the pre-grant analysis themselves or to choose qualified consultants to do it for them. ADF, however, needs to select appropriate ways to verify independently the soundness of proposals and, when necessary, obtain outside expertise to appraise project plans. In most of these cases, African contractors could provide such verification by making short visits.

In addition to selected use of outside experts, ADF staff needs training (particularly in low-resource agricultural technology and economic and environmental analysis) to conduct better analysis of proposals and to assess the work of consultants.

Also, ADF should give some attention to these lower priority improvements:

- Streamline the project approval process and reduce unnecessary delays.
- Conclude agreements with African governments where appropriate.
- Evaluate and address issues regarding the limited scope of its current portfolio, such as ADF's emphasis on funding income-generating activities and the large portion of its grants for equipment.

¹ In early 1988, ADF completed agreements with Sierra Leone and Ghana, reducing the number of countries without agreements to 11 of 19.

A variety of private and official development assistance programs have developed specific programs and procedures that ADF could learn from to address these various problem areas. But ADF also has a unique role, different from other official U.S. development assistance programs. ADF should develop additional creative ways to meet the concerns discussed here.

Every suggestion carries a price tag. Improvements in efficiency of resource use would enable ADF to implement some suggestions without additional cost, but most of these changes will increase operational costs. If ADF is to maintain its current level of annual grants, it is unlikely that it could make the changes suggested here for less than a \$500,000 to \$700,000 increase in its annual budget. The majority of these funds should be used to increase the responsibilities of the African staff and provide them with the resources to carry out new duties. Some funds would be needed for additional Washington staff and increased travel. The remaining funds could be divided among short-term contracts, staff training, and ADF's research program.

Lessons For Other Organizations

Congress, in directing the Foundation to share the results of its work, expected that ADF

would learn from its successes and its disappointments and that other development assistance groups could benefit from ADF's learning. Indeed, ADF shares many of the deficiencies highlighted here with other funders and it can serve as a positive model in some areas.

The Foundation can successfully exemplify certain aspects of funding program management, such as maximizing local control of externally-funded work, using Africans to provide technical assistance and conduct evaluations, and providing funding for planning grants. Also, ADF has, by and large, established effective congressional relations that could be instructive for other government-funded agencies.

Finally, this assessment offers its own lessons to other evaluators: program and project assessments create complementary pictures of an organization's status and external evaluations are useful additions to ongoing internal ones. The findings of ADF's own internal project evaluations are confirmed by this assessment and they are parallel to those reached during evaluations of similar development assistance groups. This consistency indicates that the issues raised are of significance not only to ADF but also more generally to all programs designed to support grassroots development.

CONGRESSIONAL OPTIONS

Congress has several tools available for influencing ADF's work—authorization, appropriations, and oversight. Each has been used in the past. For example, Congress examines ADF's appropriation annually when the Foundation testifies before the appropriations committees and when the Foreign Affairs and Foreign Relations Committees set funding levels during the authorization process. The Foundation's staff have testified before other committees, and thorough congressional oversight has been conducted by congressional research agencies: 1) the General Accounting Office, in its 1984-1985 study of ADF's management capacity and, 2) the work reported here. Until this time, Congress had not conducted a broad ex-

amination of ADF's enabling legislation nor made substantive changes in it.

This section addresses how Congress could use these tools to improve ADF's effectiveness (table 1-3). The congressional options suggested here fall into two categories, according to their priority:

- High Priority Options
 - Reauthorize ADF.
 - Set overall levels of appropriations, e.g., increase appropriations by \$500,000 to \$700,000 per year for two years to enable ADF to make high priority changes in conducting its funding program or hold

appropriations constant until such changes are made.

- Withhold major oversight for an interim period; then, examine the changes implemented and consider increasing the annual appropriation for grants by \$2 to \$3 million.

