

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

INDONESIA

PVO CO-FINANCING II

PROJECT NO. 497-0336

PROJECT PAPER AMENDMENT

OCTOBER 1985

USAID/INDONESIA

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number
1

DOCUMENT CODE
3

2. COUNTRY/ENTITY

Indonesia

3. PROJECT NUMBER

497-0336

4. BUREAU/OFFICE

ASIA

04

5. PROJECT TITLE (maximum 40 characters)

PVO Co-Financing II

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
09 30 91

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B' below, enter 1, 2, 3, or 4)

A. Initial FY 82

B. Quarter

C. Final FY 90

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>82</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1,750)	()	(1,750)	(26,250)	()	(26,250)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. U.S. PVOs					5,000	5,000
2.						
Host Country						
Other Donor(s) Indonesian PVOs					4,000	4,000
TOTALS				26,250	9,000	35,250

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. AUTHORIZATION TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN	240B	030		3,850		4,900		8,750	
(2) HE	240B	030		3,700		2,600		6,300	
(3) EH	240B	030		1,000		2,300		3,300	
(4) SD	240B	030		2,700		5,200		7,900	
TOTALS				11,250		15,000		26,250	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code BR PVOU PVON
 B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To multiply and improve local level development efforts in Indonesia in the priority sectors of AID assistance with USG financial support for projects planned and implemented by US and Indonesian Private and Voluntary Organizations (PVOs).

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
0 2 8 6 0 2 8 9 1 2 9 1

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

The purpose of this amendment is to add \$15 million to the PVO Co-Financing Project II and to extend the PACD to September 30, 1991.

17. APPROVED BY

Signature

William P. Fuller *William P. Fuller*

Title

Director
 USAID/Indonesia

Date Signed

MM DD YY
1 2 0 9 8 5

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PVO CO-FINANCING II (497-0336)

PROJECT PAPER AMENDMENT NO. 1

	Page
PROJECT DATA SHEET	i
PROJECT AUTHORIZATION AMENDMENT	ii
I. Project Status	1
A. Background	1
B. Implementation Status	3
C. Project Achievement	4
D. Relationship to Mission CDSS	6
II. Project Amendment Description	7
A. Institutional Emphasis	7
B. Programatic Emphasis	8
C. Geographic Emphasis	8
III. Implementation Plan	10
A. Procedures and Administrative Arrangements	10
B. Evaluation Plan	11
C. Budget	13

PROJECT AUTHORIZATION AMENDMENT

INDONESIA

PVO Co-Financing II
Project No. 497-0336

The Private Voluntary Organization Co-Financing II Project was authorized on January 21, 1982. Pursuant to Section 103, 104, 105, and 106 of the Foreign Assistance Act of 1961, as amended, (the FAA), I hereby amend that authorization as follows:

1. Planned obligations of not to exceed Twenty-Six Million Two Hundred and Fifty Thousand United States Dollars (\$26,250,000) are authorized, with the additional funds to be made available over a six year period from date of this authorization amendment, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to assist in financing foreign exchange and local currency costs for the Project.
2. The project as amended shall consist of financing technical assistance, training, and subprojects carried out on a co-financing basis by United States and Indonesian Private and Voluntary Organizations (PVOs), including multi-project support to PVOs which have successfully demonstrated a sustained ability to implement co-financed subprojects, in an effort to multiply and improve local level development activities in Indonesia within the priority sectors of A.I.D. assistance.
3. The authorization cited above remains in force except as hereby amended.

Signature: William P. Fuller
William P. Fuller
Director

Date: 9/17/85

Clearances:
PRO:MBonner: MP
FIN:RMcClure: RM

Drafted: AB TC
VHP:RPoolley:LA:LChiles:10/17/85, mai

PVO CO-FINANCING II (497-0336)

PROJECT PAPER AMENDMENT

I. Project Status

A. Background

The original purpose of the PVO Co-Financing Project was to multiply and improve local level development efforts in Indonesia in priority sectors of AID assistance with USG financial support for projects planned and implemented by U.S. and Indonesian Private Voluntary Organizations (PVOs).

PVOs have made significant contributions to development efforts in Indonesia. In large measure they have proven their ability to recognize and respond to local area needs with appropriate and timely assistance. PVO activities are usually short-term, involve the intended beneficiaries to a large degree in the project planning and implementation processes, and are designed to make direct impact on identified needs. Most PVO programs hold the development of local community self-reliance as one of their central goals. Often, in addition to their direct impact, project activities test the feasibility of an innovative technology, approach or development methodology which, if successful, may benefit a wider target group or be incorporated in national programs.

