

PD-ABG-929

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

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

Amendment Number _____ DOCUMENT CODE 3

2. COUNTRY/ENTITY **RWANDA**

3. PROJECT NUMBER **696-0136**

4. BUREAU/OFFICE **AFR** 06 PVO Support

5. PROJECT TITLE (maximum 40 characters)

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY **09/30/98**

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
 A. Initial FY **92** B. Quarter C. Final FY **96**

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

A. FUNDING SOURCE	FIRST FY 92			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	7,500	-0-	7,500	10,000	-0-	10,000
(Grant)	(7,500)	(-0-)	(7,500)	(10,000)	(-0-)	(10,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s) PVOs/NGOs						
TOTALS	7,500	-0-	7,500	1,166	273	1,439

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	760	900		0		7,500		10,000	
(2)									
(3)									
(4)									
TOTALS						7,500		10,000	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each) **920**

11. SECONDARY PURPOSE CODE

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

A. Code	BR	PVOU	PVON
B. Amount			

13. PROJECT PURPOSE (maximum 480 characters)

To expand the amount and increase the impact of PVO/NGO enterprise development programs in the key non-farm sectors of manufacturing, commerce, services and transport with a special emphasis on agricultural processing and marketing; and, to strengthen the institutional capacity of Rwandan NGOs to work more effectively with medium and smaller scale enterprises, associations and cooperatives in the delivery of business and financial services and entrepreneurial training in these key sectors.

14. SCHEDULED EVALUATIONS

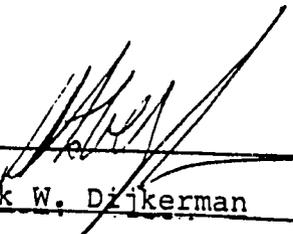
Interim	MM	YY	MM	YY	Final	MM	YY
	06	94				06	98

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.)

17. APPROVED BY

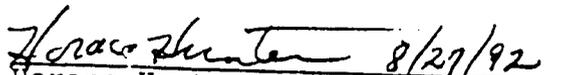
Signature 

Title **Dirk W. Dijkerman**
 Acting Director, USAID/Rwanda

Date Signed MM DD YY **08/31/92**

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

MM DD YY **09/11/92**


 Horace Hunter, A/Controller

ACTION MEMORANDUM FOR THE USAID/RWANDA MISSION DIRECTOR

FROM : Claudia Cantell PDD 
SUBJECT : PVO Support Project
DATE : August 26, 1992

Action Requested: Your approval is required to authorize the \$10 million PVO Support Project. An obligation of \$7.5 million is planned for FY 1992.

Discussion: The PVO Support Project is a six-year, \$10 million project whose goal is to increase commercial output (production) and employment by medium- and smaller-scale enterprises in Rwanda's non-farm sectors. The project purpose is two-fold: to expand the amount and increase the impact of PVO/NGO enterprise, cooperative and association development programs undertaking income generating activities in key non-farm sectors such as manufacturing, commerce, services and transport with a special emphasis on agricultural processing and marketing; and to strengthen the institutional capacity of Rwandan NGOs to work more effectively with medium- and smaller-scale enterprises, associations and cooperatives in the delivery of business and financial services and entrepreneurial training in these key sectors. Achievement of these purposes will promote viable national-level PVO/NGO activities, enable PVOs/NGOs to more effectively assist private enterprises to become more efficient and profitable, and provide private enterprises with improved skills to manage their endeavors as well as increase access to improved services.

The Project will be implemented by a U.S. PVO through a Cooperative Agreement. The Cooperative Agreement Recipient will manage the Project through the Umbrella Management Unit (UMU).

The Project consists of the following components:

The Subgrant Fund: Approximately \$5.5 million of total Project funding is set aside for subgrants to qualifying U.S. PVOs and Rwandan NGOs to finance a range of enterprise development activities consistent with GOR and USAID/Rwanda development priorities. A condition of financial assistance for each subgrant will be that of a counterpart contribution matching a portion of the A.I.D.-funded activity by the participating PVO/NGO. U.S. PVOs will be required to provide at least 25 percent of the total activity cost as their contribution. Rwandan NGOs applying for Development Activity Grants will be required to meet the 25 percent contribution requirement. Contributions from Rwandan NGOs seeking Institutional Development Grants will be determined based on their assessed ability to

contribute, but the minimum requirement will be a 12 percent contribution. The contribution may be obtained from any eligible non-U.S. Government source (private donations, bilateral or multi-lateral assistance, beneficiary groups, etc.). The Project will offer two types of grant assistance as follows:

- a) Development Activity Grants (DAGs): to provide financial resources for PVOs/NGOs to increase the impact of their enterprise development programs and services in the key private sector activities supported by the Project. Of the \$5,500,000 subgrant fund, \$3,500,000 is designated for funding Development Activity Grants (DAGs). DAGs will range from two to four years in length with funding levels of between \$100,000 and \$1,000,000. The actual size of an individual grant will depend on the management capacity of the PVO/NGO applicant and whether the application is a collaborative development effort or a submission by a single entity. Approximately seven DAGs will be funded during the Project with an average funding level of \$500,000.
- b) Institutional Development Grants (IDGs): Rwandan NGOs may apply for funding through an Institutional Development Grant (IDG). This subgrant funding mechanism is geared to the actual needs and absorptive capacity of NGOs which neither meet A.I.D. registration criteria nor have the level of organizational knowledge and programmatic skills required to effectively and efficiently manage available resources. These "starter grants" will provide institutional support through training, technical assistance, and core infrastructure or staff support. Modest funding would also be available for implementing experimental or pilot activities which could later be expanded through other funding sources. Two million dollars of the total subgrant fund will be made available for IDGs. The length of IDGs will be for one to two years with a funding level of up to \$150,000. While an IDG has the discrete purpose of strengthening the capacity of weaker NGOs to become better planners and managers of program activities, it is expected that, having successfully concluded an IDG, the NGO would be in a position to apply for a larger Development Activity Grant or to obtain funding from other sources. Approximately sixteen IDGs (average size, \$125,000) will be funded over the life of project or an average of four per year in years one through four.

Technical Assistance and Training: This will be provided either directly or indirectly from the Umbrella Management Unit (UMU) or through provisions made in subgrants. The UMU will provide one-on-one TA to PVOs/NGOs in the areas of proposal development and areas necessary to the actual requirements of managing and implementing their subprojects. It will also develop training materials in more generic areas of management development and provide training to a number of different PVO/NGO personnel through workshops and seminars. Such in-country

and third-country training will be conducted for and reach out to PVOs/NGOs other than, or in addition to, those receiving subgrant assistance.

By March 1998, Project assistance is expected to have resulted in the following achievements for PVOs/NGOs and the communities with whom they work:

- Up to twenty-five PVOs/NGOs providing business services to medium- and smaller-scale enterprises.
- An increase from three to six PVOs/NGOs providing financial services, including credit, to medium- and smaller-scale enterprises.
- A 25 percent increase in the current rate of 585 new non-farm businesses, cooperatives and associations formed per year by the end of the Project.¹
- A significantly increased management and technical capacity of Rwandan NGOs to initiate and sustain projects in private sector development at the level of both communities and individual enterprises.
- A significant strengthening of the management and technical capacity of local, democratically-organized institutions to promote enterprise activities.

Project outputs include both PVO/NGO level, local institution and individual enterprise level indicators, and are as follows:

- Fifteen to twenty-five Rwandan NGOs will receive direct UMU-provided training or other technical assistance for their institutional development, particularly in their capacity to deliver business and financial services and entrepreneurial training to medium- and smaller-scale enterprises;
- Seventy-five to one hundred private enterprises, cooperatives or associations will receive business and financial services and/or entrepreneurial training from subgrantees (average of four enterprises per NGO over LOP);
- Fourteen to sixteen Rwandan NGOs will receive institutional development subgrants of up to \$150,000 each;
- Five to seven U.S. PVOs and Rwandan NGOs will receive development activity subgrants in the range of \$100,000 to \$1,000,000 each;

¹ GOR data indicate that 548 new businesses were registered each year between 1989 and 1990 and 37 new cooperatives/ associations were registered each year between 1980 and 1990, for a total of 585 per year.

- Two U.S. PVO-Rwandan NGO partnerships formed and development activity subgrants approved (included in the 7 DAGs noted above);
- Strengthened NGO consortia, cooperatives and associations providing improved enterprise services to their members;
- Local training institutions and consulting firms develop capacity to provide training and technical assistance to NGOs and small and medium enterprises through UMU provided TA/Training.

Financial summary: The total cost of this six-year project is estimated at \$10 million. The Government of Rwanda will not be required to contribute the usual 25 percent toward Project costs. Other than overseeing Project implementation with USAID on an as needed basis, no full-time host country government contribution is required. The usual 25 percent non-A.I.D. contribution by a Cooperative Agreement Recipient will not be required from the U.S. PVO chosen to manage the Project. The 25 percent non-A.I.D. contribution by the PVOs or NGOs receiving DAGs will not be waived, nor will the minimum 12 percent contribution on the part of NGOs receiving IDG funding.

	<u>A.I.D.</u>	<u>PVO</u>	<u>SUBs</u>	<u>GOR</u>	<u>TOTAL</u>
Technical Assistance					
Long Term	1,716	-0-	-0-	-0-	1,716
Short Term (Inc. Training)	799	-0-	-0-	-0-	799
Commodities	150	-0-	-0-	-0-	150
Other Costs	759	-0-	-0-	-0-	759
Local Costs	536	-0-	-0-	-0-	536
Subgrants					
Dev. Activity Grants (25%)	3,500	-0-	1,166	-0-	4,666
Inst. Dev. Grants (12%)	2,000	-0-	273	-0-	2,273
Evaluations	215	-0-	-0-	-0-	215
Audits	325	-0-	-0-	-0-	325
Total	10,000	-0-	1,439	-0-	11,439

Socio-Economic, Technical and Environmental Description: The Project Paper demonstrates that the project is (1) technically, socially, environmentally, and economically sound and administratively feasible; (2) the technical design and cost estimates are reasonable and adequately planned, thereby satisfying the requirements of Section 611 (a) of the Foreign Assistance Act, as amended; (3) the timing and funding of project activities are appropriately scheduled and the implementation plan is realistic and establishes a reasonable time frame for carrying out the project; (4) adequate provision has been made for evaluation and audits; (5) the economic analysis provides a cost effectiveness analysis which shows that increased efficiencies during the life of the project are expected to increase by the end of the project; and, (6) the financial plans

developed for the project are adequate to ensure proper implementation to meet the requirements of the FAA Section 611 (a).

Implementation Plan: The Condition Precedent (CP) established for the project is: Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (1) A statement of the names of the persons holding or acting in the office of the Grantee and of any additional representatives, together with a specimen signature of each person specified in such statement; and
- (2) A document acceptable to A.I.D. that designates by name the person at the Ministry of Plan who will be the Project Government of Rwanda counterpart.

Procurement Under the DFA: The funding source for this project is DFA. Although DFA gives Missions flexibility to purchase commodities from Geographic Code 935 countries without obtaining a waiver, this project is designed to maximize purchases from the USA, whenever possible, and to comply with the intent of the DFA.

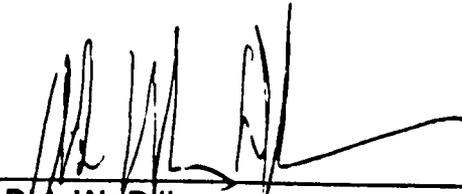
Responsible Officer: The Officer in USAID/Rwanda responsible for the project is the Agricultural Development Officer. The responsible officer in AID/W is the Rwanda Desk Officer in AFR/EA.

Project Review: The Project Review Committee reviewed the Project Paper on August 17, 1992, and recommended approval.

Notification to Congress: A Congressional Notification (CN) was submitted on June 29, 1992, and expired on July 14, 1992, per State (92) 234399, Project Paper Annex J.

Human Rights: There are no outstanding human rights issues with respect to the U.S. bilateral assistance program to Rwanda.

Recommendation: That you sign below and the attached Project Authorization and thereby approve the life-of-project funding of \$10 million grant funds for the PVO Support Project and the initial obligation of \$7.5 million in FY 1992, subject to the availability of funds.

Approved: 
Dirk W. Dijkerman
Acting USAID Director

Disapproved: _____

Date: Aug. 31, 1992

Attachments:

- (1) Project Authorization
- (2) Project Paper

PROJECT AUTHORIZATION

Name of Country: Rwanda
Name of Project: PVO Support
Number of Project: 696-0136

1. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the PVO Support Project for Rwanda ("the Cooperating Country") involving planned obligations of not to exceed Ten Million United States Dollars (\$10,000,000) 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 six years from the date of initial obligation.

2. The goal of the Project is to increase commercial output (production) and employment by medium- and small-scale enterprises in Rwanda's non-farm sectors.

3. The Project will work with and through U.S. PVOs and NGOs to improve the standard of living of rural Rwandans through the expansion of off-farm employment and income-generating opportunities. NGO includes international NGOs that are operating in Rwanda that may offer a service or program that cannot be provided by either a U.S. PVO or Rwandan NGO. The Project will build on the "comparative advantage" of PVOs/NGOs in terms of their knowledge of and linkages with local institutions (e.g., cooperatives, marketing associations, women's groups) by strengthening their capacity to provide them improved financial and business services.

PVOs/NGOs will initially work with a range of informal sector enterprises, cooperatives and associations oriented to the transformation and marketing of agricultural products. They will also look for opportunities to promote production of non-traditional crops which are vertically integrated within enterprises undertaking related processing and marketing activities. PVOs/NGOs will also encourage movement of such enterprises into the formal sector in order to take advantage of benefits (e.g., credit availability and export opportunities) afforded by formal GOR registration. Finally, where direct assistance to formal sector medium and smaller-scale businesses would be effective, PVOs/NGOs will target those businesses which could benefit from their services.

The Project will address the lack of services available to the private sector by increasing the effectiveness of existing PVO/NGO enterprise programs and by

providing additional funding and technical assistance to support new initiatives with a potential for increasing off-farm employment and income opportunities. The Project will thus expand the overall number of PVOs/NGOs working in private sector development efforts and increase the impact of their programs.

4. The Project Agreement 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, is subject to the following essential terms, covenants, and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

5. Source and Origin of Commodities, Nationality of Services

Except as A.I.D. may otherwise agree in writing, disbursements will be used to:

(a) finance the costs of goods and services required for the project having, with respect to goods, their source and origin, and with respect to suppliers of goods and services, their nationality in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services, except as provided in the Project Grant Standard Provisions Annex, Section C1(b) with respect to marine insurance ("Foreign Exchange Costs"). All reasonable efforts will be made to maximize U.S. procurement whenever practicable. Air travel and transportation to and from the U.S. shall be upon certified U.S. flag carriers to the extent possible.

(b) to finance ocean transportation costs under the Grant only on vessels under flag register of the countries included in A.I.D. Geographic Code 935 and the cooperating country, except as A.I.D. may otherwise agree in writing. This requirement is subject, however, to the 50-50 shipping requirement of the U.S. cargo Preference Act and to regulations promulgated thereunder which apply to the ocean freight furnished by A.I.D. without regard to whether the shipping itself is so financed.

6. Conditions Precedent to Disbursement

The Project Agreement shall include, in substance, the following condition:

Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (1) A statement of the names of the persons holding or acting in the office of the Grantee and of any additional representatives, together with a specimen signature of each person specified in such statement; and
- (2) A document acceptable to A.I.D. that designates by name the person at the Ministry of Plan who will be the Government of Rwanda Project counterpart.

7. Covenants

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

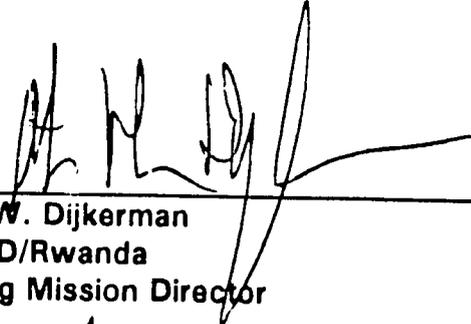
- (i) evaluation of progress towards attainment of the objectives of the Project;
- (ii) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (iii) assessment of how such information may be used to help overcome such problems; and
- (iv) evaluation, to the degree feasible, of the overall development impact of the Project.

8. Gray Amendment

The Project will, whenever feasible, utilize contracts with small business concerns, small disadvantaged business concerns, and women-owned small business concerns.

9. Host Country Government's 25 Percent Contribution

The Assistant Administrator for Africa approved a waiver of the requirement of Section 110 of the FAA for a Host Country contribution of at least 25 percent of project costs on August 21, 1992. A copy of the approved waiver is attached to the Project Paper as Annex K.



Dirk W. Dijkerman
USAID/Rwanda
Acting Mission Director

Date: Aug. 31, 1992

PVO SUPPORT PROJECT - 696-0136

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- A. Technical and Institutional Analysis
- B. Economic Analysis
- C. Social Soundness Analysis
- D. Administrative and Implementation Analysis
- E. Operations Manual
- F. Initial Environmental Examination
- G. PID Guidance Cable (State (92) 071263)
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ACRONYMS

ADO	Agricultural Development Office(r)
AID	Agency for International Development
API	Assessment of Program Impact
ASBL	Associations San-But Lucrative
AWP	Annual Work Plan
CA	Cooperative Agreement
CACD	Cooperative Agreement Completion Date
COP	Chief of Party
DAG	Development Activity Grant
D/COP	Deputy Chief of Party
DFA	Development Fund for Africa
EOPS	End of Project Status
F/AM	Financial/Administrative Mangement
FHA/PVC	Food and Humanitarian Assistance/Private and Voluntary Cooperation
FSN	Foreign Service National
FY	Fiscal Year
HRD	Human Resources Development
IDG	Institutional Development Grant
IEE	Initial Environmental Examination
IFA	Invitation for Application
IMF	International Monetary Fund
LOP	Life of Project
M&E	Monitoring and Evaluation
MinAffet	Ministry of Foreign Affairs
MiniPlan	Ministry of Plan
MIS	Management Information System
NGO	Non-governmental Organization
PACD	Project Assistance Completion Date
PCC	Project Consultative Committee
PC	Project Committee
PDO	Project Development Office(r)
PID	Project Identification Document
PIO/C	Project Implementation Order/Commodities
PIO/P	Project Implementation Order/Participant Training
PIO/T	Project Implementation Order/Technical Services
PIR	Project Implementation Report
PP	Project Paper
PRC	Proposal Review Committee
ProAg	Project Agreement

PVO	Private Voluntary Organization
SAP	Structural Adjustment Program
SM	Subgrants Manager
TA	Technical Assistance
UMU	Umbrella Management Unit
USAID	United States Agency for International Development
USG	United States Government
GOR	Government of Rwanda

I. PROJECT BACKGROUND

A. General Setting

It is becoming increasingly difficult for Rwandans to find productive employment to produce or earn sufficient income to meet their needs. On-farm employment opportunities are limited. No exploitable areas remain undeveloped and no acceptable agricultural technologies which could productively use the growing labor supply appear in hand. Despite a relatively conducive agricultural policy framework, the sector's ability to provide new productive employment opportunities or additional income does not appear encouraging. An increasing number of farms can no longer be subdivided among family members and still be feasible economic units; signs of a landless class are emerging. This trend can only worsen, given Rwanda's high population growth rate (3.06 percent) and the existing population density (1,100 people per square kilometer of arable land), the highest in Africa.

In Rwanda, it is largely in the non-farm sector where near and medium-term opportunities for new employment and increases in productivity exist. Unlike that for agriculture, the policy framework facing non-farm sectors has been much less conducive to growth, having been characterized as dirigiste, quasi-isolationist, and import-substitution oriented. However, since the Government of Rwanda (GOR) launched its comprehensive Structural Adjustment Program (SAP) to reform its policy framework in late 1990, and has continued to implement many reforms as agreed with donors, prospects for increasing productive employment in Rwanda's non-farm sectors have improved significantly. The SAP's goals are to make the economy more responsive to market signals and to allow an increased role for private activity, particularly in the non-farm sector.

B. Constraints, Opportunities and Strategies

The environment for expanding small- and medium-scale enterprise activity in Rwanda has become more favorable with the GOR's launching of the SAP. The policy changes made to date also reflect the results of efforts funded by donors, including USAID, and PVOs/NGOs to expand opportunities and abilities of poorer Rwandans to earn a livelihood. The expanding opportunities for small and medium-scale enterprises, cooperatives, and associations include processing and marketing of non-traditional agricultural products (e.g., processing of vegetable oils), artisanal fabrication (e.g., low-cost construction materials, tailoring, fabrication of small tools), providing services (e.g., transport, marketing, food preparation). Indeed, the services sector, most of which is private, has shown the highest rate of growth in the Rwandan economy since the 1970s and in spite of the growing economic crisis since the mid-1980s.

Nevertheless, constraints to the small entrepreneur remain numerous, in spite of the progress to date. They include the general lack of business skills (such as knowledge of basic accounting, marketing and of deficient technical skills, which result in the inefficient production of goods), the need for training and technical expertise in modern technologies and business methods, and the lack of entrepreneurial training. Few business services, such as accounting, auditing, and marketing and feasibility studies, exist to help smaller entrepreneurs, cooperatives and associations operate. Those that are available are priced well beyond the reach of those who need them.

The Rwandan NGO/PVO community and some donors have begun activities to address these constraints. While many of the NGOs themselves have limitations, their involvement presents a great opportunity. A project, such as this PVO Support Project, can use the comparative advantage PVOs/NGOs have in terms of their linkages with the less advantaged to help (a) increase the technical capacities of their clients and (b) broaden the base of business "literacy" among entrepreneurs, cooperatives and associations. Working with PVOs/NGOs presents a sound strategic choice, given the early stage of development of Rwanda's private sector, the currently emerging opportunities, and the lack of alternative institutions who could fill this role.

