Managing Up, Down and Around

An Initial Gathering to Identify Lesson Learned from Implementing USAID Microenterprise Development Programs in Crisis and Post-Crisis Environments

This FIELD Brief is the second in a series produced by the Financial Integration, Economic Leveraging and Broad-Based Dissemination (FIELD) Support Program. It was compiled and edited by Christian Pennotti. Managed by AED, FIELD represents a consortium of leading microfinance and microenterprise development organizations committed to advancing practice through innovation, learning and exploration. FIELD Briefs support this objective by sharing what we have learned and inciting dialogue around key issues. For more, visit www.microlinks.org/field.

Large volumes of funding, insecurity, demand for quick results, and rapidly changing donor priorities make the implementation of any development-oriented program difficult in crisis and post-crisis environments. However, these challenges, and the risks they pose for microenterprise development (MED) programs, are particularly severe. In the rush for results, donors can overemphasize quick credit to the detriment of other financial services, contributing to poor repayment that can "poison the well" for future lending. No less damaging is insufficient coordination at the project level with other MED initiatives or within consortia, which prevents the leveraging of livelihood investments, distorts markets through duplication, or undermines programs through mixed-messaging.

Considering the risk these management issues pose to MED programs, on October 23, 2007 AED, under the FIELD Support Program brought together a group of over 25 experienced practitioners and donors to discuss these challenges, share and prioritize lessons learned and develop recommendations for effective programming. Conducted as an effort to improve field practice, the discussion was framed from the perspective of a Chief of Party (COP) managing a large USAID MED program. This paper contains the results of that discussion. It is meant to serve not as an authoritative document outlining everything known by the community of practitioners and donors. Rather, it is a starting point, the initiation of a dialogue about how we work in particular settings and what we need to do to improve.

> **"Everyone has incentives and most of the time… they're not aligned."**
>
> *- Participant regarding the challenge of managing multiple stakeholders on USAID microenterprise development projects.*

Over the course of the program, FIELD Support will build on this discussion by assessing its own experiences in West Bank/Gaza and Afghanistan to provide additional substance. We invite practitioners and donors in this area to contribute as well and provide feedback on this emerging set of principles by emailing us at: fieldsupport@aed.org.

The document is organized around three distinct challenges to MED program management: managing up to USAID, managing down to partners and sub-awardees and managing around to the myriad other programs and stakeholders operating in the same space. It is hoped that these lessons and suggestions may serve as broad guidelines to practitioners and donors operating or planning projects in crisis and post-crisis environments.

Managing Up

The challenges to managing up are multiple, particularly in highly fluid, politically charged settings. Among the challenges to working with USAID in particular is the need to understand the diverse, and often conflicting set of State Department, military, and administration stakeholders to whom the Agency, and therefore the project Cognizant Technical Officer (CTO) is accountable as well as the current realities of the Agency. Between 1990 and 2003, the USAID program budget grew from approximately $6 billion to nearly $15 billion. Over the same period, the operating expenses budget, which includes direct hire salaries, remained flat at around $250 million. The result is a USAID staff comprised of nearly 35 percent fewer Foreign Service Officers and 30 percent fewer civil servants than in 1992 managing nearly twice the total funding.[1] Challenging under any circumstances, the additional pressure placed on USAID staff in crisis and post-crisis environments magnifies the potential for quality programming to suffer in the face of competing goals, demands and technical capacity.

Key pressures placed on USAID staff in these settings include:

- A lack of "on the ground" awareness among USAID staff whose principle role is to manage a large portfolio of grants and contracts
- Substantial restrictions placed on the movement of USAID staff
- Limited institutional knowledge of USAID broadly, contracting procedures, or the program portfolio of the Mission due to high turnover and other limitations
- Increased visibility and oversight both within and beyond the country of implementation
- Increased demands for information on program outputs and activities
- Increased pressure for immediate results
- Objectives changing due to an evolving political situation

> "A program really succeeds on the CTO but it thrives on its COP. That kind of relationship, between a really good CTO and a really good COP is what it takes for… the program to actually get off the ground and for real partnership to be developed."
>
> *- Thomas Devine, International Resources Group discussing his experiences working both inside and outside of USAID.*

These pressures often translate into demands on contractors and grantees to provide USAID with much more than a good project and benefits for target populations. Increased pressures facing contractors and grantees include:

- Requests to serve as the "eyes and ears" in the field for the Mission
- A willingness and ability to respond to rapidly changing political priorities, high Mission turnover and subsequent short-term planning horizons
- Pressure to focus on "getting the money out the door" rather than ensuring sound economic development programming
- Demands on the Chief of Party to manage relationships not only with the client (USAID) but with a diverse array of often competing stakeholders including the US Military, Host-Country Government and Ministries, other USG programs.
- An increased focus on output indicators rather than impacts or outcomes

---

USAID Microfinance Umbrella Programs Study, July 2006.