PVOs, by virtue of their local or regional focus, are able to plan location-specific programs and utilize quick and responsive decision-making processes currently lacking in many government development programs. This flexibility and responsiveness allows PVOs access to geographic areas and specific communities as yet unreached by GOI development programs and services.

At the same time, PVOs' needs and weaknesses must be recognized. Their lack of a stable financial base and the uncertainty of project-to-project funding restrict PVOs' abilities to plan long-term project activities and strategies, thereby limiting broader program impact. Staff salaries are low, making it difficult for PVOs to be competitive in recruiting highly qualified and experienced personnel, especially technical staff, or to offer real opportunities for career development. Staff turnover is high, particularly as PVO staff advance into the middle-management levels at their organizations. Often there is a need to improve their financial management.

Some 85 US PVOs are known to USAID, most of them carrying out their activities under working agreements with the GOI. Many of these American organizations have given birth and support to independent indigenous PVOs. Their efforts have also helped to gain official acceptance of non-government approaches to development in Indonesia. Indonesian organizations have spontaneously emerged, some a reflection of the traditional "gotong-royong" (mutual help) concept, others as a result of professionals and young activists seeking a mechanism for serving less-advantaged communities. Many indigenous PVOs have pioneered changes in fields such as non-formal education, income generation schemes, rural credit, family planning, appropriate technology, and health services.

The PVO sector in Indonesia is extremely diverse in terms of the organizations' respective interests, motivations, approaches, capabilities and program objectives. Great differences exist between the styles and programs of the American PVOs and the Indonesian PVOs, and wide variances exist within each group as well. PVOs in Indonesia can be classified into several general institutional types. Most--Save the Children Foundation, CARE, Project Concern, Yayasan Dian Desa, Bina Swadaya, and others--implement their own community development projects, either in a single field or in several areas. Others--The Asia Foundation, Sekretariat Bina Desa, World Relief Corporation and Wahana Lingkungan Hidup Indonesia--function as intermediaries, or facilitators, channeling funds, networking and providing other support services to smaller local institutions. Sectoral or policy-oriented PVOs -- Agricultural Development Council, The Population Council, and the Indonesia Legal Aid Institution (LBH)--endeavor to provide constructive input to GOI policy in discrete sectors through research and advocacy activities, workshops and publications. National associations--the Indonesian Women's Association (PERWARI), the Indonesian Family Planning Association (PKBI) and Muhammadiyah--carry out many of the above-mentioned activities for their member groups. These institutional divisions are not rigid, and many PVOs, both US and Indonesian, fall simultaneously into a number of the above categories through their various program activities.

The Mission has always recognized the heterogeneity of the PVO sector and respected the individual and independent nature of each respective organization. The attempt to retain flexibility and responsiveness within the PVO Co-Financing Project design reflects Mission efforts to accommodate the pluralistic concept of "diversity as strength" among PVOs. The Mission both encourages appropriate programs generated from the respective PVOs themselves and supports their cooperation, when appropriate, as intermediaries.

B. Implementation Status

During the first eight years of the Co-Financing I project (1974-1982), AID provided \$6,111,473 to 18 US PVOs for 79 development projects with an approximate total value of \$15.8 million. Evaluations conducted by the Regional Auditor in 1978 and the GAO in 1981 found most of these projects to be highly successful. The latter report stated that the co-financing grants helped PVOs contribute "to the Agency's goal of improving the well-being of the rural and urban poor in Indonesia." Those projects directly and favorably affected the lives of 450,000 low-income Indonesians.

During the first four years of Co-Financing II (FY 1982- 85), AID contributed \$10,960,748 of an authorized \$11,250,000 to continue support to PVOs. The total cost of the 56 co-financed PVO projects is estimated at \$21,492,000. The projects will reach approximately 580,000 low-income Indonesians. Fifteen US PVOs received \$8,837,248 to carry out 34 development projects. Projects implemented include small enterprise development, improvement of rural health-care systems and services, legal infrastructure development, clean drinking water supply, and indigenous institutional development. The total project costs for these U.S. PVOs will be about \$16,000,000.