C. Conformity with A.I.D.'s Strategy

The PVO Support Project, through its targeting of PVOs/NGOs as facilitators of private sector growth, promotes the objectives of DFA legislation and the specific policy guidelines which the Africa Bureau developed to operationalize it by 1) improving the management of African economies by redefining and reducing the role of the public sector; 2) strengthening competitive markets so as to provide a healthy environment for private sector-led growth; and 3) developing the potential for long-term increases in productivity.

PVO umbrella projects provide a number of ways to promote A.I.D. policy and comply with Congressionally mandated requirements as stipulated in the Foreign Assistance Act and its several amendments including Development Fund for Africa (DFA) legislation. The A.I.D. Policy Paper on Private and Voluntary Organizations (September 1982) strongly emphasizes the complementarity between A.I.D. and PVOs through an acknowledgement of PVOs' ability to work effectively at the grassroots level and contribute to an extension of A.I.D.'s own effectiveness and scope of activity. A.I.D.'s PVO policy views the relationship with PVOs as a development partnership in which PVOs serve as "intermediaries in conducting A.I.D.'s programs and as independent entities in their own right." Umbrella projects with a PVO intermediary providing assistance to a mix of U.S. PVOs and indigenous NGOs are consistent with this policy and promote the policy in each of the countries where individual USAID's implement such projects. For the purposes

of this Project, "PVO" refers to agencies registered as non-profit, non-governmental organizations with A.I.D./Washington. Most are headquartered in the U.S., although organizations based in other countries can register with A.I.D. as PVOs. The term "NGO" refers to the generic category of national and foreign non-governmental and private voluntary organizations and is the term most commonly used by countries outside of the U.S. In this Project Paper, PVO refers to A.I.D.-registered PVOs. NGO refers to GOR-registered Rwandan NGOs and international NGOs operating in Rwanda that propose a service or program that cannot be provided by either a U.S. PVO or a Rwandan NGO.

The PVO Support Project, through its assistance to U.S. PVOs, NGOs, and community-based organizations, is entirely consistent with and supports those sections of the Foreign Assistance Act which 1) stress working through private sector institutions including PVOs/NGOs to achieve development objectives; 2) involve the poor effectively in development by working through "local-level" institutions; 3) encourage that A.I.D. assistance in the areas of agriculture, rural development and nutrition be carried out in part by the "creation and strengthening of local institutions linked to regional and national level organizations"; and 4) promote A.I.D.-PVO/NGO partnerships in the implementation of development programs and projects.

In addition to lower overall costs and/or higher cost-effectiveness, the selection of a U.S. PVO to serve as the umbrella manager to implement the Project is justified in terms of its ability to identify with and understand the needs of the PVO/NGO community in Rwanda. This is especially true in today's view of the role of U.S. PVOs as partners of, rather than competitors with, indigenous NGOs in host country development. A U.S. PVO, with no vested interest in establishing or maintaining its own program, is able to provide the kind of objectivity necessary to discharge its responsibilities in a fair and transparent manner. This would include not becoming involved in the local politics of the PVO/NGO community and may even provide the umbrella manager with a role in mediating such conflicts that do arise. These are also the primary reasons for not selecting the "lead PVO" option, in which one among the several U.S. voluntary organizations already working within the country would serve as the umbrella manager for the Project.

DFA legislation contains language urging the Africa Bureau to work closely with US PVOs and especially African NGOs. It further stresses that A.I.D. "shall take into account local level perspectives of the rural and urban poor" in both the planning and implementation of its assistance projects and programs. DFA legislation defines "private and voluntary organizations" broadly to include not only entities traditionally considered PVOs but also cooperatives, credit unions, trade unions, women's groups, non-profit development research institutions, and indigenous local organizations which are private and non-profit.

The assumption made here is that there exists a number of U.S. PVOs and Non-Profit Organizations which are capable of providing the types of services which are required to properly manage this Project. Over the last decade there has in fact developed a

subset of the U.S. PVO community which specializes in the management of umbrella projects. Their understanding of A.I.D., its regulations and the way it operates at the individual mission level, coupled with their knowledge of and commitment to NGO strengthening, make them as effective a management instrument as any for-profit organization or internal A.I.D. option.

D. Relationship to GOR Development Plans

The GOR launched a comprehensive Structural Adjustment Program (SAP) in November 1990 -- before it had signed agreements with the World Bank or the IMF on its exact content. The SAP marks a major shift from the GOR's dirigiste policies to those relying

more on market forces. Among the policy changes implemented between November 1990 and June 1992 are: a 55 percent devaluation of the Rwandan franc to correct for over-valuation; the starting of an interim transparent and nondiscriminatory foreign exchange allocation and import licensing system; the reduction in the maximum import tariff rates from over 250 percent to 100 percent; the lifting of import quotas for most commodities; the elimination of GOR price and profit controls for most goods and services; the adjustment of interest rates by raising the maximum lending rate to above the estimated rate of inflation for 1991, and the freeing of all other rates on deposits; the increase in petroleum prices by an average of about 75 percent to reflect the actual cost to the country; the increase in electricity and water rates, both by an average of 50 percent; and the raising of the sales tax by two-thirds. Not surprisingly, the World Bank, the IMF and most of Rwanda's other donors are very supportive of the reform effort.

Rwanda has a history over the past decade of supporting a strong cooperative movement. The new democratic pluralism in Rwanda encourages the formation of associations, interest groups, etc., which may grow into full-fledged Rwanda NGOs. The change from a dirigiste political/economic system to an increasingly populist, participative system places significant reliance on NGOs.

The PVO Support project will support the GOR's own structural reform agenda by augmenting the country's limited capacity to help small and medium-scale private entrepreneurs, cooperatives, and private associations take advantage of the opportunities presented by the changing economic policy environment.

E. Conformity with USAID/Rwanda's Strategy

The PVO Support Project supports directly the Private Sector Strategic Objective of USAID/Rwanda's recently approved CPSP:

to increase commercial output of medium and smaller scale enterprises and farmers

Indeed, it is the goal of the PVO Support Project, using the NGOs as the vehicle.

Under the Private Sector Strategic Objective are two targets:

expand financial and business services sectors, and

expand agricultural processing and marketing.

Here too, the Project addresses directly the targets. The subgrant criteria are designed to focus subgrant activities on those that will the financial and business services sectors and agricultural processing and marketing.

In terms of sub-targets, the Project focuses primarily on strengthening indigenous entrepreneurship. As elaborated in the CPSP and this project paper, "indigenous entrepreneurship" includes private businesses, cooperatives and associations. The Project also works to develop the capacities of NGOs. This institutional development aspect of the Project should also be considered as an aspect of strengthening indigenous entrepreneurship.

II. PROJECT DESCRIPTION

A. Assistance Strategy

The primary objective of the Project is to strengthen the institutional capacity of PVOs, and particularly Rwandan NGOs, engaged in private sector development activities. The strengthening of NGOs is intended as a means of expanding the opportunity of Rwanda's primarily rural farming population to seek out non-farm employment and incoming generating opportunities, thus responding to the decreased on-farm possibilities to adequately meet their basic food and related family needs. NGOs will require strengthening to be able to fulfill this intermediary function with local-level institutions and private sector enterprises. The six-year LOP should be considered the first in what will most likely be several stages of the Project's duration.

The PVO/NGO Support Project seeks to work with and through U.S. PVOs and NGOs to improve the standard of living of rural Rwandans through the expansion of off-farm employment and incoming-generating opportunities. The Project will

build on the "comparative advantage" of PVOs/NGOs in terms of their knowledge of, and linkages with, local institutions (e.g., cooperatives, marketing associations, women's groups) by strengthening their capacity to provide improved financial and business services. The Project demonstrates a unique partnership within the private sector with non-profit PVOs and NGOs providing needed services to emerging medium- and smaller-scale, formal and informal, for-profit firms and local institutions.

PVOs/NGOs supported under the Project will initially work with a range of informal sector enterprises, cooperatives and associations geared to the transformation and marketing of agricultural products. They will also look for opportunities to promote production of non-traditional crops which are vertically integrated within enterprises undertaking related processing and marketing activities. These PVOs/NGOs will also encourage movement of such enterprises into the formal sector in order to take advantage of benefits (e.g., credit availability and export opportunities) afforded by formal GOR business registration. Finally, where direct assistance to formal sector medium and smaller-scale enterprises would be effective, PVOs/NGOs will target those businesses which could benefit from their services.

The Project will address the lack of services available to the private sector by increasing the effectiveness of existing PVO/NGO enterprise programs, cooperatives and associations and providing additional funding and technical assistance to support new initiatives with a potential for increasing off-farm employment and income opportunities. The Project will thus expand the overall number of PVOs/NGOs working in private sector development efforts and increase the impact of their programs.

B. Goal, Purpose, End of Project Status (EOPS), and Outputs

(1) Goal

The goal of the Project is to increase commercial output (production) and employment by medium- and smaller-scale enterprises in Rwanda's non-farm sectors.

(2) Purpose

The purpose of the Project is two-fold:

to expand the number and increase the impact of PVO/NGO enterprise, cooperative, and association development programs undertaking income generating activities in the key non-farm sectors, such as manufacturing,

commerce, services and transport with a special emphasis on agricultural processing and marketing; and,

to strengthen the institutional capacity of Rwandan NGOs to work more effectively with medium- and smaller-scale enterprises, associations and cooperatives in the delivery of business and financial services and entrepreneurial training in these key sectors.

Achievement of these purposes will promote viable, national-level PVO/NGO private sector activities, enable PVOs/NGOs to more effectively assist private enterprises to become more efficient and profitable, and provide private enterprises with improved skills to manage their endeavors as well as increased access to improved services. The cumulative effect of these outcomes will be an overall increase in output by commercial private entities and in employment in Rwanda's non-farm sectors.

(3) End of Project Status (EOPS)

By March 1998, Project assistance should have resulted in the following achievements for PVOs/NGOs and the communities with whom they work:

- Up to twenty-five PVOS/NGOs providing business services to medium- and smaller-scale enterprises.
- An increase from three to six PVOs/NGOs providing financial services, including credit, to medium and smaller scale enterprises.
- a 25 percent increase in the current rate of 585 new non-farm businesses, cooperatives and associations formation per year by the end of the Project.¹
- A significantly increased management and technical capacity of Rwandan NGOs to initiate and sustain projects in private sector development at the level of both communities and individual enterprises.
- A significant strengthening of the management and technical capacity of local, democratically-organized institutions to promote enterprise activities.

(4) Outputs

GOR data indicate that 548 new businesses were registered each year between 1989 and 1990 and 37 new cooperatives/ associations were registered each year between 1980 and 1990, for a total of 585 per year.

Project outputs include both PVO/NGO level, local institution and individual enterprise level indicators, and are as follows:

- Fifteen to twenty-five Rwandan NGOs will receive direct UMU-provided training or other technical assistance for their institutional development, particularly in their capacity to deliver business and financial services and entrepreneurial training to medium- and smaller-scale enterprises;
- Seventy-five to one hundred private enterprises, cooperatives or associations will receive business and financial services and/or entrepreneurial training from subgrantees (average of four enterprises per NGO over LOP);
- Fourteen to sixteen Rwandan NGOs will receive institutional development subgrants of up to \$150,000 each;
- Five to seven U.S. PVOs and Rwandan NGOs will receive development activity subgrants in the range of \$100,000 to \$1,000,000 each;
- Two U.S. PVO-Rwandan NGO partnerships formed and development activity subgrants approved (included in the 7 DAGs noted above);
- Strengthened NGO consortia, cooperatives and associations providing improved enterprise services to their members;
- Local training institutions and consulting firms develop capacity to provide training and technical assistance to NGOs and small and medium enterprises through Umbrella Management Unit (UMU) provided TA/Training.

C. Project Components

This section focusses on a discussion of the design decisions reached concerning the number and types of activities which the Project will undertake. In addition to providing a subgranting mechanism, the Project will support institutional strengthening for Rwandan NGOs through a combination of UMU-provided technical assistance and training and subgrant funding, and research and information services in areas of mutual interest and concern to USAID, the GOR and the PVO/NGO community. Implicit in these services is the aspect of coordination especially as it relates to available resources and synergy in the types of subgrants funded. The following provides a brief description of these Project components. A more detailed explanation of sub-components and related processes or policy issues will be covered in subsequent sections and the Administrative/Implementation Analysis.

USAID will sign a Cooperative Agreement (CA) with a U.S. PVO to provide management of the Project. As a procurement instrument, the CA falls mid-way between a contract and an (Operational Program) Grant in terms of the amount of A.I.D. management involvement required during project implementation. Historically, it has been the preferred procurement mode when selecting a U.S. PVO to assume project management responsibilities under the umbrella model. The "substantial involvement" provision of a CA offers USAID a selective means for choosing those areas in which it wants to exercise its responsibilities of project oversight and supervision. It is both implicit and explicit in its emphasis on developing and maintaining a collaborative relationship with the umbrella manager during the implementation stage. As such, it offers USAID a flexible mechanism for maintaining its mandated accountability for project outcome while requiring a level of management involvement commensurate with available staffing resources.

The CA should thus be viewed as a development assistance mechanism which provides both USAIDs and PVOs with a means to advance their individual program objectives in a collaborative manner. For a U.S. PVO, in its capacity as an umbrella manager, operating through a CA instrument permits it to advance its organizational objectives through assistance to other U.S. PVOs and primarily indigenous NGOs. For A.I.D., the principal executor of U.S. foreign assistance, the CA provides it with a means to embody the tenets of Development Fund for Africa legislation which promotes grass-roots development strategies incorporating U.S. PVO collaboration and the strengthening of indigenous NGOs and local institutions for broad-based, sustainable economic growth.

Finally, the CA is also a useful mechanism when intended grant recipients include NGOs or other agencies not registered or eligible for registration with A.I.D. With an A.I.D.-registered U.S. PVO undertaking the external management unit function and taking fiduciary responsibility for grant funds, subgrants can be made to local NGOs that A.I.D. cannot fund directly. In the Rwandan context, with only one indigenous NGO registered with A.I.D. Washington, and the overwhelming majority of other Rwandan NGOs lacking essential institutional capacity to meet stipulated registration criteria, this aspect of the CA is essential to the achievement of project objectives.

(1) Subgrant Fund

Approximately \$5.5 million of total Project funding is set aside for subgrants to qualifying U.S. PVOs and Rwandan NGOs to finance a range of enterprise development activities consistent with GOR and USAID/Rwanda development priorities. International NGOs operating in Rwanda will be considered for subgrant funding when they offer a service or program that cannot be provided by either a U.S. PVO or a Rwandan NGO. A condition of financial assistance for each subgrant will be that of a counterpart contribution by the participating PVO/NGO,

either in cash or in kind. U.S. PVOs will be required to provide, in cash or in kind, the equivalent of 25 percent of the total subgrant they receive under the Project. Rwandan NGOs applying for Development Activity Grants will be required to meet the 25 percent contribution requirement. Contributions from Rwandan NGOs seeking Institutional Development Grants will be determined based on their assessed ability to contribute, but must be a minimum 12 percent contribution. These contributions may be obtained from any eligible non-U.S. Government source (private donations, bilateral or multi-lateral assistance, beneficiary groups, etc.). Funds provided under the subgrants cannot be used for any purposes not allowed by A.I.D. regulations, such as payment for abortions, military equipment and hardware, and salary supplements. In addition, payment of perks (transportation, salaries, per diem, or other staff benefits) will not be approved. The PVO/NGO should cover these recurrent costs from its own funds or its non-A.I.D. contribution.

The Project will offer two types of grant assistance as follows:

(a) Development Activity Grants (DAGs): The purpose of a Development Activity Grant (DAG) is to provide financial resources for PVOs/NGOs to increase the impact of their enterprise development programs and services in the key private sector activities supported by the Project. In order for a U.S. PVO to be eligible for DAG funding it must be registered with A.I.D. and hold legal status to operate in Rwanda. Rwandan NGOs will also be expected to meet A.I.D. registration criteria; however, provisions will be made, on a case by case basis, to provide grant assistance to those NGOs which have worthy projects and which meet most but not all of the requirements. Examples of criteria which the NGO might not meet are those of A.I.D. audit requirements, and tax exempt status vis-a-vis the GOR. In such cases, the NGO will register with the UMU to establish its eligibility for subgrant assistance, thus providing the UMU with necessary information regarding its institutional and programmatic capabilities. If the Rwandan NGO wants to register with A.I.D., the UMU will assist it in completing necessary documentation prior to its submission. While it will not be a requirement, U.S. PVOs will be strongly encouraged to partner with a Rwandan NGO(s). Such collaborative development relationships will provide the NGO partner with technical and/or management assistance while the U.S. PVO will benefit from increased knowledge of and access to target groups at the local level. By the end of the subgrant period it would be expected that the Rwandan NGO would have gained the necessary institutional capacity to manage and sustain the activity on its own.

Of the \$5,500,000 subgrant fund, \$3,500,000 is designated for funding Development Activity Grants. DAGs will range from two to four years in length with funding levels of between \$100,000 and \$1,000,000. The maximum funding allowed for one DAG will be \$1,000,000; however, if a proposal for a DAG is received that is for more than \$1,000,000 and for an extraordinary program, it is

to be approved by USAID and the GOR prior to acceptance by the UMU. The actual size of an individual grant will depend on the management capacity of the PVO/NGO applicant and whether the application is a collaborative development effort or a submission by a single entity. Approximately seven DAGs will be funded during the Project with an average funding level of \$500,000. As subgrants cannot exceed the length of the overall Cooperative Agreement, subgrants will need to be approved within the first three years of the Project, assuming that the last subgrant executed by the UMU does not exceed two years.

(b) **Institutional Development Grants (IDGs):** Rwandan NGOs may apply for funding through an Institutional Development Grant (IDG). This subgrant funding mechanism is geared to the actual needs and absorptive capacity of smaller, newer NGOs which neither meet A.I.D. registration criteria nor have the level of organizational knowledge and programmatic skills required to effectively and efficiently manage available resources. These "starter grants" will provide institutional support through training, technical assistance, and core infrastructure or staff support. Modest funding would also be available for implementing experimental or pilot activities which could later be expanded through other funding sources.

Two million dollars of the total \$5.5 million subgrant fund will be made available for IDGs. The length of IDGs will be for a period of up to two years with a funding level of up to \$150,000. While an IDG has the discrete purpose of strengthening the capacity of weaker NGOs to become better planners and managers of program activities, it is expected that having successfully concluded an IDG, the NGO would be in a position to apply for a larger Development Activity Grant, if funds are available, or to obtain funds from other sources. Whether the IDG would thus be a precondition to an application for a DAG would be determined by the UMU through an assessment of the NGO's existing institutional capacity. Approximately sixteen IDGs (average size, \$125,000) will be funded over the life of project or an average of four per year in years one through four.

(2) Technical Assistance and Training for PVOs/NGOs

The Project will provide technical assistance and training (in-country or third-country) to potential and actual subgrantees. Such training/TA will relate to issues of PVO/NGO institutional strengthening in such areas as management training and organizational development, technical and sectoral concerns specific to a subgrant activity and various topics of interest to PVOs/NGOs (e.g., credit and savings mechanisms, sustainability, gender issues).

Such assistance will be provided either directly from the Umbrella Management Unit (UMU), or through provisions made in subgrants.

(i) **The UMU: One-on-one TA to PVOs/NGOs in the areas of proposal development and areas necessary to the actual requirements of managing and implementing their subgrants** e.g., financial management, monitoring and evaluation, strategic planning will be provided through the UMU. It will also develop training materials in more generic areas of management development and provide training to a number of different PVO/NGO personnel through workshops and seminars. Such training will be conducted for, and reach out to, PVOs/NGOs other than, or in addition to, those receiving subgrant assistance. The UMU will undertake such TA/training interventions directly using Project personnel or subcontract specific activities to specialized consulting firms.

(ii) **Subgrant Technical Assistance/Training: Technical assistance and the in-country/third-country training activities will be financed through subgrants themselves and be managed by the subgrantees with various levels of involvement by the UMU as detailed in individual subagreements.** Institutional Development Grants, by their very nature, are geared to support the capacity strengthening of individual subgrantees. Each concept paper/proposal will detail the specific TA/training requirements and corresponding interventions to be undertaken during the subgrant life. Development Activity Grants will also include TA/training components both to provide management capacity necessary to ensure compliance with subgrant requirements and to respond to subgrant specific technical and sectoral concerns.

(iii) **Other Technical Assistance/In-country and Third-country Training:** It is also expected that U.S. PVOs will provide technical assistance and in-country and third-country training to Rwandan partners through collaborative development efforts funded through a DAG. Further, subgrants will provide adequate resources in order for subgrantees to work with local institutions and individual enterprises to enhance their capacity to fully participate in subgrant implementation and eventually initiate, manage and sustain their own activities. Finally, a major purpose of TA/training activities will be to build up specialized expertise within the PVO/NGO community. This expertise could be in technical or sectoral areas, or in specific areas of programming and project management (e.g., project appraisal and design or information and financial management) and could be provided through a single organization or a consortium. Specialization will ensure an effective utilization of Project resources and ensure those resources are available within the country for use by other NGOs.

(3) Information Collection, Analysis and Dissemination

The Project will collect information beyond the data required for basic monitoring and evaluation because it will serve a number of informational needs of others, including those of USAID/Rwanda, PVOs/NGOs, concerned GOR Ministries and private sector enterprises. USAID needs to continuously increase its

knowledge of the PVO/NGO community operating in Rwanda so that it can assess and evaluate project impact/performance and make programming decisions.

