

UNCLASSIFIED

**SERVICES FOR HEALTH, AG.,
RURAL & ENTERPRISE DEVELOPMENT**

(612-0232)

PROJECT PAPER

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PROJECT DATA SHEET

PD ABD-370
152 70014
Amendment Number

DOCUMENT CODE 3

1. TRANSACTION CODE **A**
 A = Add
 C = Change
 D = Delete

COUNTRY/ENTITY: Malawi

3. PROJECT NUMBER: 612-0232

4. BUREAU/OFFICE: Africa

5. PROJECT TITLE (maximum 40 characters): Services for Health, Ag., Rural & Enterprise Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 08 31 99

7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4)
 A. Initial FY 910 B. Quarter 4 C. Final FY 914

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

A. FUNDING SOURCE	FIRST FY 90			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	2,670	2,330	5,000	8,000	7,000	15,000
(Grant)	(2,670)	(2,330)	(5,000)	(8,000)	(7,000)	(15,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Coop. Agree. recip.	10		10	125	5	130
2. PVOs				880	295	1,175
Host Country GOM					200	200
Other Donors) Malawian NGOs & comm groups TOTALS	2,680	2,330	5,010	9,005	8,000	17,005

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) DFA	B700	200		0		15,000		15,000	
(2)									
(3)									
(4)									
TOTALS				0		15,000		15,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 000 | 100 | 400 | 500 | 800

11. SECONDARY PURPOSE CODE
 B200

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

A. Code	BR	BL	PVOU	PART	EQTY	TECH	TNG
B. Amount	9,000	4,500	13,800	12,000	6,000	7,500	750

13. PROJECT PURPOSE (maximum 480 characters):
 To expand the amount and increase the impact of development activities of PVOs/NGOs in Malawi in the key areas of agriculture, off-farm employment and health, and to strengthen the capacity of Malawian NGOs to provide services with positive impact in those sectors.

14. SCHEDULED EVALUATIONS

Interim	MM YY	MM YY	Final	MM YY
	0 49 12	0 49 15		0 2 99

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) 935

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

Controller clearance:

17. APPROVED BY: Carol A. Peasley, Mission Director

Signature: Carol A. Peasley

Date Signed: MM DD YY 01 21 90

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

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* Due to the lengthiness of this annex, it has not been reproduced as part of this PP but is available upon request from USAID/Malawi.

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PROJECT AUTHORIZATION

Name of Country: Malawi

Name of Project: Services for Health, Agriculture, Rural and Enterprise Development (SHARED)

Number of Project: 612-0232

1. Pursuant to Title II of the Foreign Operations, Export Financing and Related Programs Appropriations Act of 1989 (Sub-Saharan Africa, Development Assistance), I hereby authorize the Services for Health, Agriculture, Rural and Enterprise Development Project (the "Project") for Malawi (the "Cooperating Country") involving planned obligations not to exceed Fifteen Million United States Dollars (\$15,000,000) in grant funds over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is nine years from the date of initial obligation.
2. The Project consists of assistance to expand the amount and increase the impact of development activities of PVOs/NGOs in Malawi in certain key areas, including agriculture, off-farm employment and health, and to strengthen the capacity of Malawian NGOs to provide services with positive impact in those sectors.
3. The Agreements, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms, together with such other terms and conditions as A.I.D. may deem appropriate.
4. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the United States, in the Cooperating Country, or in countries included in Geographic Code 935, except as A.I.D. may otherwise agree in writing.

Except for ocean shipping, the suppliers of commodities or services shall have the United States, the Cooperating Country, or other countries included in Geographic Code 935 as their place of nationality, except as

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A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or Code 935 countries. Air travel and transportation shall be financed only on U.S. flag air carriers to the extent they are available. Procurement of commodities and services of U.S. source, origin and nationality shall be maximized to the extent practicable.

Carol A. Peasley
Carol A. Peasley
Mission Director
USAID/Malawi

21 August 1990
Date

Drafter: STNorton, PID	<i>STNorton</i>	Date: 17 Aug 90
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d.

EXECUTIVE SUMMARY

Problems to be Addressed

Malawi's relatively successful macroeconomic performance in the 1980s continues into the 1990s. However, national economic progress is not yet equitably shared by the population. The quality of life for many families, mostly rural, remains poor and in some respects is deteriorating.

Malawi's positive macroeconomic trends reflect a number of conscious GOM policy determinations, including restraint in public expenditures and a partnership for development with the commercial private sector. However, for vulnerable groups in Malawi, reduced public expenditures have diminished public sector resources to alleviate effects, and address causes, of poverty. At the same time, there is not yet a full partnership between the GOM and those non-commercial private sector institutions (community-based groups and the "NGOs"¹) predictably available to enable greater equity in Malawi's national growth.

For their part, the community-based or community-derived groups in Malawi have not, generally, achieved sufficient capacity for extensive mobilization of self-help efforts in key development sectors such as agriculture, off-farm employment, and health. The community-oriented NGOs, in turn, while generally active in the delivery of important social services as well as in relief and rehabilitation efforts, have insufficient technical, managerial, and financial capacity for a major role at this time in longer term, sustainable development efforts.

SHARED Project Approach

The goal of the SHARED Project is to improve the economic well-being of Malawians. To this end, the Project will provide grant support as well as technical assistance and training to strengthen the capacity of Malawian NGOs so that they can increase the amount and impact of their sustainable community efforts in agriculture, off-farm employment, and health. The resources will be made available to Malawian NGOs through a combination of direct support and, in some cases, through intermediation of U.S. and possibly other international private voluntary organizations ("PVOs").

The principal outputs of the Project will be:

- o up to 25 Malawian NGOs will receive training or other

¹ By common usage, "NGO" means not only non-governmental but also non-commercial, non-profit. "NGOs", described more in the affirmative, are private sector instrumentalities to reach public sector objectives.

technical assistance for their institutional development and particularly in their capacity to assist communities to mobilize and manage resources in sustainable efforts in key development areas;

- o up to 20 Malawian NGOs will receive institutional development subgrants in the range of \$10,000 to \$100,000 each;
- o up to 20 Malawian NGOs will receive development activities subgrants in the range of \$100,000 to \$400,000 each; and
- o up to 8 U.S. or conceivably other international PVOs will receive development activities subgrants, in partnership with and in support of Malawian NGOs, in the range of \$500,000 to \$1,000,000 each.

These resources will be made available through an A.I.D. Cooperative Agreement, which will be awarded to a competitively-selected U.S. PVO. USAID/Malawi will be substantially involved throughout the life of the Project. The total funding, including grants, technical assistance and training, and management costs of the selected umbrella PVO and of USAID, will be \$15 million. The Project will last for nine years from the date of the initial obligation.

Project Emphases

The SHARED Project will have special emphasis upon poverty alleviation -- particularly on addressing causes of poverty at the community level -- and upon elimination of gender-specific constraints to equity in Malawi's economic development.

To the extent possible and practical, the Project will seek to allocate its subgrant and technical assistance/training resources roughly in accordance with the following distribution among targeted sectors: (a) agriculture, 25%; (b) off-farm employment, 25%; (c) health, 25%; and (d) other, 25%.

While the Project will, to some extent, use the intermediation of U.S. or possibly even international PVO subgrantees to aid in institutional development of Malawian NGOs, the Project is intended primarily for the support and enhancement of the Malawian NGOs themselves. Thus, it is projected that some two-thirds of the Project's grants, technical assistance and training resources will be made available for the Malawian NGOs, either directly or through U.S. PVO intermediation.

The Project will give priority support to innovative, experimental and self-sustaining approaches by NGOs and PVOs, and to developing and testing new and improved approaches to assisting communities mobilize their resources in agriculture, off-farm employment, and health.

The Project will seek to encourage NGO development work in Malawi on an evenly distributed basis throughout the country, taking into account relative population density and need.

I. BACKGROUND AND RATIONALE

A. Background

The Government of Malawi's (GOM's) development policies since independence have emphasized economic growth and economic efficiency. The country has been successfully implementing stabilization and structural adjustment programs with the IMF and the World Bank since 1981. Malawi became the first country to qualify for the IMF's Enhanced Structural Adjustment Facility (ESAF) in 1988. The GOM's structural adjustment program has been emphasizing a reduction in the public sector deficit and encouraging the private sector as an engine of growth. At the same time, the Government is aware of the need to ensure that the benefits of growth are broadly shared and that the adverse impact of macroeconomic policies on vulnerable groups is minimized.

USAID/Malawi's CDSS/Action Plan for FY 1991-95 cites Malawi's positive macroeconomic performance over recent years, but then posed the question: "Growth for whom, and how long?" The Action Plan noted (p. 13):

While living standards for the average Malawian have clearly improved since Independence, too many people have been left behind -- and perhaps most seriously, the proportion of people left out may be increasing.

If growth is to be broad-based, there must be productivity increases and expansion in the smallholder, estate, and small-medium enterprise sectors. Particularly critical will be the generation of jobs.... The smallholder sector has been asked to absorb an increasing proportion of the expanding labor force. This does not bode well for broad-based economic growth.

Malawi remains perhaps the least urbanized of all African countries, with some 85% of its 8,000,000 population living in rural areas. World Bank studies project that formal sector employment can absorb only slightly more than one-fourth of Malawi's increasing labor force. By the year 2015, the World Bank projects that over 5 million people in Malawi will depend on income and employment outside the formal sector, primarily in smallholder agriculture and small-scale off-farm enterprise activities. Given severe limits to expanding the smallholder sector itself, off-farm self-employment and/or enterprise development will be increasingly important. There simply are insufficient jobs or self-employment opportunities for the increasing number of rural Malawians who cannot be productively employed on their small farm plots.

B. Problems to be Addressed

The problems to be addressed by the Project can be viewed at two levels:

(a) The principal problem to be addressed by the Project is the need for the rural² poor to plan and carry out sustainable development activities which can improve their quality of life; and

(b) The intermediate, or "intermediary", problem to be addressed by the Project is the need for NGOs to have increased institutional capacity and resources to enable them to work with the rural poor in designing and implementing development activities.

1. The Problems of the Rural Poor in Malawi

For a large number of people of Malawi, and particularly in her rural areas, many crucial quality of life indicators are very low:

1. Infant and child mortality rates are among the highest in the world.
2. Per capita food production and consumption are falling, resulting in significant malnutrition.
3. Population growth rates are among the highest in the world.
4. Women are over-represented among the rural poor.³
5. AIDS threatens to be pandemic.
6. Per capita GDP is one of the lowest in the world.

The partnership between the GOM and the formal, private commercial sector for the task of macroeconomic development does not directly address the problems listed above. And the Government of Malawi and its financial aid partners concur that the public services of Malawi are inadequate to meet the needs outlined above. Thus, the GOM increasingly supports a broadening of the participation of the non-commercial private sector in helping to restore and accelerate Malawi's growth through poverty reduction.

The GOM's enlistment of the private sector (commercial and non-

² A rural-urban dichotomy for such an overwhelmingly rural nation does not hold great meaning. For the Project, the descriptor "rural" must be read as meaning "essentially rural."

³ For example, almost one-third of Malawi's rural households are female headed; of these, almost three-fourths have less than one hectare of land, essentially at or below the subsistence level.

commercial) in the challenges of national development is strengthening the partnership between the Government and its people -- and adding a major new resource to Malawi's efforts to achieve sustainable, equitable growth. In the social welfare field, in education, and in curative health services, there has been a historical, fruitful partnership between the GOM and the private non-commercial sector (often referred to as non-governmental organizations, or "NGOs"⁴). There is, however, very limited NGO capacity in Malawi to work in the key development areas of agriculture and rural economic development.

2. Constraints of the NGOs in Malawi

There are currently some 30 to 50 (depending on classifications used) national NGOs, NGO consortia, and international PVOs working to address some of the needs cited above. The majority of NGOs in Malawi work in health, education, relief and rehabilitation. In Malawi, as elsewhere, social welfare and community development NGOs work directly with or for the people in greatest need, helping them to develop their own potential, and assisting or enabling them to address both the causes and effects of their impoverishment. The small-scale activities of NGOs in these areas, when identified at the level of the direct beneficiaries and involving the beneficiaries in their management, are often successful. Such "people contact" is usually a hallmark of NGO work and, under proper conditions, can magnify the likelihood of sustained development.

Only a few NGOs/PVOs in Malawi work in agriculture and even fewer are engaged in small or micro-enterprise support or other forms of off-farm employment. The Project seeks to extend the range of NGO work in Malawi to include agriculture and off-farm employment, areas where NGO "people-centered" approaches will be particularly useful and cost-efficient. However, this is relatively unfamiliar territory for NGOs in Malawi. The Project will assist NGOs to increase their capacity for effectiveness and impact in these areas.

Over the past 18 months, a series of surveys and studies (including this project design) have examined constraints to NGO expansion in Malawi over the range of their development activities (see Annexes B through E). Most NGOs in Malawi, when queried as to their greatest needs, either directly cite their lack of funding for program operations or for other needs (e.g., skills development, management capacity, technologies, and transport). With less force, although rather uniformly, the NGOs in Malawi acknowledge the value of greater communication and collaboration within their own community. There

⁴ Unless context dictates otherwise, "NGO" is used in this Project Paper to refer to the generic category of national and foreign non-governmental organizations and private and voluntary organizations (in the U.S., usually "PVOs"). When the sense of the Project Paper requires it, the distinguishing designations "NGO" and "PVO" will be used.

have also been suggestions (both from some NGOs and the GOM) that certain development activities (e.g., small enterprise development, agriculture, or appropriate technology identification and dissemination) might be inconsistent with the missions of most social welfare NGOs and thus warrant efforts to attract or generate some new NGOs in Malawi.

C. Project Rationale

1. Strategy

The strategy of the Project is to increase the number and strengthen the capacity of NGOs engaged in development activities in Malawi in the key areas of agriculture, off-farm employment, and health. The strengthening of NGOs is intended as a means of expanding the opportunity of Malawi's rural poor to share in -- and contribute more to -- national economic growth. The strengthening of NGOs can be done in part by provision of financial support through a targeted grant program and provision of technical assistance and training directly for Malawian NGOs. In addition, USAID's prospects for assisting Malawian NGOs are enhanced by the presence of some U.S. PVOs in Malawi (with others expressing interest in working in Malawi) and the potential of mutually-supportive partnerships between these U.S. PVOs and Malawian NGOs.

2. GOM Priorities and NGOs

The GOM has increasingly recognized the important role in Malawi of NGOs, both national and foreign. For some years, the GOM has had substantial positive experience with NGOs and PVOs, particularly in the areas of education, health, relief and rehabilitation, and elsewhere in the social welfare and service fields (e.g., care for the handicapped). Quite often in Malawi, NGOs have originated from a Ministry "parent" with the hope that the NGO, while continuing to cooperate with Government, would not be dependent upon Government's financial subvention.⁵ The wide network of church organizations and facilities around the country has been, and remains, a fertile base for NGO involvement in social welfare, education, and health.

The GOM's awareness of the capacities of NGOs, and NGO willingness to work in harmony with Government, has been heightened in the past three years through NGOs' efforts to assist, and relieve the impact on Malawi of, refugees from neighboring Mozambique, totalling more than 10% of Malawi's own population. The GOM has also become aware of the increasing willingness and interest on the part of external bilateral and multilateral donors to channel development assistance funds to and through NGOs, when consistent with Government priorities and

⁵ The GOM has been instrumental in reviving and providing funding for the Council for Social Welfare Services (CSWS), an NGO consortium. CSWS is discussed fully in Annexes A through E.

programs.⁶ The GOM, through various Ministries, seems committed to supporting a major expansion in the amount and scope of NGO activities in Malawi, as both a programmatic and financial supplement to Government efforts.

An expansion of NGO work in Malawi would appear clearly to be in furtherance of the GOM's own national development policies. The four major goals of the GOM, as expressed in its Statement of Development Policies (DEVPOL) for the 1987-1996 decade, are well suited for NGO involvement:

- o reduction of poverty and disease
- o better income distribution
- o maintenance of self-sufficiency in basic foodstuffs
- o increased economic security

3. USAID/A.I.D. Priorities and NGOs

So, too, USAID policy and strategy in Malawi also clearly and explicitly calls for expanded USAID support of NGO and PVO activities.⁷ The USAID/Malawi program for FY 1991-1995, in full consonance with the DEVPOL, is to enhance the economic well-being of the average Malawian household. In order to stimulate growth and improve the quality of life, USAID's sub-goals are (i) to raise per capita income and improve food security, and (ii) to improve health status and increase workforce productivity. Thus, the Mission has identified five Strategic Objectives for achieving USAID's overall program goal and sub-goals:

- o increase agricultural productivity and production
- o increase off-farm employment
- o reduce fertility
- o reduce infant and child mortality and morbidity

⁶ See Annex F for the Chairman's Closing Remarks at the May 1990 Consultative Group meeting on Malawi and two articles from Malawi's national newspaper.

⁷ USAID/Malawi has substantial experience with grant funding of PVOs in Malawi, in collaboration with the GOM and supportive of national institutional development. For example, since 1985, USAID has financed grants, through its READI Project, to three U.S. NGOs, in support of work of Malawian NGOs. Other bilateral and multilateral funding agencies have developed a portfolio of NGO support programs in Malawi. (See Technical Analysis, section V.A and Annex A.)

o control the spread of AIDS

The SHARED Project responds to the Mission's goals and objectives by supporting critically needed development activities in the key sectors -- agriculture, off-farm employment, and health -- which embody USAID's Strategic Objectives. The implementation of the Project through NGOs and PVOs will enable the Mission to increase and broaden its engagement in Malawi's national development program, within the GOM's DEVPOL framework.

The Project design consciously emphasizes the Project's potential for implementation of A.I.D.'s important policies concerning "Women in Development", use of "Private and Voluntary Organizations", support of "Local Organizations In Development", and adherence to the A.I.D. Policy Determination (PD-17) on "Microenterprise Development".

D. Summary of Project Design

The SHARED Project will be implemented through a Cooperative Agreement, competitively awarded to a U.S. PVO or Cooperative Development Organization ("CDO"). USAID will have substantial involvement in the Project's implementation, within the meaning of A.I.D. Handbook 13. (See section II.A.2, below.)

1. Project Goal

The goal of the Project is to improve the economic well-being of Malawians through increased opportunities for improving their on-farm and off-farm productivity and employment, and improved health.

Attainment of the goal will be reflected in increased agricultural productivity, increased on-farm and off-farm incomes, increased use of child spacing techniques, reduced child mortality and morbidity, and improved nutritional status.

2. Project Purposes

The Project's purposes are twofold:

- o To expand the amount and increase the impact of development activities of NGOs/PVOs in Malawi in the key areas of agriculture, off-farm employment, and health; and
- o To strengthen the capacity of Malawian NGOs to provide services with positive impact in those sectors.

Achievement of the Project's purposes will be reflected in the following end-of-project (EOP) status indicators:

- (a) Number of communities able to design, plan and implement their own sustainable development activities as a result of NGO support.
- (b) All NGOs receiving "development activities" (see section II.C.) subgrants demonstrate capacity to plan, design, manage and implement sustainable development projects.
- (c) NGOs as partners of U.S. PVOs receiving "development activities" subgrants demonstrate capacity to plan, design, manage and implement sustainable development projects.
- (d) At least 50% of community activities supported through NGO/PVO grants are self-sustaining by EOP.
- (e) Established and/or increased linkages between national and international NGOs/PVOs.
- (f) Increased number of NGOs engaging in effective development activities in agriculture, off-farm employment, and health.
- (g) Increased demand by communities for NGO development activities.
- (h) Requests by GOM for increased NGO/PVO involvement in development activities.
- (i) Increased donor support for NGO development activities.

3. Project Outputs

(a) From the standpoint of the people and communities that are the beneficiaries of the Project, the principal outputs will be skills, knowledge and suitable technologies transferred through NGOs to key sector beneficiaries. The principal indicators (disaggregated by gender, when appropriate) will be:

- i. increased number of beneficiaries engaged in agriculture, micro/small enterprise and health activities (See section VI),
- ii. technologies adopted and used, and
- iii. community projects undertaken and successful.

(b) From the standpoint of the NGOs themselves, the principal outputs

will be as follows:

- i. up to 25 Malawian NGOs receive training and/or technical assistance (from the Project Management Unit, independently of any subgrant funding) for organization formation, planning, financial management, project design, monitoring, evaluation and project implementation (e.g., in technical fields) capacity,
- ii. up to 20 Malawian NGO "institutional development" subgrants (range \$10,000 to \$100,000 each, terms up to 1 year) (see section II.C.),
- iii. up to 20 Malawian NGO "development activities" subgrants (range \$100,000 to \$400,000 each, terms 3 to 5 years), and
- iv. up to 8 U.S. or other international PVO "development activities" subgrants in partnership with Malawian NGOs (range \$500,000 to \$1,000,000 each, terms 3 to 5 years).

4. Project Inputs

The principal inputs to the Project will be financing to and for NGOs/PVOs processed and administered by the Project Management Unit (PMU) under the Project-funded Cooperative Agreement. The PMU will directly manage the SHARED Project, with substantial involvement by USAID through Project support activities as well as participation in certain Project management decisions and implementation, as more fully described in section IV. Other inputs will be financial and technical assistance contributions to Project activities by the NGOs and PVOs themselves. Project activities also will receive inputs, indirectly at least, from the Government of Malawi (e.g. duty-free privileges accorded to NGOs/PVOs) and from external public sector (bilateral and multilateral) and private sector development support agencies.

II. PROJECT DESCRIPTION

A. Project Structure

1. Institutional Project Manager and Project Management Unit

The Project will be implemented through an umbrella-type Project Management Unit (PMU) which will be established and managed by a registered U.S. PVO or CDO. USAID will enter into a competitively-determined Cooperative Agreement with the PVO to implement the SHARED Project. The Agreement will be awarded initially for five years with an expectation that it will be extended for the total life of the Project. The recipient of the Cooperative Agreement will become the Project's institutional project manager, and will have three major and interactive areas of responsibility, exercised primarily through the PMU:

- (a) Overall management of the Project and the resources made available by USAID through the Cooperative Agreement;
- (b) Administration of subgrants to NGOs and PVOs, both for development activities and Malawian NGO institutional strengthening; and
- (c) Coordination and provision of technical assistance and training for institutional strengthening of Malawian NGOs, particularly in their capacity to perform in the sectoral areas of SHARED's focus.

The management functions of the Cooperative Agreement recipient and the PMU are described more fully in section II.B below.

The structure of an independently-managed PMU was selected to permit cost-efficient, timely, and well-coordinated approval and financing of the majority of USAID-supported NGO/PVO activities in Malawi. While the USAID Mission will continue to handle some non-Project-financed grant support to NGOs/PVOs independently of the PMU, at least for the duration of SHARED it is USAID's intention to concentrate its support to NGOs through SHARED. (USAID NGO/PVO funding independent of SHARED will be for activities which are sectorally remote from the SHARED focus, whose size or terms of the grant are substantially out of line with those of SHARED, or which better fit into the framework of a discrete project, e.g., READI Project, A.I.D./W Child Survival grants, and the Mission's FY91 education and FY92 population projects.)

