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UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

**PROJECT PAPER SUPPLEMENT**

**SRI LANKA: PVO Co-Financing II**  
**(383-0101)**

**August 22, 1990**

UNCLASSIFIED

# PVO CO-FINANCING II (383-0101)

## PROJECT PAPER AMENDMENT

### TABLE OF CONTENTS

	Page
<u>Project Data Sheet</u>	
1. Project Authorization Amendment	1
2. Summary of this Amendment	2
3. Background and Rationale for Project Amendment	2
4. Status of Past Activities	3
Grants to PVOs	3
Micro-Grants to Grass Roots Organizations	5
Activities to Strengthen PVOs	5
Management Training	6
Evaluation	6
5. Revised Project Description	8
Project Goal and Purpose	8
Project Activities	9
Planned Inputs	11
Planned Outputs or end-of-Project results	12
Indicators that the desired results will have been achieved	12
Criteria for Selection of Grant Recipients	14
Policies Governing the Micro Grants Program	20
Policies Governing the Special Activities and the Studies/Evaluations Components	20
Rationale for Support to Additional PVO Consortia	21
Financial Plan	22

	<b>Page</b>
<b>6. Implementation Plan</b>	<b>22</b>
<b>Proposal Solicitation and Review</b>	<b>22</b>
<b>Management of Functional Accounts</b>	<b>23</b>
<b>APPENDICES</b>	
<b>A. Project Funding by Functional Account; Financial Plan - By Element</b>	<b>25</b>
<b>B. Logical Framework Matrix</b>	<b>26</b>

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	<b>Amendment Number</b> 1	<b>DOCUMENT CODE</b> 3
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<b>2. COUNTRY/ENTITY</b> SRI LANKA	<b>3. PROJECT NUMBER</b> 383-0101
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<b>4. BUREAU/OFFICE</b> ANE Bureau	<b>5. PROJECT TITLE (maximum 40 characters)</b> PVO Co-Financing II
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<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 08 31 95	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 87    B. Quarter 4    C. Final FY 93
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( 300 )	( 2,846 )	( 3,146 )	( 1,920 )	( 10,080 )	( 12,000 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.	200	1,000	1,200		2,500	2,500
2.				250	1,500	1,750
Host Country		29	29		180	180
Other Donor(s)						
<b>TOTALS</b>	500	3,875	4,375	2,170	14,260	16,430

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS 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) ARDN	250	070		4,396		1,301		7,953	
(2) HE	500	590		250		433		1,743	
(3) EH	610	610		-		83		83	
(4) SD	760	840		1,400		820		2,221	
<b>TOTALS</b>				6,046		2,637		12,000	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 040    560    690    920    110    150	<b>11. SECONDARY PURPOSE CODE</b> 760
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)							
A. Code	AGAB	AGCR	AGIR	EDEA	HENH	HRDI	PEBD
B. Amount	2,040	3,120	240	960	1,320	2,880	1,440

**13. PROJECT PURPOSE (maximum 480 characters)**

To enhance the performance of private voluntary organizations in launching sustainable development activities by improving access to and control over development resources by all population groups especially the disadvantaged and in strengthening the voice of such groups by democratic processes.

<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY MM YY    Final MM YY 03 90 10 92    06 95	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

<b>17. APPROVED BY</b>	Signature: Richard M. Brown Title: Mission Director USAID/Colombo	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> Date Signed MM DD YY 08 22 95
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PROJECT AUTHORIZATION AMENDMENT NO. 2

Name of Country: SRI LANKA      Name of Project: PVO CO-FINANCING II  
Number of Project: 383-0101

1. Pursuant to Sections 103, 104 and 106 of the Foreign Assistance Act of 1961, as amended, the PVO Co-Financing II Project for Sri Lanka was authorized on July 17, 1987.

That authorization which was previously amended on September 29, 1987 is hereby further amended as follows:

- a. paragraph I is amended by (1) increasing the amount of planned obligations in line 6 from "\$6,046,000" to "\$12,000,000." (2) changing the period over which such obligations shall occur in line 6 from "four years" to "six (6) years." (3) increasing the planned life-of-project stated in line 10 from "six years" to "eight (8) years."
2. The authorization cited above remains in force except as hereby amended.

Signature:   
Richard M. Brown  
Mission Director

Date: 8/24/90

## 1. Summary of this Amendment

The amendment currently proposed will modify the Project in the following ways:

1.1. The Project Assistance Completion Date (PACD) will be extended by two years, to August 31, 1995.

1.2. Project funding will be increased by \$5,954,000 to a total of \$12,000,000. An obligation of \$2,637,640 will be made in FY 1990, with \$1.4 million from our operating year budget (OYB) and \$1,237,640 from funds deobligated from the predecessor project, PVO Co-Financing I. The remaining \$3,362,360 will be obligated in FY 1992 and FY 1993.

1.3. The statements of goal and purpose for the Project are revised to reflect evolving AID programmatic priorities, as described below in Section 4.

1.4. The financial plan for the Project is modified to incorporate a new element, "Special Activities," and to add "Studies" to the line item now designated for "Evaluations." The purpose of these new elements is also described in Section 4.

1.5. Funds are provided to support grant assistance to at least one additional PVO consortium to provide services to PVOs that are not reached by the current grant to the Central Council for Social Services.

1.6. New policies, guidelines and procedures for grant applications, special activity themes and PVO activities are outlined, as described in Section 4.

## 2. Background and Rationale for Project Amendment

The PVO Co-Financing II Project is, as its name suggests, USAID/Sri Lanka's second major bilateral grant supporting the activities of private voluntary organizations (PVOs) in Sri Lanka. The project was authorized in July 1987, with a scheduled life of six years and an initial budget of \$5.046 million. The Project was amended in 1988 to add another \$1 million made available by AID/Washington to support activities of PVOs in the North-East Province following the signing of the Indo-Lanka Peace Accord in 1987.

The Project was designed to support USAID/Sri Lanka's programmatic emphasis on (1) increasing rural productivity and income, and (2) promoting private enterprise. Grants awarded to date have, as indicated in Section 3 below, aimed to fulfill these objectives through such means as vocational training, extension services or other technical assistance, and provision of credit. An overriding theme has been the reorientation of PVOs from welfare to developmental activities.

