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The Strømme Foundation

An organisational review

Norad
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CMICOMMISSIONEDREPORT

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Commissioned by Norad

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Final Report
June 2013

CMI CHR. MICHELSEN INSTITUTE

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Executive Summary

Strømmestiftelsen (SF) is a medium sized Norwegian NGO with programmes and projects in 13 countries in South Asia, East and West Africa and South America. It receives slightly more than 30 per cent of its NOK 122 million (2011) income through a framework agreement with Norad's civil society department. The rest of the income is largely from Norwegian private donors – individual and corporate – with some additional funding also from other national and international aid donors.

SF's identity is based on Christian values and its mission is to help reduce and ultimately eradicate poverty. It has moved from being primarily a charitable organisation to become a professionally run development organisation emphasizing the need to work through implementing partners. SF no longer runs operational programmes.

This review was commissioned by Norad's civil society department as part of Norad's regular organisational reviews. The reason for commissioning this review was to establish a platform for further dialogue before the renewal of the framework agreement. The review has three main purposes. It shall assess the organisational structure and value added of the different SF segments, especially the role of the head office and the regional offices; SF's partnership model and processes, including SF's selection and assessment of partners, partners' perception of SF, and SF's value added in the partnership; and the financial management, including assessment of cost efficiency and internal control systems.

Organisational structure

SF had a total staff of about 130 at the end of 2012. Of these about 32 are based at the head office in Kristiansand. The vast majority – 99 in late 2012 – are employed at the four regional offices in Lima, Bamako, Kampala and Colombo and their satellite country offices. Staff at the regional offices is all local. SF has a highly decentralized structure where the regional offices have great autonomy in programme design and implementation. The 2008 Norad organisational review noted that SF did not have sufficient programme focus, there was too little coherence and synergy between activities in the different regions, and the Head office' role in quality assurance and programme guidance were too small.

The review team has found that there has been much progress in addressing many of these issues. The programme functions at head office have been improved, perhaps especially in relation to quality assurance, result based management and preparation of policy guidelines. The formal lines of communication and functions have greatly improved. However, the team notes that challenges remain. This revolves around the need for a further sharpening of the thematic focus in education and the relations between the education and microfinance sector in order for SF to increase both programme effectiveness and cost efficiency. Furthermore, there is a need for a review of the organisation of functions between the regional and satellite offices. There are great variations in how the regional offices support country programmes. They may not be equally effective and efficient.

The team has also noted that there appears to be very little fundraising from the regional offices. To the extent funds are mobilized from the regions, it is mostly from other Norwegian sources, including embassies.

Partnerships

Historically, the formal SF partners (the contract partners) was perhaps primarily considered to be consultants or delivery agents. SF's primary focus has always been on establishing as close links as possible with the beneficiaries – with people and communities on the ground. As SF has moved away from being a charitable and operational institution it has increasingly emphasized the need to work through partners. In the current period SF has attempted to develop partnership policies intended to provide a platform for a new approach to partners.

The team found that the SF on the whole has developed good guidelines for selecting and then assessing partners with a view to identify strengths and weaknesses. This is intended to allow for a final selection as well as for drawing up a work plan to help strengthen the partner. It was found that the guidelines were adhered to and informed the approach to partners. There seems however, to be insufficient attention to analyzing the state of civil society in the area of operation and mapping of NGOs and other donor support in the selection and assessment of the partners.

SF spends considerable time and resources in assisting and supporting partners. This appears to be highly appreciated and valued by partners visited. Support to capacity building both in relation to management, finance and programme implementation is a key focus. There are however, great variations between the regions in how much personnel resources that is devoted to this. In some countries programme staff may be responsible for two partners, in others each staff has the responsibilities for a great number. The differences between countries and regions do not seem to be informed by any assessment of needs. A source of frustration among partners is that SF only provides partners with one-year contracts while they are required to prepare a work plan for a full five year cycle.

However, the team still observed some tensions in SF's approach to partners. Partners are still often seen as just "implementing partners." There is limited focus on sustainability, and on coordination and harmonisation with other donor-support. The partnership is dominated by "one-way" communication with limited inputs from partners to SF.

Financial management and cost efficiency

The review is of the firm opinion that SF has good financial management guidelines, rules and procedures. The head office plays a crucial role in this system. The team finds that the control system is functioning well and performs an important function. Some clarification is required in the "traffic light" financial assessment or audits of partners. This includes better coordination with other donors in support to capacity building support to partners in financial management.

The team finds that there is insufficient attention to cost efficiency in the organisation. The share of total income that filters through to partners and beneficiaries are on the low side compared to the costs of transferring that financial resource. Focus on partnerships, community empowerment and targeting of the very poor increases costs compared to other types of development work, but it is still important to revisit expenditures. This will imply a stronger focus on programme effectiveness through a sharpening of the thematic focus of SF. Its activities in, especially, education cover too many areas and SF does not have sufficient professional resources to provide added value in all of them. Costs can also be scaled down – and effectiveness increased – if the number of partners is reduced and a stronger geographical concentration of activities achieved. Finally, the team notes the organisation of regional offices and satellite offices, including the level of staffing, varies considerably between the four regions. This does not seem to be closely correlated with the number of partners and projects in the four regions.

Recommendations

The team concludes that the SF performs an important role in the Norwegian development aid landscape and brings added value to the funding provided from Norad's civil society department through Norwegian NGOs. Importantly, SF has sought to address weaknesses and shortcomings identified in the 2008 performance review. There has been progress on several fronts with the full impact expected to become more evident with the development and adoption in 2013 of a new strategic plan for the coming five years.

The team recommends that several issues reviewed as part of this assignment are addressed in the discussions and negotiations for a new framework agreement between Norad and the SF. This includes

- The relations between the different segments in the SF organisation needs further clarification in relation to the size and functions of the different regional offices, including satellite offices; regional offices needs to do more to raise funds from other and non-Norwegian sources; and the SF needs to increase programme effectiveness by a further sharpening of its thematic focus. It must ensure that it has sufficient capacity to provide professional support to programme planning and implementation.
- Partnership practices appears to be uneven between regions with great variations in the efforts placed on capacity building of partners. More efforts need to be put on ensuring that sufficient attention is provided to strengthening of partners. This includes defining clear objectives and targets for capacity building, and provision of long-term contracts to partners wherever possible.
- SF must focus more firmly on the issue of cost efficiency. This must be achieved through better programme effectiveness; by reducing the number of partners and its geographical and thematic spread; and by revisiting the size and functions of the regional and satellite offices in order to ensure better consistency across regions. Finally, cost efficiency could be improved if SF selection of partners and interventions are based on a clearly defined strategy to ensure sustainability.

Acronyms and Abbreviations

ADP	Aridland Development Programme (Karamoja, Uganda)
BRAC	*(Formerly Bangladesh Rural Action Committee)*
CBO	Community Based Organisation
CEO	Corporate Executive Officer
CMI	Chr. Michelsen Institute
CMMF	Community Managed Microfinance
EA	East Africa
HO	Head office
HQ	Headquarters
Mimeta	Centre for Culture and Development
MFA	Norwegian Ministry of Foreign Affairs
MFI	Microfinance Institution
M&E	Monitoring and Evaluation
MTR	Mid Term Review
NGO	Non-governmental Organisation
NOK	Norwegian Kroner
Norad	Norwegian agency for development cooperation
PALM	Participatory Action and Learning Methodologies Foundation (Nuwara Eliya, Sri Lanka)
PQACT	Programme Quality Assurance Core Team
PwC	PricewaterhouseCoopers
RBM	Result Based Management
RO	Regional Office
SMAGL	Stromme Microfinance (Asia) Guarantee Ltd.
SMF	Stromme Microfinance AS
SMFEA	Stromme Microfinance East Africa Ltd.
SF	Strømme Foundation
SHG	Self Help Group
WDF	Women's Development Federation (Hambantota, Sri Lanka)
Ushs	Uganda shilling

1: Introduction

This report provides an independent organisational review of the Strømme Foundation (SF). It seeks to describe, analyse and assess SF's organisational structure, partnership model and financial management. SF is a medium-sized Norwegian NGO with a budget of NOK 122 million in 2011, a staff of 130 at the head office in Kristiansand and the four regional offices in Asia, East Africa, West Africa and South America. It supports (2011) 163 projects through 114 partners in 13 countries.

Purpose of study

The review was commissioned by Norad's civil society department as part of Norad's regular organizational reviews. SF's first framework agreement with Norad was signed in 2003. Following an organizational review in 2007-2008 a new core funding agreement was signed for the 2009-2013 period with an annual contribution from Norad of about NOK 40 million.

The reason for Norad commissioning the review was to establish a platform for further dialogue before the renewal of the framework agreement. The ToR and full scope of the review is reprinted as annex 1 to this report.

The ToR identifies three main areas for the review. It shall assess the organizational structure and value added of the different SF segments, especially the role of the head office and the regional offices, including the cost efficiency; SF's partnership model and processes, including SF's selection and assessment of partners, partners' perception of SF, and SF's value added in the partnership; and the financial management, including assessment of cost efficiency and internal control systems.

The review process and methodology

The review was carried out by Elling N. Tjønneland (team leader) and Espen Villanger from the Chr. Michelsen Institute (CMI) in Norway. It is partly based on a desk review of documents, extensive interviews with SF staff in Kristiansand and visits to the regional offices in East Africa (Kampala) and Asia (Colombo) and select partners in Uganda and Sri Lanka. The work began in early January with an inception meeting with Norad's civil society department. This was followed by two days of interviews and discussions in Kristiansand. An inception report was then prepared for Norad. This led to a slight extension of the field visit in Uganda to allow for a more in-depth assessment of cost efficiency.

Field visits to Uganda (2 weeks) and Sri Lanka (1 week) took place from late January. Espen Villanger visited Uganda and Elling N. Tjønneland went to Sri Lanka. After the return from the country visits they spent a day (in Bergen) interviewing and discussing with the Director of SF's International Department.

A list of all those interviewed are provided in Annex 2.

The review was carried out over a short period of time. This puts some limitations on the ability of the team to arrive at firm conclusions. A full assessment of cost efficiency requires much more time to review, which is also the case for a thorough assessment of programme implementation and effectiveness. Data collection is based on interviews and studies of project documents and other relevant written material. The main project documents in the 2009-2012 period were consulted. This included SF policy guidelines and handbooks, annual reports and accounts, including reports to Norad's civil society department, as well as a range of documents from the programmes in Sri Lanka and Uganda. These documents are referred to in the chapters below.

The interview data were crucial in helping the team to develop the understanding and assessments of SF and its relations with partners. The bias that emerges from these interviews needs to be mentioned. When asking people about the project or whether they themselves have been successful, it would be naïve to expect totally disinterested answers – especially when many respondents may feel that a continuation of the partnership and support from Norad may depend or be influenced by the review.