2. USAID Role

USAID will have "substantial involvement" in the implementation of the SHARED Project within the meaning of A.I.D. Handbook 13, Chapter 6 on Cooperative Agreements. USAID's role in Project implementation will be expressed principally through the following activities:

- USAID review and approval of substantive aspects of proposed subgrants (certain minimal funding or type-of-activity thresholds may be established before USAID approval would be required)
- USAID concurrence in key personnel of the PMU
- ongoing close collaboration in Project implementation, including USAID involvement in management decisions. The principal mechanism for this involvement will be the PMU's Annual Workplan with its quarterly reviews and updates.

USAID will engage a full-time Personal Services Contractor (PSC) Project Assistant and Secretary to assist the PMU in Project implementation and to monitor Project performance and impact on behalf of USAID. This assistance will include processing matters (such as subgrant approvals) through USAID, and assisting the PMU (and USAID) in establishing compatibility in information and reporting requirements. USAID will help facilitate the PMU's relationship with the GOM and other involved donors. The Project Assistant will also arrange with the PMU for the audits and evaluations of the PMU and the overall Cooperative Agreement (see section VI).

3. GOM Role

Recognizing the importance that the GOM places in NGOs' relief and development activities in Malawi, it is essential that the GOM be aware of the Project-financed NGOs' activities and that the NGOs obtain local government and community-level endorsement prior to implementing their projects. In addition, all NGOs, both international and indigenous, must register with the GOM's Ministry of Justice. (In the latter stages of the Project's implementation, some Malawian NGOs could be encouraged to obtain U.S. registration. Such registration would permit future direct USAID support to those NGOs). As has been the practice, all NGOs will be required to coordinate their activities with the "parent" GOM ministry, that is, the ministry which has substantive responsibility for the sector in which the NGO is engaged.

The GOM will not participate directly in the review and approval of subgrants to NGOs, but the NGO seeking such assistance will need to obtain written acknowledgement of and acceptance by the GOM of the NGO's proposed activities. Such written advice must accompany the NGO's proposal submission to the PMU. Following all subgrant approvals, or on a quarterly basis, the PMU will formally advise the GOM of approved activities. To facilitate the GOM's overall monitoring of Project activities, the PMU also will forward copies of its quarterly progress reports to the appropriate GOM ministries.

Lastly, USAID and the GOM will execute a Limited Scope Grant Agreement that will provide funding for the PSC Project Assistant and Secretary, and evaluations and audits of the overall Project and the recipient of

the Cooperative Agreement. In addition, the Agreement will specify the Project's planned activities and the methods of Project implementation and responsibilities.

B. Project Management

The Project Manager (i.e. recipient of the Cooperative Agreement) will establish, staff and maintain in Malawi (with appropriate home office support), an operational Project Management Unit (PMU) which will provide support to NGOs and PVOs in Malawi. (See Administrative Analysis, section V.B.1, for illustrative staffing plan for the PMU.)

The Project Manager, through its PMU and with concurrence of USAID, will establish and maintain structures, systems and procedures related to subgrant approval and administration, as described in section II.C below.

The PMU also will establish systems and procedures to identify and satisfy NGO/PVO technical assistance and training needs, either through the subgrant mechanisms or by/through the PMU itself, as discussed in section II.C.2 below.

In general, the PMU must establish and maintain appropriate systems, personnel and procedures required for Project implementation, including the following:

- o USAID, Government of Malawi and NGO/PVO relations and liaison
- o financial management, control and reporting (to both USAID and A.I.D./W)
- o staff and personnel management
- o cash management (including subgrant funds disbursement)⁸
- o property management and inventory
- o system for reporting on source and origin procurement requirements under A.I.D.'s Development Fund for Africa
- o evaluation system (compatible, for reporting purposes, with USAID/Malawi's Monitoring and Evaluation (M & E) system)
- o a management information system adequate not only for

⁸ The PMU and its home office must have efficient procedures to handle funds transfers (from the A.I.D. Letter of Credit) and internal (to the Project Manager) financial controls.

SHARED's own management requirements but also to enable accurate reporting to USAID, including annual special reporting requirements on such themes as microenterprise development and women in development

- o audits (including audits of subgrant recipients, which will be managed by the PMU and funded through the Cooperative Agreement)

The accounting system which the PMU will establish, for its own operations and for subgrant reporting/accounting, must not only be adequate for internal management purposes but also enable accurate reporting to USAID under its Mission Automated Control System (MACS). Also, the Project Manager will have to report to A.I.D./W in accordance with the requirements for Letters of Credit.

The PMU will prepare and submit for USAID approval an Annual Workplan. The Annual Workplan will be timed and formatted to include the information required for the Project Manager's semiannual report to USAID. The Annual Workplan will include a comprehensive budget and proposed activities for the coming year, including progress indicators. The PMU will submit quarterly reports to USAID, keyed to the Workplan. (The mid-year quarterly report will include information required by USAID for its semiannual Project Implementation Reports (PIR) system.) The Annual Workplan, and its periodic review with USAID, will be the principal formal instrument of the PMU-USAID collaborative management relationship, and of USAID's "substantial involvement" in the Project.

Prior to the PMU's presentation of its first Workplan for USAID approval, the PMU will undertake its own initial baseline survey of NGO/PVO needs and capacities in Malawi (based on, inter alia, USAID's own data base), particularly with reference to the purposes of the SHARED Project.⁹ Its initial survey will build upon a series of other NGO sector studies over the past two years in Malawi (see Annexes B through E). Either as part of this survey process or independently, the PMU will stage at least three regional "familiarization" workshops with NGOs, PVOs, community leaders and GOM. The purpose of these workshops will be to acquaint the participants with the aims of SHARED and to draw upon their interests and experience in formulating the implementation details of SHARED.

⁹ Subsequent baseline surveys may also be required for specific geographic or sectoral areas of SHARED involvement. In addition, the PMU will assist its "client" NGOs in developing a capacity for collecting baseline data for their own projects. A difficult task (and perhaps a topic for SHARED research) is the development of cost-efficient means of developing useful baseline data for relatively small-scale NGO projects. See section VI concerning monitoring and evaluation.

C. Project Activities

The principal project activities will center on subgrant funding and related technical assistance and training to increase the capacity and impact of Malawian NGOs working in key sectors of health, agriculture, and off-farm employment.

1. Subgrant Funding

(a) In General

The subgrant function will include establishing the eligibility of the NGO/PVO applying for the subgrant, determining the suitability of the NGO project itself for SHARED funding, and processing and administering the subgrants.

There will be subgrants supporting institutional development of Malawian NGOs. These institutional development subgrants will be in the range of \$10,000 to \$100,000 each, and will have terms of up to approximately 2 years. The institutional development subgrants may be supplemented (or, at times, preceded) by technical assistance and training provided by the PMU.

There will also be subgrants supporting NGO/PVO development activities in the key sectors covered by SHARED.

(i) In the case of Malawian NGOs, these subgrants will be in the range of \$100,000 to \$400,000 each, with terms of approximately 3 to 5 years.

(ii) In the case of U.S. or other international PVOs, these development activities subgrants will be in the range of \$500,000 to \$1,000,000, also with terms of approximately 3 to 5 years. In this case, it is expected that each development activities subgrant would have a significant component consisting of support for institutional development of one or more Malawian NGOs. While "significant" is difficult to define, one test might be whether the NGO institutional development component of the PVO's subgrant can be evaluated at the Malawian NGO institutional level as described in section VI.C.2 below.

The resources available through the Project, and particularly the funds available for subgrants, will be allocated with reference to certain Project targets and not just on a case-by-case basis. While not susceptible to precise mathematical definition, a balance should be struck among the following targets:

(i) Of the total resources available through the Project (subgrant funding, technical assistance and training), the amount available for Malawian NGOs should be approximately twice that available for the U.S. or other international PVOs. In gauging whether this target

is being met, the portions of development activities subgrants to the U.S. or other international PVOs aimed at strengthening Malawian NGOs will be treated as if they were "available" for Malawian NGOs.

(ii) To the maximum extent possible, some reasonable balance among the country's three Regions should be struck. While this does not mean allocating resources evenly among the Regions, effort must be made to determine some regional balance based upon such factors as population size and relative needs.

(iii) Subject to further refinement as part of preparation of the PMU's first and subsequent Annual Workplans, there should be an approximate allocation of resources among the following sectoral categories. The PMU will solicit NGO proposals, if necessary, to achieve the desired balance between these categories. An illustrative initial target distribution is:

-- Health	25%
-- Agriculture	25%
-- Off-farm employment	25%
-- Other	25%

(b) Subgrantee Eligibility

(i) Eligibility for Development Activities Subgrants

Although not legally required, U.S. and international PVOs seeking SHARED development activities subgrants must have A.I.D./Washington PVO registration. While local NGO subgrantees will not be required to register with A.I.D./Washington or USAID/Malawi, the PMU will establish (with USAID concurrence) its own eligibility requirements, generally patterned after the A.I.D. registration requirements. These would include:

- o document of the NGO's legal status and GOM registration¹⁰
- o evidence of non-GOM financial support
- o evidence that the NGO is engaged in voluntary, charitable, or development assistance work
- o demonstration that it is a non-governmental organization (although the PMU/USAID may, in special

¹⁰ See Technical Analysis, section V.A.

circumstances, consider funding erstwhile parastatals for the explicit purpose of reconstituting themselves as NGOs)

- o adequacy of systems to manage properly and account for receipt and expenditures of subgrant funds, and an annual (audited) financial statement
- o an active, responsible governing Board
- o not engaged exclusively in religious activities

(ii) Eligibility for Institutional Development Subgrants

Only Malawian NGOs will be eligible for institutional development subgrants. The intention of this subgrant category is to encourage Malawian NGOs to identify their own institutional needs and seek SHARED financial support to meet those needs. The institutional development subgrants will be much smaller and for shorter term than the development activities subgrants. Also, just as the SHARED subgrants for institutional development support will be customized to the specific level of maturity of the applicant organization, so also the eligibility requirements must be flexible. For example, an NGO might require SHARED financial support for the NGO to be able to secure the financial management capacity to be subsequently eligible for development activities subgrant funding.

It will be a function of the SHARED PMU to encourage and assist Malawian NGOs to reach the level of institutional maturity so that they will be eligible for SHARED development activities subgrant funding in the targeted sectors.

(c) Subgrant Processing and Administration

(i) Development Activities Subgrants

The subgrant approval process will proceed on the basis of collaboration between the PMU and the NGO applicant. Applicants will first submit a short concept paper, along with a written acknowledgement of and acceptance by the GOM of the NGO's proposed activities, for preliminary discussion with PMU staff. If the concept presented falls within SHARED's areas of interest and guidelines, the subgrant applicant will be invited to develop a full proposal. As warranted, the PMU will assist the applicant in developing a full-scale proposal, including an Initial Environmental Examination (IEE), when necessary (see Annex H). It is likely that for some NGOs, the collaborative application process will identify areas of NGO institutional strengthening that should be undertaken prior to or as part of the subgrant activity.

It is an aim of SHARED to increase the extent of NGO/PVO work in the targeted areas, to help enable NGOs to increase the impact of the development activities in which they engage, and to contribute to the collective strengthening of the institutional capacity of the Malawian NGO sector. Thus, the criteria for approval of subgrants should be viewed as elements which SHARED hopes to promote in NGO projects, and not be viewed simply as bases for approval or disapproval of subgrant applications.

The criteria which the PMU will be called upon to apply for subgrant approval will be drawn from among the following non-prioritized illustrative list. Additional sectoral-specific criteria also may be developed by USAID in conjunction with the PMU.

- o The project must be within the key development areas which are SHARED's focus, that is, agriculture, off-farm employment, health and other areas which may be identified during the life of the Project.
- o The proposal must provide achievable plans for successful project administration and financial management.
- o The proposal supports the creation and strengthening of an indigenous NGO community.
- o The proposal must demonstrate technical and environmental soundness.
- o The proposal must reflect a plan for monitoring, evaluating and reporting on the project's progress and impact, particularly "people-level" impacts, including gender-disaggregated data.
- o To the extent practicable, the project should focus on expanding female participation.
- o For local NGOs, there should usually be an institutional development feature to each proposal.
- o For U.S. PVOs, there should be an NGO collaborative element through which a local NGO will be created or strengthened; if not, why not?
- o Where there is this collaborative element, proposals must detail the phase-out of U.S. PVO support.
- o The proposals for community-based projects must reflect not only genuine beneficiary participation in the project's development, but also attainable levels of sustainability.

- o Proposals will be favored which demonstrate innovation, experimentation and creativity.
- o There must be evidence (as described elsewhere) that the GOM has acknowledged the project or that GOM recognition of this specific project is not required (for example, when an NGO or PVO has general program authorization with freedom to include this particular project).
- o Proposals must demonstrate the extent to which the NGO is committing its own resources, whether in-kind or cash.
- o Proposals should demonstrate the project's complementarity, if any, with other USAID projects.
- o Proposals must demonstrate that the project will not become a recurrent cost burden of the GOM.
- o For U.S. PVOs, proposals from eligible "Disadvantaged Enterprises" (as defined in applicable U.S. legislation and A.I.D. regulations) will be favored and should be encouraged by the PMU.
- o Proposals should be environmentally sound.

With USAID concurrence, the PMU may establish an outside advisory committee or review board (which could include GOM representation) to assist it in assessing subgrant applications. (See Administrative Analysis, section V.B.) However, PMU must assume for itself, and not delegate to an independent authority, the responsibility to determine which subgrants warrant funding. In addition, PMU decisions to approve subgrants must have USAID concurrence, following procedures to be established by the PMU with USAID. Consideration will be given, however, to establishing a minimum cost threshold and other general parameters for subgrants which would require USAID's concurrence.

The PMU will develop subgrant documentation including the following provisions:

- o project description, objectives, and progress and impact indicators
- o funding, disbursement schedule
- o requirement that subgrantee maintain appropriate books, records, documents, as well as accounting practices and procedures sufficient to reflect use of funds only for approved subgrant purposes
- o monitoring and evaluation plan

- o program reporting (including impact data)
- o financial reporting
- o auditability (including USAID right of access)

(ii) Institutional Development Subgrants

A major responsibility of the Project Manager, through the PMU, will be to assist NGOs and PVOs diagnose their institutional needs, and then identify accessible and affordable technical assistance and training for institutional development and strengthening. In determining possible sites for training, the following order of preference will be followed (subject, of course, to meeting the specific training needs):

- training in Malawi,
- training in Africa, preferably in Southern or East Africa, or other developing countries,
- training in the United States.

When agreement is reached between an NGO and the PMU on possible institutional development inputs, an institutional development subgrant can be considered. These institutional subgrants will be available only for the Malawian NGOs.

Areas of technical assistance most likely to be of value to NGOs in Malawi, and which are likely to be funded by the institutional development subgrants, would include the following:

- o financial management (including budgeting) and program management
- o program design, planning
- o monitoring of project inputs
- o evaluation of project impact
- o organizational self-assessment (including setting priorities, determining staffing needs, etc.)
- o strategic planning (going beyond grant-to-grant existence)
- o personnel policies and management

- o preparation of persuasive funding proposals, yet consistent with sound program planning

2. PMU Technical Assistance and Training Functions

The PMU will provide or arrange for technical assistance and training for individual NGOs or groups of NGOs, which will be provided independently of subgrant funding. This support may consist of workshops, consultancies, training sessions, materials and information (and information systems), or constructive linkages for mutual sharing and support within the NGO sector itself.

Generally, this independent technical assistance and training will be provided with a view to subsequent NGO qualification for an institutional development subgrant and/or a development activities subgrant under the Project.

While the PMU will remain responsive to NGO initiatives for strengthening, the PMU may also take initiatives of its own to stimulate a qualitative and quantitative expansion of the NGO community in Malawi. Such PMU-initiated efforts might even include an activist role in promoting the formation of new and different NGOs to meet certain needs within the framework of SHARED but which are beyond the foreseeable scope of existing NGOs.

As part of its support to strengthen the NGO community in Malawi and staying within its sectoral focus, the PMU will engage in or sponsor, preferably through NGOs and PVOs, action research which will contribute to the attainment of the Project's purposes. For example, the PMU could sponsor research from within SHARED's own project portfolio on effective counters to gender constraints to small-scale off-farm employment.

The PMU will undertake to communicate to the Malawian NGO community and GOM lessons learned from the SHARED activities. Such research and communications by the PMU should also contribute to the NGO dialogue with Government to ensure a more enabling environment for NGOs' contributions to national development.

III. COST ESTIMATE AND FINANCIAL PLAN

A. Summary

SHARED will be funded at the level of \$15,000,000 from the Development Fund for Africa (DFA) over nine years from the date of initial obligation. Five million dollars will be obligated in FY 1990. The next increment of \$2,500,000 will be added in FY 1991 and additional increments will be provided in FY 1992-94. The PVO Project Manager, NGO/PVO subgrantees, GOM and community beneficiary groups will make cash and in-kind contributions in an estimated amount of \$2 million so that the total Project cost is at least \$17,000,000. Although virtually all of the U.S./international NGOs receiving development activities subgrants will be required to satisfy the 25% non-A.I.D. contribution requirement, the PVO Project Manager and the vast majority, if not all, of the anticipated Malawian NGO recipients of subgrants will not be expected to provide such a level of contribution (see subsection C below). While it is intended that SHARED will leverage funding from other bilateral and multilateral donors, both for development activities as well as for institutional development, the prospect and likely amount of this collateral funding is too remote to be included as part of this presentation.

B. USAID Cost Estimate

Table 1 summarizes the cost estimates for A.I.D. financing for the Project. The Project costs met by USAID funding are broken down into five categories:

1. PMU: The budget includes the entire costs of the PMU staff and associated operational and equipment costs. It does not allocate the PMU costs in Malawi among general management, subgrant support/administration, or technical assistance and training activities independently of subgrant activities. Such differentiations will be useful and necessary as a part of project management analysis as well as USAID reporting on sectoral activities derived from this multi-sectoral Project.

2. Institutional Development Subgrants: The budget assumes up to 20 Malawian NGO institutional development subgrants in the range of \$10,000 to \$100,000 each.

Further refinement of Project cost projections (particularly following the Project Startup stage's expanded assessment of needs/demands) should generate the desirable overall split between institutional development subgrant funding and development activities subgrant funding. As with the split among sectoral categories, it will be useful to estimate a split between institutional development subgrant funding (directly and through the PVO development activities subgrants) and development activities subgrant funding. An illustrative initial target for the split would be 75% for institutional development funding and

25% for the development activities (exclusive of institutional strengthening) funding. This split is intended to signal, as well as achieve, the Project's emphasis on development of the long-term institutional capacity of the Malawian NGO community as a contribution to a more pluralistic, participatory society, and less emphasis upon solely service delivery.

3. Development Activities Subgrants: The allocation assumes approximately 8 U.S. or other international PVO development activities subgrants, in partnership with Malawian NGOs, in the range of \$500,000 to \$1,000,000 each. It does not assign the portion of the PVO subgrant which will be received by the NGO partner nor does it assign a value to the PVO's technical assistance to the NGO; such analyses will be required as a part of Project implementation.

It also assumes approximately 16 Malawian NGO development activities subgrants in the range of \$100,000 to \$400,000 each.

Following the expanded needs/demand analysis during the Project Startup stage of the Project (see section IV), the first Annual Workplan should be able to project the relative mix of Malawian NGO and U.S./international PVO development activities subgrant funding likely to be committed, at least during the initial years of the Project. As an initial, albeit rough, target, an overall split of 60% Malawian subgrant funding (including that derived through PVO subgrants) and 40% PVO subgrant funding (excluding NGO funding in the PVO subgrant) is projected.

The first Annual Workplan also will include PMU targets for the split among the sectoral categories of the development activities subgrant funding. As discussed elsewhere, such assignment or sequestering of grant funds for sectors of concentration will be necessary to avoid a first-come first-served phenomenon related more to NGO/PVO institutional capacities than sectoral needs. For illustrative purposes only, the initial subgrant target distribution could be:

(a) Health	25%
(b) Agriculture	25%
(c) Off-farm employment	25%
(d) Other	25%

4. Technical Assistance and Training: Intended for institutional strengthening of Malawian NGOs independently of subgrant funding. This would include workshops/conferences, training courses, study and observation tours, and specific PMU-provided or PMU-managed consultancies for individual or grouped NGOs. The cost

projections in Table 1 under Institutional Development Subgrants only list the direct costs for technical assistance and training and do not include technical assistance and training provided through the PMU/Malawi or its home-office staff and included under the PMU budget element.

5. USAID Project Costs: This will include the costs of the USAID PSC Project Assistant and Secretary, external evaluations, and audits of the PMU.

TABLE 1

A.I.D. ILLUSTRATIVE BUDGET (\$000)

	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	LOP
PMU										
Project Director	140	100	105	110	135	120	125	130	135	
Financial Manager (Expat.)	135	95	100	135	0	0	0	0	0	
Financial Manager (Local)	0	0	25	30	35	40	45	50	55	
Local Hire, Prof. (2)	40	42	44	46	48	50	52	54	56	
Local Hire, Support (4)	30	32	34	36	38	40	42	44	46	
Short-Term TA for PMU	80	40	30	20	20	20	15	15	15	
Travel/Per Diem	25	25	20	15	15	15	15	15	5	
Office Operations/Vehicles/Equipment	55	35	35	55	40	40	40	30	20	
Home Office Support	30	20	20	20	25	25	25	25	20	
Int'l & Subgrant Audits	10	10	10	10	10	10	10	5	5	
Overhead and/or G&A	273	200	212	239	183	180	185	184	180	
Subtotal	818	599	635	716	549	540	554	552	537	5,500
INSTITUTIONAL DEVELOPMENT SUBGRANTS 1/										
Subgrants	75	100	125	125	125	125	100	75	50	
Non-subgrant TA/Training										
Training Courses	10	15	15	15	15	15	10	10	10	
Workshops/Conferences	10	15	15	15	15	15	10	10	10	
Study/Observ. Tours	5	10	10	10	10	10	5	5	5	
Subtotal	100	140	165	165	165	165	125	100	75	1,200
DEVELOPMENT ACTIVITIES SUBGRANTS										
Malawian NGOs 1/	200	400	500	500	450	300	250	150	50	
U.S./International PVOs	800	1,100	1,400	900	500	0	0	0	0	
Subtotal	1,000	1,500	1,900	1,400	950	300	250	150	50	7,500
USAID PROJECT SUPPORT										
PSC Project Assistant/Secretary	60	40	45	50	55	60	65	70	75	
Evaluations	0	20	0	0	50	0	0	0	60	
Audits	0	40	0	0	50	0	0	0	60	
Subtotal	60	100	45	50	155	60	65	70	195	800
TOTAL A.I.D. PROJECT COSTS 2/	1,978	2,339	2,745	2,331	1,819	1,065	994	872	857	15,000

1/ Technical Assistance and Training for Malawian NGOs provided through Institutional Development Subgrants, Development Activities Subgrants, and direct PMU services (see section III.B.4.)