As described below in Section 4, a recent interim evaluation of the Project found it to be well-positioned to accomplish these objectives by the end of the Project life. However, the evaluation contained a number of recommendations intended to enhance the effectiveness of PVO assistance. While some of the recommendations--such as modifications to USAID's project management and proposal review procedures--can be carried out without formal Project amendment, others--notably a two-year extension and incorporation of new types of activities to support changing priorities--require this action.

At the same time, a number of factors have resulted in changed needs in Sri Lanka. Among these are:

(1) The recent GSL investigation into the causes of youth unrest in the country, which has found a lack of economic opportunity and of effective mechanisms to express the "voice" of youth to be among the root causes;

(2) The increasing concern of the donor community, including the United States, about the condition of human rights and the need for equal opportunity across lines of ethnicity, gender, age, geography and socio-economic groups in Sri Lanka;

(3) The emergence of new priorities within A.I.D. and the Asia/Near East/Europe (ANE) Bureau, in recognizing the critical role that open markets and open societies play in any successful development model;

(4) The growing awareness of certain social and health problems in Sri Lanka, in the midst of what is generally a favorable health and physical quality-of-life climate;

(5) The need for greater attention to prospects for sustainability of PVO activities and their benefits; and

(6) The development of an alternative mechanism, through a new Project, for funding environmental PVOs, eliminating the need to fund environmental PVOs under this Project. On the other hand, the significant decline in AID/W resources available for centrally funded PVO-based activities in the population sector makes it essential to include population related PVOs.

This Amendment addresses each of these factors in the proposed Project modifications described in Section 4, below.

### 3. Status of Past Activities

#### 3.1. Grants to PVOs

Between July 1988 and May 1990, a total of 28 grants were awarded to PVOs under the Project, representing total USAID funding of \$4,629,062 distributed among 23 different

organizations. The grants ranged from the smallest at \$12,000 to the largest at \$670,466, with an average size of \$160,920. Two grantee organizations -- CARE and the World Council of Credit Unions -- are U.S.-based, while the 22 others are indigenous to Sri Lanka. CARE leads the group in terms of both the number of grants received (four) and the total value of resources granted (\$1,168,641, or 27% of all grant funds). The Central Council of Social Services received the largest grant given to an indigenous PVO (\$580,770) to function as an "umbrella" organization of member-PVOs and as an intermediary for micro-grants to grass-roots organizations (GROs).

The 28 grants have supported activities ranging from village development to health, as the following table indicates:

PVO ACTIVITIES 1988-90 -- BY ASSISTANCE CATEGORY

<u>Category</u>	<u>Grants Awarded</u>
Agriculture & soil conservation	6
Vocational training	5
Village & regional development	7
Credit & credit institutions	5
Health services	2
Enterprise development	2
Intermediary PVO services	1

The 28 PVO grants awarded to date represent commitments of 96% of the total resources available for grants -- \$4,849,841 out of 5,050,000 -- under the Project, when only 40% of the project period has elapsed. Because the project is funded from several different functional accounts of Development Assistance (DA) funds, funding is tight in certain assistance categories and under-utilized in others. Percentages of obligated funds committed to date, by functional account, are:

Agriculture Rural Development and Nutrition (ARDN) funds: 100%  
 Selected development activities (SD) funds: 65%  
 Health (HE) funds: 10%

USAID's PVO Co-Financing Project Committee has approved a large grant to a U.S.-based PVO in the agriculture field. Funding the grant, which is for nearly \$2 million, requires the immediate addition of ARDN funds.

No special effort has been made in the past to solicit grant proposals for health activities, a factor that has undoubtedly contributed to the low rate of commitment under the HE account. Under the Amendment, special priorities have been established for these funds, as well as of the SD funds, and USAID/Sri Lanka expects to make full use of the monies in all functional accounts.

Expenditures during the initial years of the Project have

progressed only fairly well. At the end of May 1990, about 20% of Project funds had been disbursed. All projects in the USAID/Sri Lanka portfolio have suffered to some extent from the effects of the widespread civil unrest that gripped the country in 1988 and 1989. For PVOs operating in small communities outside Colombo, conditions such as curfews, general strikes and threats made it especially difficult at times to carry out community programs. However, the rate of disbursement has accelerated since late 1989, when the Government succeeded in suppressing the militant faction responsible for the unrest in most parts of the country. USAID's field visits to PVO grantees in recent months confirm that all are operating normally now and expect to complete their USAID-funded activities successfully, albeit with an extension of time in some cases. Furthermore, the sharp increase in grant commitments during FY 1990--more than \$2.7 million in new grants since the start of the fiscal year--will certainly result in a sharp increase in disbursements and concomitant decrease in the Project pipeline.

### 3.2. Micro-Grants to Grass-Roots Organizations

The Project's Micro-Grants component, managed by an umbrella PVO, the Sri Lanka Central Council for Social Services (CCSS), has moved forward well. Twelve micro-grants had been awarded as of the end of May 1990, totalling \$21,470. These very small grants to grass-roots organizations (GROs), or very small, locally-based PVOs, range in size from Rs. 45,000 (\$1,125) to Rs. 105,000 (\$2,625), although the Project authorized grants of up to \$10,000. At the time of this Amendment, CCSS is processing applications for six additional micro-grants totalling \$20,883 and ranging in size from Rs. 75,000 (\$1,875) to Rs. 200,000 (\$5,000).

The micro-grants support self-employment and income-generation projects. Most include training for low-income persons, including unemployed youth and women. Fields covered by the training range widely, encompassing sewing, typing and stenography, dairy farming, artificial flower making, yogurt production, and "tinkering", or metalworking.

### 3.3. Activities to Strengthen PVOs

The micro-grants program is strengthened by the ancillary services provided to member-PVOs and to GRO grantees by the CCSS consortium, or umbrella organization. These services include staff training in project management, accounting, proposal preparation and related fields, as well as opportunities to share experiences with other PVOs and GROs affiliated with CCSS.

CCSS is supported by a grant for \$580,770 under the Project. An expatriate advisor is currently working with CCSS to help strengthen its programs benefitting member PVOs.

