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Dear Sirs:

Enclosed please find the Project Assistance Completion Report for the OPGs No. 522-0266 and 522-ESF-0280, FOPRIDEH Institutional Strengthening and PVO Federation Assistance Projects.

Sincerely,

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PROJECT ASSISTANCE COMPLETION REPORT

OPGs No. 522-0266 and 522-ESF-0280
FOPRIDEH Institutional Strengthening and
PVO Federation Assistance Projects

Grantee: Federation of Private Development
Organizations of Honduras (FOPRIDEH)

BACKGROUND:

The impetus for the FOPRIDEH Project grew out of a meeting of Honduran PVOs held in November of 1981. One of the outcomes of this meeting was the founding of the Federación de Organizaciones Privadas para el Desarrollo de Honduras, FOPRIDEH. With the formation of FOPRIDEH the Private Voluntary Organization (PVO) community had an organization through which they could address common problems in the PVO sector and provide training and technical assistance to the PVO community. FOPRIDEH sent A.I.D. an unsolicited proposal for funding training and technical assistance in the PVO community.

USAID/Honduras was interested in the proposal based on its desire to support an indigenous and coordinated private sector PVO development capability amongst Honduran organizations. A PVO umbrella project had been discussed in the Mission a number of times. The Mission was particularly interested in finding an organization capable of reviewing and judging the merits of the innumerable unsolicited proposals from Honduran PVOs which were requiring USAID action. After some discussion, FOPRIDEH sent a revised proposal which included a component for channeling funds for small projects to PVOs.

The revised FOPRIDEH proposal for outlining a plan for implementing a PVO umbrella organization project was approved by the Mission in 1984. It was also decided to provide extensive Technical Assistance (TA) to FOPRIDEH.

PROJECT GOAL AND PURPOSE:

The purpose of the local currency grant was "to create, through a PVO 'umbrella organization' (FOPRIDEH), a mechanism to evaluate and fund development projects, implemented hereunder, of individual PVOs active in development endeavors in Honduras, while simultaneously providing assistance in institutional strengthening to both FOPRIDEH and the PVO community."

The purpose of the dollar grant was to complement the Lempira project by providing funding for the U.S. Dollar assistance and training services to assure the institutional growth and strengthening of FOPRIDEH. Specifically, the assistance provided was to create the institutional mechanism necessary for FOPRIDEH to continue to provide coordination and assistance to Honduran-based PVOs both during and following completion of the five-year local currency project. Emphasis was to be placed on accounting, financial, and fiscal procedures as well as administration and management, development of internal policies and procedures, fund raising, and program design and evaluation.

PROJECT DESCRIPTION:

On March 29, 1985, the USAID Mission authorized two Optional Program Grants (OPGs) with FOPRIDEH. One of these, (522-0266) was a Development Assistance (DA) funded, $500,000 grant for 3 years specifically directed to providing technical assistance for creating an institutional framework which will allow FOPRIDEH to provide coordination and assistance to Honduran based PVOs. The other OPG (522-ESF-0280) was authorized for the local currency amount of 10 million Lempiras for a five year period to serve as a funding mechanism to evaluate and fund projects of individual PVOs active in development endeavors in Honduras, while simultaneously providing assistance in institutional strengthening to both FOPRIDEH and the PVO community. For the purposes of reporting, project monitoring and evaluation, these two projects were treated as one.

The three components of the combined project were institutional development, development funding activities and administrative support. The institutional development component is funded out of the dollar OPG, plus a small local currency element from the Lempira OPG. As originally structured, it provided for US or third-country training and technical assistance to FOPRIDEH staff and for long- and short-term advisors to FOPRIDEH. The cost of the latter two components is covered by the ESF local currency OPG. Under the development activities component, L8.125 million was to be provided over three years to finance development subprojects of both member and non-member organizations; the remaining L1.875 million was to cover administrative support--personnel, overhead and capital costs--for the first three years of the project.