This being said, it turned out to be quite easy to tease out underlying experiences and observations on which the respondents make their judgments. The team succeeded in having frank discussions and exchange of views both with SF staff, partners and others. The large number of people interviewed was also of great help in arriving at independent assessments.

The review has benefitted from the support and assistance from a number of people. The team would like to take this opportunity to gratefully acknowledge and thank the SF and their staff in Kristiansand, Kampala and Colombo and the numerous individuals interviewed. They gave graciously of their valuable time to provide information, analysis, interpretation and explanations. The views of all of these stakeholders were crucial in helping the team to formulate the assessments and recommendations contained in this report.

In particular we would like to thank the help and assistance provided by Solbjørg Sjøveian, senior advisor in Norad's civil society department; Anne Teigen, development policy advisor, international department, SF; Nimal Martinus, Regional Director Asia and Darshini Croos, regional programme manager, SF Asia regional office; and Priscilla M. Serukka, Regional Director East Africa, Florence Kayongo, Programme Coordinator, May Kamoga, Education Manager and Elisabeth Naiga, CMMF Coordinator, SF East Africa Regional Office. S. Sivagurunathan was an efficient translator during the visits to meet with SF partners and stakeholders in Nuwara Eliya and Hambantota in Sri Lanka.

The draft report was submitted to Norad's civil society department in early March. Written comments were received from Norad and SF in May.

The review team has attempted to address the issues raised in the Terms of Reference and in the comments received. Needless to say, the shortcomings and omissions are entirely ours. The team is also responsible for the views and recommendations expressed in the report.

Bergen, June 2013

2: Strømme Foundation – a brief overview

The Strømme Foundation (SF) was established in 1976 as a charitable development aid organisation. It originated with the pioneering work by Rev Olav Strømme and his aid projects. Its head office is still located in Kristiansand. The bulk of private support is also coming from sponsors based in the South Coastal areas and Southwestern part of Norway.

Today SF is a medium sized Norwegian NGO with programmes and projects in 13 countries in South Asia, East and West Africa and South America. It receives slightly more than 30 percent of its NOK 122 million (2011) income through a framework agreement with Norad's civil society department. The rest of the income is largely from Norwegian private donors – individual and corporate – with some funding also from other national and international aid donors. The Norwegian Ministry of Foreign Affairs and Norwegian embassies are the biggest funders outside Norad.

Development policy and programmes

SF's identity is based on Christian values and its mission is to help reduce and ultimately eradicate poverty. It has moved from being primarily a charitable organisation to become a professionally run development organisation emphasizing the need to work through implementing partners. SF no longer runs operational programmes themselves. Furthermore, SF seeks to shift as much as possible from a service delivery approach to a right-based approach and to move away from smaller "project islands" to larger-scope "programmatic arenas" where projects are interrelated to achieve bigger outcomes. Community empowerment is emerging as both an important objective for SF and as a means towards reducing poverty.[1]

Its approach to development, policies and guidelines are outlined in SF's Master Plan. The current 2009-2013 plan defines four main thematic goals and associated intervention areas. The first thematic goal is to improve educational opportunities for vulnerable children with programmes to strengthen formal and non-formal education. The second goal is to enhance economic empowerment and entrepreneurship through promotion of community managed microfinance and provision of pro-poor financial and non-financial services.

The third theme listed in the master plan is sustainable civil society with interventions aiming at empowering communities for democratization and building leadership and life skills through local

[1] The presentation in this chapter relies on various publications available from the SF website http://www.strommestiftelsen.no/ and on information in meetings with SF staff. A key document is the *Strømme Foundation Master Plan 2009 – 2013*.

culture. The final thematic goal is to put gender-based violence on the agenda through empowering adolescents about their rights, and through using local culture for value formation.

These thematic goals and interventions areas have led to two defined sectors of intervention – education and microfinance. Within education SF supports a range of projects: kindergartens, efforts to complete primary school; increase reading and writing abilities in both adults and children; adult education, especially for women; mobilization of local communities to get involved in their children's schooling; raise teachers' competence levels; and building schools and teachers' houses and providing educational material and school equipment.

Within the microfinance sector SF's aim is to help poor people to access small loans and financial services so that they can obtain a steady income and a secure future. Apart from providing funds to partners providing microfinance SF focuses on supporting projects providing business management training for women in the informal sector; development and administration of microfinance institutions; development of community groups for saving and lending; and support of entrepreneurial talents.

The relative emphasis given to these thematic goals and interventions are context specific and vary a lot from country to country, and from region to region. In 2011 SF had 163 projects and 114 partners in 13 countries. It had 18 projects and 12 partners in two countries in South America (Peru and Bolivia); 35 projects and 24 partners in three countries in West Africa (Mali, Burkina Faso and Niger); 60 projects and 44 partners in four countries in East Africa (Uganda, Tanzania, South Sudan and Kenya) and 30 projects and 25 partners in three countries in Asia (Bangladesh, Nepal and Sri Lanka).

The major speed school programme in West Africa is somewhat different from the other programmes and regions in how it works with governments. This SF programme is strongly anchored with the governments of Mali, Burkina Faso and Niger. SF has established a speed school secretariat for the purpose of supporting these countries' efforts to coordinate and promote the speed schools concept as a tool to address out-of-school and drop-out challenges in the three countries. The speed school curriculum is now formally accepted and integrated into the education plans of all three countries.

In addition to these activities SF also manages a cultural initiative – Mimeta. This is not part of the five-year master plan. Mimeta is jointly owned by SF and Vest Agder County. Mimeta is involved in culture sector development in more than twenty countries. It also coordinates international co-productions, promotes art and design towards Nordic audiences and runs its own gallery in Kristiansand.[2]

Management

SF has a total staff of 130 persons. The Secretary General is the overall leader responsible for managing SF worldwide. He reports to a Board of Directors (which also includes a person from a developing country) which is accountable to the SF Council. The head office in Kristiansand has a communications department; a finance, human resources and facilities department; and an international department. The leadership team comprises the Secretary General, the head of departments and the directors of the four regional offices.

[2] See more on Mimeta on their website http://www.mimeta.org/

SF has a highly decentralized structure with well-established Regional Offices in Asia (Colombo), East Africa (Kampala), West Africa (Bamako) and South America (Lima). All staff at these offices are local. The regional offices have a high degree of authority and autonomy within their mandate, and to plan, implement and document results.

The responsibility of all institutional microfinance finance lies with the Strømme Microfinance AS (SMF AS), a company fully owned by SF. It is located within the international department to help facilitate synergies between education and microfinance. SMF AS has two subsidiaries doing wholesale lending in microfinance. Strømme Microfinance East Africa Ltd, operates out of the regional office in Kampala and provides lending in East Africa. Strømme Microfinance Asia Guarantee Ltd, is located at the regional office in Colombo but provides lending only in Sri Lanka. The microfinance activities in Bangladesh are organised as a department under the Sri Lanka office, with the Regional Director acting as President and with the day-to-day operations carried out by a Microfinance Manager, based in Dhaka.

The 2008 organisational performance review

In 2007 Norad's civil society department commissioned an organizational performance review of SF. The final report from 2008 concluded that SF is providing effective aid, and that it is an organization able to learn from experiences and committed to addressing weaknesses.[3] SF was found to have the sufficient professional, financial and administrative capacity to carry out programmes. The challenges and weaknesses identified included:

- The organizational structure does not allow easy cross-fertilisation across regions or a stimulating relationship between regional offices and the programme department at head office;
- Programming of development interventions are weak and quality of interventions can easily end up being incidental;
- SF's resources are too thinly spread and resources should be more concentrated;
- Coordination and harmonisation with other donors' efforts are too limited;
- There are fewer valued added from SF interventions in microfinance compared to education;
- There is limited synergy between education and microfinance;
- SF lacks a clear education policy and its approach is too broad and vague; and
- The microfinance interventions are not sustainable and a different business model should be developed.

In subsequent discussion between Norad's civil society department and SF four issues were singled out that needed to be addressed.[4]

- A better system for quality assurance and learning between regional offices and the head office needs to be developed;
- A more clearly defined educational strategy, including how to work with local authorities to avoid duplication and establishment of parallel education facilities;

[3] See Titus Tenga and Roy Mersland, *Organisational Review of Strømme Foundation*, Final Report, Oslo: Norad 2008 (*Norad Report 14/2008 Review).*

[4] See also SF's letter to Norad outlining *Plan for follow-up after the organizational review of Strømme Foundation* (12 August 2008).

- Further clarification of the role of microfinance, including the selection of an appropriate business model, and increased focus on technical assistance from SF to microfinance partners; and
- Improvement in the gender balance in SF's senior management.

3: Organisational structure and value added

SF had a total staff of about 130 at the end of 2012, up ten percent from 118 in 2009 and 2010. Of these about 32 are based at the head office in Kristiansand. Seven persons are employed in the international department (the programme department which now brings together the two professional focus areas – microfinance and education). The vast majority – 99 in late 2012 – are employed at the four regional offices and their satellite country offices. The expansion of staff in the current period has largely taken place in the regions, mainly in West Africa.[5] The expansion in West Africa is partly due to the creation of the Speed School Secretariat for the expansion of the speed school concept.

Total SF income in 2011 was almost NOK 122 million. This represents a decrease since 2010 from NOK 132 million, mainly due to a reduction in private donations but also a decrease in grants from the Norwegian Embassy in Sri Lanka and from UNDP in Sudan. According to the principles used for classification of costs, which we will return to in Chapter 5, SF spent only 4.3 per cent on administration, 11.6 per cent on fundraising and 84.1 per cent on the programmes.

According to the Annual Report 2011, SF spent NOK 129 million in 2011, of which NOK 73 million (57 per cent of the total) was disbursed to partners in the developing countries – including disaster response. Table 3.1 below gives the break-down of the SF costs. Running the four Regional Offices amounted to NOK 18 million and the remaining NOK 38 million (30 per cent of the total) was spent at the Head Office for fundraising (NOK 15 million), administration (NOK six million), programme follow up (ten million) and information and public education (eight million). The figures suggest that the share of funds going directly to beneficiaries is relatively small, especially considering that the partners receiving 57 per cent of the total also have all or parts of their administrative costs covered from these grants. Hence, the functions that are covered in the 43 per cent that does not go directly to beneficiaries, including capacity building, should play an important role in order for the spending to be justified.

[5] This information is partly derived from annual reports as well as from unpublished document from SF on *HR indikators* (gta 20.11.2012) which provides a detailed breakdown of employment statistics in the 2009 – 2012 period.

Table 3.1

SF expenditures 2011

Expenditures	Amount (in million NOK)	Per cent of total
Direct disbursements to partners	73.1	57
Regional office costs	17.7	14
Head Office	38.1	30
Of which		
- cost of fund acquisition	15.0	12
- programme follow-up	9.8	8
- information	7.8	6
- administration	5.5	4
Total	*128.9*	*100*

The size and prominent role of the regional offices remains a dominant feature of the SF organizational structure. The regional offices have considerable autonomy in programme development and implementation while the Kristiansand office does fundraising and provides financial oversight. It also has a pivotal role as the centre of knowledge management and provides support to programme development and implementation in the regions.