The grant is to support a program of institutional strengthening and at the end of the grant CCSS should be capable of:

serving as a clearinghouse for development-related information from one PVO to another;

providing training in management skills to smaller PVOs so that they might better plan, manage and evaluate projects and programs;

disbursing, administering and monitoring development-oriented micro-grants to PVOs; and

shifting the emphasis of member PVOs from welfare orientation to projects and programs aimed at self-help, income generation and increased productivity.

Under this grant to date, CCSS has:

built its infrastructure and internal management up from 1 part-time worker to 15 employees;

instituted a management and information system for data sharing that will also serve as a data bank for PVO research and base-line information;

grown from about 85 affiliates to over 120;

recruited new affiliate PVOs from the North and East and broadened the diversity of PVO members;

served about 50 affiliate PVOs and more than 125 individual participants in training programs in PVO management and proposal writing; and

given 13 micro-grants of about Rs.130,000 for income generation activities, staff and client training, and administrative strengthening to small- and medium-sized PVOs.

#### 3.4. Management training

Thus far, all management skills training under the Project has been provided within the program of the Central Council for Social Services which has trained 125 people to date in workshops on PVO management techniques.

#### 3.5. Evaluation

After funding over 65 PVO activities under PVO Co-Financing project, phases I and II, the Mission commissioned an evaluation to review the results of ten years of work (1979-1989). The evaluation team found that the project had had a positive effect on the lives of some 300,000 people

who benefitted either directly or indirectly. People assisted were poor and disadvantaged, with a large percentage of beneficiaries being women. The team found also that the project was making substantial progress in strengthening PVO management through a major grant to support the Central Council of Social Services. Discussions by the evaluation team with PVO leaders indicated an increasing number of PVOs are entering a new phase of sophistication and are in a position to make a large contribution to the country's development. The evaluation reported that the Mission is uniquely positioned to continue taking a key role in the support of PVOs and strongly recommended that the Mission make a long-term commitment to continue supporting PVO activities in Sri Lanka.

In its report, the evaluation team recommended the need for important conceptual and managerial changes which it believes can serve as a starting point for strengthening continued co-financing programs. In summary, the evaluation recommended:

CHANGES IN USAID'S CONCEPTUALIZATION OF ITS PVO CO-FI PROJECT.

These include:

- deepening the relationship with the GSL by USAID's encouraging line government ministries and own technical staff to review sub-projects in their sector of specialty;
- revising the project's logical framework to incorporate current objectives and reflect monitoring requirements;
- developing a means to clearly communicate to PVOs the types or themes of activities USAID will consider funding;
- subjecting sub-project designs to a more thorough analysis of: 1) major project design assumptions, and 2) the likelihood that required inputs can be supplied in a timely manner and in the necessary quantity;
- considering sustainability according to the following three dimensions: 1) whether beneficiaries can continue activities begun through PVO interventions in the absence of continuing PVO involvement; 2) whether the PVO itself can continue implementing activities similar to those being supported by USAID following the discontinuation of USAID funding, (or in cases of demonstration projects can pass the activity to either the public or private sector), and 3) whether the PVO itself is institutionally and financially able (with or without funding) to continue its operations over the long-term; and

- designing and sponsoring, perhaps in conjunction with other donor agencies, a special initiative to support PVOs operating in the North and East.

CHANGES IN USAID'S MANAGEMENT OF ITS CO-FI PROJECT. These include:

- calling for and reviewing proposals on a semi-annual basis typically focusing on a particular "theme," and rating all proposals according to defined (and published) criteria to ensure objective consideration;
- developing PVO management training programs which could be conducted by USAID itself or an intermediary organization;
- ensuring that the Co-Fi Project has sufficient staff--perhaps two full-time Sri Lankan employees and a secretary--to continue and enhance monitoring of ongoing projects and to organize, consider and implement the types of changes recommended in this evaluation;
- moving over time to establish a semi-autonomous office, first within USAID, later perhaps outside on a contract basis, to clearly reflect a new dynamic spirit of USAID-GSL-PVO partnership, to organize information and co-financing proposals for USAID consideration and to oversee a range of periodic studies of special interest;
- establishing a simple and operationally-useful management information data base able to continually reflect the status of Co-Fi Project disbursements, PVO contributions and the progress of all sub-projects;
- requiring monitoring and evaluation plans for all PVO sub-projects which can be used to track and improve project performance;
- having a local contractor analyze the GSL's registration requirements to determine to what degree they are congruous with those of AID/W; and
- ensuring that project monitoring and evaluation be viewed as an on-going activity rather than an exercise done by consultants every few years.

#### 4. Revised Project Description

##### 4.1. Project Goal and Purpose

4.1.1. The goal of the Project is to foster full participation by all socio-economic, ethnic, religious and geographic population groups in the process of social and economic development.

4.1.2. The purpose of the Project is to enhance the performance of private voluntary organizations in launching sustainable development activities by improving access to and control over development resources by all population groups, especially the disadvantaged, and in strengthening the voice of such groups in democratic processes.

#### 4.2. Project Activities

To accomplish its purpose and advance its goal, the amended PVO Co-Financing II Project will rely on a strategy incorporating the following activities:

4.2.1. A program of grants to PVOs carrying out development work in Sri Lanka. Provided on a cost-sharing (co-financing) basis with a PVO contribution of at least 25% of the total activity cost from non-USAID sources, these grants support programs that, in turn, promote sustainable development through broad based, market-oriented productive activities. These grants may range from \$10,000 to \$750,000; based on the Project experience to date, the average grant size is expected to be below \$200,000. Grants exceeding \$750,000 will be made only in exceptional cases, based on established criteria and strong justification.

The total amount of Project funds allocated for PVO grants will be \$9,600,000.

4.2.2. Grants to one or more PVO consortia for the purposes of:

- 4.2.2.1. improving the consortia's member organizations' operational effectiveness through training and technical assistance;
- 4.2.2.2. making these member organizations more self-sustaining and reorienting them away from welfare-based activities to development-based activities;
- 4.2.2.3. serving as clearinghouses for information useful to member organizations in carrying out their development activities; and
- 4.2.2.4. enhancing outreach to, and support of, smaller, newer, less firmly-established and/or more locally-based PVOs than those normally reached directly by USAID (hereinafter referred to as "grass-roots organizations," or GROs).

A total of \$870,000 in Project funds will be set aside for consortium grants.

4.2.3. A special micro-grant program administered by the consortium or consortia and targeted at the GROs described

under 4.2.2 above. These grants will be for less than \$10,000, and are expected to average less than \$5,000.

