



THE TRANSFORMATION OF CIVIL SOCIETY ORGANIZATIONS AFTER RECEIVING A GRANT FROM THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

USAID CIVIL SOCIETY ACTIVITY

A Technical Document on the Strengthening of Civil Society in Mexico

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This document is part of a collection of strategic documents developed by USAID Civil Society Activity, implemented by Social Impact Inc., and funded by the United States Agency for International Development (USAID). The texts that integrate this collection describe the perspective and methodology of systemic capacities development that the Program designed to walk more than forty Civil Society Organizations (CSOs) through institutional strengthening, grants management and legal compliance. This document provides a synthesis of how the grants management process can be complemented by capacity development in CSOs to contribute to the efficient and transparent use of resources. The full compendium proves to be a valuable resource to strengthen CSOs. The papers are freely available on Social Impact's website at <https://socialimpact.com/>.

ABOUT USAID CIVIL SOCIETY ACTIVITY

Civil Society Activity (CSA) Mexico was a 4-year program funded by the U.S. Agency for International Development (USAID). CSA aimed to improve the sustainability of Civil Society Organizations (CSOs) to effectively implement their agendas on violence prevention, human rights protection and justice reform in Mexico. To this end, CSA focused on improving CSOs capacity to communicate and work collaboratively, increasing their connections with key stakeholders, strengthening their capacity to develop strategies in response to their changing environment and to their communities' needs and priorities, as well as improving CSOs access to knowledge and resources. The USAID Mexico Civil Society Activity was implemented by Social Impact (SI) Inc., in partnership with Fundación Appleseed.

ABOUT SOCIAL IMPACT

Social Impact (SI) is a management consulting firm that provides monitoring, evaluation, strategic planning, performance management and capacity building services to advance development effectiveness. SI's work helps to reduce poverty, improve health and education, promote peace and democratic governance, foster economic growth, and protect the environment. To achieve this, SI delivers consulting, technical assistance, and training services to government agencies, nongovernmental organizations, and foundations.

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CONTENTS

EXECUTIVE SUMMARY	6
I. INTRODUCTION	8
II. CONTEXT OF CSO FUNDING IN MEXICO	9
III. CSA'S SYSTEMIC APPROACH TO CAPACITY DEVELOPMENT	13
GRANTS MANAGEMENT WITH A SYSTEMIC APPROACH	16
IV. GRANT-AWARDING MODEL BASED ON USAID REQUIREMENTS.....	17
PROFILE OF PARTNER ORGANIZATIONS.....	18
GRANT-AWARDING WITH TECHNICAL SUPPORT TO CONTRIBUTE TO ORGANIZATIONS' STRENGTHENING	20
1. REQUEST FOR PROPOSALS/SELECTION	22
2. PRE-ASSIGNMENT.....	23
3. GRANT PACKAGE CREATION, IMPLEMENTATION AND FOLLOW-UP.....	25
4. PROJECT CLOSE-OUT.....	30
V. FINDINGS AND RECOMMENDATIONS: CRAFTING A GRANT-MAKING PROCESS FOR INSTITUTIONAL STRENGTHENING	33
REFERENCES	35

ACRONYMS

APF	Federal Public Administration (Administración Pública Federal)
CD 2.0	Capacity 2.0
CDCS	Country Development Cooperation Strategy
CSA	Civil Society Activity
CSO	Civil Society Organization
GIZ	German Corporation for International Cooperation (Gesellschaft für Internationale Zusammenarbeit)
HICD	Human and Institutional Capacity Development
ICA	International Cooperation Agencies
INDESOL	National Institute for Social Development (Instituto Nacional de Desarrollo Social)
LFFAROSC	Law for the Promotion of Civil Society Organization Activities (Ley Federal de Fomento a las Actividades Realizadas por Organizaciones de la Sociedad Civil)
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NUPAS	Non-U.S. Organization Pre-Award Survey
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PCS	Social Co-investment Program (Programa de Coinversión Social)
RFOSC	Federal Register of Civil Society Organizations (Registro Federal de Organizaciones de la Sociedad Civil)
RfP	Request for Proposals
SAT	Tax Administration System (Sistema de Administración Tributaria)
SI	Social Impact
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

This document outlines capacity development processes that can be implemented in CSOs that receive and manage funds from the United States Agency for International Development (USAID) in order to contribute to the efficient and transparent use of funds. USAID's grant administration guidelines and requirements are strict and comprehensive, often requiring that organizations improve their financial management and accountability processes, as well as internal and systems and policies to enhance their administrative capacity. To inform future capacity development experiences, USAID Mexico's Civil Society Activity (CSA) shares its results, lessons learned, and recommendations based on its experience throughout its four years awarding grants to partner organizations and providing direct technical support to improve their management of USAID funds.

CSOs' access to private or public funding in Mexico is complex for a myriad of structural reasons, including the limited participation of few donor organizations in the philanthropic arena and little knowledge and mistrust of CSOs' work among the general population (which causes many Mexicans to donate directly to target populations), as well as a series of gaps and barriers in current legal regulations and their application. In 2004, the passing of the Law for the Promotion of Civil Society Organizations' Activities (*Ley Federal de Fomento a las Actividades Realizadas por Organizaciones de la Sociedad Civil* or LFFAROSC)¹ opened a window of opportunity for the civil society sector to be more trusted by establishing a clear course of action by which CSOs can share knowledge on how to improve their transparency in the use of public resources (Tapia & Robles, 2006: 64).

However, this law was not in alignment with other laws, causing CSOs to face complex and ambiguous processes within the myriad of federal, state, and municipal funding mechanisms. At the same time, federal public funding for organizations has failed to grow according to the number of organizations in the country², ultimately reducing to the point in which it was nearly suspended in 2019.³

Consequently, CSOs have become increasingly vulnerable due to the lack of resources, leading to 1) the limited implementation of comprehensive programs as a result of the scarce availability of resources, affecting long-term strategic planning, service delivery and staff retention, in addition to other aspects of institutional performance; and 2) the lack of resources has caused CSOs to direct

¹ National Institute for Social Development 2012. "Law for the Promotion of Civil Society Organization Activities (*Ley Federal de Fomento a las Actividades Realizadas por Organizaciones de la Sociedad Civil*), and other applicable regulations.

² <http://www.corresponsabilidad.gob.mx/sistema/sirfosc/seccionpagina/contenido/seccioncontenido/Anexos/archivos/Anexo80.pdf>

³ For example, funds designated for disbursement through the Social Co-investment Program (*Programa de Coinversión Social*) – for many years, the most important federal program based on the amount of organizations supported – dropped significantly in the last few years. In 2017, total funding amounted to \$196,697 MXN, 50% less than in previous years.

³ The policies implemented by the current administration intend to reduce the middlemen, to avoid duplicity in programs, and to concentrate support in the most underserved populations. In this regard, civil society organizations are not considered a priority or even an important ally to implement social programs. One of the first actions taken by the government was to issue the UNO memo in which institutions were instructed to refrain from awarding economic resources to civil society organizations.

their efforts exclusively to the search for more funding and to the implementation of their projects and programs as opposed to institutional strengthening.

In this regard, the United States Agency for International Development (USAID) and other International Cooperation Agencies (ICA) have become even more relevant as key allies to provide funding to CSOs, both to support project implementation and institutional strengthening. For instance, in recent years, ICAs have paid special attention to strengthening the internal capacities of CSOs' they award a grant to, fostering mid- and long-term sustainability. In doing so, CSOs improve their capacities to disclose information about what they do, how they do it, where their resources come from, how their resources are managed and what results the process has yielded. Institutional strengthening also allows organizations to hold themselves accountable through transparent processes and reporting, which renders them more legitimate actors for development that respond to society's needs. With this objective in mind, USAID Mexico's Civil Society Activity contributed to the strengthening of their partner organizations by awarding grants and simultaneously providing direct technical support. This strategy involved the strengthening of institutional capacities and the improvement of organizations' connections and collaboration with other organizations so as to leverage diverse resources and exchange knowledge and experiences.

CSA's institutional strengthening process promoted effectiveness in its partner organizations by generating organizational capacities that allowed them to better achieve and sustain results through more efficient and effective resource management. Ubels Acquaye-Baddoo and Fowler (2010) argue that organizational capacity is determined by the following elements: 1) Act, 2) Achieve Results, 3) Relate, 4) Adapt and 5) Integrate. The various sections of this document will highlight how CSA implemented these elements, detailing the actions and activities in CSA's design, implementation, and validation process, as well as the results its support. Ultimately, CSA's experience can inform donors, implementing partners, and strengthening organizations that wish to move beyond traditional processes that seek simple accountability and transparency by reporting the use of funds, to adopt a more holistic and impactful approach that seeks to build sustainable capacities in organizations so that they may do so in the long-term.

CSA recommends that support and follow-up processes be provided throughout a USAID-funded project's life is crucial to ensure the institutionalization of organizational capacities and to set into motion a steady, ever-improving, organic and holistic strengthening process. Based on the Civil Society Activity's experience, ICAs are advised to incorporate an institutional strengthening component with technical support and follow-up to improve organizational accountability as a complement to the process of reviewing and documenting the proper use of funds, ultimately seeking to build more effective organizations.

By strengthening organizations in addition to monitoring their use of funds, ICAs and implementing partners will establish allies that contribute to the sustainability of results and address critical social problems that are of interest private sector, government and civil society actors. Doing so will not only make it be possible for CSOs to possess the capacities to manage funds, but will also contribute to a culture of transparency and accountability in which CSOs will be able to cater to their target audiences in a more effective manner.

I. INTRODUCTION

USAID's Civil Society Activity was designed by USAID Mexico to improve organizational capacities and to enhance CSO sustainability in Mexico so that CSOs can more effectively implement their social programs and agendas in areas of human rights, crime and violence prevention, and the reform of the justice system, thus contributing to USAID Development Objectives (DOs). A central part of this strategy and a key step along the way was the design of a call for proposals that prioritized the strengthening of organizations at the same time that they implemented a thematic project in one of the DOs mentioned above.