One information area which will be the focus of immediate UMU action will be that of undertaking an updating of the 1989 World Bank funded inventory of PVOs/NGOs in Rwanda and an assessment of PVOs/NGOs operating in the country, including their sectoral scope and geographic coverage, and institutional capacities and capabilities. This was found to be a gap during the design phase and is understandable in that the primary focus of the Mission's attention has been on the limited number of U.S. PVOs currently managing biodiversity and cooperative projects. As the Project is now interested in expanding its coverage to PVOs/NGOs working in other private sector activities, the need is evident to begin developing a more complete data base to provide both the Mission and the UMU needed information to make decisions as to what organizations should be targeted with what kinds of assistance to achieve the greatest impact.

For subgrantees, the Project will undertake the analysis of data related to certain subgrant activities or specific issues identified prior to or during subgrant implementation, and feed the results back to the PVO/NGO in order to increase its performance and/or impact. An immediate area of interest is in legal and procedural constraints inhibiting small and medium enterprise development. The UMU will begin reviewing existing information and will set up an information system capable of collecting new data that can be analyzed and disseminated to both USAID and the concerned PVOs/NGOs to provide strategies for removing such constraints.

Through the management information system set up under the Project, and in its capacity as an intermediary and coordinating body, the UMU will not only contribute to improved project implementation but will provide PVOs/NGOs, USAID, other donors and government with a means to exchange ideas and experience in the domain of Rwandan development.

III. COST ESTIMATE AND FINANCIAL PLAN

A. Summary Cost Estimate

The total contribution by USAID to the PVO Support Project will be \$10.0 million in Life of Project (LOP) funding. The Illustrative Budget indicates a five-year LOP, which is for the Cooperative Agreement. In implementing AID-funded projects, there is nearly always a "down-time" of anywhere from 3 to 12 months before the technical assistance arrives in-country and implementation really begins. It is anticipated that the U.S. PVO chosen as the Cooperative Agreement recipient will have its team in-country in May, 1993, nine months after the signing of the Project Agreement. Thus, a five-year Illustrative Budget is shown.

The U.S. PVO chosen to manage the UMU will not be required to contribute an additional 25 percent; the GOR will not be required to contribute any funds because, other than occasional participation on the part of two to three GOR employees, there is no other GOR involvement in the Project; and, the PVOs/NGOs receiving DAGs will be required to contribute 25 percent of their individual grants' costs. The NGOs' receiving IDGs will be required to contribute a minimum of 12 percent. This amount is sufficient to accomplish the objectives set out for the Project. An issue, however, is whether the current LOP is sufficiently long to effectively utilize this level of funding. (Interestingly, the resident PVOs/NGOs believe the money is insufficient for the five-year period. Based on A.I.D. experience with PVO Support-type projects elsewhere, however, USAID still believes the length of the LOP to be an issue.) The assumption made in this Project Paper is that with the proper targeting of the available types of Project assistance, and a streamlined process for subgrant approval, and monitoring and evaluation, that available funding can be effectively utilized by the Project Assistance Completion Date (PACD). Both the interim and final evaluations are extremely important actions for assessing these and other assumptions made in the PP. Incorporating evaluation results into redesign actions, as well as monitoring overall performance, will provide timely information for redirection of Project activities as they are required.

In discussing the appropriateness of the LOP duration and level of funding the issues which were addressed are: 1) the absorptive and management capacity of NGOs to utilize resources made available by the Project to accomplish Project objectives; and 2) the requirements for developing sustainable PVO/NGO programs, promotional roles of local institutions, e.g., associations, cooperatives, women's organizations, etc., and small- and medium-enterprise efficiency. Given the low level of Rwandan NGO institutional capacity, development orientation and resource availability, the answer for NGOs is that the six-year LOP will provide a good start in developing management and hence absorptive capacity but that additional time will be needed to truly achieve this objective. In discussing the building of such capacity at the local level within the democratic institutions that represent rural farm families, or within the fledgling private sector, a long-term process which most likely entails upward of ten to fifteen years is not an unreasonable assumption. Seen against this background, the six-year LOP should be considered the first in what will most likely be several stages of the Project's duration.

These considerations were incorporated into the design of the assistance package that the Project will provide to participating PVOs/NGOs. The three-tier level of assistance which the Project will provide is appropriate for making significant and visible impacts within the current LOP duration. First, UMU-provided technical assistance and training is designed to build management and absorptive capacities to a level where an NGO can apply for subgrant funding. Secondly, if it is

determined that additional capacity strengthening is required and that an NGO is capable of managing a modest level of funding, then it can apply for an institutional development subgrant. Finally, if the determination is made that the NGO does possess a level of capability commensurate with managing significant funding levels, then it will be encouraged to seek a development activity subgrant. In other words, the Project will provide the appropriate type of assistance depending on where the concerned NGO is located along the continuum of institutional capacity.

B. AID Obligation Schedule

It is proposed that the following USAID incremental obligation schedule be accepted in order to ensure forward funding and successful implementation of this project. An initial obligation of \$7.5 million will be made in FY 1992 and subsequent obligations are planned for FY 1995 of \$2.0 million, and in FY 1996 \$500,000.

C. Financial Plan

Listed in Table I are the major project inputs to be financed by USAID, including inflation and contingency factors and those contributions expected to be made by the Subgrantees over the LOP. Tables 2, 3, and 4 provide further overall cost/expenditure details by year and category including a breakout between local currency and foreign exchange expenditures.

D. Methods of Implementation and Financing

(1) UMU Financial Procedures:

The Cooperative Agreement recipient will receive and draw down funding under a Letter of Credit system. The UMU will develop appropriate financial control and accounting procedures for all UMU operations, including the local currency account which the UMU will open in Rwanda. Appropriate financial controls and accounting systems and procedures for both UMU internal use and in its monitoring of subgrantees will be detailed in the UMU's Administrative and Financial Management Manual to be submitted to and approved by the USAID/Rwanda Controller.

The UMU operations will undergo periodic financial compliance audits by an independent auditor to review all financial procedures and assure UMU personnel, USAID/Rwanda and the GOR that project activities and financing are in full compliance with GOR and A.I.D. regulations and are being accurately reported. As there are no locally based auditing firms capable of performing such audits, they will be arranged through the Regional Controller's Office in Nairobi in collaboration

with the Mission Controller. These audits will be accomplished outside of the Cooperative Agreement and funded from other funds under the Project Agreement.

(2) Subgrantee Contributions:

Subgrantees and their client beneficiaries will be required to contribute either in-cash or in-kind to activity costs. PVOs/NGOs applying for a DAG will be required to contribute 25 percent of the total cost of an activity which can include contributions from either a partner NGO or beneficiary groups. NGOs seeking Institutional Development Grant funding will have a minimum requirement of a 12 percent contribution to total activity costs. The UMU in collaboration with the concerned NGO will jointly determine the level of contribution to be made. Selection criteria will emphasize PVO/NGO contributions and especially beneficiary contributions to the subgrant. The UMU will identify, where possible, other areas where the subgrantee or the beneficiaries would be able to increase their contribution to their subgrant. By so doing, the UMU not only increases the leveraging of project funds, but also enhances local participation, and hence ownership of the activity. This is particularly important in view of other donor support anticipated for private sector development and NGOs. It is estimated that in-kind and in-cash contributions of the subgrantees and beneficiary communities for subgrant activities will be \$1.439 million over the life-of-project.

(3) Subgrant Funding Procedures:

After receipt, review and approval of a subgrant proposal, including verification by the UMU that the PVO/NGO has appropriate accounting procedures, the subgrantee will estimate the local currency required for the first quarter and the UMU will advance these funds to the subgrantee through a special account set up by the subgrantee exclusively for these funds. At least two responsible members of the subgrantee organization, one of them the financial manager, will need to sign to release funds from this bank account. All subsequent advances will be made on a quarterly basis by the UMU once the subgrantee has accounted for expenses made during the previous quarter and justified needs for the next quarter. The UMU will track advances and expenditures closely to assure that appropriate accounting for expenditures is being made and that expenditures are made in accordance with the budget.

Accurate financial control and reporting on all dollar and local currency expenditures to USAID and the GOR will be the responsibility of the CA Recipient. All financial records should be computerized by the UMU. The UMU expense reports showing expenditures compared to annual budgets and to the total LOP CA budget, and the subgrant expenditure reports, should be submitted to the USAID Project Coordinator who will then forward the same to the Controller after review and comment.

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E. Recurrent Costs

The recurrent cost implications are not an issue with the Project structure, e.g., the UMU. Once it has completed its functions, it disbands. If its functions are required after USAID funding ends, then either the unit closes or USAID and other donors can decide to extend its life.

PVO SUPPORT PROJECT ILLUSTRATIVE BUDGET

Line Item	Year 1 of CA	Year 2 of CA	Year 3 of CA	Year 4 of CA	Year 5 of CA	Total
LONG TERM TECHNICAL ASSISTANCE CONTRACT						
Salaries						
Chief of Party	45,000	46,800	48,672	50,609	52,644	243,725
Financial Mgt/Admin. Mgr.	40,000	41,600	43,264	44,994	46,792	216,650
<i>Sub-total</i>	<i>85,000</i>	<i>88,400</i>	<i>91,936</i>	<i>95,603</i>	<i>99,436</i>	<i>460,375</i>
Indirect (30%)	25,500	26,520	27,581	28,681	29,831	138,113
Allowances						
Chief of Party						
Post Differential	11,250	11,700	12,168	12,655	13,161	60,934
COLA	1,970	1,970	2,080	2,060	2,160	10,220
Storage	3,000	3,000	3,000	3,000	3,000	15,000
Shipment	40,000		15,000		57,500	112,500
POV Shipment	7,500				8,500	16,000
Educational Allowances	12,000	10,000	10,000	10,000	10,000	52,000
Financial Mgt/Admin. Mgr.						
Post Differential	10,000	10,400	10,816	11,249	11,698	54,163
COLA	1,800	1,800	1,880	1,880	1,970	9,330
Storage	3,000	3,000	3,000	3,000	3,000	15,000
Shipment	40,000		15,000		57,500	112,500
POV Shipment	7,500				8,500	16,000
Educational Allowances	12,000	10,000	10,000	10,000	10,000	52,000
<i>Sub-total</i>	<i>150,020</i>	<i>51,870</i>	<i>82,924</i>	<i>53,844</i>	<i>186,989</i>	<i>525,647</i>
Indirect (30%)	45,006	15,561	24,877	16,153	56,097	157,694
Travel						
Chief of Party						
Trip Out	12,000					12,000
Travel Per Diem	1,000	1,100	1,200	1,300	1,400	6,000
R&R	12,000	15,000		20,000		47,000
Home Leave			18,000			18,000
Trip Back					23,000	23,000
FM/AM						
Trip Out	12,000					12,000
Travel Per Diem	1,000	1,100	1,200	1,300	1,400	6,000
R&R	12,000	15,000		20,000		47,000
Home Leave			18,000			18,000
Trip Back					23,000	23,000
Training/TA Coordinator						
					23,000	23,000
<i>Sub-total</i>	<i>50,000</i>	<i>32,200</i>	<i>38,400</i>	<i>42,600</i>	<i>48,800</i>	<i>212,000</i>
Indirect (30%)	15,000	9,660	11,520	12,780	14,640	63,600
Consultants (9 Three Week TDYs a Year)						
Salary	38,943	41,668	44,585	47,706	51,045	223,947
Travel	45,000	48,150	51,520	55,127	58,988	258,783
Per Diem	20,223	30,335	24,470	26,917	29,609	131,554
<i>Sub-total</i>	<i>104,166</i>	<i>120,153</i>	<i>120,575</i>	<i>129,750</i>	<i>139,640</i>	<i>614,284</i>
Indirect (30%)	31,250	36,046	36,173	38,925	41,892	184,285
Equipment and Supplies						
Computers, 10	15,000					15,000
Printers, Dot Matrix, 5	5,000					5,000
Printers, Laser, 2	3,000					3,000
UPS, 2	2,000					2,000
Software	5,000		3,000			8,000
Fax Machine, 1	750					750
Copier, 1	3,500					3,500
Typewriter, 3	1,500					1,500
Desks, 11	3,300					3,300
Chairs, 30	6,000					6,000
Bookshelves, 11	2,200					2,200
Conference Table	600					600
Computer Tables, 10	1,500					1,500

PVO SUPPORT PROJECT ILLUSTRATIVE BUDGET

Line Item	Year 1 of CA	Year 2 of CA	Year 3 of CA	Year 4 of CA	Year 5 of CA	Total
File Cabinets, 10	6,000					6,000
Water Cooler, 3	1,800					1,800
Telephone System with 12 extensions	6,195					6,195
Vehicles						
4 WD, 2	50,000					50,000
2 WD, 2	20,000					20,000
<i>Sub-total</i>	<i>133,345</i>					<i>20,000</i>
Procurement Fee (10%)	13,335		3,000			136,345
Other Direct Costs			300			13,635
Home Rental (x2)	20,000	20,000	22,000	22,000	23,000	107,000
Home Utilities (x2)	5,000	7,500	10,000	12,500	15,000	50,000
Office Rental	12,000	12,000	14,000	14,000	16,000	68,000
Office Utilities	2,500	2,750	3,025	3,275	3,525	15,075
Office Supplies	6,000	6,200	6,400	6,600	6,800	32,000
Guards Office and 2 Houses (6)	12,000	12,000	14,000	14,000	16,000	68,000
Communications	7,000	7,000	7,500	7,500	8,000	37,000
Vehicle Maintenance (x8)	3,000	3,000	3,000	3,000	3,000	15,000
Radio, 1	2,000					2,000
Computer Repairs	1,000	1,200	1,400	1,600	1,800	7,000
Copier Repairs	1,000	1,200	1,400	1,600	1,800	7,000
Office Maintenance	2,000	2,000	2,000	2,000	2,000	10,000
Home Maintenance (x2)	6,000	6,000	6,000	6,000	6,000	36,000
Household Furniture (x2)	100,000					100,000
Household Appliance (x2)	30,000					30,000
<i>Sub-total</i>	<i>209,500</i>	<i>80,850</i>	<i>92,725</i>	<i>96,075</i>	<i>104,925</i>	<i>584,075</i>
Indirect (30%)	62,850	24,255	27,818	28,823	31,478	175,223
Fringe Benefits						
Chief of Party	11,250	11,700	12,168	12,655	13,161	60,934
FM/AM	10,000	10,400	10,816	11,249	11,698	54,163
<i>Sub-total</i>	<i>21,250</i>	<i>22,100</i>	<i>22,984</i>	<i>23,904</i>	<i>24,859</i>	<i>115,097</i>
Indirect (30%)	6,375	6,630	6,895	7,171	7,458	34,529
Local Staff						
Training/TA Coordinator	14,000	14,560	15,142	15,748	16,378	75,828
Subgrants Mgr.	14,000	14,560	15,142	15,748	16,378	75,828
Administrator/Accountant	12,000	12,600	13,230	13,890	14,587	66,309
Secretary	6,000	6,300	6,615	6,945	7,292	33,152
Receptionist	5,000	5,250	5,513	5,789	6,078	27,630
Chauffeur	5,000	5,250	5,513	5,789	6,078	27,630
Laborer	4,000	4,200	4,410	4,630	4,862	22,102
<i>Sub-total</i>	<i>60,000</i>	<i>62,720</i>	<i>65,565</i>	<i>68,541</i>	<i>71,653</i>	<i>328,479</i>
Indirect (30%)	18,000	18,816	19,670	20,562	21,496	98,544
Local Currency Costs - Other						
Gasoline	10,000	10,000	11,000	11,000	12,000	54,000
Per Diem	6,000	6,000	6,000	6,000	6,000	30,000
<i>Sub-total</i>	<i>16,000</i>	<i>16,000</i>	<i>17,000</i>	<i>17,000</i>	<i>18,000</i>	<i>84,000</i>
Indirect (30%)	4,800	4,800	5,100	5,100	5,400	25,200

CONTRACTOR TOTAL	1,051,397	616,581	695,043	685,512	902,594	3,951,127
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SUBGRANTS

Development Activity Grants	2,000,000	1,500,000				3,500,000
Institutional Development Grants	900,000	1,100,000				2,000,000
Audits	60,000	60,000	65,000	75,000	65,000	325,000
Evaluations			100,000		115,000	215,000

TOTAL	\$10,000,000
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TABLE

ILLUSTRATIVE FINANCIAL PLAN (US\$ 000)

	A.I.D. Grant		C.A.Recip. Contribution Total Costs	C.A.Recip. Contribution Life of Project	Subgrantee Contribution Life of Project*	GOR Life of Project	Total LOP Costs
	Curr. Yr. Ob.	Future Years Anticipated					
Tech. Asst. & Training							
Long Term T. A.	1,716		1,716	0		0	1,716
STTA and Training	799		799	0		0	799
Commodities	150		150	0		0	150
Other Costs	759		759	0		0	759
Local Costs	536		536	0		0	536
SUBGRANTS*							
Dev. Activity Grants	2,560	920	3,500		1,166	0	4,666
Inst. Dev. Grants	900	1,100	2,000		273	0	2,273
Evaluations and Audits							
Audits		325	325			0	325
Evaluations	60	155	215			0	215
TOTALS**	7,500	2,500	10,000	0	1,439		11,439

*The DAG's and IDG's are Likely to Also Finance Some Training and Short Term TA.
The DAG's and IDG's are to Contribute 25% and a Minimum of 12% Respectively of These Two
Categories of LOP Costs.

**The Initial Obligation of \$7,500 Will be Made in Late FY 92 Just Prior to the Beginning of Cooperative
Agreement Year 1.

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TABLE
PLANNED YEARLY OBLIGATIONS & EXPENDITURES (US\$ 000)

LOP Funding	Year 1	Year 2	Year 3	Year 4	Year 5	Total
						10,000
Planned Obligations	7,500		2,000	500		10,000
Planned Exp. (Table 4)	4,021	3,277	860	760	1,082	10,000
Projected Mortgage (LOP Obligations)	2,500	2,500	500	0	0	
Mortgage/LOP	25%	25%	5%	0	0	
Projected Pipeline	3,479	202	1,342	1,082	0	
Pipeline/Obligation	46%	3%	14%	11%	0	
Subgrants						
Dev Activity Grants						1,186
Institutional Dev. Grants						279

TABLE

Summary Cost Estimates and Financial Plan (US\$ 000)

PROJECT ELEMENTS	AID LC	AID EX	TOTAL AID	TOTAL SUBGRANT
Long Term Tech. Asst.		1,716	1,716	
STTA and Training		799	799	
Commodities	15	135	150	
Other Costs	584	175	759	
Local Costs	536		536	
SUBGRANTS				
Development Activity Grants	1,400	2,100	3,500	1,168
Institutional Development Grants	1,400	600	2,000	273
Evaluations and Audits				
Audits		325	325	
Evaluations		215	215	
TOTALS	3,935	6,065	10,000	1,439

Projection of Expenditures by Fiscal Year and Project Element (US\$ 000)

PROJECT ELEMENTS	Year 1			Year 2			Year 3			Year 4			Year 5		
	LC	FX	Sub	LC	FX	Sub	LC	FX	Sub	LC	FX	Sub	LC	FX	Sub
Long Term Tech. Asst.		406	406		253	253		307	307		281	281		468	468
STTA and Training		135	135		156	156		157	157		169	169		182	182
Commodities	15	133	148					3	3						
Other Costs	97	175	272	105		105	121			121	125		125	136	
Local Costs	100		100	103		103	107			107	110		110	116	
SUBGRANTS															
Development Activity Grants	800	1,200	2,000	600	900	1,500									
Institutional Development Grants	630	270	900	770	330	1,100									
Evaluations and Audits															
Audits		60	60		60	60					75	75		65	65
Evaluations								65	65					115	115
TOTALS	1,642	2,379	4,021	1,578	1,699	3,277	228	632	860	235	525	760	252	830	1,082

PROJECT ELEMENTS	Local Costs	Foreign Exchange
Long Term Tech. Asst.		1,716
STTA and Training		799
Commodities	15	135
Other Costs	584	175
Local Costs	536	
SUBGRANTS		
Development Activity Grants	1,400	2,100
Institutional Dev. Grants	1,400	600
Subgrantees Contribution	1,439	
Evaluations and Audits		
Audits		325
Evaluations		215
TOTALS	5,374	6,065

*This Evaluation Will Be Conducted Shortly After the Terminal Date of The Cooperative Agreement.

TABLE

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TABLE

Methods of Implementation and Financing - A.I.D. INPUTS (US\$ 000)

Type of Assistance	Method of Implementation	Method of Financing	Total Costs
Long Term Tech. Asst.	PIO/T - - Cooperative Agreement	Letter of Credit	1,716
STTA and Training	PIO/T - - Cooperative Agreement	Letter of Credit	799
Commodities	Through the Cooperative Agreement	Through C.A. LOC	150
Other Costs	Through the Cooperative Agreement	Through C.A. LOC	759
Local Costs	Through the Cooperative Agreement	Through C.A. LOC	336
SUBGRANTS			
Development Activity Grants	Through the Cooperative Agreement	Through C.A. LOC	3,600
Institutional Development Grants	Through the Cooperative Agreement	Through C.A. LOC	2,000
Evaluations and Audits			
Audits	PIO/Ts - Direct A.I.D. Contracts	Direct Pay Reimburse	325
Evaluations	PIO/Ts - Direct A.I.D. Contracts	Direct Pay Reimburse	215
Total USAID Financing (including inflation and contingency)			10,000

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IV. SUMMARY OF PROJECT ANALYSES

A. Technical and Institutional Analysis Summary²

The technical soundness and feasibility analysis of the project was carried out concurrently with the institutional assessment of the organizations expected to participate in the project because the institutions involved constitute, for the most part, the technical input into the project. Hence the two analyses are presented concurrently.

