



# Development Action analysis: SDF applications, Round 1

18 March 2011

**Development Action Ltd.** is a private sector organisation providing services within Aotearoa New Zealand for community and voluntary groups, as well as the public sector. Members of Development Action have a particular focus on international development, and a long history dealing with previous funding arrangements between civil society and government within Aotearoa New Zealand.

All opinions expressed within this document are those of Development Action Ltd. This report is free to copy and distribute, though we would ask for a reference where applicable. Development Action has made a commitment to undertake similar analysis of subsequent SDF rounds.

Any questions or comments can be directed to:

Lee Sentes (Co-Director)  
e: [lee@developmentaction.co.nz](mailto:lee@developmentaction.co.nz)  
t: (+64) (0) 21 114  
w: [www.developmentaction.co.nz](http://www.developmentaction.co.nz)

## Executive Summary

---

During the end of December 2010 and early January 2011, Development Action took on the challenge of analysing the New Zealand Ministry of Foreign Affairs and Trade's (MFAT) new Sustainable Development Fund (SDF). SDF emerged in April 2010 as the new contestable funding scheme for overseas community development to replace Kaihono hei Oranga Hapori o te Ao - Partnerships for International Development (KOHA-PICD) and stressed MFAT's focus on sustainable economic development.

Three Development Action team members were closely involved with KOHA-PICD, and we wanted to answer a simple question: could we reproduce MFAT's funding decisions from SDF Round 1? In other words, if we assessed SDF applications against the published SDF Guidelines, could we independently decide which applications should be approved or declined? And most importantly, would our decisions reasonably match those made by MFAT?

Development Action decided that a data set comprised of 10% of the total number of applications submitted to Round 1 would represent a sufficient pool to test MFAT's decision making process. We ensured our data set covered a range of geographic locations, and a wide variety of project types, some of which fit perfectly within the new paradigm of sustainable economic development (SED), and others which were ongoing KOHA-PICD projects re-designed to fit the new funding scheme. Our scope did not allow us to amass a representative data set across the range of organisations that applied. We took a worst case scenario approach, applying the most dogmatic and narrow definitions of what the SDF Guidelines state it will fund. Last, we devised a matrix that individually weighted 31 key competencies, such as geographic location, total fund amount and budget clarity, allowing us to consistently track, justify and compare our decisions across applications.

The entire exercise took approximately ten days and resulted in a lengthy and specific report for each application. Lee Sentes and Claire-Louise McCurdy undertook the analysis and shared their results with a past NZAID colleague. All of those involved, including the applicants, had a long history with KOHA-PICD application writing and assessment.

Development Action's findings were startling. **Even though our analysis was based on a conservative and dogmatic interpretation of the SDF Guidelines, and allowing for a reasonable margin of error, we were unable to reproduce MFAT's decisions.** Prior to our assessment, we would have expected to agree with at least 75% of MFAT's decisions. In reality, Development Action agreed with MFAT's decisions only 20% of the time.

Using our data set, Development Action would have:

- Unconditionally approved **twice** as many applications as MFAT.
- Conditionally accepted **three times** as many applications.
- **Declined** the applications which MFAT approved.

We found that those applications that best fit SDF core principles (clear focus on sustainable economic development, located in the Pacific), were not funded by MFAT. At least one of the

applications MFAT approved had fundamental problems, which included needing better alignment with sustainable economic development and a clearer budget. None of the MFAT recommended applications within our sample were awarded to Pacific projects.

Development Action recognises the flaws of our own logic model and assumptions used to guide our own assessment process. However this was the best “worst-case” model we could devise, and based on the information provided by the SDF Guidelines, we believe it as a reasonable model. Our core assumptions were that all of the assessors applied the SDF Guidelines, and that the Guidelines represented the highest authority, accurately outlining the assessment process for the purposes of accountability and transparency. In other words, if it wasn't in the Guidelines, it wasn't part of SDF. We believe this represents the minimum expectation and requirement for the fund to maintain integrity.

**Our analysis suggests that in reality the SDF Guidelines are being applied by MFAT assessors inconsistently, arguably using different interpretations of key terms and questions on the application form.** It may also be possible that correct decisions are being superseded by those at the “appropriate level” of authority. Given the outcome of our assessment, we are left to question the accuracy, validity and integrity of the Minister's new scheme.

The Minister's challenge is to work with the development community to design and implement a funding scheme that has the same or greater level of integrity as KOHA-PICD. Without this the Minister risks not being able to enlist the best agents at his disposal for community development, and many current projects which already stress sustainable economic development will cease to operate by the end of 2012 for lack of government support.

The Development Action team hopes the recommendations below improve organisation's chances of success with the SDF scheme. Alternatively, given SDF's inconsistencies, we hope organisations will be able to raise pertinent questions and seek redress to improve the scheme so that it truly demonstrates government-NGO partnership as aspired by the Minister himself.

## **Part 1: Main Findings**

---

The following analysis took place in the interim between MFAT releasing its initial funding decisions mid-December 2010, and the meetings set up between IDG and organisations starting early January 2011. No current employees of MFAT were involved during the analysis and the opinions and suppositions contained below are Development Action's. Development Action always advises that organisations dialogue directly with funders and use them as the most accurate source of advice.

