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ACTION MEMORANDUM FOR THE DIRECTOR

June 16, 1988

THROUGH: Paul White, Deputy Director
FROM:  for Tom Kellermann, Acting Program Officer
SUBJECT: AMENDMENT TO ASINDES PVO DEVELOPMENT PROGRAM
(520-0348)

Problem

Your approval is requested for a grant of \$750,000 in FY 1988 under Section 106 of the Foreign Assistance Act of 1961 as amended to Private Agencies Collaborating Together (PACT) for an amendment to the ASINDES PVO Development Program (OPG 520-0348). Your approval is also requested for a new total life of project funding of \$2,300,000 and an extension of the PACD for a cumulative maximum of 24 months from date of initial obligation. The new PACD will be June 30, 1990.

Discussion

A. Project Purpose and Description

The purpose of this project amendment is to further strengthen ASINDES' ability to support indigenous and international PVOs operating in Guatemala. On May 20, 1986 a Specific Support Grant was obligated with Private Agencies Collaborating Together (PACT). A mid-term evaluation of activity indicates that, while the project in its first two years has provided an important contribution to the institutional development of ASINDES, further development is necessary if ASINDES is to make a substantial impact on the PVO community and become self-reliant.

To accomplish this, the evaluation recommends a two-year extension of the project during which time activities will be carried out to: a) strengthen ASINDES' management of sub-grants to member/non-member PVOs, and b) design and carry out an effective technical assistance and training program to strengthen the PVO community in Guatemala. These activities are summarized below:

Major Components Under Amendment

1. Training of ASINDES Board and Staff.
2. Computerization of project administration, financial and planning systems.

3. Workshops, Seminars, etc. to strengthen PVOs (Average of 20 persons per training event.).
4. Financing of a minimum of 45 Grants to PVOs for development projects, using mostly host government owned local currency (generations from ESF/PL 480 agreements)
5. Establishment of capacity within ASINDES and the CAPS Alumni Association to undertake a small community development program.

B. Conformity with GOG/USAID Strategy

PACT's proposed project amendment is consistent with the Government of Guatemala's priority development needs as well as with Mission goals/objectives of spreading the benefits of economic growth and strengthening democratic processes and institutions. The strengthening of PVOs helps expand the democratization process and also improves the social and economic well-being of the rural poor.

C. Beneficiaries

The primary beneficiaries of this activity will include both rural and urban poor families living throughout Guatemala. This will be achieved by providing local and international PVOs the capacity and/or funding to carry out their community development and micro-enterprise projects. It will also benefit returning CAPS participants by providing mini-grants for small community-level projects.

D. Financial Requirements

The total cost of the Project amendment is approximately \$1.7 million, over a two-year period, of which \$1.25 million will be contributed by USAID (\$0.75 million will be provided by USAID in FY 1988 and \$0.5 million in FY 1989).

E. Project Assistance Completion Date

The initial PACD for this project is June 30, 1988. This amendment will extend the initial PACD two years ending June 30, 1990.

F. Waivers

None are required.

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G. Other

In May, 1987, the Missions OPG Committee reviewed this amended proposal, identified a number of issues and reached agreement that none of them should prevent authorization of this amendment by you (see Annex A). The Mission will review ASINDES' compliance with their implementation plan prior to obligation of FY 1989 funds. A separate discussion was held with the Regional Legal Advisor (RLA) on the use of AID funds to carry out fund raising activities. The RLA advised the Mission that there is currently a prohibition of AID financing of such activities but that efforts are underway to provide more flexibility in AID's legislation for FY 1989.

A budget allowance has been received to cover funding needs of this amendment in FY 1988. A Congressional Notification was submitted to the Hill June 13, 1988, permitting the obligation of funds on June 28, 1988.

Recommendation:

That you approve the Project described above pursuant to the authority provided to you by Delegation of Authority No. 753 (authority to approve projects up to \$20 million), and by No. 754 (authority to extend a project's PACD by a cumulative maximum of 24 months).

Approved

[Signature]
Anthony J. Cauterucci
Director

6/24/88
Date

Disapproved

Anthony J. Cauterucci
Director

Date

Drafted: RPerdomo:csb:2998r

Clearances:

PDSO:CSchoux

CONT:AAkers

DDIR:PEWhite

[Signature]
[Signature]
[Signature]

DATE: 6/21/88

DATE: 6/22/88

DATE: 6/23/88

ANNEX A

INFORMATION MEMORANDUM FOR THE DIRECTOR

DATE : June 10, 1988
THRU : Mr. Paul E. White *[Signature]* Deputy Director
FROM : Richard Burke, Program Officer *[Signature]*
SUBJECT : Proposal for Amendment to ASINDES PVO Development Program: Results of Mission Review

SUMMARY

A meeting was held on June 2 to review an unsolicited proposal from PACT as an amendment to the ASINDES PVO Development Program (Project No. 520-0348). Issues were solicited from all offices prior to the meeting and these, coupled with additional ones raised during the meeting, are presented and discussed briefly below. The general consensus was that none of them represent obstacles to approval of an amendment to the existing OPG. A separate action memorandum will be sent to you shortly requesting your approval of an amendment to the OPG to permit its obligation during June.

DISCUSSION

During the review, the following issues were discussed and resolved:

1. Funding of Grants to PVOs

The USAID Mission and PACT have been assisting ASINDES for the past nine months to obtain the use of up to two million quetzales in local currency generations from previous ESF agreements in order to finance grants to member and non-member PVOs. The delays in obtaining these funds, coupled with the unavailability of any other resources, have prevented ASINDES from approving any new grants to PVOs since last November. The reason for this has been a lengthy negotiation process between ASINDES and the Ministry of Finance over the conditions for using such funds, but both parties have signed an agreement and a separate side letter should be finalized shortly to provide the necessary procedures for the use of these funds on terms satisfactory to both parties. Once this occurs, then negotiations between both parties can begin on the use of approximately five million Quetzales in local currency generations from previous P.L. 480, Title I agreements for the same purpose.