The heads of the regional offices and all staff at the regional and satellite offices are from the regions. The leadership team, which formally meets twice a year, includes the Secretary General, the three heads of finance, marketing and communication, and the international department as well as the four regional directors.

Head office functions and programme development

A past criticism of SF has been that they have an insufficient programme focus and coherence. The education portfolio, in particular, has suffered from the lack of a properly defined focus for the interventions and with projects in too many disparate areas. There has also been poor coherence between microfinance and education. Furthermore, the synergy and linkages between SF interventions in the four regions has been limited.[6]

The team found that these issues have been addressed in the current period (2009-2013). The process is however, not completed. Our review revealed several continuing and remaining challenges and “unfinished businesses.” The formal division of labour between the head office and the four regional offices appears to be reasonably clear. There are some uncertainties at the regional offices about some aspects of head office functions – this includes perhaps especially the head office financial audit of partners and we return to this in Ch. 5. The team also noted some minor reservations related to programme guidance. Nevertheless, by and large the staff at the regional offices appeared satisfied with the role of the head office in relation to fundraising, reporting and

[6] This is also highlighted in the 2008 performance review. See Titus Tenga and Roy Mersland, *Organisational Review of Strømme Foundation*, Oslo Norad 2008 (*Norad Report 14/2008 Review*).

provision of handbooks and guidelines. This applies to financial and human resource management as well as to programme development. Many staff at the regional offices did however feel that the head office is trying to play a bigger role in programme development than they should, despite a general support to the need for greater programme coherence. Much progress has also been made in relations to developing guidelines and approaches to quality assurance result based management. This was identified as a major weakness in the 2008 review.

The role of head office in relation to programme planning and implementation remains a major challenge. The programme department, now the international department, has been strengthened with the appointment of a department director and an education manager. There has also been internal reorganization. There is a part-time desk officer for each of the four regions responsible also for reporting to Norad. The desk officers combine this with other tasks (M&E/development policy officer, institutional fund raising, educational advisor). Most significantly, Strømme Microfinance has been brought into the international department to facilitate coherence between the two thematic areas. Steps to strengthen the programme/international department have been in line with recommendations from the 2008 performance review.

The international department appears to function well in relation to knowledge management. They collect and process data on programme implementation in the regions, report to donors, and provide handbooks and guidelines to the regions. Important achievements in the current period are guidelines on selection and assessments of partners (see more on this in the next chapter), a draft handbook (from early 2012) on result based management and a short manual on cross cutting issues (gender, environment and culture). In addition, a Child Protection Policy has been developed (2011). The full impact at the policy level may only be evident with the development of the master plan for the coming five-year period.

The team noticed that the department faces challenges both at the capacity and competence level. There are also uncertainties in the regions about the functions of the department with views being expressed that they are attempting to do tasks which is better managed by the regions themselves. Observing programme development and implementation in the two regions visited the team noticed that there were instances of insufficient or poor attention to effectiveness issues, quality of the services delivered by the partners and sustainability of the operations. The head office appears not to have been able to provide sufficient recommendations for improvements or corrective action, or advice on how to proceed. A few examples are mentioned here for illustrative purposes: In the adolescent girls programme in Uganda, girls who had dropped out of school were given substantial assets without any consideration to how this could increase future drop-out rates. Moreover, there was no exit strategy despite the design feature that the programme would move to new locations, and we did not find anyone in the SF structure who knew that BRAC operates a very large similar programme in Uganda (see the case study in annex 3 for further details). One partner in Uganda visited provides professional childcare for the poor, but such programmes can in most cases never be sustained without donors continuing to cover the full cost of the service. The target group is not able to cover even a fraction of such professional pre-school education, which is a service that is mainly demanded by middle– and upper-income groups. Moreover, the Government is likely to have other priorities for expansion of public service provision as early childhood care usually comes later in the development trajectory. Another partner supporting self-help groups also organised savings groups for small children. The children had no idea why they were saving. It is thus likely that the effectiveness of the resources would be higher by teaching adolescents and adults rather than children. However, this is not an example typical for CMMF groups, but it illustrates the need for better guidance and support from SF.

In Sri Lanka we observed that the SF in the last couple of years has developed projects and activities in the war-affected parts of the country (the Mannar district in the north). This has been funded by Swedish sources and the Norwegian embassy in Colombo. Such a shift in geographical area and a move to a very different context may be justified, but it also demanding and requires additional skills from SF. In this case it requires an ability to work on post-conflict reconstruction issues and to bridge the divide between relief and development. These are areas where SF potentially may be able to contribute and provide added value, as illustrated by SF's rehabilitation work after the Tsunami, but SF does not have strong professional skills in reconstruction after a war.

These examples reinforce, in our view, the need to maintain a thematic focus for SF interventions. The very broadly defined "education theme" is still too broad for SF to be able to provide required guidance. A sharper focus is important not just for cost and efficiency considerations but also to ensure that SF – both in Kristiansand and in the regional offices – has the required professional competence to provide professional value added and support to programmes. The team acknowledges that the pressure from diverse regions and the needs of partners and communities make SF's efforts to prioritise and narrow the focus difficult. We will still maintain that more efforts should be made to sharpen the programme focus.

A second major challenge is the role of the microfinance company. SF has not been able to ensure proper synergies between the educational and microfinance programmes. Several of those we interviewed in the regions also indicated that the gap may have been widened in the current period and following the establishment of the SF Microfinance company. The team has noted that these issues are being addressed. The two thematic areas of micro finance and education has now been brought together in the international department at the head office. A special internal task force is currently also investigating the issue. It is outside the scope for this review to provide recommendations for how this should be managed in the future. However, the present situation should not continue. This may also require revisiting the relations between the parent companies and the subsidiaries in Sri Lanka and Uganda.

Regional and country offices

The regional offices vary in size and set-up. The bigger ones are in Asia (Colombo) and East Africa (Kampala). The bigger regional office would typically have a regional director, programme coordinator, M&E officer, finance staff and a communications officer providing programme support and financial oversight and support to each of the country programmes. In Asia there is a country office with programme coordinators and finance officers in Nepal and Bangladesh in addition to the combined regional/Sri Lanka office. In other regions there may be offices in some of the countries, in other there may be just a coordinator or a consultant. In East Africa there is the country office in Uganda, a satellite office in South Sudan while a Tanzania-based consultant has been commissioned to help the country programme there.

The team is not in a position to provide any final judgement on the division of labour between the regional and country offices. We do note that different solutions appear to be sought in different regions. More importantly, we have not observed any consideration of the cost implications of selecting different options. The review team is concerned about cost efficiency and will recommend that SF examines the various models and provide guidelines which take costs and value added into account. There is a danger there be too many layers and duplication between head office, regional office and country office. We return to this in Chapter 5.

The strength of the regional offices has been autonomy, local staff and close ties to developments on the ground. This may increase the potential relevance and results of SF interventions. The weaknesses from such a model may emerge in poor linkages and insufficient synergies between different regions; the regional office runs the risk of identifying too strongly with local conditions and could be in danger of becoming a national NGO themselves; and a weakening of SF's global thematic profile and value added. Elements from both the strengths and the weaknesses are evident in SF's performance.

Attempts have been made by the SF head office to build on strengths and reduce the role of weak features. The organisation has made good progress in some areas. From the perspective of the regional offices there is also a general satisfaction with the developments and the role of the head office. However, the team is of the opinion that more efforts should be made to increase the effectiveness of programme development and implementation. This is now too dependent on individual qualities of regional offices and local context. This has contributed to more fragmented projects – both thematically and geographically – than what we find desirable.

In both Uganda and Sri Lanka one manifestation of this is the great geographical dispersion of partners and projects. SF supported interventions are literally present in most parts of the two countries. This may be justified if SF was a national NGO dedicated to be an important voice on the domestic scene, but as a foreign donor they also need to keep other dimensions in mind. How can they keep costs to a minimum and achieve maximum impact through their partners? This will often require a stronger geographical concentration in the country of operations. The team noted that there is some progress in moving towards a more geographically concentrated programme.

4: Partnership policy and practices

Historically, SF has focused on establishing as close links as possible with the beneficiaries – people and communities on the ground. The formal SF partners (the contract partners; those receiving funds) was perhaps primarily considered to be consultants or delivery agents. The contract partners were often found and dropped depending on the needs of SF. In the current period SF has attempted to develop new partnership policies intended to provide a platform for a new approach to partners.

Policies and guidelines

The 2009-2013 master plan uses the term "implementing partner". This document emphasizes strongly that SF is not an operational institution and that they will work through implementing organisations. A set of criteria for selecting partners is listed which mainly focuses on organizational and management issues, but also lists knowledge of the situation and relevance for the communities as criteria.[7]

Subsequent to the master plan the Kristiansand office has developed a manual or tool for selecting and then assessing implementing partners. All partners that are considered for becoming a partner must fulfil a set of pre-defined criteria (identical with those outlined in the master plan). Partners fulfilling these criteria will then be assessed in order to identify strengths and weaknesses. This will determine the final selection of partners and also help develop priorities for designing plans of action for capacity building support to the selected partners.[8]

These guidelines were a further development of related guidelines first formulated in the regions, most strongly in Asia. The 2007 partnership policy from Asia also distinguishes between task based partnerships which typically would be focused on a single issue/task of short duration, and strategic partnerships which would be long term, include several dimensions and with focus also on broader issues of promoting human rights.[9]

For the microfinance partners a global assessment tool is in place focusing on the social performance of the partner. In addition each region has its own tools for assessing institutional and financial performance.[10] The team has not reviewed SF partnerships in microfinance.

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[7] See pp. 12-13 in *Strømme Foundation Master Plan 2009 – 2013*, Kristiansand, Strømme Foundation.

[8] See the unpublished *Partner Assessment Tool. A tool for selecting and assessing Implementing Partners*, Kristiansand, Strømme Foundation, Feb 2012 (16 pages).

[9] Cf. also *Partnership Policy and Principles, Strømme Foundation – Asia*, 31st July 2007 (unpublished, 7 pages)

[10] The global assessment tool for microfinance partners is attached as annex three to the *Results-Based Management Handbook* (unpublished draft, March 2012). See also section 1.6.3 in the handbook.

The emerging focus on partnership has not filtered down to annual reports and the profiling of SF. Empowerment may be emphasized, but the focus is almost solely on the beneficiaries and communities. Capacity building of partners or the role of the partnerships is barely mentioned in the reports. In the annual reports to Norad's civil society department the relations with the partners are briefly mentioned in the section dealing with "additional results on particular areas of focus" which contains a paragraph on SF's role in capacity building of partners.

How is the practice? How does SF work with their partners?