This document reflects on the institutional strengthening process that organizations underwent to receive and manage a USAID grant. USAID's grant guidelines and requirements are strict and comprehensive, requiring that organizations make changes in their management and accountability processes and at times in internal processes to document and analyze the use of funds, enhancing their administrative capacity.

This strengthening process contributes to effectiveness within organizations, thus generating organizational capacities to achieve results sustainability. Ubels *et al* (2010) argues that such capacities are determined by the following elements:

1. **Act:** The collective capacity to make decisions, implement them and act strategically with the appropriate resources and leadership.
2. **Achieve Results:** The capacity to manage and deliver results to reach organizational objectives.
3. **Relate:** Capacity to relate to others and leverage resources as part of a local system.
4. **Adapt:** The capacity to react to change in a productive fashion and self-renew by adopting new ideas. Organizational traits linked with this area include: Ingenuity, resilience and imagination.
5. **Integrate:** The capacity to integrate a variety of interdisciplinary and inter-geographic teams to achieve coherence during programming.

According to Ubels *et al* (2010), although these are different elements, neither one of them is sufficient in and of itself. It is only through their interaction that organizations become more effective and is what is required for organizational transformation. USAID's Civil Society Activity supported its partner CSOs in strengthening their capacities, which contributed to the sustainability of their results in the management of their funds under USAID guidelines and requirements. This support began with the creation of a grant-making process paired with a systemic approach to institutional strengthening.

The following section will provide a description of the funding environment within the Mexican context. This section will be followed by a broad overview of CSA's systemic approach to capacity development and the specific type of support that its partner organizations received.

II. CONTEXT OF CSO FUNDING IN MEXICO

CSOs' access to private or public funding in Mexico is complex for a myriad of structural reasons, including the limited participation of few donor organizations in the philanthropic arena and little knowledge and mistrust of CSOs' work among the general population (which causes many Mexicans to donate directly to target populations), as well as a series of gaps and barriers in current legal regulations and their application. In 2004, the passing of the Law for the Promotion of Civil Society Organizations' Activities (*Ley Federal de Fomento a las Actividades Realizadas por Organizaciones de la Sociedad Civil* or LFFAROSC) opened a window of opportunity for the civil society sector to be more trusted by establishing a clear course of action by which CSOs can share knowledge on how to improve their transparency in the use of public resources (Tapia & Robles, 2006: 64).

Under this law, organizations who wish to access federal resources must comply with certain requirements, such as submitting their information to the Federal Registry of Civil Society Organizations (*Registro Federal de Organizaciones de la Sociedad Civil* or RFOSC⁴). When enacted, the LFFAROSC law was not in alignment with other laws that regulate organizations nor did it align with state and/or municipal development laws that subsequently emerged. Also, when organizations request resources from a federal agency for a specific program, they must adjust to their regulations and guidelines. As a result, multiple mechanisms exist for CSOs to access federal, state and municipal funds, each with diverse requirements that stem from their respective regulations.

Obtaining an RFOSC does not guarantee organizations access to resources given that, each year, total funding directed towards CSOs is reduced. Figure 1 demonstrates a historical decrease in the funding for the civil society sector. In 2018, CSO funding reduced by nearly 50% compared to that which was distributed in 2017.

⁴ An RFOSC is required to assigned a CLUNI (Sign-up Personal Key), and with it, rights like access to economic support and public incentives; b) fiscal incentives and other economic aids; c) donations and contributions, particularly in terms of current tax provisions and other applicable regulations; d) benefits per international agreements and international treaties; and e) counsel, training and collaboration from government agencies and the state to better achieve their goals, under the framework programs that are implemented by those government agencies, in addition to other rights. (INDESOL, 2018).

FIGURE I. TOTAL AMOUNT OF SUPPORT FROM THE FEDERAL PUBLIC ADMINISTRATION 2010-2018



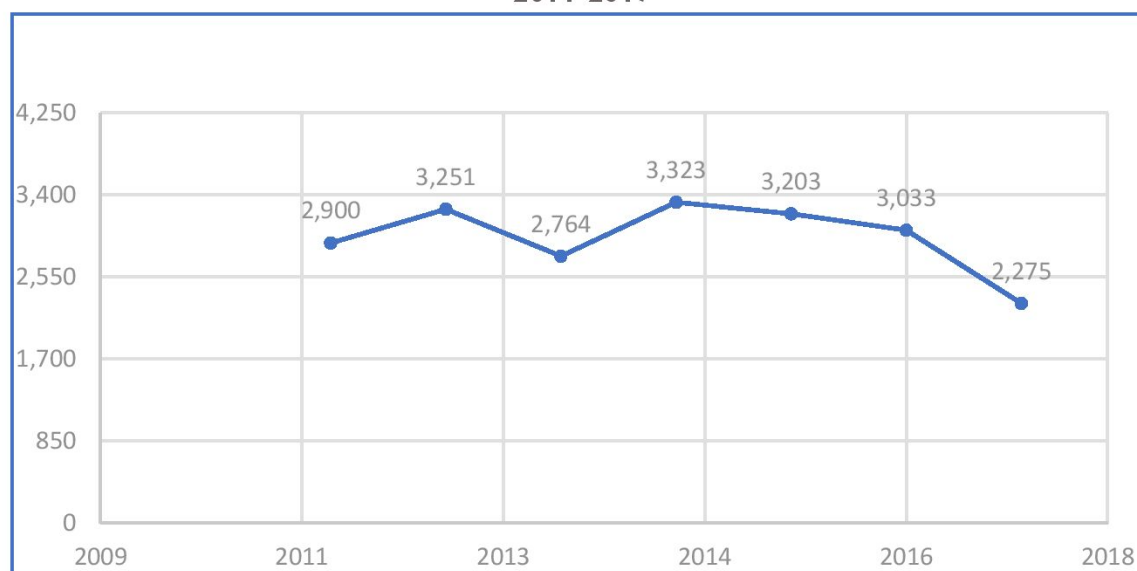
Source: Ramos & Ávila (2019).

According to data published by the Tax Administration Service (Sistema de Administración Tributaria or SAT) and the National Institute for Social Development (Instituto Nacional de Desarrollo Social or INDESOL)⁵, a total of 41,782 CSOs were registered in the main national records in 2017. Of these, 22.6% were registered as authorized donees (organizations authorized to receive tax-deductible contributions)⁶ and 91.9% registered as a CSO with an active Federal Registration. It is worth mentioning that both the authorized donee and Federal Registration are separate registers, meaning that there are several CSOs that are enrolled in both. Only 2,275 organizations reported having received governmental support, marking a reduction in the number of organizations that have received government funding compared to recent years. This is demonstrated in Figure 2.

⁵ The National Institute for Social Development (Instituto Nacional de Desarrollo Social) serves crucial functions, providing training, teaching, research, documentation, dissemination, communication, networking, counsel, information and accounting services to civil society organizations, while also promoting a culture based in gender perspective and representing institutions. The Institute also coordinates the Social Co-investment Program (*Programa de Coinversión Social* or PCS) and the Program to Support Agencies that Prevent Violence Against Women (*Programa de Apoyo a las Instancias de las Mujeres en las Entidades Federativas* or PAIMEF) (INDESOL, s.f.).

⁶ Authorized donee (*donataria autorizada*) refers to a civil society organization or trust that is authorized by SAT (Tax Administration System) to grant donors tax-deductible receipts on the donations they award them, whether they be an A.C (Civil Association), S.C. (Civil Society) or I.A.P. (Private Assistance Institution). These organizations are also exempt from paying income tax.

**FIGURE 2. CSOS FUNDED BY THE FEDERAL PUBLIC ADMINISTRATION
2011-2017**



Source: (Ramos & Ávila, 2019).

Aside from the difficulties that CSOs face in trying to access government resources, requests they receive from donor organizations, the private sector, or governmental entities contribute to additional restrictions. For instance,⁷:

- a) Projects must be limited to one fiscal year.
- b) The maximum amount that CSOs can spend in management costs must be less than 10% of their total budget unless they wish not to cover administrative expenses at all with government funds.
- c) The use of resource for the professionalization of staff and collaborators is not authorized.
- d) 90% of resources must be used to the implement the project.
- e) Goal-oriented accounting mechanisms should be defined.
- f) Designated amounts for CSO funding are limited. For instance, in 2017, the average amount awarded to organizations through the Co-investment Program was \$196,697 MNX.⁸
- g) The accountability process is rigorous, and in most cases, there is no donor support provided to organizations.

⁷ Information taken from the revision in the Request for proposals, for example: https://inversionsocial.montepiedad.com.mx/wp-content/uploads/2019/12/0137-nmp-convocatoria-de-asignacion-de-recursos-2020_final.pdf, <http://sdp.edomex.gob.mx/plataforma-diagnostico-organizacional>

⁸ Exchange rate 0.043 checked on May 20, 2020 on Banxico's website at: <https://www.banxico.org.mx/>.

These requirements render CSOs vulnerable in two ways:

- 1) CSOs' ability to implement comprehensive programs can be limited given this funding structure. Notwithstanding, the scale of intervention by CSOs that is required to generate an impact in their target populations demands more funding and a longer period of execution. Furthermore, the difficulty CSOs face in maintaining continuity in their access to resources prevents them from being able to carry out long-term strategic planning and to retain trained staff.
- 2) CSOs are pressed to direct as much of their funding as possible to the implementation of their projects and programs, discarding the option to invest in capacity development or internal strengthening.

Moreover, International Cooperation Agencies that seek to work in alliance with CSOs experience their own challenges. Some experts have highlighted issues related to the international cooperation approach itself. For instance, funding from ICAs depend on the thematic priorities that each agency fosters, such that CSO must configure their agendas and priorities to suit the agency, generating an incapacity for the civil society sector to respond to recent national processes and critical situations (Sánchez, G. 2008). Instead, CSOs prioritize social problems that have an effect at the regional and international levels.

