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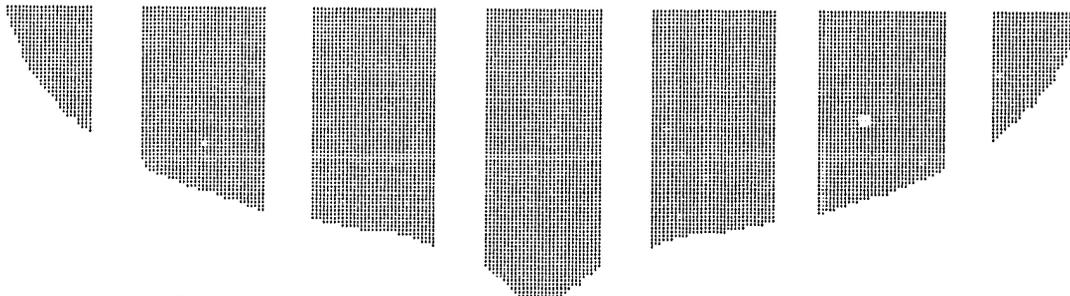
USAID

MISSION TO PAKISTAN AND AFGHANISTAN



**PROJECT ASSISTANCE COMPLETION
REPORT**

**Special Development Fund
(391-0500)**



*Submitted by Office of Portfolio Operations
April 1995*

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LIST OF ACRONYMS

CEO	Chief Executive Officer
CP	Condition Precedent
GOP	Government of Pakistan
NGO	Non-governmental Organization
PAAD	Program Assistance Approval Document
PACD	Project Assistance Completion Date
PACR	Project Assistance Completion Report
ProAg	Project Grant Agreement
SDF	Special Development Fund
TVO	Trust for Voluntary Organization
USAID	United States Agency for International Development
WID	Women in Development

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PROJECT ASSISTANCE COMPLETION REPORT

**SPECIAL DEVELOPMENT FUND
(391-0500)**

April, 1995

I. BASIC PROGRAM DATA

Program Title and No.	Special Development Fund (SDF) - 391-0500
Date Authorized:	September 22, 1987
Date Authorization Amended:	September 18, 1988
Date Agreement Signed:	September 29, 1988
PACD:	September 29, 1993
Amount Authorized:	\$30 million
Amount Obligated:	\$30 million
Amount Disbursed:	\$30 million
Implementing Agency:	Trust for Voluntary Organizations (TVO)
USAID Project Officer:	Kaneez Fatima M. Kassim

II. PROGRAM GOAL AND PURPOSE

1. Goal

To improve the quality of life of neglected segments of the Pakistani population.

2. Purpose

To provide balance of payments support to the Grantee to assist in meeting foreign exchange needs and to furnish the incentive to capitalize a non-governmental rupee fund (the Special Development Fund) for the strengthening of non-governmental and community-based organizations including grants for women in development and participatory community development activities in the social sector.

III. BACKGROUND

Pakistan's budgetary situation was deteriorating in early 1980s. Expenditures grew faster than receipts, resulting in rising budget deficits. Recurrent expenditures were burdened with subsidies, defense costs, and debt servicing. As a result, the government was unable to address the known and critical needs of the social sectors. Moreover the external account situation could be no source of comfort for the Government of Pakistan (GOP). With rising indebtedness, declining worker remittances and dwindling reserves, the balance of payments position was under increasing stress.

Pakistan's development has been characterized by a rapidly deteriorating and chronically under funded social infrastructure. The consequences of this neglect were particularly striking in Pakistan's failure to utilize or develop NGOs or grass-roots administrative units, and its failure to address the serious constraints to improving the status of women. As a result of the GOP centralized approach to development programming, small scale development activities, such as those typically undertaken by NGOs and/or community administrative units, could seldom become realistic candidates for government funding. Similarly, activities in support of women in development continued to be a subject of low budgetary priority for the GOP.

Given the above analysis, beginning in 1985, USAID/Pakistan started working on a means of making a cash transfer to the GOP which should not only help to reduce balance of payments constraints but also serve as an incentive to the GOP to capitalize a rupee fund outside the government and its complex process, making much needed resources available to the social sector of Pakistan. After protracted negotiations with the GOP, and a lot of back-and-forth with USAID/Washington on the means of effecting the cash transfer, the Special Development Fund (SDF) Program Assistance Approval Document (PAAD) was signed on September 22, 1987. This was superseded by a PAAD Amendment a year later because of modifications in the conditions precedent and changes in the implementation schedule spelt out in the earlier PAAD. The primary purposes of this fund were envisaged to:

- a. strengthen the contribution of NGOs and community-based administrative units to improve both the status of women and community participatory development in the social sector;
- b. institutionalize an indigenous capacity to make merit-based grants in Pakistan's private sector; and
- c. promote institutional reform through decentralized programming for the social sectors which historically had limited access to the benefits of the government's central development financing.