Selection and assessments

The team visited SF and partners in Sri Lanka and Uganda. It was found that selection and assessment criteria – although largely developed after the adoption of the master plan – seem to be adopted and used as a guideline in the education/community empowerment sector. The Asia region may have a longer track record in assessing partners compared to other regions. In Sri Lanka most of the current partners seems to have been identified following first a call for partners through newspaper adverts and this in turn provided a basis for selection and subsequent assessment of partners. Partners have been assessed and this has provided the basis also for guiding the nature of the subsequent interaction and communication between the regional office and the partner. Currently a new assessment of partners is undertaken as an input to a new master plan period.

In the Sri Lanka case there also seems to be a conscious decision to select district-based NGOs as partners and to work with them to make them better in providing support for community empowerment. This is also coupled – in the Sri Lanka case – with fairly extensive baseline studies in preparation for interventions.[11] What is missing from the baseline studies is a proper mapping of the NGO/civil society scene in the selected districts which will help in the selection of the best partner, and also in formulating objectives for capacity building and the partnership. Nor does the baseline address issue of aid effectiveness and the role of support from other international NGOs. In the case of the new intervention in the war-affected Mannar district in Sri Lanka barely one year after start-up SF was contemplating finding a new partner - either because the original selection process was not good enough or because the assessment of what it takes to strengthen the partner was not sufficiently thorough. The team has now been informed that SF will continue to work with the partner selected in the North for the new Strategic Plan. More support will now be given to the partners to strengthen its capacity to implement the development programmes.

In East Africa, there seems to be a mix in how partnerships were formed and less focus on selection criteria and base line studies for project preparation. In some cases, partners explained that they were looking for funding opportunities and were actively targeting SF. Other partners were approached by SF, especially for rolling out the new programs (Shonglap-Mazungmuzo and the CMMF) where existing partners with a proven track record were asked if they were interested in implementation.

[11] In the Sri Lanka case the baseline studies for the master plan interventions, and the new interventions in the north (Mannar) has been undertaken by local NGOs/companies, often with the involvement of research milieus and relying on local NGOs for data collection.

Capacity building

Capacity building of partners is a highlighted issue in almost any SF document discussing partnership policies. It flows from the partnership assessment guidelines which identifies areas in need of improvement. In a letter to Norad from September 2012 SF has outlined the amounts provided for capacity building from the SF regional office to the partners. In 2011 this amounted to about NOK 9 million. Of this nearly NOK 5.5 million was spent on direct personnel costs – basically salary of RO staff based on the time they spend on capacity building. Travel costs for SF staff adds up to nearly NOK 1.5 million. Some NOK 0.5 million is used for consultants and the remaining NOK 1.5 million left for capacity building activities revolves around various types of seminars – both for individual partners, or for workshops bringing several partners together. The capacity building involves programme management and implementation, financial management and reporting, and institutional management.[12]

The country visits revealed that there is a very close interaction between RO staff and partners. Programme coordinators visit partners very frequently and so does finance staff. In the Sri Lanka case each programme coordinator is responsible for two partners. Partners visited by the team in Sri Lanka and Uganda all gave a very positive assessment of the role of SF. SF spend more time – and much more time that most of their other donors – on visiting, supporting and engaging with them. This includes not just management and reporting, but also a strong engagement with programme development and implementation. Importantly, SF also visits the partners when they work in the communities and provide assessments and feedback on how to improve.

An important mechanism highlighted in Asia was the establishment of a Programme Quality Assurance Core Team. It brings together two persons from each partner (the M&E officer and – typically – the project coordinator), meets quarterly and is intended as a forum for mutual learning. It was considered by those interviewed as a very important platform for capacity building in programme development.[13]

There also appears to be extensive interaction related to financial management, but it is noticeable that there are discrepancies and disagreements between the ROs and the Kristiansand office related to the assessments and internal audit of the partners (see more on this in the next chapter).

It is more difficult to assess achievements and results from the capacity building support. There are no proper data collected to enable the team to respond to this. What we did notice is a very positive assessment by partners interviewed (and in the case of Sri Lanka the partners interviewed tended to be stronger partners). The RO reports an improvement in planning and reporting. Significantly, SF also reports that they have had success in making some partners much stronger in promoting community empowerment among the very poor.

There appears to be no coordination or harmonization with other donors supporting the same partner in the two countries visited. However, SF reports that they have worked with other international NGOs in South America and West Africa. In South America SF has developed a

[12] See the unpublished letter from SF to Norad, «Kapasitetsbygging i regionene og ved hovedkontoret i Norge», from 12. September 2012. The team was also provided with a breakdown of capacity building activities, outputs and outcomes in the three Asian countries for the 2009, 2010, 2011 and 2012 period.

[13] See also the unpublished memo from the Asia region*, Programme Quality Assurance Core Team (PQACT). Terms of Reference* (no date).

collaborative relationship with another European donor, Tear Fund CH. In West Africa SF seeks to co-strategise in synergy and complementarity with other Scandinavian strategic partners/co-funders, such as Erikshjälpen, Läkermissionen etc., with which SF has Memorandums of Understanding.

The contract partner in the partnership

It was widely reported by those interviewed that SF provided sufficient space and autonomy to the partner. The main recurrent criticism from the SF partners was that they were only given one-year contracts while they were required to plan for the full five-year master plan period. SF claims that uncertainties of future income make it difficult to provide multi-year contracts. The team is of the opinion that if the partners has sufficient institutional strength to handle multi-year contracts they should be provided with such contracts. If they lack such capacity it should an important objective in the partnership to ensure that they acquire such competence.

There appears to be very little formal two-way traffic in the communication with partners. The direct contribution from partners to SF was limited. The communication was more indirect with SF benefitting and learning from engaging with partners. However, the Programme Quality Assurance Team established in Asia (see above) may become a platform also for real dialogue and communication and moves beyond monitoring and implementation.

The team noted very limited attention to sustainability issues in the assessment of partners. There were no clear plans for how to exit from partners, and how sustainability could be facilitated in such a process. SF expects that they will end several partnerships with the expiry of the current master plan period in order to focus on fewer partners.

5: Financial management and cost efficiency

This chapter will first provide the team's assessment of expenditure and cost efficiency and then our findings on the financial control system.

Overhead and administrative expenses

Headquarters

SF's annual income was NOK 122 million in 2011 where around 60 per cent was from private fundraising and 40 per cent from Norad and other government sources. According to the SF Annual Report 2011 about 57 per cent of SF's total spending went directly to developing partners in the four regions - covering both regional offices capacity building of the partners and the partners' service delivery and administration costs, while 14 per cent went to programme follow up at regional offices, including capacity building of partners. The rest of the spending was on administrative costs, programme follow-up and information services at the HQ level amounting to almost 30 per cent (excluding disaster response). Even after adjusting for costs that should be included in the service delivery category – like capacity building of partners conducted by regional office staff – the share of the total income that filters through to partners and individual beneficiaries may appear small in comparison with the cost of transferring that resource.

During the meetings at the HQ several staff members made a point of the virtue of having strong ROs solely with local staff – a virtue because of the ownership to the challenges and the importance of capacity building of local partners. Nevertheless, the administration and programme follow-up at the RO amounts to 14 per cent of total SF spending. One of the aims of the fieldtrip was to assess the broader benefits of the SF structure in relation to its costs. SF has a staff of 99 in the four ROs (including satellite offices).

Regional offices

Our assessment of the costs at the SF East Africa shows that 19 per cent of the EA total expenditure is spent on operating the Regional Office, including its satellite office in South Sudan and a consultant in Tanzania.[14] The corresponding figure for SF Asia is 22 per cent. However, included in these figures are personnel costs, travel and other expenses directly related to capacity building, technical assistance, monitoring and supervision of partners.

[14] The figures are taken from the overview of partner transfers made available by SF HO in the Excel file "Uganda and Sri Lanka Office Costs 2009-11".

In 2010, the Asia RO covered three countries, while five countries were supported by the East Africa RO. A year later, SF withdrew from one country (Rwanda) in EA but was still supporting 60 projects in the four countries as compared to the 30 projects supported by SF Asia. However, the number of programme officers in the respective regional offices seems not to reflect the extra work-load expected from having more projects in more countries. The RO Asia has more than twice the number of Programme Staff as compared to the East Africa RO (17 versus 7 staff). Moreover, by the amounts directly disbursed to the ROs one would expect the East Africa Office (NOK 23 million) to have a higher work load than the Asia Regional Office (15 million), but the total number of RO Staff is more than 50 per cent higher in Asia (39 versus 25 staff). The rationale provided is that Asia has larger programmes but with more outreach and different needs with a strong focus on capacity-building of partners.

We also note the different structures under the RO. In East Africa, one country is handled through a management consultant working five days a month (Tanzania) while another country has a country office with four technical staff and 3 support staff (South Sudan) even if all disbursements are handled directly from EA RO. The rationale provided is that it is very challenging to be working in South Sudan and it requires a strong follow-up and a presence in the country. Moreover, Tanzania previously had a country office, but this was not considered an effective use of the funds as compared to handling the workload (capacity building, partner visits. spot audits etc.) from the RO.

Institutional microfinance

SF's microfinance sector is financially organised outside SF through a separate company SFM and its subsidiaries in East Africa (SMFEA) and Sri Lanka (SMAGL). The team has not made any efforts to analyse the financial management, costs and costs efficiency of this set-up. However, we made some general observations around cost efficiency of the lending.

It is difficult to compare cost efficiency of MF since the market for micro finance capital, i.e. the market where microfinance institutions access capital for lending to individual clients, is usually highly distorted. Both donor agencies and governments often provide capital at subsidized terms. Assuming that there is a similar degree of subsidies from capital providers, it is possible to get some indications of cost effectiveness of institutional microfinance (the on-lending to microfinance institutions). The market for capital provision to MFIs is highly competitive in EA and there are many whole sale lenders. In Sri Lanka this is less so with only three wholesale lenders in place (including SMAGL). SMFEA and SMAGL both seeks to provide capacity building to MFIs and target the lower half of poor compared to most other wholesale lenders (but have not really succeeded in reaching those in extreme poverty, SF's main target group. Hence, SMFEA had 83 (81) per cent of their total loanable funds lent to partners in 2012 (2011) which indicates a high demand for the SF capital/capacity building package. Given that SMFEA is profitable and competitive, they are also cost effective as long as the subsidy assumption holds.

Neither the SMFEA nor the SMAGL are involved in direct benchmarking to compare cost effectiveness, which makes it much more difficult for an accurate assessment of their performance vis-à-vis their peers. Despite its usefulness, and the fact that both the Head Quarters and the SMFEA are well aware of its existence, the SF has not institutionalized the application of internationally recognized benchmarking indicators for microfinance. However, SMFEA is participating actively in APEX networks (quarterly meetings, financed by wholesale MF institutions). They compare operating costs, compare salary levels and discuss opportunities for cost reductions including handling the portfolio with fewer staff. Both SMFEA and SMAGL work to reduce their operating costs. They both indicate in interviews with the team that their operating costs may be higher than others since they have a greater proportion of their lending on the lower half of the poor.[15]

The team has not compared the partnership policy and capacity building provided by SMFEA and SMAGL, but we do note that this is not well integrated with SF's other work.

