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USAID EXPERIENCE WITH PVO CO-FINANCING PROJECTS

**A review of selected projects in Latin America and Asia with
suggestions for future PVO project design.**

by

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ANNEXES

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USAID EXPERIENCE WITH PVO CO-FINANCING PROJECTS

SUMMARY

Introduction

PVO Co-Financing Projects involve U.S.-based or host-country private voluntary organizations as co-financiers and implementors of USAID development projects. In FY 1989 A.I.D. allocated almost \$456 million in grants and contracts to PVOs¹. Voluntary organizations which work at the community level are invaluable in furthering A.I.D.'s mandate to encourage grassroots groups to participate in their own development initiatives. PVOs can be cost-effective managers of projects as well.

In a co-financing project, the PVO collaborating with a Mission on a development project must contribute at least 25 percent of the cost of the activity, termed a sub-project, from non-A.I.D. sources. Although this requirement led many Missions to favor PVOs from the United States (USPVOs) or large indigenous PVOs (IPVOs) in the past, many IPVOs are now participating in co-fi projects. The decision to shift more co-fi funds to IPVOs is a pertinent issue in many countries with capable indigenous organizations willing to assume more sub-project responsibilities. USAID support of indigenous voluntary groups often guarantees their existence in countries where the government is suspicious of their activities. Local PVOs will continue to be integral to the Agency's Democratic Pluralism Initiative which promotes stronger independent sectors in the developing world.

Working with IPVOs can add to a Mission's co-fi management responsibilities. These development organizations often require technical assistance from USAID to bolster their administrative and financial capabilities. In countries where there are thousands of beneficiaries to be reached or the area to be covered is extensive, efficient oversight of PVO projects becomes more difficult for USAID staff.

USAID Management Options in PVO Projects

To facilitate management responsibilities in dealing with many medium and small indigenous PVOs (IPVOs), some Missions support organizations which manage discrete PVO sub-projects for

¹Development Issues 1990, Annual Report from the Development Coordination Committee.

a Mission through block grants. These intermediaries, called "umbrella organizations" (UOs) or consortia, are USPVOs or IPVVOs which assume management responsibilities for all or part of the PVO activity supported by a Mission. Some PVO consortia are expected to assume a representational function serving as a coalescing entity for the PVO community as well as manage sub-projects. Alternatively, a Mission may prefer to work directly with each PVO involved in Co-Fi projects, retaining complete sub-project oversight within the Mission.

This review identifies factors conducive to successful PVO co-financing projects by comparing the experience of several Missions in three areas:

- **Quality of sub-project selection, monitoring, evaluation**
- **Quality of training and technical assistance to PVOs**
- **Mission management responsibilities**

The report covers USAID's experience with PVO co-financing projects in Guatemala, Honduras, Costa Rica, Haiti, Bolivia, Sri Lanka, Indonesia; Thailand and Philippines.² The Mission in each country either created or joined with an existing umbrella organization to strengthen the PVO movement.

In the four Central American countries A.I.D.'s PVO co-financing projects involved indigenous umbrella organizations either as the exclusive PVO management vehicle or as part of a Mission's PVO support strategy. In 1988 the four UOs were evaluated jointly which facilitated comparisons of each Mission's experience. The information from Asia was compiled from various USAID documents. The bibliography at the end of this report lists all documents consulted.

There were several issues raised and solutions advanced which were applicable across regions

- Although this review was designed to analyze those factors malleable by Missions in project design, it became evident that the structure of PVOs, the dynamics of their relationship with each other, the host government and USAID are determinants of success as well.

²Experience from African PVO Co-Financing Projects addressed in an Africa Bureau/PVO Initiatives Study not yet approved.

- PVO sustainability will be enhanced if (a) projects require links between the host government, other national institutions and implementing PVOs and, (b) IPVOs are able to attract funds from various donors. "Ultimately, however, sustainability of both specific NGO sub-projects and the NGOs themselves, depends on the good-will of potential public and private donors and the creativity of a given NGO to secure such support."(Sri Lanka 1990)
- The use of intermediary organizations to manage funding and training of many small PVOs is the most efficient way to reach large numbers of beneficiaries. Reducing paperwork and reporting requirements for small IPVOs may be possible when a Mission can ascertain that a intermediary is present at the village level with inputs, that the target beneficiaries are indeed deserving of help and interviews with recipients confirm the intermediary's activities.
- USPVOs are often the preferred channel for funding sub-projects stressing democratization, human rights and social justice, but IPVOs' cultural affinity with trainees can improve training activities.
- Training should be compatible with regional-ethnic differences and serve the secondary purpose of bringing together PVOs in a region to learn from each other. It should include PVOs not working with A.I.D. funds to incorporate their experience into courses.
- Supporting new ideas through mini-grants to IPVOs at the community level can strengthen their capabilities, but increases Mission management responsibility. These grants should be administered by umbrella organizations with on-site management capabilities.

USAID EXPERIENCE WITH PVO Co-Financing Projects

I. Mission experience in sub-project design and selection:

Costa Rica- The Mission created an umbrella organization (ACORDE) to supervise all their PVO sub-projects and provided it with an endowment to guarantee operating expenses.³ ACORDE is a foundation and is not obligated to fund any particular sub-projects proposed by PVOs. Priority was given to productive projects and since they were the Mission's exclusive funding agent, social projects were not being funded either by ACORDE or by USAID. A Board was chosen by the Mission from outside the PVO community to select sub-projects for funding. The advantages of their presumed impartiality must be weighed against possible inexperience with development issues. A membership UO may limit funding to member PVOs. If representatives of member PVOs also sit on project selection committees, competition for funds can cause dissension.

There was no effort to fund new and untried ideas from fledgling IPVOs which would encourage innovative proposals and strengthen IPVOs, an important goal of umbrella organizations. The sub-project selection criteria required modification for such ideas.

Bolivia- To avoid a competitive atmosphere in the selection process, PROCOSI (an UO of PVOs working in child survival) allocates some funds on an equitable basis. Therefore, each member is assured of funding upon project approval. This was especially important for small PVOs entering the system, who invested considerable effort in sub-project design, or PVOs proposing innovative projects.

Honduras- A.I.D.'s experience with the umbrella organization, FOPRIDEH, demonstrates the tension created when an UO formed to represent and coordinate the PVC community begins collaborating with a Mission to fund sub-projects. Some of FOPRIDEH's members were concerned that the organization's original representational function would become secondary. The UO was able to develop a commendable sub-project management capacity and within two years was making loans as well as grants. The Mission relinquished veto power over sub-projects. FOPRIDEH also funds non-member PVOs.

Guatemala- ASINDES is a membership organization formed by indigenous PVOs to strengthen their position in dealing with the government which was often suspicious of organizations operating without government supervision. Financial help for members'

³See bibliography page 16 for information on endowments.

activities began with USAID support. A Project Selection Committee composed of several professionals without connections to any member PVO does work effectively. Those members representing social development-oriented PVOs have received forty percent of the grants, fifty percent went to productive projects and ten percent was used for training of beneficiaries. Even if the sub-grants purported to be "productive", most did not use a revolving loan fund nor involve loans from ASINDES or the PVO to the beneficiaries. An innovative mini-grants program was begun to assist small PVOs in project proposal preparation for ASINDES or other donors.

Haiti- Although HAVA has almost 90 member PVOs, the consortium prefers to maintain direct links to beneficiaries, a management decision which has costs and benefits. When member PVOs are trained to effectively manage sub-projects, the lessons learned can be disseminated on later projects they manage. Also, institutional strengthening of its members suffers if an UO bypasses them to fund community groups directly. On the benefit side, the evaluators concluded that HAVA can make an impressive appeal to donors because of its direct handling of sub-grants.

Priority is given to proposals submitted by community-based groups, those which involve women or improve agriculture and promote formation of base groups. An independent committee elected by the General Assembly selects and evaluates projects. Representatives from member PVOs may be members of the committee. HAVA administers an A.I.D. grant to a women's group and women benefit from about 35% of the credit fund projects. The funding process is not subject to donor approval and proceeds quickly.

Sri Lanka- The second mid-project evaluation of Co-Fi I regarded the support of the GSL as instrumental in achieving project success. PVO applicants submit proposals through the concerned GSL ministry to USAID for review. Most of the PVOs receiving funds to implement sub-projects were large (including four USPVCs) and Colombo-based because few community organizations have the capacity to manage large grants. This conflicts with the objective of strengthening Sri Lankan regional and local PVOs as well as national ones.

The evaluators concluded that the sub-projects addressed the relevant issues, but noted that increased use of umbrella organizations would encourage small, community based PVOs to apply for A.I.D. funds adding to the management burden. Sub-project grants for workshops, seminars, training sessions and an experimental program of "micro-grants" to community-based PVOs could best be managed by umbrella organizations.

Thailand- The Thai Co-Fi II project requires sub-project proposals to demonstrate potential for long-term effects on

development methodologies used in Thailand, (replicability, sustainability, policy impact, institutional changes). This is quite a burden on a small IPVO even if the project meets some of these goals. Evaluators noted that an umbrella organization would have access to the end-of-project status of various projects, and could incorporate proven project strategies in future proposals.

Indonesia- USAID's first co-financing project began in Indonesia in 1974. The Indonesian co-fi experience is instructive for those viewing the long-range implications of PVO support. The importance of forging links between host governments and PVOs to ensure sustainability, especially at the local level is a feature of many reports on PVOs. A November 1990 paper, Report of a Study and Recommendations for a Project Design, discusses linkages between the independent (business) sector in Indonesia and PVOs.

The evaluation of Indonesia Co-Fi II recommended a program orientation rather than a project orientation in sub-projects. The PID for Co-Fi III noted the political and management ramifications of funding activities stressing democratization, human rights and social justice. Because of the Indonesian Government's longstanding hostility to independent organizations, USPVOs should channel funds to support the Democratic Pluralism Initiative and Indonesian PVOs should assume most of the technical assistance and training services to smaller PVOs.

Philippines- The design of Co-Fi III follows ten years of experience in the Philippines with co-financing projects. The importance of government cooperation in co-fi activities for sustainability is recognized. The Rural Development Offices of the GOP will participate in sub-project selection. Co-Fi II will support activities of PVOs and cooperatives which are small-scale, benefit minorities, demonstrate positive benefits for the communities and include beneficiary participation in sub-project design and implementation. The development of umbrella organizations and cooperatives is to be encouraged.

II. Overview of sub-project monitoring and evaluation:

Program wide evaluations not focused on any specific sub-project, but rather on the impact of the various approaches was a recommendation of the evaluation of ACORDE. The OPG for PROCOSI called for mid and final evaluations of each sub-grant. This was not possible with the existing Mission staff pattern. The need for UO staff to be competent and experienced in M&E was a conclusion from the PROCOSI review.

Specific monitoring systems are needed for PVOs funding productive projects and operating loan funds. In Guatemala

expectations were unclear on standards to be met by productive projects and the role of the PVOs in assuring repayments of the sub-grants. HAVA's monitoring responsibilities are substantial because of its direct funding of beneficiaries and administration of large infrastructure projects through the Mission's Title II emergency program.

FOPRIDEH prepared a manual for prospective sub-grantees describing monitoring procedures and requires a monitoring plan for each project before an agreement is signed. To improve evaluation of sub-projects FOPRIDEH requires projects to collect data in a standard format to help determine project impact. Sub-project analysis and follow-up is carried out by the Project Monitoring and Analysis Department (DASP) of FOPRIDEH. DASP prepares a monitoring plan for each project, visits sites and conceived a monitoring system for the loan program.