In this regard, ICAs have begun to support multiannual projects that generate an impact in the mid-to long-term. This sought-after funding status is hard to come by for most organizations in Mexico given that just a handful can fulfill these requirements and have the capacity to administer and report on a grant of this nature.⁹

The demands of federal funding requirements present a conspicuous need to invest in the strengthening of CSOs with two objectives in mind: a) ensuring that designated funds are used efficiently, and b) establishing a solid organizational structure so that CSOs can implement their programs and projects more efficiently in order to achieve results and make a sustainable impact. Not only does this style of international cooperation contribute to the survival of many organizations, but also to the continuity of social development processes that they carry out in order to achieve substantive changes in the long-term.

⁹ To be a civil society, non-profit, not political, electoral or religious organization and be legally constituted as an A.C., I.A.P., I.B.P., I.A.S.P., or S.C., an organization must fulfill the following requirements: Provide evidence of 1. A social objective related to the project. 2. CLUNI (desirable) 3. Protocolized certificate of the last meeting of the Board of Directors with all relevant revisions and edits, if any. 4. Authorized Legal Representative 5. Tax declaration 6. Audited financial reports 7. 3-5 years of experience submitting to Request for Proposals in the same thematic area 8. Present a project with a Logical Framework or Theory of Change. The first filter reviews the use of language and the completeness of the application in which the applicant must provide a synthesis and analysis of their capabilities to be able to present the requested information. Few organizations possess the human resources and the capacity to participate in this kind of Request for Proposals. These requirements draw from a series of other Requests for Proposals.

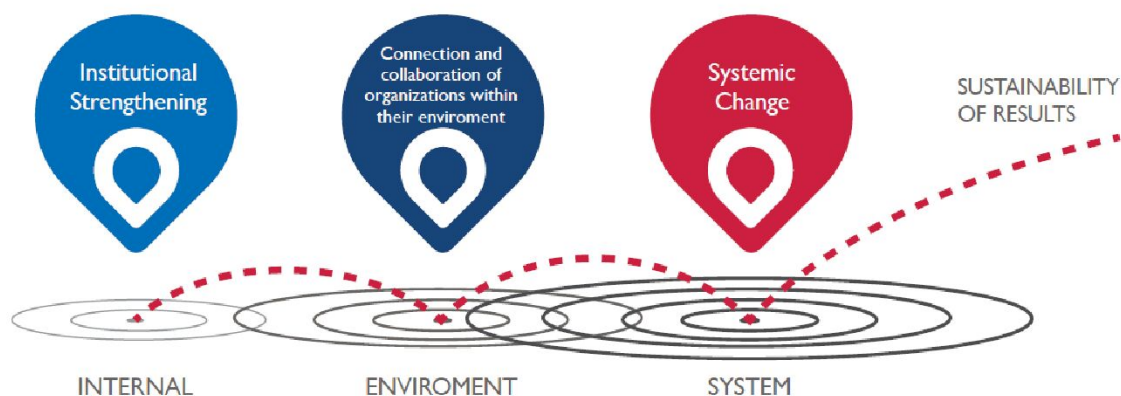
III. THE CIVIL SOCIETY ACTIVITY'S SYSTEMIC APPROACH TO CAPACITY DEVELOPMENT

USAID Mexico designed the Civil Society Activity (CSA) to improve institutional capacities and increase the sustainability of civil society organizations (CSOs) in Mexico so they can more effectively implement their agendas related to crime and violence prevention, legal justice reform, and human rights. CSA supports three of USAID/Mexico's Development Objectives: DO 1 on crime and violence prevention; DO 2 on access to justice; and DO 3 on human rights. Social Impact, a development management consulting firm based in Arlington, VA, is the prime implementer of the CSA contract and designed the approaches described in this Strategy based on close collaboration with our local partner organizations.

CSA's strategic approach was firmly rooted in the original capacity-building purpose; upon receiving a contract modification on June 22nd, 2018, CSA expanded its interventions to emphasize systems-based strengthening, in addition to internal organizational capacity development, to sustain development results. With an emphasis on improved organizational performance, rigorous assessment, the co-creation of solutions, systemic impact, and sustainability, CSA's comprehensive approach is well aligned with USAID's Journey to Self-Reliance (J2SR) and focus on measurable, increased local capacity. Thus, CSA provides a potential model for other USAID-funded capacity-building activities, as well as other capacity-building work, to enhance development impact and sustainability.

Figure 3 highlights the three dimensions of CSA's Strategy.

FIGURE 3. CSA'S STRATEGY FOR THE SUSTAINABILITY OF RESULTS



CSA implemented a systemic approach to capacity development across three primary components:

GRANTS: Award and administer USAID grants to civil society organizations to help them develop their thematic projects and capacity development initiatives.

LEGAL STRENGTHENING: Provide technical support to improve legal compliance in areas of corporate, fiscal, and labor law; money laundering; and data privacy, through a network of pro-bono law firms based in Mexico, coordinated by CSA.

INSTITUTIONAL STRENGTHENING: Accompany CSOs in developing their capacities in three ways—by improving internal capacities, strengthening abilities to create and sustain strategic alliances, and solidifying their positions within their Local Systems—based on an integrated methodology that incorporates Human and Institutional Capacity Development (HICD)¹⁰, Local Systems¹¹ and Capacity 2.0¹² approaches.

CSA worked with three groups of civil society organizations (CSOs), categorized in Tiers:

TIER 1: Ten CSOs that were awarded a USAID grant during Year 1. Three of these CSOs are Intermediate Support Organizations (ISOs) that replicated grants administration and capacity development with 14 CSO subgrantees. Organizations in this Tier received CSA's full range of technical assistance.

TIER 2: Fourteen CSOs that were introduced to CSA by USAID/Mexico and its implementing partners. Tier 2 organizations took part in a modular assessment of organizational performance based in USAID's Organizational Capacity Assessment (OCA), the Organizational Performance Index (OPI), Social Network Analysis (SNA), and Stakeholder Mapping. Tier 2 organizations then received technical assistance to improve their legal status and performance solutions to address performance gaps identified during the assessment process.

TIER 3: CSOs and actors who are influencers in the civil society sector. The influencers will sustain CSA's legacy in strengthening the Local System by leveraging their own areas of expertise to benefit civil society actors and their ability to collaborate within the system. These key influencers include innovators, whether they be leaders of change, intermediaries across sectors, or key sources of information for the civil society sector.

Figure 4 provides an overview of the expanded vision that the Civil Society Activity incorporated in order to achieve a systemic impact in its support of each of the three Tiers abovementioned.

¹⁰ USAID. (2011) "Human and Institutional Capacity Development." Accessed July 27, 2020.

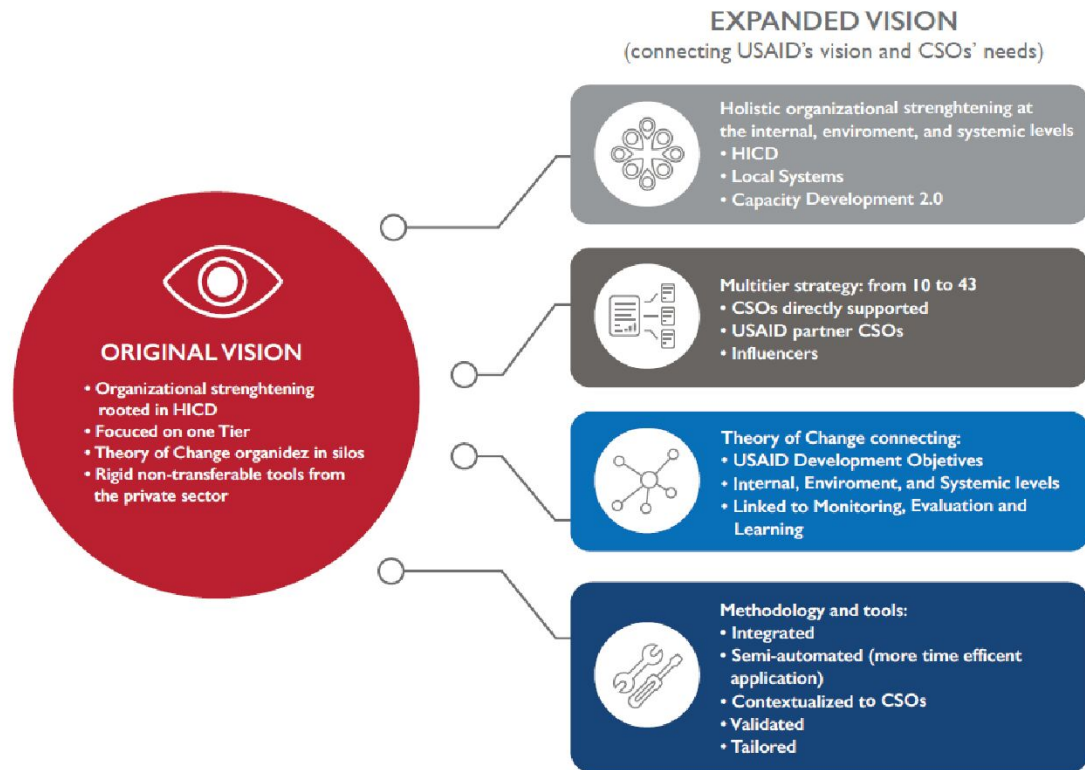
<https://usaidlearninglab.org/library/human-and-institutional-capacity-development>

¹¹ USAID. (2014) "Local Systems: A Framework for Supporting Sustained Development." Accessed July 27, 2020.