Design, implementation, and evaluation of PVO development projects assisted by USAID are the responsibility of the PVOs, but often in consultation with USAID's Voluntary and Humanitarian Program Office (VHP). Early and frequent informal consultation between a PVO and VHP before formal project proposals are submitted has proven to be an effective and efficient way to encourage and develop necessary collaboration. Most of this informal consultation takes place with VHP, but frequently a Mission technical division is also asked to comment or provide technical. An average of two or three PVO project ideas are turned down for every one eventually approved.

The official USAID PVO Co-Financing Project Review Committee consists of the VHP office and the Office of Program. VHP screens all PVO proposals submitted for co-fi support and brings to the committee only those proposals deemed appropriate for funding consideration. When appropriate, relevant technical offices participate in the proposal review meetings. A consensus of the committee, while not necessarily unanimous, determines whether a proposed project is recommended for co-financing support. USAID/Indonesia internal "USAID Order" (attached), which summarizes the co-financing and OPG programs, defines the responsibilities of the committee,

outlines project selection criteria, and lists USAID actions and office responsibilities for processing a PVO proposal and preparing the subsequent Grant Agreement, is currently under review. This review, which will be completed by December 31, 1985, will revise the USAID Order to clarify further the technical scrutiny and approval process, the role of the technical offices, and the responsibilities of the committee. Quarterly reports on project status, prepared by VHP, are submitted to GOI counterparts at SekKab and DEPSOS and distributed within the Mission.

USAID policy is to visit each co-financing project at least once during its implementation, usually during the design stage. Quarterly financial and semi-annual progress reports from the PVO to USAID for each co-financed project generally provide sufficient information for USAID to meet its monitoring requirements. However, double-checking of information is useful, and the utilization of consultant services has assisted VHP in this regard. However, in view of Mission staff reductions, a more manageable mechanism must be sought to ensure adequate Mission monitoring and evaluation. A combination of continued contractor services, a reduced number of active co-financed projects, and more monitoring support from the technical offices seems the most efficient means available to ensure that effective monitoring of the co-fi portfolio is carried out.

C. Project Achievements

PVO Co-Financing II, as originally designed, planned four new initiatives. The status of these new initiatives is as follows:

1. The Introduction of Multi-Project Support (MPS) Grants. To date, four such MPS grants have been made for a total of \$1,020,000 in co-fi funds. By September 1985, 68 subprojects had received support through the MPS grant mechanism. MPS grants are made available to a limited number of PVOs of recognized standing with discrete programs in high priority areas. They are generally used to strengthen the management and technical capacity of the recipient organization and to support their efforts to provide services and funds to smaller PVOs and their programs. This initiative has allowed USAID to retain its ability to be responsive to smaller unregistered indigenous PVOs while at the same time reducing the burdensome administration and monitoring of numerous small grants. Special emphasis continues to be placed on more definitive overall objectives, strategy, program priorities, subproject selection criteria, and monitoring/evaluation for the respective MPS grants. It is anticipated that this component will expand during the amendment period.

2. Institutional Development of Indonesian PVOs (IPVOs). In the first four years of Co-Financing II, certification requirements were established to enable IPVOs to register as direct grant recipients under the project. Though it was initially felt that only 5-10 IPVOs might meet the registration criteria, 12 such organizations are currently listed with the project, exceeding the original target. A total of 22 project grants were made to these IPVOs, amounting to \$1,953,204. VHP monitoring of these projects has shown them to be well-implemented and yielding positive results.

The existence of Indonesian PVOs is one of relative brevity. The 12 IPVOs currently registered with the Co-Fi Project are among the most competent and established organizations involved in Indonesian community development activities. Yet ten years ago when the Co-Fi Project was initiated, eight of them--including WALHI, LSP, Bina Desa, PPA and Yayasan Kusuma Buana--had not yet come into existence. Yayasan Dian Desa was a half dozen people bunking at a guesthouse and doing a water project. YIS in Solo was another group of individuals who had just split off from YAKKUM. LP3ES was Prisma magazine, a bit of research and some youth group programs, while today it is one of the countries strongest PVOs with capacity to help develop smaller PVO organizations. Their emergence, in large part, can be credited to the willingness of a funding agency to take some key risks on their early development. These groups have paved the way for the emergence of dozens of other Indonesian PVOs, some already competent in their own right, many others in their embryonic stages.