A total of \$300,000 will be set aside for GRO micro-grants.

4.2.4. Training courses, workshops and consultancies aimed at improving managerial effectiveness of PVOs, some of which will be implemented at least in part through the consortia described under 4.2.2 above, while additional courses and/or workshops may be carried out under independent auspices with the approval of USAID and the GSL.

A sum of \$250,000 in Project funds will be dedicated to management training and technical assistance.

4.2.5. Special Activities to promote open markets and an open society in Sri Lanka through the programs of private voluntary organizations.

While the Project as a whole seeks to promote open markets and an open society in Sri Lanka, a new Special Activities component will give particular emphasis to these themes by financing efforts to promote democratic pluralism and to address selected social problems. These Special Activities will be designed to respond to emerging issues and priorities, which are described in Sections 4.6 and 4.8, below. Target groups for these activities may include, but are not necessarily limited to: ethnic, racial or religious minorities; children and youth; women; and inhabitants of geographic regions where poverty and unemployment exceed the national average and/or where public and private investment in the last decade have been substantially below the national average.

This Project element may include special activities to promote human rights and harmony among different population groups, as well as activities in health, family planning and other social services aimed at alleviating problems experienced by victims of violence and those suffering from or at risk for sexually transmitted diseases and substance abuse.

It may be noted that this Amendment introduces family planning to the Project by rescinding the prohibition on financing family planning that was contained in the original Project Agreement.

The Project budget for Special Activities, which will be identified through studies and consultations, will be \$550,000. In addition, a portion of the budgets for Grants and Micro-Grants may be used to support PVO/GRO activities that address open markets/open society issues, and an additional budget of \$250,000 for Evaluation and Studies may address these topics as well.

#### 4.2.6. Studies and Evaluations

4.2.6.1. A sub-element for Studies will permit examination of social, economic and political issues in Sri Lanka with a view to identifying activities appropriate for Project funding that are aimed at addressing these issues.

4.2.6.2. A sub-element for Evaluations will continue to fund evaluations of the Project itself and of grants awarded within the Project.

4.2.7. Contingency: A budget of \$180,000 is set aside for contingencies, including possible shifts into other activities when their budgets are found to be inadequate. To date, \$80,770 in contingency funds has been used to support a consortium grant (\$47,770) and management training within the consortium grant (\$33,000).

#### 4.3. Planned Inputs

4.3.1. At least 50 sub-project grants will be awarded to PVOs, totalling \$9.6 million. Combined with PVO contributions of at least 25% of each sub-project's total cost, this will represent financial inputs totalling at least \$12,800,000. As the time of this Amendment, 27 grants have been awarded with a total value of \$4,302,687 in AID funds.

4.3.2. One grant has already been awarded to a PVO consortium, for a total value of \$580,770 in AID funds. One or more additional grants to consortia may be awarded out of a budget of \$870,000 for consortium grants, if it is determined that an additional grant or grants will further ensure delivery of an appropriate mix and level of services to all the population groups the Project seeks to reach.

4.3.3. Including the 13 micro-grants already awarded, at least 50 micro-grants will be awarded, through the PVO consortium or consortia, to GROs, out of the \$300,000 budget for this purpose.

4.3.4. Management training and technical assistance will be made available to all PVOs involved in the Project who seek such assistance. USAID, the PVO consortia and/or other management training institutions will actively encourage PVOs and GROs to take advantage of such training and technical assistance. To date, management training has been provided through the consortium grant.

4.3.5. Funding for promotion of the open markets/open societies themes will be provided in part through the grants and micro-grants, in part through the training and technical assistance activities channeled through PVO consortia or independent organizations, in part through budget line items for Special Activities, and Evaluations and Studies. Further information about the issues to be covered under the Special Activities component may be found under Section 4.6.2. below.

#### 4.4. Planned outputs or end-of-Project results

USAID expects that by the revised Project Activity Completion Date of August 31, 1995, the following results will have been produced:

- 4.4.1. Grants to PVOs will have resulted in measurable and sustainable improvement in the economic well-being of direct beneficiaries, achieved at reasonable cost, and in the performance of the grantee PVOs in providing assistance to their beneficiaries.
- 4.4.2. PVO consortia will have been substantially strengthened in their performance of providing services to member organizations and to other private voluntary organizations, especially GROs with previously-limited access to development resources, so that the consortia contribute, in turn, to strengthening those organizations.
- 4.4.3. Through micro-grants to GROs, channeled through the PVO consortia, measurable and sustainable improvement in the economic well-being of direct and indirect beneficiaries and in the capabilities of GROs will have been gained.
- 4.4.4. PVOs and GROs that have attended management training programs will have achieved observable improvements in their management practices.
- 4.4.5. The objectives of promoting open markets and an open society through private voluntary organizations will have been met to a substantial and measurable degree through Grants, Micro-Grants, Special Activities and Evaluations/Studies.

#### 4.5. Indicators that the desired results will have been achieved

##### 4.5.1. Measurable and sustainable improvement in the economic well-being of direct beneficiaries of PVO grants and GRO micro-grants:

Using ongoing monitoring and evaluation systems--including PVO grantees' regular reports to USAID, USAID staff site visits, and structured surveys--beneficiary impacts will be measured through the following indicators:

- 4.5.1.1. Number of beneficiaries who are newly or more fully employed or self-employed as a result of skills training received under Project-funded grants or micro-grants;
- 4.5.1.2. Average income gains received as a result of Project-based training or other assistance;
- 4.5.1.3. Evidence that beneficiaries have achieved greater access to and/or control over

productive resources, including (but not limited to) financial resources such as production-related credit.

4.5.2. Cost-effectiveness and sustainability of beneficiary impacts:

USAID will develop specific indicators to measure the cost-effectiveness of the services provided to direct beneficiaries under PVO grants and GRO micro-grants. These indicators may include:

- 4.5.2.1. The cost per beneficiary of direct services;
- 4.5.2.2. The income and employment gains achieved per dollar spent; and
- 4.5.2.3. The repayment, cost recovery and recycling rates for credit programs, and the ratio of credit provided to direct income gains;
- 4.5.2.4. The degree of self-support achieved by the grantee organizations to sustain their activities beyond USAID's term of support.