This increased spending pressure to obtain less stringent indicators, combined with additional coordination and informational responsibilities, discourages taking the time to understand markets, develop local capacity or closely monitor activities. Without these fundamentals, the effectiveness of microenterprise development programs to create sustainable institutions or facilitate long-term increases in income and employment can be severely compromised.

To counter these risks and maintain program quality, a number of managing up lessons learned have been identified:

- **Lesson:** Ensure honest and open communication channels exist between the CTO and COP. The best programs are ones in which a true partnership is developed between these actors. It is important for the donor and implementer to be able to sit down and adapt the program together as the situation changes. It is equally important for COPs to take the time to discuss the program whenever a new CTO arrives to clarify what the program is doing and why. Revisiting the initial Request for Assistance (RFA) or Proposal (RFP) to assess the relevance of implementer activities in the current environment can serve as a valuable entry point to such discussions.

- **Lesson:** Collaborate during the work planning process. Intense discussions between the Mission and the contractor or grantee during the work planning process can greatly reduce frustration and miscommunication later. Many programs are initiated without full agreement on the roles, responsibilities and expectations of the funder and implementer. One common result is that donors expect projects to achieve impacts beyond the abililty of microfinance or enterprise development. Building on the open communication channels advocated above to develop work plans in partnership can improve program outcomes.

- **Lesson:** Budget for relationship management and hire or award with this in mind. The capacity of the COP to build relationships, trust and legitimacy with the increased number of program stakeholders active in crisis and post-crisis environments is vital to program success. Projects must consider this when identifying COP candidates and then accommodate it through appropriate Deputy COPs and other support staffing that allows the COP the mobility necessary to meet with, brief, and otherwise build relationships with a diverse stakeholder group.

- **Lesson:** Maintain a focus on outcomes, not just outputs. Indicators of program success beyond the output level (loans made, immediate production increases) are difficult to come by and often expensive to measure. Nonetheless, continuing to focus on outcomes allows COPs to change tactics as the context requires, allowing them to implement and disseminate information about effective programs despite changes in the environment.

- **Lesson:** Encourage CTOs to communicate with their technical experts. The Economic Growth, Agriculture and Trade Bureau of USAID exists in part to provide technical support to Mission staff. While being sensitive to egos, COPs who encourage CTOs to communicate with their EGAT technical colleagues find the work-planning and on-going maintenance of program standards easier, as CTOs are better able to guide the program in line with the latest thinking in economic development. By regularly using technical colleagues from the central Economic Growth, Agriculture and Trade (EGAT) Bureau at USAID to provide short-term coverage at the USAID Mission, CTOs are able to address the shortages of personnel and institutional.

Managing Down

Managing Down has multiple meanings. In one instance, it refers to internal staffing and coordination between a field office Dond headquarters. In another it refers to the development and maintenance of coordinated partnerships and activities across sub-awardees. Crises simultaneously establish the rationale for many international assistance programs and the greatest constraints to successfully implementing them. Of the three areas addressed during the session, this is the one in which there has

perhaps been the most research to date. The challenges below are listed principally because they were of concern to participants, suggesting there is still more to learn or a need for better sharing of existing resources.

Specific challenges to managing down brought up during the session include:

- Chronic shortages of skilled local and international staff members. In crisis settings, human resources are often incredibly scarce. Qualified local staff members are in high demand and often jump quickly from one project to the next, gathering skills and higher salaries as they go but leaving projects in a constant state of flux. Simultaneously, the insecure and often dangerous conditions prevalent in crisis and post-crisis settings serve as a deterrent for experienced professionals to work there resulting in a proliferation of intelligent but often woefully inexperienced junior staff being given responsibilities beyond their capacity.

- While the shortage of basic qualified staff is severe, that of staff (international or local) with financial, banking, market analysis, facilitation, service delivery or other specialized skills is worse.

- Tension between field staff member priorities and those of headquarters. By no means exclusive to projects in crisis but certainly exacerbated by the heightened profile of such initiatives, field staff members focused on "getting things done" are inclined to see increased reporting and public scrutiny as counter-productive. Headquarters staff members by contrast are the first line of inquiry for the various stakeholders beyond the project beneficiaries.

> "You know, there's not really any sort of leadership manual if you will – a "how to" – for how you do economic development in post-conflict because it's still new. People are still trying out new things [so], when you're working with a consortium, not everybody's approach is the same."
>
> *- Participant reporting back on challenges to managing consortia partners during Managing Up, Down & Around.*

- Low support staff capacity and heightened demands on the COP to play the role of relationship manager distract top mangers from focusing on the day-to-day managing down decision making and programmatic challenges, jeopardizing effectiveness.