<https://www.usaid.gov/policy/local-systems-framework>

¹² USAID. (2017) "Capacity 2.0." Accessed July 27, 2020. <https://usaidlearninglab.org/library/capacity-20>

FIGURE 4. EVOLUTION OF THE CIVIL SOCIETY ACTIVITY



Social Impact (SI) based CSA's original design on the HICD model. However, as CSA became familiar with Capacity 2.0 at USAID and held pause and reflect sessions with partner organizations, CSA determined a need to expand its capacity development approach. Consistent with Collaborating, Learning, and Adapting (CLA), the CSA team proposed additional components to the theory of change that would complement the original HICD design, while also drawing upon the latest best practices in the field. Aligned with the Local Systems and Capacity Development 2.0 approaches, CSA began to view organizational strengthening in three dimensions: strengthening internal capacities; strengthening relationships and networks in which organizations participate; and strengthening organizations' positions within their Local Systems.

In a major conceptual and methodological shift, CSA expanded its approach to capacity development by adopting USAID's Local Systems framework. Based on this framework, CSA views each CSO as one of many actors within a system working around a given social issue. For individual CSOs and the CSO sector to have sustainable impact, it is crucial to develop their organizational capacities to interact, communicate, and collaborate, including with other diverse actors operating in the same system. In this way, CSA could more effectively support organizations as they tackled complex challenges in their environments.

GRANTS MANAGEMENT WITH A SYSTEMIC APPROACH

By design, the grant-awarding component of the Civil Society Activity was in alignment with USAID's Capacity 2.0 framework, which focuses on improving the way organizations interact within their local systems, prioritizing the collaboration and connection between civil society organizations and other actors, as well as organizations' adaption to change.¹³ Through CSA's institutional strengthening component, organizations who received a grant were also provided tailored technical support in grants management paired with systemic capacity development interventions to address performance breaches in several key areas that affect organizational performance (from Strategic Planning, to Gender and Inclusion and Monitoring and Evaluation).

The grants administration component of CSA centered its strategy on accompanying organizations as they strengthen their capacities to manage funds to comply with USAID guidelines. This involved institutionalizing new organizational policies and systems and establishing an administrative structure with well-defined processes and policies that are sustainable not only on paper but also in practice, so that organizations are able to internalize and operationalize new processes in a concrete and sustainable fashion. In time, this will allow organizations to have the necessary tools to respond to the requirements of whatever donor or strengthening organization. Furthermore, through strengthening, organizations can improve their relationship with strategic allies and be resilient in the face of unexpected conditions and environmental shocks.

From CSA's point of view, it is essential that CSOs be able to respond to questions and requests from their stakeholders (the Board of Directors, donors, strategic alliances, regulating authorities, etc.). Their capacity to inform what they do, how they do it, where their resources come from, how they manage their resources, and the results of their intervention is paramount to communicate the results of their important work and their legitimacy as a responsible actor that attends to a social problem. Mindful of this, the Civil Society Activity's grants component focused on ensuring that organizations have the capacity to develop the organizational processes, mechanisms, and systems that are required to answer these questions and build bridges with other organizations to share their capacities and experiences, leverage resources and multiply their potential impact through collaboration.

CSA's grants component was oriented towards developing organizational capacities regardless of the level of organizational maturity, broadly conceived¹⁴. USAID Mexico's Civil Society Activity's experience has been that, even in the case of organizations that have refined certain organizational processes and systems through the years, the civil society sector can work to strengthen their operations and internal systems (human resources, financial and accounting systems, management and supervision, standard operating systems, etc.), just as much as organizations that are barely formalizing their operations. In particular, USAID's Non-US Organization Pre-Award Survey

¹³ USAID. n.d. "Capacity 2.0." Accessed July 27, 2020. <https://usaidlearninglab.org/library/capacity-20>

¹⁴ Organizational Maturity is reached by means of progression in the different development areas. These are categorized in emerging, emerging and mature. Organizational Maturity shows how time and resource investments lead to better organizational performance, networking and broader relevant systems (USAID, 2015). In the context of Capacities Development, different approaches refer to different organizational maturity stages, and the expected changes in an organization, therefore changing in the process.

(NUPAS) served as a key instrument to determine organizational priorities to improve their administration and transparent use of funds¹⁵. Upon applying the NUPAS assessment, CSOs identified their specific priorities and needs to contribute to the strengthening of their administrative and financial capacities.

Throughout the life of the Activity, CSA identified specific areas in which CSOs can improve their administrative and fiscal policies and processes to improve their compliance with Key aspects that can be improved in the identified organizations are lack of documentation in their procurement processes of goods and services, not having a written record of everyday policies such as petty cash management, cheques policy, travel policy, among others. Thus, organizations experience little to no flexibility in order to have access to national or international funds in requests for proposals requiring solid and systematized internal processes to compete for funding.

As a whole, through the technical assistance and follow-up of CSA's grants component, the Activity sought to improve administrative capacities in CSOs by providing assessment tools, performance solutions, and recommendations for the development and strengthening of policies and internal processes in grants management that extend beyond fulfilling contractual requirements, ensuring that organizations institutionalize processes to promote accountability and the transparent use of resources beyond any given project to create a culture of trust and legitimacy around the civil society sector in Mexico. By preparing organizations to report to a donor as rigorous in reporting as USAID, CSA prepared organizations to respond to the requirements of any other donor.

IV. GRANT-AWARDING MODEL BASED ON USAID REQUIREMENTS

As an ICA, USAID must meet certain standards to award funds. CSOs who wish to apply must comply with the criteria and requirements defined in advance during the call for proposals and selection period. The process involves several stages: a) Presentation of a conceptual description, b) Extended proposal presentation, c) Upon successfully passing through these filters, a special selection committee revises the proposal thoroughly, d) If the committee determines that the CSO is eligible in technical terms, they will apply the Non-US Pre-Award Survey (NUPAS¹⁶), followed by an on-site visit, e) Final modifications to the complete proposal, and f) Final approval notification. From there, the organization has effectively passed through the filters that render it eligible to receive the grant, which is when USAID evaluates the capacity of the organization to comply with

¹⁵ Please reference the Civil Society Activity's NUPAS Solution Package for more information, which is included in CSA's Legacy Compendium. The NUPAS Solution Package provides a step-by-step guide on how to improve compliance with USAID's NUPAS requirements in each one of the criteria that NUPAS assesses.

¹⁶ *Non-US Organization Pre-Award Survey* (NUPAS) is a *due-diligence* process mandatory under USAID standards that helps to determine the capacity of an organization to program and do an accounting of US funds. As established in USAID policies, NUPAS provides the Agreement Officer with the necessary information to assess the organizations' capacity to comply to the letter with the terms of the funds received, and it is also useful as a selection tool to determine the responsibility of a potential partner and whether special conditions are required within the final document awarding the funds. (USAID, 2016)

USAID grant-awarding requirements.¹⁷ It is important to highlight that at any point before the final approval notification, USAID may decide not to continue with the process.

The Non-US Pre-Award Survey (NUPAS) is an assessment tool that helps to identify if an organization has the financial and administrative capacity to manage USAID resources in compliance with United States government regulations. This survey is conducted before the grant is approved so that key areas of opportunity in compliance can be identified within organizations to subsequently outline the requirements to be met for the grant to be awarded.¹⁸ USAID Mexico's Civil Society Activity had the opportunity to provide tailored technical assistance to CSOs that were awarded a grant in order to develop local capacities so that their administrative processes remain compliant in the long-term and do not only account for the awarded grant. CSA ensured that every organization that received technical assistance for the purposes of complying with their USAID grant requirements develop their capacity and knowledge to better manage, administer, and report the use of funds for any donor, beyond just USAID alone.

As part of the technical assistance that the Activity provided, CSA followed-up on organizations' progress to ensure that they comply with the special award provisions identified during the first application of NUPAS.¹⁹ In order to validate the results of the support it provided, CSA analyzed 12 CSOs who received funds to track advances and preliminary results, and identify how the technical support they received contributed to their development of administrative capacities.

The following sections describe CSA's experience in providing tailored, technical assistance to improve the management of the grant, highlighting the capacities that were strengthened during every stage or process of grants administration. CSA will also describe the precise interventions that were carried out so that ICA's and other implementing partners may adopt and adapt them as they deem fit to strengthen the administrative capacities of their respective grantee organizations. To conclude the document, the Activity will note key findings and recommendations.

¹⁷ For more information, please consult the document *Successfully Implementing Grants for International Cooperation Programs*, which is also part of CSA's Legacy Compendium.

¹⁸ Determines three levels of risk: Low 3.51, Medium 2.51-3.50 and High 1.50-2.50. By means of designating the risk level for the CSO, after NUPAS application, it is possible to determine the adequate financing method for every organization (Advance or Refund), as well as the support level and supervision that the organization needs, in order to ensure a correct use of USAID funds and generating an ideal type of contract taking into account the special provisions to be developed, before or after signing it.

¹⁹ The twelve CSOs took part in order to check the advance in the implementation of the special provisions identified during NUPAS, this was established in the agreement signed at the beginning of the grant-award process. The on-site visits took place in October, November and December of 2019, integrating the special provisions revision in advance by means of a follow-up matrix, in order to sistematize and optimize the revision in situ, as well as a minute condensing the commitments made as a result of the information gathered.

PROFILE OF PARTNER ORGANIZATIONS

In the case of CSA, twelve grantee organizations were supported in managing their grant and in institutional strengthening processes that involved the implementation of solution packages²⁰ according to their needs. These two key factors were crucial to establish a solid administrative structure capable of dealing with national or international donors' requirements. The Activity identified a baseline measure of capacities in each organization to manage a grant. By the end of the implementation of solution packages, CSA determined an end-line measure to define the progress of the grantee CSOs described in this document.

Table I provides a breakdown of the characteristics presented by the twelve organizations that were awarded a grant by the Civil Society Activity.