There is a correlation between reduced impact of benefits and limited management capability within PVOs. How can A.I.D. ascertain improved administration and effectiveness of projects considering the complexity of collecting comprehensive data, e.g. baseline economic analyses, needed for useful cost-benefit comparisons? ASINDES lacks the capacity to perform financial analyses of its own operations and those of the PVOs which it is assisting nor has it emphasized sustainability of the PVOs funded. In Indonesia, block grants could be made more effective by developing criteria to judge the intermediaries' capability to monitor and evaluate sub-grants and appropriate standards for sub-grant recipients.

The Assessment of Indonesia's co-financing project discussed the necessity of differentiating between output-oriented and process-oriented projects:

(a) Project outputs and program processes usually have different time frames, different implementing strategies and use different bases for assessing their impact. Similar administrative and financial control systems requiring the same criteria in all evaluations will not produce useful conclusions.

(b) Evaluation criteria are needed to judge the impact of the co-fi program on the PVO community as implementors and beneficiaries of projects. A quantitative, project by project evaluation is not possible nor appropriate as an indicator of impact on the process of development which the program has supported.

(c) Indicators can be devised based on the historical trends which were identified by the evaluators and used to gather information about the nature and the quality of the impact of the project on these trends. Narrative reporting was used by The Asia Foundation in reporting on progress of block grants to the

Mission's Office of Voluntary and Humanitarian Programs (VHP).

(d) Administration of both block grants and institution-specific grants by IPVOs has been weak. Improved financial management systems, manuals, integrated with appropriate training and follow-up activities would also have a positive impact on IPVO initiatives for fund-raising, as financial accountability would become very important if PVOs were to solicit donations.

(e) Some form of evaluation criteria will be established for co-fi proposals, probably a PIO/T. The evaluators questioned whether the standard PIO/T allows for the necessary qualitative assessment appropriate for the development processes that are currently pursued. Over emphasis on quantitative output may undermine impact. An evaluation process using a form of narrative evaluation of both pre-determined and dynamic parameters to be given the more significant weight in the evaluation system was another recommendation. Any additional forms may conflict with established procedures of USPVOs and exceed existing capacities of IPVOs.

The issue is to devise ways to capture the significant aspects of a development project - changes in attitude, experience in consciousness raising and greater awareness of appropriate technology.

Three types of evaluation methodologies were advanced:

1. Simplified cost/benefit analysis,
2. Project assessment workshops
3. Process documentation.

III. Technical Assistance/Training to PVOs

If a Mission decides to engage IPVOs to provide services and channel funds to smaller PVOs, the capacity of the UO must be assessed and project funds allocated to strengthen it to take over these Mission responsibilities. In Costa Rica and Guatemala a USPVO consortium, PACT, provided TA through an OPG to help ACORDE and ASINDES develop expertise in providing technical as well as financial assistance to PVOs. ACORDE was not able to manage the sub-project program and provide institution-building services to smaller PVOs as well. It awarded a grant to another PVO federation to carry out these efforts. The decision to contract out most training was intended to lessen disagreements within the PVO community about the appearance of ACORDE as a rival for funding. However, the Mission intended ACORDE to be the central PVO entity in the country and by relinquishing TA activities ACORDE forfeited an opportunity to enhance its representational image.

The feelings of mistrust, a lack of a sense of community and

widely diverging agendas among ASINDES' members resulted in unsuccessful attempts to determine training and TA needs. Training courses for a foundation's associate PVOs must be applicable to their diverse development interests and tend to be more general in focus. Members attending general training seminars need follow-up assistance to address specific sector needs.

Because ACORDE funded only productive projects, the training its members received, including tailor-made basic and advanced courses in planning, project preparation and models for the development of small enterprises, were especially useful. The sector-specific UO in Bolivia was able to offer technical assistance applicable to their members' needs which was considered a benefit equal to or surpassing that of the sub-grants.

FOPRIDEH's success in coalescing and strengthening the PVO community through training and TA is a highlight of the project. Training in fund-raising is especially useful. A PVO able to demonstrate adequate financial management capability has a better chance of attracting donations. FOPRIDEH charges for sector-specific training given to members and requires that those trained should train others and submit materials received to FOPRIDEH so that it can copy and distribute them to other organizations.

HAVA has an impressive record of providing training which it insists be available to beneficiaries as well as to PVO management. In Sri Lanka the project has strengthened the institutional capacity of PVOs to collaborate with local communities in community development, field level irrigation and private enterprise production groups.

As USAID/Bangkok shifted to funding IPVOs, the importance of institutional strengthening to enhance their ability at sub-project identification, design, monitoring, etc. was recognized in the project design for Co-Fi II.⁴

1. A long-term consultant was hired with project funds to work with the IPVOs and a local professional organization conducted training workshops. The feedback suggested that USPVOs found the sessions more useful because the materials were presented as formal academic models.

2. Workshops should include substantive aspects of experience on previous sub-projects including those not funded by USAID to

⁴The Co-Fi II project's emphasis on PVO institutionalization at the expense of sub-project impact was discussed in the evaluation.

increase relevance for participants.

3. Most IPVOs operate independently and are unaware of resources available to them and of similar activities being carried out by other PVOs. Training should consider regional differences and serve the secondary purpose of bringing together PVOs in a region to learn from each other.

Strategic support emphasizing management and administrative skills is often viewed as interfering with the business of development by IPVOs, especially small ones directly involved in implementing sub-projects. However, PVOs which are the more successful in raising funds from the donor community often are those which appear to have the better management skills even though their actual development work is not superior to that of other local development groups.

CONCLUSIONS/RECOMMENDATIONS

A. When should a Mission consider including an Umbrella Organization in a PVO Co-Financing project?

- To manage smaller PVOs implementing sub-projects to lessen the management burden on the Mission staff. (Experience shows that this is not always the outcome.)
- To ensure reaching intended beneficiaries and effective monitoring of numerous projects at the local level or in projects involving large numbers in cities or villages spread over great distances when Missions have insufficient personnel to do so.
- To bolster the independence, capabilities and image of IPVOs, especially in countries where the government is unsupportive or hostile.
- To administer small experimental programs of "micro-grants" to community-based PVOs.

B. Issues for Co-Fi Project Design which include Umbrella Organizations

- The capacity of intermediary PVOs to absorb and disburse large block grants, monitor and evaluate their own activities as well as those of sub-grantees and develop effective relationships with sub-grantees and the host government must be evaluated.
- Guidelines should be set for types of sub-projects to be funded, especially if a Mission allows one UO to assume the PVO oversight function.

Restricting grants to certain sectors or productive projects can threaten the institutional roles of UOs. Income-producing activities can syphon off the best people in a PVO or lead to in-house dissension because consultants in for-profit endeavors often ask increased wages.

- The host government's disregard or hostility toward PVO activities should influence a Mission's decision to maintain a high-profile attachment to an UO. Such attachment can also hamper fund raising for the consortia if not the members. PVO linkages with the local government and other donors may improve if a PVO does not receive funds directly from USAID.

- USPVOs may resent having to work through an indigenous intermediary.
- Mechanisms are needed to ensure PVO umbrella organizations' financial stability after A.I.D. funding ends:
 - a. contracts with A.I.D. and other donors to manage or provide services to PVOs
 - b. development of more accurate financial management systems
 - c. the use of A.I.D. finance as seed money to collect matching grants from other donors including the host government should be encouraged.
- Working with a existing consortium can cause friction between its associate PVOs because of disagreement about accepting A.I.D. funding, competition among members for funds, competition between the consortium and members over fees received from beneficiaries.
- Visits to project sites are often the only reliable way to confirm that intended beneficiaries are receiving inputs in many rural areas because baseline studies and impact indicators are unformed. Mandatory site visits by UO staff and ways to provide transportation should be considered in project design.
- Existing consortia of PVOs may have more success at attracting funding from non-USAID sources than organizations created by a Mission. Projects which establish linkages with other institutions (the host government, donors, universities) encourage local government and private support needed for sustainability.
- PVO registration procedures required by a Mission and the host government often present administrative hardship on small IPVOs. Unregistered groups can be funded through an umbrella mechanism and included in training programs to promote coordination among PVOs and sharing of experience. Courses should deal with more substantive development issues and could have more impact by bringing together PVOs working in similar fields or geographic areas.
- There seems to be a connection between a Mission's decision to delegate all PVO funding through an UO and the local government's capabilities and integrity. In

Costa Rica, ACORDE, has this responsibility. In Haiti there was never any move to charge HAVA with overall responsibility for the Mission's PVO relations.

C. When should IPVOs be favored over USPVOs to collaborate with a Mission as umbrella organizations?

- In Thailand evaluators recommended that USPVOs play a supportive role and not carry out projects directly. Many USPVOs are administering their sub-projects through counterpart IPVOs within Thailand. This indirect IPVO bolstering is encouraged and the Mission can foresee USPVOs filling an institutional rather than operational role.
- In Indonesia the presence of USPVOs supported by USAID can promote activities local PVOs consider politically risky. Indigenous PVOs in Indonesia are significant for their political and cultural characteristics rather than exclusively for their economic impact. The political aspects of indigenous PVOs include commitment to progressive social change, democratization, equity, social justice and empowerment of the people and access of the poor to resources.
- IPVOs are recommended for tapping local resources and funding.
- IPVOs should have adequate internal management skills before assuming funding and training functions.
- If funding sub-projects threatens to cause dissension among the membership of a IPVO consortium, a USPVO can assume the funding duties while the IPVO concentrates on training, fund raising and institutional cohesion.

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⁵Development Issues 1990, Annual Report from the Development Coordination Committee.

PVO activity supported by a Mission. Some PVO consortia are expected to assume a representational function serving as a coalescing entity for the PVO community as well as manage sub-projects. Alternatively, a Mission may prefer to monitor directly each PVO involved in Co-Fi Projects and supervise the entire project cycle.

This review will identify factors conducive to successful PVO Co-Financing Projects by comparing the experience of several Missions in:

- **Sub-project selection, monitoring, evaluation**
- **Training and technical assistance to PVOs**
- **Management of PVO Co-Financing Projects**

The report covers USAID's experience with PVO Co-Financing Projects in Guatemala, Honduras, Costa Rica, Bolivia, Haiti, Sri Lanka, Indonesia, Thailand and Philippines.⁶ The Mission in each country either created or joined with an existing umbrella organization to participate in efforts to strengthen the PVO movement.

In the four Central American countries A.I.D.'s PVO Co-Financing projects involved indigenous umbrella organizations either as the exclusive PVO management vehicle or as part of a Mission's PVO support strategy. In 1988 the four UOs were evaluated jointly which facilitated comparisons of each Mission's experience. The information from the Asian experience comes from various project documents. The bibliography at the end of this report lists all documents consulted.

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LATIN AMERICA

The most extensive review of PVO umbrella organizations in Central America is the Checchi and Company report, *Experience of USAID Missions with PVO Umbrella Groups in Costa Rica, Guatemala, Honduras and Haiti*, published in January 1989. The report compared the sub-project responsibilities, IPVO institution-building and Mission management of membership and foundation umbrella consortia.

Summary of Checchi report covering Four Central American PVO Umbrella Groups

I. Sub-project selection, monitoring, evaluation

ACORDE in Costa Rica is the only foundation umbrella organization (UO) in the Checchi report. It was created by the Mission to fund sub-projects. "If the objective is solely to establish a funding mechanism to enable AID to channel funds to PVOs, a foundation would be the most appropriate mechanism if activities with individual PVOs are too burdensome for the Missions." (Checchi, Exec. Sum. p. 49) Because ACORDE is a foundation, the PVOs it supports are not members of ACORDE and have less influence over its operations than would the PVOs affiliated with membership umbrella groups. The directors of a membership UO are usually representatives of several of the member PVOs. ACORDE's directors are not employees of any other PVO. The difference between a foundation and membership umbrella organization is quite obvious in sub-project selection.

The sub-project selection committee of a membership PVO often is obligated to fund its own members' social development projects as well as those activities which earn a profit. ACORDE is not bound by member PVOs to fund a particular type of project nor is it likely to seek out innovative, pilot projects from fledgling PVOs. At ACORDE, a Board, composed of members not associated with the development community nor any PVO, selects sub-projects for funding.