Ž Other Options

- Amend ADF's authorizing legislation to:
 - a) remove the \$250,000 limit on ADF projects and b) require that ADF's Board of Directors be bipartisan.
- Amend ADF's appropriations and/or authorizing legislation to a) arrange for funds from terminated projects and loan repayments to return to ADF's account, b) allow grantees to keep project funds in interest-bearing accounts, and c) provide no-year funds.
- Conduct oversight regarding specific items such as women's participation in ADF-funded activities, environmental impacts, and funding delays.

Reauthorization: Permanent v. 5-Year

The Foundation's enabling legislation includes a provision for expiration of the Foundation's authority in 5 years. In 1985, ADF was reauthorized for its second 5-year period. Congress will face the issue of reauthorization once again before 1990.

Although ADF can make a number of important improvements, its problems are not serious enough to question the Foundation's authorization. Nor have the assumptions that justified ADF's creation been altered. To continue ADF, Congress could: 1) extend the Foundation's authority for another 5 years, or 2) delete the requirement for reauthorization, providing ADF with permanent authority. Both approaches have advantages and disadvantages. A 5-year reauthorization provides ADF with an impetus to make improvements because it will be re-evaluated in 5 years. Thus, reauthorization gives Congress another 5 years to appraise ADF's work and maximizes Congress' leverage over the Foundation. This approach, however,

Table 1-3.—Summary of Congressional Options

Reauthorization

1. Regarding reauthorization of the agency:
 - Ž delete provision requiring periodic reauthorization of ADF, or
 - reauthorize ADF for another five-year period following its expiration in 1990.

Appropriations

1. Regarding overall levels of appropriations for a 2-year interim period:
 - hold appropriations constant, pending high priority programmatic changes, or
 - Ž increase appropriations \$500,000 to \$700,000 to fund high priority program changes with or without earmarking, then conduct oversight on ADF's improvements and evaluate higher appropriations for grants.
2. Increase the annual appropriation for grants by \$2-\$3 million at the end of the interim period.

Oversight

1. Withhold major oversight for a 2-year interim implementation period.
2. After 2 years, conduct formal oversight on high-priority topics such as ADF's pre-funding analysis of projects; its relationships with grantees; project monitoring and evaluation processes; use of African staff; and communication with other funders.
3. Also, routinely discuss specific issues with ADF, such as women's participation in projects, environmental impacts, and funding delays.
4. Evaluate the qualifications of nominees to the ADF Board of Directors before Senate confirmation.

Other Legislative Options

1. Fine-tune authorizing legislation to make ADF more effective:
 - eliminate the \$250,000 project limit, and
 - specify bipartisan composition of the Board of Directors.
2. Amend appropriations or authorizing legislation to:
 - allow terminated grant funds and loan repayments to return to ADF's account,
 - provide ADF with no-year funds, and
 - allow guarantees to use interest-bearing accounts.

must be balanced against some disadvantages: temporary reauthorization may contribute to uncertainty about the Foundation's future and work against ADF's establishing the long term programs encouraged by the congressional mandate. Also, short term reauthorization increases pressures on the Foundation to fund projects with quick results, an approach that could jeopardize other important aspects of its mandate such as participation and sustainability.

As an alternative, permanent authorization, like that supporting the Inter-American Foundation, could be achieved by deleting the requirement for periodic reauthorization. This

could encourage ADF to take a longer term perspective. Congress could use other methods, such as appropriations decisions or oversight hearings, to provide ADF with incentives to make improvements.

Appropriations

The Foundation has sought increases in its appropriations every year since its inception; its FY 1988 appropriations are \$7.0 million. At the time of its 1985 Five Year Plan, ADF anticipated a many-fold increase by 1990, expecting to reach \$30 million. While congressional budget realities have dashed those expectations, ADF still seeks to expand its program, convinced that it has the capability to accomplish more in more places. Certainly as Congress experiences frustration with the poor development record of larger agencies, the temptation is strong to channel additional money to groups using alternative approaches.