Future grant applicants will be requested to indicate, in their proposals, the number of direct beneficiaries, the per capita cost of providing services to those beneficiaries, the number of jobs to be created and the average income gains expected to be received by beneficiaries as a result of the grant-funded activities. Existing grantees will be asked to make similar estimates on the basis of their ongoing programs. Additional measures of cost-effectiveness will be developed for grants and micro-grants involving credit programs.

4.5.3. Improved capabilities and performance of PVOs through consortium support

The assistance to PVO consortia is intended to build the capabilities of the consortia themselves and, indirectly, the performance of their affiliated member organizations. The Project's effectiveness in this regard will be assessed through annual review of such indicators as:

- 4.5.3.1. Growth in the number of organizations affiliated with the consortium;
- 4.5.3.2. Broadening of the composition of consortium membership and governing body (e.g. board of directors) to include PVOs working in a variety of sectors and/or serving previously unrepresented population groups;
- 4.5.3.3. Number of organizations trained by the consortium;

- 4.5.3.4. Increased use of consortium services by member PVOs, including training, technical and management assistance, micro-grants and other.

In addition to review of these indicators, the affiliated PVOs and GROs will be surveyed to determine their views of the value of the services provided by the consortia, and how they have benefitted from them in their own operations.

4.5.4. Responsiveness of PVO/GROs to Open Markets/Open Societies Issues.

- 4.5.4.1. Democratic Pluralism: The major measure of the Project's effectiveness in promoting democratic pluralism will be the statistics on organizations involved in the Project, and on their beneficiaries. When specific indicators are developed, USAID will track the participation of minority and disadvantaged population groups and geographic residents, as described above, and will seek to determine how such groups and individuals have been provided with increased opportunities to participate in key decisions relating to their own economic and social destinies.

- 4.5.4.2. Improvement of Selected Social Services Through PVO Activities: Indicators will also be developed to measure the impact of PVO/GRO grants and micro-grants and Special Activities designed to improve the provision of social services in health and family planning. As indicated above, the focus of these activities will be on mental health and other services aimed at victims of violence, and on education and treatment programs related to sexually-transmitted diseases (particularly AIDS) and substance abuse (drugs and alcohol).

4.6. Criteria for Selection of Grant Recipients

USAID will promulgate revised guidelines for PVO grant applicants within three months of signing this Amendment. The guidelines will describe the procedures to be followed by PVOs in applying for grant assistance under the Project, as well as the requirements that must be met by all PVOs to become registered with A.I.D. in Washington. It is anticipated that grant applications will be considered by USAID on a semi-annual basis. In addition to meeting minimum requirements applicable to all grant proposals (such as analysis demonstrating the feasibility of the proposed activity, evidence of ability to manage programs, existence of sound accounting practices, etc.), grant proposals will be evaluated in terms of the following priorities:

#### 4.6.1. Open Markets

##### 6.1.1. Employment and income generation potential.

Employment and income generation remain key objectives of the Project, and most grants awarded under the Project will contain employment and income generation components as either primary or secondary program elements. Each grant proposal should therefore indicate whether and how the proposed activity will assist its beneficiaries to find employment or create self-employment, and/or to increase their incomes. Examples of activities aimed at employment and income generation are:

- 4.6.1.1.1. skills training;
- 4.6.1.1.2. provision of credit for investment in productive activities;
- 4.6.1.1.3. job counseling and placement services;
- 4.6.1.1.4. technical assistance and/or training for entrepreneurs in areas related to the establishment or management of private enterprises, cooperatives, etc.

In describing the proposed activity, applicants should indicate the number of beneficiaries of such activities, the number of new jobs to be created, the expected incomes of the beneficiaries and the total cost per beneficiary of providing them with assistance.

Applicants should analyze, in their proposals, the labor, factor and product markets for the sectors on which they propose to focus employment and income-generating activities. Past experience under the Project indicates that certain sectors (e.g., poultry-raising, handlooms) are found in a large number of proposals. This fact gives rise to concern about the ultimate market potential for persons with skills in these areas and for the products they will produce, as well as the ability of producers to obtain the necessary inputs, and to produce at a cost and sell at a price that permits profitability and avoids dependence on subsidies, price controls, trade protection or restriction, or long-term assistance from government, donors or PVOs. Beneficiaries of vocational training should be assisted in obtaining skills for which job and product markets are found to be favorable, and in which competition and ease of entry exist without government interference or distortion, reflecting USAID's priority of promoting open markets as the most efficient means of creating jobs and increasing incomes.

PVOs seeking assistance with income-generating projects should not propose to become long-term producers or employers themselves, but rather to assist private persons or groups to establish independent enterprises with only temporary assistance from the PVO concerned.

##### 4.6.1.2. Efficient allocation of financial resources. Many PVOs propose grant-based activities that

include provision of credit to beneficiaries. USAID supports the basic notion of providing beneficiaries with access to financial resources for productive purposes. However, extensive experiences with such efforts both in Sri Lanka and elsewhere indicate that many of them suffer from problems that unwittingly contribute to their ultimate failure by attempting to satisfy social goals at the expense of economic viability. Consequently, USAID will give priority to credit programs that are designed to be viable, self-sustaining and efficient. Such programs will generally include the following features:

4.6.1.2.1. Use of established financial intermediaries wherever possible. PVOs do not normally function primarily as financial institutions, and few possess a competitive advantage in this area. Wherever possible, therefore, PVOs should channel credit activities through established, community-based private financial institutions such as Thrift and Credit Cooperative Societies. Direct involvement in managing credit programs should only be undertaken by PVOs when there is no established institution capable of providing services to the target group, and when the PVO can demonstrate capability to appraise and manage the loans, including careful tracking of repayments. In such cases, quarterly reports to USAID--a normal requirement of PVO grants--should include information on the status of credit programs, including repayment rates.

4.6.1.2.2. Assessment of the viability of borrowers' proposed use of the borrowed funds. Since most loans to PVO beneficiaries will be very small, elaborate loan appraisal processes would be neither necessary nor appropriate. However, some systematic review of each borrower's intended use of the funds, including the prospect for repayment from income

generated by the investment of borrowed funds, should be undertaken and documented.