3. Policy Impact and Demonstration Effects. One of the Mission's objects has been to support PVOs that have programs which may affect government development policies in specific sectors or which experiment with new technologies that may have under application. Expectations have been modest, but some PVOs have demonstrated that they can and do affect government policy and resource allocation within sectors. Their impact occurs both on a national level and, even more frequently, on regional and local levels. For example, HKI's programs to combat xerophthalmia evoked a national GOI campaign against nutritional blindness which has since become successfully institutionalized. Preliminary studies of the HKI program in Indonesia have demonstrated a possible link between vitamin A deficiency and high infant mortality rates. If these studies are substantiated in field trials elsewhere, a significant step will have been taken to reduce infant mortality worldwide. PKBI (the Indonesian Family Planning Association) pioneered family planning in Indonesian communities for 13 years before a national program was developed. Now PKBI is considered an Implementing Unit of the

National Family Planning Program held up as a model among developing countries. CLUSA works closely with the Ministry of Cooperatives on policy and program development issues, and is demonstrating that cooperatives in various fields can be financially viable and create employment. Project Concern, Save the Children, YIS, Dian Desa, Bina Swadaya and LP3ES have all trained provincial and regional government personnel for a variety of development tasks. The Foster Parents Plan approach was adapted by the GOI, with some 80,000 donor responses in the initial stage of the program. LBH has undoubtedly influenced government actions in the areas of law and human rights through its watchdog and advocate functions.

4. Technical Assistance. In the past four years, the VHP office has aimed to provide increased technical assistance to PVOs in two different ways. VHP staff routinely consult with the PVOs on the development of project ideas and during the proposal revision process to establish appropriate and achievable project goals. Additionally, consultant services have been used to assist PVOs in project design, management and evaluation. Special attention has been focused on developing institutional capacity to manage the MPS grants, as well as on strengthening PVO activities in such areas as training, small enterprise development and fund-raising. In view of Mission experience with Indonesian PVOs in recent years, it is clear that more support for technical assistance will be required in future.

D. Relationship to Mission CDSS

In accordance with AID policy, the Mission has emphasized the integration of the Co-financing project with its Indonesia country program. The present AID development strategy in Indonesia focuses on three major substantive development goals: (1) strengthening and diversifying food production; (2) improving primary health care and family planning; and (3) expanding productive off-farm employment. One of AID's major thrusts for achieving these objectives is in the area of human resource development. This is being accomplished through strengthening selected institutions and through the development of management and technical skills. Special attention is also being devoted to encouraging government decentralization and involving the private sector in development efforts. Policy analysis relevant to the above mentioned goals is supported through research, demonstration projects and an expanded policy dialogue with the government. The priorities outlined in the USAID development strategy provide a valuable guideline for the PVO Co-Financing strategy. The Mission has also identified additional PVO sector activities as appropriate new directions for the project--such as urbanization projects and human rights initiatives.

II. Project Amendment Description

The amendment adds \$15 million in grant funds and extends the PACD for three years up to September 30, 1991.

The policy framework for the PVO Co-Financing II Project outlined in this amendment has as its ultimate objective -- to strengthen the role and capacities of PVOs to provide needed technologies, services and organizational support to the poor of Indonesia. In achieving that broad objective, three major areas of emphasis -- institutional, programatic and geographic -- have been established to guide the implementation of the project.

A. Institutional Emphasis

AID will focus its PVO Co-Financing resources in support of three major types of PVOs and their institutional roles. These are described as follows, in order of priority:

1. Well-established PVOs with demonstrated program management capacities will be supported in assuming a greater intermediary role within the PVO community. With this end in view, Co-Fi assistance will be provided increasingly through a few multi-purpose support grants to these larger PVOs to help (a) upgrade and expand their capability to plan, implement and evaluate projects (support here would be provided mainly to IPVOs); (b) support their efforts to strengthen the development as well as the project activities of smaller PVOs by enabling them to provide grants for subprojects and to assist smaller organizations plan and develop proposals, assess feasibility, train staff, help establish funding and financial systems, and monitor/evaluate subproject grants; and (c) support their activities which aim at shaping institutions for local development purposes and assisting communities to make better use of resources from government programs. Some of these latter activities could be funded through other Mission projects, and in those cases Co-Fi funding would be used for complementary investments such as strengthening the PVOs' management or technological capacity or assisting it to experiment with new approaches. For example, the Population/Health Office is currently funding YKB efforts to develop urban family planning/health services, while a separate grant has been made by VHP to strengthen YKB's management capability.

2. PVOs and discrete program activities which have clear potential for impact on GOI development program policy, planning and implementation will continue to receive preference through the Co-Financing Project. These will include primarily sectoral, policy-oriented PVOs engaged in experimental action programs and/or research. Also included in this institutional thrust are activities which bring PVOs into direct and active dialogue with the GOI through workshops and seminars.