ADF would have no shortage of activities to fund if more money were available. The Foundation receives requests to develop programs in countries not yet funded and to undertake more work in those countries where it already has programs. The Foundation estimates that it has received approximately 1,335 project proposals and 1,168 letter inquiries since commencing funding in fiscal year 1984. Although OTA has not estimated how many of those proposals are appropriate for funding, it is clear that the Foundation could expand its program to additional countries with serious interest, such as Burundi, Gabon, Madagascar, and Swaziland.

The contractors involved in OTA'S assessment each evaluated ADF's funding program and level of funding. Virtually all raised serious concerns about certain aspects of ADF's funding program: particularly the need for ADF to redefine its relationship with applicants and grantees, to perform better pre-grant analysis, to do more effective project monitoring, to increase reliance on its African staff, to improve communication with others in Africa, and to begin to prepare country plans.

None of OTA'S experts, however, judged that ADF's appropriations should be decreased. Almost all thought that increases in ADF's grant program were warranted, especially if the Foundation made the high priority changes discussed here. A few stressed the opinion that funding should remain constant until the changes were accomplished.

Should ADF's Funding Be Increased?

Congress has several options to consider regarding future funding for ADF: hold total appropriations constant, pending high priority programmatic changes; or increase appropriations for the types of changes suggested here, giving either general direction or specific earmarking regarding the money's use. Any increased funding for grants should be deferred until ADF successfully makes the suggested improvements.

Of these funding options, holding ADF's funding steady while asking for important changes is the least likely to be effective. OTA estimates that the changes suggested here could cost the Foundation \$500,000 to \$700,000 annually if undertaken all at once. The Foundation could not allocate this amount of money to new tasks without diverting funds from grants, thus reducing the amount available for new projects. If Congress used this option, ADF's non-grant costs would increase and its obligations for new grants would decline substantially.

Another option would be for Congress to increase ADF's appropriations by an amount adequate to make these high priority improvements for, perhaps, two years, then plan hearings to evaluate ADF's actions. This option could be implemented by 1) earmarking funds for specific types of reforms, or 2) providing non-earmarked funds with general direction regarding their use and then using oversight to ensure implementation. The first option gives Congress maximum control but cuts ADF's flexibility. Generally, OTA finds that congressional micro-management is inappropriate and that it decreases programs' effectiveness (46). In this case, some general congressional direction, i.e.,

to improve ADF's operation of its program rather than increasing funding for grants, seems warranted regarding the intended uses of interim funding increases. Detailed earmarking is probably not necessary, however.

Many people find ADF's mandate innovative and judge its projects at least as successful as those supported by other donors. OTA found that ADF could make use of more funds if its program were improved. Therefore increased appropriations for grants, as distinct from other administrative and program changes, could be provided at the end of an interim period if ADF demonstrated that improvements had been made. With more solid analysis underway, with increased responsibilities for African staff, and with improved, streamlined procedures in place, ADF probably could effectively absorb a \$2 to \$3 million increase in project funding by fiscal year 1991, bringing its total appropriations to \$9.5 to \$10.7 million (in 1988 dollars).

Options that designate new funds for making the changes suggested here will temporarily tip ADF's budget toward a larger proportion of administrative and other non-grant costs because the high priority changes are operational ones, such as expanding the use of African staff and providing additional staff training. Operational costs, in this report, refer to the broad category of all non-grant expenses, including administrative costs. Some people, however, feel that ADF's non-grant costs are already too high. The Foundation calculates its administrative costs at 38 percent for fiscal year 1986, 35 percent for fiscal year 1987, and 31 percent for fiscal year 1988 (using a method sim-

ilar to that used by the Inter-American Foundation). OTA calculates ADF's operational costs (comparing all non-grant expenses to the total committed appropriations) to be 42 percent in fiscal year 1986 and 43 percent in fiscal year 1987.