### **Background**

During April 2010, fundamental changes were made to MFAT's contestable funding facility for international development. The previous matched funding arrangements of KOHA-PICD and the Humanitarian Action Fund (HAF) were replaced with two untested contractual schemes, the Sustainable Development Fund (SDF), focused on multi-year community development that emphasizes sustainable economic development, and the Humanitarian Response Fund (HRF), which replaced aspects of HAF as the mechanism to provide short-term emergency response during natural and human made disasters.

The first round of applications to SDF ended on 9 September 2010, but organisations were only informed of MFAT's initial decisions by the end of December. Those applications that passed the initial round of assessment were categorised as "recommended" (a non-existent outcome category within the SDF Guidelines and still undefined), while those who were declined were issued a form letter, one letter per application received. MFAT subsequently conducted meetings with organisations to explain funding decisions. These meetings were conducted by the small team within the International Development Group (IDG) of MFAT. Further group meetings between IDG and development organisations have been planned for the coming months, and Round 2 deadlines have now been postponed from the end of February, to April 2011.

It is unknown what changes are proposed to the SDF application forms, or indeed the SDF Guidelines as a result of Round 1. Rumours are that Round 2 will trial a two-tier assessment process with applicants first producing a concept note prior to short listing. Other rumours exist that the Minister will enlist a small group of trusted individuals to take over the assessment process from IDG. Assuming this goes ahead, issues of conflict of interest may arise. As of the end of February 2011, MFAT has yet to release any money to overseas projects through SDF.

Information regarding the actual process of assessment continues to be limited, but is part of the eight page SDF Guidelines available on the MFAT website. At the time of writing, neither a copy of the application form, nor importantly, a copy of the reporting form was available for either SDF or HRF. Our understanding is that the reporting forms have not yet been written, which puts applying organisations at potential risk.

## **Purpose of Development Action's analysis**

The following analysis is an amalgamation of the advice and recommendations generated from our data set. It is based on a worst-case-scenario interpretation of the SDF Guidelines and may differ considerably from what actually happened during the SDF assessment process. As we do not know how the SDF Guidelines were interpreted and applied within MFAT for Round 1, we believe that this was, and remains, a prudent assessment strategy for Round 2.

Our data set included applications for projects in all three funding zones (Pacific, South-East Asia, Rest of World), from organisations that had a respected track record within KOHA-PICD and HAF. The sample included both “recommended” and declined decisions, with the majority of applications being declined. In order to protect the writers of the applications, we have not released names of projects or gone into the specifics of any applications. Given the size of our data set, we were not able to collect samples across the range of development organisations who would have applied to Round 1.

The data set Development Action amassed equalled approximately 10% of the applications received by MFAT for the 9 September deadline.

The purpose of Development Action's analysis was as follows:

1. To undertake a rigorous analysis of the SDF applications in an attempt to reasonably replicate MFAT's decisions.
2. To do the analysis by strictly applying the published SDF Guidelines.
3. To make any recommendations on the applications with regard to clarity, accurate answering of questions and alignment with SDF.

## **Methodology**

Development Action's methodology for assessment was based on three main assumptions:

- A) Published SDF Guidelines represent the highest authority.
- B) Projects that took place in the Pacific should have a greater chance of funding.
- C) Given the unknowns related to the abilities of MFAT's assessors, a worst-case assumption was adopted.

We feel these assumptions were justified because the SDF Guidelines should form the highest universal set of instructions for both applicants and assessors, the Minister continues to stress the importance of channelling funding towards the Pacific, and unlike the disbanded Programme Management Committee, no one knows the skill level of MFAT's assessors nor the actual process of assessment.

## A) Development Action's overall assessment logic

In order to assess the applications in the most transparent manner, a rigid assessment logical was designed including a 31 point matrix which scored key aspects of the applications against a consistent weighting regime (see Appendix 1 for a list of what was ranked within the matrix). Development Action does not know if a similar assessment logic existed within MFAT or how assessments were made transparent and consistent across different MFAT assessors. Lack of such a tool would have acted as a serious impediment to workflow and may have been a contributing factor to our findings.

The most important part of our logic involved deducing SDF's overarching purpose. To do this, we used the following argument.

1. SDF is a subset of MFAT's aid programme. It is a tool to achieve the published objective and mandate of New Zealand's Aid Policy:

*“Sustainable development in developing countries, in order to reduce poverty and contribute to a more secure, equitable and prosperous world.”*

2. While SDF sits within New Zealand's Aid Policy, the above statement is not the goal and objective of SDF; which is stated in the SDF Guidelines as:

*“...to provide funding for effective activities that develop self-reliant communities and complement the New Zealand Government development priorities.”*

3. Crucially, SDF's goal and objective is further refined within the SDF Guidelines under the heading Eligible Activities:

*“The overall purpose of the SDF is to fund sustainable development activities with a focus on creating and contributing to sustainable economic development, particularly sustainable economic growth.”* (emphasis added)

While convoluted, this continuous refinement of SDF's purpose creates a narrow, yet clearly defined funding boundary. Development Action also believes the final refinement is consistent with the Minister's own goal for SDF, as based on public statements.

Further reading of the Guidelines backs up this opinion; health, education, supporting basic human needs (water and sanitation), and disaster risk reduction are mentioned only briefly, with health and education needing to show a direct line to supporting SED. All example activities are focused completely on SED. Thus going by the Guidelines alone, projects that aim to create “self-reliant communities” via supporting human rights, peace building, community decision making, dissemination of information or community cohesion are **not** eligible for SDF funding, regardless of their importance and preconditions for economic growth.