2/ Does not include NGO/PVO, GOM or other project participants' in-kind/cash contributions (see section III C)

C. Non-A.I.D. Contributions

Non-A.I.D. contributions are expected from two sources. The first is the GOM. The second is comprised of the umbrella PVO and subgrantees, including U.S., international and local PVOs/NGOs.

1. GOM: As discussed elsewhere in the Project Paper, a Limited Scope Grant Agreement (LSGA) will be executed with the GOM. The LSGA will provide funding for the PSC Project Assistant and Secretary, external evaluations and audits of the Cooperative Agreement recipient. The GOM is expected to provide some in-kind contributions over the life of the Project. The bulk of this contribution will come from tax exemptions to NGOs/PVOs financed under the Project. While the exact amount cannot as yet be quantified, it is probable that it will satisfy the 25% non-A.I.D. contribution requirement, at least for the initial obligation. In-kind contributions will be monitored as subsequent incremental obligations are added to the LSGA. A waiver of the contribution requirement will be sought from the AA/Africa in the event it is determined that the GOM contribution will fall short of the 25% requirement.

2. PVOs/NGOs: There are three potential sources of non-A.I.D. contributions from entities financed under the Cooperative Agreement. These are: (a) the U.S. PVO recipient of the Cooperative Agreement; (b) U.S. or international PVO subgrantees; and (c) local NGO subgrantees. Each potential source has different capabilities and limitations with respect to providing non-A.I.D. contributions. These are illustratively and generally discussed below.

(a) The Cooperative Agreement recipient will be expected to provide some non-A.I.D. contribution. The exact nature of this contribution will be negotiated as part of the Cooperative Agreement. The contribution will be sufficient to demonstrate the PVO's commitment to the Project. The PVO's support of the Mission's strategy, however, provides justification for a reduction in the 25% contribution. The Mission Director will approve an appropriate reduction in the contribution requirement. The majority of the Cooperative Agreement funds, however, will be passed through to the PVO/NGO subgrantees. They will be expected to provide non-A.I.D. contributions as discussed below.

(b) U.S. and international PVOs will be expected to provide the full 25% contribution. In most cases, part of this contribution will be in cash. Waivers of the 25% requirement will be considered on an exceptional basis.

(c) It is unlikely that most local NGOs/PVOs will have sufficient resources to provide the full 25% contribution. In all cases, however, the umbrella organization will be instructed to require some contribution and encourage contributions of up to 25%. Virtually all of these contributions will be in-kind.

The overall non-A.I.D. contribution will vary depending upon the selection and mix of subgrantees. More subgrants given to U.S./international PVOs will increase the non-A.I.D. contribution. As the local NGO share grows, the non-A.I.D. contribution will decrease. While there are some uncertainties, it is estimated that the non-A.I.D. contribution will fall between 10% and 15% of total Project costs. Most of this will be provided by in-kind contributions.

D. Financial Controls

Accurate financial control and reporting on all dollar and local currency expenditures to USAID will be the responsibility of the PMU. USAID will work closely with the PMU in reviewing and approving the PMU's accounting and financial control system as part of the Project Startup stage. This control system is of fundamental importance to the success of the Project, and the Project Manager/PMU performance in this area will be one of the most important elements for satisfactory Project management. In selecting the recipient of the Cooperative Agreement, the USAID Proposal Review Committee will closely analyze the applicants' available and committed capacity in this area.

The following key elements should be included in the PMU's financial reporting system:

1. For PMU expense monitoring, a chart of accounts with annual and life-of-project budgets, detailed monthly budget versus actual expenditure summaries, annual and life-of-project budget versus actual expense summaries, and a check register system;
2. For subgrant project activities, a budget versus actual expense report should be maintained on a quarterly basis with information provided by the subgrantee; and
3. A monthly cash and bank account reconciliation is recommended. The PMU expense reports and subgrant project reports should be submitted to the USAID PSC Project Assistant at least quarterly. (See section VI.B.)

The PMU operations will undergo financial compliance audits as determined and arranged by USAID. These audits will be undertaken when deemed necessary to ensure that Project activities and financing are being managed in full compliance with USAID requirements and

A.I.D. regulations, and are being accurately reported (see section VI.B). The USAID Project Assistant will consult with the USAID Controller concerning the timing and scope of the compliance audits.

E. Disbursement Plan

The Project funds to be made available for the Cooperative Agreement will be disbursed through a Letter of Credit (LOC) in the United States in favor of the A.I.D.-registered PVO that is competitively selected for the Project.¹¹

The Cooperative Agreement recipient will transfer dollars from its U.S. account to a special account set up in Malawi, to be managed by the PMU. (The USAID Project Assistant may assist the PMU in securing GOM and bank authorizations to open this account. The experience of the READI Project will be taken into account.) As discussed in subsection C above, the PMU will develop appropriate financial controls and accounting procedures for all PMU operations, including the local currency account. The PMU and USAID will develop efficient procedures for integrating the recipient's home office financial management reports with those of the PMU so that USAID/Malawi will have ready access to the full financial picture, both for ongoing monitoring as well as regular audits.

For subgrantee cash management and accounting, each subgrant agreement must include precise information on local currency and foreign currency cash needs and arrangements. The subgrantee will determine its quarterly cash needs and, upon acceptance by the PMU, these funds will be advanced to the subgrantee through a special account set up by the subgrantee organization exclusively for these funds. At least two members of the subgrantee organization, one of whom is the subgrantee's Controller or Financial Manager (or equivalent) in Malawi, will need to authorize the release of funds from this bank account. All subsequent advances will be made on a quarterly basis by the PMU once the subgrantee has accounted for expenses made during the previous quarter and has justified cash needs for the next quarter. The PMU will have to track advances and expenditures closely to ensure that appropriate accounting of expenditures is being made and that the reported expenses are in accordance with the approved subgrant budget.

¹¹ The convenience of the LOC mechanism for subgrant funding disbursement is one of the factors justifying limiting the Project management competition to PVOs. For-profit firms are not eligible to receive the advance of funds available through a LOC. Hence, for-profit firms charge a project implementation fee which, in part, covers their cost of money for their advance payments. The large sums for NGO/PVO subgrants might make the Project prohibitive for for-profit firms without fee, or, if with fee, prohibitive for the SHARED budget.

F. Method of Implementation and Financing

<u>Budget Item and Method of Implementation¹¹</u>	<u>Method of Financing</u>	<u>Amount (\$000)</u>
1. Project Management Unit (PMU) and Home Office -- Cooperative Agreement	Letter of Credit (LOC)	5,500
2. Institutional Development Subgrants -- Cooperative Agreement	LOC	1,200
3. Development Activities Subgrants -- Cooperative Agreement	LOC	7,500
4. USAID Project Costs -- Direct A.I.D. Contract	Direct Pay	800
	TOTAL	<hr/> 15,000

¹¹ See Table 1 for individual subitems under each of the budget items.

IV. IMPLEMENTATION PLAN

Project implementation will be the responsibility principally of the Project Management Unit (PMU), supported by the Project Manager's home office. The USAID Project Assistant, employed under a Personal Services Contract (PSC), will have responsibilities in assisting in Project startup, monitoring, evaluation, audit and liaison generally between the PMU and USAID.

There will be six distinct Project stages starting from the date of Project approval through Project closeout at the end of nine years. For purposes of this Implementation Plan, it is assumed that Project approval is in August 1990. The stages as discussed below are:

- Stage One: Pre-Startup (2 months)
- Stage Two: Project Startup (4 months)
- Stage Three: Project Operations, Phase I (or "Shakedown" Phase) (1 year)
- Stage Four: Project Operations, Phase II (3 years)
- Stage Five: Project Operations, Phase III (4 years)
- Stage Six: Project Phase-down, Closeout (1/2 year)

A. Stage One: Pre-Startup (2 months)

The Pre-Startup Stage begins when the Project Authorization is signed by the Mission Director. By this time, USAID will have issued the Invitation for Applications to Receive a Cooperative Agreement and will have initiated and possibly concluded the process of competitive selection of the U.S. PVO that will manage the Project. USAID also will be in the process of recruiting the PSCs who will be sought locally within the American and Malawian community before pursuing external recruitment. The principal activities during this stage will be:

1. Selection of Cooperative Agreement recipient, and negotiation and signing of Cooperative Agreement
2. Recruitment of USAID's PSC Project Assistant and Secretary
3. Cooperative Agreement recipient begins mobilization phase.

The USAID Project Assistant hopefully will commence work around the time that the Project Manager fields its staff for the PMU. The Assistant's initial activities will be familiarizing her/himself with the Project context, background and elements, with the USAID Mission

portfolio (particularly as related to or likely affected by SHARED), and facilitating the PMU staff arrival and establishment. Depending upon the expected timing of the PMU staff, the Project Assistant may also, in coordination with the Project Manager's home office, facilitate the procurement of vehicles, equipment, furniture, and other Project-related commodities. The Assistant will take such other preliminary actions as practical and useful to enable prompt startup of the Project.

B. Stage Two: Project Startup (4 months)

This stage begins when the first expatriate PMU staff member arrives in Malawi (anticipated within 2 months of the Cooperative Agreement's signing). The principal activities during this stage will be:

1. Arrival of all permanent PMU expatriate staff
2. Hiring of PMU local staff
3. PMU established, equipped and mobilized, and administrative, management and financial systems put in place
4. NGO/GOM familiarization workshops conducted
5. Expanded NGO demand/need analysis conducted
6. Establishment of inventory control systems, financial management systems and controls, and PMU monitoring and reporting systems
7. Preparation and presentation of initial Annual Workplan¹² and budget within the first 3 months. The Workplan will include, for USAID concurrence, final subgrant selection criteria, and proposal review, approval and oversight process.

C. Stage Three: Project Operations, Phase I (1 year)

Stage Three will commence with the approval by USAID and effective date of the First Annual Workplan. This will be a "shakedown" phase to test the Project hypotheses and systems, and to commence the subgrant, technical assistance and training activities to be supported by the Project. For purposes of the Implementation Plan, it is assumed that development activities and institutional development

¹² The Workplan will include the final version of criteria/procedures for determining NGO/PVO Project eligibility, and the selection criteria, procedures and documentation for subgrant approval and format (instrument) for subgrants.

subgrants and technical assistance/training activities will be approved on a rolling, as-ready basis. If deemed more efficient, however, development activities and/or institutional development subgrants may be reviewed and approved on a quarterly or other periodic basis.

The "shakedown" phase will last only 1 year, and during its last quarter there will be an internal Project review (by PMU and USAID, possibly with some external assistance), but not a full Project evaluation. This review will look more at the functioning of Project systems and will not undertake project or subproject impact assessment. The results of the "shakedown" review will be incorporated into the Annual Workplan for the second year of full Project operations.

The principal activities during Stage Three will be:

1. Local registration of eligible NGOs/PVOs
2. NGO/PVO-PMU collaborative development of subgrant proposals and, if required, IEEs
3. Submission to and acknowledgement by appropriate GOM authorities of development activities proposals
4. PMU review and approval of subgrant proposals (with USAID concurrence for proposals above funding and nature-of-proposal thresholds)
5. Ongoing collaborative determination of targeted technical assistance and training needs
6. Ongoing monitoring, evaluation and auditing of subgrants
7. Ongoing research and communications activities
8. Reporting to USAID on quarterly and annual basis, and development of Second Annual Workplan and budget
9. Ongoing maintenance of financial and management systems and controls
10. Participation in financial compliance audit, if any, as arranged by USAID

D. Stage Four: Project Operations, Phase II (3 years)

This stage will commence with the approval by USAID and effective date of the Second Annual Workplan.

The activities during this period will include all of the items listed in Stage Three. This stage, however, also will include additional activities number 11 and 12:

11. During the last six months of this phase, participation in a full-scale evaluation as determined and arranged by USAID, including possible Project design adjustments as agreed with USAID
12. Localization of Financial Manager or equivalent position

E. Stage Five: Project Operations, Phase III (4 years)

This stage will commence with the approval by USAID and effective date of the Fifth Annual Workplan. The activities during this period will include the items listed in 1 through 10 in Stage Three. During the first year of this stage, it is expected that the last of the development activities subgrants (average 3-year terms) will be approved. Additional activities during this period will include:

11. Localization of the PMU Project Director position
12. Final (full-scale) evaluation

F. Stage Six: Project Phase-Down, Closeout (1/2 year)

This stage will commence with approval by USAID and the effective date of the Ninth Annual Workplan, which will identify and implement the closeout procedures and activities.

G. Opportunities for Involvement of Disadvantaged Enterprises

There are two major areas of opportunity for Disadvantaged Enterprises to participate in the Project. The first is as the possible recipient of the Cooperative Agreement to serve as the overall Project implementation agency. In accordance with the envisioned requirements of the implementing agency, the Invitation for Applications to Receive a Cooperative Agreement will be extended to U.S. PVOs which will be identified by the FVA/PVC Bureau and Project design consultants as ones which have the required skills and experience to implement the Project. It is hoped that those pre-qualified PVOs (and allowable non-PVO subcontractors) would include ones which are designated as Disadvantaged Enterprises.

The second area of possible participation for such enterprises is at the subgrantee level. As described elsewhere, U.S. PVOs will be eligible to receive from the PMU development activities subgrants to work in conjunction with Malawian NGOs. Here again, Disadvantaged Enterprises which are registered PVOs may be eligible to receive such subgrants. The PMU will be encouraged to solicit proposals from eligible Disadvantaged Enterprises which have the skills and experience in the Project's identified sectors.

V. PROJECT ANALYSES

A. Technical Analysis

The SHARED Project is premised on the basic assumption that NGOs/PVOs in Malawi either are, or have the capacity to be, effective instrumentalities for achieving sustainable development in the key sectoral areas of off-farm employment, agriculture and health. As the Project design has proceeded, the initial concept of NGO/PVO "delivery" of services to communities has been reoriented to an approach of NGO/PVO support of community efforts to progress to sustainable economic and social objectives.

Experience in many countries, and to a limited extent in Malawi, suggests that non-governmental organizations can, in proper conditions, be an effective instrument to mobilize and support community-based sustainable development efforts. With A.I.D. largely in a lead role around the world, virtually all bilateral and multilateral donors enter the 1990s with increasing levels of reliance upon NGOs and PVOs as a means to the end of broadening the base of Third World economic development.

USAID-funded NGO/PVO umbrella projects in Asia and Latin America over the past 15 years have clearly established, at least in the context of those societies, the technical feasibility of NGOs/PVOs as support mechanisms for community-based, self-help development.

The efficacy of this approach in Africa is less clearly established. In a continent where most of the modern nation-states are less than three decades old, the emergence of pluralism in the institutions dedicated to public sector objectives is still in the early stages. The Government of Malawi, directly and through the highly influential Malawi Congress Party (MCP), has not made a priority of encouraging the formation of new community-level groups, independent of Government or the MCP, to mobilize the rural population for economic and social development. And while Malawi as an independent nation has been characterized by an effort to blend traditional forms with attributes of modernization, there is no definitive demonstration that there are latent community organizational forms which may be enlivened as part of the development process.¹³

In Malawi, the community-based or community-derived groups have not,

¹³ Malawi's unified governmental form is itself a reflection, perhaps to a degree unique in Africa, of the blend of the traditional and the modern. His Excellency, H. Kamuzu Banda, is Malawi's President and he is also Ngwazi, the traditional paramount chief, the agent and symbol of national unity.

generally, achieved sufficient organizational capacity for extensive mobilization of self-help efforts in key development sectors such as agriculture, off-farm employment, and certain health areas (e.g. AIDS). There are some community-oriented NGOs and PVOs which, while generally active in the delivery of important social services (e.g. in education and primary health care) as well as in relief and rehabilitation efforts, have insufficient technical, management, and financial capacity for a major role in longer term, sustainable development efforts.

Analysis of the technical feasibility of the SHARED Project focuses on the status and capacity of NGOs/PVOs in Malawi, particularly with respect to the SHARED Project objectives. Simply put:

- (1) Do NGOs/PVOs in Malawi have existing or potential capacity to achieve SHARED Project objectives?
- (2) What SHARED Project interventions are warranted to enable NGOs/PVOs to achieve more fully their potential with respect to SHARED Project objectives?

The answers to these two questions may be summarized as follows:

- (1) NGO/PVO capacity and effectiveness in Malawi for mobilization of community efforts in the areas of agriculture and off-farm employment should be viewed more as nascent or prospective (albeit substantially more advanced in the case of health); NGO/PVO effectiveness in community-based social service roles, together with increasingly strong governmental support of expansion of NGO/PVO roles, add to a positive assessment of NGO/PVO potential for more developmental work; and
- (2) SHARED Project interventions should concentrate on improvement of the development-oriented capacity of existing NGOs as well as interventions to stimulate formation of additional NGOs directly relevant to SHARED Project aspirations; these interventions can be accomplished largely through a targeted grant program with heavy emphasis upon funding for Malawian NGO institutional development through technical assistance and training (including intermediation of more able NGOs/PVOs in support of NGOs with less capacity).

See the Technical Analysis annex plus the four studies referenced in that annex (and included as separate annexes) for further information on the NGO community and its environment in Malawi.

B. Administrative Analysis

Administration and management of activities under the Project will be the responsibility of three principal agencies:

- o An A.I.D.-registered U.S. PVO, competitively selected for a Cooperative Agreement, to establish and manage an umbrella-type Project Management Unit (PMU) in Malawi for management of subgrants and to coordinate the provision of technical assistance and training as required for institution building for Malawian NGOs;
- o USAID/Malawi, which will exercise substantial involvement in the execution of the Cooperative Agreement (and the Project), using the services of a full-time PSC Project Assistant and Secretary; and
- o Malawian NGOs and U.S. and possibly international PVOs that will be awarded institutional development subgrants and development activities subgrants approved under the SHARED Project.

The Government of Malawi will be actively consulted, through its various Ministries and Offices, on policy matters pertaining to the objectives and operations of the SHARED Project. In addition, while the GOM will not have a direct administrative or managerial role within Project operations, all development activities subgrants will be subject to appropriate GOM acknowledgement, as required for any operational program in Malawi, following regulations and procedures currently in effect or as they may be revised from time to time. (See section II.A.3 for further discussion on GOM's role.)

1. Project Manager and Project Management Unit

The recipient of the SHARED Cooperative Agreement will become SHARED's institutional Project Manager, with these responsibilities:

- a. Overall management of the Project and the financial resources made available by USAID through the Cooperative Agreement;
- b. Approval (with USAID concurrence), documentation and administration of subgrants to Malawian NGOs and U.S. and international PVOs for Malawian NGO institutional strengthening and implementation of development activities in the key sectoral areas of SHARED's focus;
- c. Coordination and/or provision of technical assistance and training for the institutional strengthening of Malawian NGOs, particularly to increase their capacity to perform in the key sectoral areas of SHARED's focus;
- d. Performance of the following tasks and others as required for the fulfillment of the responsibilities outlined above;
 - (1) Set up, maintain, manage and eventually close

down all Project operations, including staff housing and office support;

- (2) Select and support suitable staff, and provide suitable home office backstopping, as required for effective PMU operations; key positions of the Project Director and Financial Manager or similar such positions should be expatriates, although the PMU will be expected to localize the latter position during the course of the Project;
- (3) Develop and secure USAID approval of Annual Workplans and budget, in a form adequate to serve as the basic point of reference and relationship between the PMU and USAID/Malawi for implementation of the Cooperative Agreement;
- (4) Develop and establish (with USAID approval) suitable criteria and procedures (including eligibility requirements and appropriate Government of Malawi involvement) for screening and processing of NGO and PVO requests for subgrants;
- (5) Ensure that potential subgrantees have adequate accounting and financial management capabilities;
- (6) Execute subgrants, in accordance with the procedures agreed upon with USAID, disburse funds pursuant to agreed disbursement plans, monitor and evaluate subgrants, and submit timely progress and financial reports to USAID on all subgrant activities;
- (7) Develop and execute a strategy and process for keeping the GOM informed of Project objectives and activities, and engaging the Government, as appropriate, in furthering the active participation of Malawian NGOs in the development activities which are the focus of SHARED;
- (8) Based upon the overall institutional needs assessments for Malawian NGOs and/or on specific institutional needs determined through the subgrants process, provide or secure technical assistance and training for capacity building of Malawian NGOs; this technical assistance/training may be provided, as appropriate, by PMU staff, by

other personnel of the PVO selected for the Cooperative Agreement, or through sub-contracts executed with individuals and firms; the PMU will be expected to draw as much as possible upon the qualified technical assistance capacity available in Malawi and the surrounding region before resorting to the use of U.S. or other externally-based technical assistance/training personnel; and

- (9) Establish and maintain the following management systems:
- o subgrant management (including funds disbursement)
 - o property management and inventory
 - o evaluation system
 - o management information system (MIS)
 - o systems and procedures for internal and subgrant audits

2. USAID/MALAWI

The SHARED Project will be managed within USAID/Malawi's Office of Agriculture and Food Security. In order to provide sufficient capacity within USAID/Malawi for its responsibilities under the Cooperative Agreement, however, USAID/Malawi will employ two Project-funded full-time Personal Services Contractors (PSCs), i.e. a Project Assistant and Secretary. A draft scope of work for the PSC Project Assistant is attached as Annex I.

USAID/Malawi management responsibilities under the Project will be as follows:

- a. Monitoring of PMU performance in accordance with the terms and provisions of the Cooperative Agreement;
- b. Managing and monitoring activities and performance under the Limited Scope Grant Agreement with the GOM;
- c. Clearance of expatriate personnel selected for PMU;
- d. Review and clearance of PMU's final selection criteria for subgrantee eligibility and subgrant proposals;
- e. Clearance of PMU recommendations for institutional development subgrants and development activities subgrants; USAID/Malawi may determine, after PMU's

expanded needs assessment and/or in the course of Annual Workplan reviews, to authorize PMU to make certain subgrants without prior USAID/Malawi approval; for example, USAID/Malawi may authorize the PMU to make subgrants without prior USAID approval as follows:

- o in the case of institutional development subgrants for amounts less than \$25,000, and
 - o in the case of development activities subgrants for amounts less than \$25,000 for Malawian NGOs and less than \$100,000 for U.S. or international PVOs;
- f. Clearance of technical assistance subcontracts (proposed to be executed either by the PMU itself or by subgrantees) in excess of \$10,000 for local consultancies and in excess of \$25,000 for consultancies from sources outside of Malawi, or as otherwise negotiated during Project implementation.
- g. Integration of Project performance reporting data into USAID's broader impact-reporting M & E system.

3. NGOs AND PVOs

- a. Malawian NGOs will be the recipients of institutional development subgrants, designed to increase the management and operational capacity of the NGOs. The NGOs will execute subgrant agreements with the PMU and will be responsible for subgrant activities, according to the terms of the agreements, and for accounting and reporting with respect to subgrant funds.
- b. Malawian NGOs also will be the recipients and executors of development activities subgrants which will provide, according to the subgrant terms, support and enlivenment of community activities in the sectoral areas of SHARED's focus. The NGOs will be responsible for accounting and reporting with respect to the subgrant funds.
- c. U.S. and possibly international PVOs will be the recipients and executors of development activities subgrants which will include specific responsibilities for assisting in the institutional development of Malawian NGOs. In the case of these subgrants, the PVOs will assume responsibility for securing and/or providing designated technical assistance and/or training for the Malawian NGOs associated in the subgrant project activities. The PVOs will be responsible for accounting and reporting with respect

to the subgrant funds.