However, their neglect of social development sub-projects was criticized. The majority of activities funded were productive ones (profit-making) and only a few social development projects were approved. The issue of types of projects to be funded, "... has come up most acutely in ACORDE because ACORDE has given almost exclusive priority to productive projects even though, theoretically, social projects are also eligible for funding; and because USAID/CR channels almost all its assistance to PVOs through ACORDE. The result has been that social projects are not being funded either by ACORDE or by USAID" (Checchi, Exec. Sum.

p.21.) It is considered a competitor for scarce funds by other PVOs in Costa Rica and the USPVOs resent having to go through ACORDE for dollar funding.

The monitoring and evaluation functions were hindered by the lack of impact data and sufficient staff to carry out these responsibilities, but were considered adequate for overseeing particular projects. It was recommended that ACORDE initiate a program wide evaluation which would not focus on a particular PVO or project, but on the impact of the different approaches taken.

ASINDES in Guatemala is a membership organization formed in 1979 to strengthen the position of indigenous PVOs in dealing with a government hostile to their activities. A representational function is considered a benefit of membership umbrella organizations. Because its members professed little compatibility on development philosophy or sector interests, ASINDES is not able to be an institutional guide for the PVO community.

Its project-related capacity was weak and USAID assistance was used to develop an organizational plan to funnel USAID monies to ASINDES' member PVOs. A Project Selection Committee composed of seven professionals without connections to any member PVO does work effectively. Out of the economic support funds ASINDES administers, fifty percent is for productive projects, forty percent is for economic and social activities, and ten percent for training of beneficiaries. The beneficiaries were of the type USAID intended to reach, but the outreach to women beneficiaries has been disappointing.

The capability to analyze benefits and impacts of the sub-projects needs improvement. Logistical constraints prevent the staff from visiting sites of funded activities and the monitoring function has suffered. Due to an increase in funds available, ASINDES may consider funding sub-projects from non-members which would add to its management responsibilities.

A mini-grants program was formed to enable ASINDES to support activities which would enhance the Co-Fi program such as work leading to the preparation of sub-project proposals for presentation to ASINDES or other sources.

FOPRIDEH of Honduras is a federation of members founded in 1982 by a group of private development organizations to represent, coordinate and encourage dialogue among the PVO community. The funding of sub-projects, which began in 1986 with USAID local currency, created dissension within FOPRIDEH because some members were concerned that the original purpose would become secondary. "This highlights a certain contradiction between A.I.D.'s stated objectives of project funding and institutional strengthening which was apparently totally

unforeseen at the time of the agreement, and points out the complexities of dealing with existing organizations with their own agendas." (Checchi p. 259)

In 1988 FOPRIDEH received permission to use a portion of the local currency funding for loans to other IPVOs and the Mission relinquished its veto over sub-projects. The social-welfare aspects of FOPRIDEH and the functions of the credit program are not clearly separate. "The role of FOPRIDEH as a membership organization that supports its institutional members, and its role as a lender requiring repayment of its loans to members, are potentially in conflict. This complicates FOPRIDEH's viability as a lender attempting to generate income for other activities."⁷ Also, the various donors supporting the credit fund have different ceilings on interest rates which creates conflicts.

HAVA of Haiti was created in 1981 by 22 large foreign-supported PVOs as a membership association to better coordinate their efforts. After the Government of Haiti demonstrated an interest in the operations of PVOs, HAVA's membership grew to include more Haitian PVOs. USAID/H made an OPG in 1984 to cover HAVA's core operating costs, support for technical and PVO liaison activities, and a sub-projects fund.

HAVA funds sub-projects with grants and credit awarded to beneficiaries. Direct funding of beneficiaries complies with HAVA's fundamental purpose of helping end users become self-reliant, but disregards the issue of developing the capacity of its member PVOs. There is some dissension among member PVOs about this direct funding of small community groups, especially the credit agreements which could generate funds for administering PVOs. "Additional justification advanced by HAVA for direct funding of community groups is its desire to develop a model for such programs to be transmitted to PVOs for replication and the fact that many PVOs are still incapable or unwilling to meet the responsibilities for preparing and implementing such programs." (Checchi, HAVA p. 19)

Priority is given to projects submitted by local, community-based groups; those which involve women; deal with agriculture and promote formation of base groups. There is a credit program providing small loans at development rates along with technical assistance to improve management skills in credit. These highly subsidized interest rates (9% to 12% in late 1988) encourage some IPVOs to advise their clients to approach HAVA for funds. "Neither HAVA nor any PVO can indefinitely sustain or expand credit programs that do not cover their costs." (Checchi, HAVA,

⁷Final Evaluation of FOPRIDEH 1990, PES p.3. Summary of this evaluation on page 13.

At the time of the Checchi report, HAVA was meeting its monitoring responsibilities, but direct management of small projects puts a substantial burden on HAVA's staff. In addition to the oversight of the directly-funded sub-projects, HAVA conducts training activities in the rural areas, administers large infrastructure projects through the Mission's Title II emergency program and also administers an AID grant to the FWC, a women's group.

II. Technical assistance and training for PVOs

ACORDE received assistance from a USPVO, PACT, to develop expertise in providing technical as well as financial assistance to its member PVOs. However, the sub-project program received most of ACORDE's attention and the provision of technical assistance was carried out by another PVO organization. This solution also eased the tension within the PVO community which considered ACORDE a rival for funding. However, by relinquishing technical assistance activities, ACORDE forfeited an opportunity to enhance its image as the central PVO entity in the country. There continues to be little agreement within the PVO community about ACORDE's role in strengthening the PVO sector and representing it before the government and other donors.

Due to ACORDE's support for a diverse group of PVOs, the preliminary training offered was not designed for specific types of development projects. A UO with members active in similar activities can provide tailor-made assistance relevant to all members. (The sector-specific training provided by the Bolivian umbrella organization, PROCOSI, to its members was considered very beneficial by the member PVOs and compensated for disagreements about funding and other issues.) However, ACORDE's history of funding productive projects has resulted in basic and advanced courses in planning, project preparation and models for the development of small enterprises applicable to most of its associate PVOs.

ASINDES' experience with technical support for PVOs was affected by its diverse membership and their suspicions that surveys to judge their training needs may be used against them by the government. An inventory of technical assistance needs was not conducted because PVOs apparently feared the results could be used to turn down requests for funding or to publicize their shortcomings. General training events which included all member PVOs needed follow-up assistance to address specific needs.

The PACT grant under which the Mission authorized an extension of funds for training includes a framework for future events organized by sector. This will be most useful to those

members of ASINDES active in health projects. The burden of providing technical assistance to the PVOs remains on ASINDES' Project Analysts during project design.

FOPRIDEH's ability to provide training and technical assistance to its PVO affiliates was developed with assistance from another organization through a Mission grant. This support for FOPRIDEH's efforts to bolster the administrative capabilities of its members was intended to help alleviate any sense of rivalry between it and member PVOs. The original grant provided funds to train FOPRIDEH's staff and to pay for advisors to the organization. The benefits of this PVO institutional strengthening were evident not only to FOPRIDEH's staff but to the staffs of its member PVOs. This caused dissension among the members who demanded training as well. Now the OPG funds cover training for both FOPRIDEH and its member PVOs using Honduran, Central American or U.S. resources and sites.

FOPRIDEH charges for training given to the staff from PVO, but absorbs the costs of general sessions open to all members. One condition attached to the training is that recipients should train others and submit training materials to FOPRIDEH so that it can copy and distribute them to other PVOs.

The central focus of technical assistance is to help applicants for sub-grants develop adequate project proposals and to strengthen their accounting, administrative and fund-raising systems. Although most assistance has gone to members of FOPRIDEH, it is available to other PVOs. A preference for Honduran trainers was noted for reasons of appropriateness and cost.

FOPRIDEH's ability to attract funds from various donors should be bolstered because of its success in coalescing and strengthening the PVO community through training and technical assistance. FOPRIDEH's PVO members and other PVOs recognize the importance and utility of the training services to strengthen their own operations. This also serves to enhance FOPRIDEH's standing in the PVO community.

HAVA, wishing to interact directly with beneficiaries, offers its training services to local, community-based recipients as well as to PVOs. " HAVA has concluded that this mixture enriches the discussion and brings out conflicting perceptions between project promoters and beneficiaries which improve the prospects for participatory development. In contrast with the situation with funding, this appears to be an effective approach, and it can help PVOs develop more effective programs." (Checchi, HAVA, p. 33)

In addition to the HAVA Fund which funds activities, the theater and animation program, legal services program, technical

services and training program provide information exchange and institutional support to community-based beneficiaries. The technical services program organizes training sessions on specific sectoral issues (agriculture, WID, non-formal education, water/sanitation, health, microenterprise and disaster assistance) and provide help in the preparation of project proposals. The information seminars have coordinated efforts with other organizations to increase awareness of women-in-development issues. HAVA's success in this sector and in water and sanitation training were achieved by working with PVOs.

III. Mission management responsibilities

ACORDE- USAID/San Jose financed the creation and operation of ACORDE "...to create an organization capable of performing the analysis and implementation responsibilities which USAID would have to meet should it provide support directly to PVOs thereby helping USAID to reduce its administrative workload and to improve the outreach of the funding available for support of the PVO sector." (Checchi, ACORDE p. 36) ACORDE's origin as a Mission creation, support from a USPVO and its enviable financial situation (an A.I.D. endowment)⁸, have facilitated ACORDE's role as the Mission's PVO funding entity. ACORDE was not able to assume a leadership role in the PVO community because of its foundation status. The PVOs it funds are not members of ACORDE and do not consider it an institution-building organization.

ASINDES- When the Mission decided to join with a PVO umbrella organization, there were no consortia of PVOs in Guatemala capable of handling a grant program for USAID. The decision was made to strengthen an existing organization, ASINDES, into an effective channel for assistance to Guatemalan PVOs. The USPVO consortium, PACT, was chosen to carry out this institution-building task. USAID/Guatemala insisted that PACT supervise the use of the funds granted for sub-projects and be responsible to the Mission for the oversight of the activities at the start of the project.

The relationship between PACT and ASINDES has been contentious because some members resented PACT's control and close ties with the Mission. The diverse interests of ASINDES' members and continuing disagreement about accepting USAID support added to the dissension. At one point, ASINDES' directors wanted PACT removed from the Project and to establish direct relations with the Mission. This did not happen. This situation probably added to the Missions's oversight problems and hindered ASINDES' being an effective representative UO.

⁸For details about endowments, see the bibliography.

"ASINDES has made substantial progress in meeting the basic AID objective of becoming an organization which can administer a program of sub-projects for activities of PVOs in Guatemala....it is clear that the USAID/G now has a channel for assisting PVOs which relieves it of a sizeable administrative burden." (Checchi, ASINDES p. 39) However, due to the difficulty of working with a membership UO whose members were not all in favor of aligning with USAID and and PACT, the Mission did not foresee ASINDES developing a coordination function with the PVO community. The Mission maintains direct funding of PVOs outside of ASINDES such as CARE and CRS so there is no incentive to join ASINDES to receive USAID funds.

FOPRIDEH- USAID/Honduras received numerous unsolicited requests for PVO funding before approving FOPRIDEH's proposal to assume the management of sub-projects and to provide technical assistance and coordination to Honduran PVOs. "USAID officials in the Development Finance Section responsible for the project indicated that the project has reduced the Mission's administrative burden in dealing with PVOs and has been worth the effort from a management standpoint..." (Checchi, FOPRIDEH, p. 29) Especially important is FOPRIDEH's outreach to small groups which the Mission would not have supported without an UO.