The original PACD of the dollar project was March 28, 1988; this was later extended twice with the final date being March 31, 1990. The original PACD of the Lempira grant was March 28, 1990 and this was extended until December 31, 1991.

OUTPUTS

The projected outputs for the combined project were as follows: FOPRIDEH would be a fully staffed, equipped and functioning organization with the institutional capacity to fully execute its mandate; FOPRIDEH would have provided financing for an expected 40 to 50 subprojects for a total amount of L8,125,000; and training and technical assistance would have been given to FOPRIDEH's affiliates, enabling the private development community to better serve their beneficiaries.

Through the institutional development component FOPRIDEH was to set up a functioning organization with an Executive Director to manage and supervise all aspects of FOPRIDEH program; a Special Projects Unit to evaluate proposals from PVOs, help PVOs upgrade their proposals, prepare documentation for Special Projects Committee to vote on proposals, draw up agreements for approved projects, monitor and facilitate all phases of subproject implementation; an Administrative Unit; and a Special Activities Department responsible for coordinating and programming all training and technical assistance activities, membership drives, and fund raising activities.

In addition to the personnel and the governing bodies (the Board of Directors and the Executive Committee) a Special Projects Committee was formed to vote on subproject proposals. The subprojects were of a discrete nature and of the PVO's own design. The program content of the proposals was to vary widely but subprojects designed to increase the productivity, employment and income of the rural and urban poor held highest priority followed by subprojects in the area of health, population, education and human resource development which have some potential for eventually becoming partially or totally self-financing.

In addition, several of the outputs were further defined through amendments to the Project Agreement. The output of FOPRIDEH being a fully staffed, equipped and functioning organization with the institutional capacity to fully execute its mandate included the notion that FOPRIDEH would be self-sufficient or no longer solely dependent on AID. This was discussed in the Project Agreement, but no project activities were specifically planned to attain self-sufficiency. Likewise, the original project agreement determined that training and TA would be provided to FOPRIDEH staff in order that they could continue providing such training and TA after the life of the project. This concept was changed to allow PVO staff to participate in the training and TA and a training bank would be formed to enable those people trained through the project to continue to give training after the life of the project. Likewise it was mentioned that FOPRIDEH would do impact evaluations of the subprojects, but it was not defined as to how FOPRIDEH would do this. Plans were included for the PVOs to periodically collect data on impact indicators for their subprojects. FOPRIDEH prepared plans which were included through amendments to the agreements for working on self-sufficiency, forming a training bank, and doing impact evaluations of the subprojects.

INPUTS

Inputs financed by the dollar Project consisted largely of TA and training.

Technical Assistance: Approximately 60 man months of TA were provided to FOPRIDEH directly by long- and short-term advisors in institution building and small project design, implementation, and evaluation. The cost of the TA over the LOP was approximately $250,000.

Training: Training was provided to both FOPRIDEH and PVO staff through short courses and seminars in country and short courses in other countries. Approximately $250,000 was spent in training.

Subprojects: In addition to the L8,125,000 in financal resources provided for subgrants to PVOs for their projects. FOPRIDEH staff provided direct TA to the PVOs in project design and implementation.

Overall Implementation: The Project provided L1,875,000 to finance all the costs of implementing project activities over a five year period including funds for staff salaries, rent, vehicles and equipment, technical and legal services, etc.

OUTPUTS PLANNED BUT NOT ACCOMPLISHED:

The outputs planned but not accomplished are the ones that were further defined through the amendments: self sufficiency, a training bank and impact evaluations of the subprojects. While FOPRIDEH was able to become a "fully staffed, equipped and functioning organization and has the institutional capacity to fund development projects and provide technical assistance, it was not able to become self-sufficient.

This was due to several reasons:

1. The original time period of 3 years was very short for an organization to become self-sufficient. While this period was extended to approximately 6 years, this still is a short period for an organization to start with no organizational structure and personnel to develop as an institution, put together a program and find funding for the program.