3. USAID will continue to be receptive to proposals from smaller PVOs with programs applying particularly promising approaches, methodologies and technologies, and also to PVO project activities in priority geographic areas mentioned later in para C. However, in contrast to previous years, because of Mission staffing constraints, only a few organizations can be considered under the amendment. The Mission would support a few small "innovative organizations" which show promise of being able to develop programs of broader significance. Assistance would be provided to these organizations either directly by Co-Fi or through Multi-Project Support grants managed by intermediaries as mentioned above. Funding would be available for project activities as well as for initiatives to strengthen institutional capacity, including management, technological skill, mobilization of funding and improvements of financial systems, monitoring and evaluation.

In addition to strengthening PVOs' institutional capacities, particularly management and technological, there is a need to broaden the funding base for PVO activities in Indonesia so that mechanisms exist to help fund PVOs when foreign donors withdraw. Current financial support is both limited and erratic, making long-range planning difficult. Responding to this need, VHP has secured the services of a consultant to study the feasibility of establishing a national self-financing system for PVO projects, drawing resources primarily from the private sector. During the project extension USAID will explore a variety of institutional mechanisms for mobilizing private sector support for Indonesian PVOs.

B. Programatic Emphasis

As previously mentioned (p. 6), the Mission CDSS goals and approaches form the strategic core for the implementation of the PVO Co-Financing project. Three such areas which will receive priority attention under this amendment are (a) efforts to improve and further disseminate basic health services, (b) activities aimed at increasing employment opportunities and improving the economic status of the poor, and (c) human rights initiatives.

C. Geographic Emphasis

Under this amendment, increasing emphasis will be given to those PVOs attempting to address problems of the poor in (a) urban areas and (b) in off-Java locations. In past years, significant amounts of GOI and donor resources have been focused on programs in rural Java. Continuing development efforts in those areas are still required, but at the very least the infrastructure and local institutions are in place to expand the delivery of needed services. On the other hand,

burgeoning urbanization has posed a new set of pressing development problems and challenges -- housing, unemployment, sanitation and health -- in which PVO experiences can have a positive impact. The Mission considers these important areas in which to strengthen PVO capacities.

Additionally, the lack of basic infrastructure and services, the still-embryonic PVO development role, and the problems associated with centrally-planned development programs in outer island locations are serious development concerns. Future preference therefore will be given to PVO proposals which involve field activities in outer islands, especially East Indonesia. Networking and cooperation between Java-based IPVOs and outer-island counterparts will be encouraged. But the Mission will also attempt to locate a select number of high potential outer-island IPVOs with which to embark upon long-term institutional development relationships, encouraging them as appropriate to become certified to receive Co-Financing funds.

Given the broad and diverse range of PVOs and their activities, USAID does not wish to be unduly restrictive by imposing ironclad project criteria. However, higher priority will be given to projects which fall within the broad policy framework outlined above.

Of the \$15 million being requested in this amendment, \$14.4 will be grant support for PVOs and their subprojects. The PVO Co-Financing II amendment also earmarks funds for appropriate design, management training, and general operational support that may be required to assist the PVOs to (a) improve their ability to translate their subproject concepts and ideas into clearly written proposals suitable for USAID and/or other donor consideration and financing, (b) improve their ability to implement and report on approved subprojects efficiently and effectively, and (c) improve financial management. The latter will include, for example, the development of an IPVO Financial Management Handbook which, among other things will establish Mission budgeting, accounting and reporting standards and principles. Some of these activities will be carried out through contracts; others may take the form of small operational grants to the PVOs.

Finally, the PVO Co-Financing II project amendment makes available up to \$60,000 per year for five years for salaries and expenses of one or more PVO specialists hired under PSCs. These specialists will be specifically assigned to work with the PVOs in the area of project design, implementation and evaluation. They will also provide, organize or arrange training for individual PVOs or groups of PVOs in project design, evaluation, budgeting, accounting procedures or other areas, as needed.