When the Mission decided on a shift in priorities toward supporting sector specific PVOs, it began funding directly some of FOPRIDEH's members. This threatened FOPRIDEH's existence and the organization began to address its sustainability - an issue which had been neglected in the push toward funding sub-projects. "While the Mission never intended that FOPRIDEH be its only channel for funding PVOs, and it maintains a number of other mechanisms for doing so, it is also true that separate arrangements with FOPRIDEH members (not with non-member organizations) tend to undermine the strength and unity of the federation." (Checchi, FOPRIDEH, p. 33) Undoubtedly, this switch in direct funding of FOPRIDEH members increased the Mission's responsibilities. It had to supervise more PVO activities and address the effects of the new arrangement on FOPRIDEH.

HAVA- The Mission's objective in assisting HAVA is to strengthen it as an institution so that it can better represent, and support Haiti PVOs. The aim of saving the Mission time and management responsibilities was never a central purpose nor was HAVA to be the sole PVO funding sub-projects. Therefore, core support for HAVA was a central focus of the project and the Mission funded many PVO activities through other channels. HAVA does utilize Title II funds and administers Title II emergency funds for the Mission.

IV. Conclusions/Recommendations:

A. ACORDE

- ACORDE is able to meet its core expenses through the endowment from the Mission. This allows it to solicit funds for specific activities from other donors. This financial stability and its position as the Mission's sole funding agent in a favorable political environment serve to bolster ACORDE's sustainability.
- The use of one umbrella organization to funnel all PVO support has not eliminated the need for considerable involvement by Mission staff in the Co-Fi program:

USPVOs could bypass ACORDE to arrange dollar grants directly from the Mission.

ACORDE's penchant for funding only productive projects may force the Mission to select and manage social development projects.

If ACORDE does not provide training to other PVOs, the Mission may continue to contract for this service.

B. ASINDES

- ASINDES has been successful in handling a portion of the Mission's Co-Fi duties. The Mission never considered transforming ASINDES into its major funding agent for Co-Fi funds. Employing ASINDES to manage a large amount could lead to difficulties with the Guatemalan government as well as discourage other donors from supporting it.
- The Mission will continue to rely on USPVOs to oversee large projects and politically sensitive activities as well as provide training needed to develop IPVO institutional capability to monitor larger PVO activities.

C. FOPRIDEH

- Lack of planning for self-sufficiency, emphasis on sub-projects at the expense of institutional

cohesion and the Mission's decision to fund some members separately threaten FOPRIDEH.

- FOPRIDEH is maturing as an independent organization which is used as a model by local PVOs to define a Honduran development model. The Mission should not let the impetus toward sectoral funding and productive projects cut off all support of FOPRIDEH.

D. HAVA

- Several aspects of HAVA's operations have contributed to its success:

Most of HAVA's members are Haitian PVOs and it prefers to rely on local talent to provide training to members and beneficiaries. This facilitates fund-raising appeals to other donors.

Its direct funding of beneficiaries is a controversial aspect of its operations which guarantees that funds reach the intended beneficiaries. However, the bypassed member PVOs are not receiving the support necessary for replication of these successful projects.

- The Mission has recommended that HAVA concentrate more resources into the PVOs so they can take over much of the work with beneficiaries at the local level. PVOs can carry lessons learned to other local groups and lessen HAVA's oversight burden.

Summary of the final evaluation of FOPRIDEH, June 1990

(The purpose of the evaluation was to provide recommendations to FOPRIDEH about continuing its program after USAID assistance terminates.)

I. Sub-project impact:

Knowledge about results achieved by the projects is not documented and project impact could not be determined.

- Even though baseline studies were completed by the PVOs, much of the data provided is a definition of activities carried out rather than information on indicators at the purpose and goal levels.
- All sub-projects funded after June 1988 must include a stipulation for an impact evaluation. PVOs lack the research skills to meet this requirement and FOPRIDEH staff were not able to provide sufficient assistance.

II. Training and technical assistance:

The training provided by FOPRIDEH did not result in substantial improvement in the PVOs' sub-project management.

- There is no monitoring or evaluation system to indicate results achieved by the training and TA activities.
- Training is often diluted among different participants of a PVO so that none of them acquires sufficient skills in one area.
- Many trainees subsequently leave their employment after training. One recommendation is to form a human resources bank of PVO employees including those who have received training to disseminate knowledge acquired. There is no way to require employees to remain with a PVO after receiving training. Perhaps those who leave a PVO could be persuaded (required) to share their skills by GOH regulations, tax benefits and modest remuneration.
- FOPRIDEH should program all training based on the needs of the PVOs which should be identified through assessment. When PVOs are able to choose training courses, the training is often used as a reward for staff rather than a resource to improve staff skills.

III. The Credit Program:

The program is not formally structured and documented. An independent financial institution should be created to govern and manage the loan program.

- Estimates of the demand for credit after A.I.D. funding ends come from a list of projects and loan requests in progress. The actual and anticipated demand for credits will quickly use up available funds. This situation could change if realistic interest rates are instituted.
- There is no objective analysis of a PVO's management capabilities and ability to repay loans. The program lacks a systems of procedures for strict internal control and links to FOPRIDEH's general accounting system so it can be consolidated with FOPRIDEH's fiscal statements.

IV. Fund raising and strategies for sustainability:

The evaluators concluded that FOPRIDEH has not achieved self-sustainability after five years of support because "self-sustainability never was an explicit priority of the grant." "Self-sufficiency needs to be stated clearly as a project objective from the start and specific activities should be included in the project which will lead to self-sufficiency.

- As a membership organization, FOPRIDEH depends on its members to provide the required sub-project records, pay back loans and support other activities important for its institutional development. When the only funds available come from outside the umbrella organization, members come to view it as merely a conduit for funds and training and less as a useful entity on its own.
- If support for the smaller PVOs and social programs is to continue, the need for nonreimbursable financing from other donors is vital. An international advisor was hired to produce information directed toward European agencies to change the image of FOPRIDEH as a United States organization channeling dollars to Honduran PVOs. FOPRIDEH's staff began fund-raising activities also.
- Other sustainability strategies include providing administrative and financial intermediation services not only to PVOs but to domestic and international donors.

BOLIVIA'S EXPERIENCE WITH AN UMBRELLA ORGANIZATION

In 1988 USAID/La Paz supported the creation of PROCOSI (Programa de Coordinación en Supervivencia Infantil), an umbrella organization of PVOs in Bolivia active in child survival. PROCOSI did not have formal recognition as a PVO in Bolivia (personería jurídica) and was not able to receive funds from other donors nor recruit IPVOs for membership. The Mission awarded an operational program grant to a USPVO, Save the Children Foundation, which channeled funds to PROCOSI.

The final evaluation completed in the Fall of 1990 presented lessons for the follow-on project scheduled to begin in August 1991. The following remarks are from a briefing held by the project officers in November 1990.

This umbrella organization was created to facilitate the Mission's management of a plethora of US and indigenous PVOs and to encourage more coordination between them and other Bolivian institutions.

- Linking PVOs active in the health field with the government's health ministry is recognized as vital to sustainability after foreign funding terminates.
- Many of the PVOs in Bolivia were in competition for grants in child survival activities. PROCOSI was intended to foster a collaborative relationship leading to allocation of resources through agreement, improved services by each member's staff and increased emphasis in child survival.

The institutional strengthening of PROCOSI was a challenge. Ten autonomous entities (nine USPVOs and one IPVO) were asked to support a central autonomous unit, the secretariat. During PROCOSI's first months, disagreements between the secretariat and the PVO members diverted the organization from other functions.

Benefits of technical assistance and training flowing from the new organization did overcome many disagreements between the PVO members about the advantages of collaboration and competition for funds. Evaluators concluded that a lack of coordination and follow-up prevented them from verifying the field-level benefits of training.

ASIA

SRI LANKA

PVO Co-Financing Project I (383-0060) began in 1979. At the time of the second mid-project evaluation in 1986, twenty-nine sub-projects were managed by PVOs. The evaluation reviewed the management of sub-projects and beneficiary impact to determine if the Co-Fi project purpose was being met: "...creating and enhancing opportunities for local communities to participate in their own development by supporting collaborative activities of PVOs which improve the lives of the poor."

USAID has supported PVO activities for many years in Sri Lanka, cultivating valuable lessons about the capabilities and operating styles of IPVOs and ensuring a positive relationship between the government (GOSL), IPVOs and the Mission. A lack of rigid village political structures has enhanced the role of voluntary groups in Sri Lanka's rural areas since the colonial period. The GOSL is closely involved in the PVO sector and supportive of their activities. The implementation mechanism for the project is annual lump sum obligations of grant funds to the GOSL which funnels sub-grants to Sri Lankan and USPVOs.

The third appraisal of USAID/Sri Lanka's PVO activities covered both PVO Co-Fi projects from 1979-89. The evaluators noted that the number and geographic spread of PVO activities had increased during Co-Fi II despite years of civil strife which directly affected all programs in Sri Lanka. Contributions from US and indigenous PVOs average 58% of project expenditures.

Summary of second and third Co-Fi evaluations, 1986 and 1990.

7. Sub-project selection, monitoring and evaluation

PVOs submit sub-project proposals through a GOSL ministry to USAID for approval. The variety of development issues being addressed by the project demonstrates the importance of both national and community-based organizations to the Mission's goal of involving local people in their own development. Sub-projects should address the Mission's development initiatives as stated in the CDSS as well as advance the eight objectives listed below.

- Participation of the rural poor in their own development
- Development capacity of indigenous PVOs
- Increase women's participation in development activities
- Create employment/raise incomes
- Promote private enterprise
- Improve health and nutrition

- Promote use of appropriate technology
- Promote sustainable, community-based integrated rural development.

Proposal preparation, sub-project design, reporting and evaluation continue to present problems. The criteria used by the Mission to judge a proposed activity's sustainability are not clear to applicants. There is little collaboration among Sri Lankan PVOs about project issues. Many PVOs were not aware of the Co-Financing Project or had incorrect ideas about what kinds of projects the Mission would consider. Some small groups do not have the capacity to prepare proposals in English. Even though this is not a requirement, it probably hinders many applicants.

USAID requires that the accounts of each PVO be audited annually. PVOs are also required to submit quarterly reports in a prescribed format as well as a mid-term and final evaluation of AID-funded activities. The lack of linkage between sub-project inputs, outputs and the higher level goals was evident in sub-project reports. Some reported project inputs as accomplishments. "Project reports adequately describe the amount of training delivered, but do not mention the results of the training as evidenced by the number of training graduates who have secured employment in their field of training." Progress reports were lacking in details about amounts of money loaned, for what, and if and when paid back.

The evaluators considered the allocation of resources between the PVO and the beneficiaries as a sub-project financial management issue which also impacts on eventual sustainability. It can be difficult to ascertain how much reaches beneficiaries and how much stays within the PVO. The same applies between an umbrella PVO and its members. The particular cultural environment in Sri Lanka often determined who got what, especially at the village level.

The thrust of Co-Fi II was to strengthen the management capabilities of Sri Lankan PVOs. The Sri Lankan PVOs able to increase their activity load and attract funding will be those with the strongest management and financial skills. To achieve this, a Sri Lankan umbrella organization, the long-established Central Council of Social Services, was chosen. CCSS's management capabilities as well as those of its members were to be bolstered to encourage a shift from welfare activities to development oriented activities. The organization was successful in reaching over eighty member PVOs with technical support.

Issues raised about the sub-project process in 1990 evaluation:

- The evaluators concluded most proposals dealt with technical assistance to increase productivity without considering how the increased productivity would

increase incomes. "Few (proposals) analyzed with any depth the economic sector in which their intervention was targeted." Such investigations would require analysis of marketing dynamics and constraints. Similarly, credit programs were designed as if access to credit was the objective rather than a means to the higher level goal of increasing productivity and incomes. The evaluations of 1983 and 1986 concluded that most sub-projects lacked adequate quantitative data for assessing project impact.