Based on the review of the environment for small- and medium-scale enterprise in Rwanda and current NGO and non-NGO initiatives to address the many constraints and problems faced by this sector, the conclusion of the analysis is that there is a role for the PVO/NGO Support Project at this stage of Rwanda's development and that the Project is likely to finance a wide range of possible interventions. These interventions may range from being purely technical assistance to on-going, viable PVOs/NGOs to being institutional development efforts, and from projects to bring appropriate agricultural processing technologies to small enterprises to initiatives to promote private business associations. All would work toward USAID/Rwanda's Program Goal of increasing participatory economic growth.

This technical and institutional analysis addressed the following principal issues:

- the rationale for using non-profit organizations to promote for-profit enterprises,
- the potential response of U.S. PVOs and Rwandan PVOs/NGOs to the PVO Support Project,
- the capabilities and limitations of PVOs/NGOs that may be encountered during project implementation, and how the limitations were addressed in the Project design,
- the constraints and opportunities facing the Project's ultimate beneficiaries, and
- the other related activities by donors.

²

An expanded Technical and Institutional Analysis section is found in Annex A.

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(1) Rationale for Using Non-Profit PVOs/NGOs to Promote For-Profit Enterprises

The use of NGO/PVOs to promote the development of small- and medium-scale enterprises, cooperatives and associations has been concluded to be appropriate at this stage in Rwanda's development. Business services typically provided by the private sector in other countries, such as accounting, auditing, and marketing and feasibility studies, do exist in Rwanda. However, there are relatively few and they are priced well beyond the reach of most small entrepreneurs. Consequently, the Rwandan NGO/PVO community has "stepped into the breach" and tried to supply these services. They have done so because the services were being demanded by their constituents, e.g., cooperatives, associations and small/micro enterprises. The Project can use this comparative advantage of PVOs/NGOs to help them increase the technical capacities of their clients and broaden the base of business "literacy" among entrepreneurs, cooperatives and associations. Thus, if USAID wishes to expand small- and medium- scale business support activities in Rwanda that are attuned to the needs of Rwandans, there is no serious alternative to working with NGOs in the short term.

Other reasons for using the Rwandan NGO/PVO community stem from their non-profit basis and the high degree of uncertainty in Rwanda. In seeking to stimulate small private enterprise through business services, one can reasonably expect that during the initial years the providers of those services will be able to cover their costs. NGOs/PVOs are more able to draw from other resources and activities to finance these services, and are more able to do so at a lower cost than for-profit firms. Similarly, the risks of launching for-profit businesses in the current environment are substantial. This is particularly true when considering that over 90 percent of Rwandans are found in rural areas, organized in scattered homesteads across the hillsides. Again, given the commitment of many NGOs/PVOs to work in the rural areas, they are less likely to cease operations when difficulties arise.

NGOs also have a comparative advantage based on their access to people at the "grassroots," and their unparalleled knowledge of local conditions, especially in rural areas where the needs are the greatest. As these NGOs work with medium- and smaller-scale enterprises, the Project can work with them to develop relevant institutional capacity and thus broaden the service-base available to medium and smaller-scale businesses in Rwanda.

Finally, the various kinds of formal and informal economic associations common in Rwanda -- credit unions, tontines, mutuelles, cooperatives, and professional associations -- have an important role to play, and one that could be expanded under the Project. These organizations, also registered as "non-profit," are made up of people who have come together to seek a mutual economic advantage and

are thus very much disposed to making money. This is permissible under Rwandan law. The Project can work with these organizations to enhance their technical capacities and effectiveness in delivering services to their members.

As the Rwandan economy matures, however, many of the services supported by this Project are expected to be "spun-off" from NGOs into for-profit entities and to the formal and informal economic associations.

(2) Potential Response by PVOs/NGOs to Project

The design team both interviewed individually and had several group sessions PVOs, NGOs, cooperatives and associations currently operating in Kigali and found that these organizations:

- expressed strong interest in the PVO Support Project, and
- were already undertaking considerable activities in the area of medium and smaller-scale enterprise development.

More specifically, a 1989 survey identified over 140 NGOs working in development or the provision of social services in Rwanda. (The total number of NGOs registered in Rwanda approaches 500.) Of the 96 that responded to the question of affiliation, the following table provides a breakdown as follows:

Types of NGOs	number of NGOs	per-cent
Volunteer NGOs (Peace Corps, VSO, etc.,)	3	3%
Church-affiliated	38	44%
International PVOs	22	25%
Local NGOs with an international affiliation	14	16%
Locals NGOs with no international affiliation	19	22%

Many NGOs have activities in several areas. Those that work in fields of interest to the Project are as follows:

Major Activities of NGOs	number of NGOs	per-cent
small manufacturers (<u>artisanat</u>)	62	44%
non-formal education for adults	51	36%
cooperatives training	39	28%
research - studies - consultations	27	19%
storage & processing of agricultural products	23	16%

In general, these NGOs currently try to:

- provide business training and support,
- undertake specific small income-generating projects,
- provide economic benefits, and
- provide purely financial services.

Annex A, the Technical/Institutional Analysis, presents case summaries of individual PVOs/NGOs who are likely to apply for subgrants and the types of assistance to be requested.

In discussions about the Project, some of the PVOs/NGOs expressed the view that the Project may be under-budgeting the Development Assistance Grants (DAGs) line item. This view reflects the fact that they feel they are ready and able to capitalize on what the Project would offer. Nevertheless, based on the experience of members on the Design Team with other similar projects in Africa, the subgrant funds are typically disbursed at a rate less than that projected by the potential recipients. If the funds do disburse quickly, USAID and the GOR can agree to add additional funds, if warranted by an evaluation of the impact of the subgrants made to that point in time.

PVO/NGO interest in the Project also reflects their dependence on contributions for their operations. Nearly all NGOs in Rwanda are heavily dependent on foreign financing, either for all or part of their budgets.

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Sources of money for NGOs in Rwanda	percentage
Both foreign and domestic funding	59%
Foreign funding only	38%
Domestic funding only	2%

The point remains, however, that if USAID wishes to promote the private sector using NGOs, USAID will have to provide them with funds.

(3) Limitations of PVOs/NGOs

The Design Team found that Rwandan NGOs varied widely in their technical sophistication and management abilities, their administrative and financial abilities, and their planning, monitoring and evaluation abilities. Specifically, the problems most often encountered in NGO audits can be divided into three areas:

- Deficient management procedures, including a lack of proper controls on expenditure and to cash flow.
- Poor execution of action plans. Often an NGO will have the budget and action plan drawn up by an outside consultant in order to have a professional-looking product to get donor funds. Once these are in hand, the action plan is either ignored or followed very loosely.
- Deficient justification of amounts spent, often due to the lack receipts and missing funds.

NGO management and financial control capabilities run the gamut from the fairly sophisticated to the practically non-existent. NGOs dealing in credit--small loans, revolving funds--often fail to do proper loan analyses before the fact and fail to adequately follow the loans once they have been made. On the accounting side, lack of proper records and inability to calculate interest due means an NGO may not really know how much money is out and what its cash flow should be.

To capitalize on the identified advantages of PVOs/NGOs and correct for the identified limitations, the project design has placed emphases on:

- collecting and reporting of data at three levels (the UMU, the recipients of the DAGs and IDGs) will ensure adequate information for managing the project and helping USAID and the GOR make planning decisions regarding future activities.

- having the participating PVOs/NGOs carry out their enterprise development activities with and through local-level institutions, such as farmers associations, women's groups, church organizations, and other private sector entities capable of channelling project assistance and/or reaching large numbers of beneficiaries.
- employing an intermediate management unit -- the UMU -- that has the majority of responsibilities related to the grants application process, in order to relieve the Mission of this burden while also providing a streamlined process to the PVO/NGO community for the review and approval of grant applications.
- adopting the UMU structure in which "subgrants" are made by the UMU to the local NGOs, because there are so few A.I.D.-registered Rwandan NGOs.
- requiring the UMU to evaluate the capacities of each NGO that submits a proposal and ensure that existing controls are adequate. If improvement is necessary, the UMU will take whatever actions are necessary before the NGO may receive funds. This may include training of personnel and technical assistance to strengthen an NGO's control capabilities.
- limiting the number (7-10) of PVOs and NGOs who will receive substantial grant funding made available by the UMU to carry out specific enterprise development activities to ensure proper oversight by the UMU.
- creating a special subgrant mechanism, Institutional Development Grants (IDGs), to address the identified limited institutional capacity and development orientation by some Rwandan NGOs. (This mechanism can provide Rwandan NGOs with a tailor-made package of assistance to increase their capacity to fully participate in and take advantage of the Project resources. In fact, this has become one of the two major purposes of the PVO/NGO Support Project and reflects the intent of building up the overall capacity of the Rwandan NGO community.)

(4) The Project's Ultimate Beneficiaries: Their Constraints and Opportunities

The potential for increasing non-farm output and employment in Rwanda is substantial. Many Rwandans are seeking their livelihood in non-farm activities. They face both opportunities and an array of constraints, a number of which are addressed directly by the Project. Current figures indicate that non-farm employment, both full and part time, provides some income to over 40 percent of Rwandans and that this sector is growing at the rate of 10 percent a year, far above the GDP growth rate of only 1.5 percent a year. Of those who earn at least

part of their incomes off-the-farm, approximately 60 percent are in the informal sector. The service sector is the only part of the economy to show a respectable annual growth rate (4.7 percent since 1965). But more importantly, it is dominated by the private firms, most of whom are medium and smaller-scale enterprises.

Opportunities: Specific sectors mentioned by informants as presenting opportunities for small and medium-scale enterprise include processing and marketing of non-traditional agricultural products: rice milling and distribution, processing of sunflower oil, honey-based products such as candy and candles from beeswax, and artisanal sausage and meat processing.

On the non-agricultural side, informants spoke of artisanal fabrication of low-cost construction materials such as bricks and roofing tiles; tailoring and making clothing, and fabrication of small lamps and lighting fixtures. Most artisanal manufacturing output would go to satisfy the needs of the domestic market; there would no doubt be opportunities for a certain amount of export as well, especially through cross-border trade with neighboring countries.

The service sector, which shows the highest rates of growth in the Rwandan economy, can provide opportunities for the small entrepreneur as well. It has been pointed out that Rwanda's central location between Zaire, Uganda, Tanzania, and Burundi, coupled with its comparatively good roads and telecommunications network, make it a natural center for business. Cross-border trade, generally considered to be somewhat under-reported, offers opportunities for the small transporter and all the attendant services. Unfortunately, the repeated border closings with Uganda and Burundi because of the war and other tensions have reduced opportunities in this sector, as well as increased Rwanda's import costs by cutting off the shortest and most practicable route to the Kenyan port of Mombasa. Even internal trade has been disrupted due to security measures and roadblocks. As with the rest of the economy, the service sector will be adversely affected until the war is brought to an end.

It is beyond the scope of this analysis to assess the exact potential of any specific sector or sectors. An important task of the NGOs aided under this Project will be to assist entrepreneurs in identifying and evaluating potential markets.

Constraints: Constraints to the small entrepreneur remain numerous, in spite of the macro-economic reforms undertaken by the GOR. Many informants mentioned the continuing war against the rebels in the north of the country as a major cause of uncertainty and reluctance to invest. On the agribusiness side, the continuing lack of reliable markets makes it difficult to organize production of commodities in sufficient quantities for efficient processing and transformation. Several informants spoke of the general lack of business skills, such as knowledge

of basic accounting, and of deficient technical skills, which result in the inefficient production of goods. Also cited was the need for training and technical expertise in modern technologies and methods. Many also brought up a general lack of entrepreneurial spirit and imagination among many Rwandans. Finally, it was pointed out numerous times that despite the recent policy changes under the SAP, there are still a number of legal and procedural barriers that hinder the small entrepreneur. Another common theme was the lack of bank credit for women. Under Rwandan law, a woman relinquishes her right to her own property as soon as she marries, and must depend on her husband's signature for loans. Even where rules have been changed on paper, implementation of these changes depends on officials who may be reluctant to see their own influence diminish due to a lightening of the regulatory burden. Informants repeatedly brought up the negative attitudes of government officials vis-a-vis the private sector as a constraint for those wishing to do business in Rwanda. For example, high tax rates on business revenue are extremely discouraging to business creation. Business tax assessments are done in a very arbitrary, if not positively capricious, manner. Finally, all respondents listed a lack of reliable market information, especially regarding international markets, as a constraint for those wishing to export.

A survey of existing constraints to private sector development was recently conducted with development organizations working in Rwanda. Of the 19 organizations contacted, seven were international donors or donor projects, five were international PVOs, five were indigenous PVOs, one a commercial bank, and one a government service. The shared opinion of the informants is that the major regulatory reforms necessary to rejuvenate the private sector have been enacted through the SAP. Nevertheless, SAP implementation issues remain and are being addressed by the donor group, lead by the World Bank and UNDP.

(5) Major Related Activities by Donors

Several other major donor-funded activities complement the PVO Support Project, particularly those by UNDP and the French. Indeed, implementation of the Project is expected to have beneficial effects for the other on-going activities. With more NGOs becoming involved and generating interest and awareness, the PVO Support Project is likely to increase the demand for the services provided by other donor projects.

The UNDP, through the International Labor Office, sponsored a five-year "Micro-realizations" project for small business development, which is only now coming to a close. It oversaw the start-up of approximately 150 businesses over its "effective life" (minus the start-up period and the war) of three years. During this time it developed a methodology for aiding micro-entrepreneurs. This includes

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feasibility studies, access to bank credit, and technical and management training. A 6-year, \$7 million follow-on to the micro-realizations project is planned. The French Caisse Centrale de Cooperation Economique finances an NGO which specializes in business services to small entrepreneurs: the Centre de Services aux Entreprises Artisanales, or CSA. In operation for just over one year, it will continue through March 1994. The CSA works primarily with entrepreneurs who already have at least one year's experience in business. CSA services include market studies, feasibility studies, assistance with securing bank loans or other credit, management and technical training, finding overseas markets (generally in Europe), and help with importing goods. The CSA charges for its services on a sliding scale which covers from 2 to 20 per cent of the true cost.

Other donors, such as the Swiss, provide limited assistance to specific groups of producers and in a very vertical manner. The Swiss help wood-workers get the inputs, develop product lines, and market their products.

The UMU will be coordinating with these other projects to help identify entrepreneurial opportunities and get NGOs involved in channelling prospective entrepreneurs to them. Donor coordination among those actively involved in small enterprises development has been very good, albeit informal. USAID has long been an member of this group, dating from its 1980s involvement in with and the PRIME project. The Mission sees no reason to expect a deterioration in the currently good relations between the donors and the projects as a result of the PVO Support Project.

B. Economic Considerations

Least-cost and "check-list" methods were used to help assess the economic worth of undertaking this project. Thus, the economic focus incorporated during the design effort was on low-cost inputs that would result in high-priority project outputs. Other, more quantitatively-based methods, such as the internal rate-of-return (IRR), benefit-cost ratio, opportunity cost, or rate of return on investment (ROI), were not used due to the institutional building nature of the project and the uncertainty surrounding exactly what sub-grants will be funding.

(1) **Benefits from a PVO Umbrella Mechanism:** The 1991 DATEX review of PVO/NGO umbrella projects in Sub-saharan Africa over the past ten years concluded that there was a distinct cost advantage in using a non-profit firm, such as a U.S. PVO. Evaluations from other PVO/NGO projects have found that overhead and administrative costs range from 7 percent to 10 percent for indigenous NGOs and between 25 percent and 60 percent for U.S. PVOs. These are clearly much less than the rates for for-profit firms and universities, whose rates typically start at 80 percent and up.

There were additional "economies of scale" advantages from grouping small, similar activities under one "umbrella" management unit for accounting of funds, training, processing of sub-grant applications, monitoring and feedback among the participating organizations. The umbrella mechanism also tapped into the "comparative advantage" of PVO/NGO relative to larger bi- or multi-lateral development organizations in their sensitivity to the needs and capabilities of rural groups and local NGOs. Recent experience of USAIDs continues to indicate that properly selected and screened PVO/NGOs are capable of the financial and other management rigors required for the husbanding of USG development resources. The recurrent cost implications are not an issue with the project structure, e.g., the UMU. Once it has completed its functions, it disbands. If its functions are required after USAID funding ends, then either the unit closes or USAID and other donors can decide to extend its life.

The sustainability and equity of the subgrant activities funded by the project have been enhanced by tapping directly into the local PVOs/NGOs and other local organizations and businesses. Since Rwandans will help set the priorities, the project has increased the likelihood that desired activities will be funded. Furthermore, since most PVO/NGOs work with the rural poor, women, and other disadvantaged groups (e.g., illiterate), the benefits are likely to be better distributed than those from a project seeking to expand the output of a large, modern sector manufacturing firm.

(2) Impact of the Subgrants: Since the sub-grants, particularly the DAGs, will be funding discrete activities that will generate profits and employment, there is the requirement that the requesting PVO/NGO provide a simple benefit/cost (B/C) analysis. Where required, the UMU will help the requestor prepare the B/C analysis. The UMU will also provide assistance in analyzing other issues such as recurrent costs. UMU assistance in this area is also another example of training that will benefit the requesting PVO/NGO in the longer term.

C. Social Soundness Analysis Summary

Agricultural production provides the livelihood of over ninety percent of the population. Due to the rapidly expanding population, inadequate land to support this population, and the declining profitability of Rwanda's agricultural exports (coffee and tea), this occupation no longer offers sufficient sustenance for significant numbers of the population. As a consequence, family members are turning to off-farm income-generating activities. This trend is destined to continue and increase as a function of the extremely high population growth rate (3.06 percent). In contrast to the declining agricultural sector, the service sector, mainly composed of medium and smaller-scale enterprises, is presently the fastest growing sector of the Rwandan economy. While agricultural production is not seen as a growth sector, the Project will look for opportunities to support "non-

traditional^m agricultural products which are vertically integrated within businesses which undertake related processing and marketing activities, preferably for export.

Considerable areas of opportunity exist in the informal rural off-farm and urban sectors. These are the primary areas intended to receive Project assistance (through the intermediation of local NGOs). A small group of NGOs already exists that has demonstrated an ability to reach the rural population. The Umbrella Management Unit will focus on improving the capability of these, and possibly newer, organizations to provide quality business and technical services to Rwandans interested in developing off-farm individual, family and small businesses.

Unfortunately, the continuing war constitutes a profound dampening effect of the development of the private sector. Recent political reforms offer hope that the internal security situation will soon be resolved and a pro-investment environment will return.

The structure and the anticipated development assistance activities to be financed under the Project are designed to be socially and culturally feasible while appropriately responding to the private sector development needs of the greater Rwandan population. Unfortunately, the structure of the Project does not at this point permit a detailed examination of beneficiary impacts because of the Project activities' dependance on local NGO initiatives and implementation. Despite the indeterminate nature of the "to-be-funded" activities, enough is now known about the constraints and needs in private business development in Rwanda to draw preliminary profiles of participants and beneficiaries as well as to predict the nature and distribution of their benefits. Furthermore, the expressed purpose of expanding and developing the private sector, in order to increase individual income and expand employment, is sufficiently defined. Although the specific social impacts of funded activities can only be identified through individually submitted subgrant applications, it is expected that the combined outcomes of the funded activities will constitute a significant impact on the beneficiaries and participants. This impact will be measured in terms of personal income and employment.

Subgrantees will be expected to engage in evaluation and monitoring activities that will demonstrate the impact of their activities. In turn, the UMU will conduct regular evaluation and monitoring to assess the combined impact of the Project on the informal private sector.

(1) Beneficiaries

Enumeration of beneficiaries and the magnitude of their benefits will be determined through a comparison of baseline data with end-of-project-activities conditions. Subgrantees will be required to provide baseline data as part of their sub-project activity. Mid-term and end-of-activity evaluations will be conducted in conjunction

with the Umbrella PVO. This data will be used to determine the effectiveness of the project activities and their impact.

Benefits to participants and recipients of subgrant activities will have extensive long-term socio-economic consequences, since they represent investment in broad-based human capital formation. Subgrant participants and recipients will include employees of subgrantee NGOs and members of local-level organizations and associations involved in carrying out subgrant activities. While they will clearly benefit from this project, they are not the ultimate beneficiaries, who constitute primarily the rural poor of Rwanda.

While NGOs and PVOs will, in a sense, "benefit" from subgrant funding and technical assistance/training, the NGOs and PVOs are themselves intermediaries to the Project's objective of increasing broadly-distributed individual income. Project resources will not be transferred directly to the intended beneficiaries, but will be addressed and assigned to NGOs and PVOs. The Project's UMU will both directly (through subgrant funding and technical assistance/training furnished by the UMU to local NGO's) and indirectly (through channeling of resources to NGO's through U.S. and other international PVOs) actively support and strengthen Rwandan NGOs in their capacity to identify, mobilize, and support sustainable community-based, private enterprise activities.

(2) Monitoring of Human Impact

The monitoring and evaluation of subgrantee progress toward people-level impact objectives will be an important function of the UMU. Such monitoring must go beyond simple enumeration of outputs leading to achievement of purpose-level objectives; outputs achievement will be monitored through a project-wide Management Information System (MIS) system to be established by the UMU. Project monitoring and evaluation at the institutional level will analyze NGO capacity and performance in providing private enterprise services, such as: business counseling; entrepreneurial and business management training; expanded information/communication services; and low-cost credit programs.

In order to properly monitor and report on project participants and beneficiaries, all project data will be required to be disaggregated by age and gender. Such monitoring and reporting should be part of the overall social and economic impact assessment undertaken by subgrantees and the Umbrella Management Unit. This information will also be shared with other USAID-sponsored monitoring units.

(3) Evaluation of Human Impact

The evaluation of the human impacts of the PVO/NGO sub-grant activities will initially suffer from the general lack of reliable, baseline social and economic

information regarding informal and micro-enterprises³. It is expected that a baseline survey will have to be carried out at the initiation of many subgrantee activities. This study will form the basis for the formulation of subgrant strategies to meet special needs within the general population. The UMU will assist in the generation of a social impact survey methodology, including identification of specific data to be collected and methods to be used, a sampling strategy, and sample size recommendations. Grantees and sub-grantees will be responsible for implementing the baseline survey and monitoring the status of social and economic impact indicators on a regular basis. This information will be fed into the USAID system for the Assessment of Program Impact (API).