C. Social Soundness Analysis

The nature of the intended beneficiaries of the SHARED Project (Malawi's rural poor), the particular benefits intended by the Project (alleviation of causes and effects of poverty), and the proposed Project strategy (use of NGOs to mobilize community efforts), highlight for Project implementors important social and cultural issues which may affect the prospects of Project feasibility and success.

1. Intended Beneficiaries and Benefits

The selection of Project beneficiaries, and the areas of intended benefits, result from the need to achieve greater equity in Malawi's economic development. (See section I on Background and Rationale.)

As reflected in the Project's goal and purpose statements, the intended beneficiaries are Malawi's rural poor.

The tangible benefits to result from the Project will include such observable effects as:

- o increases in agricultural productivity
- o increased on-farm and off-farm incomes
- o increased use of child spacing techniques; reduced child mortality and morbidity
- o improved nutritional status

Achievement and sustainability of these tangible Project benefits are to result from the willingness and capacity of communities to mobilize for development in the face of a sparse resource endowment. It is assumed that Government services and facilities will continue to be made available for development of Malawi's rural areas, and that Malawi's urban commercial sector will continue to provide some economic opportunities for Malawi's rural population. However, it is also assumed that the scope of Malawi's overall development needs require an unprecedented mobilization of the country's population.

Thus, a less tangible, but no less important, benefit of the Project will include increased self-determination and self-help activities by Malawi's citizens with respect to the factors and conditions affecting their economic well-being. Project monitoring and evaluation will include tracking of Project impact on alleviating conditions of rural poverty. The PMU will, as well, measure beneficiary impact in terms of the improved capacity of communities to address their needs in a sustainable fashion.

2. Strategy to Generate Benefits

Project resources will not be transferred directly to the intended beneficiaries. Project resources will be addressed and assigned to NGOs and PVOs. Malawian NGOs will be supported and strengthened in their capacity to mobilize and support community-based sustainable development efforts.

While NGOs and PVOs will, in a sense, "benefit" from grant funding and technical assistance/training, the NGOs and PVOs are themselves intermediaries to the Project's objective of benefitting Malawi's poor. Thus, the SHARED Project will reach Project beneficiaries through NGO intermediaries.

The Project's support and strengthening will be both direct (through grant funding and technical assistance/training furnished by SHARED to NGOs) and indirect (through channeling of SHARED resources to NGOs through U.S. and other international PVOs). Project monitoring and evaluation at the NGO institutional level will analyze NGO capacity and performance, particularly performance in community mobilization as per the Project's purposes and goal.

3. Issue of NGO-Beneficiary Relationships

As noted in the Technical Analysis annex, the Project intends to focus its resources, initially at least, upon those NGOs which have or are capable of securing Government of Malawi recognition as "official" NGOs.¹⁴ For the most part, these NGOs have an orientation and capacity for work directly at the community level, but they are not themselves derived from the community. Stated differently, the NGO clientele of the SHARED Project will not be beneficiary owned.

Thus, Project feasibility and success hinge in large measure upon the ability of the NGOs to 1) gain the confidence of communities and 2) gain or retain the confidence of the Government that the NGO activities are consonant with Government policy and programs.

Malawian NGOs have already demonstrated a capacity for effective community work in education and health. In addition, there has been generally strong Government endorsement and support of NGO work in

¹⁴ The policy environment for NGO work generally in Malawi appears to increasingly open. There are increasing numbers and areas of Government endorsement and encouragement of NGO work in socio-economic development. GOM-NGO cooperation has been largely centered on delivery of services or resources to communities. There is not yet strong evidence, however, of Government willingness to encourage or permit wide-spread citizen mobilization (e.g., through community-based NGOs) for self-help activities independently of Government structures.

these particular fields. Malawian NGOs, however, have a more limited track record in the sectoral areas of SHARED's focus. Thus, there is limited experience in GOM-NGO relations in rural community mobilization for agriculture production and other forms of income generation.

D. Economic Analysis

1. Overview

The SHARED Project design has not undertaken an independent, detailed economic analysis as background for the Project. Annex G is taken from the recently (December 1989) concluded CDSS/Action Plan, and covers Malawi's recent macroeconomic performance and basic macroeconomic indicators.

2. Inflation

The Project's cost analyses employ an inflation rate of 10% which seems sufficiently reasonable for the budgeting purpose intended here.¹⁵ Such projections are difficult, at best, in a developing country in Southern Africa. Over the past decade, inflation in Malawi (as measured by average changes in the Composite Retail Price Index) has been as follows:

1981	10%	1986	14.5%
1982	9%	1987	26.5%
1983	13%	1988	31%
1984	11%	1989	est. 10%
1985	14.5%	1990	est. 10%

(These figures are derived from the Reserve Bank of Malawi's "Financial and Economic Review", with adjustment in consultation with the USAID Economist.)

The average over the 10 years was 15%. 1987 and 1988 were marked by the frequency and extent of devaluations as the GOM sought to bring its currency into line with its exchange value. Excluding 1987 and 1988, inflation over the decade runs at 11.5%. The GOM's strong adherence to structural adjustment disciplines, however, demonstrates its clear and successful intention to control inflation.

¹⁵ Inflation and currency fluctuations must be monitored closely by the PMU as it will affect decisions on levels of advance disbursements, prudent balances on hand, etc. It is presumed that the subgrants, when approved, will be expressed in terms of dollar amounts and not in MK. The PMU and USAID, during the Project Startup stage, should determine the treatment of inflation for purposes of subgrant processing and administration.

3. Project Economic Analysis

Neither an internal rate-of-return (IRR) nor rate-of-return on investment (ROI) is a feasible tool for analysis of the Project. During Project design, attention was given to the incorporation of least-cost alternatives to funding the various forms of development activities and institutional development activities (subgrants, technical assistance and training) required to achieve the Project purposes. The focus has been on a combination of low-cost inputs and high-priority sustainable outputs.

It has been determined, through a review of a number of so-called "NGO/PVO umbrella" subgrant funding projects throughout Africa over the past five years, that there is a distinct advantage (including cost) of an "umbrella" approach managed by a non-profit firm such as a U.S. PVO. The approach groups and focuses the Mission's NGO/PVO assistance activities, permitting economies in management and training and magnifying the benefits of the subgrant and technical assistance/training functions. It also enables feedback and linkages among subprojects and institutions. Using a U.S. PVO rather than a for-profit contractor reduces overall project management cost while, at the same time, it employs an instrumentality (the PVO) more likely to be sensitive to the needs and capacities of the NGO community and the NGO/PVO interests to be served by the Project. Recent experience of USAIDs in Africa verify that PVOs, properly selected and screened, are capable of the financial and other management rigors (as described earlier) required for proper stewardship of the proposed Cooperative Agreement resources.

For the subgrants, there will be a requirement that informal benefit/cost analyses be undertaken. Because of the possible complexity of even informal benefit/cost studies, the PMU will work closely with the prospective subgrant recipients to develop benefit/cost studies which themselves provide reasonable benefit (i.e., actual use or value to the NGO/PVO, the PMU or USAID) in relation to the cost of time and energy to perform the studies.

As with the SHARED Cooperative Agreement itself, a least-cost alternative approach seems best, taking into account the specific social and development objectives of the Project and its subgrants. Closer financial/economic analyses will be made of the likely sustainability of subgrant activities by the prospective subgrant recipient and the PMU.

E. Environmental Considerations

Given the focus and levels of the Project's assistance, the annexed Initial Environmental Examination (IEE) recommends a Categorical Exclusion for a number of possible activities under Project-financed subgrants. For those activities which may not fall within the

Exclusion, an Environmental Checklist has been developed which will assist the prospective NGO/PVO subgrantee and the PMU in preparing an IEE. The IEE would then be approved by the Mission Director under the Director's \$500,000 per subgrant authority or, subsequent to the receipt of an ad hoc delegation of authority from A.I.D./W, for subgrants over \$500,000.

VI. MONITORING, EVALUATIONS AND AUDITS

A. General Description

The Project will incorporate a joint monitoring and evaluation plan. This reflects current A.I.D. guidance requiring projects and programs to base monitoring and reporting systems on information needs for specific decisions and to demonstrate "people-level" impacts. The evaluation system will reflect ongoing information gathering in the Project by the PMU and by subgrantees.

The PMU will have primary responsibility for securing information on subgrant project progress, on financial accountability and on impact of funded activities undertaken by subgrantees. Requirements for the nature of subgrantee record keeping, reporting, evaluation and audit will be an integral part of the subgrant negotiations and documentation. Ability of subgrantees to comply with monitoring and evaluation systems will be one measure both of their institutional development as well as of the PMU's management performance.

During the Project Startup and Phase I of Project Operations Stages (see section IV), the PMU will design and put into place a computerized project management information system (MIS), coordinated with USAID's monitoring and evaluation system (M&E), and rely upon this for all regular and special reporting/monitoring needs. Properly established and administered, the PMU's MIS, with PMU staff, can also be a learning center for NGOs in establishing and maintaining their own MIS capacity. For smaller NGOs, or for isolated projects, the PMU's MIS hardware and software may be made available to meet specific NGO needs.

The PMU will secure baseline information on beneficiaries and targets for each development activities subgrant as well as for institutional development subgrants. Illustrative indicators are discussed below in subsection C. For reasons of cost efficiency, rapid reconnaissance studies (e.g. by sample communities) will be employed. Recipients of SHARED subgrants will be required to report quarterly to the PMU on progress toward objectives, with these reports timed to coincide with the PMU's own management surveillance and reporting to USAID requirements. Promptness and completeness of subgrant project and financial reporting will be a factor in assessing NGO institutional strength; this will also be a factor in PMU determination on whether planned quarterly financial disbursements are warranted.

In some cases, as determined by the PMU, pre-award examination of financial systems by the PMU will be necessary to identify financial management training needs and whether there are problem areas warranting closer scrutiny prior to awarding a requested subgrant. Amount, terms and timing of subgrant funds disbursement will depend upon disciplined PMU assessment of subgrantee financial management capacity, systems and personnel.

The USAID semiannual Project Implementation Reports (PIR) on the Project and its subgrant projects should be based upon the MIS and reporting systems of the PMU. A major responsibility of the USAID PSC Project Assistant will be to work with the PMU and USAID staff in melding the SHARED and USAID MIS/M&E systems.

B. Schedule

The reporting/evaluation requirements of the SHARED Project will be approximately as follows:

REPORTING/EVALUATION

<u>Study/Report</u>		<u>Timing/Frequency</u>
Specific NGO demand/ need analysis	PMU study	Project Startup
Specific baseline studies	PMU &/or subgrant applicants	Prior to sub- grant approval
SHARED progress (brief)	PMU to USAID	Quarterly
Project Implementation Report (comprehensive)	PMU to USAID	Semiannually
Subgrant progress	NGO/PVO to PMU	Quarterly
Financial	PMU to USAID	Quarterly
Financial	NGO/PVO to PMU	Quarterly
"Shakedown" review	USAID/PMU	End of Stage 3
Full evaluation	USAID/PMU	End of Stage 4
Full evaluation	USAID/PMU	End of Stage 5
Evaluation of subgrants	PMU/NGO/PVO	Regular, as per subgrants
Audit of NGO/PVO	Audit firm/PMU	Pre-award, if necessary; every 2 years; end of subgrant project, if appropriate
Audit of PMU	Audit firm/USAID	End of Stages 3 and 4 and EOP

C. Monitoring and Evaluation Levels

Monitoring and evaluation of the Project will take place on four different levels:

1. Community/Beneficiary Level

The PMU will have responsibility to ensure that the baseline studies and MIS (of subgrantees and PMU) are sufficient to measure beneficiary impact. The Project purposes at the beneficiary level include direct impact on the symptoms of poverty as well as the capacity of the community to address its needs in a sustainable way. Thus, subgrantee (and PMU) indicators at the community/beneficiary level could include:

- specific indicators with respect to the subgrant sectoral areas (e.g., increased number of persons receiving AIDS information, increased employment or self-employment opportunities, improved agricultural production for subsistence and marketing, etc.). Gender-related statistics will be collected in all instances; and
- number of communities able to design, plan and implement their own sustainable development activities as a result of NGO support.

2. NGO Institutional Level

The annual reports (incorporated into the Annual Workplans) by the PMU to USAID will analyze NGO institutional strength and performance as a result of one or a combination of SHARED interventions through a development activities subgrant, an institutional development subgrant, or technical assistance and training independently of subgrant funding. While for monitoring purposes it will be necessary for the PMU to segregate among these different forms of intervention, it will be no less important for the PMU to look at its "client" NGOs as a whole and not just as a periodic customer.

The NGO institutional strengthening objectives of SHARED can draw upon the following illustrative progress indicators:

- financial and/or program viability of subgrant projects managed by the NGO
- timeliness and accuracy in reporting
- adoption of budgeting, planning, workplan-oriented project/program systems
- success in meeting budget and planning targets

- use of evaluation as a management and planning tool
- adoption of strategic planning approaches
- increased demand by communities for NGO development activities
- requests by GOM for increased NGO involvement in development activities
- increased donor support for NGO development activities
- generation of Malawian sources of financial support
- generation of non-grant funding support

3. U.S. and International PVO Program Performance Levels

SHARED development activities subgrants awarded to U.S. or other international PVOs will have as an essential element the institutional strengthening of one or more Malawian NGO partners in each such subgrant project. Thus, for the U.S. or international PVOs, in addition to the community/beneficiary level impact assessments of subsection C.1 above, there also will be the institutional strengthening level assessments of subsection C.2.

4. Monitoring and Evaluation of the PMU

As part of its initial Annual Workplan to be developed during the Project Startup Stage (see section IV.B), the PMU will develop and secure USAID concurrence (so as to be compatible with its M&E system) on the progress indicators to be contained in the regular quarterly reports and Annual Workplan reviews and evaluations as outlined in subsection B above.

D. Financial Reviews and Audits

As indicated in the Reporting/Evaluation Schedule above and discussed elsewhere, financial reviews and audits will occur at two levels within the Project and will be managed differently.

1. Project Manager and PMU

An initial review of the financial controls and accounting procedures and systems of the recipient of the Cooperative Agreement will be undertaken both during the selection of the recipient and after the award of the Agreement. Preliminary information on the prospective recipients' financial procedures and systems to account and report on A.I.D. funds will be included as part of their response to the Invitation for Applications to Receive a Cooperative Agreement. In

addition, once the Agreement is awarded, the recipient may be requested to provide additional financial information such as copies of previous audits on their other A.I.D.-financed activities, if any, including copies of A-110 audit reports. In the absence of sufficient information, the recipient may be required to have the initial review conducted by an independent CPA firm prior to disbursement of any funds under the Cooperative Agreement.

Once the PMU is established in Malawi, the recipient will be required to submit to the USAID/Malawi Controller a complete report on all aspects of the PMU's financial controls and accounting procedures to be utilized for the PMU's operations as well as on its monitoring of all subgrantees. Subsequently, approximately every two years after its signing and at the end of the Agreement, a financial and compliance audit of the Project Manager's headquarters, the PMU and other aspects of the Cooperative Agreement will be undertaken by an independent CPA firm. Funds for all costs associated with these audits will be made available from outside the Cooperative Agreement, i.e. through the Limited Scope Grant Agreement with the GOM. USAID will handle all aspects of recruiting and supporting the audit firm.

2. Subgrantees

A pre-award review of the financial systems and capacities of all prospective subgrantees (or submission of recent audits, in the case of U.S. or international PVOs), to properly manage and account for the receipt and expenditure of subgrant funds, will be submitted to the PMU. Such reviews also will identify financial management training needs and whether there are problem areas warranting caution in awarding a subgrant. A financial and compliance audit of each subgrantee will be done approximately every two years and at the end of the subgrant. These audits will be arranged and funded by the PMU. Copies of all documents will be submitted to USAID's Project Assistant for appropriate USAID review.

Annex A

Technical Analysis

I. NGOs and PVOs in Malawi

A comprehensive typology of NGOs/PVOs in Malawi would not contribute significantly to the SHARED Project technical analysis. However, some limited categorization of non-governmental organizations is helpful in light of the Project intentions and strategy.

In broadest terms, NGOs/PVOs can be separated into two classifications:

- A. Unofficial NGOs, usually "communities" within rural areas, not officially recognized by the Government. These groups often have some traditional structures, and perform social, political and economic activities benefitting members of a geographic, sectoral, or other affinity (including gender) grouping; and
- B. Official NGOs and PVOs, operating under specific acts or approvals by one or more Government ministries. These would include:
 1. National NGOs established (and to some extent funded) by the Government, but with predominantly private governance; examples in Malawi are typically in the fields of social welfare, curative health and education;
 2. National or local (community) NGOs set up by beneficiary populations, with formal (official) recognition by Government; typical examples in Malawi are service clubs;
 3. So-called "confessional" NGOs, organized and closely related to churches, usually community-based, tending to temporal rather than spiritual needs; this includes several important ecumenical consortia of church-related organizations in community service, education, health and relief; and
 4. External PVOs, some of which have set up local counterparts, locally managed but with principal decisions on program direction and budget made in the home country headquarters; virtually all of the funding for these PVOs

comes from external sources;¹ in Malawi, the major external PVOs are from the United States and the United Kingdom.²

Studies of NGOs/PVOs in Malawi, including those which have figured in the design of the SHARED Project, have tended to focus mostly on the more formal, official NGOs/PVOs. Unlike other countries in which A.I.D. has in recent years undertaken NGO/PVO "umbrella" projects (e.g. Senegal, Liberia, and Zaire), the role and even the existence of community organizations in Malawi is far from opaque or certain. One of the more important tasks to be undertaken as part of the Project, initially and over the life of the Project, will be to shed further light on (a) the nature and potential of community-based groups, and (b) the role of the more formal "official" NGOs and PVOs in furthering the development and work of such groups.

There are currently some 30 to 50 (depending on classifications used) national NGOs, NGO consortia and international PVOs working in Malawi. By far and away, their work is in the social welfare field (e.g. assisting the handicapped), in education (including primary school), in curative (e.g. primary health care) health services, and in relief (including feeding programs associated with communities comprised of or impacted by refugees).

Several of the PVOs (including Africare, Save the Children-U.S., World Vision, and Adventist Development and Relief Agency (ADRA)) as well as Malawian NGOs (e.g. the ecumenical consortium Christian Service Commission) have, as part of their general programs in Malawi, undertaken limited activities in areas of longer-term development, such as irrigation, potable water, and agriculture. Additionally, several of the principal external donors (e.g., USAID in the READI Project; and the World Bank, through an experimental NGO micro-project fund as part of a "Social Dimensions of Adjustment" (SDA) Program) have supported or encouraged PVO/NGO involvement in development-oriented work in Malawi. However, as of now, only a few NGOs/PVOs in Malawi work in agriculture and even fewer are engaged in small or micro-enterprise support or other forms of off-farm employment.

¹ The funding for the national NGOs described in B.1 and B.3, above, largely comes from the Government and from external funding sources; most often, the latter is determined and channeled through donor representatives in Malawi. The service clubs (item B.2) and the "unofficial NGOs" (item A) are largely financed through the groups' own means.

² However, the largest single NGO/PVO in Malawi is the Malawi Red Cross, associated with the International Red Cross and the International Red Crescent, with operational responsibility for care and support of the more than 800,000 Mozambican refugees currently in Malawi.

Over the past 18 months, and including the work specifically undertaken as part of the SHARED Project design, there have been five distinct sets of interviews of NGOs and PVOs in Malawi. These inquiries have explored NGO/PVO activities, needs, capacities, potentials and weaknesses. USAID/Malawi either participated directly in these inquiries or has had access to the detailed interview/survey materials. The detailed interviews involved 24 NGOs/PVOs (18 Malawian NGOs and 6 foreign PVOs), 2 NGO-type parastatals, and 9 business/service clubs. In addition, the SHARED design and earlier related studies have queried virtually all Government ministries and external donors concerning NGOs/PVOs in Malawi.³

In addition, several recent surveys of NGOs and PVOs in Malawi, undertaken by the UNDP and the World Bank, largely confirm the view of earlier studies that NGOs/PVOs have a major potential for a developmental role in Malawi because of their orientation to and acceptance by the general population, that their potential is increased these days because of substantially greater Government openness to an expanded NGO role, but that the NGOs currently have inadequate institutional capacity (and finance) to exploit fully their potential.⁴

The reported and observed constraints to NGO expansion in Malawi over the range of NGO activities have, through the various studies described above, tended to be grouped within the following, often interrelated, categories:

1. need for greater management capacity (administration, programming, financial),
2. need for better access to program-related technologies and skills,
3. need for improved internal transportation, and
4. need for funds for programs and for all of the above.

³ The two most detailed studies, not published, were: (a) "A Study of Indigenous and International Non-Governmental Organizations Working In Malawi", L. Howey, for USAID, 1989; and (b) the original and supplemental "Non-Governmental Organisations and Service Clubs in Malawi: A Needs Assessment Survey Report", P. Simukonda and A. Mawaya, for Council for Social Welfare Services, 1990. Both documents are annexed herein.

⁴ These recent surveys are also annexed hereto. They are: UNDP Mission Report, Malawi (part of "Regional Project to Strengthen Collaboration between NGOs, Governments and UNDP in Africa," Report of Mission in Malawi, 22 February to 3 March 1990); and William Nagle, May 10, 1990 (Draft), "An Overview of Nongovernmental Organizations (NGOs) In Malawi With Special Emphasis On The World Bank and NGOs".

While not based on empirical evidence, it is likely that an objective observer would rank Malawi NGO needs in the order recited here but the NGOs themselves would reverse the order.

II. NGOs and the Government of Malawi

The GOM has increasingly recognized the important role in Malawi of NGOs and PVOs, both national and foreign. While there are reported instances of friction between the Government and NGOs,⁵ NGOs and PVOs now working in Malawi rather universally speak of essentially constructive relationships with Government ministries.

Both Government and NGOs describe their interrelationship over the past several decades as being positive, particularly in the NGO/PVO work in education, health, relief/rehabilitation, and elsewhere in the social welfare and service fields. While there is little NGO/PVO activity in agriculture and off-farm employment, there are no clear indications that this is the result more of Government deterrence than of NGO/PVO hesitancy or lack of capacity to pursue these fields.