- When judging sub-projects, one criteria should be, "Has this activity contributed to the experience of the PVO, bolstering it to better select and monitor sub-projects in the future? (An activity which has this effect will not necessarily continue without A.I.D. funding.) "...the ultimate impact is measured in terms of the transformation of attitudes and behaviors."
- PVOs are strengthened when testing a new approach. Moreover, successful sub-projects may be passed off for further use in the private or government sector. Some of the successful mini-grants monitored by the CCSS may be adopted by other donors or the government. Many beneficiaries have become part of the GOSL's agricultural training programs through the Co-Fi sub-projects.
- Mission staff often favored proposal format compliance with rules at the expense of the nature and value of the activity proposed and PVOs with the longest experience as recipients continued to receive most of the resources.

11. Technical assistance and training for PVOs

The project has strengthened the institutional capacity of PVOs to collaborate with local communities in a number of ways.

- Community development councils, field level irrigation committees and private enterprise production groups were established.
- Workshops in project management and evaluation for participating PVOs were sponsored by the Mission.
- An American PVO consortium, PACT, organized an evaluation workshop and prepared an evaluation manual.

III. Mission management responsibilities

All evaluations of Sri Lanka's Co-Financing program have related the views of Mission staff about the extraordinary amount of time needed to manage the project. The 1983 evaluation concluded that overseeing more sub-projects could be handled by the existing PVO Officer (a FSN who would not be subject to transfer) with the assistance of the USAID Project Review Committee. The evaluators also felt that the excellent working relationship that the Mission had with the government and the PVO community would ease any future management burdens.

The 1986 report noted that allocating increased amounts to larger PVOs can ease the Mission oversight function but the move toward funding smaller projects (micro-grants) would increase Mission management responsibilities. Such micro-grants, while too expensive for Mission administration, are cost-effective when administered by a local organization because they rely on volunteer and community inputs. As the purpose of the overall project is to create opportunities for local communities, small grants at the community level develop the capacity of existing community organizations.

The policy issues which the Mission is addressing are similar to those confronting the other Missions in this study:

- The umbrella organization supported by the Mission, CCSS, is controlled by representatives from a small proportion of its eighty members. When CCSS engages in policy dialogue with the Mission or the government, how does it ensure it represents the views of most of its members? Also, how can it represent the views of non-member PVOs in policy dialogue?
- The Mission wants to provide management strengthening to PVOs which are not members of CCSS, but it is uncertain if the organization will be willing and able to carry its training expertise to non-member PVOs. The Mission may want CCSS to carry out special surveys, studies, etc. Such activities can detract from the organization's other functions and perhaps overburden it.

IV. Conclusions/Recommendations:

PVOs have been instrumental in the country's development and will continue to play a role in assisting Sri Lanka as it emerges from political strife with relief, rehabilitation and support for development activities.

- The majority of indigenous PVOs are engaged in welfare activities with little experience in using resources toward development ends. Also, most of the PVOs receiving funds to implement sub-projects were large (including four USPVOs) and Colombo-based because few village organizations have the capacity to manage large grants. The evaluators noted that collaborating exclusively with PVOs at the national level conflicts with the objective of strengthening Sri Lankan regional and local PVOs.
- Establish a semi-autonomous office within the Mission or via a local organization to organize information and Co-Financing proposals for USAID consideration and to carry out studies of Co-Fi impact.
- Establish a management information database which would reflect the status of all project disbursements, progress of all sub-projects and indicate if the objective is being reached.
- Monitoring and evaluation plans for all sub-projects should be required which envisage these exercises as an on-going activity. The Mission needs better methods to communicate to PVOs the types of projects preferred and how to design sub-projects.
- To prepare PVOs for the end of USAID funding, the GOSL should increase its participation in the sub-project selection and evaluation process. Also a USPVO or national-level IPVO should submit plans for workshops to discuss strategies for sustainability.
- Correct project design to help frame Mission thinking and aid in identifying selection criteria, practical indicators and verification for use in judging projects, and as evaluation tool against which to judge project accomplishments. Any new design should be flexible to allow new initiatives, such as activities which involve civic participation and advocacy. (See next page for suggested revisions to project design.)
- The Co-Fi Project would be an excellent vehicle for carrying out some Democratic Pluralism Initiatives especially with PVOs involved in increasing the participation of "marginalized" Sri Lankans. Due to the political strife in Sri Lanka in the 1980's, the Democratic Pluralism Initiative demands careful integration into the Mission's projects. "Care should be taken, however, that NGOs that become involved in DPI under the Co-Fi Project do so because their institutional mandate directs them to undertake such

activities."

Although the evaluators determined that no single umbrella organization (UO) in the country could assist the Mission's PVO activities, they recommended employing PVO consortia to further the objectives of the project:

- Existing PVO consortia worked with existing community - level organizations or created new ones to carry out the sub-projects. Those on-going groups, as well as those represented by an consortium for purposes other than a particular sub-project, have a better chance at remaining active after Mission funding ends.
- Sub-project grants for workshops, seminars and training sessions and an experimental program of "micro-grants" to community-based PVOs could best be managed by umbrella organizations.
- Employing national-level indigenous PVO consortia to work with local groups from around the country may be inappropriate in countries with ethnic tension. In Sri Lanka a separate consortium of PVOs in the North-East Province was recommended.
- The few USPVOs which are development-oriented play a major role in the country and should continue as UOs while strengthening local PVOs to assume this role.

SRI LANKA

Co-Financing Project Design:

Present logframe:

Recommended revision:

(Entries paraphrased)

GOAL: *Increase number/diversity of organizations addressing significant local and national development problems.* *Create employment/increase income. (this was similar to OVI for present goal)*

Evaluators considered the present goal to be an output. The revision would provide linkage with CDSS.

PURPOSE: *Enhance opportunities for community participation in development through NGOs. These activities will relate to stated strategic objectives.* *To test and demonstrate key rural interventions which assist the poor to improve their standard of living.*

Evaluators stated that purpose level is the most critical aspect of the logframe's utility. It should be an activity - inputs/outputs (the level of mission's manageable interests to some higher level objective.

(See the evaluation for further comments on logframe revision.)

THAILAND

USAID/Bangkok began PVO Co-Financing I (493-0296) in 1980 and Co-Financing II (493-0392) in 1987. An audit of the Co-Fi program in 1989 concluded that involving Thai PVOs in sustainable activities required greater Mission attention to institutional strengthening. The Mission agreed with the auditors that indigenous PVO (IPVO) sub-project management systems were weak, but maintained that "greater Mission involvement in grantee administered Handbook 13 activities, runs counter to Agency policy." Implementing recommendations to use USPVOs, local research centers and universities and PVO intermediaries was the preferred way to reconcile training needs with Mission management realities.

Thailand's development has not reached many rural areas and government services are not available on an equitable basis. The government's (RTG) recent development plans recognize these problems and emphasize rural and community development strategies. The government continues to rely on private organizations in this effort although earlier hostility to militant grassroots groups continues to influence this relationship. At the government's request a group of PVOs established the NGO Coordinating Committee on Rural Development (NGO-CORD) and it now has over 188 members. The Royal Thai Government's Department of Technical and Economic Cooperation implements the Co-Fi project.

Summary of PVO Co-Financing II Mid-Term Evaluation

I. Sub-project selection, monitoring and evaluation

The project selection criteria was simplified in Co-Fi II to encourage local PVO participation. By 1987, six out of the seven grantee PVOs were Thai. The twelve funded sub-projects fit within the emphasis of the Thai government on addressing the self-development needs of the socially and economically disadvantaged. Sub-projects can focus on narcotics awareness or environmental issues as well. Sub-project design was weak on strategies to insure sustainable and replicable activities.

II. Technical assistance and training

As the Mission shifted to funding indigenous PVOs, the importance of institutional strengthening to enhance their ability at subproject design and oversight recognized in the project design for Co-Fi II. Money was set aside for institution-building activities, including workshops and conferences. The project's emphasis on PVO institutionalization

at the expense of sub-project impact was addressed in the Co-Fi II evaluation.

A long-term consultant was hired with project funds to work with the IPVOs and a local professional organization conducted training workshops. The feedback suggested that USPVOs found the sessions more useful because the materials were presented as formal academic models. Several IPVO staff added that the training materials served USAID needs rather than those of the IPVOs. Workshops which include substantive aspects of experience on previous sub-projects would be more relevant for participants. If some of the activities reviewed were done by PVOs not affiliated with USAID, the findings would increase the knowledge base.

Most IPVOs operate independently and are unaware of resources available to them and of similar activities being carried out by other PVOs. Training should consider regional differences and serve the secondary purpose of bringing together PVOs in a region to learn from each other. Small groups consider TA to be geared toward the larger city-based PVOs. Study trips for IPVO leaders to the Philippines and Indonesia were said to benefit larger, more sophisticated IPVOs.

III. Mission management responsibilities

"The Mission found the Cofinancing project to be its most management-intensive activity per dollar of USAID funding." The evaluation of Co-Fi I recommended the follow-on project encourage revolving loan funds, incorporate an action component in individual or community training around which changes in participants' skills could be assessed and insisted that market research be done prior to any plans for production or training. Each of these activities adds to the management burden.

Could consortia of PVOs be effective in implementing these recommendations?

- The Co-Fi II project requires sub-project proposals to demonstrate potential for long-term effects on development methodologies used in Thailand, (replicability, sustainability, policy impact, institutional changes). This is quite a burden on a small IPVO even if the project meets some of these goals. An umbrella organization would have access to the end-of-project status of various projects and could incorporate proven project strategies in future proposals.

- The process through which PVOs register with the RTG and USAID is perceived by many local groups as onerous, especially since it does not guarantee that an approved IPVO is to receive funding. (Funding IPVOs not registered with the government could jeopardize the collaboration with the RTG.) The Mission agreed that registered intermediary IPVOs can be used to channel funds to small unregistered groups. Also, PVO consortia could help streamline the Thai government's administrative supervision of sub-projects.

IV. Conclusions/Recommendations:

- Many USPVOs are administering their sub-projects through counterpart IPVOs within Thailand. This indirect IPVO bolstering is encouraged and the Mission eventually envisions USPVOs filling an institutional rather than operational role. IPVOs have a better chance at tapping local resources and funding than USPVOs.
- Missions should determine whether IPVOs based in cities have working relationships with community groups. Given the intention to reach the poorest third of the population and the lack of criteria or baseline studies of potential beneficiaries, if an IPVO's work was in low income areas this could be sufficient to establish outreach to intended beneficiaries. Small grants could be used to survey needs and resources among beneficiaries to establish base-line reporting.
- A balance was recommended between approaches enhancing individual capacity and those encouraging community self-help. The former will usually show results over a longer run.
- Sub-projects which establish linkages with other institutions (the government, donors, universities) foster sustainability.
- Include PVOs not registered with A.I.D. in training to promote coordination among PVOs and sharing of experience. Courses should deal with more substantive development issues and could have more impact by bringing together PVOs working in similar fields or geographic areas.
- As RTG input includes sub-project approval as well as registration of PVOs, evaluators recommended allowing

PVOs to obtain RTG approval at a local level rather than through the central government. The Mission rejected this recommendation.

- Technical assistance available through large USPVOs can improve sub-project designs which continued to be weak in addressing replicability, sustainability, and evaluation plans. Proposals lacked dissemination methods and small PVOs were hesitant to approach the Mission because of language difficulties.
- More emphasis on institutional issues of IPVOs than on sub-project impact was recommended. The former are more readily quantified and verified and would, supposedly, be followed by increased success in sub-project activity but not the other way round.

Summary of Amendment to Co-Fi II- "SPIRIT"

The amendment of 1990, appended "Strengthening Participatory Institutions and Resources in Thailand" to the project title, increased funding from over \$5 million to \$10.6 million and extended the PACD to 1994. Several umbrella organizations will receive funding under SPIRIT.