D. Administrative Analysis Summary

The logic in selecting an "umbrella" mechanism in which an intermediary organization assumes certain project management responsibilities on behalf of a USAID, has become an accepted programming option in many A.I.D. Bureaus and Missions in recent years. General factors which have contributed to the selection of this rationale have included reducing mission management burden, congressional policy concerning assistance to certain governments and perceptions of efficiency through grouping management of small PVO/NGO projects. Additional advantages of external management include the flexibility and ease of operations afforded by funding through a Cooperative Agreement (CA) mechanism, the creation of a buffer between PVOs/NGOs and A.I.D.'s regulations, and the provision of services by a specialized unit with links directly into the PVO/NGO community.

(1) Reduced Costs and Cost-effectiveness: An external management unit providing a range of services including that of resource coordination has proven in similar circumstances to be a more cost-effective option than systems in which a USAID provides individual grants to a number of PVOs/NGOs. A single management unit providing a standardized system of inputs, reporting requirements, and coordinated programming has the potential to be a much more efficient means than the alternative of separate grants from USAID, or of a similar action financed through the Government of Rwanda.

(2) Decreasing USAID Management Burden: The proposed umbrella structure provides a number of ways to decrease the Mission's management burden in relation to PVO/NGO activities. It includes a reduction in USAID direct

³ Note that USAID has already started establishing a baseline data-set of micro-enterprises through the 1989 MAPS survey and a 1991 rapid appraisal on women micro-enterprises. The latter, a set of eighteen women-owned and operated businesses, will need to be expanded and monitored as part of the assessment of long-term impact. Complimentary data for small and micro-enterprises exists in the MAPS survey and the "Profil socio-économique de la femme rwandaise".

involvement in small project management including certain monitoring and reporting functions; a streamlined process for subgrant selection; consistent management of diverse activities; and, one voice to interact between the Mission and the PVOs/NGOs. The PVO Support Project, through its assistance to U.S. PVOs, indigenous NGOs and community-based organizations, is entirely consistent with and supports those sections of the Foreign Assistance Act which 1) stress working through private sector institutions including PVOs/NGOs to achieve development objectives; 2) involve the poor effectively in development by working through "local-level" institutions; 3) encourage that A.I.D. assistance in the areas of agriculture, rural development and nutrition be carried out in part by the "creation and strengthening of local institutions linked to regional and national level organizations"; and 4) promote A.I.D.-PVO/NGO partnerships in the implementation of development programs and projects.

The PVO Support Project, through its targeting of PVOs/NGOs as facilitators of private sector growth, promotes the objectives DFA legislation and the specific policy guidelines which the Africa Bureau developed to operationalize it, by 1) improving the management of African economies by redefining and reducing the role of the public sector; 2) strengthening competitive markets so as to provide a healthy environment for private sector-led growth; and 3) developing the potential for long-term increases in productivity.

(3) Project Structure: The project structure has been designed to reflect and promote the elements of collaboration, partnership and parity among the several participants in project management. It also has been designed to facilitate ease of access to project assistance while ensuring accountability in the use of project resources. The primary implementing agent of the Project will be a PVO Umbrella Management Unit (UMU) set up and managed by an institutional project manager. Its specific functioning and responsibilities will be defined within the context of its functional and contractual relationships with 1) USAID/Rwanda, the donor agency, 2) the Government of Rwanda, the bilateral partner, 3) the Project Consultative Committee with overall responsibility for Project implementation and 4) PVOs and NGOs, the immediate beneficiaries of Project assistance.

V. IMPLEMENTATION PLAN

A. The Project Agreement

USAID/Rwanda will obligate the Project through the signing of a Project Agreement (ProAg) with Ministry of Foreign Affairs and International Cooperation (MinAffet) representing the Government of Rwanda (GOR). The ProAg will stipulate the Ministry of Plan as the "Host" (Tutelle) Ministry of the Project. Suitable language will establish the GOR's concurrence with the purpose of the PVO Support Project, its operational elements, and implementation processes and procedures. A major objective is to establish the GOR's concurrence in USAID's direct engagement with PVOs and NGOs including financial grant assistance - through a competitively selected U.S. PVO to serve as the Project's executing agent.

In the Project Agreement the GOR will affirm that it:

- has requested US assistance in promoting private sector development through the intermediation of U.S. PVOs and Rwandan NGOs;
- will welcome USAID's direct assistance to non-governmental organizations, cooperatives and associations in furthering private sector development in Rwanda;
- concurs in USAID undertaking a direct contract (Cooperative Agreement) with a competitively selected U.S. PVO to implement the Project;
- accepts to participate fully in the coordination and oversight of the Project through designation of concerned GOR Ministries to a Project Consultative Committee.

In addition, the ProAg will provide the following detail:

- that the GOR will participate and provide its concurrence in the selection of the Cooperative Agreement Recipient that will serve as the executing agent of the Project;
- the subgrant application process and the GOR's role in the review and approval of PVO/NGO applications; and
- the criteria used in determining PVO/NGO eligibility and subgrant selection.

The Project Agreement will stress the aspects of collaboration, partnership and parity among the concerned parties during project implementation.

B. USAID Project Administration

USAID/Rwanda will establish an internal Project Committee (PC) to provide overall oversight of the Cooperative Agreement and the PVO Umbrella manager during the Project implementation phase. The Committee will be chaired by the Agricultural Development Officer (ADO) and composed of representatives from the Program, Controller, Project Development (PDO) and Executive (EXO) offices. The ADO will, however, be charged with making decisions concerning project management and will request input from PC members as necessary.

In the interest of facilitating and expediting project implementation and decreasing its overall management burden, USAID will delegate substantial authority to the UMU for a number of management functions which bear directly on its own responsibilities and accountability for project outcome. These responsibilities, discussed below, will be clearly defined and formalized in the CA itself. It is extremely important that the PC remain informed about and maintain its interest in Project activities if it is to fulfill its role of providing guidance to and oversight of the UMU. The ADO is pivotal in ensuring that the Committee members are kept abreast of Project progress through the Project Implementation Reviews (PIRs). In addition to the reports submitted by the UMU, and ADO's PIR reporting, it is suggested that the UMU have the opportunity to directly brief the PC concerning Project and subgrant performance and progress during the PIRs. The first of these briefings should coincide with the submission of the Life of Project Workplan and the first Annual Workplan and prior to its approval by the PC. The UMU will be given the opportunity to also brief the PC on subsequent submissions of Annual Workplans.

(1) USAID Responsibilities

USAID/Rwanda management responsibilities under the Project will include the following:

- Monitoring of UMU performance in accordance with the terms and conditions of the Cooperative Agreement;
- Managing of the audits and evaluations;
- Concurring in hiring of key personnel (which includes all long-term expatriate personnel);
- Providing travel concurrence for all expatriate technical assistance;
- Integrating of Project performance reporting data into USAID's broader impact-reporting M&E (API) system; and,

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- Monitoring compliance with the Project Agreement;
- Review all Development Activity Grants in excess of \$200,000 and
- Actively participate on the PCC.

USAID/Rwanda will play an important role of guiding, monitoring and evaluating the Project's implementation, and will participate in policy and programming dialogue with the Government of Rwanda and the PVO/NGO community in Rwanda. This will be effected through both its "substantial involvement" in Cooperative Agreement implementation and through its active participation on the Project Consultative Committee.

USAID/Rwanda will delegate approval authority for subgrant approval to the UMU as follows:

- institutional development subgrants for amounts up to \$150,000; and
- development activity subgrants for amounts not exceeding \$200,000.

The Project will be managed within USAID/Rwanda's Agricultural Development Office. Under the supervision of the ADO (Project Officer), a Project Manager will be designated from within existing staff to coordinate internal Mission responsibilities. Concurrences and approvals will be undertaken by the ADO in consultation with the Project Committee (PC) as required. The Agriculture Development Office through the ADO and the Project Manager will thus assume the following responsibilities vis-a-vis PVOs/NGOs working in the non-health/population private sector:

- become the repository of USAID PVO/NGO knowledge and experience in Rwanda;
- assume primary oversight for the Project in Rwanda, including project monitoring and evaluation and coordination with the UMU and PCC; and,
- assume responsibility to quickly and knowledgeably respond to A.I.D./Washington inquiries or reporting requests on the Mission's PVO/NGO activities.

(2) The USAID Project Committee

As previously noted, a Project Committee (PC) will be formed to provide advice to the ADO in his/her responsibilities of oversight and monitoring of the Project, including the performance of the Cooperative Agreement Recipient and compliance

of Project Agreement conditions and USAID's participation on the Project Consultative Committee. Equally important, the PC will review Development Activity Grants in excess of \$200,000, submitted by the UMU to USAID with its recommendation for approval.

The PC, composed of members from Program, Controller, Project Development (PDO), and Executive (EXO) offices and chaired by the ADO, will provide its guidance as to whether submitted proposals are technically feasible and in conformance with established selection criteria and A.I.D. regulations, and comment on the concerned PVO/NGO applicant's institutional capacity to manage the subgrant and account for subgrant funding.

Finally, the PC will review UMU Annual Workplans and Budgets as well as comprehensive Quarterly Performance Reports. The PC will provide the ADO with recommendations as to whether workplans, including performance indicators as established in the Life of Project Workplan, are realistic and will later assist the ADO in evaluating UMU performance and Project progress.

(3) USAID'S Substantial Involvement in Project Management

The following are the specific areas of USAID/Rwanda involvement in Project management. These specific actions will be included in the Project Cooperative Agreement and include major requirements which the Institutional Project Manager (CA Recipient) will need to include in the submission of its Life of Project Workplan. These activities correspond to the following USAID responsibilities:

- Overall policy formulation and strategic guidance relating to Project implementation and the right to redirect Project activities, including subgrants, as necessary to ensure Project success;
- Concurrence in the hiring of all long-term expatriate personnel;
- The right to request replacement or removal of any staff member;
- Review and approval of annual workplans and budgets submitted by the UMU. The Life of Project Workplan, including the Workplan for Year One, is of particular importance because it contains the following documentation which must be approved by the USAID:
 - An inventory and profile of PVOs/NGOs working in Rwanda by sector of activity and geographical area of operations;

- **An institutional needs assessment (representative sample) of newly created and established Rwandan NGOs to determine strengths and weaknesses in the areas of organizational development, management training and technical competence;**
- **An illustrative list of PVOs/NGOs which have shown interest in applying for Project subgrant assistance and who the UMU will encourage to submit subgrant applications;**
- **Refined subgrantee and subgrant selection criteria by subgrant type;**
- **Refined subgrant application and approval process;**
- **Recommended formats and contents for concept papers and project proposals for both IDG and DAG applications;**
- **A draft subgrant agreement detailing the terms and conditions of the subgrant between the UMU and PVO/NGO recipient and including relevant USG regulations and provisions;**
- **A draft Operations Manual detailing the project purpose, types of assistance available, subgrant application and approval process, and subgrantee and subproject selections criteria;**
- **The Initial Environmental Examination for all subgrants not already covered under USAID's Categorical Exclusion;**
- **Subgrant applications exceeding approved threshold levels;**
- **Travel concurrence for short-term technical assistance;**
- **Project audit, monitoring and evaluation plans including scopes of work for contracted service suppliers; and,**
- **Project audits and evaluations and monitoring UMU performance.**

These requirements not only permit USAID/Rwanda to have the confidence to delegate subgrant making authority, but also are essential activities for the UMU itself in becoming acquainted with Project context in general and the PVO/NGO community working in private sector development in particular. The UMU will submit these documents as part of its First Annual Workplan and undertake the activities necessary to accomplish them during the Project Startup phase. Approval of the AWP will mark the end of Project Startup and indicate USAID approval to move into the Project Operations phase.

C. Government Of Rwanda (GOR) Administration

The GOR will exercise its legitimate responsibility in project management at both the national level through the participation of concerned Ministries on a Project Consultative Committee (PCC) and through the review of PVO/NGO grant applications coordinated by the Ministry of Plan. The Ministry of Foreign Affairs and International Cooperation will sign the Project Agreement on behalf of the Government of Rwanda. The Ministry of Plan (MiniPlan), in its capacity as GOR coordinating and monitoring body of NGO activities, will serve as the "Host" (Tutelle) Ministry for the Project and Chair the PCC. Other GOR technical Ministries with responsibilities for either NGO oversight or private sector development will participate with the MiniPlan, USAID and PVOs/NGOs on the PCC which will be the overall body responsible for Project coordination and oversight (as opposed to CA management and oversight). Concerned Ministries at the national level will be expected to assist the Ministry of Plan by commenting on the technical consistency of PVO/NGO Development Activity Grant proposals reviewed and forwarded by the UMU with its recommendation for approval.

At the local level, where subgrant implementation takes place, PVOs/NGOs will be expected to inform the responsible Communal authority (Burgomeister) concerning the PVO's/NGO's approval of subgrants financed by the Project. Ensuring government awareness at the local level is entirely consistent with the GOR's decentralization policy and also provides a legal framework for ensuring greater accountability by, and liability of, subgrant recipients and their clients in the use of Project resources.

D. Project Consultative Committee (PCC)

(1) Structure

Under the terms and condition of the Project Agreement (ProAg), a national level Project Consultative Committee (PCC) will be formed. The PCC will include as voting members one representative each from the Ministry of Plan, USAID/Rwanda (the ADO), and the Chief of Party of the UMU. The Ministry of Plan, in its capacity as the GOR agency responsible for coordinating and monitoring NGO activities, will serve as the Chair for the PCC.

The Ministries of Youth and Movement, of Associations, and Commerce and Artisans may participate as non-voting members on the PCC in view of their technical responsibilities for private sector development; and, in addition, the Ministry of Interior as the principle GOR agency responsible for the coordination and monitoring of development activities, including those of NGOs, at the local level, as a non-voting member. The PVOs/NGOs working in Rwanda are to choose a representative from among themselves to represent them all at the PCC and to

report back to them after the PCC meetings. The representation should be on a rotational basis.

Representatives from the donor community and private sector will be invited to participate in observer status. The presence of all these institutions on the PCC, and especially the inclusion of an NGO representative, will assure a level of collaborative involvement in project execution that is necessary to foster a sense of project ownership and partnership during project execution. The UMU will serve as the secretariat to the PCC.

(2) Responsibilities

In addition to providing the participants with a forum to discuss private sector development, and the role of NGOs in this development sector, the PCC will undertake the following tasks:

- Review and approve Life of Project and Annual Workplans and Budgets submitted by the UMU;
- Organize semi-annual Project reviews based on progress reports submitted by the UMU and linked to performance indicators detailed in the Life of Project Workplan;
- Provide overall policy direction for the Project and guidance to the UMU during project implementation;
- Provide liaison between GOR, USAID and NGOs and other government ministries and donor agencies with an interest in private sector development;
- Approve final subgrant application selection criteria, subgrant application process and procedures developed by the UMU; and
- Discuss and resolve issues which arise during project implementation and which impact on the ability of the UMU to execute project activities, including disputes which may arise between the UMU and subgrantees.

(3) GOR Role in Grant Application Process

The GOR may participate in the review and approval of PVO/NGO subgrant applications at the national level. The process has been designed to ensure parity between USAID/Rwanda and the GOR in terms of responsibility for subgrant review and approval. Although during the design process the GOR has not expressed an interest to do so, the GOR may review Development Activity Grants in excess of \$200,000.

While not a requirement for subgrant funding, PVOs and NGOs will be strongly encouraged to inform concerned authorities at the local level concerning Development Activity Grants which have been approved by the Project. This request is designed to ensure that local-level authorities, i.e., the Burgomeister, are aware of Project-funded activities and can be counted upon to support them during implementation.

If the GOR decides it wants to review DAGs over \$200,000, then, at the national level, the UMU will forward DAG applications in excess of \$200,000, which it has already reviewed and accepted as responsive to the selection criteria (see Annex E, Administrative and Implementation Analysis, for criteria) to the Ministry of Plan's representative on the PCC with its recommendation for approval. MiniPlan must then consolidate GOR comments and make its determination accordingly. MiniPlan will receive UMU-approved project proposals at the same time as USAID and will have the same time to make its determination, i.e., 15 calendar days from proposal receipt. In the event that the UMU has received no response from MiniPlan at the end of 15 calendar days it will assume that the proposal is approved. This is the same timeframe allowed USAID.

E. UMU Responsibilities

(1) Structure

The Project will be implemented through an Umbrella Management Unit (UMU) structure which will be set up and managed by an Institutional Project Manager. The UMU Organizational Structure chart is shown on page 46. USAID/Rwanda will engage a competitively selected U.S. PVO or Non-Profit Organization through a Cooperative Agreement instrument to serve as the Institutional Project Manager. In the collaborative spirit of the CA, the UMU, with USAID substantial involvement and under the overall guidance of the Project Consultative Committee, will work to enhance the capacity of Rwandan NGOs and U.S. PVOs to better provide business and financial services in support of private sector development in Rwanda. The Umbrella management structure was selected to permit streamlined approval and financing of subgrant activities; to bring consistent management attention and support to a diverse set of activities; to enable a consistent and collaborative approach toward local NGO institutional development; to link operationally, in one structure, efforts to enhance NGO capacities and practical application of NGO resources through subgrant activities; and to minimize the management burden on USAID/Rwanda.

The UMU will have three departments reflecting the basic functions and services to be provided to its clients as discussed above. The three departments will be responsible for: (a) subgrants management and monitoring, (b) coordination and

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provision of institutional development and training interventions, and (c) UMU project direction, administration and financial management.

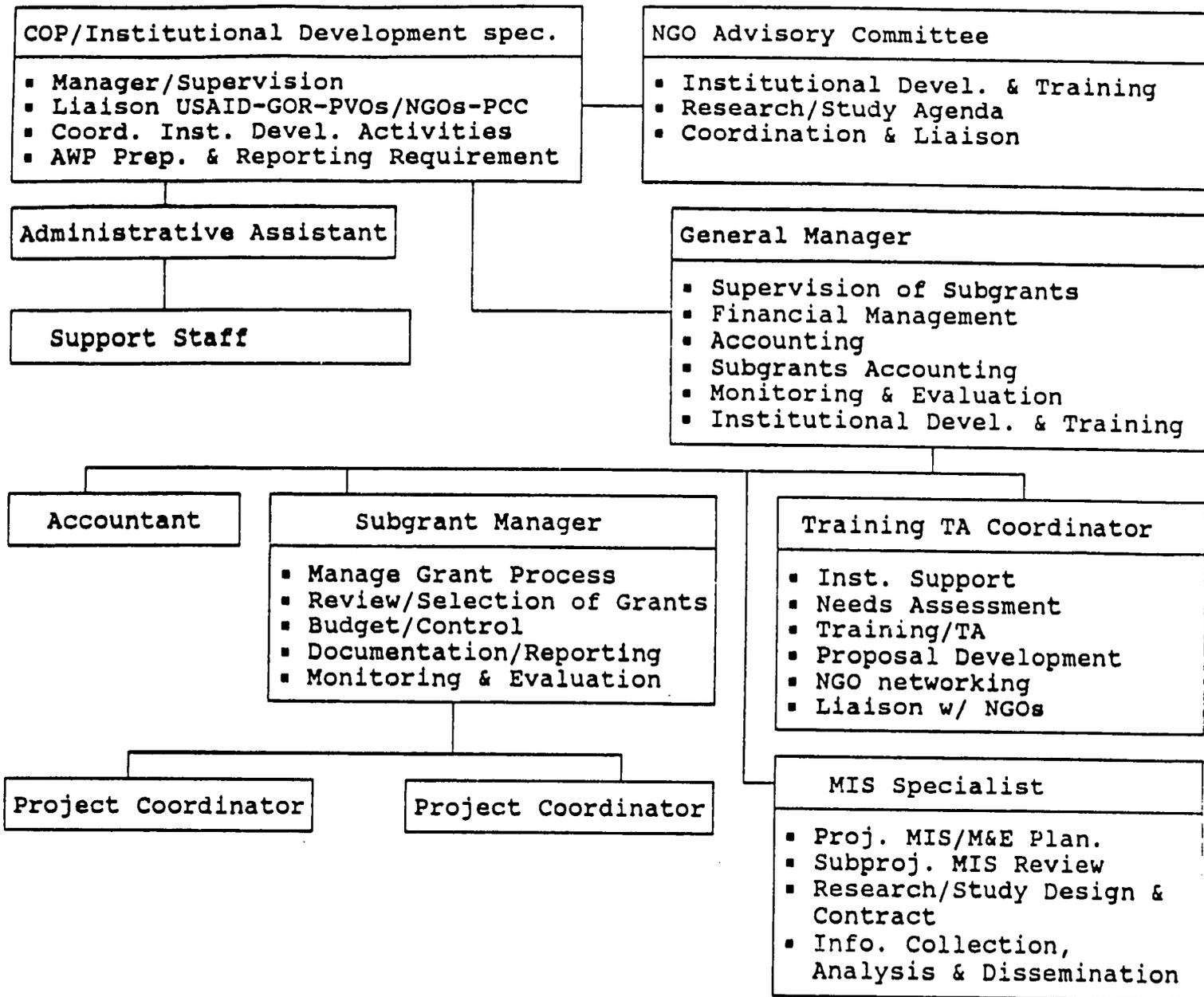
The Cooperative Agreement recipient will be expected to provide for all its requirements in Rwanda. This includes all logistics, procurement and administrative services for the operations of the Project, its office and its expatriate staff.

The UMU will have two all-terrain vehicles and two vehicles for in-town use in order to function effectively, plus necessary office equipment and computers.