Quite often in Malawi, NGOs have themselves originated from a "parent" ministry with the hope that the NGO, while continuing to cooperate with the Government, would not be dependent upon Government financial subvention. For example, the Government (through the Ministry of Community Services) has been instrumental in the past four years in

⁵ The most often reported and discussed examples involve the Malawian Christian Service Commission (CSC) and the U.S. PVO, World Vision. In both cases, there were instances of official Government curtailment of village level work (in agriculture for CSC, and community development for World Vision) in the late 1970s and early 1980s. The problems apparently centered on inadequate NGO consultation with (and clearances from) Government officials. For at least the past five years, both CSC and World Vision have enjoyed very positive and supportive relations with the now well-consulted Government ministries, and have widespread village-level programs.

the revival and funding of the Council for Social Welfare Services (CSWS)⁶, a growing consortium of NGOs and PVOs, mostly those active in the social welfare fields. The Government's awareness of the capacities of NGOs, and NGO willingness to work in harmony with Government, has been heightened in the past three years through NGOs' efforts to assist, and relieve the impact on Malawi of, refugees from neighboring Mozambique totalling more than 10% of Malawi's own population. The GOM also has become aware of the increasing willingness and interest on the part of external bilateral and multilateral donors to channel development funds to and through NGOs when consistent with Government priorities and programs.⁷

⁶ CSWS is discussed in both of the studies referenced in footnote #3. CSWS seems a well-accepted forum for NGO/PVO community dealings (including relationships with the Government and particularly the Ministry for Community Services (MCS)) in matters concerning NGO work in the traditional areas of NGO/PVO work in Malawi. The interest or value of CSWS in serving in an "umbrella" capacity for NGOs/PVOs has not yet been fully articulated by CSWS itself, development-oriented NGOs/PVOs, or Government ministries other than MCS. It would seem prudent for the SHARED Project to be sensitive to CSWS aspirations but not necessarily assume that CSWS will be central to SHARED objectives and activities. The SHARED-CSWS relationship can be allowed to develop with time and experience.

⁷ Active and growing NGO/PVO support funding in Malawi are found in the development assistance programs of USAID, the World Bank, the UNDP, the European Community, and IFAD. See Annex F for "Malawi Consultative Group, Paris, May 1990, Chairman's Closing Remarks."

UNITED NATIONS
DEVELOPMENT PROGRAMME

Regional Project to Strengthen
Collaboration between NGOs,
Governments and UNDP in Africa.
PO Box 911 Lome, Togo
Tel: (228) 21.00.34/21.73.78

Project duration: 30 months
Starting date: 01/08/89

THIRTEENTH MISSION REPORT

IN MALAWI FROM 22 FEBRUARY TO 3 MARCH 1990

PARTICIPANTS: MARTHA BULENGO, Consultant
SALLY BURROWS, Consultant

PREVIOUS MISSIONS:

- 1) Benin, from 10 to 17 August 1989
- 2) Cameroon, from 19 to 27 September 1989
- 3) Congo, from 9 to 17 October 1989
- 4) Ghana, from 26 to 28 September 1988
- 5) Togo, October-November 1988
- 6) Benin, from 14 to 17 November 1988
- 7) Thies Senegal, from 20 to 24 November 1989
- 3) Guinea (Conakry), from 3 to 12 December 1989
- 8) Guinea-Bissau, from 13 to 28 February 1990
- 10) Kenya, from 3 to 16 March 1990
- 11) Rwanda, from 11 to 17 March 1990
- 12) Burundi, from 17 to 25 March 1990

REPORT BEING COPIED TO:

1. UNDP-Malawi for action
2. Malawi Council for Social Services for action
3. UNDP-Lome for information
4. NGO Division, UNDP, New-York
5. Regional Bureau for Africa, UNDP, New-York
 - Mr Ben Gurman
 - Malawi Area Officer
6. OPS, New-York
7. Mr Ngwenya, Senior Regional Programme Officer,
Eastern and Southern Africa, UNDP-Lusaka
8. NGOs and other people met for information

1.00 BACKGROUND SITUATION OF NGOs

- 1.01 Since the mid-1980's a new climate of openness to NGOs has been developing in Malawi. The activities and inputs of NGOs are increasingly recognised by government as an important complement and supplement to governmental activity. One noticeable result has been an increase in the number of international NGOs operating in the country, especially in providing relief and some development for refugees from Mozambique. Refugees currently equal approximately 10% of Malawi's population.
- 1.02 The data on the total numbers and activities of NGOs in the country is incomplete - a situation partly created by a lack of a clear definition of "NGO" and by the lack of a distinction between NGOs in relief and/or development and other NGOs. A "Needs Assessment Survey of Community Development and Social Welfare Services in Malawi with Emphasis on NGOs and Service Clubs" (hereafter referred to as the "Needs Assessment Survey") was completed by the University of Malawi in 1989. The extremely broad terms of reference of this survey included the gathering of basic data on NGOs and service clubs operating in Malawi.
- 1.03 30 organisations were listed by the Needs Assessment Survey as NGOs (excluding service clubs), of which approximately one third were international organisations. The remaining two-thirds were wholly indigenous organisations or national branches of bodies like the Red Cross. However, the survey list did not include womens groups or community-based organisations, and it omits at least one NGO with a significant level of social development activity.
- 1.04 The contribution of NGOs varies considerably from sector to sector. For example, while approximately 40% of all health services in the country are provided by the NGO sector (Private Hospitals Association of Malawi), until very recently there were very few NGOs working in agriculture. Other main areas of NGO activity include education (approximately 12% of school children are in NGO-run schools, not receiving government assistance), assistance to the disabled/handicapped, income generation, vocational and leadership training, and provision of infrastructure. There is a large group of evangelical religious organisations, some of which are also engaged in developmental activity. Historically, the majority of NGOs in Malawi are oriented towards welfare (doing things for people, rather than with people) and relief. The approach to community development tends to be 'top-down', rather than 'bottom-up'. But there is growing recognition of the need to increase the volume, and diversify the nature, of activities at village level.

2.00 GOVERNMENT-NGO COLLABORATION

- 2.01 Generally, there is quite extensive, informal, ad hoc collaboration at field level between government and NGOs. Individual government extension workers often work closely in a complementary way with their NGO counterparts in a given geographical area. However, information on the activities and experiences of NGOs at grassroots level - even where they are working with government - is frequently hardly known about at higher government levels and NGOs are generally not involved with government policy-making.
- 2.02 The structures for government-NGO liaison and the lines of communication - which are essential for coordination and collaboration - are not yet well-

developed. A good start has been made in certain areas, but they are not always operating as effectively as they might.

- 2.03 In the Malawi Government's Statement of Development Policy (1987-97), NGOs fall under the community and social development sector. The Ministry of Community Services is designated as the "parent" ministry for NGOs. However, it plays a limited coordinating role at present. Firstly, some staff in other ministries were found to be unaware that the Ministry of Community Services is the parent ministry for NGOs. Secondly, the Ministry of Community Services does not receive information from other ministries on the extent of their relationships with NGOs. Thirdly, the Office of the President & Cabinet has some special responsibility for international NGOs. The extent of this was not clear to the Mission.
- 2.04 Generally, as a result, the field experience of NGOs is not being shared at governmental policy-making level. One notable exception to this general situation is in primary health care (under the Ministry of Health). Here, there are formal mechanisms for liaison and collaboration between government and NGOs and integrated programmes. Recently, a comprehensive consultative structure was set up to ensure full government-NGO collaboration on planning and implementation of primary health care services, extending from national to district levels. It has yet to be tested.

3.00 NGO-NGO COLLABORATION

- 3.01 As indicated above, there is a wide variety of NGOs in Malawi with widely varying policies, structures, and activities. At present, the NGOs do not know each other well. The exceptions, according to the Needs Assessment Survey, are the international volunteer organizations (JOCV, Peace Corps, VUSC etc) and those organizations assisting refugees. Both these groups hold regular informal meetings to exchange information and discuss common concerns and strategies.

4.00 THE MALAWI COUNCIL FOR SOCIAL WELFARE SERVICES (MCSVS)

- 4.01 The Malawi Council for Social Welfare Services (MCSVS), revived in 1985, is often described as, and expected to act as, the umbrella organization and representative body in Malawi for NGOs. In 1988, the UNDP funded a three-year government project (MLV/87/007/D/001) to strengthen the MCSVS. The project expressly aims to "establish a system for the effective collaboration and coordination of NGO activities...". To achieve this objective, the project expressly focuses on establishing within the MCSVS the capacity to provide information and training for NGOs, to undertake studies on issues of relevance and to provide promotional support for NGOs.
- 4.02 The MCSVS has made satisfactory progress in establishing itself. It is an active organization. The Executive Committee met 25 times in 1988. Amongst other activities, it has provided some training activities (particularly for NGOs), provided forums for discussion of contemporary development issues, and disseminated information (including production of a newsletter). These activities will be enhanced by the placement of two UN Volunteers, specialists in communications and training respectively.
- 4.03 However, the MCSVS was set up expressly in order to coordinate and bring together all agencies involved in social welfare services. It is open to every organization (governmental and non-governmental) that has anything to do with social welfare and/or social development. Membership includes local

government authorities, parastatal bodies, appropriate government ministries and departments, relevant religious organisations, local and international voluntary organisations (NGOs), service clubs and even individuals. In addition, the membership criteria have been interpreted to include intergovernmental organisations, such as WHO, UNICEF etc. The MCSVS lists 51 organisations as members or potential members.

- 4.04 This function of coordinating all agencies involved in social welfare services is undoubtedly a very useful function. But it is a totally separate function from that of acting as a representative body for NGOs. Moreover, multi-organisational membership (ie. having statutory and non-statutory, governmental and non-governmental bodies all as full, equal, voting members) is incompatible with the function of representing one organisational grouping (the NGOs). This fundamental incompatibility of its two functions has constrained the MCSVS. It has blurred the MCSVS' objectives and thus made it difficult for the organisation to develop in a focussed direction.
- 4.05 Given the increasing level of NGO activity in the country and the progress that has already been made, the time has arrived when this problem needs to be addressed and resolved. In order to achieve greater collaboration between government, NGOs and UNDP, the three parties each need to be clear of their own position, their strengths and weaknesses, and their agenda for discussion with the other parties. The NGO community is made up of a diverse group. They have not yet found their common ground. In order to do so, they need a body that expressly focuses on NGO activity.
- 4.06 It was also pointed out in the course of the mission that the function of having an overview of the activities of all agencies (governmental and non-governmental) engaged in social welfare was perhaps more properly carried out by a governmental body.
- 4.07 Since 1985, the MCSVS has begun to evolve into a representative body for NGOs, despite its continuing wide membership. For instance, the original constitution has been amended to provide that the Chairman and six of the eight ordinary members of the Executive Committee must be from NGOs. This evolution is reflected in the aims of the UNDP project to strengthen the MCSVS as an umbrella organisation for NGOs (mentioned above) and in the emphasis of the Needs Assessment Survey. The MCSVS now needs to define clearly the categories of membership (full, associate etc), according to type of organisation, if it is not to be an amorphous and unwieldy body without direction. From this definition of membership categories, the functions of the MCSVS and the services that its main members wish it to perform can be defined.
- 4.08 The Needs Assessment Survey was not able to cover adequately this aspect of the kind of services that members wished to receive from the MCSVS. Firstly, because there was only one question in the Survey relating to this. Secondly, because the total number of responses to the Survey questionnaire was poor. This was because many organisations found the questionnaire too long (48 pages). And thirdly, because the findings and consequent recommendations of the Needs Assessment Survey reflect the considered opinion of the authors, rather more than the views of the MCSVS members. For the purpose of finding out what services the members require from the MCSVS, it is essential that a survey reflect only the views of the members.

5.00 UNDP-NGO COLLABORATION

5.01 To date, UNDP-NGO collaboration has been primarily limited to funding and a donor/recipient relationship. There have been three main activities:

5.02 Firstly, the most substantial and significant UNDP support for NGOs is via the UNDP project for strengthening the NCSVS (NLV/87/007/D/001), mentioned above. Secondly, three national NGOs and one international NGO have received funding under the Partners in Development Programme (PDP), since its inception in 1986. The NCSVS pre-screens applications to the PDP and passes its comments to the main Screening Committee, which consists primarily of U.N. agencies. Thirdly, under the UNV/DDS Regional Project RAF/86/061 - Strengthening of National NGOs and Grassroots Organisations in Africa - Malawi received the assistance of one DDS volunteer. Unfortunately, his post was terminated early in 1990 for personal reasons.

5.03 The UNDP office in Malawi recognises that the time is now ripe for proceeding to a deeper dialogue with NGOs. This would enable NGO experiences to feed into planning of UNDP actions. It would also enable UNDP to understand NGOs better, so that UNDP can perform a catalytic role in promoting closer collaboration between NGOs and government. At the time of the Mission's arrival, the UNDP office was already planning to host a first government/NGO/donor meeting. It is also to be commended that NGOs were included in the HatCap exercise.

5.04 As a lead donor agency, the UNDP has the opportunity to stimulate regular discussion about ways to increase NGO/government/donor collaboration at the regular meetings of Heads of U.N. agencies and other donor meetings.

6.00 OTHER COLLABORATIVE INITIATIVES

6.01 In 1989, there was an explosion of donor interest in collaborating with NGOs. The African Development Bank, the World Bank, USAID and other bilateral agencies have all been investigating, through study missions and workshops, how best they might collaborate with NGOs. Malawi is also one of the countries included in the major "Project Africa" planned by the Carter Center. In addition, Economic Planning and Development Department under the Office of the President and Cabinet (OPC) is to administer a new project on the Social Dimensions of Adjustment, due to begin in July 1990. This will include a Social Programme Support Fund of just under US\$1 million for projects to assist vulnerable groups and those most seriously adversely affected by the Structural Adjustment Programme. The fund will be open to applications from NGOs as well as other bodies.

6.02 The question arises: are the NGOs ready for this onslaught of interest? Have they the capacity and have they had the opportunity to prepare sufficiently to ensure that the goodwill and interest shown in NGOs really results in programmes that genuinely address issues defined by the grassroots and disadvantaged groups, which the NGOs are trying to serve? Or will the programmes be donor-driven?

7.00 RECOMMENDATIONS

7.01 The recommendations below are drawn from the views expressed by the various people met in the course of the mission. They aim:

- 1)** To assist NGOs in developing their capacities and relationship to each other, so that they can clarify their common perspective, where it is necessary, for collaborating as partners in development with government and UNDP;
- 2)** To assist the NCSVS in its evolution into an association of NGOs by re-examining its role, functions and services, so that it can act as a genuine representative of NGOs and an advisory body to government;
- 3)** To start the consultative process necessary to establish clear mechanisms for more effective and ongoing coordination and communication between UNDP, government and NGOs in the field of social welfare development.

7.02 A proposed timetable for the actions proposed below is attached at Appendix 3.

- 1.** The NCSVS is recommended to commission a brief, practical survey of the services that the NGO members of the NCSVS and a few potential members require from the NCSVS and the functions that they wish it to perform.

The survey would be undertaken by a national consultant, appointed by the NCSVS. This person would work closely with the Training and Communication Specialists in the NCSVS. (Draft Terms of Reference are attached at Appendix 1).

Costs: should be met from the component in UNDP Project MLV/87/007/D/001 "Social Welfare Services Planning and Management" for recruiting a consultant to draft a national NGO strategy (budget line 1.2.1).

The survey report and the report of the NCSVS Task Force on the Needs Assessment Survey (mentioned above) would serve as the two basic working documents for a 3-day Extraordinary General Meeting of the NCSVS (see Recommendation 2 below).

- 2.** The NCSVS is recommended to hold a 3-day Extraordinary General Meeting of the NCSVS around August 1990. Its prime purpose should be to review membership policy and categories, to review the NCSVS objectives, and to agree the functions and activities of the NCSVS for the following 2 years.

The resulting document would constitute the national NGO strategy (referred to above), as decided by the NGOs themselves.

An independent, external resource person should be requested from the UNDP Regional Project for Strengthening Collaboration between Government, NGOs and UNDP (RAF/87/001). The resource person would assist the NCSVS Secretariat in planning the EGM, would facilitate at the EGM, and assist the NCSVS Secretariat in drawing up the details of the plan of action decided by the EGM. (Draft Terms of Reference are attached at Appendix 2).

Costs:

- a) of resource person - to be requested from UNDP Project RAF/87/001;
- b) of EGN - to be drawn from budget line 1.2.1 of Project MLW/87/007/D/001 (as above).

3. Government is urged to look critically and urgently at inter-ministry coordination in respect of government's relationship with NGOs. The aim should be to set up mechanisms to ensure a two-way flow of communication between individual line ministries and the parent ministry for NGOs (the Ministry for Community Services). This would enable the parent ministry to gather information on how government is currently collaborating with NGOs, which examples of collaboration are working most effectively, and to take the initiative in promoting increased collaboration with NGOs in all relevant sectors. This recommendation should be implemented before the end of April 1990. The Ministry of Community Services has agreed to initiate this action.

4. The UNDP is recommended to take the initiative to host a half-day meeting of NGOs, government and donors for the MCSVS to present its strategy, as decided by the EGN recommended at (2) above. The meeting should take place approximately one month after the MCSVS's EGN - probably in September 1990.

The already-proposed half-day government/donor/NGO meeting, planned for the end of April 1990, is a laudable first initiative for establishing contact between the parties.

5. The UNDP is recommended to take the initiative as soon as possible to set up an NGO/government/UNDP Working Party to meet on a regular basis.

The three parties have very different structures, resources and modes of operation, even though there are many areas of overlap. Such differences need to be understood and taken into account when developing strategies for collaboration. This is a continuous process of getting to know each other and cannot be achieved in one meeting.

Topics for discussion might include: the role of NGOs in development; NGO input to the Development Policy Review in 1991 and the UNDP Fifth Cycle Country Programme; a programme versus a project approach; how international NGOs can work with national NGOs to build their skills and capacities; understanding each others' procedures and review for more effective response to grassroots needs.

6. The UNDP is recommended to review membership of the Screening Committee for the Partners in Development Programme. It is recommended that the Committee should include a representative from each of the following: the Ministry for Community Services, the Treasury Department, the MCSVS, and 2 other NGOs (preferably one non-member of the MCSVS).

With these additional representatives, it would be advisable to reduce the number of representatives from other U.N. agencies. Such a reconstituted committee would ensure participation in decision-making of all three parties as equal partners and give an opportunity for increased exposure to each other. Pre-screening of applications by the MCSVS would no longer be necessary.

7. The NCSWS is recommended to update regularly the information database on NGOs, started by the Needs Assessment Survey. The situation of NGOs is not static. This database is a vital tool in policy-making and planning for government, NGOs and donors. As such, the UNDP should give serious consideration to funding requirements.

FINAL NOTE: The Mission commends the NCSWS's initiative in organising a national workshop on "Popular Participation in the Recovery and Development Process" in preparation for the international conference on the same topic held in Tanzania in February 1990 (organised by the U.N. Economic Commission for Africa). Delegates attended from Malawi. The Mission also commends the NCSWS's commitment to holding a follow-up national workshop, where the delegates will report back to NCSWS members. The Mission considers this as a vital contribution to evaluation and review of approaches to development taken by NGOs.

The Mission recognizes that regular meetings of NGOs are essential to building effective coordination and as a prerequisite to effective government, NGO, UNDP collaboration. They are currently provided for under the MLW/87/007/D/001 project, but should remain an essential part of the NCSWS's activities in the future, deserving of donor support.

W. C. Kuleyo

Z. K. Kuleyo

3.4.90.

D R A F T

May 10, 1990

**AN OVERVIEW OF NONGOVERNMENTAL ORGANIZATIONS (NGOs) IN MALAWI
WITH SPECIAL EMPHASIS ON THE WORLD BANK AND NGOs**

**William J. Nagle
Consultant**

**Prepared for
Southern Africa Department
The World Bank**

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I. SOME OBSERVATIONS

1.01 Given the very low per capita income of Malawi and its pervasive poverty, the newcomer to the country is struck on how very little NGO activity there is in village development work. Given the plight of its people, one would think it would have attracted many of the large international NGOs. On the contrary, compared to other African countries, one is most struck by the absence from the scene of NGO giants such as CARE, Catholic Relief Service, Church World Services, and OXFAM. (Although OXFAM has been peripherally involved from a base in Zambia, its involvement thus far has been in the role of a selective funder.) Again, given the seriousness of the problems in many rural areas, it is striking that Malawian NGOs are so little involved in grassroots development work. CSC's experiences in the 1960s and 1970s outlined below may have had a sobering effect. It is as though there had been a tacit agreement that development is the sole responsibility of the Government. Fortunately, there is evidence that the situation is changing and that both Malawian and international NGOs will be playing a greater role in development and poverty alleviation work in Malawi.

II. SOME BASIC FACTS ON MALAWI

2.01 Malawi is a land-locked country in southeastern Africa, 365 miles long and 32 miles wide, with Lake Malawi comprising 20% of the territory. Called Nyasaland in its colonial period, it borders on Mozambique, Zambia, and Tanzania. Independent since July 1964, it became a republic with the Commonwealth in 1966. With the Malawi Congress Party (MCP) in power from its beginning, Malawi became a one-party state.

2.02 Chichewa is the national language and English the official language. Seven ethnic groups comprise the estimated population of eight million. In terms of religious affiliation, Protestants make up 55%, Roman Catholics 20%, Muslim 20%, and African traditional religions 5%.

2.03 Malawi has one of the lowest per capita income levels in the world and pervasive poverty. The population growth rate in the 10-year period from 1977 to 1987 was about 3.5% annually, 3.2% for the non-refugee Malawian population. It is now estimated to be about 3.3% for Malawians. Infant mortality is estimated at a high 151 per 1,000, with malnutrition causing stunted growth among a high number of surviving children.

2.04 For administrative purposes the country is divided into three regions: Northern, Central, and Southern. The Southern is the most densely populated and includes Blantyre, the country's largest city with 332,000 people, and Zomba, the site of the University of Malawi with 43,000. The country is further divided into 24 districts. Each district is further subdivided into chieftainship areas, which in turn are divided into villages. The Malawi Congress Party structure, in its subdivisions, is similar to that of the government.

III. HISTORY OF THE TWO LARGEST DEVELOPMENT NGOs IN MALAWI

3.01 Of development NGOs operating in Malawi, the Christian Service Committee of the Churches in Malawi (CSC) is the largest indigenous NGO and World Vision International (WVI) is the largest international NGO. The 25-year history of CSC and the eight-year history of WVI are detailed here because their contrasting experiences illustrate both the problems and opportunities of NGO involvement in development work.

Christian Service Committee

3.02 CSC started in 1965 under another name and under the umbrella of the Protestant Christian Council of Malawi. It became an ecumenical enterprise two years later when it won Roman Catholic sponsorship as well and was reconstituted as the Christian Service Committee. The churches saw the Committee as their "development arm" that would go beyond their roles, traditional to them in Malawi, in education, health, and social services to be a catalyst and stimulator of development. As they put it, they want to work with the government to help build a nation. What happened to CSC, as described by Professor Louis Mankwa of the University of Malawi in a 1986 report for OXFAM, is pivotal to an understanding of NGO initiatives and non-initiatives, and NGO/Government relations for a period of two decades.