TABLE I. CHARACTERISTICS OF CSA'S 12 GRANTEE ORGANIZATIONS

Characteristic	Number of Organizations	% Represented
Grassroots Organizations	9	75%
Strengthening Organizations	3	25%
Authorized Donees	7	58%
Previous Experience with USAID Grant-Awarding	6	50%
Experience with other International Funding	10	83%
Experience managing grants of similar amounts to that provided by CSA	7	58%
Time being Legal Constituted**	14 years	
Previous experience working in the technical/thematic areas as those stipulated in the Request for Proposals*	4	33%

Source: USAID Mexico's Civil Society Activity

** 5 years as the minimum and 27 years as the maximum

* Organizations had previous experience working in the thematic areas indicated in the Request for Proposals, though when it comes to violence prevention, only four out of twelve organizations had experience in secondary or tertiary violence prevention.

Upon analyzing these characteristics, one may observe that most organizations are well-established, meaning, they have been operating for more than 5 years. Just 25% of CSOs have been up and

²⁰ Solution Packages are a series of packets covering different thematic areas identified as common areas of opportunity in the civil society sector in Mexico. The solution packages that CSA implemented with partner organizations are: Grants Management, Institutional Governance, Communications and Digital Strategy, Monitoring and Evaluation, Strategic Planning, Program Design, Gender and Inclusion, Human Resources, Resource Mobilization, Financial Strategy, Strategic Alliances, Knowledge Management and Non-US Pre-Award Survey (NUPAS).

running for 5-9 years, while 50% have been constituted for 10-19 years and the other 25% have existed formally for over 20 years. 50% of this cohort had previous experience managing USAID funds and 58% were authorized donees²¹. At first glance, this data reveals that CSA's grantees were experienced organizations with a certain maturity level. Though, notwithstanding, certain areas of opportunity were identified to improve their standard operating systems as well as their administrative and accounting practices, processes, and systems.

Having passed through the various filters outlined above, this cohort of organizations was expected to have a higher level of institutional maturity than the average. However, this reveals just how the findings of an initial NUPAS assessment and the challenges that come in the daily practice of managing a USAID grant produce a significant need for support. This is a clear indicator that donors cannot avoid providing direct technical support to organizations who receive their funds if they truly wish for them to achieve a proper implementation and rigorous accounting and transparency processes. It is also worth mentioning that, by participating in CSA, at least 60% of CSOs were able to extend the reach of their interventions in their thematic areas, transitioning from a universal approach to prevent violence to secondary or tertiary violence prevention, designing multi-actor strategies, and documenting and analyzing their intervention models. Although programmatic follow-up was not designed to provide tailored support in the particular thematic area they work on, CSA's grants team provided guidance and suggestions on programmatic implementation, and CSA also facilitated Learning Communities²² with other organizations in which they were able to exchange lessons learned and best practices with other CSOs and experts. As such, it is important to present the specific types of support that the CSA Grants team provided to these 12 organizations.

²¹ The authorized done (*donataria autorizada*) is a status and registry granted to organizations by the Tax Administration Service (SAT) of the federal government, which authorizes that the organization will effectively seek non-profit purposes and will make use of its resources in a professional and effective manner. To satisfy the requirements, the organization must meet a series of requirements: 1. Legally constitute the civil society organization or enter into a trust agreement. 2. Assign as a corporate purpose any of the activities authorized to receive deductible donations: a) Assistance, b) Educational, c) Scientific or technological research, d) Cultural, e) Ecological, f) Scholarships, g) School-business programs, h) Public works and services, i) Social development. 3. Not mention in the corporate purpose any sporting, political or economic activity, or the provision of professional or managerial services. 4. Have the structures and processes of corporate governance. The first benefit of being authorized donees is to be taxed as a legal entity for non-profit purposes, as established in Title III of the Income Tax Law. In addition, according to the SAT, these organizations: i) can receive unlimited donations, either in cash or in kind, ii) are not taxpayers of ISR (Income Tax), iii) can apply deductible donations they receive to other additional activities stipulated in their articles of incorporation or statutes, iv) may avoid the payment of taxes on foreign trade for the entry of goods into the country that are donated to be used for organizational purposes. Like other legal entities, entities authorized to receive deductible donations must issue the electronic invoice, withhold taxes and keep their accounting in order. The organization's main obligations are to 1. Make information related to transparency available to the general public in May of every year. 2. Submit annual tax returns before February 15. 3. Report any change in its statutes. 4. Issue the CFDI corresponding to donations received, as well as when they sell or dispose of goods.

²² For more information on Learning Communities, please consult the document *Building Sustainable Learning Communities to Strengthen the Local System*, which is also a part of CSA's Legacy Compendium.

GRANT-AWARDING WITH TECHNICAL SUPPORT TO CONTRIBUTE TO ORGANIZATIONS' STRENGTHENING

The grant-awarding process can be characterized as a process that starts with the design of the request for proposals and finishes with the approval of final reports (financial and programmatic), which mark the end of the implementation of a grant. From the point a CSO submits a proposal and is provided assistance to better understand its requirements, selection criteria and the minimum capacities required to be an eligible candidate to receive USAID funds, to the point that the organization is selected to receive and report the use of funds in accordance with USAID requirements, there are opportunities for the organization to learn and be strengthened. Along this path, there are opportunities for the donor to accompany the CSO in acquiring new skills, knowledge, and capacities by implementing institutional strengthening processes so that better proposals can be submitted and so that a broader population of eligible organizations can be awarded grants in the future.

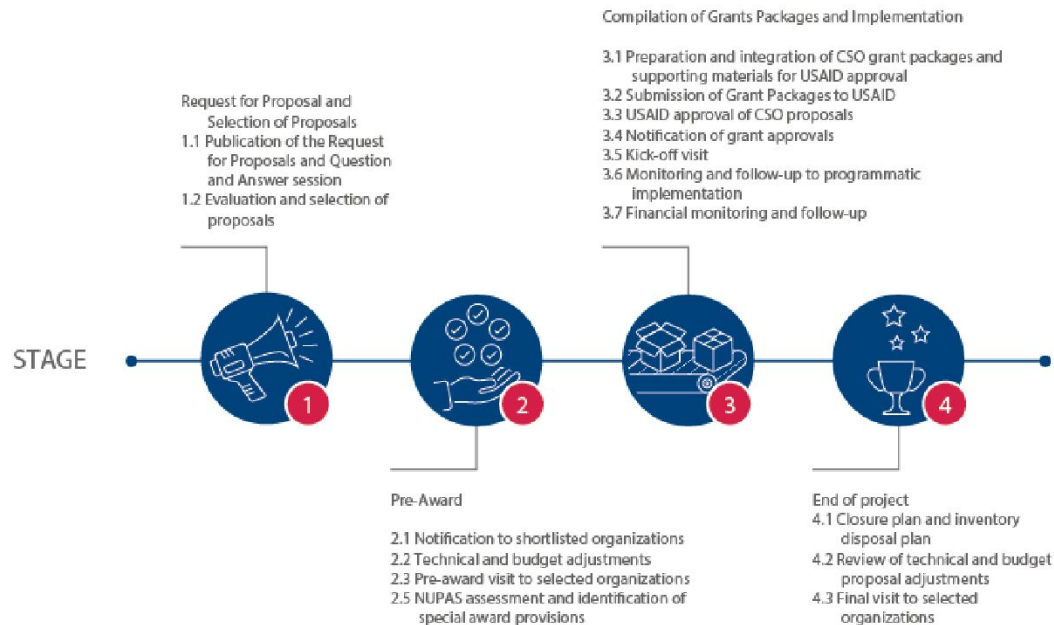
Based on the characteristics of organizations analyzed in this document, at least 50% had previous experience receiving USAID funds. However, CSA found that these previous experiences with USAID grants did not contribute to the institutionalization of standardized processes that meet the minimum administrative requirements for accountability and transparency within the organization. In other words, these organizations had focused their attention on meeting the minimum recommended requirements from the donor without taking the opportunity to learn and grow from grants administration processes to strengthen their internal capacities in a sustainable fashion. CSA feels that this was due to a lack of technical support provided to them in previous USAID grant programs.

Moving forward, CSA will describe the grant-awarding process in full, highlighting the various stages in which technical support was key to achieve strengthening in CSOs' internal processes. Taking Ubels *et al* (2010) as a reference as to how to understand organizational capacities that contribute to effectiveness and the sustainability of results, the Activity will highlight key characteristics of organizations that are effective in grants administration during every stage of the process.

Figure 5 provides detail on the Civil Society Activity's grant-making process.

FIGURE 5: CIVIL SOCIETY ACTIVITY GRANT-AWARDING PROCESS

GRANT-MAKING PROCESS USAID MEXICO'S CIVIL SOCIETY ACTIVITY



Source: USAID Civil Society Activity.

1. Request for Proposals/Selection

A Request for Proposals (RfP)²³ serves as a guide on how to develop a solid proposal. Often, CSOs must develop the ability to write and present a robust proposal to better access funds, regardless of the donor. Per CSA's RfP design, organizations had the chance to ask specific questions about the RFP and every step of the selection process. For this purpose, informative sessions were held to guide organizations as they designed their proposals and navigated USAID requirements. Although this support was not entirely one-to-one, the strategy was CSA's first take at facilitating a personalized approach to accompany CSOs as they filled out formats, designed proposals with a Logical Framework or Theory of Change, and presented budgets with ample opportunities to clarify doubts.

²³ *Request for Proposals* is a request made by means of a formal call from the agency or second-tier organization interested in financing projects with certain characteristics and targeted at experienced actors in these themes. CSA focused on civil society organizations.

During the presentation of their proposals, CSOs were able to communicate across the different areas of their organizations, particularly between the operative and administrative areas, given that the formats that were used to present proposals required them to put into practice the following parameters to classify expenses: a) admissible, b) assignable, and c) reasonable, and to identify strategic activities aimed at accomplishing their thematic project's objective. This breaks with the conventional dynamic in which many organizations assign one person to assemble a proposal without involving any other area in the process, especially the Administration.