Partners

A similar picture appears when it comes to partner's expenditures – a substantial amount is used for administrative purposes. Nevertheless, separating administrative from operational expenses is more challenging in these smaller organizations because of the lack of specialization. Many staff members participate in various activities, and even the director would engage directly in programme activities.

We looked into some of the partners' expenditures on administration. A commonality is that the organisations are small so that the staff is involved in many of the operational issues. Hence, separating the administrative from the programme costs is challenging and open to subjectivity. In Miles2Smiles in Uganda, for example, most of the staff engages directly in the programme activities including the Director. We found that the expenditure on administration is so low that they had to get substantial help from SF RO to conduct basic reporting on the use of funds.

The East Africa Regional Office seems to follow a practice of very tight budgeting of partner activities. One example is found in the ADP adolescent girls project. The SF support does not cover any of the overhead costs for the ADP. Moreover, the Mazungmuzo grant does not fully cover the project costs.[16] It is generally a good practice to try to get partners to co-finance projects and tight budgets makes innovation and cost reductions more likely. Nevertheless, an open discussion about co-financing requirements and budget constraints is required to maintain a good relationship with partners. Anecdotal evidence suggests that strained budgets may also discourage efforts.

Staff compensation

The team noted that SF has good guidelines and regulations for staff salaries and compensation. Our impression is also that they are not excessive. We discussed the levels of salaries, per diems and allowances with staff in some of the partners visited. We asked them to compare them to those of other NGOs operating in similar areas. Partners and RO's complained about high staff turnover, especially in the districts. Staff who had benefitted from capacity building would often move on, especially to urban areas. This is an indication of relatively high competition for qualified staff, and also indicates that the compensation package offered by SF partners may not be excessive. It is important to retain qualified staff and reduce turnover and staff compensation seems to be a key instrument in this regard.

Geographic spread

SF lists 29 partners in Uganda in the overview of the 2011 actual expenses. Even if some of these are microfinance institutions where the SF on-lends funds (which requires a different mode of capacity building than the other partnerships), the large number of partners is still illustrative of the large

[15] Lending to the poorer segment is more costly since the cost per loan tends to be similar.

[16] The requirement for operating the program, as seen from ADP, is to have a full time Education Specialist, but only 50 per cent of such a position is covered by SF**.**

spread of funds. SF's direct transfer to partners in Uganda was NOK 6.1 million in 2011 and with the large number of partners, most of them received less than NOK 300.000.[17] In comparison, the direct transfer to Sri Lanka was NOK 5.1 million divided among 13 partners and most of the partners received less than NOK 400.000.

Moreover, the country mapping of projects (SF Annual Report 2011) indicates a wide geographical spread of partners. This increases substantially the RO costs of supporting partners.

The SF 2012 budget for Kenya accounted for less than three per cent of EA RO expenditure and only two partners are active in the country.[18] Still, the requirements of supervising, building capacity and internal controls is similar to Ugandan partners, but the cost in terms of staff time, travel (international flights plus domestic flights – at least to get to the partner in Masai Mara) is prohibitive as compared to the cost of monitoring the same type of organisation in Uganda. To illustrate the magnitudes we note that SF RO spent almost as much on travel in the region as was budgeted for support to Kenyan partners that year.

The EA RO argued that it is not necessary for all the different programme officers (education, microfinance, financial management, M&E, etc.) to join the partner visits, they often rotate so that one programme officer covers all the topics to be followed up during the meeting. By having fewer staff visiting, costs are reduced, but there is still the challenge for SF staff to follow up adequately on the technical issues outside of their main responsibility.

SF's costs increase as a result of the wide geographical spread of partners in the individual countries. Building capacity entails a large degree of proximity between the provider and the client, either through direct support or through workshops and seminars. In either way, the more geographic spread, the less can be achieved within the same budget.

In the countries of operation, it is obvious that the geographical spread adds to the already costly operations. Even if travel costs are reasonable for the travel necessary to follow up with partners - every hour spent in a car or on a plane could be spent more productively by direct involvement with partners. Hence, we recommend that SF concentrate their engagement geographically by reducing the number of partners, and by focussing on supporting partners in more concentrated geographical areas.

Thematic spread

The general picture on the thematic focus of SF is that it is too broad for the institution to perform the tasks in an effective way. Often the partners need specific technical advice that SF staff is not able to provide them with since they have to cover too many different themes. There are usually high costs of specialization – the more in-depth knowledge is required the more likely is it that salaries will be high and that updating staff in their area is more expensive.

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[17] The figures are taken from the overview of partner transfers made available by SF HO in the Excel file "Uganda and Sri Lanka Office Costs 2009-11".

[18] There was a large decrease in disbursement to Kenya in 2012 for various reasons; in 2011 the amount disbursed directly to Kenyan partners was NOK 7 million.

We already indicated in chapter 4 the need to sharpen the thematic focus of SF educational interventions. In order for SF to provide professional guidance and capacity building in a cost effective manner, narrowing the educational focus is highly recommended. With the time available for this review it is challenging to provide concrete recommendations, but some observations have been made.

First, the Mazungmuzo case seems promising both in terms of cost effectiveness, in terms of the likely cost benefit[19] and for the opportunity for it to be one key SF education intervention in all regions as part of the efforts in narrowing the focus. It is a relatively simple and straight-forward intervention suitable for partners in even the least developed societies and it fits well with the decentralized structure of SF where most of the capacity building is performed by the RO. In Uganda, there might be room for improvement in the partner selection approach since choosing existing SF partners to implement Mazungmuzo may leave out other candidates with in-house capacity and competencies for implementing such programmes. Most notably – when BRAC is already an SF partner and runs a very large programme similar to Mazungmuzo, it is a sign of SF having a too broad focus in education that leads to the missed opportunity of drawing upon BRAC's vast experience and knowledge on such programmes in Uganda. Many of the challenges of running an adolescent girls programme was communicated to us during our meetings with BRAC, issues that Mazungmuzo is facing on a daily basis (see the case study in Annex 3).

However, we also recognize one advantage of choosing existing partners with a track record in delivering results – it minimizes risks in a high-risk environment. Also, introducing Mazungmuzo in Uganda should have sparked a process of phasing out marginal education projects in order to concentrate resources and specialize, but there are no traces of such processes. Moreover, several challenges with respect to cost effectiveness and sustainability of the Mazungmuzo need to be resolved to improve cost effectiveness (see the case study in Annex 3).

Second, reducing drop-out rates in primary school and getting the children back into school can also be very cost effective interventions when successful. If the intervention can ensure that the child does not drop out of school, then the benefits for that child is life-long and cost effectiveness (educational attainment per NOK spent) higher compared to providing the education directly to the child (non-school education). Hence, sustainability issues needs to be considered. Enabling the local community to reduce drop-out rates can be much more cost effective in the longer run than supporting partners to reduce the rates in a project period.

Nevertheless, we got a reconfirmation of the fact that drop-out can be a complex issue that needs to be tackled through various ways. Detecting the reasons for the children to drop out and design the intervention to respond to these reasons are likely important for its success. To exemplify, a teacher was telling us that the children stopped to go to school because education would not affect their income potential so they started to work instead. If this is a key determinant of drop-out, then many measures promoted by SF may not yield the desired effect (like building teacher houses, providing new school furniture, rehabilitating school buildings etc.). In general, reducing drop-out calls for a holistic approach that addresses all factors surrounding the child. Hence, in order to handle complex issues like drop-out, SF should specialize further and narrow their thematic focus in order to develop

[19] A research team has conducted a cost-benefit analysis of the similar adolescent girls programme implemented by BRAC in Uganda. It shows quite impressive results and a very favorable cost-benefit ratio.

sufficient competencies in the chain from the HO and down to the partner NGO. Moreover, the signalled enhanced collaboration with the Government and a focus on advocacy is a welcoming step in the right direction when it comes to ensuring a more holistic approach.

The third issue is that the focus on pre-school education seems to be a costly way of child care. It also raises the question – why focus on pre-school education when so many children do not attend primary school? A logical support to education is to get primary education to function as a first step. Pre-school education is usually considered a luxury that comes much further down on the list of education interventions relevant for the poor.

Internal control system

The financial management and control systems are of crucial importance for any development organisation, and more so for those operating in risky environments. When corruption is high, and even embedded in society as we find in most SF countries and when the general competency is low, there is a high risk of misuse of funds. The 2008 organisational review found that the HQ financial management and internal control systems are well established and adhered to in practice by competent staff - with help and support from the ROs. Our review is in line with the 2008 findings.

The SF formal financial and control system reveals an elaborate structure for maintaining internal control and reducing risk of misuse of funds. The Anti-fraud and Corruption Policy, the Partner Audit Review Procedures (with the red, yellow and green categorization), the Anti-corruption report and the Deviation Report to the SF Board together provide a convincing framework and practice to prevent misuse of funds. Moreover, the Deviation Reports and action taken against partners shows a strong commitment to SF's non-tolerance approach to corruption. Transparent systems are in place and adhered to in the SF organization, including an elaborate Staff Handbook (i.e. the Personalhåndbok, Dec. 2012). The team has not reviewed financial management with the SF microfinance family (SMF, SMFEA, SMAGL and partners).

All projects and partners are audited every year by external auditors. The usual practice is for the Regional Offices to select well established and recognised audit firms to perform the financial audits for their projects and partners, following a call for tenders. The review of partner audits was partly changed in 2009. All projects are now reviewed on the same standard (accounting policy). SF's external auditor, PricewaterhouseCoopers AS (PwC) also does a selection of approximately 30 projects as part of the internal control. SF finance staff subsequently assesses all project audits and presents an evaluation of the internal control standard in the various projects. Moreover, the partners are not only reviewed by an external auditor acceptable to SF, but SF also conducts an internal audit in advance of the external audit to support the partners work to comply with the requirements.

The comments during the Partner Audit Review process are classified into three different categories; one or more serious problems (red category), need for improvement (yellow category) and none or very few comments (green category). During our field trips in both Sri Lanka and Uganda we checked the degree to which the RO knew the problem cases and the reasons for the red flags for each case and to what extent they followed up the critical issues with the partner. Moreover, we also used excerpts from the Norad check list for assessing the partners' adherence to the systems in addition to cross-checking the issues raised in the risk categorization of the internal control system. Some minor irregularities were detected (like board members also performing work for the organization, lack of proper reporting to the board, reluctance of spending money on insuring assets, informality in hiring procedures and procurement). The general picture is that the control system works as intended both internally in SF and vis-à-vis partners and the involved staff are aware of the shortcomings and works with their limited resources to abide by the relative strict auditing and system requirements.