3.03 In late 1966, CSC started what was considered the first comprehensive and integrated development program ever undertaken in Malawi. Its "Utumiki" project in Mangochi, one of the most underdeveloped areas of the country, ambitiously included agriculture, education, health, water supply, roads, marketing, literacy classes, and special education for women. CSC regarded it as a pilot effort that could stand as a model for other programs it would start in other parts of the country. By mid-July 1967, CSC had a reason to be optimistic: projects were going well, more funds were flowing in from foreign donors, six expatriates had been appointed, and six more were on their way. By month's end, the Government suspended the program and deported the expatriate staff. Only the School Lunch Program survived.

3.04 After intensive discussions with the Government, CSC re-grouped by early 1968. The Government decided it could continue operations but was not to start a "Utumiki"-type project again. A CSC/Malawi Government Working Group was created to assure that the Government would be fully informed of CSC operations. CSC ceased to have its own development programs. Its role was to be a "gap-filler" for government projects and "enabler" for Church projects. It became the biggest financier of the rural water program, mostly through the government. Its involvement with the Churches was chiefly in construction of teachers' houses, school blocks, medical staff houses, health centers, and hospitals. Not satisfied with the "brick and mortar" role the Committee had been forced to play, its leaders by 1972 created a new department called Development Animation which saw its role as transforming the outlook of the entire Christian community into becoming development agents and building in them a commitment to service. By 1973, 22 of the 24 districts had CSC groups

which were to be CSC's main vehicle for development. In 1975 alone, 63 new groups at an area level were formed. CSC's own staff by then numbered 90, many of them trained as animators. In December 1975, the Government suspended all CSC operations. When allowed to resume in 1976, CSC was given a restrictive mandate and prevented from having any direct contact with the grassroots. Its role was reduced to that of serving as a financial channel through which overseas Church development funds got either to Church or Government projects. With regard to CSC's 1975 suspension of CSC activities, as with its 1968 suspension, Msukwa said simply that CSC was insensitive to the political atmosphere in which it operated. CSC's experiences had a very dampening effect on other Malawian NGOs interested in village-level development work and on international NGOs which had considered working in Malawi.

World Vision International

3.05 The experience of an international NGO, World Vision International, has been quite different. The organization describes its objective this way: "To glorify God by enabling people to work, pray, and give, to find the most needy peoples, enlist the most appropriate donors, and manage the resources released to meet the most need in the best way at the least cost." WVI has concentrated its efforts on community development projects with special focus on health, water, income generation, education, and skills training. It works primarily in partnership with evangelical Protestant churches, but some projects are also run in partnership with the Roman Catholic Church and with the Government.

3.06 The organization takes a basic community development approach to its projects. Project coordinators go to a community in which they propose to work, have discussions with community leaders, determine what the felt needs of the people are, and develop a project of a three- to five-year duration. A typical World Vision project would include: (a) a primary school run by the community; (b) water supply for villages serving the school; (c) a revolving loan fund for fertilizers; (d) vocational training; (e) bridges; (f) and local church's evangelical work. The community forms a project committee and the committee takes full responsibility for the project. A local planning and execution committee is composed of the local church pastor, field government workers, and local people. The whole approach aims at the development of communities, not simply projects.

3.07 Guidelines for the operation of World Vision in Malawi were worked out with the Rural Development Section of the Office of the President and Cabinet. World Vision projects are cleared with the District Development Committee and through it with the Rural Development Section of OPC. With those clearances, World Vision can work directly with communities, establish project committees, which, although under the official Area Action Groups, retain, with World Vision, control of their own funds.

3.08 In contrast to CSC, World Vision has enjoyed the support of the Government in its eight-year history in Malawi. It experienced only one rocky episode with the Government in relation to its Child Sponsorship approach. In

February 1990, WVI was frequently cited as a positive indication that Government attitudes towards NGOs have changed and that it is possible for an NGO to do village-level development work with the government's blessing. (It was reported that a UK NGO, Action Aid, had received permission to operate in Malawi and that its work proposal was somewhat modeled on WVI's approach.)

IV. THE CURRENT NGO SCENE*

Development Work

4.01 Like a phoenix rising not once but twice from its ashes, the leadership of the Christian Service Committee is hopeful that its recent discussions with the Government have paved the way for it to begin to do genuine development work. Excerpts from CSC's "Programme Brief 1990-1992" appear in Annex I to this report. It reflects a shift from "brick and mortar" projects that characterized its post-1975 period toward "project activities that stimulate peoples' attitudes toward self-reliance." The Brief continues: "In this way, it is hoped to enhance CSC's role as a development catalyst nationwide than just as a provider of basic human needs through the 'gap-filling' role." The Brief details projected activities in water development, health services, agriculture, community development, development education, and social welfare. CSC's staff numbers 55. It draws its funds from a variety of sources, including groups in West Germany, Denmark, the United States, and the Netherlands.

4.02 The Malawi field Office of World Vision International is thriving. Of a current staff of 100, only one is an expatriate. Its annual program budget is US\$3.8 million. It administers 131 projects in all 24 of Malawi's districts. It continues to focus on community development projects with a special focus on health, water, income generation, education, and skills training. Annex II to this report consists of excerpts from documents on current programs prepared for a World Vision Field Directors' Conference in November 1989.

4.03 Another international NGO doing grassroots community development work in Malawi is Save the Children Federation USA (SCF). In mid-1985, SCF started an integrated rural development program to an existing Rural Growth Center, which the Government had established with funds from the Government of West Germany. SCF used its basic community development approach that it has pioneered in countries all over the world. It has projects at the Mbalachanda Rural Growth Center in Mzimba and at Nkhota in Kasungu District. SCF considers the most important part of its program to be not the projects

*Facts about NGOs in Malawi for this section are drawn from personal interviews conducted in February 1990, and from a draft of "A Needs Assessment Survey of Community Development and Social Welfare Services in Malawi with Emphasis on Nongovernmental Organizations and Service Clubs." The survey was made by two researchers from the University of Malawi at the request of the Council for Social Welfare Services in Malawi and funded by UNDP.

themselves but the process of involving the villagers in determining their own development. SCF collaborates with Save the Children Malawi in a horticultural project at Kunyida Refugee Camp in Chikawa and with UNHCR in a "Water for All" project in the Ntchhau District. In its basic community development work in Malawi, SCF is closely associated with the Government and especially with the Ministry of Community Services. The Ministry approves the programs formulated by SCF and in some instances provides field officers to work with SCF.

International Volunteer Programs

4.04 Volunteers from a number of countries, including Canada, the United Kingdom, the United States, and Japan, work in Malawi. The World University Service of Canada (WUSC) has 28 volunteers: 23 teach -- 20 in secondary schools, two at the university, and one in teacher training. Two are in town planning, three are social mobilization officers, and three work on UNICEF's immunization program. Funded by the Canadian International Development Agency, all except the three working on UNICEF projects are paid and housed by the Government. Voluntary Services Overseas (VSO), a UK-based nonsectarian charitable organization, has most of its volunteers in Government departments in the areas of health, education, agriculture, engineering, construction, forestry, data processing, and rural development. The UK's Overseas Development Administration provides 85% of VSO's funds for its work in Malawi. The U.S. Peace Corps has 140 volunteers in Africa, 90% of them in government teaching posts and all the remainder associated with one ministry or another. According to Peace Corps, all the volunteers -- including those from Canada and the UK -- are placed with a job description in a government personnel slot in a particular ministry. JICA also has a large volunteer network. However, one is struck, not by the obviously worthwhile assignments given the volunteers in Malawi, but rather by what they are not doing. In contrast to their work in other African countries, they are not involved in village-level development work.

Refugee Relief Work

4.05 A number of international NGOs are currently involved in relief work with the refugees from Mozambique now estimated at about 800,000. They include Canadian Physicians for Aid and Relief, Concern Universal, Save the Children Fund UK, ZOA Refugee Care, International Rescue Committee, Medicine Sans Frontier, and the American Rescue Committee. Names of field directors and addresses in Malawi are in Annex III listed as members of the Joint Operation Committee. Coordinator of the Committee is S.C.W. Banda of the Relief and Rehabilitation Unit in the Office of the President and Cabinet.

Health

4.06 One of the most important NGOs in Malawi is the Private Hospital Association of Malawi (PHAM). Like the CSC, PHAM is under the Christian Council of Malawi, made up of Protestant churches, and the Episcopal

Conference of Malawi, the Roman Catholic umbrella. PHAM started in 1966 following a World Council of Churches Committee Meeting held in 1965. Its membership grew from 83 medical units in 1969 with 2,578 beds to 136 units in 1981 with 4,476 beds. PHAM provides 40% of the health services in Malawi (Maukwa, 1986). MISEREOR of West Germany provides 65% of central PHAM's budget. Another 35% comes from fees from member units. The GOM pays, through PHAM, the salaries of Malawian hospital staff. EZE, MISEREOR, and ECC provided more than K750,000 for PHAM's office block. Another NGO, the Malawi Red Cross, involves itself increasingly in primary health care. Its volunteers are active in many rural areas. It is also currently involved in health work with refugees. Its services are particularly concentrated in districts bordering Mozambique. It receives an annual grant from the GOM and funds from international donors, including DANIDA and the Swiss Red Cross. A U.S.-based NGO, the International Eye Foundation, has operated in Malawi since 1980. Its early work was chiefly in training medical assistants in eye-related diseases. It is now primarily involved in dispensing Vitamin A to children at greatest risk. An NGO called LEPRA addresses the needs of leprosy sufferers. There is also Malawians Against Polio (MAP). Cheshire Homes focuses on the medical rehabilitation of disabled children. There is also a parastatal, Malawi Council for the Handicapped (MACOHA).

Small Enterprise Development

4.07 The Small Enterprise Development Organization of Malawi (SEDOM) is a parastatal, but it is included here for two reasons: it has a seminal influence in whatever is done by NGOs in the small enterprise development field and in other countries a similar entity would most likely be an NGO rather than a parastatal. Operational since 1983, it was incorporated formally in 1987 as a parastatal under the umbrella of the Ministry of Trade, Industry, and Tourism. Its mission is to develop Malawian-owned small to medium manufacturing, repair and maintenance, and construction industries through loans, technical advice, and business management. On its creation, it received a grant from ECC for K3,372,200 for its first three-and-a-quarter years. Male entrepreneurs received 70% of the loans, but SEDOM claims that of the 1,669 total jobs created by July 1, 1988, 48.4% went to women. It has a current staff of 131, including six expatriates. Fifty-nine of the staff are senior level and 72 in support positions. The chief program in Malawi for the U.S.-based Africare organization is providing technical assistance and business management services for small-scale rural entrepreneurs. Africare works closely with USAID's Rural Enterprise and Agribusiness Development Institutions Project (READI), a US\$8.8 million project begun in 1984 to strengthen, diversify, and expand the economic activities of small- and medium-scale Malawian entrepreneurs. [READI supports the Malawian Union of Savings Cooperatives and Credit Organizations (MUSUCCO), the Industrial Development Fund (INDEFUND), and Development of Malawian Traders Trust (DEMATT).] Africare also has a gravity flow project in Chiradzula that serves a community of 25,000. Africare also provides emergency non-food relief supplies to refugees.

Other NGOs

4.08 The Salvation Army was incorporated in Malawi in 1973. It is part of an international religious and charitable movement. It now has 2,000 members in 39 congregations in the Southern region of the country. It has two projects in rural areas and plans to have three others. Since 1978, it has conducted a play school project in the Migowi area of Mulanje District and since 1988 a functional literacy project for 25 adults in the Kasungu District. The Malawi National Commission for UNESCO was established in Malawi in 1979. It operates as a semi-autonomous body under the chairmanship of the Minister for Education and Culture. Its main objective, which it shares with its international parent, is to enhance cooperation of the intellectual community, government, NGOs, and other organizations in the fields of education, science, and culture. There is a whole array of service associations in Malawi, ranging from the Commonwealth Ex-Services League of Malawi, which promotes the welfare of Commonwealth ex-servicemen to the Blantyre Jaycees, to the Giants Group of Malawi established by the Indian community, to Magzeetha Promotions, founded in 1985 (the first names of the first three founding women make up the name Magzeetha), which raises funds and assists people in advancing the arts. Deserving of special mention is the Muslim Association, known originally as the Lilongwe Islamic Movement. Spearheaded by a small group of Indian Muslim businessmen, headed by Mr. Ibrahim Chunara, they are engaged in a variety of activities in service to the almost two million Muslims in Malawi. These include building schools, providing tuition money for Muslim children to encourage them to go to government schools, and distributing food, including meat at the time of year when food supplies are in greatest shortage.

4.09 The Council for Social Welfare Service in Malawi has recently emerged as a potentially useful instrument for coordination among NGOs and between NGOs and the Government. The Nyasaland Council of Social Services, which existed prior to independence, was dissolved by the Government of Malawi in 1964. A coordinating but largely ineffectual entity came into existence in 1979 with the Ministry of Social Services providing the secretariat. Its status and activities for the following five years were described as "low-key." In 1984, Malawians attended a workshop in Zimbabwe organized by the International Council for Social Welfare. The Malawian delegates returned home charged with enthusiasm. They sparked a national workshop in April 1985, which ended with a decision to create the Council for Social Welfare Services in Malawi. It began operating in 1986, but did not have a full-time executive secretary. It was only in 1989, with the arrival of J.L.S. (Jervase) Chakumodzi as executive secretary, that the coalition became very active. Referring back to the Council's 1985 birth, Chakumodzi said that a major impetus for it was that NGOs feared that if coordinated by the Government, they would lose their separate identities and that their autonomy would be placed in jeopardy. With these sentiments, he echoed most of the existing national NGO coalitions in the world. At its birth, the Council had seven members; now it has 30. In commissioning the Needs Survey with two professors from the University of Malawi, the Council listed 51 organizations as "relevant potential members of the Council." (Twenty-seven responded to the survey. They are listed in Annex IV to this report.) Of the 51, 24 are voluntary organizations, 11 are service clubs (voluntary associations), 11 are

governmental entities (most of them parastatals), three are intergovernmental agencies, and two are private commercial enterprises. Like NGOs the world over, the Council has a constant funding problem. In addition to very modest membership fees, it currently has a K32,000 grant from the Government and funding from UNDP, OXFAM, and the Japanese Government. Increasingly, according to Chakumodzi, the advice of the Council is being sought on NGO matters and more and more it is being asked to represent the NGO community at various Government meetings.

V. AN AIR OF OPTIMISM

5.01 In interview after interview with NGOs, with donors who work with them, and with many Government people, during February 1990, there was a common message: the times are changing and there is both hope and expectation that both Malawian and international NGOs will be playing a greater role in development work in Malawi. The success of World Vision International in carrying out widespread village-level community development work and for having worked out a modus vivendi with the Government, was, as noted above, frequently cited as a harbinger of better days for CSC and for other NGOs.

5.02 At this writing, chiefly through UNDP initiative, a late-April 1990 meeting is planned that will bring together Government people, NGOs, and donors. (The Council of Social Welfare Services is arranging the NGO participation, with the Ministry of Community Services coordinating Government participation, and UNDP arranging for donor involvement.) Under UNDP's suggested agenda, Government representatives would express their wishes for NGO involvement in the future. The Council will ask NGOs to come forward with problems they face in government and donor collaboration and suggestions on how these problems can be overcome. Donors are asked to relate their experiences on collaborating with NGOs and to indicate possible sectors where they might want more NGO involvement.

5.03 Chakumodzi, who directed the ill-fated Development Animation Department for CSC in the 1970s, sees the fact that the Government has apparently blessed the creation of an autonomous NGO coalition and that it gave the Council financial support as very positive signs of a change of climate.

5.04 Some see Ministry of Community Services support of a plan to create a new Family Welfare Association in the population arena as yet another indicator of a change in Government attitudes towards NGOs.

5.05 There is less certainty among sympathetic observers of the NGO scene on why the Government's attitude is changing and whether the warmer climate will be permanent. Some think that more top officials of more a more secure and confident Government now realize that no Government can meet all the needs of the people and are therefore more willing to admit they need help. The Rural Development Sector of Economics, Planning, and Development and the Ministry of Community Services are generally regarded as the most supportive of and sympathetic to NGOs.

VI. THE WORLD BANK AND NGOs IN MALAWI

6.01 The World Bank functions under an Operational Manual Statement, "Collaboration with Nongovernmental Organizations" (August 1988), which urges Bank staff "as a matter of Bank policy" to develop contacts with NGOs, and to develop operational collaboration. The Statement defines NGOs to mean "private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, or undertake community development." Drawing on its experiences in other countries, the Bank has found that NGOs have the ability to reach poor communities and remote areas that have few basic resources or infrastructure and where government services are limited or ineffective. Given the problems of poverty and malnutrition in Malawi, NGOs should be able to make real contributions. However, the Bank could legitimately hold that in Malawi too few NGOs are directly involved in development work. It might be more likely to urge their use on Bank-related projects if they were so involved and could demonstrate the substantive knowledge and management skill required for successful development efforts. It would appear that as NGOs find encouragement from the Government to move more clearly into grassroots development work, they will require training and capacity-building. Unfortunately, the Bank has little in way of special funds for these important efforts. However, it can work with sister agencies like UNDP and some of the bilateral agencies that have funds for such institution-building.

6.02 The World Bank has a strong interest in seeing the involvement of NGOs in the Social Support Fund, which is due to become operational in 1990. It is seen as an important tool of the Social Dimensions of Adjustment Program. In most other countries where a Social Support Fund has been created under the SDA program, NGOs are eligible for grants. If NGOs in Malawi can apply for at least 30% of the grants under the Fund, it would mark a significant step toward greater Government/NGO cooperation. Because the Social Support Fund is intended to encourage pilot projects affecting the poorest and most vulnerable people in Malawi, the effort could have the happy result of encouraging more initiatives by both Malawian and international NGOs in village-level work. The Social Support Fund provides one of the most immediate means for fresh positive Government/NGO collaboration.

6.03 In the immediate weeks ahead, a World Bank mission will be working with the GOM in an environmental assessment of the Bank's Malawi Energy II project, the Kapichira Dam. It is the first Bank project in Africa to have an environmental assessment since the Bank's recent issue of its Operational Directive on such assessments. The directive says the Bank expects the borrower to "take the views of affected groups and local nongovernmental organizations fully into account in project design and implementation, and in particular in the preparation of the Environmental Assessments." Detailed guidelines for Bank staff and borrower governments regarding community and NGO involvement are not, at this writing, in final form, but it is clear that the Bank takes very seriously the mandate to involve them in this process. Although there are no identifiable environmental NGOs in Malawi, there will be

some with both knowledge and concern about the area and the people to be affected by the Kapichira Dam. Even if no NGOs are operative in the area, there are less formal community groups that will need to be informed and involved in the process.

Chairman's Closing Remarks

Hon. Minister,

Ladies & Gentlemen,

As we conclude our consultations, I would like to share with you some observations on the key themes that have emerged during the past two days and the follow-up actions that we have agreed to undertake to ensure that the momentum established here is not lost. Before I turn to these themes I know I speak for all donor participants in expressing appreciation to Minister Chimango and the other members of the Malawi delegation for the serious and systematic attention which they have devoted to the issues and questions raised during our discussions. As a result, Mr. Minister we all look forward with confidence to the further consideration of these issues in the on-going implementation of both government and donor programs.

Malawi's continued record of sound and responsible macro-economic management and clear formulation of broad development priorities in DEVPOL, successive PFPs, and elsewhere have provided our consultations with an appropriate, indeed essential, context in which to explore in some depth the development challenges facing Malawi in confronting the reality of pervasive poverty and limited resources. Four themes emerged through our discussions which should help define the next steps for donors and government to improve our mutual efforts as partners in tackling these

challenges: i) population and human resources, ii) the environment for the private sector, iii) focussing on public expenditure priorities and strengthening of related budget processes, and finally (iv), cutting across virtually all topics, a concern for greater participation and openness. I would like to consider each of these briefly, focussing primarily on the follow-up steps that we might anticipate as a result of our discussions.

Donors underscored the critical importance of reducing population growth, if Malawi is to capitalize effectively on its limited natural and fiscal resources. Greater emphasis on human resource development can both contribute to and flow from reduced fertility. While donors welcomed the progress that has been made in promoting family welfare services, they stressed the need for more explicit government policies to promote family planning and redirect social sector expenditures, so as to strengthen the delivery of basic services. The greater definition of government policy and the corresponding enhanced donor support to population and human resource activities are complementary and mutually reinforcing actions toward which our follow-up efforts should be directed.

As a consequence of Government's effective macro-economic stabilization, donors recognized that ample resources are available to fund stepped up investment and productive activity in the private sector. The constraints relate more to institutional factors and related policies. Continued rationalization and down-sizing of the parastatal sector, establishing clear guidelines supporting foreign investment, and effective deregulation of domestic private investment would all contribute to a stronger, enabling environment for the private sector. Follow-up actions

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include early finalization of the Investment Code, joint donor-government agreement on the various policy elements of the Capital and Labor Markets Adjustment program and the provision of adequate donor financing. Together these should stimulate a greater private sector contribution to growth and transformation.

In the area of public sector financial management, our discussions were extensive and substantive, identifying a number of specific follow-up actions. Donors recognized and supported the rationale underlying the Government's plea for greater support to financing recurrent costs in high priority areas, especially the social sectors, realizing that such support, while temporary, would nevertheless be required over a considerable period for Malawi. The growth payoff of a strategy emphasizing human resource development will inevitably be stretched over a long period. As recurrent cost financing would inevitably displace project support, donors stressed the need for an overview of development priorities covering both investment and recurrent expenditures. This would require the timely completion and circulation of the PSIP and its better coordination within the overall, comprehensive expenditure program. In addition there is a need for increased donor consultation during the annual formulation of the public sector expenditure program. Without such consultation there is every danger that donor commitments will not be utilized in a timely manner, resulting, effectively, in over-programming of assistance to Malawi. In addition to explicit support of recurrent costs, untied counterpart funds generated by BOP support also contribute to budgetary support. More transparent budget priorities, effectively communicated to donors, should provide an environment in which donors would

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seek to simplify and, to the greatest extent possible, remove restrictions on the use of counterpart funds.

Running throughout our discussions has been an emphasis on broadening the effective participation of all strata in Malawi, moving toward greater decentralization and corresponding less central control. As Malawi intensifies its efforts to restore and accelerate growth through poverty reduction, unfettered participation in economic and social activities will be required. Donors cited several key areas where such enhanced openness would give a boost to Malawi's prospects. NGO involvement in population activities and household food security and facilitating the growth of informal sector activities were among those with the greatest development potential. Strengthening the partnership between a government and its own people has become increasingly recognized as a critical factor in sustaining adjustment and growth.

That we as donors are prepared to support such a partnership in Malawi is certainly confirmed in the amounts of financial assistance detailed yesterday. Based on your indications it seems clear that the total financing requirement of \$508m for 1990 and 1991 as projected in the CEM has been attained, perhaps even exceeded. But as we stressed at the last Malawi CG, again this year, the composition of that assistance must be geared much more toward balance of payments or recurrent cost support, and away from project-financing, if Malawi is to make effective use of these potential resources and at the same time maintain the fiscal stability and private-sector reorientation achieved in recent years. As donors we must do our part to preclude an ever-growing pipeline of project finance as a

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consequence of development budget constraints and implementation capacity, and move instead to identify feasible, high-priority shifts to recurrent financing. Without such consultations and adjustments, which, of course, require a public sector expenditure and investment program, Malawi runs the danger of falling short in the assistance it could otherwise mobilize. An urgent review of aid composition should be undertaken by all donors in consultation with the Malawi authorities to ensure that project investments fit priorities of the PSIP. On the part of the World Bank we will review our own project pipeline and the anticipated IDA contribution to ensure that we do not crowd out available and appropriate grant financing.