If ADF received new appropriations of \$500,000 to \$700,000 and used the money as discussed here to improve its operations, its non-grant costs could approximate 50 percent of the total budget in fiscal years 1989 and 1990. This shift to a higher percentage of non-grant costs should be temporary, however, and viewed as a short-term investment in ADF's long-term effectiveness. OTA expects that, over time, immediate, non-grant improvements would enable the Foundation to handle larger amounts of grant-related funding, thereby reducing the proportion of non-grant costs. Thus, discussions between Congress and ADF concerning ADF's operational costs should focus on the best use of non-grant funds to support an improved grants program rather than only on the proportion of non-grant costs. Temptations are strong to make easy cuts or to increase average grant size when pressures exist to curb the proportion of operational expenses. Many of those cuts, for example, in staff travel and training, could hurt the Foundation's grants program.

Congressional Oversight*

The Foundation's efforts for effective congressional liaison seem to be motivated by a sincere desire to keep Congress well acquainted with ADF's work and to create and maintain solid working relations. For example, the Foundation's attitude was cooperative and open throughout this assessment and it responded rapidly to requests for information. Evidence exists that ADF also is responsive to key congressional committees and that it has sought to improve its performance as a result of outside suggestions. The Foundation is aware already of many of the concerns highlighted in this report. It is tackling some of these problems now and, based on its record, is likely to respond conscientiously to OTA'S findings.

ADF's approach is different from other donors. Most ask the people to contribute to projects the donors have selected. These projects may meet a need, but are not a priority of the people. "please cooperate with us," they say. ADF's approach is "let the people decide."

Charles Keenja, Principal Secretary of the Ministry of Local Government and Cooperative Development, Dar es Salaam, Tanzania. OTA interview, Sept. 1, 1987.

A Short-Term Reprieve From Major Oversight

No need exists for extensive congressional oversight immediately. ADF has hosted two major external examinations of its work in the past 4 years. These reviews are likely to improve ADF's effectiveness but each has absorbed a considerable amount of staff time and resources. Now that high priority areas for improvement have been identified, Congress could relieve ADF from further external investigation while it implements high priority improvements.

High Priority Oversight Topics

At the end of a 2-year period, however, ADF should be given the opportunity to demonstrate what it has accomplished of the high priority changes suggested in this report and how these alterations are affecting its budget. Congress could determine then whether further funding increases are appropriate.

Congress could, for example, ask the Foundation how it is:

- implementing more effective ways to relate to applicants and grantees that fulfill various elements of its innovative mandate?
- increasing the responsibilities of its African staff for pre-approval analysis and monitoring, and concomitantly adjusting the Washington staff's responsibilities?
- streamlining and improving its pre-grant analysis of social, organizational, technical, environmental, and economic factors?
- developing improved and more efficient processes for project approval and monitoring?
- consulting with other funders and coordinating work, when appropriate, and planning country programs?

Specific Areas **for** Congressional Oversight

Several areas exist that could require more specific congressional oversight. These are areas that Congress could ask ADF to address in its annual report to Congress (the **Congres-**

sional Presentation), in routine annual appropriations hearings, or in hearings conducted by the authorizing committees. Three areas to address include:

1. The participation of women, ethnic minorities, and the poor in ADF-funded projects is difficult to determine and this ambiguity indicates that ADF should direct increased attention to these issues. In general, women's contributions of time, labor, and energy is disproportionate to their participation in project decision-making and management, even when the local context is taken into account. Congress could use oversight to ensure that ADF take appropriate steps to increase the participation of women, ethnic minority groups, and the poor in its funded projects while recognizing ADF's need to work within local cultures and to fund viable projects.

2. ADF's attention to environmental issues also needs strengthening. In some cases, ADF-funded activities inadvertently contribute to environmental degradation although alternative technologies exist that have fewer negative impacts or that could help restore the environment. This, as well as a lack of simple and realistic economic and financial planning, constrains the projects' sustainability.

3. Congress has 15 days to review and disapprove ADF-funded projects, as it has for all Executive Branch expenditures not included in the previous year's **Congressional Presentation**. Notification is a way in which ADF informs Congress of new work. But the formal notification period sometimes can stretch project approval by as much as a month if Congress is in recess. Congress and ADF could work together to streamline this process. For example, ADF could send project notices to Congress during recesses, a practice that is not done now. Congress and ADF could agree to types of projects that should not be transmitted to Congress during recess (the first project in a given country, unusually large projects, etc.) and to a more succinct notification format that would decrease ADF's internal workload. Or, Congress could drop notification for projects below a specified amount of funds.