A Project Grant Agreement (ProAg) was executed on September 29, 1988 obligating an amount of \$30 million to provide balance of payments support. Conditions Precedent (CPs) were included in the ProAg for the Grantee to: (a) execute a Special Development Fund (SDF) Agreement with USAID to embody the various requirements and concepts of the Special Development Fund; and (b) establish a special account to carry out the purposes of the SDF Agreement and deposit the initial Pakistan rupees 50 million into the Fund account. The SDF Agreement, also signed on September 29, 1988, stated: "A.I.D. will undertake a grant in the amount of \$30 million to Pakistan conditional upon execution of this SDF Agreement including the Grantee's (a) agreeing to transfer Rs. 520 million to the Fund in five annual installments to finance the activities of the SDF; and (b) deposit of the initial installment of Rs. 50 million.

Following the signing of these Agreements, \$30 million was transferred to the GOP to be used for USAID-authorized repayment of Pakistan's debt to the U.S. However, these funds were not disbursed until September 1990 when the GOP and USAID/Pakistan finally agreed on an approved list of specific debts to be repaid.

In consideration of this balance-of-payments facility as per the above-mentioned Agreements, the GOP agreed to put into a non-lapsable rupee account a contribution of Pakistani rupees 520 million in six annual installments. This account was opened in November 1988, and the final GOP instalment of Pakistani rupees 105 million was made in September 1992. The SDF Agreement also included a requirement for the grantee to form a private company to manage the Fund having a Board of Directors (consisting of ten private sector representatives and three government officials). Later, USAID/Pakistan and the GOP mutually agreed that the private company will be constituted in the form of a Trust. The Trust would be called the "Trust for Voluntary Organizations (TVO)."

The establishment of the TVO by the GOP was delayed because it lacked adequate legal identity. In addition, delay on the part of the GOP in nominating board members, and concerns that the earlier Bhutto-appointed Board had too much political dimensions, contributed to a two-year delay from September 1988 to September 1990, in getting the Trust to commence functioning. The change in Government at that time and the GOP's intention to reconstitute the Board of Directors pushed the timetable for the establishment of the TVO back even further. Finally, in April 1991, a new Board of Directors of the TVO was appointed.

The Fund, through TVO, was to provide grants and technical assistance to NGOs and community-based administrative units to (a) strengthen and professionalize the NGO and/or administrative units, and (b) support meritorious project proposals in the areas of WID and community-based participatory development in the social sector. For purposes of the program, NGOs were those various indigenous institutions outside of public administration that contribute to development research, program preparation and service delivery at the intermediate and local level. This definition included all non-profit voluntary agencies providing development services and established outside the government. This definition also included a wide variety of agencies

and institutions such as cooperatives, professional and special interest organizations, service and social clubs, research institutes, and charitable and neighborhood groups found throughout the country. Formal registration with USAID was not a prerequisite to being included as an NGO.

IV. PROGRAM COMPONENTS

The mechanism used under this program envisaged direct grants to NGOs in the areas of: (a) human resource development; (b) women-in-development; and (c) community health.

V. INPUTS

USAID made a cash transfer of \$30 million to GOP to provide balance of payments support. In turn the GOP deposited to a dedicated account a grant of Rupees 520 million for Trust for Voluntary Organizations (TVO) in five annual installments for direct grants to NGOs.

VI. PROGRAM ACCOMPLISHMENTS

A Board that would function as an independent, legal body, devoid of government control was constituted. Ten private sector members with voting rights and three government nominees (without voting rights) made up the Board. Bylaws for the Board were developed and formalized. The Board meets on a regular, quarterly basis and makes policy decisions.

Once the Board was functional, a Chief Executive Officer (CEO) was hired. With the CEO in place, things moved faster. Funds received from the GOP were put into more income-generating government guaranteed savings schemes, thus increasing resource level for Program activities. Premises were hired. Staff was recruited for the Islamabad head office and office furniture, equipment and vehicles were purchased. Two vehicles and some office furniture were donated by USAID.

The Program envisaged the TVO functioning as a support organization for development-oriented NGOs in the sectors of human resource development, women-in-development and community health. By September 30, 1991, the TVO was well on the ground, and moving forward, functioning as envisaged. Moreover, the sectors defined by USAID were expanded. Human resource development included primary education, adult literacy, and technical training. A new sector, "poverty alleviation" was added to the three priority areas.

Selection Process:

The Board took the decision that NGOs seeking TVO support must first apply for accreditation. This process involved detailed appraisal of the NGO's development activities, their institutional

and programming capacity, and their track record to establish that the NGO fulfills the required criteria as laid down by the TVO. Criteria established were that the NGO must:

- be registered under one of the existing laws of the country;
- be development-oriented;
- have a transparent financial management system;
- have a properly documented monitoring system;
- have a proven track record of development achievements;
- demonstrate that resources provided to it by other agencies have been used properly, and
- be willing to subject itself to assessment by the TVO.