On the pressing issues of the reopening of the Nacala corridor and the daunting influx of refugees, our discussions under the effective leadership of the Minister were both informative and timely. Donors reiterated their support to Malawi in tackling both problems. In the case of Nacala the donors agreed that on the basis of clarifications regarding the current progress of the consortium and the initiation of Phase III, that they would examine financing requirements. The upcoming World Bank transport sector mission will help establish the sectoral context for Nacala investment, while its inclusion as a priority SADCC project confirms its regional importance. Concerning refugees, donors welcomed an upcoming meeting in Malawi in July to consider the Government's requests in detail.

Before closing I would like to briefly reiterate the major follow-up actions which we will all strive to implement and support in the coming weeks and months.

- The Government will clarify its population policy and the supporting role of NGOs, and the Family Welfare Council, while donors ensure that population and health assistance is well-co-ordinated and mutually supportive.

- Government will finalize an investment code and monitor other actions to enhance private sector activity including further parastatal reform.

- Donors and government will work to improve budgetary and aid co-ordination through the timely preparation and sharing of an integrated public expenditure program (incorporating the PSIP), the inclusion as possible of more recurrent cost financing in aid programs, the untying or similar simplification of counterpart funds procedures, and an increase in budget commitments to activities having a high impact on poverty.

- Finally donors and government will strive to broaden participation in development activities through greater involvement of NGOs, local communities, and the private sector (formal and informal).

This is a daunting agenda; but the needs of Malawi's population, with so many struggling merely to subsist, demand that we set only goals that can make a difference and that we judge our success realistically in the light of those goals.

Finally, I would like to thank all participants, donors and Malawi government representatives alike, whose thoughtful and insightful comments and questions have contributed to a substantive, informative, and challenging meeting. I know that when Steve Denning occupies this chair in two years time he will have as we have had, much progress to review and further challenges to set.

To the support staff here in Paris and of course the translators I extend our sincere appreciation for their unstinting efforts which contribute so effectively to the smooth running of all our proceedings. Thank you,

I wish you all a safe journey home.

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'NGOs help in development'

MALAWI recognises and appreciates the role played by non-governmental organisations (NGOs) in supplementing development programmes in the country, the Minister of Community Services, the Hon. Mfunjo Mwanjasi Mwakikunga, has said.

The minister said this yesterday when he opened a one-day donor agencies, NGO and government consultative conference at Ryalls Hotel in Blantyre.

The conference, jointly organised by the United Nations Development Programme (UNDP), the Ministry of Community Services and the Council for Social Welfare Services in Malawi, drew participants from the government, donor agencies and non-governmental organisations.

by
Grover Mzumara

The minister, among other things, called for institutionalised mechanisms to facilitate communication, collaboration and co-operation between the government and donor agencies and NGOs to increase their participation in national development.

The minister pointed out that although in the past

there were Christian Service Committee (CSC) government working parties on CSC assisted projects, the forum was quite infrequent because various departments worked with particular NGOs and even then, sometimes there were no agreed norms of procedure.

"It is therefore time that some measures were taken to have institutionalised mechanisms to facilitate an across-the-board system of communication, collaboration and co-operation between the government, donor agencies and NGOs," said the minister, adding that this is critical because of the need for increased donor and NGO participation in national development.

The Hon. Mwakikunga explained that the purpose of the tripartite meeting was to initiate and further strengthen this co-operation and partnership.

He said that since independence the government has sought to work closely with various donor governments and agencies and non-governmental organisations and that it has gone a long way towards fostering a favourable climate of trust, co-operation and friendship.

He thanked the UNDP for realising and recognising the need for such a healthy relationship between the concerned parties and for initiating action to facilitate this process.

Also speaking at the ceremony, the UNDP resident representative in Malawi, Dr. Kerstin Leitner, among other things, recalled that during the past year, several missions from multilateral as well as bilateral donors came to Malawi to assess possibilities to strengthen grassroots level development and that a lot of discussions and groundwork have been done,

and constraints have been identified.

One of the these constraints, she pointed out, has been the lack of information and knowledge amongst the parties concerned. She therefore said it was anticipated that the outcome of the meeting would enable the participants to know more about each other and that contacts could be made.

She said that the UNDP was therefore grateful to the Malawi Government for enabling the meeting to take place.

Giving a brief background to the meeting earlier, the principal secretary in the Ministry of Community Services, Mrs. Esnath Kalyati, said that some preliminary work had been done by technical officials, basically aimed at arriving at some common understanding within each sector.

The principal secretary said that through these internal discussions within government, and among the NGOs and donors, problems had been identified which would form the basis of the discussions.



The Minister of Community Services, the Hon. Mfunjo Mwanjasi Mwakikunga, addresses the donors, NGOs and government meeting at Ryalls Hotel in Blantyre yesterday. On the left is the UNDP resident representative, Dr. Kerstin Leitner. — Picture by Bih Kubwala, Daily Times

PS calls for closer collaboration between govt., NGOs, donors

*Daily Times
4 June 70*

Times Reporter

THE principal secretary in the Ministry of Community Services, Mrs. Esnath Kalyati, has called for closer collaboration between the government, non-governmental organisations (NGOs) and donor agencies with a view to improving the economic and social development of the country.

Mrs. Kalyati made the call on Thursday afternoon when she closed a one-day donor agencies, NGOs and government consultative meeting at Ryals Hotel in Blantyre.

The meeting was opened earlier in the day

by the Minister of Community Services, the Hon. Mfunjo Mwanjasi Mwakikunga.

Mrs. Kalyati lauded the NGOs and donor agencies for the role they play in the economic and social development, saying that closer collaboration between them was vital in order to enhance progress.

She said problems raised during the meeting could be solved through closer collaboration with a view to improving the situation.

"The matters raised here will continue to be reviewed so that the rec-

ommendations in the papers and from the groups (the government, NGOs and donors), are implemented through further consultations.

"It is now my hope that we will pursue these recommendations vigorously in order to improve co-ordination and collaboration between the three groups, she said."

Also speaking at the same closing ceremony, the UNDP resident representative in Malawi, Dr. Kerstin Leitner, said that the meeting was a starting point for further consultations between the government, NGOs and donors.

I. ECONOMIC PERFORMANCE AND THE POLICY FRAMEWORK FOR DEVELOPMENT

A. Macroeconomic Performance

Malawi has been one of the best economic performers in Africa. Since Independence in 1964, its economy has grown at nearly three times the pace of Sub-Saharan Africa as a whole. And, perhaps more significantly, Malawi's growth outstripped that of the resource rich countries of Zimbabwe, Zaire, Zambia, Nigeria, and Gabon. Macroeconomic performance has not been even, however, and the period since Independence can be divided into four major economic periods: economic growth (1964 - 1980); structural adjustment (1981 - 1985); exogenous shocks and macroeconomic distortions (1986 - 1987); and renewed growth (1988 - 1989).

Economic Growth, 1964 - 1980

Malawi's economic growth between 1964 and 1980 was impressive: GDP doubled, resulting in real per capita growth of 3% per year. This growth was due in great part to liberal economic policies and to the diligence and discipline of its people. Growth was fueled by export-oriented agriculture, with modest contributions from a nascent manufacturing sector based on agro-processing and simple import substitution. The policy environment was particularly supportive: capital and labor were priced to reflect the country's abundance of labor; trade and foreign exchange policies maintained a competitive exchange rate, low import duties, and relatively high import levels; domestic savings were generated and plowed back into the estate sector, albeit in great part on the backs of the smallholder sector; and, tight monetary policies kept the inflation rate low.

By 1979, growth was interrupted as soaring oil prices, plummeting world prices for agricultural exports, and the gradual disruption of the country's traditional trade routes to Mozambican ports caused a marked deterioration in the current account. The deficit climbed to a record 21% of GDP in 1980. The effects of the external shocks were compounded by domestic drought, and by the growing weakness in domestic economic

management. At the beginning of the decade, the fiscal deficit stood at 8.7 % of GDP and real GDP, which had managed to rise by 3.3% in 1979, fell by 5.2% in 1981.

These shocks and subsequent reactions exposed underlying weaknesses in the economy:

- lack of export diversification;
- increasing trade and macroeconomic distortions;
- slow growth in smallholder agriculture; and
- import dependence in industry, energy, and transportation.

Stabilization and Structural Adjustment, 1981 - 1985

In response to the deterioration in Malawi's macroeconomic performance, the Government launched a broad-based stabilization and structural adjustment effort in 1981 designed to restore macroeconomic stability and reduce constraints to growth. The program was supported by three structural adjustment credits from the World Bank, with significant cofinancing from the donor community, and successive stand-by arrangements and an extended facility from the International Monetary Fund (IMF). The details of these policy reforms are presented in the following section. In addition, these reforms were complemented by a round of external debt rescheduling in 1982 and 1983.

These efforts helped restore domestic and internal balances while fueling GDP growth between 1982 and 1985:

- the fiscal deficit fell from 9.7% of GDP in 1983/84 to 8.4% in 1984/85, resulting from reductions in Government expenditures from 34.5% of GDP in 1981/82 to 28.2% in 1984/85;
- the current account deficit improved markedly to 8.5% of GDP by 1985 largely as a result of reduced Government imports and devaluation to contain aggregate demand and reestablish international competitiveness; and

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real GDP grew by an average 4.1% annually between 1982 and 1985.

Closure of Mozambique's Beira and Nacala ports severely disrupted Malawi's recovery efforts. Southern road and rail links to Durban increased the transport distance to the sea from 800 kms to 3500 kms within a year, and resulted in CIF margins increasing from 25% of CIF value of imports to 40% between 1981 and 1984, one of the world's highest margins.

In addition to transportation, several other factors existed which increased Malawi's vulnerability to renewed external shocks and undermined future growth prospects. These included:

- compression of FOB imports from 35% of GDP in the 1970s, to 29% in 1979, to just 14% in 1984;
- reduction of Government investments, which fell from 14.5% in 1979-81 to 8.6% of GDP in 1982-85; and,
- increasing concentration of exports in a few agricultural commodities.

Exogenous Shocks and Economic Deterioration, 1986 - 1987

Malawi's strong macroeconomic performance was reversed, and the GOM's commitment to adjustment was suspended as further shocks caused the external environment to deteriorate substantially in 1986. These new shocks included: further deterioration of the terms of trade; drought and mealybug infestation; markedly increased transportation costs (nearly double 1983 levels); large military expenditures associated with regional political tensions; and extra budgetary expenditures incurred in providing assistance to a rapidly rising number of displaced Mozambicans. The budget was further strained by expenditures on debt services: earlier rescheduling had resulted in temporary relief, but 56% of 1986 export earnings were spent on debt service. Additional extra budgetary expenditures focused on food security and the strategic grain reserve. As a result, the fiscal deficit increased to 12.5% of GDP by 1986/87. This deficit was financed domestically: Government domestic

borrowings more than tripled to 3.5% of GDP in one year (1984/85 to 1985/86), thereby crowding out private sector access to domestic credit. Domestic prices were severely affected by these events, with inflation increasing from its 10-15% annual average to nearly 40%.

The private sector was squeezed hard by these changes. Import levels fell to just 12% of GDP, and contracted to the lowest volume levels since Independence. Compounding this, Government and parastatals absorbed an increasing share of total imports, up from 16% in 1981 to 40% in 1986. Combined with the credit squeeze, this crowding-out on imports led to a contraction in industrial output. With productive activities severely jeopardized, real GDP growth fell to 2.8% in 1986 and by 0.2% in 1987. Furthermore, administrative allocations of foreign exchange undermined the efficiency of domestic industries. The basis for future growth within the private sector was further weakened by falling savings. The reduction in real income available to the private sector resulted in a decline in private sector savings, from 12.5% of GDP in 1985 to 9.9% in 1986.

Renewed Growth, 1988 - 1989

After two years of severe fiscal and balance of payments pressures, the Government redoubled its efforts to restore domestic and external balances. Government constrained expenditures while increasing revenues, thereby reducing the fiscal deficit from 9.1% of GDP in 1987/88 to 6.6% in 1988/89. By streamlining parastatal activities and increasing their operational efficiency, both subventions and domestic borrowings were reduced. Government was able, therefore, to sharply reverse its domestic borrowing position and begin substantial repayments to the domestic banking system. The result was a significant decrease in monetary demand pressures and an increase in credit availability to the private sector. Inflation has cooled considerably, despite increases in the broad money supply, down to an estimated 12% in mid 1989. In addition to its own restraint, Government dampened aggregate demand by deregulating bank lending rates, increasing domestic deposit rates, and devaluing the kwacha by 20%.

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Pent-up demand for imports remained high, however, and when combined with the import liberalization of raw materials and spare parts, nominal 1988 import levels were 120% of those for 1986. While this growth precipitated a decline in the trade surplus, increased imports were important to industrial recovery. By early 1989, industrial capacity utilization had doubled and the index of industrial production showed month-on-month increases when compared to 1988. Exports, too, rebounded, with the value of exports up by nearly 65% over 1984. The major problem in the current account remained transport: costs were estimated at over \$100 million, and the resulting current account deficit increased to 8.3% of GDP. However, foreign assistance grants were greater than expected and thereby strengthened the capital account: the overall balance increased sharply. The result was a spectacular improvement in external reserves from virtually zero, after arrears, at the end of 1987 to 4.6 months of non-maize imports at the end of 1988.

The bottom line was real GDP growth of 3.7% in 1988, with projections for 1989 at 4.5%. In the Fund's words "the Malawian economy performed considerably better than envisaged under the program. Economic growth was more robust than expected, and private sector confidence improved." Thus, Malawi's economy appears to be starting a new decade in renewed health (see end graph EP7 and 9).

B. Policy Framework for Development

Despite a host of problems outside of its control -- landlocked, resource poor, deteriorating terms of trade, and high debt service levels -- Malawi has acted with strength and certainty regarding those factors where it exerts control and influence, and has developed a set of external policies which capitalize on its resource endowment and support economic growth: trade and foreign exchange policies which ensure that the domestic currency is not usually overvalued; wage and interest rate policies which favor labor use and discourage capital substitution; and investments which enhance future production.

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However, as noted earlier, the policy environment began to erode in the late 1970s as the Government tried to "manage the economy" in response to external shocks. By the early 1980s, as real GDP plummeted, the external economy collapsed, and foreign borrowing mushroomed, Government recognized the need to reimpose the fiscal discipline and domestic and external policies which had marked its earlier years. The first phase of the return to rational policies was to stabilize the economic collapse. This was followed by efforts to restructure the policy environment for growth. The GOM's structural adjustment program was marked by: rationalizing agricultural and industrial policies; improving Government revenue collection and constraining expenditures; rehabilitating and restructuring parastatals; rationalizing domestic interest rates; and, realigning the exchange rate. Strong donor support for these changes was led by three World Bank Structural Adjustment Loans (SALs), a SAL supplement, and successive IMF Stand-by Agreements and an Extended Fund Facility.

Despite the slackening of real GDP growth by the mid-1980s, Government remained committed to the policy reform effort. With her redoubled efforts, Malawi became the first country to qualify for the IMF's Enhanced Structural Adjustment Facility (ESAF) (see detailed discussion in endnote EP1). The reform objectives included doubling economic growth between 1989-91 to three percent per annum and reducing domestic inflation by 5 percent a year. The World Bank has continued its support to structural adjustment with sector lending -- the Industrial and Trade Policy Adjustment Credit and the upcoming Agricultural Sector Adjustment Credit. The bilateral donor community has also generously supported the reforms. The series of reforms supported are clustered about several areas:

- agricultural pricing and marketing reform (including parastatal restructuring and divestiture, and liberalized marketing);
- industrial and services sector reforms (including deregulation of interest rates, import liberalization, increasing domestic investment, and eliminating trade arrears);

- external sector imbalances (including exchange rate adjustment) and;
- fiscal reforms and internal balances (including rationalized revenue raising measures, expenditure and monitoring control mechanisms, reducing the ratio of government deficit to GDP, and reducing inflation).

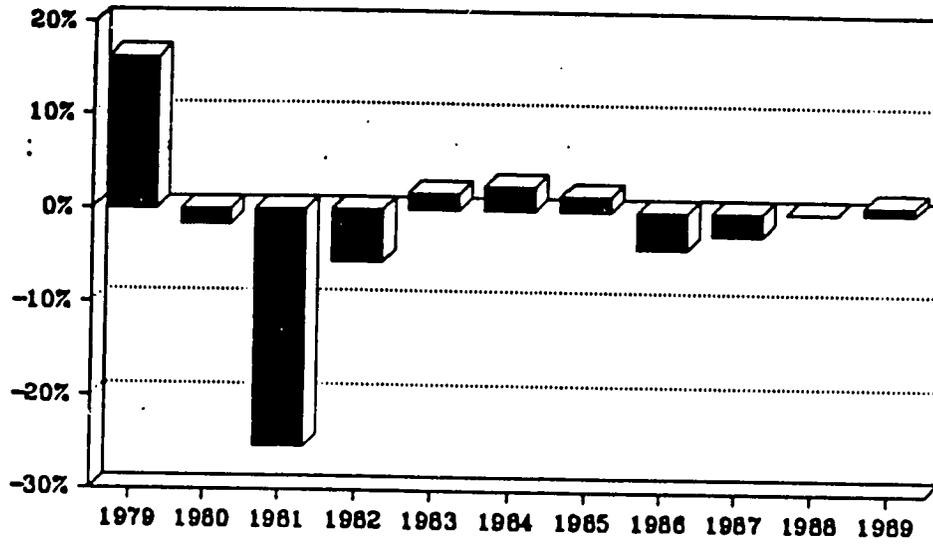
Reforms in each of these areas are closely linked to Government efforts to rationalize its own behavior as a major actor in the economy and to promote efficiency and competition in the private sector for sustained growth.

The aggregate economic impact of the structural adjustment program has been stronger than originally envisaged, as noted earlier: economic growth picked up significantly; fixed investment expanded; inflation, the subject of a mass persuasion campaign by Government, has been reduced; and, fiscal restraint, in terms of budget deficit to GDP ratios, has substantially exceeded Policy Framework Paper (PFP) targets (EP2).

However, current growth levels cannot be sustained without high levels of donor assistance, nor has economic growth been sufficiently broad-based for her growing population:

- per capita GDP figures remain among the lowest in the world, with infant and child mortality among the highest;
- per capita food production and consumption are falling;
- off farm employment opportunities are limited;
- real wages, already low, have been severely diminished;
- export earnings are produced by a narrow range of agricultural commodities; and,
- nearly two thirds of those export earnings are estimated to be spent on transportation and debt service alone.

Real Per Capita GDP Growth



■ Per capita GDP growth

1978 base year

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GROSS DOMESTIC PRODUCT (GDP), BY SECTOR OF ORIGIN AT
1978 CONSTANT FACTOR COST 1984-1989

(K million)

			OS		NS			
	1984	1985	1986	1987	1987	1988	1989	
Agriculture	306.5	308.0	309.9	320.4	320.4	331.9	349.4	
Smallscale	240.9	242.0	244.5	250.3	250.3	256.8	264.3	
Largescale	65.6	66.0	65.4	70.1	70.1	75.1	85.1	
Manufacturing	100.6	103.8	106.1	107.1	107.1	111.2	116.8	
Electricity and Water	16.1	16.4	17.3	18.7	18.7	19.3	20.2	
Construction	29.6	37.2	31.2	31.1	31.1	33.9	35.4	
Distribution	104.1	114.0	109.9	107.5	107.5	106.7	109.0	
Transport & Communications	47.0	49.5	51.8	49.1	49.1	51.8	55.6	
Financial & Professional Services	51.2	55.0	53.8	53.8	53.8	55.9	59.1	
Ownership of Dwellings	34.6	36.3	36.6	37.3	37.3	38.4	40.1	
Private Social and Community								
Services	34.7	35.2	37.7	38.4	38.4	39.8	41.3	
Producers of Government Services	101.7	108.2	118.0	120.8	134.5	141.6	146.3	
Unallocable Finance Charges	<u>-20.6</u>	<u>-22.2</u>	<u>-21.7</u>	<u>-21.7</u>	<u>-21.7</u>	<u>-22.4</u>	<u>-23.5</u>	
GDP at Factor Cost	805.5	841.4	850.6	862.5	876.2	908.1	949.7	

NOTE: OS = Old Series

NS = New Series

Source: Department of Economic Planning and Development, National Statistical Office.
Treasury and Reserve Bank of Malawi

ANNEX H

Initial Environmental Examination

I. Project Data

Project Location: Malawi
Project Title and Number: Services for Health, Agriculture, Rural and Enterprise Development (SHARED, 612-0232)
Funding: \$15.0 million
Life of Project: Nine years
IEE Prepared By: Stephen T. Norton *STN*
Chief, Project Implementation & Development Office, USAID/Malawi
Environmental Action Recommended: Categorical Exclusion for specified activities

Concurrence:

Carol A. Fasley
Carol A. Fasley
Director, USAID/Malawi

Date:

14 August 1990

Concurrence by Africa
Bureau Environmental Officer:

Approved: State 286361
Disapproved: _____
Date: 25 August 1990

Clearances:

Jeff Borns, RLA/REDSO Nairobi 21355, Aug. 3, 1990
Andre DeGeorges, REO/REDSO Nairobi 21355
Nairobi 24248, Sept. 4, 1990

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II. Project Goal and Purpose:

The goal of the SHARED Project is to improve the economic well-being of Malawians through increased opportunities for improving their on-farm and off-farm productivity and employment, and improved health. The Project's purposes are twofold. First, the Project will assist in expanding the amount and increasing the impact of development activities of PVOs/NGOs (Private Voluntary Organizations/Non-governmental Organizations) in Malawi in the key areas of agriculture, off-farm employment and health. Second, the Project will strengthen the capacity of Malawian NGOs to provide services with positive impact in those sectors.

III. Project Problem:

Malawi's relatively successful macroeconomic performance in the 1980s continues into the 1990s. However, national economic progress is not yet equitably shared by the population. The quality of life for many families, mostly rural, remains poor and in some respects deteriorates.

Malawi's positive macroeconomic trends reflect a number of conscious Government of Malawi (GOM) policy determinations, including restraint in public expenditures and a partnership for development with the commercial private sector. However, for vulnerable groups in Malawi, reduced public expenditures have diminished public sector resources to alleviate effects, and address causes, of poverty. At the same time, there is not yet a full partnership between the GOM and those non-commercial private sector institutions (community-based groups and the PVOs/NGOs) predictably available to enable greater equity in Malawi's national growth.