During the Request for Proposal stage, organizations demonstrate their capacity to deliver results utilizing institutional resources to meet RfP requirements. For CSA, it was paramount to clearly define selection criteria and key aspects that would be evaluated in proposals so that the CSOs could understand the standards that were requested of them.

Few donors take the time to notify CSOs who were not chosen in the selection process results, leaving organizations in the dark regarding the shortcomings of their proposals. Taking a different approach, the Activity assumed the responsibility of performing this important step, contributing to the credibility, reliability, and transparency of the process, and helping CSOs that were not selected to identify areas of opportunity to strengthen their proposals so that they may be more prepared when submitting future RfPs. Likewise, in the case of CSOs with pre-selected proposals, CSA presented the organizations with valuable feedback regarding areas of opportunity and defined a timeframe for the CSO to make the necessary changes in the presented proposal.

When participating in the RfP and selection process, CSOs reflected on the capacities and characteristics that were necessary to receive grants from ICAs. This was an incentive for them to work harder to meet the established requirements, contributing to their strengthening.

2. Pre-Assignment

The Pre-Assignment stage involves a *due diligence* process that is conducted before assigning funds under the framework of NUPAS and other requirements that inform organizations of the need to improve their systems and policies in areas of institutional governance, financial administration, and grants administration. In the case of CSA, the Grants team was in direct contact with pre-selected organizations to convey the importance of attending to key areas of opportunity and to work to resolve them together.

During this stage, institutional strengthening was in full force. The NUPAS baseline measurement presented served as a first assessment in which the CSO recognized key areas of opportunity in terms of the institutional capacities they needed to develop. In most cases, it was important for CSOs to document daily practices and policies of the organization. That is to say, CSOs had the opportunity to reflect upon and recover what they had already institutionalized in practice, including those quotidian practices that were not documented in an institutional policy as such. Everything that CSOs had in place to comply with NUPAS standards was reviewed, both in terms of institutional

practices and documents, to build upon what already existed per the needs identified by documenting and formalizing organizational processes, protocols, and practices.

During the initial Pre-Award survey (NUPAS baseline), CSA identified special provisions that should be adopted in grants administration and management to better comply with USAID guidelines. At this time, it was important to convey to organizations the importance of fulfilling those requirements that went beyond the minimum requirements given that the goal was for these practices to be internalized and institutionalized so that they last in the long-term.

On the other hand, CSA's collaboration with pre-selected organizations was oriented towards refining their proposals and budget through tailored, technical support. For example, unlike with the other RfPs (in which indirect costs are not funded, and salaries are only covered for people who work directly with the target population, meaning they do not cover the salaries of administrative or management positions), organizations that applied to CSA's RfP were allowed to allocate 10% of their total costs to indirect costs (administrative costs such as those that organizations have to cover regardless of whether the program is in operation).

In addition, organizations were able to use up to 40% of the grant on salaries and benefits upon detailing the level of effort of each member of the organization collaborating on the project. This was a key factor in CSA's approach to be coherent, fostering organizations' compliance with their legal obligations, particularly labor obligations. These budget items tend to be the one of the greatest challenges for organizations with limited resources and that are subjected to short-term projects. Granting organizations the option of maintaining a wider margin to pay salaries and benefits to administrative staff also met the strict requirements of a USAID grant, specifically, the requirement for organizations to attract and retain staff with a high level of expertise.

Additionally, organizations were asked to provide a description with proper justification in every area in which they requested funds when submitting their budget. This was a new practice for most CSOs, requiring a joint effort by administrative and management staff to produce the budget proposal. Thus, a collaborative and multidisciplinary approach was fostered that allowed CSOs to present realistic budgets in line with their administrative situation. As a result, this practice reshaped organizations' vision on how to assemble and propose a budget.

Furthermore, this stage contributed to the strengthening of CSOs' capacity to adapt to change since the technical support they received consisted of learning about standards to present a quality proposal. This capacity is linked to USAID's CLA (Collaborating, Learning, and Adapting) approach, which was mainstreamed in CSA's implementation, strengthening organizational learning and ensuring the effectiveness of CSO projects and programs.

Prior to their involvement in CSA, few organizations had the practice of involving different areas in the process of crafting a proposal. However, they found that doing so promoted the realistic and strategic planning of activities to be more able to achieve objectives. The Activity also requested a projection of CSOs' monthly and annual budgets. Ultimately, by being clear about the time in which results should be presented and the costs that this would imply, CSOs were able to strengthen their

capacity to adapt, act and achieve results.

3. Grant Package Creation, Implementation and Follow-Up

Creation of the Grants Management and Administration Solution Package.

As part of its internal effort to document the technical support it provided to its partner organizations in each stage of grants management²⁴, CSA created the Grants Management and Administration Solution Package.²⁵ During this stage, organizations were informed about the requirements and guidelines to be followed and executed if their proposal was accepted by USAID.

Implementation and Follow-Up. Once CSOs' proposals were approved by CSA and USAID, they were notified of the approval and signed a collaboration agreement. Within this collaboration agreement, CSA integrated a set of mandatory and immediately enforceable provisions (special award provisions²⁶), which were key areas of opportunities that organizations were to prioritize in strengthening essential administrative policies to be able to report the use of funds in accordance with USAID guidelines. In this sense, this agreement stipulated the commitments and deliverables with which the organization had to comply and report to CSA.

It is worth mentioning that special award provisions were not only designed for organizations to meet USAID requirements. Rather, CSA's main goal was to strengthen the institutional capacities of the organizations by institutionalizing policies and processes for the organizations to be able to meet the requirements of any donor. To ensure this, the Activity's Grants team provided tailored, technical support and follow-up.

CSA's Grants team was divided in two main areas: Programmatic (follow-up for the fulfilment of CSOs' thematic projects) and Financial (follow-up on burn rate and expense analysis according to the organization's grant budget). In both areas, organizations successfully developed, integrated, and implemented the special award provisions identified in Stage 2, the Pre-Award Process.

Special award provisions contributed to the sustainability and strengthening of CSOs, since they were derived from the NUPAS assessment and were priority to advance accountability and transparency. To attend to special award provisions, the Activity provided personalized support in accordance with the specific needs. As a whole, CSA's cohort of CSOs were willing to comply and implement their provisions. Thanks to their work and commitment, they achieved significant advances in developing and updating manuals, processes, and internal policies. The Activity's

²⁴ List of documentation requested by USAID to assess presented proposals and approve a grant or not. The grant package comprises: 0. Memo Selection Cover; 2. Grant Certificate Format, 3. Process revision format and candidates capacity; 4. Grant agreement; 4a: Project Scope; 4b: Budget for the Project; 4Bi: Budget description; 5. Key person's CV; 6. Environment exclusion request; 7. USAID Regulations Compliance Certificate; 8. DUNS organizations; 8A, Guide on how to get DUNS; 9. Indirect costs letter example; 10. SAM search

²⁵ The Grants Management and Administration Solution Package is included in CSA's Legacy Compendium.

²⁶ Some fundamental special award provisions include time sheet review and approval, policies to prevent conflicts of interest, and procurement policy, among others.

presentation of financial reports and feedback also allowed them to gradually improve and note results in their accounting processes and internal policies.

This Implementation and Follow-up stage was a key moment in which CSA designed, implemented, and validated a vast range of strengthening processes in grants administration and management that advanced organizations' capacity to *integrate, adapt and deliver results*. Some examples of how the strengthening took place are:

- *The capacity to integrate:* Organizations assembled interdisciplinary teams to produce their programmatic reports²⁷, drawing information from every component of their thematic projects, as was required. This practice was not common among CSOs in prior reporting to donors. However, due to the support they received from CSA, organizations adopted this good practice of collaboration between Operations and Administration.
- *The capacity to adapt:* When preparing monthly financial reports, organizations evolved in their method of documentation and verification to align with the standards requested by USAID, which also required that they modify their internal policies and processes. In most cases, organizations incorporated USAID guidelines as a standard, transforming their institutional processes permanently, not only to respond to the requirements of their CSA project. The initiative that CSOs demonstrated in transforming their practices and standards of accountability reveal a genuine awareness of the importance of these practices.
- *The capacity to act:* Organizations' initiative in attending to the special award provisions detailed in their collaboration agreement reveals leadership in decision-making and a willingness to advance in order to become organizations with established capacities and infrastructure to be able to respond to the requirements of any donor. Towards the end of the grant-awarding process, some organizations reported participating in a variety of RfPs with new donors to secure the financial sustainability of their projects and organizations, and reported feeling that they had improved capacities to present solid proposals after receiving support from CSA.
- *The capacity to deliver results:* CSA's programmatic follow-up to track the fulfilment of thematic objectives encouraged organizations to identify their progress towards their goals. The Activity's grantees received additional support from specialized consultants that accompanied them in institutional strengthening processes to better respond to specific needs in their project or target population, refining their intervention models. Furthermore, in the case of many CSOs, their CSA-backed project pushed them to expand the scope of their institutional work to address other thematic and technical areas (for instance: Human Rights, secondary or tertiary violence prevention) in a sustainable way.