Put differently, we suggest MFAT's core belief is that:

Sustainable economic development (from the SDF Focus Areas outlined in the Guidelines), leads to the development of self-reliant communities (SDF's Goal and Objective), which in turn results in a reduction of poverty (New Zealand's Aid Policy).

Anything that falls outside of this dogma should not, by the SDF Guidelines alone, be accepted.

## B) Geography

Projects which took place in the Pacific were ranked higher by Development Action than those in South East Asia and the Rest of the World. MFAT has not produced guidance on the percentage weightings for the three categories for 2010/2011, therefore we used a simple ranking system with Pacific projects given a greater chance of funding than South East Asia, and projects that happened everywhere else given the lowest rating in the category of geography.

## C) MFAT assessors – the prudence of a worst case scenario

With limited transparency into what happens to an assessment once it has been lodged, there is no reason to believe that applications are thoroughly assessed in the same rigorous manner employed by the disbanded Programme Management Committee, nor indeed for the purposes of this review, by Development Action.

For this reason, Development Action has analysed its data set through a worst case lens which assumes application assessment happens across various (and numerous) MFAT personnel who:

- Do not have an application assessment role within their job description.
- Have little to moderate interest or knowledge of international development, especially operational realities outside of a government body.
- Are well aware of the opinions of the Minister concerning SED.
- Are going to err on the side of caution, declining applications which may only need a small amount of additional information to be in line with SDF Guidelines.
- Are inconsistent. What one assessor rejects, another may accept.
- Have received little or no support regarding how questions are to be interpreted and assessed.
- Understand how visibly disagreeing with the Minister puts their own careers at risk.

## **Results**

After careful reading of the applications, and continuous referencing of the SDF Guidelines and our own ranking matrix, Development Action was **not** able to reproduce MFAT's assessment outcomes for our data set within a reasonable margin. Prior to our assessment, we would have expected to

agree with at least 75% of MFAT's decisions. In reality, Development Action agreed with MFAT's decisions only 20% of the time.

*Table 1: Comparison of decisions for applications within the analysis pool*

Result	MFAT	Development Action
Declined	85%	27%
Provisionally recommended*	0%	43%
Recommended	15%	30%**

\*Development Action used a “provisionally recommended” category to recognise those applications which were close, but needed some extra clarification to allow them to be fully approved. This is not a MFAT category.

\*\*Development Action did not recommend the same projects for funding as MFAT.

At the time of writing, information regarding dispersment across the entire number of accepted SDF applications had not been released by MFAT. Within Development Action's analysis pool, the geographic locations broke down as follows:

- 21% of applications took place in the Pacific.
- 43% of applications took place in South East Asia.
- 36% of applications took place outside of these areas.

From this, we can calculate the success rate by geographic region:

*Table 2: Comparison of application success rate by geographic location within Development Action's analysis pool*

	Pacific		South East Asia		Rest of World	
	MFAT	DA	MFAT	DA	MFAT	DA
Declined	100%	33%	100%	33%	60%	20%
Provisional	N/A	33%	N/A	50%	N/A	40%
Recommended	0%	33%	0%	17%	40%	40%*

\*Development Action did not accept the same applications as MFAT in this category.

In Development Action's opinion, and based on our assessment criteria and interpretation of the SDF Guidelines, **the majority of applications demonstrated an obvious and tangible SED component (60%),** or needed some realignment to clarify SED within the project (20%). Only 20% had no obvious SED proposed outcome.

Cumulatively the differences are stark. What is surprising is that Development Action found **33% of the Pacific based projects fit the SDF Guidelines well enough to be accepted without further clarification.** In all cases, MFAT rejected the applications based in the Pacific. In fact,

Development Action only agreed with MFAT on 20% of the applications. Considering the multiple hands that the applications presumably pass through, this inability to reproduce assessment decisions means the integrity of the application assessment process is flawed within SDF. If we apply this figure to MFAT, it means that MFAT assessors may be agreeing with each other only 1/5th of the time.

It should also be noted that **the applications MFAT approved would not have been accepted by Development Action.**

### **Analysis – what logic is MFAT using?**

Most organisations who received “recommended” decisions will quickly notice that MFAT did not assess applications for Round 1 using Development Action's logic or interpretation of the SDF Guidelines. Anecdotal evidence from across a range of applicants outside of our data set suggests that projects that had nothing to do with SED received “recommended” verdicts, while excellent Pacific based SED projects were declined.

Could Development Action's logic have flaws? Certainly. However, the faults with our logic would have to be severe, as even after applying a worst-case, narrow, rigid and dogmatic interpretation of the SDF Guidelines, we still accepted twice as many applications as MFAT, and would not have accepted the same applications that MFAT deemed viable.

It could be argued that MFAT used a broader interpretation of the SDF Guidelines, however, we would have expected that the excellent Pacific based applications would be accepted without any polishing. It is also possible that MFAT does in fact have a set of definitions and interpretations for key elements within SDF, but these have not been shared with applicants.