(2) Staff Composition: This Project Paper recommends two expatriate professional staff, given the size and complexity of Project activities. A Chief of Party/Institutional Development Specialist and a General Manager will be complemented by seven Rwandan professionals and required support staff. USAID will expect each applicant bidding on the Cooperative Agreement to propose the mix of skill positions that it considers appropriate to carry out the responsibilities set forth above.

It is strongly recommended that adequate technical assistance be available to the UMU, especially during the Project startup stage, to ensure that required tasks are accomplished effectively and on time. This recommendation recognizes the multitude of responsibilities and individual tasks required of the UMU. It also recognizes the need to supplement local UMU staff capacity as well as to strengthen this capacity.

UMBRELLA MANAGEMENT UNIT ORGANIZATIONAL STRUCTURE



The following describes what USAID expects the team members and their specific functions to be:

Chief of Party/NGO Institutional Development Specialist (60 P.M.)

In addition to being the Project Manager's representative in Rwanda and thus responsible for the overall management of the Cooperative Agreement and UMU activities in Rwanda, this person (U.S. citizen) should have extensive experience in working with PVOs and NGOs in the area of institutional strengthening and private sector development. The COP will also have relevant skills and experience in umbrella project management and be responsible for providing overall direction to Project activities and interfacing with USAID, GOR, other donors and PVOs/NGOs operating in Rwanda. The COP will be responsible for the recruitment of all local staff and establishing and operationalizing the UMU. Another major responsibility will be to develop a comprehensive Life of Project Workplan and subsequent Annual Workplans and budgets and to ensure adherence to all reporting requirements especially the quarterly and financial reports. The COP will supervise the GM who in turn will coordinate all training and technical assistance activities and will supervise the Subgrants Management Department to assist Rwandan NGOs to develop sound subgrant applications and then ensure that appropriate, TA/training interventions, either provided through the UMU or within subgrants, are implemented.

Qualifications: At least ten years' African development experience. To have successfully completed at least three years as COP in an umbrella-type project. In-depth knowledge of the African PVO/NGO setting and experience in the design and implementation of institutional development strategies for NGO strengthening is required. Proven ability in both written and oral communications. An MA in a relevant field of international development with English at the S-5/R-5 level and French at the S-3/R-3 level.

General Manager (60 P.M.)

The General Manager (U.S. citizen) will also serve as the Deputy Chief of Party (D/COP). The GM will prepare all financial reports for both USAID and Home Office use. She/he will, with assistance from the Subgrants Manager, whom he/she will supervise; (a) review the financial plan of each subgrant application and make recommendations for improvement (b) review the financial management capability and systems of each subgrant applicant; and, will certify that an approved subgrantee PVO or NGO has adequate financial management systems in place prior to the disbursement of funding.

In collaboration with the COP and Training/TA Coordinator will be responsible for the assessment of financial management training needs and participate in training

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sessions for NGOs that require support in establishing and maintaining adequate financial management systems. The GM will also directly supervise a local hire accountant.

Qualifications: This person will have either an MBA or Masters degree in accounting. Will have a minimum of five years previous experience in the management of credit program in Africa (preferably private sector or PVO/NGO agribusiness) and the procedures required in the disbursement, monitoring and reporting of grants or loans. Additional experience in commercial banking is highly desirable, with English at the S-5/R-5 level and French at the S-3/R-3 level required. Proven ability in both written and oral communications.

Subgrants Manager (60 P.M.)

The Subgrants Manager (local-hire) will possess skills in the design, monitoring and evaluation of enterprise development projects and be responsible for managing the subgrant application and approval process and later the monitoring and evaluation of approved subgrant activities. The Subgrants Manager will be responsible to the GM and will supervise a team of two Project Coordinators responsible for working directly with PVOs/NGOs to develop appropriate concept papers and project proposals to the oversight of subgrant implementation. The SM is responsible for ensuring that the terms and conditions of each subagreement are complied with, including all applicable A.I.D. rules and regulations. The SM will review Subgrantee implementation reports including quarterly financial reports prior to submission to the GM.

Under the direct supervision of the COP, the SM will coordinate with the TA/Training Coordinator for required training and technical assistance for PVOs/NGOs prior to subgrant application and/or for approved subgrantees during subgrant implementation.

Training/Technical Assistance Coordinator (60 P.M.)

The Training/TA Coordinator reports directly to the GM and will be responsible for coordinating and initiating all institutional development and training activities. The Training/TA Coordinator will assist the COP to carry out and organize institutional development activities, including training needs assessments, individual NGO capacity assessments, subcontracting for training and technical assistance which responds to identified needs, organizing seminars, workshops and training sessions, and encouraging partnerships and sharing of information among the NGO and PVO community.

Administrative Assistant (60 P.M.)

The Administrative Assistant reports directly to the COP and will be responsible for management of overall office operations and logistics as well as supervision of the UMU's local hire support staff. S/he will direct all documentation and other paper flow generated internally and coming into the UMU, and develop a filing and tracking system for all such documentation.

Chief Accountant (60 P.M.)

The Chief Accountant reports directly to the GM and has a range of critical responsibilities related to developing and maintaining internal UMU financial management/accounting systems and controls; review and analysis of subgrant applications; assistance to PVO/NGO subgrantees in the design of standardized financial monitoring, control and reporting systems; review and analysis of subgrantee requests for cash advances and liquidation reports; and assisting the GM in the preparation of annual budgets for inclusion in annual workplans.

Project Coordinators - 2 (48 & 36 P.M.)

Working within the Subgrants Management Department and under the supervision of the Subgrants Manager, these two coordinators will identify potential subgrant applicants, work with them to develop sound subgrant applications, and then undertake monitoring and evaluation of approved subgrants. In addition to skills and experience in project design, monitoring and evaluation, they should possess sectoral experience in one of the areas supported by the Project, i.e., agro-processing, technology transfer, financial, or business. Each of the Coordinators will manage a portfolio of subgrants including both institutional development and development activity subgrants. They will be the principal contact point between the UMU and PVOs/NGOs, and will be technically supported by the Chief Accountant, Training/TA Coordinator, D/COP and COP.

Monitoring & Evaluation/Management Information Specialist (60 P.M.)

The M&E/MIS Specialist will assist the COP and work in conjunction with contracted consultants to develop and then maintain a MIS system for the overall Project and assist in preparation and operation of subgrant MISs. Under the supervision of the COP, s/he will develop the Project Monitoring & Evaluation Plan and review those submitted by subgrantees for subgrant implementation. The MIS specialist will also assume responsibility within the UMU for compiling reports to USAID (through the COP) concerning subgrant performance and impact in the sectoral areas covered by the Project, institutional development and special concerns such as women, micro-enterprise and the environment.

The MIS specialist will also be responsible for coordinating information collection, analysis and dissemination activities

including research and studies commissioned by the Project.

Support Staff (320 P.M.)

The UMU will hire one secretary, a receptionist, one driver/messenger and an office cleaner to provide necessary support services over the life of project.

(3) Responsibilities

The UMU will be the main implementing agency for this Project. It will carry out all project activities other than overall Project evaluations and audits and will be monitored directly by USAID through a Project Committee chaired by the Agriculture Development Office and indirectly by the GOR through participation of concerned ministries on the Project Consultative Committee chaired by the Ministry of Plan.

The UMU will be organized and managed by the Chief of Party (COP) and shall perform inter-alia the following tasks:

- Overall management of the Project and the financial resources made available by USAID through the Cooperative Agreement;
- Approval, documentation and administration of all IDGs, and DAGs not exceeding \$200,000;
- Develop an initial Life of Project Workplan and budget including a Workplan for year one for submission to, and approval by, the PCC and then subsequent AWP's for the remaining years of the Project;
- Preparation and submission to the PCC of comprehensive quarterly reports, tied to annual workplan performance indicators;
- Coordination and/or provision of technical assistance and training for the institutional development of subgrantees to increase their capacity to provide management, technical and financial services to small and medium enterprises;
- Collection, analysis and dissemination of information needed by USAID, GOR and PVOs/NGOs to permit timely and informed decision making concerning program performance and impact;
- Performance of the following tasks and others as required for the fulfillment of the responsibilities outlined above:

- **Set up, maintain, manage and eventually close down all Project operations, including expatriate support and required office services;**
- **Select and support suitable staff, and provide necessary home office backstopping, as required for effective UMU operation; the positions of the Chief of Party and General Manager should be U.S. citizens and internationally recruited;**
- **Develop and secure USAID approval of Annual Workplans and budgets, in a form adequate to serve as the basic point of reference and relationship between the UMU and USAID/Rwanda for implementation of the Cooperative Agreement;**
- **Develop and establish suitable criteria and procedures (including eligibility requirements) for screening and processing of PVO/NGO applications for subgrants;**
- **Ensure that potential subgrantees have adequate accounting and financial management capabilities;**
- **Execute subgrants, in accordance with the procedures agreed upon by the PCC and concurred with by USAID, disburse funds pursuant to agreed disbursement plans, monitor and evaluate subgrants;**
- **Submit comprehensive quarterly reports to the PCC and USAID on all subgrant activities;**
- **Based upon the institutional needs assessment undertaken for Rwandan NGOs and/or on specific institutional needs determined through the subgrant application process for both IDGs and DAGs, provide or secure technical assistance and training for capacity building of Rwandan NGOs; this TA/training may be provided, as appropriate, by UMU staff, by other personnel of the U.S. PVO/Non-Profit Organization selected as CA Recipient, or through subcontracts executed with individuals and firms; the UMU will be expected to draw as much as possible upon the qualified technical assistance capacity available in Rwanda and the surrounding region before resorting to the use of U.S. or other externally based TA/training personnel;**
- **Coordinate research and studies related to issues and concerns determined by USAID, the GOR, and PVOs/NGOs; and**
- **Establish and maintain the following management systems:**

- . subgrant management (including funds disbursement)
- . property management and inventory
- . management information system (MIS)

The UMU will provide five copies of Concept Papers and Project Proposals for all DAGs applications of more than \$200,000, quarterly reports and the Project final report.

(4) Cooperative Agreement Recipient Selection Criteria

The institutional Project Manager (CA Recipient) should have the following areas of capability which should be incorporated in the Invitation for Application (IFA) for a Cooperative Agreement:

- Previous experience in "umbrella" project management and working under a Cooperative Agreement arrangement;
- Previous experience in working with indigenous NGOs, and in strengthening their capacities to better manage their programs, especially those with an emphasis in promoting off-farm employment and income generating opportunities in agricultural processing, marketing, and agribusiness; \
- Access to technical expertise in such private sector areas as financial services including credit and savings mechanisms, informal sector development, and agro-processing and marketing including appropriate technology transfer;
- Experience in strengthening indigenous NGO institutional capacity including the provision of technical assistance and training;
- Experience in implementing projects to assist small (including micro) and medium enterprises in developing countries, including substantial African, preferably Francophone, experience;
- Technical capacity to undertake studies and analysis of laws, regulations, and procedures which may constrain private sector development;
- Proven experience in devising and establishing financial management and accounting systems for projects with large numbers of sub-activities, including credit; and

- Experience with developing and using continuous monitoring and evaluation systems including management information systems, for projects with multiple sub-activities that 1) provide appropriate feedback for managers, 2) enable corrective actions to be taken, and 3) provide evidence of results and impacts of project-financed activities.

F. PVOs/NGOs Subgrantees

Both U.S. PVOs and Rwandan NGOs are eligible for Project assistance providing they are duly registered with the concerned authorities. U.S. PVOs must be registered with A.I.D./Washington and Rwandan NGOs registered with the Ministry of Justice as Associations Sans-But Lucrative (ASBL). Although Rwandan NGOs will not be required to register as Local PVOs with A.I.D./Washington, those applying for Development Activity Grants must meet the required criteria. The UMU will be responsible for ensuring that eligibility criteria are made known to local NGOs and for applying eligibility criteria to those organizations submitting DAG applications. A.I.D. registration for Rwandan NGOs will be dealt with on a case-by-case basis depending on the type and amount of assistance requested.

As an intermediary body itself, the PVO/NGO subgrantee has responsibilities with both the UMU and the community groups or other beneficiary organizations which it is seeking to assist. The obvious one in relation to its target clientele is to solicit their participation at all levels of project design and implementation. It will be working through established democratically organized institutions and strengthening their capacity to undertake subgrant activities at the end of the subgrant period.

In addition to the obvious tasks of implementing their subgrants, the PVOs/NGOs participating as subgrantees under the Project will also have management responsibilities in relation to overall subgrant administration. Chief among these are monitoring, evaluation and reporting requirements. In each of these areas they will be required to develop, and have approved by the UMU, plans which detail how these activities will be accomplished during project implementation. The UMU will also work with subgrantees to develop information systems which will provide data which can serve both its reporting requirements and provide information which can be used to measure subgrant impact. To the extent possible, reporting and other informational requirements will be streamlined and standardized by the UMU to decrease current management burdens of subgrantees.

As PVOs and NGOs were fully involved in the design of the Project, they will continue to provide policy input during project implementation through their participation on the Project Consultative Committee via their PVO/NGO representative and in an advisory group which will be formed to advise the UMU

on issues of NGO institutional strengthening and the development of a research agenda relevant to NGO needs.

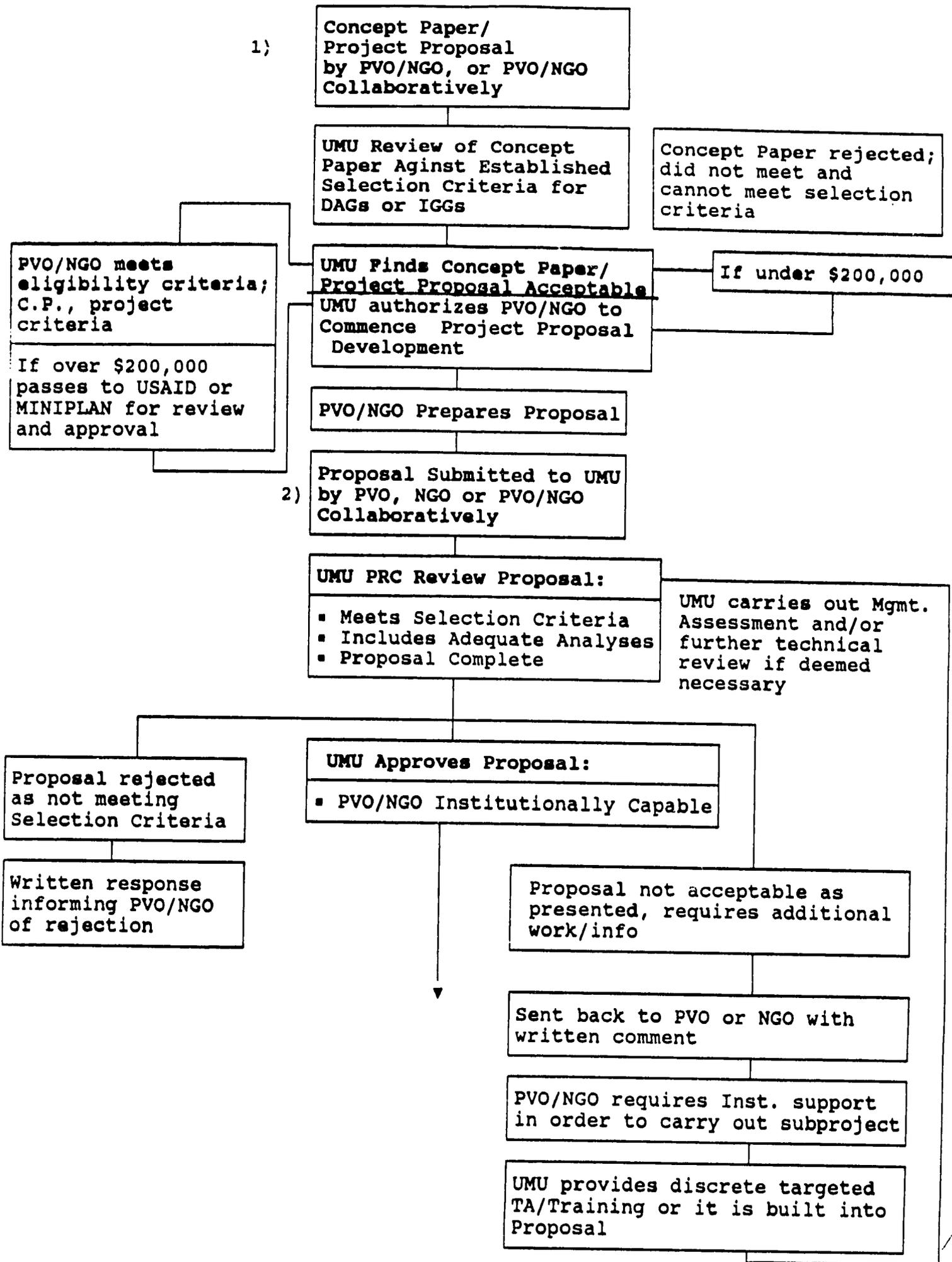
G. The Grant Application and Approval Process

(1) Overview

The formalized relationship between PVO/NGO subgrantees and the UMU will be executed through subagreements (subgrant agreements) which detail the terms and conditions of the subgrant. Subagreements are structured like and contain provisions similar to those found in the USAID-Recipient Cooperative Agreement. This is to ensure that accountability requirements stipulated by various USG agencies "flow-through" from the Recipient to Subrecipient PVOs/NGOs who are equally responsible for adhering to USG laws and regulations.

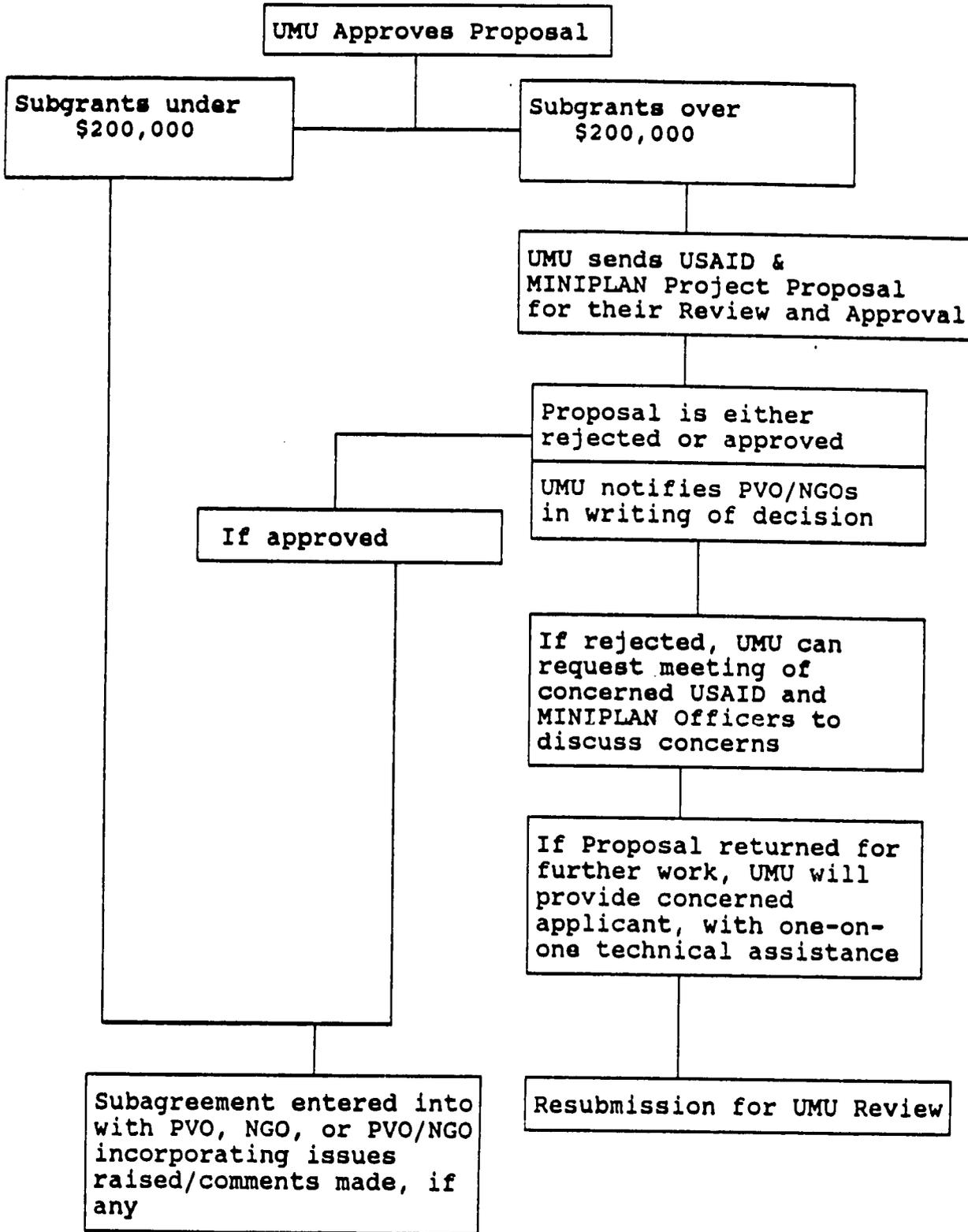
The Subgrant Application Process Flowchart follows on the next two pages. The Selection Criteria are contained in Annex E, Administrative and Implementation Analysis.

**PVO/NGO SUPPORT PROJECT
SUBGRANT APPLICATION PROCESS FLOWCHART**



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GRANT APPLICATION PROCESS
(Continued)



(2) Rationale

The subgrant application and approval process is designed to be a collaborative development effort between the Umbrella Management Unit and PVOs/NGOs. This is consistent with the intent of a Cooperative Agreement and the purpose of selecting an umbrella model with an intermediary external management unit. The UMU, with its knowledge of USAID priorities and operating procedures and close working relationship with PVO/NGO applicants, is best placed to interpret their intentions and requirements in ways that will build understanding between them.