The HO plays an important – and in our view necessary - role in providing financial control and supervision. It is important that this is maintained and that checks and balances are continued to be supported at all levels. This said, it is a challenging task for the HO to take a clear lead in a decentralized structure with strong and competent RO. For the EA RO there seems to be a sound balance and the support offered by the HO is most appreciated as an addition to their own work.

A challenge, evident from the Sri Lanka case, arises when a partner has more than one donor. It can be difficult to build internal control system capacity if donors do not coordinate or harmonise their support interventions. In our view, it is an important task for SF to coordinate its support to financial management with other donors. Moreover, the HO Partner Audit Review has led to some unhappiness and unease in Sri Lanka. This is mainly because the Audit Review is perceived as too rigid, too strong in classification of cases and that it has been developed without proper consultation with the RO. A key issue of divergence is the assessment of the severity of the problems/mistakes detected – mainly for the HO use of the "red" category for partners who got a clean audit. In our view, this ought to be a minor issue since it is about the classification and interpretations of the severity of the problem. There is no dispute about the actual incidents. Perhaps an adjustment of the classification could solve the issue, for example where red-flagging is reserved for cases where further support will be suspended unless the problem is resolved. The substantial communication between the RO in Colombo and HO on the issue shows that a solution needs to be found to avoid spending time unproductively. Nevertheless, SF needs to standardize guidelines and procedures so having different interpretations of the classifications in different regions is not recommended – and the HO and the RO needs to speak with one voice in their assessment and communication with partners.

As part of the assessment of the overall internal control system, we inquired into the detection of suspicious cases, how it was detected, the SF handling of the case and how it was followed up. The SF HO did, during our visit, provide a frank and detailed presentation of several corruption cases and how they were handled. We found the same kind of openness at the two ROs visited. Our impression is more mixed when it comes to the partners – some felt the internal control was excessive while others appreciated the opportunity to get support to handle the financial and control issues in accordance with agreed standards (as decided by the external audits). It is probably important to keep in mind that a positive view of the financial management and control system could be presented locally even if there are frictions due to the fact that the HQ is required to monitor and control the RO and partners through the internal control system.

6: Conclusion and recommendations

SF is a medium-sized Norwegian development NGO, strongly anchored in the South and South-western parts of Norway. It has made great achievements in transforming itself from an organisation doing charitable and operational work in developing countries into becoming a professional run development organisation working through partners. It stands out also because of the strong position of staff from the South within the organisation. Its four regional offices are staffed by locals and the four regional directors are members of the leadership team. There is also a representative from a partner in the South on SF's Board of Directors. Furthermore, it has a strong track record in mobilizing financial support from individual and corporate donors in its South and South-western "home territory". More than half of its income is coming from these sources with only slightly more than 30 percent being secured through the framework agreement with Norad.

Importantly, the review team has also found that weaknesses and shortcomings identified in the 2008 organisational review are being addressed and that several steps have made to this effect. This includes a strengthening of the programme department at HQ, perhaps especially in relation to quality assurance, result based management and development of policy guidelines in several areas. The full impact of this is expected to become evident with continued implementation and refinement of the strategy in the forthcoming new five-year strategic plan expected to be finalised later this year.

The team noted several issues and areas where improvements and further clarifications are needed and required. It is recommended that they are addressed in the discussion and negotiations between SF and Norad regarding the renewal of the framework agreement. The main recommendations from the review team are:

- The relations between the different segments in the SF organisation need further clarification. This relates in particular to

    - the size and functions of the different regional offices, including satellite offices. Different models are being used in different regions. SF needs to assess what works best in order to maximize effectiveness;
    - The role of regional offices in fundraising needs further clarification. The bigger offices need to do more to raise funds also from non-Norwegian sources; and
    - SF needs to increase programme effectiveness by a further sharpening of its thematic focus. Some progress has been made, but there is a need to

balance aspirations with the professional capacity at head office and at regional offices. SF must ensure that it has sufficient capacity to provide professional support to programme planning and implementation.

- SF's partnership practices needs further improvement. The approach and implementation still varies between countries and regions, perhaps especially in the emphasis placed on capacity building of partners.

    - SF must define clear objectives and targets for capacity building, including plans for how to make partners sustainable;
    - SF should provide partners with long-term contracts whenever that is possible;
    - SF should put more emphasis on coordinating or harmonising capacity building support to partners with similar support provided by other donors.

- SF must focus more firmly on improving cost efficiency. This must be achieved through better programme effectiveness; by reducing the number of partners and its geographical and thematic spread; and by revisiting the size and functions of the regional and satellite offices in order to ensure better consistency across regions. Finally, cost efficiency could be improved if SF selection of partners and interventions are based on a clearly defined strategy to ensure sustainability.

Annexes

1: Terms of reference: Organizational review of Stromme Foundation

October 2012

1. Background & purpose

Background

Stromme Foundation (SF) is one of the larger mid-sized Norwegian NGOs. Most of the funding comes from private individuals and the Norwegian public sources Norad and MFA.

Strømme Foundation's framework agreement with Norad was signed in 2003 and a core funding agreement was signed in 2009 subsequent to a thorough organizational review in 2007/2008.

SF is in the final year of the core funding agreement with Norad, with annual support of NOK 42,7 mill in 2012. Norads share of the program funding is 45% in 2012. Mali, Uganda and Bangladesh are the largest countries in terms of SF budget. Thematically, education and community managed micro finance accounts for 65% of the allocated budget.

The reason for carrying out the current review is to establish a platform for further dialogue before renewal of framework agreement from 2014 onwards. The review is part of Norads' regular organizational reviews, yet this review will have special attention on SF organizational structure, partnership model and cost efficiency.

Purpose of the review

The main objective of the review is to describe, analyse and assess SFs organizational structure (value chain), partnership model and financial management (hereunder cost efficiency).

2. Scope of the review.

The review shall describe, analyze and assess SF on the basis of the following criteria:

A) *Organizational structure & value added*
- The role and responsibility of each SF segment
  (SF Headquarters in Kristiansand and regional offices)
- The value-added / cost benefit of each SF segment; to be seen in conjunction with cost efficiency below
  (SF Headquarters in Kristiansand and two regional offices

B) *Partnership model & processes*
- Strategy for choosing partners
- Distribution of roles/relationships/ type of agreement/ownership in the South
- Working- and decision processes
- South partners perceived vs. actual autonomy
- South partners perceived SF added value
- Transparency throughout the partnership
- Competence and capacity development in the South
- SFs' experience with partnership model

C) *Financial management*

a. *Cost efficiency:*
- Money flow analysis

Assess cost/benefit of each monitoring segment (i.e. the amount/share of cost spent at headquarter, regional office and South partner).

What is the value added of SF headquarters vs. regional offices

- Assess the level of overhead/administration at each cost segment
- Assess the reasonableness of cost level for salaries, per diems and use of allowances

b. *Internal control systems*

Assess the financial management and control systems in place at SF head office, regional offices and South partner with emphasis on financial guidelines, accounting system, reporting routines and control systems (Norad checklist may be used)

3. Implementation

The review shall be conducted as a desk/document analysis and interviews with SF and its partners, including field visits to two regional offices, preferably in Uganda and Sri Lanka, six South partners and headquarters in Kristiansand. Selection of the other South partners must be somewhat based on representativeness. Norad & SF may participate in the selection of partners and people for interview.

Composition of team:

The team shall compose of two external/international recognized consultant and one or two local regional consultants. Working language: English

The team must have experience and awareness of qualitative methodology in order to avoid information bias. Usage of well-established value-chain assessment tools is recommendable.

Reference documents that can be used in the review:

- *Relevant SF documents*
- *Principles for Norads' support to civil society in the South (2009)*
- *Report from Norads' civil society panel (2012)*
- *Norad checklist for internal controls assessment*
- *Other relevant documents*

Timetable:

Tender process and selection of review team:	*before November 26th*
Inception meeting with Norad:	*before December 7th*
Desk study in Norway:	*December/January*
Fieldwork in Norway:	*January (2-3 days)*
Fieldwork in the South:	*January 2013 (10 days*2)*
Preliminary report to Norad	*February 10th, 2013*
Final report to Norad	*February 28th, 2013*

6. Reporting

Norad will arrange an inception meeting with the review team to clarify any questions related to the assignment.
A draft report shall be submitted to Norad and SF for comments within 14 days after the field visit has been completed.

The final report shall be submitted to Norad and SF within 2 weeks after receipt of Norad's comments to the draft. It shall be written in English (word format) and not exceed *20* pages, including a summary of maximum *3* pages. Submission shall be in electronic format.

The report shall be presented to Norad by the team leader.

Budget for the review

Total costs – estimated: NOK 320 000

2: List of persons interviewed

Norway

Gunvor W Skancke	Assistant Director, Civil Society Department, Norad
Solbjørg Sjøveian	Senior Advisor, Civil Society Department, Norad
Eli Kofoed Sletten	Senior Advisor, Civil Society Department, Norad
Øyvind Edland	Secretary General, SF
Asle Danielsen Stalleland	Education Manager, desk officer Asia, International department, SF
Mark Bechmann-Hansen	Finance Director, SF
Nina Hillesund	Financial Controller, SF
Anne Teigen	Development Advisor, Desk officer, East Africa, International Department, SF
Kristine Storesletten Sødal	Director, Communications Department, SF
Christina Milsom	Education Advisor, Desk Officer, West Africa, International Department, SF
Maren Seehawer	Education Advisor, Desk officer, West Africa, International Department, SF
Peter Moers	Desk officer, South America, Institutional Fundraiser, International Department, SF
Lars Saaghus	Institutional Fundraiser, International Department, SF
Titus Tenga	Director, International Department, SF

Uganda

Priscilla M. Serukka	Regional Director, SF EA
Florence Kayongo	Regional Programme Coordinator, SF EA
Margaret Musoke	Finance and Administration Manager, SF EA
May Kamoga	Education Manager, SF EA
Elisabeth Naiga	CMMF Coordinator, SF EA
Arthur Arinaitwe	M&E Officer, SF EA
Benjamin Aisya	Programme Officer, SF EA
Paul Katende	Operations Manager, SMFEA Ltd.
Daniel Sentumbwe	Investment Officer, SMFEA Ltd.
Thorbjørn Gaustadsæter	Ambassador, Norwegian Embassy, Kampala
Achilles Kiwanuka	Senior Programme Officer, Norwegian, Embassy Kampala
Abul K. Mozumder	Country Representative, BRAC Uganda
Munshi Sulaiman	Researcher, BRAC Head Office
Jonathan Maraka	Programme Manager, BRAC Uganda