4.6.1.2.3. Use of market interest rates. Many credit programs targeted at low-income borrowers are based on the assumption that such credit is only affordable with below-market (subsidized) interest rates. The use of such rates makes these programs inherently unsustainable, since the subsidy must be paid by someone--the lending institution, the government or the donor agency (or, commonly, shared by all three). Furthermore, the history of such programs indicates that subsidized interest rates do not alleviate and may even aggravate default problems, as borrowers receive the impression that the loan is really a gift and need not be repaid. In general, rates should be positive in real terms (i.e., higher than the inflation rate) and should cover all transaction costs and risks associated with the loan. =

4.6.1.2.4. Provision for mobilizing beneficiaries' own resources as well as borrowed funds. Promotion of savings may be accomplished in a variety of ways, through group or individual arrangements. Applicant PVOs are encouraged to seek further information about such possibilities before finalizing their proposals, and to include savings programs in all credit-giving activities.

#### 4.6.2. Open Societies

##### 4.6.2.1. Promotion of democratic pluralism.

As indicated in the revised goal and purpose

statements for the Project, the Project aims to ensure that all population groups participate fully in the process of economic development and in the democratic processes that govern their lives. In practical terms, this means the Project will focus particularly on increasing the opportunities available to population groups that are economically or socially disadvantaged. Based on recent analysis of the situation and needs in Sri Lanka, such groups will include (but not necessarily be limited to):

- 4.6.2.1.1. ethnic, religious or cultural (including linguistic) minorities;
- 4.6.2.1.2. disadvantaged youth and children (including orphans);
- 4.6.2.1.3. women (including widows) and female children;
- 4.6.2.1.4. the elderly;
- 4.6.2.1.4. victims of violence, including civil strife, crime and family conflict;
- 4.6.2.1.5. residents of administrative Districts in which accepted indicators of poverty, unemployment and lack of economic opportunity (such as the percentage of the population receiving food stamps, the unemployment rate and statistics on public and private investment) reveal disadvantaged conditions.

Activities that target one or more of these population groups may include the employment and income generating activities described above as well as other activities aimed at meeting the special needs of the target beneficiaries. Such activities should aim generally at providing beneficiaries with equality of opportunity for employment and income; access to productive resources; and enjoyment of human rights such as freedom of expression, representation of interests in local, regional and national governmental and non-governmental fora, and due process of law. Inclusion of English language instruction as a program component is encouraged as a link among different population groups and as an avenue to increased employment and income-generating activities.

4.6.2.2. Efficient provision of social and health services to meet critical needs.

While the Project generally emphasizes enhanced

economic opportunity rather than welfare, USAID has identified certain social concerns and populations at risk that require attention, while offering opportunities for approaches that emphasize non-governmental, market-oriented solutions in which PVOs and GROs have an important role to play. In many cases, failure to resolve these problems could directly threaten individuals' abilities to be economically productive, and could impede national economic development as well. PVOs may wish to propose activities that address these concerns along with activities aimed at employment and income generation. These concerns include, but are not necessarily limited to:

- 4.6.2.2.1. abuse of chemical substances including drugs and alcohol;
- 4.6.2.2.2. AIDS and other sexually-transmitted diseases;
- 4.6.2.2.3. prostitution (male, female and child);
- 4.6.2.2.4. mental disorders, including suicidal conditions and disorders resulting from experience of personal, community, ethnic or national violence;
- 4.6.2.2.5. the need for access to family planning services.

These concerns all represent issues that have moved to the forefront of public attention in the last few years. The problems of AIDS and other sexually-transmitted diseases, as well as of prostitution, have remained at moderate levels in Sri Lanka in comparison with other countries, primarily because of the low levels of tourism and foreign contact during the years of political turmoil here; but as the nation recovers politically and economically it is apparent that these problems will require increased attention. Mental health services are generally considered to be seriously inadequate, with only 25 psychiatrists serving a population of almost 17 million persons in a country with an unusually high suicide rate and, in recent years, a high level of violence that has left no area untouched. And while family planning services are generally better and the birth rate lower than in most developing countries, both USAID and GSL resources to provide such services in the public sector have declined sharply and there is now a need to shift major responsibility to the private sector, including PVOs.

Program components dealing with these concerns might include education aimed at groups especially at risk; training of trainers to conduct such educational programs; and self-sustaining, fee-based services such as counseling,

short-term shelter, and assistance to at-risk groups in income-generation activities. They should not include subsidies.

#### 4.7. Policies Governing the Micro-Grants Program

The micro-grants program or programs administered by one or more PVO consortia will incorporate the following policies and principles:

4.7.1. Target groups for assistance under the micro-grants program(s) funded under the project will be indigenous grass roots organizations (GROs) that operate on a local community level and promote equal opportunity by serving constituencies of economically and/or socially disadvantaged persons. Preference will be given to small and/or newly-formed organizations that cannot qualify for assistance under the regular grants component of the Project.

4.7.2. The maximum grant amount will be \$10,000, and proposals will be considered for projects up to and including this amount, where proposals provide justification. The average grant size is expected to be considerably lower than the maximum.

4.7.3. Projects with components aimed at income-generation will receive priority, but projects having or including other objectives, such as the social service objectives described in Section 4.6.2., above, will be funded as well when they are adequately justified.

4.7.4. Affiliation with PVO consortium: If the PVO consortium administering the micro-grants program requires formal affiliation with the consortium as a condition of eligibility for micro-grants, the consortium will review and act upon all applications for affiliation within 60 days of their receipt. GROs which require more time to meet the requirements of formal affiliation may be considered in the interim for micro-grants under a provisional affiliation status.

4.7.5. Attribution of USAID funding: Micro-grantees will be informed that funding for their grants is provided by USAID.

4.7.6. Periodic review of consortium criteria and procedures for reviewing micro-grant proposals will take place at least annually by USAID and the consortia. New criteria or procedures may be adopted by means of counter-signed letters.

#### 4.8. Policies Governing the Special Activities and the Studies/Evaluations Components

These two components, which (with the exception of the Evaluations portion) are added to the Project by this Amendment, are intended to provide a means by which emerging social, economic and political issues can be more fully

addressed by the Project. Generally speaking, these activities will mirror the new emphasis on open markets and open societies that will be incorporated into the PVO grants programs, as described above in Sections 4.6.1. and 4.6.2.