In essence, applicants are risking becoming financially involved with MFAT without knowing the whole picture. It is bad enough that the reporting documents do not yet exist, meaning the applicant has no idea how to design their monitoring and evaluation processes. Not knowing how MFAT is interpreting questions on the SDF application, nor indeed how MFAT conceptualises the purpose of SDF, is alarming. Such a situation puts both the reputation of the development organisation, as well as the matched investment made by individual “mom and pop” donors and taxpayers at risk.

### Why weren't MFAT's decisions reproducible?

Our inability to reproduce MFAT decisions could be due to any or all of the following reasons.

Possible issues related to Development Action could include:

1. Development Action's assumptions were incorrect.
2. Development Action was missing a key decision making criteria which was known inside MFAT, but not by organisations applying to SDF, including Development Action.

Possible issues related to MFAT could include:

1. MFAT may have assessed the applications looking for the first fault that gave justification to decline the proposal. Development Action read every question in every application to gain a full understanding of what was proposed before making our decision.
2. MFAT assessors may have been risk averse, and without clear guidance, did not know how to conceptualise acceptable risk in line with the Minister.
3. MFAT assessors may not have enough on the ground experience to gauge a project as likely to contribute to key policy areas such as SED.
4. Lack of training for MFAT assessors leading to a range of assumptions about the purpose of SDF.
5. Too broad a range of assessors with applications going to too many desks and no tool to standardise assessment.
6. MFAT assessors' bias against certain New Zealand organisations or their in-country partner.
7. MFAT assessors may have been given limited assessment training, and also limited time to assess applications.
8. Terms within the SDF Guidelines and on the application form were defined and interpreted differently by Development Action and MFAT, and possibly also between assessors. Question 7 is a good example of the form's ambiguity:

*“Does your organisation currently have outstanding reports for any MFAT funded Activities?”*

This can be interpreted as “any NZ organisation that has yet to report on projects currently running, funded through either KOHA or Transitional Funds, cannot apply to SDF.” Development Action interpreted this question as meaning “organisations with overdue reports cannot apply to SDF.”

9. Development Action is its own highest authority. In contrast, SDF Guidelines hint that:

*“The Committee's recommendations are approved at the appropriate level.”*

We interpret this as a provisional clause that allows the Minister to make the final decision regardless of MFAT assessors. However, as this clause is contained within the SDF Guidelines, the Minister would have to justify his decisions by applying those guidelines. It is unknown if or how this was done and documented for the sake of transparency and accountability.

### **Should organisations apply to SDF or not?**

The decision should be made after careful consideration of SDF, as well as the many unknowns surrounding the assessment process.

Whatever you decide, we always encourage the following:

1. Familiarise yourself completely with the SDF Guidelines.

2. Talk first to IDG. They are the first port of call concerning all aspects of SDF. Be prepared to take notes, and mark down who you were talking to, on what date. Call a second time and make sure you are getting similar answers from a different person. If you don't, follow this up.
3. Talk to others who have applied to the fund.
4. Make sure that SDF best reflects what you want to do and how you want to operate. Consider the amount of administration necessary to become accredited for SDF, the ongoing issues with the application process, and the likelihood of fundamental compromises necessary to design a project that fits the fund.
5. If you are going to apply, download and use the most recent SDF Application form from the MFAT website. Anecdotal evidence suggests that the forms, and perhaps even the method of applying will change for Round 2.

Additionally, the following points for consideration have come up in discussion with a range of development organisations during the past few months:

#### Codify your ethics

If your organisation considers that its work is directed via an ethical foundation, ensure that this foundation is revisited and codified as soon as possible. Ensure also that new employees understand what the organisation is about and why it operates the way it does. SDF is a fund that prioritises only a narrow range of elements that go into building strong communities, and Development Action believes that the methods the fund encourages promotes poor development practice. Do not abandon your organisation's ethics or good practices to shoe-horn into a funding scheme that may not survive as long as KOHA-PICD and HAF.

Due to the ability of external funders to dictate the operations of organisations, it is important that SDF's priorities and way of doing development does not influence the organisations it funds. New Zealand organisations, through interaction with the fund, should protect themselves from a dilution of approach and maintain the prioritisation of the opinions of vulnerable partner communities, as opposed to the needs of New Zealand politicians, tourists and business ventures.

#### Do not abandon good practice

Gender, human rights, equal access to power and resources, protection and enhancement of local cultures, political engagement, community mobilisation, peace building, and projects focused on eliciting the views and opinions of people outside of New Zealand may find they are incompatible with SDF.

However, this does not mean that good development practice has to be abandoned. If your organisation has decided to build seawalls and pour concrete for New Zealand tourist airports, decide how this can be described to fit within SDF, but design and undertake the operations of the project using good development practice that includes community engagement, empowerment, and capacity building resulting in sustainability built on proven methodologies, not rhetoric. Never lie in applications or reports, but find ways to work well within the limits of the fund. What can you do to ensure the proceeds from your tourism project stays within the communities instead of

flowing to overseas (i.e. New Zealand) investors? How can you engage with the community so that seawalls don't limit the ability of locals to access ocean resources? What can your project do to help local fisher folk own and control the proposed cannery?

### Your legacy transcends money

Think of the legacy of both your organisation and whoever you partner with in-country. Hastily abandoning partners to follow money makes future operations difficult not just your own organisation, but the entire international development community including researchers.