The revised project will strengthen the country's elected political bodies and widen access to the political process. Three type of activities are envisaged and several will involve umbrella grants to PVO's:

- Strengthening the advocacy role of PVOs through grants to business associations, environmental and labor advocates and PVO income generation.
- Strengthening the national parliamentary committee system and elected municipal councils
- Improving capacity of local executive branch bureaucracies with respect to financing, planning and management.

INDONESIA

The Mission initiated a strategic assessment of the PVO Co-Financing II Project (497-0336) in 1987 to identify options for future support of PVOs in Indonesia. A final evaluation covering both Co-Financing projects was completed in February 1991 and is reviewed after this summary.

The assessment was the first substantive external examination of the Indonesian Co-Financing program since Co-Fi I was inaugurated in 1974 as A.I.D.'s first Co-Financing Project. Co-Fi II was extended to 1990 and Co-Fi III is scheduled to continue Mission support for PVOs through 1995. By 1990 nearly \$38 million in grants for over 190 sub-projects had been directly funded through 25 USPVOs and 21 large Indonesian PVOs (IPVO). Hundreds of small Indonesian organizations were funded through block grants to large US and IPVOs.

The Government of Indonesia maintains a great interest in and influence over PVOs in the country. Following the political upheavals and the assumption of power by the present government in 1965, government suspicions of "non-governmental organizations" as somehow embodying anti-government agendas meant that significant donor support was necessary to ensure the survival of the private, non-profit sector. The vulnerability of the PVO movement to GOI control remains a fundamental concern which impacts directly on external donor funding - considered vital to the legitimacy and independence of PVOs - and, at the implementation level, on the use of block grants to intermediary PVOs to fund community-based sub-grants.

Other external donors share the view that their support is necessary to maintain the independence of IPVOs and fund many of the groups the Mission does. That is, the organizations receiving U.S. funds are not necessarily viewed as American entities. In fact, the inputs from other donors often made it difficult to separate A.I.D.'s contributions to project outcomes.

In Indonesia PVOs are vehicles for dissent because they are not government led. Loss of the dynamic voice of PVOs would negatively affect overall development efforts in Indonesia and heighten the polarization between the central government and the people. Indonesian PVOs must be independent to test conventions and experiment with alternatives.

Summary of the Strategic Assessment of Co-Fi II, 1987:

The study was intended to provide a programmatic analysis of the Co-Fi program and not a review of the sub-grant process. As the Mission's Voluntary and Humanitarian Program Office (VHP), which monitors the Co-Financing activities, altered directions in

Co-Fi II to fund activities promoting democratization and human rights, the lack of a strategic purpose was considered a constraint on future PVO activities.

I. Sub-project selection, monitoring and evaluation

The fundamental problem with the existing project selection criteria was a project orientation rather than a program orientation. For example:

- Pre-determined time frames for sub-projects which are output-specific may be appropriate but often hinder success in process oriented activities. Single year funding of projects requiring resubmission every year is burdensome and discourages a program focus. (This issue was also considered in the final evaluation.)
- Relying on cost-benefit considerations in project selection may have the effect of diverting project activities away from areas of greatest need. (The best cost-benefit ratios are generated by the richest communities which could lead to erroneous conclusions about overall effectiveness.)

Administration of both block grants and institution specific grants by Indonesian PVOs has been weak. The evaluator described VHP efforts to improve the management capability of small PVOs as insignificant.

Evaluation criteria are needed to judge the impact of the Co-Fi program on the PVO community as implementors and beneficiaries of sub-projects. A quantitative, project by project evaluation is not possible nor appropriate as an indicator of impact on the process of development which the program has supported.

How can A.I.D. ascertain improved administration and effectiveness of sub-projects considering the complexity of collecting comprehensive data such as base line economic analyses needed for useful cost-benefit analyses? Some projects are output oriented and others are process oriented. Project outputs and program processes usually have different time-frames, different implementing strategies and use different bases for assessing their impact.

Rigid administrative and financial control systems and evaluating all activities against the same criteria will not produce useful conclusions. Reliability of analyses of Co-Fi projects is limited because of absence of data about the financial value of local community contributions.

II. Technical assistance and training

Strategic support emphasizing management and administrative skills is often viewed by IPVOs as interfering with the business of development. However, PVOs which are the more successful in raising funds from the donor community often are those which appear to have the better management skills even though their actual development work really is not superior to that of other local development groups. Improved management capability will increase the impact of the programs implemented by Indonesian PVOs.

III. Mission management issues:

Problems in disbursing Co-Fi funds will occur if VHP emphasizes the institutional development of a few IPVOs, promotes a long-term program strategy and limits the use of block grants. New alternatives for disbursing funds and developing institutional capacities of IPVOs should be explored. The Mission should retain the ability to fund experimental programs/projects which it would directly oversee. These issues will influence the entire portfolio well into this decade. It would be wise to preserve the Mission's PVO institutional memory much of which resides in the Indonesian staff to help it adjust to changing strategies.

Supporting PVO activities under with the Democratic Pluralism Initiative will require the Mission to carefully define project goals and take a more active role, especially in support for PVOs working on issues involving indirect criticism of the government's development efforts.

IV. Use of Block Grants through USPVOs and IPVOs

Employing intermediary organizations is the only way to reach the millions of rural dwelling Indonesians and much of the sub-grant review in the evaluation concerned sub-grants channeled through large PVOs.

- They reach off-Java PVOs and develop small, local, private sector involvement with grants too small to be administered cost-effectively by the Mission.
- They disseminate the learning experiences of their members, especially the results of small experimental projects.
- Block grants allow networking and coordination of small PVOs and the spread of organizations committed to local self-reliance, democracy and decentralization.

- Managing the block grants may divert IPVO management from attending to other objectives. The large IPVOs acting as intermediary organizations have been concerned with promoting self-sufficiency concepts preferring the recipient PVOs concentrate on projects.

There is some controversy about when to use USPVOs instead of indigenous ones as umbrella organizations.

The IPVOs' significance is not exclusively in the economic impact, but rather in the political and cultural characteristics of their involvement. The political aspects of indigenous PVOs include a commitment to progressive social change, democratization, equity, social justice, empowerment of the people and access of the poor to resources. This movement provides an essential national service due to its capacity to explore new ideas which the GOI cannot undertake.

- Many large IPVOs indicated that they do not want to distribute funds through block grants because it risks undermining the impact of networking. The distributing PVO is placed in a superior position within the network which can hinder democratic decision-making. Also, those IPVOs administering large funds may encounter difficulties with the government.
- The alternative of using USPVOs to manage block grants does not ensure the institutional development of IPVOs except as mechanisms to implement the intermediary organization's projects.
- USPVOs may be the best vehicle for implementing Democratic Pluralism Initiative activities because they are less vulnerable to government interference.

V. Conclusions/Recommendations:

- A clearly defined set of strategic goals was needed from which would flow a set of selection criteria to be applied to potentially fundable projects.

As the Mission was well into the second decade of the Co-Fi program, program/project selection criteria, focusing on institutional enhancement and emphasizing the process approach to development and sustainability were promoted. The challenge is to devise ways to capture the significant aspects of a

development project - changes in attitude, experience in consciousness raising, greater awareness of appropriate technology.

- Block grants were necessary in the vast and population-dense country but USPVOs should channel most sub-grants to IPVOs.

Organizations administering block grants must have adequate administrative and financial management capabilities to maintain their own functions while monitoring these same functions for smaller PVOs.

- Establish M & E systems that incorporate consideration of economic, political and cultural factors, and that enable a long-term "process" understanding of the dynamics of PVO activities.

Evaluations limited to quantifiable project-specific results obscure accomplishments relating to wider impact through policy modification, sustainability of benefits, institution building, and community-led post-project activities.

Process impact might be more illuminating and useful than economic impact but is harder to evaluate. All process oriented activities are not sustainable, but political, social and cultural impact are benefits. IPVOs' impact on policy could be more important than direct impact on beneficiaries. Their independent status allows them to prod social development and use foreign interest as leverage.

Any project requiring cost-benefit analyses must accept the inherent contradictions that exist between a set of criteria which emphasizes impact among the less advantaged of a rural area and a set of criteria that requires the most for the money. A program process approach to evaluation seeks a broader set of criteria that integrates and unifies the demands of equity and efficiency, accepts a longer time frame and rejects quick solutions. Typical service delivery evaluations cannot grasp what may be the most permanent outcomes of Co-Fi projects.

- There are systemic issues, e.g. fund raising, which confront the PVO movement generally and Co-Fi programs should support activities to build the institutional capacity of IPVOs, especially intermediary organizations.

Summary of PVO Co-Financing Projects I & II Evaluation (Feb. 1991)

Co-Financing II was designed to increase the number of Indonesian private voluntary organizations (IPVOs) collaborating with the Mission's Voluntary and Humanitarian Program (VHP) as well as strengthening the administrative and financial skills of all Co-Fi PVOs. The number and variety of Indonesian organizations affiliated with Co-Fi II is remarkable because the collaboration occurred while many of the IPVOs were in their first phase of institutional development. Both Co-Fi projects assumed that institutional pluralism (a strengthened independent sector) was necessary to Indonesia's modernizing and growing economy. This focus continued throughout Co-Fi II with support of advocacy groups and human rights under the Democratic Pluralism Initiative.

Achievements of PVO Co-Fi II:

- Increased flow of resources through multiple project support grants (MPS), more IPVOs received direct funding and increased funding for sub-projects in Eastern Indonesia.
- One fifth of Co-Financing funds has gone to activities promoting the Democratic Pluralism Initiative (DPI) which promotes advocacy groups organized to influence Government of Indonesia (GOI) policies.
- Although the Mission was not a supporter at the creation of many of the large IPVOs, subsequent funding has allowed IPVOs to expand their operations and provide support to many smaller IPVOs.
- Perhaps the most important effect of Mission support is that it enhances the credibility of PVOs in the view of other donors. The Mission's often-criticized strict financial requirements bolster this image.

I. Sub-project selection, monitoring and evaluation:

In 1989 VHP received 85 proposals requesting funding of over \$11 million against an available \$3 million. VHP retains final approval of some sub-grants funnelled through umbrella organizations. In 1985 the VHP staff hoped to reduce the number of active grants from 34 to 20 by 1990. During the evaluation in September 1990, the number of active grants was 47. Other issues regarding sub-project oversight were contained in the evaluation:

- Requirements of the Mission's grant approval process were often misunderstood by PVOs. For example, a rigid time table requires submission of the preliminary proposal or concept paper during October-November for an activity which may not begin until a year later.
- After PVOs expressed concern about lack of communication with the VHP staff, a decision to provide PVOs with feedback on their progress reports was taken by the staff.
- Switching from a quarterly to a monthly schedule for financial reports from PVOs was a significant problem. Smaller PVOs find the monthly cycle onerous and even a large USPVO, the AAFLI, began preparing their financial statements in Washington after this switch.

II. Technical assistance and training to PVOs:

The evaluators concluded that although considerable assistance had been provided for PVO management strengthening, training needs are still considerable in project design, monitoring and evaluation and financial management. Managerial weaknesses of organizations managing multiple support grants seemed to be a critical constraint at the local level. Sub-projects usually did not identify useful performance indicators against which to measure the accomplishments of PVO activities. The sub-project oversight of USPVOs acting as intermediaries was also deficient. The success of the MPS system depends heavily on the administering agency's effectiveness and that such skills filter down to local level PVOs.

Small PVOs expressed some impatience with Mission-led efforts to improve PVO administrative functions at the perceived expense of development performance. Specifically, is training aimed at facilitating the Mission's management duties or strengthening the PVO itself?