Specific activities and studies to be undertaken under these components will be jointly agreed by USAID and the Government in each instance by a counter-signed Project Implementation Letter (PIL) or a Project Implementation Order/Technical (PIO/T). Examples of such activities are given below for illustrative purposes only, since no specific funding decisions have been taken regarding these components:

4.8.1. Studies or surveys analyzing particular issues or problems that might be addressed under the Project through PVO programs. Such studies or surveys could be funded from the Studies/Evaluations component of the Project. For example, an assessment of PVO activities in the field of substance abuse, and development of options for USAID-funded assistance, might be undertaken. Similarly, a review of the impact and effectiveness of PVO-sponsored credit programs could be initiated with a view toward further development of policies governing such programs when funded under the Project.

4.8.2. Seminars, conferences or special training programs. A conference on how PVOs can assist children orphaned by ethnic or political violence, a seminar on how to improve communication with disadvantaged youth, a training program for PVO-based mental health workers helping children cope with violence, and a workshop on dissemination of AIDS-related educational materials by PVOs and/or GROs are additional examples of Special Activities that could be undertaken.

4.8.3. Technical assistance consultancies to PVOs. Funds from the Special Activities component could also be used to provide technical assistance to PVOs to help them develop programs aimed at promoting open societies and open markets, including democratic pluralism and private provision of social services.

#### 4.9. Rationale for Support to Additional PVO Consortia

The Project has already extended grant support to one PVO Consortium, the Central Council for Social Services (CCSS), to serve as an "umbrella" organization of affiliated PVOs and provide its member organizations with services and assistance aimed at strengthening their programs and operations. While the CCSS program was slow getting underway, recent reports of its activities in providing services to member-PVOs and administering the micro-grants program have indicated that the program is now moving along well. However, it appears that outreach to some segments of the population may be best served by engaging the efforts of one or more additional PVO consortia. Specifically, it appears that a separate consortium of PVOs in the North-East Province may be the best means of reaching organizations in that area. Similarly, it may be

useful to support one or more consortium organizations that represent PVOs in particular sectors rather than specific geographic areas. In the event that additional grants to support PVO consortia are proposed, USAID and the Government will agree to the grant or grants by action of the joint grant proposal review committee.

#### 4.10. Financial Plan

A revised financial plan is included as Attachment 1 to this Annex. The terms and conditions pertaining to the financial plan, as contained in the original Agreement, remain in effect.

### 5. Implementation Plan

#### 5.1. Proposal Solicitation and Review

5.1.1. Semi-Annual Funding Cycles: USAID will henceforth solicit and review proposals on a semi-annual basis, rather than on the first-come-first-served basis that has prevailed thus far. Public announcements will be made about semi-annual deadlines for submitting proposals, and about USAID's funding interests for that cycle. This approach will permit:

- 5.1.1.1. a more coherent overall Project strategy that ensures full and appropriate use of available funds in each of the various functional accounts;
- 5.1.1.2. internal consistency of the proposal review and approval process, including the application of guidelines and criteria; and
- 5.1.1.3. (by permitting competitive simultaneous review of several proposals) the highest possible quality in approved projects.

Each semi-annual solicitation will be based on a review of available funds for specific types of activities (see Section below), prior funding patterns, current priorities, and availability of any supplementary special-purpose funds from AID/Washington. In addition, USAID will consult with the GSL Project Review Group in developing its funding strategy.

5.1.2. Outreach Effort: In implementing this Amendment, USAID will endeavor to extend its outreach to PVOs and GROs that have not previously had USAID grant funding and to groups that represent populations with critical needs or generally inadequate access to development resources. Each semi-annual grant cycle will be announced in advance through a press release for publication in the newspapers, with specific information on the areas in which USAID will welcome proposals. This will be a pro-active strategy, differing from the past practice of simply waiting to see what kinds of proposals are submitted. If, for example, it is determined that funds are available in the functional account for Health,

and that health-related Project priorities (such as improving the private provision of health services in the areas of mental health, substance abuse or AIDS-related education) remain unfulfilled, the press release inviting grant proposals will indicate USAID's interest in receiving health-related proposals consistent with these priorities. Similarly, if funds earmarked by AID/W for Democratic Pluralism Initiatives become available to the Project, the solicitation will announce the kinds of PVO/GRO activities appropriate for funding in this category.

## 5.2. Management of Functional Accounts

PVO Co-Financing II is split-funded among four different functional accounts within A.I.D.'s Development Assistance (DA) budget. Funds are available under the Agriculture, Rural Development and Nutrition (ARDN), Health (HE), Education (EH) and Selected Development Activity (SD) accounts. The relationship between these functional accounts and the activities of the Project is described below.

### 5.2.1. Agriculture, Rural Development and Nutrition

This functional account provides the largest share of funding in the Project with \$7,953,194. (Under the Project prior to this Amendment, ARDN funds accounted for approximately \$4 million out of \$6 million, or 67% of all funds.) It is also the account most in demand, as evidenced by the figures given above for grants involving activities in agriculture, soil conservation and rural development. All of the ARDN funds available before this Amendment have been committed, leaving a substantial unmet demand including an approved (but unfunded) grant for nearly \$2 million. It is likely that grant will be incrementally funded. USAID expects that approximately \$1.3 million in ARDN grants will be awarded annually during the next three years, although funding will be especially tight in FY 91. Wherever possible, agri-based income-generating activities will be split-funded between the ARDN and SD accounts (see section 5.3.4. below).

### 5.2.2. Health

Funds in the functional account for Health will, following this Amendment, account for \$1,742,895 or approximately 14% of total funding. Grants already funded under this account include youth counselling services and medical diagnostic testing provided by PVOs with family planning emphases. To date, the HE account has been generally under-utilized and no special effort has been undertaken to attract proposals appropriate to these funds. \$138,200 has been committed to date under the Health account.

In future, special outreach efforts will endeavor to increase interest among health-related PVOs and GROs. USAID's priorities in this area are focused on selected critical

problems, rather than on primary health care or broad sectoral coverage. Foremost among these are AIDS and other sexually-transmitted diseases; mental health needs (particularly those related to impacts of civil unrest, crime and family violence); and chemical substance abuse (including alcohol and illicit drugs). Family planning needs will also be eligible for assistance, to the extent that these needs cannot be met through AID/Washington funding.