Measurable Indicators:

- o By FY 88 the number of MPS grants supported with co-financing funds should increase from four to seven. At least three of those grant should be managed by IPVOs.
- o By FY 89, the proportion of the Co-Fi budget channeled through the MPS format should increase from 25% to 60%.
- o By FY 90, the number of active co-financing grants should be reduced from 34 to 20.
- o Support to urban and off-Java programs should increase from the present level of 20%, possibly to 50% of the Co-Fi budget.
- o By FY 89 AID should provide grants to four newly registered IPVOs selected for their demonstrated capabilities to implement programs in line with the stated priorities of this amendment.
- o The current level of only one sectoral policy-orientated PVO will be enlarged to allow up to three selected PVOs with national policy impact potential.

III. Implementation Plan

A. Procedures and Administrative Arrangements

The procedures and administrative arrangements established for the present project will be utilized for the additional grant funding and extended life of the project. The project will continue to be administered by USAID through the Office of Voluntary and Humanitarian Programs (VHP). The implementation steps will continue to be:

1. Establish Co-Financing fund - AID
2. Development of Co-Financing project proposals - PVOs
3. Review of Project Proposals - AID
4. Prepare grant agreements for PVO projects - AID
5. Implement PVO project - PVO
6. Monitor and evaluate PVO project and overall Co-Financing project - PVO, AID

The preparation of subproject proposals is primarily the responsibility of the PVO. Technical analysis within the proposal should be included as appropriate. PVOs will also be required to include separate sections covering the problem to be addressed, description of the project design (goal purpose, inputs and outputs), benchmark against which to measure program, expected impact on beneficiaries and the environment,

intended beneficiaries, a comprehensive budget, and a listing of major assumptions in their proposals. A brief analysis related to linkages of various project components and linkages of the project with other community, provincial, national, PVO, USAID or other donor activities may also be required.

When AID has prepared a grant for a specific PVO project, implementation plans will be described and monitoring/evaluation schedules will be determined. During FY 86, VHP intends to revise the project proposal format with special attention to project sustainability and replicability. This format along with handouts describing monitoring, reporting and "boilerplate" provisions will be translated into Bahasa Indonesia.

B. Evaluation Plan

It is recognized that PVOs have become increasingly important in the Mission country development strategy and that evaluation has an important role to play in assessing PVO performance in helping AID achieve its development goals. The PVO programs support overall Agency objectives, especially promotion of greater private sector involvement, institutional development and community management. USAID will place greater emphasis on the evaluation of PVO efforts in order to reinforce the programs within the major areas of this strategy.

This project, being a cluster of small, diverse subgrants, will require an overall evaluation as well as sector assessments and individual subgrant evaluations during the extension phase.

Since a general assessment has not been undertaken during the life of the project, an overall project evaluation will be scheduled for 1986 with a possible interim evaluation in 1989 and a final evaluation in 1991. In these evaluations greater attention will be given to general policy issues and to issues of long-term field impact, the sustainability of PVO programs, and related costs issues. They will also provide information necessary to improve management of the co-fi portfolio. In line with this, USAID is stressing the study of generic issues (cost-effectiveness, institutional development, sustainability, etc.) from project to project.

Sector assessments, which will be a new initiative for USAID/VHP, will be scheduled periodically for clusters of projects with common objectives, i.e. health, rural development, training, and income generating activities, etc. Sector assessments will emphasize lessons learned and provide means for dissemination of management and technical information to the PVOs and other interested users.

Individual subprojects will continue to be evaluated to measure the degree to which the project purpose has been achieved. The scheduling and design of each evaluation will be the responsibility of the sponsoring PVO. However, VHP will work to ensure that adequate funds are set aside in the grant budget to cover the cost of the evaluation and that evaluation criteria are clearly defined. A prerequisite for funding a proposal will be AID acceptance of the sponsoring PVO's evaluation plan and schedule.

Some key issues to be evaluated by USAID in the coming years are:

- a. How can long-term development work be sustained and institutionalized after the PVO projects end?
- b. How cost effective are PVO projects and what are the recurrent costs associated with them? How effective have they been in mobilizing other sources of funding and increasing financial self-reliance?
- c. How effective have PVOs been in establishing development priorities or in meeting development priorities identified by the GOI or USAID? Are they an effective means of organizing and assisting communities to make more efficient use of resources available from government programs?
- d. How effective have PVOs been in strengthening GOI policies and programs with respect to local development?
- e. How can PVOs be more effective in technology transfer, employment generation and private sector development?
- f. Have larger PVOs served effectively as intermediaries in helping to develop smaller IPVOs and their projects?