III. Mission management responsibilities:

The PVO program, though small in size compared to other programs, has consumed an inordinate amount of staff time. The scattered loci of sub-project sites, single year funding and numerous small grants are the main causes of this problem. The Mission staff reported to evaluators that reducing management time was of great concern.

Since 1985 thirty-nine percent of Co-Fi funds have been MPS grants channelled through intermediary organizations. Supporting PVOs through block or MPS grants allows support for PVOs not registered with the Mission, and also reduces the Mission's management burden. MPS grants help insure funds will reach recipients punctually.

IV. Abilities of Indonesian PVOs:

Evaluators were asked to determine the ability of IPVOs to contribute to the Democratic Pluralism Initiative and to assess their management capabilities. The Mission has identified the PVO Co-Fi project as a primary conduit for achieving two DPI objectives:

- A. **Institutional Pluralism** advocates a stronger independent sector in Indonesia. This initiative cuts across the entire portfolio as well as forming the fundamental premise of SID/PVO. "As such, institutional pluralism is not appropriate as a funding priority, criterion, or category. Rather it is a purpose level affirmation for the project to be addressed by the application of more specific guidelines, funding categories and implementation arrangements."
- B. **Democratic Institution-building** in the judiciary, legislature, media, and advocacy organizations is considered essential to improve popular participation in the nation's development. The Co-Fi II project has addressed all four program areas. The VHP staff considers organizations promoting the rights of labor, the environment, informal sector entrepreneurship and consumer advocacy as especially appropriate funding outlets to influence government policy.

The management capability of US and Indonesian PVOs is pertinent whether they are managing their own sub-projects or serving as intermediaries. The evaluators concluded that many of the PVOs working with the Mission were unable to adequately manage either function.

The evaluation covered several aspects of the Mission-PVO relationship which surfaced in other projects:

- When should the Mission collaborate with IPVOs instead of USPVOs?
- Does the intermediary function divert PVOs from their

original purpose and exacerbate tension between large and small IVPOs? USPVO umbrella organizations resent enforcing VHP's rules which detracts from their development work.

- Specific complaints about the financial arrangements between the intermediary organization and the Mission included:
 1. IPVOs were not provided sufficient funds to cover the indirect costs of administering the program.
 2. Others resented having to furnish 25 percent of the program cost which forced them to collect a management fee from sub-grantees, further adding to tension between the intermediary and its members.

IV. Conclusions/Recommendations:

- VHP should commit to life-of-project funding when appropriate to lessen the recipient's budgetary concerns and to lessen the VHP's workload.
- Switch financial reporting back to quarterly. (See same issue discussed in Sri Lanka evaluation 1990)
- Continue effort to increase the percentage of project funds channeled through MPS grants. Practice of passing through funds to one unregistered PVO using a registered one as a type of block grant should be curtailed.
- Consider waiving the 25 percent contribution requirement from intermediaries.
- Establish an IQC with an Indonesian management firm to provide management training, and assist PVOs and intermediaries groups to establish performance indicators to gauge their success.
- Continue support for activities promoting decentralization and democracy by supporting IPVOs with a single-sector focus to influence government policy on national level. The first such organization supported was an environmental advocacy group followed by two others advocating consumer and human rights.
- Continue innovative steps to assist Indonesian voluntary groups to diversify their funding sources.

USAID is the only major donor willing to pay PVO core expenses so that other donors are asked to fund specific projects.

- The evaluators recommended that those administering MPS grants be given more flexibility to approve and disburse sub-grants so that the VHP could concentrate on providing support and training to those others not yet ready to assume more duties.
- Before the VHP increases funding through intermediaries their administrative/financial capabilities must be ascertained and bolstered to assure the best outcome.

Summary of PVO Co-Financing III PID-Strengthening Institutional Development (SID):

Co-Fi I and II focused on health, water, environmental, rural credit coops, agribusinesses, legal aid, human rights and protection of tribal ethnic group rights. Co-Fi III will continue to support expansion of the participatory approach taken by the independent sector, but the VHP will now assist PVOs ready to play a role in strengthening the formal institutions which underlie greater popular participation in development, for example, the courts.

GOI development strategy includes deregulation and encouragement of private enterprise to create employment for the large number of young people entering the labor force this decade. Many of the ultimate beneficiaries of Co-Fi III will be members of the emerging entrepreneurial class and the workers they hire.

Multi-project support grants should be used as much as possible. There will be a minimum funding level per sub-grant of \$150,000. Core support especially for emerging IPVOs will be authorized except for GOI departments such as the Justice Department or Department of Information when they participate in Co-Fi sub-projects either as recipients or as cooperators. Until their administrative systems are improved, USPVOs may be the better implementors of block grants while indigenous PVOs can provide training and TA to smaller groups.

In future PVO block grants, the Mission should require that sub-grant funds be utilized to enable PVOs to implement local institution-building or process-enhancement strategies at the community level in specific areas. Specific focus on minority PVOs is to be continued and as community residents will participate actively in projects, local fund raising should be attempted.

PHILIPPINES

USAID/Manila began funding PVO Co-Financing activities in 1980. In 1984 Co-Fi II (493-0367) authorized \$10 million which was fully committed by the end of 1986, one year before the end of the project. The acceleration was due to the increasing capacity of IPVOs to manage local development activities and to function as intermediate institutions. Subsequent amendments increased funding by over \$8.5 million. By 1988, 64 sub-projects had been funded through 12 U.S. and 24 Philippine PVOs. The PACD for Co-Fi II is September 1992.

In 1986 an evaluation of Co-Fi II concluded that the project was likely to achieve its three primary objectives: stimulating PVOs to attempt more numerous and diverse development activities; strengthening Philippine PVOs (IPVO) and providing constructive development activities through PVOs for poor, rural beneficiaries.

The conclusions reached in the evaluation of Co-Fi II were considered in the design for Co-Fi III (492-0419):

- Income generating sub-projects (IGP) required input from economists to ensure their economic soundness.
- Sub-projects involving village-level organizing needed more than the normal one to three years to demonstrate success.
- Evaluators concluded the Mission's policy against waivers to procure project vehicles locally could hinder project success. Monitoring would suffer if PVO staff could not reach project sites. Furthermore, lack of access could be a factor in choosing sub-projects instead of the worthiness of beneficiaries.
- The rapid expansion of Co-Fi II and the follow on project would make it difficult for the Mission office overseeing the project, Office of Food for Peace and Voluntary Cooperation (OFFPVC), to monitor all PVO activities. The evaluators suggested three alternatives: reduce degree of oversight, **increase the use of intermediaries**, use project funds for monitoring services.

Summary of PVO Co-Financing III Project Paper

A fundamental objective of the project is to promote Government of the Philippines (GOP) involvement with PVO

activities. This strategy was not considered feasible during the Marcos regime. PVOs will be required to address the issue of official follow-on support in their proposals for funding.

Promoting PVO-Philippine government cooperation is considered vital to accomplishing the project's purposes:

- Increasing productivity, raising incomes and generation of employment among target beneficiaries.
- Increasing capacities of PVOs and cooperatives to plan, manage and execute development activities which will continue after A.I.D. funding ceases.

Other innovations in Co-Fi III:

- There could be exceptions to the requirement that the PVO contribute at least 25 percent of total project costs from sources other than the U.S. Government. For example, the grantee's program supports specific provisions of U.S. legislation which have no independent source of income such as the development of cooperatives or the sub-project is requested by the Mission.
- To promote sustainability some sub-projects will establish organizations staffed and funded by beneficiaries trained to carry on the project's activities. In other cases where grant funds are used for capital goods or structures, the grantee is expected to provide the staff and operational support to sustain the increased level of activities.

I. Sub-project selection, monitoring and evaluation

A. Sub-project selection

As partial fulfillment of the objective of GOP involvement, the approval of the Rural Development Offices (RDO) of the GOP will be sought prior to sub-project approval. Co-Fi III will support activities of PVOs and cooperatives which:

- Are small-scale and expected to have a direct and demonstrable impact on the disadvantaged, especially minorities.
- Can produce positive side-benefits for the communities.
- Are designed and implemented in a participatory manner.

- Complement the GOP Medium-Term Development Plan and the Mission Interim Strategy.
- Encourage the development of umbrella organizations and cooperatives.

B. Evaluation and Monitoring

An innovative procedure (remote management) will involve the Philippine government RDOs in project monitoring as well. This will improve the tracking of sub-projects in remote areas.

All sub-project grants require the grantee to conduct a baseline survey and submit a report along with an evaluation plan within six months from the date of the grant. Although each PVO has primary responsibility for evaluating sub-projects, the Mission provides assistance to accomplish these tasks. It is also acknowledged that if small, innovative sub-projects at community level implemented by beneficiaries are to be encouraged, expectations about formal studies must be realistic.

The objective of strengthening PVOs and cooperatives can be monitored by noting increases in numbers of IPVOs registering with the Mission. The extra rigorous evaluation given to PVOs wishing to channel sub-grants will also add to the knowledge-base about PVO capabilities. The OFFPVC staff (two USDH and two FSNS) and two PVO consultants will have the primary responsibility for monitoring each sub-project at least four times a year by actual site visits.

The Mission will contract with a local management firm to conduct routine on-site monitoring of each sub-project and financial management consultants will be engaged to aid sub-grantees in preparing financial assessment. Quarterly reports submitted by PVOs will cover the use of funds and the flow of sub-project activities. The Controller's Office will monitor PVO sub-projects on occasion.

The PP discusses various categories of analyses which PVOs or PVO intermediaries are required to submit regarding each sub-project. All required analyses can be presented in a one-half page report except for the financial/economic analyses which will follow the prescribed format.

1. Technical Analysis Technical feasibility of sub-projects - impact on employment, energy requirements, the beneficiaries' ability to use and maintain the technology introduced - will be examined.
2. Financial Analysis This will vary with the type of proposed sub-project, although PVOs proposing income generating

projects should perform financial analyses of proposed activities. A.I.D. can assist in this effort by providing training in methods of financial analysis.

3. Social Analysis Proposals should explain that project benefits will reach intended beneficiaries and provide the social indicators of these people. Projects aimed at already identified groups, including disadvantaged ethnic groups and women are examples. The proposals should demonstrate how the project will involve beneficiaries in the project activities and how government linkages will occur.
4. Environmental Analysis Co-Fi projects tend to be localized and present no threat to the environment. The Mission plans to contract with a specialist in environmental education to increase public awareness of environmental problems. This person will work with PVOs in this endeavor.
5. Administrative Analysis The Mission has prepared numerous guidance documents to help PVOs develop implementation plans, monitor and evaluate projects and interpret the A.I.D. Grant Agreement. Technical assistance manuals and sourcebooks are available. Full time PSC consultants paid from project funds work with the PVOs in preparing and refining proposals to meet USAID standards and conduct training for PVO staff to extend the reach of Mission DHs in monitoring. Institutional contracts have provided needed assistance and training. The proposal continues funding for this contracted management assistance.

II. Technical assistance and training

Seminars organized by USAID or by large PVOs for other groups, assistance of PVO consultants, accounting advisors and guidance materials prepared for PVO instruction are all indicators of efforts to enhance PVO abilities.

The consultants employed full-time to work on the implementation of the Co-Fi III project with PVOs will design and conduct training courses, seminars, workshops and conferences.

The subjects to be covered include:

orientation for PVOs
cost-effectiveness
working with cultural communities
field visitation

income generating projects
methods of data collection
project development
managing development

The publications available include:

Brochure on the Co-Fi Project
Project Proposal Format
Handbook on Grant Agreement
M&E of Projects
Intermediate Credit Policy Design

Registration Guidelines
Quarterly Newsletter
Sourcebook on IGP
List of Registered PVOs

III. Mission management responsibilities

The Mission will place increased responsibilities upon PVOs acting as intermediaries for less experienced PVOs. PVO consultants and a local firm will assist in sub-project monitoring with costs included in the overall project budget. The Mission will reduce the monitoring of PVOs whose previous management has been effective.