For their part, the community-based or community-derived groups in Malawi have not, generally, achieved sufficient capacity for extensive mobilization of self-help efforts in key development sectors such as agriculture, off-farm employment and health. The community-oriented PVOs/NGOs, in turn, while generally active in the delivery of important social services as well as in relief and rehabilitation efforts, have insufficient technical, managerial, and financial capacity for a major role at this time in longer term, sustainable development efforts.

IV. Project Outline and Strategy:

The SHARED Project will provide grant support as well as technical assistance and training to strengthen the capacity of Malawian NGOs so that they can increase the amount and impact of their sustainable community efforts in agriculture, off-farm employment and health. The resources will be made available to Malawian NGOs through a combination of direct support and, in some cases, through intermediation of U.S. and possibly other international PVOs.

The principal outputs of the Project will be:

- o up to 25 Malawian NGOs will receive training or other technical assistance for their institutional development and particularly in their capacity to assist communities to mobilize and manage resources in sustainable efforts in key development areas;
- o up to 20 Malawian NGOs will receive institutional development subgrants in the range of \$10,000 to \$100,000 each;
- o up to 20 Malawian NGOs will receive development activities subgrants in the range of \$100,000 to \$400,000 each; and
- o up to 8 U.S. or conceivably other international PVOs will receive development activities subgrants, in partnership with and in support of Malawian NGOs, in the range of \$500,000 to \$1,000,000 each.

These resources will be made available through an A.I.D. Cooperative Agreement, which will be awarded to a competitively-selected U.S. PVO with substantial involvement by USAID/Malawi. The total funding, including grants, technical assistance and training, and management costs of the selected umbrella PVO and of USAID, will be \$15 million.

V. Environmental Action Recommended:

Based upon a review of A.I.D. Environmental Procedures per 22 CFR Part 216, Section 216.2(c)(2), a Categorical Exclusion is recommended for the following types of activities which could be supported by the SHARED Project:

- A. Institutional strengthening, e.g., developing skills in personnel management, planning, budgeting, managing information systems, etc.
- B. Technical assistance and other types of training
- C. Studies and surveys
- D. Health and nutrition programs
- E. Formal and informal education programs

In the case of activities which could be supported by the Project in the areas listed below, the recipient of the USAID Cooperative Agreement (a U.S. PVO) will work with potential recipients of Project subgrants (either Malawian, U.S. or international NGOs/PVOs) to develop an Initial Environmental Examination as per Section 216.4.

- A. Agriculture
- B. Fisheries
- C. Small or medium enterprises
- D. Environmental health
- E. Construction

For the above activities and any similar such activities which may be Project financed, the recipient of the Cooperative Agreement, through its Project Management Unit in Malawi, will utilize the attached Environmental Checklist (which may be amended with USAID and REDSO concurrence) in fulfilling the requirement to develop an IEE.

Sometime after the first year or after implementing several of the subgrants, whichever comes first, the Regional Environmental Officer will be requested to review and evaluate these activities to determine the degree of environmental impact, and to assess the capacity of the relevant ministries to identify and mitigate such impacts.

In accordance with Section 216.4, the Mission Director will make the Threshold Decision for subgrants which are for less than \$500,000. In those rare cases where the subgrant exceeds \$500,000, the Mission will request ad hoc delegation of authority from A.I.D./W to make the Threshold Decision, subject to the clearances of the Regional Environmental Officer and Regional Legal Advisor.

Environmental Checklist

SHARED Project

I. Agriculture Projects:

A. Pesticide Use

1. Is this project using pesticides? Has thought been given to selecting appropriate pesticides, to pesticide storage and to pesticide disposal?

2. If using pesticides, what level of farmer training exists?

B. Soil Erosion

Will farming take place on steep slopes? If so, are terracing, bunding or agroforestry practices being used to control erosion?

C. Soil Fertility

Is agroforestry an option to using high cost input fertilizer that also can pollute streams and lakes?

D. Forestry

1. Will this project involve any land clearance activities such as expansion onto currently forested land or marginal forested savannah land that could also be important wildlife/livestock rangeland?

2. Are there plans to harvest firewood/charcoal from the area? Is there a management plan to allow this to occur on a sustainable basis?

E. Water

Will water storage or irrigation techniques be involved in this activity?

If questions raised in "A,B,C or E" are potentially an issue, consider obtaining help from the Ministry of Agriculture, Extension Service or Department of Water. If questions raised in "D" are a problem, consider going to the Department of Parks and Wildlife or the Forestry Department for advice. Invite them for a site visit.

Based upon their recommendations, build mitigative actions into the

project proposal. Upon finishing the proposal, pass it by the respective technical "parent" Ministry for their final concurrence.

II. Fisheries Projects

Are the fishermen conferring with the Dept. of Fisheries with regard to:

- Gear limitations (gill nets, seines, trawls, etc.)?
- Mesh limitations of gear?
- Fishing seasons?
- Limitations of fishing effort?
- Limitations of size of fish by species?
- Areas off-limits for fishing (e.g. breeding or nursery grounds)?
- Providing catch statistics to Fisheries Department for management purposes?

If any of these questions cannot be answered, advice should be obtained from the Department of Fisheries and included in the writeup of the project proposal.

III. Small or Medium Enterprises

A. Will liquid wastes be discharged? If so, apply to Department of Water, Ministry of Works for advice and a license.

B. Will solid wastes be produced (food processing facility or slaughterhouse wastes)? If in an urban area, discuss matter with the City Council. If in a rural area, discuss matter with the District Council.

C. Is air pollution a potential problem, especially in the worker's environment? If so, seek advice from the Ministry of Health.

IV. Environmental Health

Is there a disease vector which may require environmental management such as drainage of a wetland or use of insecticides/molluscicides? If so, discuss matter with the Ministry of Health.

V. Construction Activities

A. Are there archeological or historical sites in the vicinity, or on the site that could be impacted? If yes, contact the Antiquities Department for advice.

B. Is there an environmentally sensitive habitat or rare or endangered species that could be impacted? If so, approach the Ministry of Forestry and Natural Resources for advice.

C. Is the site near a surface water body (e.g. marsh, lake or

river) or in the vicinity of a high ground water table that could be impacted during the construction phase, or from permanent siting of certain activities (e.g. soil erosion, solid waste or sewage)? If yes, seek advice from the Water Department.

ANNEX I

Scope of Work for PSC Project Assistant

Responsibilities

The PSC will be under the direct supervision of the Supervisory Agriculture Development Officer in USAID's Office of Agriculture and Food Security, and will serve as the principal liaison between USAID/Malawi and the SHARED Project Management Unit (PMU).

Principal responsibilities of the PSC will include the following:

1. Serve as the point of contact between the PMU and USAID/Malawi on all matters requiring PMU-USAID collaboration and cooperation, including such key matters as:

(a) approval of key PMU personnel;

(b) USAID review and approval of subgrantee eligibility criteria, and subgrant criteria, procedures, proposals and documentation, and

(c) USAID review and approval of PMU's Annual Workplan

2. Facilitate the set-up and establishment of the PMU's operations, including arrangement for procurement of vehicles and other major capital equipment (e.g. computers) to be used by the PMU.

3. Serve as a link between the PMU and the appropriate offices of USAID/Malawi likely to have impact on or be impacted by NGO/PVO activities under SHARED.

4. Review and provide USAID/Malawi feedback on (as to substance and adequacy) PMU quarterly and annual reports; the PSC will be responsible for completion of USAID's semiannual Project Implementation Report (PIR) based on the PMU's quarterly reports.

5. Preparation of USAID/Malawi reports to A.I.D./Washington on matters arising out of SHARED activities (e.g., Women in Development, Micro-Enterprise reports).

6. Arrange for and oversee Project evaluations including (a) "Shakedown" review at the end of the first full year of operation, and (b) full evaluations at approximately the end of the fifth and ninth years.

7. Arrange for and oversee (a) PMU audits at approximately the end of the second and fifth years and at the end of the Project, and (b) subgrant audits every 2 years and/or at the end of subgrants.

Term of Service

It is envisioned that a full-time Project Assistant will be required for at least the first six years of the Project. The successful candidate will be expected to make at least a two-year commitment.

Qualifications

The candidate must have at least a B.S. or B.A. degree in business, economics, accounting, history, political science or similar such course work. A graduate degree in business, economics or accounting is desirable. He/she should also have had a least two years working in a developing country, preferably in Eastern or Southern Africa.

Experience in managing A.I.D. or other donor-funded projects, preferably multi-sectoral projects involved with non-governmental organizations, is highly desirable.

Recruitment

In accordance with the U.S. Mission policy, recruitment for the PSC will first be done within the American community in Malawi through advertisement in the Embassy newsletter. Preference will be given to a dependent of a U.S. Mission employee.

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5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1990 Appropriations Act Sec. 569(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? No

2. FAA Sec. 481(h); FY 1990 Appropriations Act Sec. 569(b). (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs

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are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

N/A

3. 1986 Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to

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Congress listing such country as one:
(a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

N/A

4. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where:
(a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

No

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6. FAA Secs. 620(a), 620(f), 620D; FY 1990 Appropriations Act Secs. 512, 548. Is recipient country a Communist country? No
If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? No
Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? No
7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? No
9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? No
(b) If so, has any deduction required by the Fishermen's Protective Act been made?

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10. FAA Sec. 620(g); FY 1990 Appropriations Act Sec. 518 (Brooke Amendment). (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds? Yes, but a rescheduling agreement went into effect on April 6, 1989. No
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) N/A
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No
13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.) In arrears, but taken into account by the Administrator in determining the A.I.D. OYB

14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? No
15. FY 1990 Appropriations Act Sec. 564. Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? No
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? No
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) Taken into consideration by the Administrator in determining the FY 1990 OYB.
21. FY 1990 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No
N/A
22. FY 1990 Appropriations Act Sec. 539. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

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B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No

b. FY 1990 Appropriations Act Sec. 535. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No

2. Economic Support Fund Country Criteria

N/A

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

b. FY 1990 Appropriations Act Sec. 569(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

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5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

Attached

Attached

A. GENERAL CRITERIA FOR PROJECT

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?
2. FAA Sec. 611(a). Prior to an obligation in excess of \$500,000, will there be:
(a) engineering, financial or other plans necessary to carry out the assistance;
and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

The 15-day waiting period for the CN for the \$5 million FY 90 obligation expired August 4, 1990.

Yes

Yes

N/A

4. FAA Sec. 611(b); FY 1990 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
a) Support to local NGOs too small to have impact
b) Maybe through formation of business associations
c) Yes, in agriculture and small business sectors
d) Impacts will be very diversified and too small
e) Maybe, in a small way, in agriculture
f) Maybe, in a very small way
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Project assistance to NGOs is too small to have any significant impact.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
11. FY 1990 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
12. FY 1990 Appropriations Act Sec. 547. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?
13. FAA Sec. 119(q)(4)-(6) & (10). Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other

The project is supporting NGOs only. The very small fraction of assistance through the Government calls for host government in-kind contributions, e.g. waiving of duty and taxes

No

N/A

No

(a) Maybe

- wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?
- (b) No
- (c) No
- (d) No
14. FAA Sec. 121(8). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?
- N/A
15. FY 1990 Appropriations Act, Title II, under heading "Agency for International Development." If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?
- Yes, they will be required to before receiving project assistance.
16. FY 1990 Appropriations Act Sec. 537. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?
- Yes, all PVOs/NGOs will be required to do so (they will be the sole means of project implementation). U.S. PVOs must be registered with A.I.D.
17. FY 1990 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?
- N/A

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). Case- Zablocki Act requirements will be met
19. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2 (and as implemented through A.I.D. policy). Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? Yes
N/A
N/A
20. FY 1990 Appropriations Act, Title II, under heading "Women in Development." Will assistance be designed so that the percentage of women participants will be demonstrably increased? Yes

21. FY 1990 Appropriations Act Sec. 592(a).
If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies, has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1990 Appropriations Act Sec. 546 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

b. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

No, but it is possible through U.S. PVOs or local NGOs that may receive project assistance.

c. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project may support U.S. PVOs and local NGOs which may support these activities at the village and community levels.

d. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

e. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will:

(1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries.

(1) Through U.S. PVOs and and local NGOs, the project focuses on supporting, at the village and community levels, activities in agriculture, off-farm employment and health.

(2) Farmer or other specialized cooperatives/associations may be established.

(3) Through village or community associations supported by PVOs/NGOs.

(4) Same as (3)

(5) Possibly through participating PVOs/NGOs.

f. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Does the project fit the criteria for the source of funds (functional account) being used?

Yes

g. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for

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use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

Yes

h. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes, by the nature of the project's assistance through U.S. PVOs and local NGOs.

i. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Cost sharing requirement being waived for implementing umbrella U.S. PVO and local NGOs but not for other participating U.S. PVOs or the host government.

j. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes, local NGOs will receive institutional strengthening assistance and will be managed and monitored by the implementing U.S. PVO.

k. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Through the participating PVOs/NGOs, assistance will be community and village-oriented rather than determined by the government.

l. FY 1990 Appropriations Act, under heading "Population, DA," and Sec. 535. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

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Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No

Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? No

In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? No

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

m. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

n. FY 1990 Appropriations Act Sec. 579. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and

No percentage is specified for Disadvantaged Enterprises, however, selection criteria for participation U.S. PVOs includes one specifically encouraging the participation of Disadvantaged Enterprises

private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

o. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a

Yes
Not specifically planned to be addressed under the project but may be addressed by a recipient U.S. PVO in conjunction with a local NGO.

condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; and (11) utilize the resources and abilities of all relevant U.S. government agencies?

p. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project: (1) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (2) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

q. FAA Sec. 118(c)(14). Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

(1) No

(2) No

r. FAA Sec. 118(c)(15). Will assistance be used for: (1) activities which would result in the conversion of forest lands to the rearing of livestock; (2) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (3) the

(1) No

(2) No

colonization of forest lands; or (4) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

(3) No

(4) No

s. FY 1990 Appropriations Act Sec. 534(a). If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

t. FY 1990 Appropriations Act Sec. 534(b). If assistance relates to energy, will such assistance focus on improved energy efficiency, increased use of renewable energy resources, and national energy plans (such as least-cost energy plans) which include investment in end-use efficiency and renewable energy resources?

N/A

Describe and give conclusions as to how such assistance will: (1) increase the energy expertise of A.I.D. staff, (2) help to develop analyses of energy-sector actions to minimize emissions of greenhouse gases at least cost, (3) develop energy-sector plans that employ end-use analysis and other techniques to identify cost-effective actions to minimize reliance on fossil fuels, (4) help to analyze fully environmental impacts (including impact on global warming), (5) improve efficiency in production, transmission, distribution, and use of energy, (6) assist in exploiting nonconventional renewable energy resources, including wind, solar, small-hydro, geo-thermal, and advanced

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biomass systems, (7) expand efforts to meet the energy needs of the rural poor, (8) encourage host countries to sponsor meetings with United States energy efficiency experts to discuss the use of least-cost planning techniques, (9) help to develop a cadre of United States experts capable of providing technical assistance to developing countries on energy issues, and (10) strengthen cooperation on energy issues with the Department of Energy, EPA, World Bank, and Development Assistance Committee of the OECD.

u. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA"

(as interpreted by conference report upon original enactment). If assistance will come from the Sub-Saharan Africa DA account, is it: (1) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (2) being provided in accordance with the policies contained in section 102 of the FAA; (3) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (4) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take

(1) Yes, U.S. PVOs and local NGOs may work towards these ends.

(2) Yes

(3) Yes, the entire project will be implemented by U.S. PVO and all assistance to the host country will be through U.S. PVOs or local NGOs.

(4) Yes, the project is focussed on the agriculture, off-farm employment and health sectors.

into account, in assisted policy reforms, the need to protect vulnerable groups; (5) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

(5) Yes, because of its specified focus on the agriculture, off-farm employment and health sectors.

v. International Development Act Sec. 711, FAA Sec. 463. If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (1) the world's oceans and atmosphere, (2) animal and plant species, and (3) parks and reserves; or describe how the exchange will promote: (4) natural resource management, (5) local conservation programs, (6) conservation training programs, (7) public commitment to conservation, (8) land and ecosystem management, and (9) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

w. FY 1990 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

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2. Development Assistance Project Criteria (Loans Only) N/A

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

3. Economic Support Fund Project Criteria N/A

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

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5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A
4. FAA Sec. 604(e). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes

9. FY 1990 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes

10. FY 1990 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes
11. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2 (and as implemented through A.I.D. policy). Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? Yes
N/A
N/A
12. FAA Secs. 612(b), 636(h); FY 1990 Appropriations Act Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A
13. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
14. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes, a Cooperative Agreement with a U.S. PVO will be competitively awarded.
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B. CONSTRUCTION

N/A

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1990 Appropriations Act under heading "Population, DA," and Secs. 525, 535.

- (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion?
- (1) Yes
(2) Yes
(3) Yes
(4) Yes

b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

Yes

c. FAA Sec. 487. To or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? (Section 487 requires the taking of "reasonable steps to ensure that assistance" (under the FAA and the Arms Export Control Act) is not provided in the foregoing cases.)

(1) Yes
(2) Yes

d. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

Yes

e. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

Yes

- f. FAA Sec. 662. For CIA activities? Yes
- g. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes
- h. FY 1990 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes
- i. FY 1990 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? Yes
- j. FY 1990 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
- k. FY 1990 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology? Yes
- l. FY 1990 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- m. FY 1990 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? Yes
5. FY 1990 Appropriations Act Sec. 574. Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? N/A

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6. FY 1990 Appropriations Act Sec. 582.
Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

Project Title & Number: Services for Health, Agriculture, Rural and Enterprise
Development (SHARED) 612-0232

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS																										
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve the economic well-being of Malawians through increased opportunities for improving their on-farm and off-farm productivity and employment, and improved health.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1) Increased on-farm and off-farm incomes 2) Increased agricultural productivity 3) Increased use of child spacing techniques 4) Reduced child mortality and morbidity 5) Improved nutritional status 																										
<p>Project Purpose:</p> <p>Expand the amount and increase the impact of development activities of NGOs/PVOs in Malawi in the key areas of agriculture, off-farm employment and health; and strengthen the capacity of Malawian NGOs to provide services with positive impact in those sectors.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1) Number of communities able to design, plan and implement their own sustainable development activities as a result of NGO support 2) All NGOs receiving "development activities" subgrants demonstrate capacity to plan, design, manage and implement sustainable development projects 3) NGOs as partners of U.S. PYOs receiving "development activities" subgrants demonstrate capacity to plan, design, manage and implement sustainable development projects 4) At least 50% of community activities supported through NGO/PVO grants are self-sustaining by EOP 5) Established and/or increased linkages between national and international NGOs/PVOs 6) Increased number of NGOs engaging in effective development activities in agriculture, off-farm employment and health 7) Increased demand by communities for NGO development activities 8) Requests by GOM for increased NGO/PVO involvement in development activities 9) Increased donor support for NGO development activities 																										
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Direct grants awarded to international and indigenous PVOs/NGOs 2. Workshops/seminars conducted to assist in maximizing NGO services and resources, and improving service delivery 3. Skills, knowledge and suitable technologies transferred through NGOs to key sector beneficiaries 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 1) Up to 25 Malawian NGOs receive training and/or technical assistance (from the Project Management Unit, independently of any subgrant funding) 2) Up to 20 Malawian NGO "institutional development subgrants 3) Up to 20 Malawian NGO "development activities" subgrants 4) Up to 8 U.S. or other international PVO "development activities" subgrants in partnership with Malawian NGOs 5) Increased number of beneficiaries engaged in agriculture, micro/small enterprise and health activities 6) Technologies adopted and used 7) Community projects undertaken and successful 																										
<p>Inputs:</p> <p>A.I.D.</p> <ol style="list-style-type: none"> 1) PVO Cooperative Agreement 2) Subgrants to NGOs/PVOs 3) Short-term TA and training 4) USAID project assistant, evaluations and audits <p>PVOs/NGOs</p> <ol style="list-style-type: none"> 1) PVO Coop. Agreement Recipient 2) U.S. PVOs 3) Malawian NGOs and community groups <p>GOM</p> <p>Waiver of duties and taxes</p>	<p>Implementation Target (Type and Quantity)</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2">A.I.D. (\$000s)</td> </tr> <tr> <td>1)</td> <td>5,500</td> </tr> <tr> <td>2)</td> <td>8,400</td> </tr> <tr> <td>3)</td> <td>300</td> </tr> <tr> <td>4)</td> <td>800</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">15,000</td> </tr> <tr> <td colspan="2">PVOs/NGOs</td> </tr> <tr> <td>1)</td> <td>130</td> </tr> <tr> <td>2)</td> <td>1,175</td> </tr> <tr> <td>3)</td> <td>500</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">1,805</td> </tr> <tr> <td>GOM</td> <td>200</td> </tr> <tr> <td>Total</td> <td style="border-top: 1px solid black;">17,005</td> </tr> </table>	A.I.D. (\$000s)		1)	5,500	2)	8,400	3)	300	4)	800		15,000	PVOs/NGOs		1)	130	2)	1,175	3)	500		1,805	GOM	200	Total	17,005
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**IN SUMMARY
AMEWORK**

Life of Project:
From FY 90 to FY 99
Total U.S. Funding \$15,000,000
Date Prepared: June 1990

MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<ol style="list-style-type: none"> 1) Statistics from GOM's National Statistics Office, Ministries of Agriculture, Health, Labor, and Trade, Industry and Tourism and the Office of the President and Cabinet. 2) Statistics from Mission's Monitoring and Evaluation (M&E) System which will use baseline data gained through economic, demographic and health surveys commencing in FY90. 3) Statistics from other donors and their programs. 	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> 1) Malawians are receptive to changes in cultural and business norms. 2) GOM committed to community-based service delivery 3) GOM remains in compliance with IMF/World Bank programs 4) Economic restructuring leads to growth 5) Overall donor flows remain at or above current levels.
<ol style="list-style-type: none"> 1) NGO/PVO financial and project reports 2) USAID project reports 3) Baseline indigenous NGO study 4) Periodic field surveys 5) Meeting minutes of NGO coordination organization and NGO Donor Working Group 	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> 1) NGOs capable of and committed to implementing effective service delivery programs 2) No major changes occur in USAID's key development sectors 3) Enabling NGO policy and operational environment
<ol style="list-style-type: none"> 1) USAID financial and project reports 2) NGO/PVO baseline and periodic progress reports 3) Conference/workshop reports 4) Reports on evaluations, audits and studies 	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> 1) Favorable NGO policy and institutional environment 2) GOM commitment to expanded NGO role in national development 3) Intended beneficiaries receptive to NGO programs 4) NGOs are capable of providing required levels of expertise and support
<ol style="list-style-type: none"> 1) Signed Cooperative Agreement with umbrella management PYO and separate grants to NGOs /PVOs 2) USAID's MACS reports and PIRs 3) NGOs/PVOs' financial and annual reports 4) Evaluations, audits and studies conducted 	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 1) Initial and subsequent project obligations are timely 2) Grants to NGOs are an efficient and effective mechanism to support key development sectors 3) Levels of assistance provided to NGOs are sufficient to operate and maintain successful projects

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