Senate Confirmation of ABM Board of Directors

Congress considered the role of ADF's Board of Directors important enough to set out detailed stipulations in the Foundation's enabling legislation. Therefore, Congress has an interest in the direction that the Board sets for ADF and could use oversight for keeping abreast of the Board's thinking,

The U.S. Senate confirms members of ADF's Board of Directors. This provides an important opportunity to oversee the Foundation's direction.² Up to now, Congress has rarely used this tool to ensure that prospective members have experience relevant to ADF's mandate and that they represent a range of views on African grassroots development. Members of Congress could inform the U.S. President of qualifications they consider essential for nominees or they could be more active in formal confirmation hearings.

Legislation

No Major Overhaul Needed

No need exists for a major revamping of ADF's enabling legislation. This law is far-sighted and based on a participatory approach to grassroots social and economic development that has proven successful. Also, it is a good example of Congress providing general direction without undue restrictions or unreasonable demands. It provides ADF with appropriately wide latitude, and remains consistent, in general terms, with what is known of effective grassroots development assistance (box 1-1),

Fine-Tuning for Effectiveness

Certain provisions of this or other legislation (such as appropriations laws) affecting ADF are problematic, however, and likely to become more so as ADF ages. Concerns exist in several areas:

- the \$250,000 cap on individual project funding,
- the partisan nature of ADF's Board of Directors,

Box 1-1.—ADF's Legislation in Brief: A Mandate for Grassroots Development

ADF was established by the International Security and Development Cooperation Act of 1980 (Public Law 96-533, Title V), and thus is not authorized by the Foreign Assistance Act. This has provided ADF with the flexibility to depart from types of work carried out by other U.S. agencies.

According to its legislation, ADF's purposes are four-fold:

- (1) "to strengthen the bonds of friendship and understanding between the people of Africa and the United States;
- (2) to support self-help activities at the local level designed to enlarge opportunities for community development;
- (3) to stimulate and assist effective and expanding participation of Africans in their development process; and
- (4) to encourage the establishment and growth of development institutions which are indigenous to particular countries in Africa and which can respond to the requirements of the poor. . . ."

Further, ADF is to carry out these activities with indigenous groups representative of the poor and to coordinate, to the extent possible, its work with U.S. government and private, regional, and international groups. Specifically, it may make grants, loans, and loan guarantees to: a) foster local development institutions and efforts initiated by communities, b) develop self-evaluation methods to transfer experience, c) develop research by Africans and transfer information within Africa, and d) procure technical or other assistance for its recipients. ADF is to give priority to projects which community groups undertake themselves, where there is participation by the poor.

SOURCE: U.S. Congress, *Legislation on Foreign Relations Through 1986*, Volume 1 (Washington, DC: U.S. Government Printing Office, March 1987).

²As of March, 1988, three vacancies of the five designated for private sector representatives existed on the Board. ADF's legislation specifies that five board members be from the private sector and two represent U.S. government agencies concerned with African affairs.

- ADF's inability to retain funds from terminated grants and loan repayments, and
- grantees' inability to keep project funds in interest-bearing accounts.

ne \$250,000 Cap on **Project Funding**

Some successful ADF-funded projects are now being affected by the \$250,000 per project funding limit. Pressures on organizations to attempt ever-new activities to qualify for another funded project can encourage them to attempt activities for which they are not ready rather than solidify positive results of earlier efforts. This problem is likely to increase as more ADF-funded projects reach maximum funding levels.

The Foundation is better positioned to determine the appropriate limit to single-project funding than Congress; this is a decision that most grant-making organizations make for themselves. For example, the Inter-American Foundation operates without a legislated project ceiling and has funded successful grass-roots projects in excess of \$1 million.