C. Budget

Five Year Financial Breakdown (\$000)

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>TOTAL</u>
ARDN 103	1,500 ^{2/}	750	850	900	900	4,900
HLTH & POP 104	400	400	600	600	600	2,600
EHRD 105	300	500	500	500	500	2,300
SDA 106	<u>900</u>	<u>1,225</u>	<u>1,075</u>	<u>1,000</u>	<u>1,000</u>	<u>5,200</u>
TOTALS:	3,100 ^{1/}	2,875	3,025	3,000	3,000	15,000

NOTE: ^{1/} As of October, 1985 only about \$300,000 out of the authorization of \$11.25 million in the original Co-Financing II project remains unobligated. The breakdown of this \$300,000 is roughly \$50,000 for ARDN activities and \$250,000 for SDA projects. This amount of \$300,000 will be added to the \$3.2/million of additional funds being requested for FY 86 bringing the total for that year to a \$3.4 million level of obligation.

^{2/} Of the \$1.5 million in the FY 86 ARDN account, \$1 million is earmarked for the East Timor Agricultural Development Extension Project.

Summary Cost Estimate and Financial Plan (\$000)

<u>SPECIFIC INPUT</u>	<u>USAID</u>	<u>PVO CONTRIBUTION</u>
Grant to PVOs	14,400	5,000 (est.)
Project Consultant (PSC)	300	-
Technical Assistance (Project (design, evaluation and general operational support)	240	-
Training	40	-
Contingency	<u>20</u>	<u>-</u>
	15,000	5,000

SUMMARY

Original Co-Fi II Authorization:	\$11.25 million	FY 82-86
Amendment Request :	<u>\$15.00 million</u>	<u>FY 86-91</u>
TOTAL	\$26.25 million	10 years

USAID ORDER

UNITED STATES A. I. D. MISSION TO INDONESIA

DATE ISSUED February 1, 1984	EFFECTIVE February 1, 1984	OFFICE VHP Issuance No. 32	ORDER No. 1300.1
SUBJECT: Procedures for Approval of PVO Projects within USAID Project		SUPERSEDES Issuance No. 32 Order dated October 30, 1979	

497-0336

I. PURPOSE

This Order establishes USAID/Indonesia policy and procedures for approval of project proposals submitted by eligible U.S. and Indonesian private and voluntary organizations (PVOs) under its PVO Co-Financing program.

II. BACKGROUND

The purpose of "PVO Co-Financing" is to help increase and improve development efforts in the Government of Indonesia (GOI) and AID priority areas. Efforts financed under this project should be consonant with the Mission's approved CDSS strategy. Within the present strategy the Mission has selected four areas for program concentration. These are: increasing off-farm employment, strengthening food production and resource management, improving primary health care and completing the institutionalization of family planning, and accelerating human resource development. In tackling these issues five cross-sectoral approaches will be emphasized. They are: institutional development, policy analysis, the transfer of science and technology, the private sector and women's participation. In considering PVO co-financing proposals preference is given to those projects which are compatible with this development strategy. The co-financing program makes available AID financial assistance to Indonesia's development which is in addition to the on-going Government-to-Government program. The AID financial assistance is matched with similar contributions from the PVOs and cooperating local groups to co-finance projects which are planned, proposed, and implemented by the PVOs.

To be eligible for participation in the PVO Co-Financing program, non-Indonesian PVOs must have an appropriate basic operating agreement with the GOI permitting the PVO to engage in development activities, and the PVO must be formally registered with AID/Washington. Indonesian PVOs must be certified by the Mission as eligible to directly participate in the program. The PVO Co-Financing program is conducted entirely within the review, approval, and funding authority of USAID/Indonesia.