NGOs which fulfilled most of these criteria, but required further institutional development, were considered for training or technical support. Following the training or technical support, their application was reviewed.

Once an NGO was accredited by the TVO, it was eligible to submit proposals for project funding. The proposals were carefully assessed for clarity of objectives, strategies employed, the level of community involvement, efficiency of service delivery, expected impact of the project, particularly on women, children and under-privileged groups. The capacity of the NGO to implement and monitor the proposed project, cost effectiveness, maximum use of local resources, and sustainability of the project were other critical factors. Priority was given to projects implemented in rural and low-income urban areas, and in less developed parts of the country. A determination was made that the TVO resources could not be used for charity projects.

Program Areas:

The TVO's **Human Resource Development** program area is divided into an Education sector and a Training unit. While the former can be considered as a distinct program area, the latter cuts across all the sectors. The Training unit is also used for TVO's own staff development.

The Education program supports three primary activities:

- (1) the provision of primary education through the community-based schools;
- (2) teacher training; and
- (3) curriculum development.

The TVO's **Women in Development (WID)** strategy is founded on the recognition that integration of women is a prerequisite for any development activity. The involvement of women is an essential factor for faster social and economic progress, as well as for slowing down Pakistan's rapid population growth. The focus on WID has thus been central to most of the

TVO's programs. The entire primary education program focuses on girls, and most of the health sector activities directly benefitting women and children. In addition, many income generating and skills training projects are being supported for women from rural and low-income urban areas.

In the Health Sector, the TVO supports NGOs active in preventive and curative primary health care for women, children and disadvantaged groups in rural and low-income urban areas. In addition to running maternal and child health centers, the projects included the training of community health workers and traditional birth attendants, family planning, basic health education, as well as low cost one-time events such as eye camps and immunization camps. Health cannot be treated in isolation, as the dynamics that contribute to ill health cut across all sectors. Hence, some projects included strategies to improve female literacy, skill training and improved sanitation facilities.

As at December 31, 1993, the number of accredited NGOs grew to 68. The number of TVC supported projects rose to 39. The total budget for the 39 projects is in excess of Rs 223 million. As of December 1993, the TVO has reached, through its partner NGOs, a total of 297,841 beneficiaries, through the establishment of 558 outlets in 58 districts in all the provinces. The potential beneficiary base of the 39 projects is more than 800,000.

During 1993, the TVO established three Regional Offices in Multan, Quetta and Hyderabad regions known to be lagging behind in NGO-sponsored development activities. This and the staff expansion at the Islamabad Head Office, enabled the TVO to respond more rapidly to the flood of requests for accreditation and other support by NGOs from all over the country.

VII. LESSONS LEARNED

Positive Impacts

Financial Solvency: Many organizations established in the past flourished initially when the first tranche of resources was provided, but faded away as donor interest shifted to other priorities. The Board decided to ensure perpetuity of TVO's programs by converting the entire funds received from GOP/USAID into an endowment, and to utilize the proceeds for program activities, with a small fraction earmarked for administrative overheads.

Donor Control: Since USAID does not have proprietary rights over the TVO, the TVO may solicit and receive funds from other sources both national and international, thus increasing funding base.

Bureaucratic Influence: The Board consists of 13 members, 10 from the private sector, and three ex-officio members from the Government. Its operations are completely independent of the Government. The quorum of each Board meeting is made up of at least one-third of the private sector members. Beyond its participation in the Board Meetings through the three ex-officio members, the Government has no role in the operations of the TVO.

Political Pressure: Two means were introduced to circumvent political pressure. Firstly, the bylaws state that private sector directors may not simultaneously hold any political office, nor be office bearers of any political party. Secondly, the authority of the Board vests in them as a collective entity. Decisions are always made jointly at Board Meetings. Board Members do not exercise authority individually.

Confusion in Role of Board vs Staff: Effective implementation of any program depends on the appropriateness of the implementing agency. The bylaws make a clear separation between the role of the Board and that of the staff. The Board makes policy, the staff implements it. The Board does not interfere in the day-to-day operations of the TVO. The staff develops programs, organizes program activities, vets grant proposals, and makes recommendations to the Board. The Board, as a collective entity, is the final decision maker on project grants.

Need for Training and Technical Assistance: The NGO movement is still in a nascent stage in much of Pakistan. Most NGOs lack the capacity to implement serious development activity and, consequently, would not qualify for outright accreditation. As a number of requests for accreditation from under-developed regions grew, the TVO responded by creating an intermediary category of NGOs with some potential which needed additional training and technical support, before they could be considered for accreditation.