As discussed and highlighted below, specific steps are built into the application process to ensure that collaboration and parity occur at appropriate times which facilitate progress through the system. The procedure for determining the eligibility of subgrantees and selecting subgrant activities will be combined in a three-stage process designed to ensure that subgrant applications meet approved criteria. The three stages are: 1) pre-submission of subgrant applications; 2) concept paper and institutional statement submission; and, 3) project proposal submission.

The subgrant application process will be based on a policy of "open submissions," in which any eligible private or not-for-profit organization may seek financial grant assistance for activities consistent with Project purposes. The UMU will, however, take a proactive role in identifying and encouraging certain PVOs and NGOs to apply for subgrant assistance that it believes can advance Project objectives.

Subgrant applications, at both the "concept paper" and "project proposal" stages will be reviewed by the Umbrella Management Unit against established selection criteria. A simple weighted scoring system will be used by the UMU and USAID for subgrants of more than \$200,000 to establish whether a subgrant application meets minimum criteria for approval. That criteria must include some measure of the level of priority the concept paper and proposal have with regard to the Project's desired Outputs, Purposes and Goal. It is designed to provide the reviewers with a common set of criteria to objectively apply against subgrant applications thus ensuring that each application is judged solely on its merits.

The UMU will be delegated subgrant approval authority for applications not exceeding established thresholds. This and related "process" issues are discussed in more detail following the description of individual steps in the application and approval process.

(3) PVO/NGO Registration and Eligibility

To be eligible for subgrant funding, all PVOs and NGOs must be officially recognized by the Government of Rwanda. For U.S. PVOs this means a negotiated Country Agreement signed with the Ministry of Foreign Affairs and International

Cooperation. Rwandan NGOs must be registered with the Ministry of Justice as an Association Sans-But Lucratif (ASBL) or the Ministry of Youth as an NGO, association, or cooperative. The criteria for GOR registration of ASBL's are similar to A.I.D. requirements: the organization must be private, non-government, non-profit (non-commercial), non-sectarian and voluntary.

U.S. PVOs must as well be registered with A.I.D./Washington's Office of Food and Humanitarian Assistance/Private and Voluntary Cooperation (FHA/PVC). Rwandan NGOs applying for financial grant assistance will not be required to register with A.I.D./Washington. However, the UMU will develop a system to register local NGOs using criteria similar to that used by A.I.D. to register PVOs and NGOs. International NGOs will be considered for funding only on an exceptional basis and only in cases where neither a Rwandan nor a U.S. PVO can offer the same service.

The following set of criteria and required documentation will be used by the UMU to determine eligibility of Rwandan NGOs:

(a) Conditions of Eligibility

(i) Development Assistance Grants

The requirements and documentation refer to subgrant applications submitted for Development Activity Grants. To summarize, the following documents will need to be submitted with all Development Activity Grants with the Institutional Statement at the Concept Paper stage:

1. Articles of Incorporation
2. Constitution and By-laws
3. Registration with the GOR
4. Financial Statement
5. Annual Report, Narrative
6. Current Budget
7. Certificate of Tax Exempt Status/GOR
8. List of Board of Directors/Trustees
9. Salary Statement of management officers

Each applicant should submit evidence demonstrating that:

- It is a legal body organized under laws of Rwanda;
- It is a private, non-government organization;
- It is a voluntary organization, i.e., receives voluntary contributions of money, staff time or in-kind support from the general public;

- It operates on a not-for-profit basis and has tax exemption status under the laws of Rwanda;
- It is engaged in or expects to be involved in voluntary charitable and development activities of a non-religious nature (i.e., that its sole function and/or activities do not exclusively promote and/or encourage religious efforts and practices);
- It prepares an annual financial statement, and this statement indicates the organization's ability to perform its normal operation and function without AID funding. (When possible the financial statement should be prepared by an independent accountant/auditor who certifies that the statements are an accurate and fair representation of the organization's financial status);
- It exercises financial planning through the preparation of an annual budget;
- It is managed by an active and responsible governing body (board of directors, Conseil D'Administration) whose members are principally composed of citizens of Rwanda where the organization is legally formed.

(ii) Institutional Development Grants

Rwandan NGOs requesting Institutional Development Grant assistance will be expected to meet most of the requirements noted above, but flexibility will be exercised in relation to such criteria as an audited financial statement or tax exempt status. One of the objectives of the IDG will be to assist Rwandan NGOs meet the exigencies of A.I.D. registration.

(b) Registration Documentation to be Furnished in Support of Certification of Eligibility

- Proof of registration with the GOR as an Association Sans But Lucratif;
- Articles of incorporation, by-laws, constitution, or other relevant documents which describe the purpose of the organization, its methods of management, and scope of program;
- Copy of statement of tax exemption, if available;
- Latest financial statement audited by an independent (chartered) accountant/auditor who can attest to their conformity with generally accepted accounting principles;

- **Current budget, detailing sources of income, administrative (personnel and related overhead) expenses, and program costs;**
- **Annual report of program activities (within last year) or document of similar import;**
- **Names and addresses of members of board of directors;**
- **average number of times Board meets in a year, and minutes of board meetings; and**
- **salary statements for each board member.**

(c) Stages in the Process

Overall, there are seven steps in the three stages, and these are numbered consecutively under the stages in the section following.

The following conditions and requirements provide the framework for the subgrant application process:

- **The subgrant application and approval process is designed as one of "open submission" in which any PVO/NGO meeting institutional eligibility criteria may submit an application. U.S. PVOs must be registered with AID/W and have legal standing in Rwanda. Rwandan NGOs must register with the UMU and meet eligibility criteria similar to that required for AID registration. Those NGOs submitting IDG applications will not need to meet all such criteria given the nature and purpose of their grant applications.**
- **The UMU will be responsible for the review of all subgrant applications submitted by eligible PVOs and NGOs. This includes both Development Activity Grants and Institutional Development Grants. However, only those DAG applications (concept papers and proposals) which exceed the established threshold of \$200,000 will be forwarded to USAID and the GOR for final approval.**
- **Both USAID and the Ministry of Plan will have 15 calendar days to review and approve concept papers and proposals over \$200,000 recommended by the UMU. In the event that a response is not forthcoming by the end of this period, the UMU will consider that the application has been approved by the concerned party.**

(i) Pre-submission of Subgrant Applications

1. PVOs, especially local NGOs, will be strongly encouraged to discuss their desire to seek Project grant assistance prior to an actual subgrant concept paper submission with the UMU. This will permit the UMU to make a quick determination as to the applicant's organizational eligibility, the consistency of the proposed activity with the purposes of the Project, and whether the type of subgrant sought is appropriate to the level of the institution's management capacity. This last aspect is particularly important as UMU-provided technical assistance may, in fact, be necessary prior to an Institutional Development Grant, or before or during a Development Activity Grant. In all cases, it will save the PVO/NGO and the UMU time, money and most likely disappointment, to have made these determinations prior to the first submission.

(ii) Concept Paper and Institutional Statement Submission

2. Having established that a grant application is in order, the applicant will submit a concept paper and institutional statement (Annex E., Administrative and Implementation Analysis, Attachments 6 and 7, provide suggested content and formats) which provide the formal means by which the UMU determines the institutional eligibility and management capacity of PVO/NGO applicants, as well as a brief description of their proposed activity. For those PVOs and NGOs which request it, the UMU will provide one-on-one technical assistance to help develop the concept paper and/or the institutional statement. All applications at this stage will be accompanied by required documentation establishing the PVO/NGO's institutional eligibility.

3. Once submitted, the UMU will review the two documents against established and approved selection criteria. A simple scoring system will be used by the UMU (and USAID and the GOR) to guide it in assessing whether the application meets minimum standards for approval and is under \$200,000. If the application is deemed to meet these minimum standards, the UMU will instruct the applicant to commence development of its project proposal. Those applications which do not meet established criteria will be returned to the concerned PVO/NGO. If the UMU believes that further work would lead to an acceptable application, it will advise the PVO/NGO to undertake a revision and will provide relevant guidance in this respect. If applications are not consistent with project purposes and/or the applicant does not meet established institutional criteria, then the application will not be approved.

4. The UMU will forward copies of the Concept Paper/Institutional Statement for proposals of more than \$200,000 to the USAID ADO and the MiniPlan Project Coordinator for review and approval. It is expected that if there are issues with the Concept Paper, USAID will disapprove it in a letter addressed to

the UMU. Reasons for disapproval will be conveyed to the UMU in a separate letter. The PVO/NGO will be responsible for taking any further actions in the correcting of the Concept Paper; however, limited UMU assistance may be requested.

(iii) Project Proposal Development

5. Once the PVO/NGO has prepared its project proposal it will be submitted to the UMU for its review and approval. These reviews will be much more demanding than those at the concept paper stage. Institutional and technical selection criteria will be rigorously applied. Where the UMU feels that it does not have the necessary technical expertise to evaluate a proposal submission, it will contract such expertise to assess the feasibility of the activity. Where issues of organizational capability to manage the proposed activity arise, the UMU may undertake a more in-depth assessment of the applicant's management capacity. If such analyses indicate that the proposed activity is not viable as presented, or that the proposer lacks the ability to properly implement the project, then the proposal will be rejected outright. Where the UMU believes that both the applicant and application merit additional consideration, a revision to the proposal will be requested, and/or technical assistance and training interventions will be built into the project proposal to address the identified weaknesses.

6. Those project proposals which exceed the UMU's threshold level of authority, and which the UMU believes meet established selection criteria, will be submitted (five copies of each proposal) to the USAID Agricultural Development Officer (ADO) and to the Chairman of the Project Consultative Committee who will be designated from within the Ministry of Plan, the Project's "Host" Ministry. The ADO will request a review of and comments on the concerned application from the USAID PC members. Likewise the MiniPlan Project Coordinator will circulate the proposal to other GOR members of the Project Consultative Committee for their review and comments. Both the ADO and Project Coordinator will be responsible for providing the UMU with a written determination of the concerned proposal representing the decision of their respective institutions. Each of the two parties may approve or reject it. There will be no conditional approvals. PCC approval can only be granted when all three voting members have approved the proposal. If rejected, the reviewing parties may request a further revision including additional information or clarification of certain points if they believe the proposal is worth correcting and may be developed into a viable activity. The UMU will advise the PVO/NGO accordingly of decisions taken by both USAID and the GOR. If a rejected PVO/NGO requests additional assistance in responding to issues raised by either USAID, the UMU, or the GOR, the UMU may select to work with it to address these issues raised and make revisions where necessary.

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Both USAID and the GOR will have 15 calendar days to make their decision of approval or rejection. If no response is received, the proposal will be considered approved.

7. Once a project proposal has been approved by both USAID and the GOR, the UMU and the concerned PVO/NGO will negotiate and sign a subgrant agreement detailing the terms and conditions under which the subgrant will be made.

It is estimated that the entire subgrant application process, i.e., from a PVO/NGO's first discussion with the UMU to final approval of a project proposal by USAID and the GOR, will take an average of twelve to fourteen weeks for Development Activity Grants. This includes possible revisions at each of the two stages in the process and the provision of technical assistance by the UMU to NGOs requesting help in the development of their applications. For subgrant applications which require only UMU review and approval, a period of eight to twelve weeks is expected to complete the process.

While the preparation of concept papers, institutional statements and project proposals is the responsibility of the concerned PVO/NGO, a major responsibility of the UMU will be to provide technical assistance for those PVOs/NGOs requiring help in the development of an application. It is for this reason that the UMU will encourage PVOs, and especially local NGOs, to discuss their ideas prior to a formal concept paper submission so as to determine the level of assistance it may be required to provide. This is also one of the reasons for the UMU to take a proactive role in subgrant selection.

(d) Related Process Issues

(i) Delegating Subgrant Approval Authority

In order to expedite the selection process, the UMU will be delegated authority by the Project Consultative Committee to approve subgrant applications for 1) all Institutional Development Grants and 2) for Development Activity Grants not exceeding \$200,000. This threshold level of authorization is consistent with the objective of (a) reducing the overall management burden of USAID during project implementation and (b) involves the GOR in the review and approval process for significant activities.

In order to ensure that both USAID and the GOR retain their essential responsibilities of oversight and accountability, and that individual applications are consistent with their development priorities, the UMU will prepare a Summary of each Subgrant for the purpose of facilitating monitoring and review of the portfolio.

(ii) Frequency and Procedures for Subgrant Application Internal Reviews

The UMU is responsible for reviewing and either directly approving or forwarding for approval to USAID and the GOR, if over \$200,000, all applications submitted to it by eligible PVOs and NGOs. This has implications in terms of the frequency of reviews, and the procedures to be employed by each of the reviewing parties. The following discussion addresses these issues.

(a) Frequency of reviews: Until the Project gets a better idea of the rate of subgrant applications, the UMU will encourage and accept PVO/NGO applications according to its ability to manage the process, including its own provision of technical assistance to PVOs/NGOs in the development of their applications. It will thus prepare Subgrant Summaries of Concept Papers and Project Proposals as they are received, for its file to facilitate its reviews, selection and approval process. This would also get the Project off to a quick start by getting a few applications through the process. The alternative of pooling grant applications and submitting them to the two parties on a periodic basis such as quarterly or semi-annually would require significantly more time. This process also takes into consideration the potential implementation burden of the UMU if it had to deal with a number of approved applications coming from USAID and the GOR following a review of pooled applications.

In summary, it makes sense for the UMU, USAID and the GOR to get some experience with the process, and from the results, decide what is the most efficient rate of reviewing and approving subgrant applications. This would certainly be a good issue to have reviewed during the "shakedown" evaluation. The recommended model is designed to maximize the available time of Mission and

GOR personnel and thus minimize their management burden in respect to the review and approval process.

(b) Procedures for UMU Review and Approval: Upon receipt of a subgrant application, the following actions will be taken by UMU staff:

- Once a Concept Paper/Institutional Statement has been received, a Project Coordinator will be designated to take the lead in the review and approval process. The UMU will form a Proposal Review Committee (PRC) chaired by the COP and composed of the Financial Manager, MIS Specialist, concerned Project Coordinator and Training/TA Coordinator. The submitted documentation will be reviewed against established criteria, both eligibility and subgrant selection, to determine the institutional eligibility of the applicant, conformance of the application to the Project purposes, and capacity of the organization to implement the subgrant.

- A PVO/NGO whose Concept Paper application has been forwarded to USAID and the PCC, will be notified accordingly in writing.
- Concept Papers and Project Proposals will not be approved if there are issues to be resolved. There will be no conditional approvals.
- Project proposals will be fully reviewed against established selection criteria by the UMU's Proposal Review Committee. The UMU's Financial Manager or Accountant will undertake additional assessments of the applicants financial capacity including accounting systems and procedures which are currently in place. The COP and Training/TA Coordinator will review other areas of management capacity to both determine the ability of the applicant to implement the proposed activity and whether additional technical assistance or training actions will be required before or during subgrant implementation. The MIS Specialist will review the applicants Monitoring and Evaluation Plan to determine whether it is adequate to provide necessary information and reporting requirements especially related to "people level" impact with particular emphasis on women. This may require the provision of additional collection of baseline data during the startup phase of the subgrant.
The Project Coordinator will conduct or arrange for an assessment of the subgrant's technical feasibility.
- Project Proposals approved by the PRC which exceed the UMU's approval authority will be forwarded to USAID and the MiniPlan for their review and approval.
- When Proposals have been approved, the UMU will prepare and negotiate a subagreement with the concerned applicant.

(c) **USAID Review and Approval:** The ADO is responsible for the review and approval of all subgrant applications over \$200,000 submitted to USAID by the UMU. S/He will be assisted in the review of applications by a Project Committee composed of members from the Program, Controller, PDO and EXO offices. The following procedures will be used by USAID in the review and approval of subgrant applications:

- Upon the receipt of a Subgrant Concept Paper and Summary from the UMU, the ADO will review it and circulate it to other members of the PC for their comments. The PC members, within 10 days receipt of the Concept Paper by the ADO, will provide the ADO with written notification of their recommended approval/disapproval. If there are issues that are brought up during these reviews, the ADO will disapprove the Concepts Paper in writing to the UMU and follow-up with a written explanation in a separate letter to

the UMU. If there are no issues and the PC recommends approval of the Concepts Paper, the ADO will notify the UMU of USAID approval in writing by the 15th calendar day after USAID's receipt of the Concept Paper.

For Subgrant applications requiring USAID's approval, the UMU will submit project proposals and summaries which it has reviewed to the ADO with its recommendation for approval. The UMU will provide a summary of the proposals and its reasons for a recommendation of approval. The following are the specific steps to be taken by USAID in this approval process:

- ADO sends copies of each proposal, as received from the UMU, to the Program, Project Development, Controller and EXO offices. Written comments from these offices will be due five working days from the date the proposal is received by USAID.
- Once ADO has received these comments from the concerned Mission offices, the project manager will prepare a letter to the UMU approving or disapproving the proposal. The ADO will schedule a date for the PC to meet. This meeting will take place within six USAID working days of the receipt of these documents by USAID.
- If the proposal is judged by individual PC members to be weak and unsound, they may recommend its rejection. However, the PC also has the option to request the PVO/NGO through the UMU to submit a revised proposal based on USAID guidance. The ADO will draft the letter providing guidance on the issues which it feels must be addressed in the resubmission. Discussions with UMU will take place to ensure that this guidance is clearly presented to the PVO/NGO.
- Resubmitted proposals will have to follow the established review procedures as for any other proposal.
- When the UMU believes that a subagreement can be entered into, it will negotiate and sign this document with the PVO/NGO.

(d) **Government of Rwanda Review and Approval:** As the Project's host Ministry, and Chair of the Project Consultative Committee (PCC), the Ministry of Plan (MiniPlan) will be the GOR agency responsible for the review and approval of PVO/NGO Subgrant applications forwarded to it by the UMU. MiniPlan will be assisted in its task of review and approval by requesting input from the Ministries of Youth and Movement of Associations, Commerce and Artisans, and Ministry of Interior, the other GOR members of the PCC. Upon the receipt of a Project Proposal from the UMU, MiniPlan will forward the same to the other concerned Ministries and request their input and comments on the concerned

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application. MiniPlan can also convene the other parties to directly discuss the individual applications. The GOR, as with USAID, has a ten day period after receipt of the Subgrant application for a DAG to provide the UMU with its comments.

H. Subgrantee Candidate Selection Criteria and Process

Initially, the UMU will compile PVO/NGO assessment information based on survey work completed during the Project Startup stage. In addition, the UMU will consult with USAID technical offices, the Ministry of Plan and other PCC members regarding their experiences with and knowledge of PVOs/NGOs which might meet the initial assessment criteria. Subsequently, the UMU will, through consultations with various PVOs/NGOs and donors, expand the data base on a regular basis.

VI. MONITORING AND EVALUATION

A. Overall Project Evaluations

The Project will incorporate a joint monitoring and evaluation plan, reflecting current A.I.D. guidance that requires projects and programs to base monitoring and reporting systems on information needed for specific decisions and to demonstrate "people-level" impacts. The Project's systems will reflect ongoing information collection by the UMU and subgrantees.

The UMU will have primary responsibility for securing information on financial management and accountability, subgrant progress and impact of funded activities undertaken by subgrantees. Requirements for subgrantee record keeping, reporting, evaluation and audit will be established during subgrant negotiations. Subgrantee compliance with monitoring and evaluation responsibilities will be one measure of their institutional development and of the UMU's management performance.

The UMU will design and install a computerized Project management information system (MIS) during the Project Startup and Stage I of Project Operations. The MIS will be keyed to USAID's monitoring and evaluation system (M&E), which includes the Project Implementation Report (PIR) and Assessment of Program Impact (API) processes, enabling the UMU to rely on it to meet all regular and special reporting/monitoring needs. Properly established and administered, the UMU's MIS and related staff can serve as a learning center for NGOs to improve their own MIS capacity.

With subgrantee help, the UMU will secure uniform baseline information on beneficiaries and targets for both development activity grants and institutional development subgrants. Rapid reconnaissance studies, using sampling techniques,

will be employed to keep costs low. Recipients of Project subgrants will report quarterly to the UMU on progress toward objectives, with these reports timed to coincide with the UMU's own management surveillance and reporting to USAID. Promptness and completeness of subgrant project and financial reporting will be used to assess NGO institutional development and to determine appropriateness of planned quarterly financial disbursements.

The UMU will determine the extent of pre-award examination of the financial systems of applicants for subgrants, to identify financial management training needs and the existence of problem areas requiring further scrutiny before award of a requested subgrant. Amount, terms and timing of subgrant funds disbursement will depend on disciplined UMU assessment of subgrantee financial management capacity, systems and staff.

The USAID semi-annual Project Implementation Reports (PIR) on the Project should be based on the UMU's quarterly reports which, in turn, are based on the UMU's MIS and monitoring process. The USAID Project Coordinator should work with the UMU to assure compatibility and complementarity of the Project and USAID reporting systems.

Information provided by the systems will serve as the initial basis for a "shakedown" interim evaluation and later annual reviews of Project performance to be conducted by the Mission, with outside assistance.

In addition to the financial reporting requirements of the Standard Provision entitled "Payment - Letter of Credit," the Cooperative Agreement Recipient will submit directly to the Controller, USAID/Rwanda, a copy of its "Financial Status Report" (SF-269) along with a copy of a more comprehensive financial report, preferably monthly. The monthly financial reports should contain a description of the source and origin of goods and services procured with CA funds.

The foregoing reporting/evaluation requirements for the Project will be met through the following approximate schedule in Table

B. Subgrant Evaluations

PVO/NGO subgrants will include both development activity grants and institutional development grants, requiring evaluation of outcomes related to beneficiaries, their communities and the implementing agencies themselves.