III. APPROVAL OF PROJECT PROPOSALS

- A. The USAID PVO Project Review Committee is established to (1) review PVO Co-Financing proposals formally submitted by eligible PVOs, (2) review requests from Indonesian PVOs to be registered with AID and (3) to recommend approval or disapproval to the USAID Director who makes the final decision on project proposals and the certification of Indonesian PVOs.
- B. The Basic Committee, which will review each formally submitted proposal, is composed of representatives of the Office of Voluntary & Humanitarian Programs (VHP), which will chair all Committee meetings, and the Office of Program (PRO).
- C. VHP, however, is responsible for assuring that all appropriate USAID staff competence is brought to bear in considering proposals. Consequently, other USAID technical offices will be requested to participate, when appropriate in the judgement of VHP, on an ad-hoc basis in the review of a specific proposal. This expanded group will constitute the Project Review Committee. It is not intended that USAID technical offices always make an in-depth study and evaluation of these project proposals, nor that they always be required to certify the feasibility of a given project. Proposals for relatively small-scale development projects would not warrant the expenditure of extensive technical staff time for the evaluation of project merits and feasibility. On the other hand, a brief technical review of a project proposal might reveal a major impediment to the possible success of the project.
- D. The guidelines for "Processing of Private and Voluntary Organization (PVO) Co-Financing Proposals" are attached to this Order.
- E. PVO Co-Financing project proposals are the responsibility of the PVOs and their counterpart organizations. Proposals submitted for USAID consideration will be reviewed in accordance with the guidance offered in Chapter 4, Appendix 4B ("Procedures for PVO's on Operational Program Grants -- OPG's") of AID Handbook 3 ("Project Assistance"). Project Proposals should generally follow the form and substance of Attachment B to Appendix 4B entitled "Operational Program Grant (OPG) Proposal Outline".

IV. PROJECT CRITERIA

In evaluating project proposals, the Project Committee will give preference to PVO development activities which:

- A. Are within the Mission's four areas of program concentration (increasing off farm income, strengthening food production and resource management, improving primary health care and completing the institutionalization of family planning, and accelerating human resource development);
- B. Have implementation strategies focused on stimulating institutional development, policy analysis, the transfer of science and technology, the private sector and women's participation;
- C. Include non-AID financial support which, along with the PVO's own contribution, would comprise a minimum of 25% of total project in-kind and financial costs; merits of co-financing proposals being comparable, preference will be given to proposals having larger sponsoring PVO and other non-AID contributions;
- D. Are administratively and financially feasible, and which are designed to be administratively and financially viable after the period of planned USAID assistance;

V. GRANT AGREEMENT

In those cases where the Project Committee's recommendation of approval of a PVO's Co-Financing proposal has been accepted by the USAID Director, USAID/VHP will draft a Grant Agreement in accordance with the current guidance of AID Handbook 13 ("Grants"), particularly Chapter 4, "Specific Support Grants."

Prior to submission of the Grant Agreement to the Director for his final approval and signature, the Agreement is to be submitted for clearance by the following USAID offices: the Program Office, the appropriate technical office, the Office of Finance, Office of Contracts, the Legal Advisor, and the Deputy Director.


William P. Fuller
Director

**Attachment: Processing of Private and Voluntary Organization (PVO)
Co-Financing Proposals**

Distribution: B plus Indonesian Professional Staff

ATTACHMENT

Processing of Private and Voluntary Organization (PVO)
Co-Financing Proposals

<u>USAID ACTION STEPS AND RESPONSIBLE OFFICE</u>	<u>ESTIMATED TIME FOR ACTION</u>
1. Initial informal discussion and screening of project idea with PVO; establish basic feasibility and appropriateness and eligibility of PVO for AID financing. (VHP)	N/A
2. Duplication and distribution of formal PVO project proposal to members of basic USAID PVO Project Review Committee, FIN and other appropriate USAID Technical Offices. If proposals are submitted in Indonesian a summary in English will also be distributed. (VHP)	2 weeks
3. Review of formal proposal and written or oral comments by Project Committee provided to VHP or directly to the PVO if the PVO is available to participate in the formal review. (PVO Project Review Committee and Technical Offices).	3 weeks
4. Substance of Project Committee comments submitted to PVO for response, if the PVO was not present for the formal review. (VHP)	2 weeks
5. After receiving and reviewing the response of the PVO, the Committee will offer suggestions and guidance on further development of the proposal, accept the proposal as submitted, or reject the proposal. (PVO Project Review Committee)	1 week
5a. If further development of the proposal is required it will be returned to the PVO for resubmission. In this case steps 1-4 will be repeated.	N/A
6. Upon Committee acceptance of the proposal an Action Memorandum and draft grant agreement, cleared by each office on the Project Committee, Office of Finance, Contracts and the Legal Advisor will be submitted through the Deputy Director to the Director with the Committee's recommendation. (VHP)	3 weeks
7. Approval by the Director. (DIR)	1 week
8. Signature by the PVO representative	1 week

USAID ACTION STEPS AND RESPONSIBLE OFFICE

ESTIMATED TIME
FOR ACTION

9. Process required documentation for payment, waiver, etc. as provided for in Agreement. (VHP)
10. Monitor PVO project progress, assure timely submission of reports as specified in Grant Agreement, and take corrective action as necessary. (VHP)

1 week

Life of
Project