Together, these challenges can hinder program staff from effectively analyzing the market, facilitating, rather than providing "win-win" solutions among industry actors, designing appropriate services and keeping programs on track. Sound practice microenterprise development becomes very difficult.

Managing down in crisis environments lessons learned and areas for improvement include:

- **Lesson:** Crosscutting crisis response teams appear to enhance capacity to integrate responses at an organizational level, identify appropriate resources and partners and "hit the ground running" when programs are launched. An increasing number of organizations have pursued this approach and are finding it beneficial. As experiential learning grows, it would be valuable for these leaders to share their approaches in order to improve practice more broadly.

- **Lesson:** Guidelines would be helpful. Guidelines for effective economic recovery in crisis settings would provide program directors with a valuable resource for making decisions as well as an introduction to the principles of practice for program staff. Such guidelines are currently being developed through the SEEP Market Development Working Group.

- **Lesson:** Take a partnership approach to sub-awardee relationships. In crisis environments it is vital to have flexible, collaborative partners. COPs must invest in building these relationships so the program can effectively adapt to contextual changes. Programs must also be highly selective when identifying potential partners and include these considerations in their selection process.

- **Lesson:** Challenge staff. Ensuring staff members are challenged and see opportunities to advance their careers within your project enhances your ability to retain them. It is also critical to pay attention to internal salary scales and prevailing market rates.

Economic development projects are not always aware of the cultural and political implications of their activities. A related issue is understanding if and how projects affect men, women and children differently. A suggestion put forth by some was to include an expert in local social norms and expectations on the program staff to serve as a guide. An alternative also presented was to coordinate economic development projects more closely with those focused on civil society development, the staff members of which are likely to be keenly aware of these norms and the power structures within local settings.

Managing Around

Crises draw resources and attention from a diverse range of actors. COPs must find ways to effectively understand and maneuver within this environment. A number of stakeholders with which microenterprise development programs have increased interaction in crisis settings include:

> "We kept coming back to the fact that all of these different organizations… need some kind of education, some kind of orientation to what you're doing, why it's important, how it fits into their context. And so we try to find ways to make sure that message gets out on a very regular basis."
>
> *- Participant at Managing Up, Down and Around on the need for concerted communications efforts in managing stakeholders beyond USAID, program partners and clients.*

- The US military
- The host-country government
- Other bi- and multi-lateral donors
- National associations and networks
- Other development and relief programs
- US government bodies including the State and Treasury Departments, the US Embassy and inter-agency working groups

All of the stakeholders need some level of orientation on what the program is trying to achieve and how it is relevant to their context – raising a number of challenges:

- A common lack of donor coordination and lack of host country national involvement
- Poor communications across programs operating in the same geographic or technical areas
- Limited opportunities to engage non-economic development focused organizations in your programs
- The military is often the largest actor in unstable environments and is increasingly engaged in economic development activities despite limited understanding or expertise in such work. Of all the stakeholder relationships, this is the one in which actors often understand each other the least.

When properly managed, programs are able to leverage the resources invested, avoid duplication that can distort the market and exacerbate ethnic tensions, and improve the impact of all programs by developing common standards around the use of grants, vouchers, loans and other microenterprise development and support services. When poorly managed, program success is jeopardized.

Lessons learned in managing around include:

- **Lesson:** Stakeholder education plays a key role in successful programming. By deliberately educating stakeholders at the outset of the project objectives, approach and limits, COPs can get buy-in into their program that will pay significant dividends down the line. A common pitfall identified during the session was that education takes time and money and thus needs to be considered when designing the program, something many programs either fail to do or are pressured to forgo in order to "get to work".

- **Lesson:** Once the initial stakeholder education has taken place, maintain the vision of your role and value through regular communication with key actors. The orientation can serve as a constant touch-stone in this process.

- **Lesson:** When working with local government it is important to establish a detailed understanding of expectations early, particularly as this relates to hiring and the relationship between the project and the government.

- **Lesson:** Humanitarian assistance programs already have substantial experience working with the military – economic development programs can learn from guidelines and practices established in that community, some of which include common communication protocols, shared security information, and regular coordination meetings.

- **Lesson:** Manage expectations on partnership. The increased profile of programs operating in crisis and post-crisis environments often leads to pressure to collaborate with an array of stakeholders. While doing so effectively can improve programs, COPs must ensure a balance is maintained and that collaborative efforts result in better outcomes for local beneficiaries, not just superficial declarations of partnership.

Managing Up, Down and Around are essential skills for COPs of all program types. However, the more sensitive nature of most microenterprise development work – especially in terms of rebuilding credit cultures and facilitating relationships between actors that may distrust each other - and the residual effects of poorly implemented programs increase the importance of mastering the skills for microenterprise development COPs. The challenges and lessons learned detailed above provide the start to a dialogue that has the potential to significantly improve our ability to affect microenterprise development and thus economic growth in crisis and post-crisis environments.