Congress could amend ADF's authorizing legislation to eliminate the \$250,000 ceiling per project. However, this would not be an endorsement for ADF to increase the average size of its grants, nor to undertake more complex projects. Rather, this would enable ADF to better: sequence its support of various components of some projects; adjust for unexpected increases in costs; or provide a transition for an activity to become better established. The Foundation should approach the idea of funding projects in excess of \$250,000 cautiously. First, it might develop guidelines for gradually providing sequenced grants to individual groups. Congress can ensure by oversight that ADF keeps average grant size low without retaining the strict limit to project size.

The Partisan Nature of ADF's Board

The Foundation's legislation details many aspects of the structure of ADF's Board of Directors. It does not, however, require that members represent both political parties. It is in ADF's best interest to have a Board that represents a wide range of views regarding grass-

roots development and that potential partisan concerns not shape its work. Therefore, Congress could amend ADF's enabling legislation to ensure that Board members be drawn from both political parties in approximately equal numbers. Congress provided such protection for the Peace Corps National Advisory Council. A similar structure has proven successful for OTA's Technology Assessment Board.

Inability To Retain Funds From Terminated Projects and Loan Repayments

All grant-making groups need to terminate projects before completion when projects develop irresolvable problems. In fiscal year 1987, the Foundation terminated six such projects. These projects were funded in fiscal year 1985 when the Foundation had funds that could be spent in any fiscal year ("no-year funds"). Therefore, ADF will retain money deobligated from these projects and be able to use the funds for new work. Current single fiscal year funding requires that the money obligated, but not spent for a project, be deobligated then returned to the U.S. Treasury rather than ADF. Congress could amend this process so that ADF would be allowed to retain funds from terminated projects for use in other grants. U.S. AID has the power to retain deobligated money as long as it is reobligated for a similar project in the same geographic area (44). Congress could provide ADF with similar authority, allowing ADF to reallocate funds to other projects without requiring that they be spent in the same region or sectors.

Also, Congress could prevent this problem by providing ADF with no-year funding. Additional benefits exist to no-year funding as well. Fiscal year funding can constrain programs' effectiveness and absorb resources that could be better directed in longer-term efforts (46). ADF, like many groups that have single fiscal year funding, finds that project approval tends to accumulate at the end of the fiscal year. As a result, decisionmaking can become hasty. No-year funds are no panacea, however. The Sahel Development Program in AID, for example, was granted no-year funds, then hesitated

to use them for fear of congressional disapproval. Some AID officials felt that money unspent in one year would result in lowered congressional appropriations the following year. Also, no-year funds require oversight, since unobligated funds accumulating over several years may indicate that an organization's capacity to make grants has been exceeded. While Congress would need to monitor the situation if it provided ADF with no-year funds, accumulations of funds are unlikely to occur due to ADF's backlog of unfunded proposals.

Similar to allowing the return of terminated grant funds to ADF, Congress also could allow repayments of ADF loans to return to ADF. Under current rules, the U.S. Treasury, not ADF, would receive loan repayments if ADF established a loan program. So far, ADF does not provide loans or loan guarantees despite congressional authority to do so. A number of significant problems hamper development of these programs and OTA is not recommending that ADF give high priority to creating one at this time. However, Congress could legislate a provision that ADF receive loan repayments, ex-

pecting that ADF may appropriately begin loan and loan guarantee programs sometime in the future,

Grantees' Inability To Keep Money in Interest-Bearing Accounts

In these two cases—loss of terminated grant funds and of potential loan repayments—ADF's appropriations are in effect decreased. Current appropriations legislation also has the unanticipated effect of decreasing the worth of individual grants to organizations in Africa because project managers cannot keep ADF-provided funds in interest-bearing accounts (except for income generated from project activities). Grant size in real terms decreases then, especially in countries where inflation is high or where currency is devalued. Congress could legislate a provision for ADF whereby grantees could keep project funds in interest-bearing accounts, stipulating that all interest payments be used for project-related costs or returned to ADF. Congress provided the Inter-American Foundation with this authority in 1980,