Pamela Alanyo	Regional Coordinator, BRAC Uganda (Moroto Office)
Charity Adongo	Branch Manager, BRAC Uganda (Kotido Branch)
Nelson Ousilli	Director, Aridland Development Programme (ADP)
Paska Olto Namunu	Programme Manager, Aridland Development Programme (ADP)
Food Security Project	Participants, community members and ADP implementing staff
Catherine Kitongo	C.E.O. and founder, Miles2Smiles
Maleka Parish Cooperative Society	SEPSPEL programme staff, savings group
Soobi A. F. Musuya	Executive Director, Uganda Women Concern Ministry
Edith Wakumire	Resident Director and founder, Uganda Women Concern Ministry
Kiwata Primary School (stakeholders)	Deputy rector, parents groups, savings groups, and others
Frederick Mwesigye	Executive Director, Forum for Education NGOs of Uganda (FENU)
David T. Baguma	Executive Director, The Association of Microfinance Institutions of Uganda

Sri Lanka

Nimal Martinus	Regional Director Asia, SF Colombo
Dharshini Croos	Regional Manager – Programmes, SF Colombo
Rajaratnam Ravishankar	Regional Advisor – Quality Assurance and Research, SF Colombo
Nilu Gunasekara	Team Leader – Education, SF Colombo
Prabath Sapukotanage	Co-ordinator – Education Programme, SF Colombo
Frido Fernando	Co-ordinator - Education Programme, SF Colombo
Lasantha Premachandra	Co-ordinator – Education Programme, SF Colombo
Harshani Weerasinghe	Information and Communications Co-ordinator, SF Colombo
Dillon Gomez	Regional Manager – Finance, HR and Administration, SF Colombo
Amala Wijesinghe	Accountant, SF Colombo
Virendra Dabare	Manager – Review and Facilitation of Financial Systems, SF Colombo
Savarimuttu Gnanapragasam	Finance Manager/Accountant (Microfinance – SMAGL), SF Colombo
Mahinda Gunasekera	CEO, SMAGL, SF Colombo
Wimalaratne Liyanarachchi	Manager- Operations, SMAGL, SF Colombo
Sumudhu Nadeera	Manager – Monitoring and Capacity Building, SMAGL, SF Colombo
Saman Wijebandaya	Team leader, PALM, Nuwara Eliya
PALM	14 members of staff, Nuwara Eliya
Udayam Community Based	Members, Nuwara Eliya
A. M. S. B. Attanayake	NGO Coordinator, Divisional Secretariat, Nuwara Eliya
Sriyani Mangalika	General Manager, Women's Development Federation (WDF), Hambantota
Shanthilatha Wijenayaka	Project Coordinator, WDF, Hambantota
W. G. Mitraratne	Founder Chairman, Chairperson, Advisory Council, WDF, Hambantota
Women's Development Federation	20 members of Staff (President, Social Mobilisation, Finance, Microfinance, M & E
Badaginya Branch of Janashakthi	Staff and community group
R. C. De Soysa	Government Agent, Hambantota
B. H. M. I. P. Bandara	NGO Coordinator, Divisional Secretariat, Hambantota

L. Y. Nelson	Zonal Education Officer, Hambantota
T. Sudesh Havinda de Silva	Livestock officer, Veterinary Office, Tissamaharama
Manique Mendis	Executive Director, Rainbow Resources Lanka, Colombo
Sheila Richards	Consultant, Rainbow Resources Lanka, Colombo
Dagny Mjøs	Counsellor, Norwegian Embassy, Colombo
Vidya Perera	Senior Advisor, Development, Norwegian Embassy, Colombo
L. Vijayanathan	Senior Advisor, Development, Norwegian Embassy, Colombo
Susil Siriwardena	Resource person, Colombo
Wijaya Wicremaratne	Resource person, Colombo
Leelasena	Resource person, Member, Board of Directors, SMAGL, Colombo
D. A. Hamangoda	Executive director, Paltra – Center for Capacity Building, Colombo
J. Henry de Mel	Development consultant (Team leader, MTR of SF Sri Lanka Program), Colombo
Roshini Fernando	Advisor, Access to Finance, GIZ, Member Board of Directors, SMAGL, Colombo

3: Cost effectiveness: A comparison of SF's Mazungmuzo adolescent girls programme with the BRAC Youth Development Programme

Improving cost effectiveness by taking advantage of increasing returns to scale is often overlooked in development operations. Basic cost comparisons in education, health, microfinance and capacity building would often provide some indications of how to reduce the per-unit cost of output by adjusting the scale of operation. The purpose of this case study is to provide an illustration of the procedure by applying it to a comparison of two adolescent girls programmes: BRAC Uganda with 1500 girls' centres across Uganda and Stromme Foundation partner Aridland Development Programme (ADP) who runs 12 centres in the northern parts of the country.

Studying this type of programme may not only be illustrative of cost effectiveness assessments, but it may also be useful because such programs are viewed as attractive instruments in achieving several of the Millennium Development Goals. Adolescent girls programmes teach basic education, life skills and promote income generating opportunities for girls usually aged around 12 to 19. They have become increasingly popular among donors aiming to delay early marriage and teen pregnancy, reduce risky behaviour and promote a healthy living (see for example www.girleffect.org).

The results of interest of such programmes are outcomes, usually behavioural changes among the girls (like less risky and healthier behaviour) and their wellbeing as measured by increased incomes, less sexually transmitted diseases and fewer complications during birth delivery due to higher age at first birth. In basic cost comparisons the focus is on the input and output side and the measurement of impacts or outcomes are left for rigorous research. Hence, cost effectiveness is defined here as the cost per output produced irrespective of whether the mode of producing this output affects the outcomes. In other words, since SF does not have outcome or impact estimates of the Mazungmuzo in Uganda, we can only indicate the per girl costs of participating in a programme but cannot establish to what extent that participation influences her behaviour (safe sex) or wellbeing (no sexually transmitted diseases).[20] Nevertheless, this does not prevent us from considering issues that are likely to be important in delivering the desired results.

The cost effectiveness of development interventions can often be interlinked with the sustainability of the programme, i.e. to what extent the programme will continue after the donors withdraw. A one-month course in financial literacy to a group can be more cost effective if it enables the group to manage their finances (saving, lending, insurance etc.) for a life-time as compared to having a one-month support helping them to solve their current financial issues that does not lead to changes in future financial management. Moreover, donors often want the recipient Government or local organizations to take over aid funded projects after a pilot phase. In the event that the project is continued after the withdrawal of the donors, the actual adoption by the recipient represent a separate output. This would thus increase the cost effectiveness from the donors' perspective even if the project costs and outputs do not change. Hence, the discounted value of a sustainable programme will tend to overrun any present value cost effectiveness considerations of a similar programme that needs continued donor support. In addition to scale considerations and sustainability issues, we will discuss the benefits and disadvantages of using a local versus an international NGO as a vehicle for promoting learning and transfer of knowledge, and of achieving impact.

A disadvantage of cost comparisons is that it can be challenging to calculate the value of quality differences.[21] Larger organisations can specialize and become more knowledgeable about their work and also incorporate learning from others. Specialization and learning may show up in improvements in the quality of the outputs. In smaller organisations the staff will tend to cover widely different responsibilities, have little opportunity for specialization and no time to inquire into the

[20] The cost of conducting an impact evaluation is too high for it to be justified for Mazungmuzo in Uganda at this stage. In the event that SF decides to expand the programme substantially, such research might be warranted similarly to BRAC's impact evaluations of their adolescent girls programme in Uganda, Tanzania and South Sudan.

[21] Calculating the value of quality differences is more straightforward if the outputs are traded in a competitive market since the price will reflect the differences.

experience of others. On the other hand, smaller organisations might be easier to monitor and it could be simpler to maintain a lean structure that concentrates on maintaining quality and are in a better position to understand local contexts. The output of adolescent girls programmes could, as we shall see below, look quite similar, but the quality of the outputs could differ in a way that should be reflected in the cost comparisons.

Similarities and differences

In order to get accurate cost comparisons, one would like to compare similar programmes in the same area where only the variable of interest are different, for example number of beneficiaries reached. In that case, one could compare the costs effectiveness directly (costs per unit of output) without having other factors influencing the cost differences.[22] The programmes in our comparison are located in the same area in Karamoja (Mazungmuzo in Abim, and YDP in Kotido) in northern Uganda and hence local conditions and degree of hardship is controlled for. Both organisations confirmed that remuneration and compensation package would be equal in the two areas if they had such programmes in the others' area.

Moreover, the programmes have very similar curriculum and offer training in basic education, technical vocational education and life skills for groups of adolescent girls in what is considered a "safe space" – usually a suitable room rented in a building in the village. We browsed the life skills curriculum for the two programmes that the mentors were equipped with, and they were very similar. Both had ten units covering basic topics and both were given for a limited time. Both programmes included leisure activities in addition to the training modules to ensure that the girls clubs remained attractive. Such additional activities need not influence salaries for mentors as the conduction of the teaching would determine the competency level required and hence the remuneration. Moreover, the livelihood training in Mazungmuzo is similar to that of ADP – for example, both were teaching girls vocational training in sewing based on a compressed and limited curricula and both were teaching them agricultural practices. In addition, being a mentor for ADP is not more demanding than the same job for BRAC in that area as it is the same post-conflict zone, and the risks are the same.

One mentor is assigned to each group in both programmes, and supervision staff supports a cluster of mentors (usually three to four mentors per supervisor). The programmes also stimulate the community to support the girls and sensitize the villagers on the aim of the intervention. The Muzungmuzo organise one community committee for each centre consisting of parents and voluntaries with a dedication to supporting the programme and participating in the outreach. Similarly for the YDP, they organise parents meetings (once a month) and community workshops (quarterly) to gain support for the centres in the local community.

The programmes differ first and foremost in terms of scale – BRAC has 1500 centres across Uganda while ADP operates 12 centres in the Karamoja region only. Moreover, BRAC is an international organisation with many years of experience in running adolescent programs in many countries. ADP started their programme in 2010, but is building on the lessons and experiences from the SF funded Shonglap programme in Bangladesh. Both programmes recruit locally when it comes to project staff at lower levels (mentors and supervisors) – i.e. people who originates from the area where the centre is located. For both programmes this is a conscious strategy to minimise staff cost and at the same time anchor the programme in the local community.

In practice, programmes of different NGOs tend to differ along several dimensions even if they have the similar objectives for the same groups. One difference in our setting is that Muzungmuzo is only targeting school drop-outs while BRAC seeks to include all girls. A second is that while BRAC aims to maintain the programmes in the same villages for the duration of the project period, the Mazungmuzo concept is to rotate to new communities after an unspecified period. Finally, we discovered that the Mazungmuzo provides nine months of training for a group of girls and then starting the programme over again with a new group. The YDP, in contrast, try to retain the girls for as long as possible once they have become members and provide the training on a continuous basis. We return to the cost implications below.