Value of Staff Capacity: Successful NGOs tend to be managed by full-time staff members who understand and are able to implement the program strategy designed for the project. The TVO insists that its partner NGOs implementing TVO-sponsored projects designate a full-time project leader or manager, supported by qualified, experienced staff, who have demonstrated ability to understand and implement the project. Properly staffed NGOs are not only able to implement programs more effectively, they are also able to generate both local resources and manage external resources more effectively and thus contribute towards program sustainability.

Negative Impacts

Donor Control: USAID, not being on the Board of Directors, had no proprietary rights over the TVO. While overall, this was a good step in giving the Board autonomy to function independently, this fact resulted in the Board's decision to allow voting rights to the three government members on policy decisions. Since the Board can make decisions in the presence of one-third private sector representation attending a Board Meeting, a time may come when the government representatives will be in the majority and policy decisions may be made according to their wishes.

Bureaucratic Influence: Nominations to the Board have to have Government approval. Due to the death of one Board Member and the resignation of two others, the Board lost three private sector members in the span of two years. Delay on the part of the Government in appointing nominated members in their stead is hindering effective functioning of the Board. However, it has to be kept in mind that 1992 and 1993 witnessed many changes in the Pakistan Government, which has not helped matters.

Danger of Patronage: Many NGOs live with the fallacy that creditability comes from having a well-known patron. A patron can bring visibility but does not increase implementation capacity. Supporting projects merely on the basis of creditability of its patrons can be a costly mistake. Too many NGOs are claiming to replicate the work of other, established NGOs, without building their own capacity and without verifying the relevance of those project strategies to the locale in which they are operating.

Importance of Project Appraisal: While accreditation of NGOs is a necessary stage for pre-qualification of NGOs, accreditation does not imply that the NGO has the capability of implementing all projects effectively. NGOs need to recognize that accreditation does not automatically confer a license to expand indiscriminately. NGOs perform best in sectors where they have gained experience. Expansion should always be incremental.

Role of NGOs: The primary task of NGOs should be to help build local capacity to absorb services and manage local development activities while the public sector should provide an enabling institutional framework and be responsible for large scale infrastructure, and for service delivery. The increasing role of NGOs in development does not absolve the government of their responsibility to provide essential services to society. Given the inability of the public sector to provide for these needs, NGOs are increasingly being compelled to engage in service delivery. This trend is, however, not sustainable. In due course, NGO-based service delivery will have to be replaced by that from the public and private sectors.

Need for Institutional Building: Both at the grassroots, and within support organizations like the TVO, the key to success lies in institution building. Institution building is the consequence of an incredible number of small steps moving in harmony to create transparent systems for operation and continued renewal.

Bad Publicity: In the last one year or so, on a number of occasions, the TVO has been criticized in the press. Allegations made include: the fact that the TVO does not publicize its operations to a wider audience; smaller and fledgling NGOs are rejected outright; the accreditation process is a lengthy one; only those NGOs are being given grants that have connections with Board Members or with the CEO; and that new NGOs working in priority areas are not considered eligible for grants because they have no track record of achievements to show. In addition, several criticisms have been made on the salary drawn by the CEO, which, by NGO standards is high, but by donor agency employees in Islamabad, is comparable. Again, from time to time, different government agencies have criticized the functioning of the TVO. The Social Welfare Department and the Ministry of Women Development have, time and again, complained that the TVO processes grants to NGOs without getting their approval. This is in keeping with the mandate of the TVO. Government approval does not need to be taken. Again, different governments have tried to impose their hold on the TVO.

VIII. SUSTAINABILITY

The TVO has been negotiating with other donors, and the next few years are likely to witness a considerable growth of donor funds available for NGO development activities. With its existing financial resources, and the funds it hopes to raise from other donors, the TVO expects to double the resources available for its development programs in the next two years. This, and the scaling up of its present partner NGOs, the TVO expects to quadruple its combined beneficiary base over the next five years.

The TVO has experienced administrative growth in 1992 and 1993 and its skeletal staff in Islamabad has been expanded to cope with its additional responsibilities. In addition, field offices have been established in Multan, Hyderabad and Quetta. With the completion of staff expansion, the emphasis in 1995 is expected to be on refinement of the appraisal and monitoring systems, and on developing staff capacity to carry out programming activities.

The TVO has decided to be pro-active to establish partnerships in remote areas with little NGO-based development activity. An outreach program has been initiated for introduction of the TVO's programs to those areas. It is expected that the outreach program will substantially increase the demand for NGO training. The TVO expects to meet some of this demand in-house but largely through its partner NGOs. NGO training is likely to grow substantially in the next few years.

An effort will be made with the collaboration of other NGO support organizations, to create a collective voice for the NGO sector by coalescing NGOs within one or more coalitions for mutual assistance and to take up various issues, as needed, with the government and other agencies.