It is estimated that about \$500,000 will be committed for HE-funded activities in each of the next three years.

#### 5.2.3. Education

A small amount of EH money, \$83,434, will become available as a result of this Amendment, which incorporates funds deobligated from the predecessor project, PVO Co-Financing I. In keeping with USAID's interest in promoting democratic pluralism in Sri Lanka, the highest priority for use of these funds is in English language training. English serves as a link language among ethnic/linguistic groups in Sri Lanka, and is also a significant factor in economic and social mobility. The Government has recognized the importance of improving English skills among population groups outside the urban and affluent. While specific grants for this purpose may be awarded, it is more likely that PVOs will include English training components within multi-purpose proposals, and that the EH funds will be used to fund those components on a split-funded basis with other functional accounts.

#### 5.2.4. Selected Development Activities

The life-of-project budget for this Project, as modified by this Amendment, includes \$2,220,477 in the functional account for Selected Development Activities (SD). The principal focus of this account is on private-sector promotion. Under the Project thus far, SD funds have been used to support grants giving training in garment-making and various vocational skills, as well as support to private Thrift and Credit Cooperative Societies under a grant to a federation of such societies. Funds currently committed under this functional account total \$484,661.

Future SD-funded activities will follow the same general lines. This Amendment adds new policies for credit activities, including use of market interest rates. It is estimated that approximately \$250,000 will be committed annually over the next three years in the SD account.

TABLE 1

PVO CO-FINANCING II PROJECT (383-0101)  
PROJECT FUNDING - BY FUNCTIONAL ACCOUNT

	<u>CURRENT</u>	<u>FY 90 (&amp;DEOB)</u>	<u>FUTURE</u>	<u>TOTAL LOP</u>
FN	3,996,000	1,300,838	2,656,356	7,953,194
HE	1,310,000	432,895	-	1,742,895
EH	-	83,434	-	83,434
SD	<u>740,000</u>	<u>820,479</u>	<u>659,994</u>	<u>2,220,477</u>
	6,046,000	2,637,640	3,316,350	12,000,000
	=====	=====	=====	=====

PVO CO-FINANCING II PROJECT (383-0101)  
FINANCIAL PLAN - BY ELEMENT

	<u>CURRENT</u>	<u>FY 90</u>	<u>FUTURE</u>	<u>TOTAL</u>
1. Sub-projects grants	5,050,000	1,733,640	2,816,350	9,600,000
2. Micro grants	220,000	-	80,000	300,000
3. Consortium grants	250,000	200,000	420,000	870,000
4. Management training	200,000	50,000	-	250,000
5. Studies/evaluation	146,000	104,000	-	250,000
6. Special Activities	-	550,000	-	550,000
7. Contingency	180,000	-	-	180,000
	<u>6,046,000</u>	<u>2,637,640</u>	<u>3,316,350</u>	<u>12,000,000</u>
	=====	=====	=====	=====

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TABLE

COLUMN ONE	COLUMN TWO	COLUMN THREE	COLUMN FOUR
<p><b>Goal</b> ----- To foster full participation by all socio-economic, ethnic, religious and geographic population groups in the process of social and economic development.</p>	<p><b>Objectively Verifiable Indicators</b> ----- <b>Measures of Goal Achievement</b> ----- Observable improvement in Sri Lanka's political stability, reflecting greater satisfaction of all population groups with their level of participation in development process.</p>	<p><b>Means of Verification</b> ----- (Goal) Direct observation of country conditions; Embassy and press political reporting; social science research (including Dept. of Census and Statistics).</p>	<p><b>Important Assumptions</b> ----- Assumptions for achieving goal targets ----- Commitment by the GSL, the PVO community and groups targeted for assistance to implement policies and programs favoring harmony and equal economic and social opportunity for all.</p>
<p><b>Purpose</b> ----- To enhance the performance of private voluntary organizations in launching sustainable development activities by improving access to and control over development resources by all population groups, especially the disadvantaged, and in strengthening the voice of such groups in democratic processes.</p>	<p>Conditions that will indicate purpose has been achieved (End-of-project Status) ----- Evaluation to document performance of all PVOs receiving assistance under the Project, and of the results/impacts of their programs and their efforts to include all population groups. Evidence of appropriate mix of beneficiary groups, of active role of such groups in decision-making, and of PVO success in delivering resources to them.</p>	<p>(Purpose) End-of-project evaluation to include structured survey of all PVOs and GROs assisted, and of sample of sub-project beneficiaries.</p>	<p>Assumptions for achieving purpose ----- GSL maintains present laissez faire stance toward the PVO community. No prolonged state of civil strife that will cause serious economic deterioration. GSL implements its program of economic liberalization and privatization. GSL follow through of recommendations of Presidential Youth Commission.</p>
<p><b>Outputs</b> ----- Measurable improvement in the economic well-being of PVO grant and micro-grant</p>	<p><b>Magnitude of Outputs</b> ----- At least 50,000 direct beneficiaries documented as newly or more fully employed and earning higher incomes after training</p>	<p><b>Outputs</b> ----- USAID monitoring system PVO quarterly reports (new format) periodic evaluations</p>	<p>General economic climate remains favorable to economic growth. Political conditions island-wide permit PVO's to function normally. PVO consortia provide effective</p>

beneficiaries.

One or more PVO consortia providing effective services to PVOs serving a broad spectrum of constituents, especially grass-roots organizations with previously limited access to development resources.

Improvement of PVOs' management practices through training.

Effective promotion of open markets and open society through activities funded through grants, micro-grants, special activities and studies.

and/or other assistance under PVO grants.

Beneficiaries documented as having increased access to productive resources, including financial resources.

Documentation of broad spectrum of beneficiary groups being reached by PVO assistance.

PVO consortia reports and evaluations

“

training modules.

Continued favorable GSL p environment. Local PVO's sufficient capacity to un open societies activities.

Inputs (Activities)

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Sub-project grants  
Micro-grants  
Consortia grants  
Management skills training  
Studies/evaluations  
Special activities  
Contingency

Magnitude of Outputs

-----

Magnitude (\$ millions)

USAID            PVOs  
\$9.6            3.2  
0.3  
1.1  
.25  
.25  
.25

-----            -----

12.00            \$3.2

Means of Verification

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USAID and PVO records

Assumptions

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PVO counterpart funding available.