2. As a Federation of PVOs, the members had decision making authority in the organization through the Board of Directors. Because the PVOs defined FOPRIDEH as no more than the sum of its members, the Board determined that the staff should dedicate their time to the needs of the members and not on the development of FOPRIDEH as an organization. The staff was able to spend relatively little time and effort in FOPRIDEH's self-sufficiency. The members, at the same time, do not feel that they should dedicate their own time and resources to FOPRIDEH and the burden all fell on the staff of FOPRIDEH.

3. The Project did not budget for specific personnel or resources to work on self-sufficiency. The Executive Director and the Special Activities Coordinator were assigned these functions but they did not have the time to dedicate to the area of self-sufficiency.

Training and technical assistance bank: As indicated in the final evaluation much of the training that was provided has been lost due to PVO staff turnover, and because the impact of the training was not measured, it is unclear the extent to which training and technical assistance enabled "the PVO community to better serve their beneficiaries." FOPRIDEH has provided substantial training and technical assistance to the PVOs, but it has not been able to organize a training and TA bank through which the needs in these areas could be mainly covered by FOPRIDEH's staff and member PVOS. The failure to meet the output of a training and TA bank was largely due to the viewpoint of the members that the resources of FOPRIDEH were for them to use but not vice versa. FOPRIDEH should provide training to the PVOs, but the PVOs did not have the time or resources to dedicate to a training bank that FOPRIDEH members could use.

Impact evaluations of subprojects: Neither FOPRIDEH nor the PVOs dedicated enough staff time or resources to collecting data on impact indicators of the subprojects. The impacts of the subprojects was therefore unable to be determined. Despite the specific stipulations in the Agreement Amendments for collecting data and the training provided in the area of impact evaluation, the PVOs and FOPRIDEH did not see this area of priority and the whole area got lost in the competing demands for their time.

FINANCIAL STATUS

	Project 522-0266	Project 522-ESF-0280
Authorized	$500,000	L10,000,000
Obligated		
March 29, 1985	$375,000	L 1,800,000
September 26, 1985	$ 18,000	
July 11, 1986	$107,000	
April 30, 1987		L 2,000,000
August 11, 1987		L 2,000,000
December 12, 1987		L 1,000,000
June 3, 1988		L 3,200,000
Total	$500,000	L10,000,000
Expended	$493,072.62	L10,000,000
Deobligated	$ 6,927.38	—
TOTAL	$500,000.00	L10,000,000

RESULTS OF EVALUATIONS AND ADJUSTMENTS IN PROJECT DESIGN

Two evaluations were done under the project, a mid-term evaluation in August, 1987 and a final evaluation in March 1990.

The midterm evaluation revealed that FOPRIDEH's administrative and internal controls, project review and approval process, and project monitoring system were adequate. It also pointed out that a slow down in disbursements by AID because of an audit in November of 1986 had affected project implementation. Because of the problems caused by this slow down in disbursements, the evaluators recommended that the termination dates of the grants be extended. The evaluators also felt that the basis for FOPRIDEH becoming self-sufficient by the PACD was not made very clear in the project design. They suggested that FOPRIDEH obtain technical assistance in this area as well as in the development of their own technical assistance and training capability to serve the PVO community, and the design of a subproject monitoring and evaluation system. Finally, the evaluation suggested a number of substantive changes in the subproject financing component, most importantly, allowing FOPRIDEH to give out loans under the project, allowing an organization to receive more than one grant under the project, and making associations with no legal standing such as cooperatives, patronatos, and trade associations ineligible for funding under the project.

As mentioned earlier, the Project was extended by a year and plans for doing impact evaluations, a training and technical assistance program, and self-sufficiency activities were incorporated into the agreement. Additionally FOPRIDEH was authorized the use of L.840,000 in grant funds to start a loan program.

A final evaluation was done in March of 1990 for the Project. This was done before the end of the 522-ESF-0280 grant because funding for the evaluation came out of the 522-0266 grant which ended March 31, 1990.