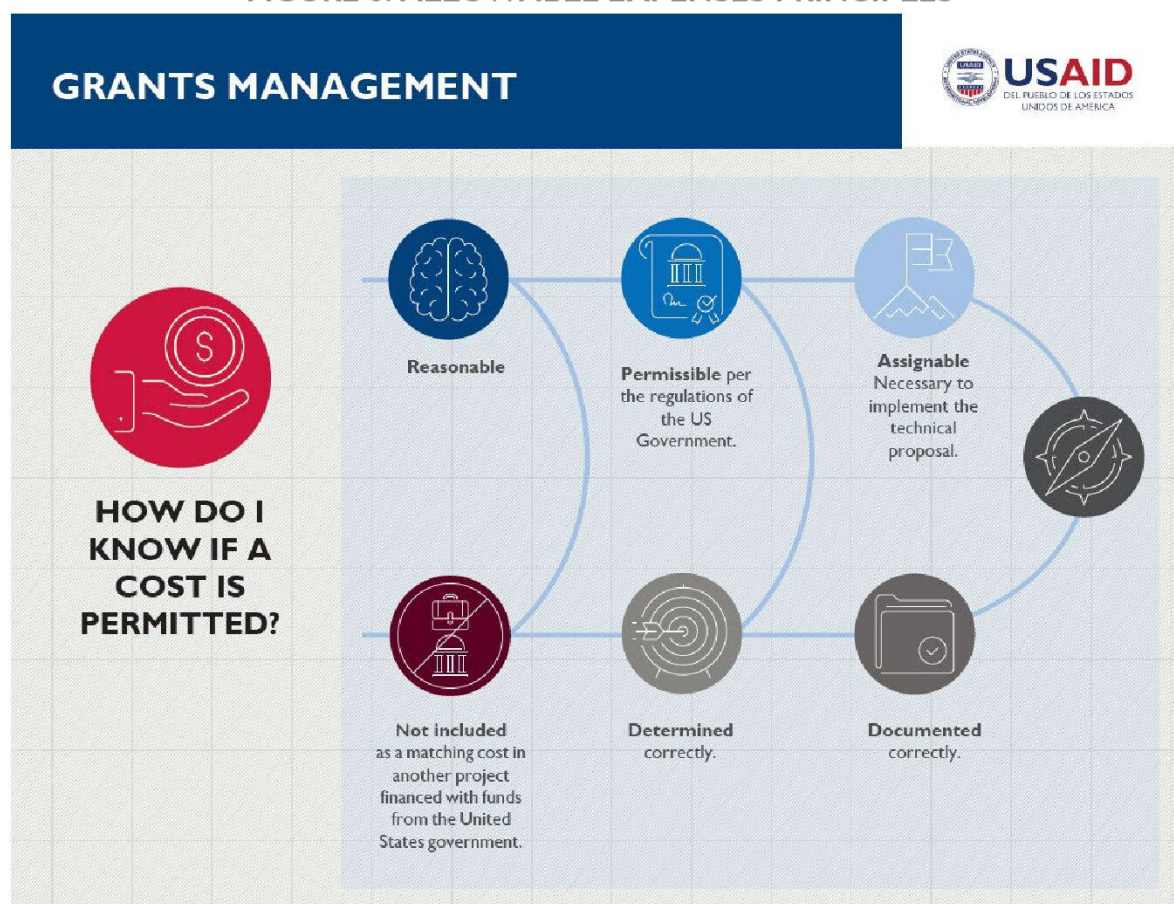
²⁷ The Activity had a contractual obligation to receive a report from its grantees every three months that detailed their thematic activities and the status of the execution of their grant.

CSA always tailored its support specifically to every organization's needs. This was a factor that differentiated the Activity from many other USAID and ICA international cooperation schemes that work with civil society organizations. CSA not only sought to ensure that CSOs were accountable in accordance with USAID guidelines, but also that they appropriate accountability processes. Ultimately, organizations themselves verified the importance of accountability and standardizing processes, which made their work dynamics agile and efficient and provided them certainty that each transaction or decision was supported by evidence.

Through its technical support, the Activity also prioritized the sensitization of organizations on the importance of implementing policies and procedures in the following ways: a) walking CSOs through every stage of the process in the relevant institutional areas, b) document previous successful experiences, saving time and contributing to the achievement of results, c) promote organizational consistency, with standard practices and processes that are applicable for any project, d) enable CSOs to comply with mandatory requirements when managing federal funds from the U.S. government, e) enable CSOs to meet the expectations of other donors. Likewise, the Activity raised awareness in its partner organizations on the use of generating internal controls that help processes to be executed as planned and minimize possible risks, protecting the organization's resources and helping them to prevent unauthorized expenses (whether because they are not eligible or not well documented), and promoting evidence-based decision-making.

Figure 6 highlights principles on allowable expenses in the accounting process. In order to comply with these principles, many organizations had to update their internal policies and processes.

FIGURE 6: ALLOWABLE EXPENSES PRINCIPLES

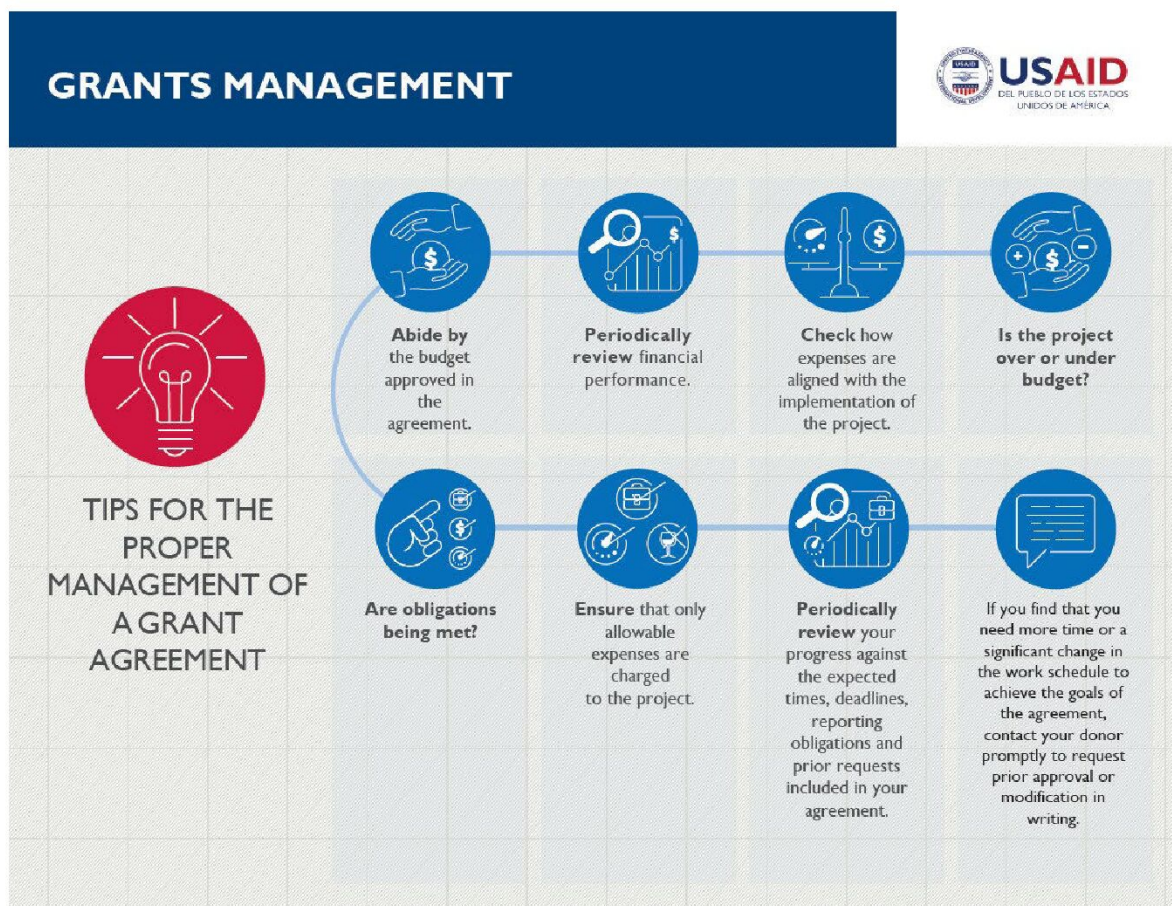


Source: Civil Society Activity material from the course: “How to manage USAID grants effectively: ten audit challenges and findings during implementation”

Following the monitoring of each organization during the life of its projects, particularly during the first months in which they received more continuous training and support to meet USAID requirements, organizations institutionalized accountability practices in all their programs, looking to USAID guidelines as the standard to standardize their accountability practices with other donors.

A sample of the materials provided to CSOs with recommendations on how to properly manage grants is presented in Figure 7.

FIGURE 7. BEST PRACTICES FOR THE MANAGEMENT OF A GRANT AGREEMENT



Source: Ibid.

Having an interlocutor to advise CSOs on the status of the execution of their grant made it possible to clarify the importance of documenting each expense. The institutional solidity and capacity to administer and manage a grant was reflected with each receipt that was reported.

CSOS RESULTS BASED ON THE IMPLEMENTATION OF SPECIAL PROVISIONS

Among the most significant results discovered during the follow-up to special award provisions are the following:

- 66% of organizations attended to their special award provisions in an efficient and effective manner. Also, their strengthening process was an opportunity to improve their administrative structure and take corrective action to attend to areas of opportunity beyond those identified in the special award provisions, contributing to organizational sustainability.

- All organizations strengthened their administrative and financial processes, granting them more tools to apply for new grants from USAID or other donors.
- 60% of organizations presented proposals in response to RfPs of other important donors towards the end of their grant with CSA which were better structured, having the in-house expertise to request and manage grants.
- Procurement systems and its corresponding policies (purchases, payments, etc.) was a particular area in which organizations improved in their documentation and control over costs to be in accordance with their budget and programmatic objectives.
- CSOs themselves identified the benefits of the support they received throughout the implementation of their grant, noting in particular the importance of: institutionalizing best practices that reinforce the control and optimization of internal processes by updating and documenting organizational manuals, policies, processes and functions; creating a Security Plan; standardizing, documenting and implementing of Monitoring and Evaluation processes; ensuring the proper use of logo and branding; improving procurement processes. All of these contributed to accountability and transparency.

4. Project Close-Out

The Close-Out process centered on a process of self-reflection and analysis on the goals that CSOs achieved. A significant part of this stage involved the end-line measurement of NUPAS to identify advances that the organizations made, comparing results with the baseline measurement that was gathered during the pre-selection process. This exercise was key in allowing organizations to identify the areas they need to continue to work on and those that had already strengthened. Of course, CSA stressed the need to continue updating their policies and processes to promote a culture of continuous improvement.