Additionally, individual supporters within New Zealand are, to use the government's words, genuine “mom and pop” investors in your work. Often these investors are making sacrifices to donate to your organisation. Be careful how you adapt to the new environment and be mindful how poor public relations by your organisation can adversely influence public opinion for the entire sector. It is safer to be vocal about your issues with SDF and New Zealand's ODA policies than to be silent as silence can be interpreted as complicity.

### Speak out

Be fearless. Organisations who have spoken out against SDF and changes to ODA are setting themselves up to the future leaders of the New Zealand development community. If you feel your organisation is founded on moral and ethical beliefs, you have every right to claim the moral high ground. In Development Action's opinion, the general silence of the last two years has achieved nothing.

## **Part 2: ideas and approaches to the SDF Application form**

As part of Development Action's analysis, we looked closely at every question and offered suggestions regarding how the questions could be approached and answered with the greatest clarity.

In general:

- Write applications as if you were writing to a bank manager.
- Use simple language that doesn't rely on development jargon. Brush up on the terms the Minister uses and describe your project using his words.
- Be focused, to the point, and always clear.
- If you are going to use lists that need to fit together across questions, come up with a logical number hierarchy.
- Where possible, make contact with relevant MFAT desks, especially in-country. Learn what kind of projects they think are necessary, recognising that this may go against what communities prioritise or what your organisation has done in the past. Be ready to use their

- language in your application.
- Never confuse your assessors.
- Maintain your integrity by reporting and applying honestly.
- Be varied in your monitoring and evaluation. How SED is going to be proven is currently unknown. Use economic data, such as household income, access to jobs, revenue from market places etc.

As mentioned earlier, the rumour is that a two-tier application process will be brought in for Round 2. Prepare for this. MFAT has been running very late on everything. It is likely that organisations will be given a very short space of time between the acceptance of concept notes and the lodging of full applications.

Again, it must be pointed out that the recommendations below are based on Development Action's interpretation of the questions on the SDF application form. They are a best guess and have **not** been corroborated by MFAT. If in doubt, contact IDG.

### Project title

Never underestimate the power of a good title. Calling a project “Village Programme, Second Year” may be completely accurate, but does not get the pulse racing.

It is highly likely that someone at the “appropriate level” will be presented with a list of project titles **ONLY** for final sign off. It is highly unlikely that this person will see an entire application to review it. The title needs to sell the application. It will be the way the project is described during conversations between assessors. Changing the example above to “Income Generation for Small Business Owners in the Solomon Islands” gives assessors all they need to know, and sums up the application for the “appropriate level”.

### General project concept

For declined applications from Round 1, it is possible that the initial questions regarding the title, activity summary, activity concept and activity goal did not appear to align with SDF. For example, there may have been no obvious SED element in the general concept, though it may have been highlighted deeper within the application. Sell your project early using a good title and well thought out description that ticks all the boxes. Don't assume that your entire application is going to be read.

The New Zealand organisation must be given an obvious role. We believe this is crucial as it states in the Guidelines that any proposal where “the New Zealand organisation adds no value, i.e. [is] acting as a conduit to transfer funds” is reason to decline an application.

This represents a paradox. Your organisation's involvement in the project is discouraged by SDF's positive weighting in favour of applications that quote small management fees. One strategy may be to decide upon a specialised niche role that the New Zealand organisation can play. For example, your organisation may have good contacts with engineers, or have set up successful

micro-finance schemes in other countries. Don't be invisible. State your role right at the beginning.

Only describe in the application what SDF is buying. This is especially important for projects that are funded from multiple sources. The assessor needs to know where the SDF element exists in the wider project.

### Region

Given the outcome of MFAT's decisions, it is unclear how the location of the project played a part in the eventual classification of the project. Development Action would need to look a wider set of applications to get a clear picture. An OIA has been lodged with MFAT asking for this information.

We expect target percentages will become accurate by 2012/13, and also that alignment with SDF Guidelines will become secondary to allocating Pacific funds. In other words, projects, especially those with high funding amounts for infrastructure development, will win SDF contracts regardless of how they are addressing poverty, disaster preparedness or even SED. It is possible that SDF may in the future, be open to private sector organisations as it becomes apparent that development organisations know nothing about building airports or seawalls.

### Amount of funding requested

It is unclear using our data set how the amount requested influenced MFAT assessors. Applications that were recommended were also the ones with the highest dollar value, but the number of recommended applications in our sample was too small to draw any conclusions.

There is anecdotal evidence that the Minister would rather deal with a handful of high dollar value projects than many small applications. This is corroborated by recent meetings between other organisations and MFAT officials where it has been demonstrated that very high sums of money are available to individual organisations for select purposes such as the construction of airports and seawalls.

### Clarity of answers in Questions 3, 4 and 5

These questions describe the basic programme logic of the project. The way the questions are posed on the application form results in unclear answers. Essentially, the questions beg for long lists where links between the questions have to be teased out by assessors, usually over multiple pages.

Development Action suggests adopting a programme logic or log frame model to capture the outcomes, outputs and tasks in a coherent and standardised framework. The same model can be used to highlight which of the tasks are key indicators for M&E, and gives the basic model for the budget. It is possible that time-pressed MFAT assessors were frustrated working out the relation between the three questions. Development Action found these questions difficult to assess.

MFAT assessors may also have a personal definition of outcomes, outputs and tasks which aren't congruent to SDF, applicant organisations or even between desks in MFAT, let alone the Minister. In general, no two applications Development Action read dealt with these questions in a similar manner which made assessment consistency arduous.