The final evaluation was carried out with particular emphasis on the self-sufficiency of FOPRIDEH. The findings of the evaluation were that FOPRIDEH has no other immediate sources of funding to continue operations after AID local currency funding terminates in December of 1991. FOPRIDEH plans to use revenues from their loan program to pay for operations, but it is clear that these will not be sufficient to continue the staff at adequate levels. Likewise, proposals that they have submitted to varied development organizations are somewhat weak and are not likely to be approved without considerably more effort by FOPRIDEH in following up the proposals.

In order to assure continuing their staff at adequate levels after 1991, FOPRIDEH needs to dedicate one staff person full time to fund-raising. It also needs to form a committee from the general assembly with participation of members of the Honduran business community to work on an income generation program to assure its future existence. Likewise, if the loan program is to provide FOPRIDEH with stable income over the medium and long term, the administration of the program needs to be improved and the program needs to be managed in such a way as to avoid conflicts of interest whereby FOPRIDEH's members pressure FOPRIDEH not to apply sanctions when loans are not repaid. A development bank which is administratively separate from FOPRIDEH's other operations and controlled by a non-member council from the Honduran private sector was suggested by the evaluators.

The evaluation also looked at the FOPRIDEH's evaluation system to measure the impact of the subprojects, the impact of the training and technical assistance activities, and the solidity of FOPRIDEH's loan program. It was found that FOPRIDEH's impact evaluation system was inadequate and was done only to meet a requirement. The PVOs, in most cases, have not adequately defined impact indicators and do not collect data periodically on the indicators that they have defined. The technical assistance and some of the training has been generally useful but the long-term impact of the training and TA will not be high because of high turnover of PVO staff that were trained and a failure to institutionalize a training capacity either in FOPRIDEH or in the PVOs. Competing demands on the time of the staff assigned to do the loan analysis, review, administration and monitoring do not allow the staff to properly carry out all of these functions. Likewise, the interest charged for the loans is not sufficient to cover administrative costs, bad debt, and the costs of inflation to maintain the real value of the fund. Over time the fund will disappear without additional injections of capital by other donor institutions. As noted above, the loan program will not produce sufficient revenues to make FOPRIDEH self-sufficient by the PACD.

These findings and recommendations were submitted to FOPRIDEH in the final evaluation report and FOPRIDEH will determine how they will go about addressing their self-sufficiency in light of the findings of the report.

A FARS financial review in September 1986 and a RIG non-federal audit in April of 1989, were undertaken on the Project. There were no major findings in either the review or the audit.

LESSON LEARNED

1. There are inherent conflicts of interest when federations controlled by the members, but dependent on outside financing, channel funds to its members. Member organizations often place low priority on impact evaluations, efforts to attain self-sufficiency, and other activities important for the federation's institutional development. Their immediate interest focuses on the federation as a funding mechanism. Staff time and other organizational resources are absorbed by the members to the detriment of the long-term development of the federation. Conflict of interest is even more apparent when the federation provides loans to its member organizations which may resist vigorous application of repayment schedules and interest rate policies which would make the federation's programs sustainable.

2. Self-sufficiency needs to be stated clearly as a project objective from the start and specific activities should be included in the Project which will lead to self-sufficiency. Likewise, staff members must be assigned and held responsible for fund-raising and other activities to attain self-sufficiency. The same is true for impact evaluations and other activities that are not key for overall project implementation and which often receive little attention in Project design.

3. Training should be concretely programmed and based on a real needs assessment defining the weaknesses of the institutions to which the training is to be directed. The provision of training and technical assistance to PVOs through a broad open-ended grant to a PVO federation which allows the PVOs to decide on the kind of training needed may not always be an efficient way to train PVO staff members to better serve their beneficiaries. While the PVOs enjoy the freedom of choosing the training courses, the training is often used as a reward for staff rather then a resource to improve staff skills, or employees may be trained in areas unrelated to their functions within an organization. Likewise, if the organization is controlled by a small group, the training may be used to further the group's philosophy of development or ideology and little emphasis is placed on the concrete practical skills of accounting, credit management, data management, etc., which PVOs could use to really improve their operations.