Despite the fact that the technical support that CSOs received from the Grants team was not directly related to the various thematic areas they worked on – whether that be in areas of human rights, violence prevention, or justice reform – the results that CSA observed reveal significant changes in their organizational performance, the result of a greater degree of professionalism in the implementation of their projects.

Originally, CSA projected that less than 80% of its grantee organizations would achieve better results in NUPAS. Though, upon concluding the end-line measurement of NUPAS, the following results were identified:

- The average baseline NUPAS measurement was 3.46, which translates to mid-level risk. The average end-line result was 3.87, indicating a low-level of risk. Thus, organizations had indeed established new local capacities and documented processes for the proper administration

of their grants per USAID guidelines. CSA's belief is that these capacities remain for the long-term precisely because they have been institutionalized.

- Of the five institutional areas that were evaluated in NUPAS (1: Legal Structure; 2. Financial Administration; 3. Procurement Systems; 4. Human Resources; 5. Project Administration and Performance), the areas in which there was significant improvement among CSOs were Purchases, Procurement Systems, and Human Resources.
- The organizations that received support acquired the knowledge, tools, and best practices that the Activity offered in areas of registration, documentation, and accountability.
- Supported organizations had stronger policies, administrative procedures, and financial controls, which will generate greater confidence and certainty among donors as to the use of funds.
- The strengthening of administrative processes and the link that CSOs made in tracking the use of resources and their programmatic activities resulted in a greater degree of collaboration and coordination between Operations and Administration.
- CSOs increased their administrative and financial capacities along with their internal processes and are now more prepared to receive direct funding from USAID, and also to manage, obtain, and administer funds from other International Cooperation Agencies or foundations with high standards in terms of accountability.
- Not only were administrative policies concerning the management of funds strengthened and institutionalized, contributing to permanent practices within the organizations, but other policies improved and were institutionalized, such as in areas of human resources, codes of ethics and conduct, and conflict of interests, etc.
- Upon participating in CSA, many organizations reflected more on their mission and target populations, which resulted in an overhaul of their thematic priorities and the incorporation of new areas of work, such as human rights, justice reform, and secondary and tertiary violence prevention, among others.
- Some organizations received additional funds to guarantee the sustainability of their CSA-funded project. In some cases, collaboration agreements were also signed with government institutions to expand their geographic coverage to the state level or even to replicate their project in other states.

During this last stage, CSA compared baseline and end-line NUPAS measurements and validated its strategy of pairing grants management with capacity building. The Activity also identified which elements of organizational capacity were strengthened beyond internal processes and noted the evolution of a culture of continuous improvement among its grantees that was built upon processes of accountability and transparency.

Finally, CSA corroborated that organizational capacities were developed through institutional strengthening in every area of the Grants component, most notably in Stages 3 and 4, due to the

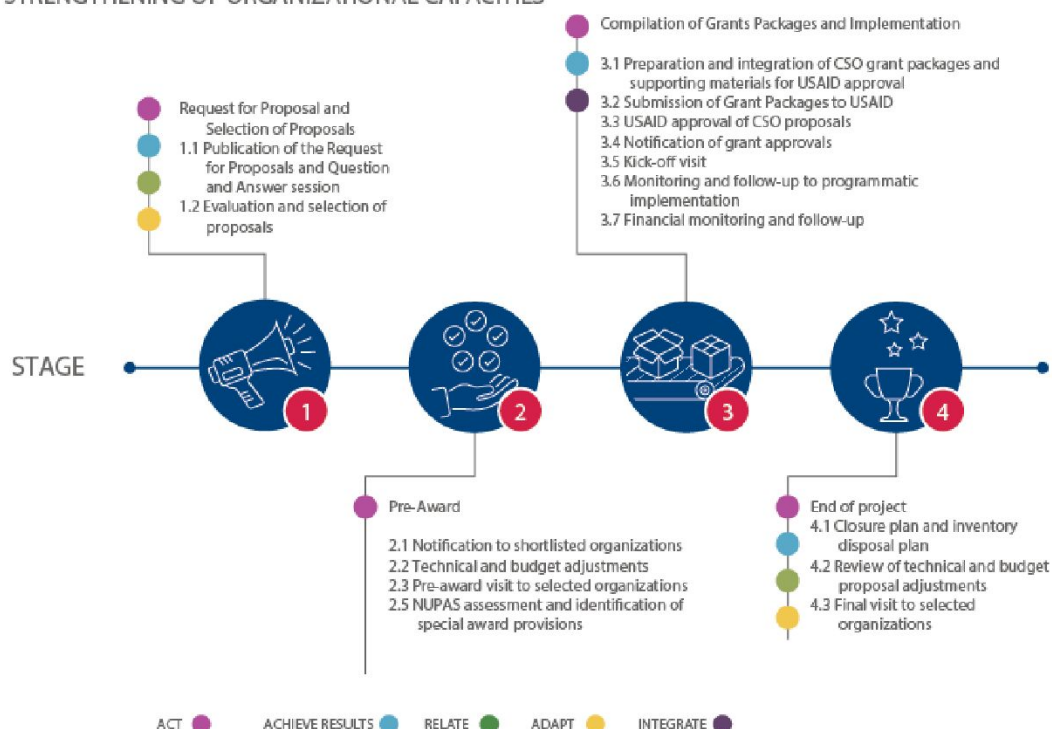
continuous technical support that organizations received. Figure 8 details the types of organizational capacities that were improved through CSA's grant-awarding process.

FIGURE 8. ORGANIZATIONAL CAPACITIES STRENGTHENED THROUGH THE CIVIL SOCIETY ACTIVITY'S GRANTS PROCESS

GRANT-MAKING PROCESS

USAID MEXICO'S CIVIL SOCIETY ACTIVITY

STRENGTHENING OF ORGANIZATIONAL CAPACITIES



V. FINDINGS AND RECOMMENDATIONS: CRAFTING A GRANT-MAKING PROCESS FOR INSTITUTIONAL STRENGTHENING

To close this analysis, the Civil Society Activity highlights key lessons learned and recommendations to incorporate an institutional strengthening component in a grants program. International Cooperation Agencies, implementing partners, and other strengthening organizations may adopt CSA's recommendations, adapt them based on the context, and document their own experience.

SUPPORT

- ❖ Organizations with previous experience managing USAID grants do not necessarily have solid administrative processes. In CSA's experience, 80% of organizations that had previously received funds from USAID had to make significant changes to their internal processes to align them with USAID requirements, per the Non-US Pre-Award Survey. Therefore, CSOs require a tailored process of technical support and institutional strengthening processes in which they can develop, document, and institutionalize new organizational policies, processes, and systems that contribute to their ability to administer funds and hold themselves accountable with any donor.
- ❖ In particular, for CSA, Stage 3 "Grant Package Creation and Implementation" and Stage 4 "Project Wrap-Up" were key moments for the strengthening of capacities in grants administration and management. By virtue of the fact that the direct support provided to CSOs during these stages involved tailored mentoring and coaching, the CSOs had the opportunity to resolve doubts and receive training in priority areas to improve compliance with guidelines and requirements established by USAID. During Stage 4, organizations also had the opportunity to reflect on their improvements and the results obtained, not only in the implementation of their thematic projects, but also in the strengthening of their institutional capacities.
- ❖ In order to implement a similar grants program paired with institutional strengthening, it is advisable to have a Grants team comprised of at least four members, two of whom are responsible for the financial component and two of whom are in charge of providing support for CSOs' thematic projects. CSA assembled its Grants team in this fashion and considered it optimal to be able to perform follow-up on technical and financial implementation and contributed to the sustainability of results.
- ❖ During the first months of implementation of a grants program, it is important to consider intensive training and support, working closely with CSOs in a tailored fashion.
- ❖ It is key to disseminate and explain supporting materials to CSOs that provide examples as to how monthly reports should be presented. In the case of CSA, the Grants team provided

a manual that described how to produce and deliver monthly reports, including infographics and other didactic material. This contributed to CSOs' understanding on how to comply with guidelines.

- ❖ The diverse forms of support that CSA provided – permanent mentoring, on-site visits, phone calls, online meetings and webinars, customized training, and Learning Communities – was helpful in ensuring that follow-up was comprehensive enough and that CSOs were making financial decisions based on evidence in ways that helped them to achieve their planned objectives.

INTERNALIZATION

- ❖ CSOs' capacity to manage USAID funds or funds from any other donor must go beyond merely reporting for the purposes of meeting requirements specific to the donor, whereby CSOs internalize accountability and transparency processes and incorporate them as organizational requirements, which will involve a learning curve that requires direct support, training and assistance from the donor to strengthen their capacities.
- ❖ The learning curve described above is a steep one, though CSOs can dramatically change in their habits around documentation and accountability. This requires continuous support and follow-up and requires time (more than six months).
- ❖ It is essential for organizations to be flexible and adaptable enough to incorporate new processes and policies so as to be able to meet the requirements and contractual obligations of different donors.
- ❖ It is paramount for organizations to develop a methodology to estimate indirect costs and include these expenses in their budget proposals so that they can guarantee operability.
- ❖ It is key to strengthen the coordination among the different areas of organizations to achieve better results in the implementation of the project and funds management. Particularly, Operations and Administration should collaborate on a regular basis during the preparation of proposals and throughout the management of a grant.

INSTITUTIONAL COMMITMENT

- ❖ CSA's grantee organizations ultimately acquired the knowledge, tools, and best practices that Activity transferred them in areas of registration, documentation, and accounting.
- ❖ CSOs should implement and update policies and internal processes, which requires the commitment and participation from different areas and the designation of a committee to carry out this important work. This same committee should be responsible for following-up on policies and internal processes to inform operational staff of corrective actions and request the approval of the Board of Directors when changes and approval are needed.

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