(1) **Community/Beneficiary Level:** The UMU will ensure that the baseline studies and MIS (of subgrantees) are adequate to measure impact on beneficiaries. The Project purposes at the beneficiary level include direct impact on the creation

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of employment as well as the capacity of small and medium enterprises, cooperatives and associations to maintain and sustain their productive activities. Although individual subgrants may include diverse intermediate indicators, all will share one or more broader purpose-level indicators with respect to subgrant sectoral areas, such as:

- **increased employment or self-employment opportunities, improved agricultural transformation and marketing, increased sales, higher income.**
- **number of productive enterprise activities created or enhanced as a result of NGO support.**
- **Gender-specific impact data will be collected in all instances.**

TABLE
APPROXIMATE SCHEDULE FOR REPORTING/EVALUATION REQUIREMENTS

Study Report	Agency	Timing/Frequency
PVO/NGO Inventory & Profile	UMU	Project Startup
NGO Institutional Assessment	UMU	Project Startup
LOP & Annual Workplans & Budgets	UMU Prepare USAID/GOR Approve	Yearly, tied to the beginning of Stage II
Special Studies & Reports	UMU	As determined
Specific Baseline Studies	UMU with NGO Applicants	Before subgrant approval
Quarterly Reports (comprehensive) Report	UMU to USAID/GOR	Quarterly
Subgrant Progress	NGO/PVO to UMU	Quarterly
Financial	UMU to USAID	Quarterly
Financial	NGO/PVO to UMU	TBD by UMU
Interim Evaluation	USAID	End of Stage 3
Full Evaluation Evaluation of Subgrants	USAID UMU/NGO/PVO	End of Stage 5 Regular, as per individual Plans
Audit of NGO/PVO	USAID	Pre-award, if necessary; yearly
Audit of UMU	USAID	Biannual

(2) NGO Institutional Level: The quarterly reports (incorporated into the Annual Workplans) by the UMU to USAID will analyze NGO institutional strength and performance, identifying changes related to one or a combination of Project interventions, including development activity subgrants, institutional development

subgrants or training and technical assistance delivered independently of subgrant funding. Although the UMU will separate the activities and outcomes of different interventions for monitoring purposes, the "client" PVOs/NGOs will be reviewed as unitary entities in relation to the broad sustainability and other institutional development goals of the Project.

The NGO institutional strengthening objectives of the PVO Support Project can be reviewed using progress indicators such as:

- financial and/or program viability of subgrants managed by the NGO;
- timeliness and accuracy of reporting;
- adoption of budgeting, planning, workplan-oriented project/program systems;
- success in meeting budget and planning targets;
- use of MIS as a management and planning tool;
- adoption of strategic planning approaches;
- increased demand by communities for NGO development activities;
- increased generation of financial support from Rwandan sources; and
- generation of core (non-project) financial assistance.

(3) U.S. PVO Program Performance: DAGs awarded to U.S. PVOs will encourage the institutional strengthening of one or more Rwandan partner NGOs in each of such subgrant. Thus, for the U.S. PVOs, review of institutional development outcomes could be part of the evaluation, along with community/beneficiary level impact assessments. This is likely to be especially important as the U.S. PVOs continue efforts to improve the capacity of indigenous NGOs and enterprises to manage their activities independently.

(4) Evaluation of the UMU: As part of its First (LOP) Annual Workplan, to be developed during the Project Startup Stage, the UMU will develop and secure USAID concurrence with the progress and impact indicators to be contained in the regular quarterly reports, Annual Workplan reviews and evaluations and overall LOP impact. Early close collaboration will assure compatibility of the UMU and USAID M&E systems.

C. Monitoring

The UMU will be concerned with monitoring the activities conducted with subgrant funds. The differing backgrounds of the experienced A.I.D.-registered PVOs and NGOs and the likely Rwandan NGO subgrantees will require the UMU to institute separate monitoring systems and procedures for them. In addition, the UMU's own MIS will provide the information necessary for monitoring Project activities and facilitate reporting to USAID.

(1) Project (Grantee/UMU): Early close collaboration with USAID in development of the Project's MIS will insure that the UMU's reports meet both its own and USAID monitoring needs. All activities included in the UMU's Annual Workplans will be tracked in the MIS, allowing the UMU to provide detailed information about progress in (e.g.) collection and consolidation of baseline data, awarding of subgrants, and implementation and initial outcomes of them. UMU insistence on the adequacy of subgrantee information systems, before disbursing subgrant funds, will enable it to use these systems effectively for compiling reports on overall Project performance.

(2) Subgrant (Subgrantees): As part of proposals for subgrants, applicants will be obliged to present monitoring and evaluation plans adequate to generate the information required by the UMU. With training and technical assistance from the UMU, all subgrantees will provide regularly the monitoring data needed by the UMU. Since all of the subgrantees will require some UMU guidance in developing or adapting their information systems, the subgrant process presents an outstanding opportunity for the UMU to introduce standard monitoring and financial reporting formats to be used by the Rwandan NGO/PVO community. Although the UMU approach will make allowance for the differing sensibilities and concerns of individual PVOs/NGOs, the introduction of some common and easily-mastered work planning and tracking techniques will enable the UMU to consolidate monitoring information.

D. Audit and Financial Reviews

As indicated in the Reporting/Evaluation Schedule, financial reviews and audits will occur at two levels within the Project, being managed differently because of the variation in circumstances.

(1) Project: An initial review of the financial controls and accounting systems and procedures of the Cooperative Agreement recipient will be undertaken during the selection process. The U.S. PVO must be audited annually. In addition, the Recipient may be requested to provide additional financial information, such as copies of any previous audits of A.I.D.-financed activities, including copies of A-110 audit reports.

Once the UMU has been established in Rwanda, the Recipient will be required to submit to the USAID an Administrative/Financial Management Manual including a complete report on all aspects of the UMU's proposed financial controls and accounting procedures, to be used for UMU operations and for monitoring subgrantees funded out of C.A. funds. This will be submitted with the first Annual Workplan and must be approved by USAID/Rwanda prior to the UMU's move into the Project Operations Stage. Subsequently, at or about the end of Stages 3 and 4, a financial and compliance audit of the Cooperative Agreement Recipient's headquarters, the UMU 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 Project funds outside the Cooperative Agreement.

(2) **Subgrants:** A pre-award review of the financial systems of all prospective subgrantees (or examination of recent audits, if available, for U.S. PVOs), and of their capacity to properly manage and account for the receipt and expenditure of subgrant funds, will be commissioned or performed by the UMU. These reviews will also identify financial management training needs and possible problem areas warranting caution in awarding a subgrant. A financial and compliance audit of each subgrantee will be completed every two years and at conclusion of the subgrant. Copies of all documents will be submitted to USAID for review.

VII. IMPLEMENTATION SCHEDULE

Project implementation will be the responsibility principally of the Umbrella Management Unit (UMU), supported by the Cooperative Agreement recipient's home office. The Agriculture Development Office will be the primary Mission office for monitoring and oversight of UMU activities and will coordinate internal Mission responsibilities including those of the Project Committee. Under the supervision of the ADO, a Project Manager (designated from among current staff) will liaise with the UMU and coordinate internal Mission responsibilities. The Project Manager will report to the ADO who is designated as the responsible Project Officer. Overall policy direction for the Project and guidance to the UMU will be the responsibility of the Project Consultative Committee (PCC).

There will be a pre-implementation stage followed by four distinct implementation stages starting from the date of Project approval through Project closeout at the end of six years. For purposes of the Implementation Plan, it is assumed that Project approval occurs by September 30, 1992. The Stages as discussed below are:

Stage One: Pre-Implementation (6 - 9 months)

- Stage Two: Project Start-up (6 months)
- Stage Three: Project Operations, Phase I (or "Shakedown" Phase) (1 year)
- Stage Four: Project Operations, Phase II (3 years)
- Stage Five: Project Phase-Down or Redesign (12 months)

A. Project Implementation Schedule

The key actions scheduled to take place during the five stages noted above, and the actors who will be responsible for taking those actions, are summarized in tabular form below. Each of the five sections following the tables will briefly summarize this presentation in narrative form.

(i) Stage One: Pre-Implementation Actions (October 1992 - May 1993)

Prior to the commencement of the four implementation stages the following actions must be completed:

<u>Action</u>	<u>Action Agent</u>	<u>Elapsed Time</u>	<u>Estimated Date</u>
PP Completed	USAID	0 days	9/92
Project Authorized	USAID	15 days	9/92
ProAg Signed	USAID/GOR	30 days	9/92
PIO/T AID/W	USAID	60 days	10/92
Issue IFA for UMU	USAID	60 days	12/92
UMU Proposals Received	USAID	120 days	2/93
UMU Technical & Business Proposals Evaluated	USAID/GOR	165 days	4/93
CA Negotiated & Awarded	USAID/PVO	210 days	5/93

The Pre-Implementation Stage begins when the Project Authorization is signed by the Mission Director. Once authorization takes place, the Project Agreement will be signed with the GOR and an Invitation for Application (IFA) to receive a Cooperative Agreement will be issued and the process of competitive selection of the U.S. PVO/Non-Profit Organization that will manage the Project will be completed. A representative of the Ministry of Plan will participate in the selection process on behalf of the GOR. The principal activities during this phase will be:

- PP completed and Project authorized;

- Project Agreement negotiated and signed with the Government of Rwanda (Ministry of Foreign Affairs);
- Selection of Cooperative Agreement Recipient, and negotiation and signing of CA; and,
- Designation of USAID Project Manager.

(ii) Stage Two: Project Startup (May 1993 - October 1993)

<u>Action</u>	<u>Action Agent</u>	<u>Elapsed Time</u>	<u>Estimated Date</u>
Recipient UMU Team Mobilized and on-site	Recipient	270 days	06/93
PVO/NGO Inventory Completed	UMU	330 days	08/93
PVO/NGO Needs Assessment	UMU	330 days	08/93
Preparation and Submission of Admin/Finance Manual	UMU	360 days	08/93
Approval of Admin/Fin Manual	USAID	390 days	09/93
Preparation and Submission of Initial LOP Workplan	UMU	360 days	09/93
Approval of Workplan	USAID/GOR	390 days	09/93

This Stage begins with the arrival of the Recipient's Chief of Party in Rwanda (anticipated within two months of the signing of the CA). The principal activities during this stage will be:

- Arrival of expatriate COP and Financial Management Specialist;
- Hiring of UMU local staff;
- UMU established, equipped and mobilized, and administrative, management and financial systems put in place;
- PVO/NGO inventory and institutional needs analysis conducted;

- **Establishment of inventory control systems, financial management systems and controls, and UMU monitoring and reporting systems (submitted in a draft Project Administrative/Finance Manual); and,**
- **Preparation and presentation of initial Annual Workplan⁴ (AWP) and budget within Three months of COP's arrival. The AWP will include, for USAID approval, final subgrant selection criteria, application, approval and oversight process, and Project Operations Manual.**

The first Annual Workplan will provide finalized selection criteria and grant application and approval process as well as the various management, information, and reporting systems to be employed by the UMU for both internal control and subgrant oversight. It will also include the final reports of the inventory and institutional analysis of PVOs/NGOs with an illustrative list of those organizations which the UMU will encourage to submit subgrant applications.

⁴ This first AWP will serve as both the LOP Workplan as well as the workplan for year one of the Project. Included will be the final version of criteria/procedures for determining PVO/NGO eligibility, and the selection criteria, procedures and documentation for subgrant approval and format (instrument) for subgrants. Once these requirements have been approved by USAID and the GOR, the UMU will prepare an "Operations" Manual for distribution to the PVO/NGO community. The UMU will submit a draft copy (for USAID approval) of an "Administrative/Finance" Manual which groups the internal financial and administrative systems and controls which will be used during Project management.

(iii) Stage Three: Project Operations (October 1993 - September 1994)

<u>Action</u>	<u>Action Agent</u>	<u>Elapsed Time</u>	<u>Estimated Date</u>
Submission of PVO/NGO Subgrant Applications	UMU	420 days	10/93
Collaborative Development of Subgrant Applications	UMU-PVOs/NGOs	450 days	11/93
Subgrant Review & Approval Process Begins	UMU/USAID/GOR	480 days	12/93
Approval and Award of Subgrants	UMU/USAID/GOR	510 days	01/94
UMU Begins Targeted Training/TA Interventions	UMU	420 days	10/93
Subgrant Monitoring & Evaluations	UMU	510 days	01/94
Research and Dissemination Activities	UMU	390 days	01/94
Interim Evaluation	USAID	720 days	08/94
Preparation & Approval of Second Annual Workplan	UMU/USAID/GOR	755 days	09/94

Stage Three will commence with the approval by USAID and effective date of the first Annual Workplan. This will be the "shakedown" phase to test the Project hypotheses and systems, and commence the subgrant, technical assistance and training, and research and dissemination activities to be supported by the Project. For purposes of the Implementation Plan, it is assumed that Development Activity and Institutional Development Grants will be approved on a rolling as-ready basis. One of the issues to be looked at during the shakedown evaluation is the efficiency of this system and whether subgrants should be reviewed on a quarterly or other periodic basis.

The shakedown phase will last only one year (18 months from the signing of the CA), and during its last quarter there will be an internal Project review (by UMU, USAID, and GOR with 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 Subgrant impact assessment. The results of the "shakedown" review will be incorporated into the Annual Workplan for the second full year of full Project operations.

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The principal activities during Stage Three will be:

- UMU-PVO/NGO collaborative development of subgrant applications and, if required, IEEs;
- UMU review and approval of subgrant applications (with USAID and GOR approval for those exceeding established thresholds by type of application);
- Ongoing provision by UMU of collaboratively determined training and technical assistance interventions;
- Ongoing UMU monitoring, evaluation, and auditing of subgrants;
- Ongoing UMU research, analysis and communications activities;
- Interim (Shakedown) evaluation conducted and report issued;
- Reporting to USAID and PCC quarterly, and development of second AWP and budget; and,
- Participation in financial compliance audits as arranged by USAID.

(iv) Stage Four: Full Project Operations (October 1994 - September 1997)

This stage will last three full years and commence with the approval by the PCC and effective date of the Second Annual Workplan.

<u>Action</u>	<u>Action Agent</u>	<u>Elapsed Time</u>	<u>Estimated Date</u>
Third AWP Prepared & Approved	UMU/USAID/GOR	1120 days	09/95
Last Development Activity Grant Approved	UMU/USAID/GOR	1300 days	03/96
Fourth AWP Prepared & Approved	UMU/USAID/GOR	1485 days	09/96
Last Institut'l Development Grant Approved	UMU/USAID/GOR	1665 days	03/97
Fifth AWP Prepared & Approved	UMU/USAID/GOR	1850 days	09/97

The activities during this period will include all those listed in Stage Three. Remaining subgrants will be approved and launched during this stage, with final selections for DAGs occurring no later than March 1996 and IDGs March 1997.

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This will permit completion of all subgrants by the Cooperative Agreement Completion Date⁵ of March 31, 1998. The Fifth Annual Workplan will cover the period October 1997 to March 31, 1998 which will cover those activities to take place during the Phasedown or Redesign Stage.

(v) Stage Five: Project Phase-down or Redesign (October 1997 - March 1998)

This stage will commence with the approval by USAID and the effective date of the Fifth Annual Workplan. Activities during this period will include:

Action	Action Agent	Elapsed Time	Estimated Date
All Subgrants Complete	UMU-PVOs/NGOs	1940 days	12/97
Final Evaluation	USAID/UMU/GOR	1941 days	01/98
Final Evaluation Recommendations	USAID/UMU/GOR	2000 days	02/98
Decision to Extend CA* or Commence Follow-on Project	USAID	2000 days	03/98
Extend CA or CACD of PVO Project	USAID/UMU	2035 days	03/98
Commerce Redesign PID* PP for Follow-on Authorization of Follow-on*	USAID	2065 days	04/98
PACD for PVO Project	USAID	2125 days	06/98
Implementation of Follow-on*	USAID/GOR	2185 days	08/98
	USAID	2220 days	10/98

- * If USAID elects to proceed with such a project.

In the second quarter of Fiscal Year 1998, a final evaluation of the Project will be conducted to make, inter-alia, a final recommendation as to the desirability for continuing Project activities either through an extension of the Cooperative Agreement or to conduct a full-scale redesign effort for a follow-on Project. This

⁵ A distinction is made between the end of the Cooperative Agreement and the Project Agreement. The PVO Umbrella Project will be obligated through a Project Agreement with the GOR for a period of six years. Assuming the ProAg is signed on September 30, 1992, the PACD would be September 29, 1998. The CA signed with a U.S. PVO/Non-Profit Organization will be signed for a period of five years. Assuming the CA is signed on March 31, 1993, the CA Completion Date (CACD) would thus be March 30, 1998, or six months before the PACD. This PP assumes that all subgrants will be completed by the end of the CACD.

will permit USAID to use evaluation recommendations to make such a determination. If the decision is to continue project activities through the extension of the CA, then USAID and the Recipient will negotiate and sign a project amendment. Final evaluation recommendations would be incorporated into the AWP for year six of project activities. If USAID determines that a full-scale design effort is required, then the PID and PP will be developed during the remaining time left in the PACD in order to provide a measure of continuity to project activities.

In the event that USAID decides not to continue with the Project or decides on a full-scale redesign, then the Recipient will commence phase-out procedures and activities.

VIII. PROCUREMENT PLAN

The Procurement Plan will cover both the process of selecting the Cooperative Agreement Recipient and that of the procurement of commodities.

A. Cooperative Agreement Recipient

USAID will select the Cooperative Agreement Recipient through full and open competition among eligible A.I.D.-registered U.S. Private Voluntary Organizations and A.I.D.-recognized Non-Profit Organizations. The inclusion of Non-Profit Organizations is designed to increase the number of potential applicants and thus increase the competitiveness of the overall solicitation process. An Invitation for Application (IFA) to Receive a Cooperative Agreement will be the method of procurement for the CA Recipient. The Agriculture Development Office will develop the Scope of Work including selection criteria and will draft and obtain USAID approval of the required PIO/T needed to secure funding for Mission-administered evaluation and audit responsibilities. U.S. PVOs and Non-Profit firms that will be invited to apply for the CA will be identified by AID/W FHA/PVC and/or the Africa Bureau. As this is an Invitation for Application (IFA) there will be no announcement in the Commerce Business Daily. The Regional Contracts Officer will issue the IFA's to the firms identified by FHA/PVC. Replies to the IFA will be reviewed by USAID/Rwanda and the GOR in conjunction with the RCO. Once the applications have been reviewed and the firm offering the most advantageous proposal to the U.S. Government selected, the RCO will begin negotiations with and award the CA to (providing negotiations are successful) the selected firm.

Gray Amendment entities will be encouraged to participate in the competition for this contract, providing such entities are interested. In any case, pending finalization of revised Gray Amendment contracting procedures, the IFA will contain a provision requiring at least 10 percent subcontracting to Gray Amendment firms.

B. Procurement of Commodities

(1) Cooperative Agreement Recipient: The Cooperative Agreement Recipient selected to manage Project activities will be responsible for providing all of its own services including that of commodity procurement. In its bid application, the applicant will detail those commodities required for both the household furnishings of its expatriates and the equipment, including vehicles, required for its office operations. During negotiations with the Recipient a finalized commodity list will be approved by USAID permitting the Recipient to begin procurement once the Cooperative Agreement has been signed. This will facilitate startup activities and avoid potential delays due the late arrival of key equipment or furnishings. Any deviation from the approved commodity list will require USAID approval.

The authorized Geographic Code for these procurement actions will 935, free world countries including the host country. It is expected that only two four-wheel drive vehicles and one vehicle for use in Kigali will be purchased under DFA waivers for vehicles purchased for use in Africa, and these will be purchased in accordance with USAID procedures. It is expected that computers and other high value, low volume office equipment will be purchased in the U.S. and air freighted to Rwanda. Most other items such as small value office supplies and office and household furniture, will be purchased locally. As per the relevant Standard Provisions of the Cooperative Agreement, the Recipient will be permitted to use its own normal procurement procedures.

(2) Subgrantees: It is likely that each subgrant, whether IDG or DAG, will contain an element of commodity procurement. Whether the subgrantee undertakes procurement, or this responsibility is retained by the UMU, will depend on the particular PVO/NGO's capability to efficiently and properly conduct such responsibilities and/or whether it has tax-exempt status permitting it to import commodities free of duty. The UMU will review these requirements and make its determination which will be reflected as one of the provisions in the Substantial Involvement clause contained in the concerned subgrant agreement. In the event that the UMU delegates procurement responsibilities to the subgrantee, it will be required to submit its commodity list with both source and origin of each item to the UMU for approval. If the UMU retains procurement responsibility, the subgrantee will submit its list of commodities required in subgrant implementation. Procurement procedures will be those detailed in the relevant standard provisions of the concerned subgrant agreement.

(3) DFA Procurement Under Grants and Cooperative Agreements: According to Handbook 1B, Chapter 16, when the total procurement element of a grant or cooperative agreement is \$250,000 or less, the grant or cooperative agreement must follow an order of preference for procurement: (1) U.S. only, (2)

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host country, (3) Code 941, and (4) Code 935. Even though the procurement element of the Cooperative Agreement will exceed \$250,000 and the authorized procurement source is Code 935, the above order of preference will be applied.

(4) Local Cost Financing - Shelf Items: Unless USAID otherwise agrees in writing, all locally procured goods and services required for the Project will have as their source and origin Rwanda or the United States; and, with respect to the suppliers of services, their nationality in Rwanda.

(5) Commodity Marking: Commodities purchased with Project funds will be appropriately marked with the A.I.D. emblem. The Cooperative Agreement Recipient will be instructed to ensure that goods it purchases are marked and will be responsible for enforcing this requirement. Emblems may be obtained from the USAID EXO.

(6) Procurement Schedule: Procurement will take place after the signing of the Cooperative Agreement and will be done by the Recipient.

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