Last, we recommend that one person within the New Zealand office edits and standardises all applications prior to sending them to MFAT. Applications should not be sent unedited from field offices. Create a standard format to plan projects, using either a programme logic or log frame model. This will make applications much easier to write.

### Question 6: The Ghost of KOHA

Projects which were historically funded through KOHA-PICD may have been declined regardless of their alignment with SDF.

Anecdotal evidence from other sources suggests that stopping an old KOHA-PICD project, rebranding it, and relaunching it as a “new” SDF project was a successful strategy.

### Ambiguous Questions 7 and 8

Without knowing how assessors defined “outstanding reports”, it is difficult to say for certain how Question 7 impacted decisions. It is possible that a quick glance at this question acted as an easy way to decline an application.

The question is asking for “outstanding reports for **any** MFAT funded activities.” If lodging multiple applications, each application should have had the same long list of any and all KOHA-PICD and Transitional Funding reports that haven't yet reached their due date. Now that Round 2 has been delayed to April 2011, the next set of applications should have fewer KOHA-PICD hangovers.

### Questions 10 – 12

It is possible that clear alignment to SED wasn't established or highlighted in the answers to these questions. Development Action found that while these sections were often clearly written, more emphasis should have been put on SED alignment. Most (but not all) applications had an obvious SED component, but the argument often got buried by descriptions of proposed community engagement, human rights, peace building or other KOHA-friendly community development subjects.

Assume the MFAT assessor is tired. Make SED alignment painfully obvious. Try to decide how other community development KOHA-friendly aspects of the project can happen as a result of an SED focus, and work on that with your partner organisations, but don't stress those points in the application.

### Question 13 - organigrams

In our opinion, organigrams that are not backed up with text are often meaningless, especially for large organisations. Decide what roles are important to highlight for SDF purposes. Showing clear lines of fiscal oversight between project partners and New Zealand operations should strengthen your application and is probably what assessors want to see.

On every application we read, an opportunity was missed within this question to build up the role of the New Zealand organisation. We suggest using this space to combat the paradox of low management fee/high engagement requirements demanded by SDF. This question gives space to talk about your organisation. Funders aren't interested in modesty.

Explaining the partner's organisational structure was hit and miss in the applications Development Action assessed. We believe you should always give a simple organigram for partners, and supply one or two bullet points under relevant positions saying what their roles are **in relation to the application**.

### Question 14 – M&E

By employing a programme logic or log frame to answer Questions 3, 4 and 5, answering Question 14 becomes straightforward and clear. Given that there are so many pages between Questions 3-5 and the question on M&E, proper assessment necessitated a lot of page flipping to see if what was written earlier fit with the M&E plan.

Pick key indicators for each output so that your M&E can be lighter, but outputs and outcomes evidenced. Use a selection that captures qualitative and quantitative data, and see if any can triangulate to boost data reliability. Some of the M&E elements that we saw tried to capture and measure everything. This is unnecessary and makes more work for communities, project partners and the New Zealand organisation, plus sets up expectations for MFAT on what is going to be in your report.

The question suggests providing a M&E Framework. Development Action agrees that this would be a good idea and can be incorporated within any log frame or programme logic model.

Remember, the reporting forms are yet to be released. Be prepared that you may have to adapt your M&E accordingly if you have to prove how your \$50K project impacted Samoa's GNI.

### Risks and Mitigations

The applications go to Heads of Missions and other “appropriate levels” who may feel they have an in-depth understanding of the project area and therefore require an analysis of risks and mitigations that align with their own opinions. These may, or may not, be similar to the opinions of partner organisations or communities. Prudently incorporate the views of the Head of Mission.

## Sustainability and cross cutting issues

In Development Action's opinion, SDF is less interested in sustainability, and more focused on finding out if the project is one that “appears to be dependant on indefinite SDF funding”. Anecdotal evidence from other sources reveals that MFAT is discouraging projects from creating community-based organisations or committees to oversee the long term running of the project after the funding period has ended. This may have grown out of a belief that infrastructure projects overseas fall outside of community development, and therefore have no need of community involvement in maintenance. Or, the creation of community structures for sustainability may have looked too similar to KOHA-PICD.

Some of the applications we assessed evidenced a long history of engagement with partners working on similar projects. It is unknown how MFAT interprets this. Within KOHA-PICD, long term engagement with a community on a variety of projects was encouraged. MFAT assessors may consider this evidence that the relationship has created aid dependency.

As “sustainability”, especially “sustainable economic growth” is a concept that is integral to SDF, it is possible that a lack of explanation pertaining to how your project would have economic impact by Year 2 may have led to declined applications.

The question on cross cutting issues feels as though it has been tacked on as a minor concession to old NZAID staff, and also so that MFAT can claim SDF is following good practice on a global stage (such as at the next High Level Forum on Aid Effectiveness in Seoul 2011). Either way, this does provide space to think about how SDF money can be operationalised to best take issues like gender and the environment into consideration. To truly take these issues into account, New Zealand organisations will need to work in partnership with overseas communities and decide how to undertake good practice in spite of SDF.

## Value for money

Value for money... as gauged against what we wonder? It is difficult to grasp what this question is trying to find out within the context of development projects that are usually run on a shoestring. It assumes that either the public sector or the private sector could deliver similar projects for cheaper costs, and therefore demands NGOs to make an argument for why they are cost competitive. Or better, it assumes that multiple development organisations will (or should) compete for the same project, in the same way that multiple consultants might bid on the same contract.