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2. Roles of ASINDES Board and Executive Director

In the past, one of the largest problems has been the amount of control that ASINDES's Board has exercised over the executive director, preventing the latter from making any decision without referring it to the Board first and causing serious problems with regard to the efficient and timely execution of the project. This was due in large part to the Board's lack of confidence in the past executive director and their interest in controlling everything themselves. Discussions with Art Sist, PACT's representative, indicates that this situation is changing, that the Board is willing to delegate additional authority to the new Executive Director and that this will not represent a major problem in the future. In addition, training is planned for board and staff members to help them better understand how such an organization should function, their role, etc. Finally, it was agreed that actions to delegate additional authority to the Executive Director would be included in their new Implementation Plan. This has now been provided to the Mission as part of the final version of the proposal.

3. ASINDES Institutional Capacity

Some people raised the question of whether the institutional capacity of ASINDES had been strengthened sufficiently yet to handle the planned ESF/P.L. 480 local currency funds for grants to PVOs. The PACT representative explained that much had been accomplished during the past year, i.e. the hiring of new staff, establishment of new procedures, etc., and that more is planned during the next few months to ensure that ASINDES has the needed capacity to use funds in the most efficient manner (i.e., they will be hiring additional staff shortly such as an additional project analyst, etc.). The PACT representative added that they really have unused capacity at the moment, but should they need to strengthen themselves further in some areas -- they would consider a gradual phasing in of the financing of new grants to PVOs.

4. Implementation Plan

In light of the considerable amount of actions that PACT/ASINDES needs to undertake to become self-sufficient during the next two years, it was agreed that they will submit to AID for its review/approval a detailed implementation plan for the first year as part of their proposed amendment to include, outstanding recommendations from the recent evaluation as well as increased delegation of authority to the Executive Director.

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5. Audits

(a) External Audit

The USAID Controller inquired whether there were any outstanding recommendations under a recently completed external audit of the organization that would prevent authorization at this time. A copy of the report was obtained and reviewed with the Controller and it was noted that all recommendations had been closed.

(b) Scopes of Work for Future Audits

It was also agreed that the USAID Controller would review the scopes of work for audits planned for June 1989 and June 1990 prior to their execution, and that language to this effect will be included in the final version of the proposal which will be a part of the proposed amendment.

6. Fund Raising Activities

Notwithstanding the importance of fund raising efforts to help ASINDES diversify its resources and become self-reliant, based on recent legislation and a memorandum from the LAC Bureau's Legal Advisor, it was agreed that PACT/ASINDES would submit a list of proposed fund raising activities to the Mission for its review/approval prior to including them in their proposed amendment. The Mission has now received such a list and is planning to review them with our Regional Legal Advisor next week. If it is found that AID cannot finance any or all of them, then PACT/ASINDES have agreed to use funds from other sources to finance them.

7. CAPS Follow Up Small Project Program

It was agreed that a separate system will be established within ASINDES to plan, implement and evaluate these activities. Furthermore, it was noted that they would be carried out through the Alumni Association (Asociación de Becarios PAZAC) and not the PAZAC office which is part of SEGEPLAN.

It was also agreed that language would be included to indicate that grants for returned CAPS participants could be used for basic infrastructure projects as well as for production projects.

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PROJECT AMENDMENT AUTHORIZATION

Name of Country/Entity: Guatemala/Private Agencies
Collaborating Together (PACT)

Name of Project: ASINDES PVO DEVELOPMENT
PROGRAM

Number of Project: 520-0348

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the ASINDES PVO Development Program for Private Agencies Collaborating Together (PACT) was authorized on May 20, 1986. That authorization is hereby amended as follows:

- a. Paragraph 1 of the Authorization is amended to read as follows:

Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the ASINDES PVO Development Program for Private Agencies Collaborating Together involving planned obligations of not to exceed \$2,300,000 in grant funds over a four (4) year period from the date of initial obligation, subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is four years from the date of initial obligation.

- b. Paragraph 3 of the Authorization is amended to read as follows:

For the total procurement element (i.e., including all purchase orders and contracts for both goods and services) of the grant, the recipient shall procure all goods and services necessary for the activity, in the following order of preference: in the United States, in the country in which the activity is to be

performed, or in Geographic Code 941 countries; or elsewhere, but not from sources other than Code 935.

2. The authorization cited above remains in force except as hereby amended.

<u><i>[Signature]</i></u>	Approved	<u>Anthony J. Cauterucci</u> Director	<u>6/24/88</u> Date
<u> </u>	Disapproved	<u>Anthony J. Cauterucci</u> Director	<u> </u> Date

Drafted by: 3086:PRM:RPerdomo: *[Signature]*

Cleared by:		Date:	<u>6/17/88</u>
PRM:TKellermann	<u><i>[Signature]</i></u>	Date:	<u>6/17/88</u>
RLA:MWilliams	<u>(in draft)</u>	Date:	<u>6/21/88</u>
PDSO:CSchoux	<u><i>[Signature]</i></u>	Date:	<u>6/23/88</u>
CONT:AAkers	<u><i>[Signature]</i></u>	Date:	<u>6/23/88</u>
DDIR:PEWhite	<u><i>[Signature]</i></u>	Date:	<u>6/23/88</u>

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