Cost comparison

Due to the limited time available for this study, we focus on the most important cost component for cost comparisons – the fixed recurrent costs, i.e. the running costs for operating the programme. Non-recurrent costs like office furniture, equipment, centre materials, training of mentors and staff etc. involves standards and quality aspects that make comparison less interesting – especially when the offices serves multiple purposes. The variable costs, like the livelihood

[22] Such differences arise from differences in wages across locations, like urban-rural, from differences in competency requirements, it takes more competent teachers to train more literate participants, differences in local rental markets for, etc.

and the technical/vocational component are not included as costs are dependent on the specific machinery, equipment tools and inputs used and not directly comparable.

Centre costs

A centre is the unit where the girls are trained and have their meetings on a daily basis. The Mazungmuzo has 25 girls per centre with one mentor per centre working three hours a day five days a week. The salary for one mentor is Ushs 120.000 per month. A centre is located in a church, community hall or other suitable space available and ADP rental policy is to pay Ushs 300.000 a year.[23] This gives an annualized centre cost of around Ushs 70.000 per girl per year.

BRAC Kotido YDP has 20 to 50 girls per centre with an average of 32.6 girls per centre, which is 30 per cent more than Mazungmuzo. The centre is set up very similar to Mazungmuzo and operates five days a week, although the girls are participating one more hour a day (four hours a day). The salary for YDP mentors is only Ushs 50.000 a month, but renting the space is Ushs 600.000 for a year. Hence, the centre cost per girl per year is around Ushs 37.000. To facilitate comparison between the two programmes, we adjust for the difference in hours the girls spend in the centres. The YDP center cost per girl per year equivalent for three hours a day amounts to Ushs 27.800.

Administration, overhead and support

Although the centres are operating on an almost identical basis, the administration, overhead and support functions differ a lot. BRAC is a large international NGO with similar programmes in many countries, while ADP is a local organisation with only one administrative office (in Abim) where all activities are handled including the Mazungmuzo programme. Nevertheless, ADP receives support from the SF Regional Office which compensate for ADP's local presence and limited outreach.

At the office level, the ADP provide the Mazungmuzo with one full-time supervisor working eight hours a day for five days earning Ushs 600.000 per month and one education coordinator with the same work load earning Ushs 600.000 per month. The 12 centres have a total of 300 girls so the per girl per year cost is Ushs 48.000.

The BRAC Kotido Branch Office consists of an Office Manager (Ushs 771.000/month), a Project Assistant (Ushs 264.000/month) and a Service Staff (Ushs 174.000/month). The sole responsibility of the Branch Office is to run the YDP. The Branch Office supports ten centres with 326 girls so the per girl per year cost is Ushs 44.500. Again adjusting for the difference in hours offered to the girls gives a per girl per year cost of Ushs 33.400. The BRAC Regional Office (Karamoja Office) also provides direct support to the operation of the YDP through a Regional Coordinator (Ushs 820.000/month), which is shared with two other branches, and adds Ushs 10.000 to the costs per girl per year.

Finally, the overhead cost (costs accruing in Uganda) is more challenging to estimate. BRAC Uganda Head Office states that their overhead at the national level is ten per cent of the total costs, but we have not been able to get any figures on this. Hence, overhead comparison may not be accurate and are thus not included here, but we again note that the structure of the support is similar. BRAC uses to a large degree local (Uganda) staff in their administration, while SF uses solely Ugandan staff. Both use an international audit firm (BRAC uses KPMG, SF uses Deloitte & Touche). Finally, both organisations use internal auditors to ensure that system requirements are adhered to and minimize the risk of misuse of funds.

SF provided around one-third of the total costs of Aridland last year (2012) and we take this as the share of overhead costs that accrue to the SF funded parts of the NGO.

Discussion

Summing up the figures in Table A3 below suggests that BRAC is much more cost effective in running the adolescent girls programme as compared to ADP. It is evident that the per girl cost, annualized and adjusted for the number of hours of participation, is around 65 per cent higher for ADP as compared to BRAC. Most of the difference comes from the scale of operation – BRAC centres have a larger number of girls participating. This accounts for 60 per cent of the cost difference. It is also evident that providing the girls with one more hour of participation every day impacts on the differences. Both the number of girls per canter and the hours of training provided factors are relatively easy to adjust in Mazungmuzo.

[23] This is relatively low, but it seems that ADP is able to rent the necessary halls – probably due to a very limited demand for rented halls in these areas.

Table A3

Recurrent costs of adolescent girls programs (In Uganda Shillings per girl per year)[24]

	BRAC Uganda Youth Development Program Kotido Branch	Stromme Foundation Mazungmuzo ADP, Abim
Center cost	27.800	70.000
Branch Office cost	33.400	48.000
Regional Office cost	10.000	0
Sum	*71.200*	*118.000*

Nevertheless, it is likely that the number of girls in the centre at some point reaches a maximum for effective training to be conducted. Moreover, the BRAC approach of keeping the girls in the centres as long as possible (they can continue in the centre for as many years as they like) as compared to the nine months of participation for each girl in the Mazungmuzo may influence the optimal number of girls per centre. Nevertheless, the differences in number of girls per centre suggest that ADP could experiment with larger groups of girls and not confine themselves to 25.

The second consideration is the quality of mentors and their salaries. During our brief discussion with them, it seemed that the ADP mentors were better educated and with better intra-personal skills than BRAC mentors. If correct, this could explain the higher mentor salaries used by ADP. Another explanation for the differences in salaries may stem from the large number of qualified unemployed candidates for such jobs - so perhaps BRAC has been better at taking advantage of this situation?

Finally, renting spaces through religious organisations or others who would provide space at a subsidized rent is clearly an approach that may reduce costs considerably. However, it was indicated that the programme is disrupted by other activities taking place in these institutions and that perhaps other localities would be more suitable as safe spaces.

Even if the per girl cost can be relatively accurately calculated, the approaches are likely to produce different outcomes for the participants: Mazungmuzo provides a short training (nine months) to as many girls as possible since they take in new girls every year. BRAC on the other hand, focus on giving a long-term training to a group of adolescents. To exemplify, if there is no turnover of girls, then Mazungmuzo would have reached 125 girls each have received nine months of training, while BRAC would have given the 33 participating girls five years of training. The expected impacts on each girl can be large. What changes in outcomes might be achieved with the two approaches can only be answered through monitoring over time. Similar consideration needs to be undertaken when it comes to what constitutes a safe space for such girls. In our discussion with BRAC Uganda Country Office it was revealed that they, based on a comparison between BRAC in Uganda and Tanzania, are investigating whether the approach of renting spaces at the lowest costs (schools and churches, as they did in Tanzania) is inferior in delivering the desired outcomes as compared to renting space on neutral ground (in houses in the village, as they did in Uganda). No conclusion has been drawn yet, but their investigation clearly suggests that one should be careful in drawing strong conclusions on the effectiveness of Mazungmuzo versus BRAC Kotido when it comes to rental costs.

Even if it is difficult to account for quality issues, we noted that BRAC has translated the books and materials to the local languages in Karamoja and also had artists illustrate them with showcases of situations that could arise in the local community. Ten thematic areas were covered in ten different books, all professionally developed by the BRAC in the USA. This seems to be a useful tool to convey the messages to the girls, although the cost effectiveness of this approach versus locally developed materials is questionable.

[24] All figures in Uganda Shillings as of February 2013 obtained during interviews with BRAC and ADP staff. The figures have been double checked via email correspondence and telephone conversations in March 2013.

The Muzungmizu concept of rotating the centres to new communities after a start-up period is likely to affect the degree of cost effectiveness. Establishing the programme in a new community entails taking on the relatively large start-up costs. This will often include hiring and training a new mentor/staff, equipping the centre and sensitizing the community. BRAC estimated the start-up fixed non-recurring costs (club material, training of staff) to be much higher than the fixed recurring costs. If the programme is not continued in the old location, such a rotating schedule will be much less cost effective than maintaining the same programme in the same area admitting new girls each year.

Sustainability

The sustainability of adolescent girls programmes is questionable on a general basis – who will cover the costs of such a programme if donors withdraw? The Government seems to have large challenges in delivering the core services – primary education - and is not likely to take over responsibility of a programme that can be perceived as outside of their prime responsibilities. Despite the general praise of the programme by participants, their parents and volunteers in the community, the level of poverty is high and there seems not to be any viable route to spur the villagers to finance such a programme. The girls themselves might be able to continue the training parts of the programme at a very low cost since new mentors can be selected among the trained girls, and ADP did have a built-in mechanism of teaching the girls how to become mentors.[25] Nevertheless, without a follow-up structure that ensures some compensation and covering the rent of a safe space it is likely that the clubs will be closed at some point in the near future. Donor exit without contributing to organising a replacement of the driving forces that has secured the programme will most likely lead to a closure of the clubs.

While SF has been concentrating on rolling out their programme and has not paid attention to any exit, BRAC Uganda have been discussing several different exit strategies. One mechanism would be to establish a fund for each centre, and around USD 4000 would be sufficient for sustaining one centre. Having that amount in the local bank earning interest, and organising a group of girls to handle payment of mentors and renting of the house may be sufficient for sustaining the club. Another approach would be to focus on income generating activities for the girls, and establish a deduction scheme that allows for coverage of the costs. However, BRAC opened its first 100 centres in 2006 and has not yet tried to let any centre continue without BRAC support.

Two additional issues that add to the challenge of sustaining such programmes without access to development aid concerns skills training and income generating activities. First, both BRAC and ADP are training girls in specific vocational skills like tailoring, knitting, baking and agriculture. However, very few of the girls would get a job in a company as the training provided is much less comprehensive compared to what the formal government training institutions are providing. Moreover, the girls themselves were also asking for more comprehensive training. Hence, they would need to operate as a micro business in order to profit from their skills. Second, continuing to provide new girls with the same skills may at some point in time be counterproductive as the demand for such services in the villages is limited and markets are easily saturated. Despite these two issues, there is little emphasis on teaching the girls how to operate and develop a business under these programmes.

Finally, distributing productive assets seems also unsustainable. In the case of Mazungmuzo they give an ox to each group of girls when they are finished, and the girls will then manage this asset (rent it out, feed, etc). This practice seems to add to the sustainability challenge as the cost of an ox is very high and it is not clear who would be willing to pay for such assets in the future. Moreover, giving out valuable assets to girls that has dropped out of school clearly provides strong incentives for girls to leave school to join the clubs. In Abim, each girl that did tailoring first year (2011/12) was provided with a sewing machine (7 girls) when they finished the course, and so next year (2012/13) the number of girls who wanted to attend the sewing course was quadrupled (30 girls) which indicates how such incentives works. Moreover, there was quite some disappointment when it was discovered that for 2012/13, only two sewing machines were available for distribution!

[25] After each session, one of the girl participants were asked to act as a mentor and do a repetition of the lessons learnt and questions asked in the same manner as the mentor.

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Chr. Michelsen Institute (CMI) is an independent, non-profit research institution and a major international centre in policy-oriented and applied development research. Focus is on development and human rights issues and on international conditions that affect such issues. The geographical focus is Sub-Saharan Africa, Southern and Central Asia, the Middle East, the Balkans and South America.

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