It is unclear how “value for money” can be interpreted as “projects for low cost”. MFAT's desire seems to be to write big cheques as evidenced by recent meetings between MFAT officials and development organisations. How MFAT values projects that are low-cost is unknown. It is clear that volunteers are valued, however, posing many questions about how short term volunteering by people who know nothing about development leads to sustainable project outcomes.

Equally unknown is the degree to which SDF represents tied aid, a common practice with poorly designed government aid programmes where aid money is channelled back into the donor country

by forcing projects to source material and human resources from the donor country. It is hardly value for money in a development sense, but may represent “value” by showing how New Zealanders get jobs out of overseas development projects.

Conversations with other organisations reveals that many had difficulty answering this question.

What we suggest is:

- Re-state the obvious. Show how your organisation has done similar work.
- Highlight in-country assets. This includes human resources, such as local consultants and experts, hard assets such as water pumps and generators, and also access to local labour and resources such as building material.
- Pretend you are talking to a bank manager asking for a loan. Show how your organisation and partners are low risk without going into development-speak.
- Be honest about the value of your project and what the likely long-term savings will be in terms of improved social conditions. In fact, until this question is clarified, we suggest avoiding mention of actual project cost. Leave that to the budget.
- Don't encourage tied aid by participating in the practice.

Consider encouraging partners to interact with the private sector where that interaction would be reasonably expected, such as ecotourism projects. Projects that deplete resources in the project country to the benefit of New Zealand are not development projects, but may achieve SDF funding especially if this is considered good value for money, i.e. an investment that pays dividends.

## Budgets

Generally the budgets Development Action reviewed were satisfactory. Often there were one or two budget lines that deserved explanation in a narrative at the bottom of the budget. This would pertain to anything that looked like gifts and entertainment, and also some budgets had amounts lodged under ambiguous titles like “Workshops” which either needed explanation or separation into more specific line items.

As always, the rule of thumb is to have the budget reflect whatever was in the narrative. It is easy to pick out when things don't match, such as the development and delivery of five workshops in-country, with no obvious amounts attached to this output in the budget. Using a programme logic or logical framework to plan provides a good first draft for the budget. Remember to always budget for administration within New Zealand (8% is probably a safe level).

Reading the budgets would be easier if all the cell borders were activated. It makes reading across much easier. Print your budget off before sending it and make sure that you haven't dropped the font to a point only visible to insects, or that a line of rogue cells hasn't decided to print on a separate page. Make life for the assessors as easy as possible.

Budgets are a fast way to decline a project. It is unknown to what level assessors with financial acumen were used to analyse applications for Round 1. Development Action would like to think that for some of the serious amounts asked, budgets were scrutinised for obvious problems, but also

considered honest approximations of actual project costs.

### **Part 3: Conclusion – SDF, neither sustainable, nor development, nor a fund.**

Since coming to office in 2008, the Minister has put much effort into discrediting the old KOHA-PICD and HAF funding schemes, making a variety of public statements related to their performance, turn around time, levels of accountability and effectiveness. At the time, organisations like the Council for International Development, the Programme Management Committee, various development organisations and the Minister's own civil servants presented proof that the Minister's arguments were wrong. All of this advice was ignored. As a result, we have SDF.

Following our analysis of SDF, and after hearing the stories of many organisations who have gone through considerable effort to gain accreditation and apply, it is difficult to see how SDF can be considered anything other than a lame duck. With serious time-lags, decisions that go against SDF's priorities and Guidelines, and the constant suspicion that final decisions are made at an unaccountable “appropriate level”, the Minister's new fund suffers from a serious lack of integrity.

It was always going to be difficult for SDF to live up to KOHA-PICD. However, putting aside the debate concerning alignment with good development practice, the simple governance of the fund is deficient. Much of this is due to the rapid and untested roll out of the fund which put more emphasis on differentiating SDF from KOHA-PICD, and less on the actual process of allocating the funds in a transparent and accountable manner in line with good development practice. Compared to KOHA-PICD, SDF cannot be described as efficient, nor value for money, let alone effective or results focused. Until it actually releases money, it can't even be called a fund.

The operational disparity between the two funds is undeniable. From April 2010 to February 2011, five meetings with the old Programme Management Committee would have taken place and the annual budget of \$22.5 million dispersed for community development and humanitarian work. MFAT has not been able to organise one funding round from start to finish. At time of writing in late February 2011, SDF had not released one dollar (HRF had only released \$500,000 to one emergency relief operation in Pakistan).

Realising these deficiencies, what should organisations do if they need government funding to maximise the impact of their overseas work? Sadly, Development Action's analysis cannot answer this question. What we can say is that the following issues have to be addressed by the Minister before the fund can be taken seriously:

- What will MFAT do to explain their interpretation and application of the Guidelines, both for the enlightenment of development professionals, and also for its own assessors?
- What will MFAT do to make the process of assessment consistent, logical, reproducible and unbiased? In essence, what basic levels of good governance will MFAT adopt that is credible and gives applicants assurance of the fund's fairness?
- Last, what checks and balances will MFAT put in place to ensure that the Guidelines aren't sidestepped by people at the “appropriate level”? How can this “appropriate level” be held

accountable when decisions seem illogical?

One suggestion from MFAT has been to recycle declined applications into Round 2. Aside from being a blatant admission of error for decisions made in Round 1, it also implies that community development projects (regardless of a focus on SED or poverty) are simple ventures, mere creative writing exercises slapped together in an afternoon. The reality is very different. Project applications written for Round 1 will have to be renegotiated with partners and communities for Round 2, and many would have been time-bound, for example to coincide with the economic cycles of planting and harvesting, or the influx of tourists during the winter months in Europe and North America. Dusting off a proposal, swapping the date and putting it in the post isn't an option in many cases. Project partners will have folded, trained villagers drifted away and personnel in New Zealand made redundant. It could take many months or years of renegotiating and building trust before the fallout from SDF's inaugural year is overcome.

MFAT may attempt to dismiss the issues as teething problems, or the Minister may let his own staff shoulder the blame as a convenient excuse to downsize IDG. Neither excuse captures the severity of the situation for communities overseas. While the Minister plays at development, real hardships are likely to be occurring in poor communities who have spent decades trusting New Zealand as a good and respectable development partner.

Will this mean anything to the average New Zealand voter? Yes. What citizen likes their tax money mishandled during a recession? In our opinion, there is a good chance this may strike a chord, as will the fact that individual investments made in the form of donations to development organisations and remittances to families is being adversely impacted by the Minister's frantic need to wipe out anything touched by Labour. Both tax and donation money is given in good faith. While development organisations continue to do their best to honour that trust, the Minister seems content to squander it.

In closing, Development Action wishes you and your partner organisations the very best during the next year. We know that this will be crunch time for many projects that have been coasting on reserves for the past 12 to 18 months. To the extent that we can be, the Development Action team is available for consultation. We will do our best to ask the questions you can't, and undertake analysis on SDF and HRF during the next funding round.

## **Appendix 1: Development Action's standardised matrix**

Assessing large numbers of applications is not easy. In order to ensure that decisions could be compared, Development Action devised a simple rank and score method to pull all of the different decision making factors together. It is unknown if MFAT utilises a similar matrix or comparative decision making template.

The projects listed below are examples. They do not represent projects from our application sample.

### **INSTRUCTIONS and KEY:**

<b>Score</b>	<b>For questions from the SDF Application form</b>
	<b>Region</b>
1	Rest of world
2	SE Asia
3	Pacific
	<b>Does what is written clearly answer the question, leaving no ambiguity or need for further questions?</b>
1	Key information missing or confusing answer
2	Some improvements are suggested
3	Clear and complete
	<b>Additional assessment factors based on SDF Guidelines (Yes 2, Somewhat 1, N/A 0, No -1)</b>

- 1 Does not align with SDF Guidelines
- 0 Not applicable to the application
- 1 Somewhat aligns with SDF Guidelines
- 2 Clearly aligns with SDF Guidelines

Question number	Application Number	1	2
		Example project 1: SED with small scale farmers in Fiji Fiji	Example project 2: Tourism within remote communities in Viet Nam Viet Nam
	Country		
	Region		
	Summary description of activity	3	2
	Outline organisation's programme management and project delivery experience	2	3
	Describe the problem the Activity aims to address and how this was identified	2	1
1	State the Activity's overall objective (goal)	2	3
2	What outcome does it intend to achieve	2	2
3	Describe the Activity's anticipated results (outputs)	2	2
4	List Activity tasks	1	2
5	Describe how the Activity was developed and the institutional context of the Activity	1	2
10	Targeted participants	2	3
11	Explain how the Activity aligns with the SDF guidelines and priorities	3	3
12	Explain the relevant roles and responsibilities of your organisation and your partner organisation for this Activity	2	3
13	Monitoring and evaluation	2	2
14	Risks and mitigations	1	3
15	Sustainability	1	2
16		2	2

17	Value for Money	3	3
18	Cross-cutting issues	3	2
19	Budget	2	3
<b>Subtotal</b>	<b>Higher total means questions were answered clearer</b>	<b>36</b>	<b>44</b>
	Additional assessment factors based on SDF Guidelines (Yes 2, Somewhat 1, N/A 0, No -1)		
	Consistent with NZ's stated aid policy and priorities	1	1
	Results focused	1	2
	Clear focus on SED	-1	1
	Health and education to support economic development	1	1
	Supporting basic human needs such as water and sanitation	0	
	Measures that protect communities from the worst effects of disasters	0	1
	Income generating	1	1
	Meeting basic needs	0	0
	Geographic priority (Pacific 3, SE Asia 2, ROW 1)	2	2
	Clear planned outcomes	1	1
	Not dependent on indefinite SDF funding	1	-1
	NZ organisation adds value	-1	-1
	Low management fee (8% max)	2	2
	Modest evaluation cost in the final year	2	2
<b>Subtotal</b>	<b>Higher total means application is better aligned to SDF through a focus on SED</b>	<b>10</b>	<b>12</b>
<b>Combined totals</b>	<b>Higher total means questions were answered clearer, with better alignment to SDF through a focus on SED.</b>	<b>46</b>	<b>56</b>
	<b>MFAT decision</b>	<b>Declined</b>	<b>Declined</b>
	<b>Development Action decision</b>	<b>Declined</b>	<b>Recommend Provisionally</b>