The Co-Fi II Project Paper recognized the important role of sophisticated PVOs acting as umbrella organizations in facilitative rather than operational roles. Initially, USAID will be directly involved in the intermediaries' sub-grant decision-making process, recommending sub-grantees and activities for consideration and approving selections. As this process becomes institutionalized, USAID will retain only final approval of sub-grants.

The following pursuits were considered examples of facilitative rather than operational activities appropriate to intermediate organizations:

- Linking beneficiaries to formal sources of credit rather than merely providing credit.
- Improving technical efficiency and productivity of beneficiary activities rather than providing financing for their inputs.
- Linking beneficiaries to available technical assistance rather than providing such assistance.
- Providing a system of supportive linkages with local government agencies to sustain the outcome of self-reliant village development activities.

Intermediary organizations will continue to assume responsibility for:

- Overall accountability for the performance and financial management of their sub-grantees.
- Provision of required technical, organizational and logistical training and other guidance as necessary to improve the capabilities of their sub-grantee PVOs.
- Resolution of problems and conflicts that may arise out of sub-grantee operations.
- Analysis of the financial and economic feasibility of income generating projects.

In keeping with the increasing emphasis and reliance on Philippine PVOs as managers of multiple sub-grants, USAID/Manila has expanded and refined its criteria for qualification as an UO:

- The IPVO has an established track record in financial and program management and project analytical skills related to the type of activity to be undertaken.
- The IPVO has a capable professional staff who are career employees or are otherwise committed to significant long-term involvement in the activities of that IPVO.
- The IPVO has an institutional philosophy, setting clear directions for itself.
- The IPVO has field staff located in the region(s) of planned activity, or is otherwise positioned to adequately monitor implementation.
- The IPVO has other sources of funding, resources, and programs commensurate with the scope and proposed level of Co-Financing activity, and has funding for its core staff in the Philippines from sources other than A.I.D.

ANNEX C - (Taken from A.I.D. Microenterprise Stock-Taking:
Indonesia Field Assessments)

Women Beneficiaries and PVO Umbrella Organizations

Puskowanjati or PWC is the central women's cooperative of East Java. It is one of the largest umbrella organizations in Indonesia and the largest independent women's cooperative in the country. Originally funded by VHP through a registered PVO, it now receives funds directly from the Mission for its credit cooperatives. It is the only Co-Financing grant aimed at women exclusively and is a successful example of a group traditionally denied influence in politics and institutions (women) achieving development through the PVO sector.

Most government-sponsored informal credit schemes are not sustainable. Geographical and social distance separate farmers from urban bank officials and when they approach lending institutions, their lack of collateral prevents government banks from lending. The alternatives are traditional money lenders, government rural credit banks or PVO-sponsored revolving credit schemes.

Certain requisites for sustainability of credit schemes have been identified:

1. Fund productive activities with working capital.
2. Begin with a narrow focus or activity. Interventions are tailored to needs of that particular sector and generate skills relating to the sector. PWC focuses on small traders with no collateral but small credit groups where members know each other enforces payment.
3. Credit specific approach contrasts with asking to work in many sectors.
4. PWC first raised their own money before asking for aid and members are required to save regularly with the coop.

THE WORLD BANK AND NGOS

World Bank funds are dispersed through host governments to non-governmental organizations collaborating on development projects. These collaborative projects often are negatively affected if tension occurs between an NGO and a government which views NGOs as threats to governmental authority. Many of the successful NGO-government linkages occur in countries where the government is secure. As the Bank increases its involvement with NGOs, it must begin to forge institutional links between governments and NGOs.

A third of NGO-Bank collaboration has occurred in just five countries: India, Indonesia, Zaire, Kenya and Cameroon. In Kenya indigenous NGOs have been active in taking family planning information, emergency nutrition programs, employment generation programs and village health projects to rural areas. As has been demonstrated in USAID health projects, an eventual link must be made with the Kenyan government health system for project longevity.

"The major gap between most NGOs and most developing country governments must be healed to assist sound lasting development. The challenge for the Bank is to convince governments that NGO-supported projects can extend government capabilities rather than compete with the public sector for donor resources or local power bases." (Salmen, iii)

World Bank Work with Nongovernmental Organizations⁹ is a review of 202 Bank projects involving NGOs from 1973-1988. It identifies five functional categories for NGOs with their respective advantages:

1. **Community associations** - have the most direct involvement with beneficiaries and are best able to ensure sustainability.
2. **Service-providers** - serve as intermediaries between the Bank/government and beneficiaries, and apprise the Bank of local conditions, organize communities and deliver services.
3. **Contractors** - can be effective as low-cost alternatives to for-profit contractors, but are often less prepared for large undertakings. This arrangement can lead to conflict between the NGO's social goals and the project's implementation.

⁹Salmen, L.F. and Eaves, A.P., The World Bank, Country Economics Department WPS 305, December 1989.

4. **Cooperatives** - function as private firms seeking a profit with equity goals in distribution of income. As NGOs are considered to be primarily value driven, all coops will not neatly fit the NGO paradigm.
5. **Policy advocates** - focus on human rights or environment and often act to influence project design and implementation.

The NGO-Bank collaboration usually occurs during the implementation phase, but NGOs can influence project identification, design, monitoring and evaluation. The Bank-NGO review supports increased NGO involvement during the planning stage, especially in projects at the local level.

The community association NGO can ensure that potential beneficiaries' aspirations are considered during project planning to encourage their support during the entire project cycle.

- In Bolivia, an urban upgrading project was successful at integrating neighborhood associations into the project. The result was a continuing effort by beneficiaries to maintain the buildings.
- Cost recovery is essential to sustainability and promotes replication. Long-term involvement of grassroots groups, including contributing to on-going costs, is likely when NGOs convince project designers to listen to them.
- An important opportunity for NGOs to participate in project design occurs with structural adjustment lending. NGOs active in communities can help design lending strategies to improve conditions for the low income population as well as alleviate the impact on the poor. The Bank is beginning to use NGOs in programs intended to mitigate suffering during structural adjustment by bringing community concerns to the national government.

The Bank collaborates with intermediary NGOs to apprise the borrower government and Bank of beneficiary needs and knowledge of local conditions as well as ensure the community is aware of a project's purpose.

- The World Bank's experience with umbrella organizations as voluntary organization intermediaries is often similar to USAID's. The Bank's Togo NGO Collaborative Project suffered delays due to conflict between the umbrella CONGAT and its members because it began to compete with its members for donor funding. "Efforts to create umbrella groups for project purposes should

be approached with caution. A sudden influx of assistance to a donor-created coordinating body can diminish NGO autonomy by making collaboration with other groups a precondition to donor support."

- FENACOAC, a federation of savings and loan cooperatives in Guatemala, helped its member coops to apply for loans available from a Bank project. The national housing bank was too far removed from small entrepreneurs to accomplish this. Intermediary NGOs also provide technical assistance, channel funds and train smaller groups and individuals.

An important aspect of working with NGO service providers is Bank/borrower recognition of the particular developmental objectives of each NGO. They have goals and ways of operating which separate them from contractors who are concerned primarily with receiving a fee for carrying out the project's objectives as understood by others. There can be some controversy as to the appropriateness of these wider, social goals taking precedence in some Bank projects.

- In El Salvador's Second Urban Development Project, FUNDASAL (Salvadorean Low-Income Housing Foundation) was asked to implement the entire project. The Bank staff disagreed with FUNDASAL concerning how project objectives and progress would be addressed in evaluations. For example, there was little dependable hard data in the cost-benefit analysis of mutual help. FUNDASAL produced one evaluation and the Bank another with less political content. The project outcome was unaffected by this solution.

Contractor NGOs generally bid for participation in project components after the design and approval phase. Ideally, their particular development agenda is compatible with the project's strategies and goals. They are not expected to advocate changes in project design and implementation to suit any institutional doctrine. However, the Bank discovered that some NGOs serving as contractors could have enhanced project success if given more scope to use distinctive development approaches within a project.

- In Liberia CARE served as contractor to build village schools. It were hired because of its technical capability as well as cost effectiveness. Even though CARE fulfilled its contractual responsibility of erecting the schools, their expertise in linking beneficiaries to the outputs was neglected. CARE did not create a role for the schools and some were unused and deteriorated.

- The Bank is aware of charges that support of contractor NGOs may delay development of private (for-profit) or government capacity. NGOs are encouraged to emphasize training of government and private workers and make vehicles, machinery, etc. available to government or private business at concessional prices after project termination.

Cooperatives do not always fit the image of NGOs because they are profit oriented. Their adherence to social equity goals and enabling rural inhabitants to participate in development must be important institutional objectives in NGO coops. The Bank supports coops to enable them to become self-sustaining private firms. The report highlights three coops termed successes because they combined the business function with increased political power for members.

- In Zaire and Turkey livestock projects were reviewed and the India Dairy Project, "demonstrated profound social and economic consequences, as cooperative profits are used to finance communal resources of education, water supplies, health services, and access roads." (Salmen p. 62). However, the Zaire and Turkey coops still depend on managerial and technical services from donors through NGO services.
- Sustainability can be threatened by a coop's institutional shortcomings as well as by financial problems. In Cameroon a coffee coop assumed extra functions due to lack of central government capacity. They began activities in animal husbandry, tree planting, bottomland development, water supply, food production and extension as well as coffee production. Aside from the difficulties of fulfilling the expanded role, the Bank discovered that the coop's members resented this increased influence.

Advocacy NGOs serve to monitor implementation to ensure the rights of local people are considered, technical knowledge is disseminated and national government commitments are respected by local officials.

- International NGOs influence industrial country governments to put pressure on the Bank and on host governments to achieve these same purposes. Initially these NGOs generated campaigns for media attention to force Bank recognition of their agenda.
- An Environment Department and divisions in all four regional technical departments of the Bank were opened to ensure recognition of the impact of projects on the environment, oustees, and indigenous tribes. NGO staff

are often present on technical and policy committees of borrower governments where their interests are made known.

Recommendations to Improve the Bank's Collaboration with NGOs

- Provide institutional assistance to both NGOs and governments to better enable each to deal with the other to accomplish development objectives. This includes special financial arrangements to facilitate NGO contractor participation in projects requiring large expenditures and training and institutional strengthening.
- Strengthen Bank-NGO dialogue through sponsoring occasional conferences and workshops for the dissemination of innovative NGO experience and development perspectives.
- Involve NGOs upstream during project design to ensure the use of NGO capacity and knowledge of local conditions and generate local support necessary for sustainability. Also this will help reconcile project objectives with an NGO's goals and institutional capacities.
- Devise reporting procedures to emphasize qualitative aspects of projects using NGOs - the same aspects for which the NGO was selected to participate.

Annex E

SCOPE OF WORK

1. Survey documents from several PVO Co-Financing projects which include PVOs acting as intermediaries (umbrella PVOs).
 - A. Where is responsibility for management/oversight vested?
 - 1) Management/oversight vested entirely within the Mission.
 - 2) Management/oversight contracted out to a USPVO/contractor or a local PVO/contractor.
 - 3) A mixed mode with some functions handled by the mission and others by one or more contractors or umbrella organizations.
 - B. Identify effectiveness of each management/oversight mode in:
 - 1) Supporting the identification and design of individual PVO grants (review of concept papers; assistance in designing and review of individual PVO proposals)
 - 2) Providing quality backstopping to approved PVO projects (installing and maintaining evaluation and monitoring systems; reviewing quarterly reports, field monitoring, responding to the needs of PVOs as they require assistance in implementation)
 - 3) Delivering tailor-designed training and technical assistance to PVOs (whether registered with the Mission or not)
2. Lessons learned from ongoing/recently completed PVO programs:
 - A. What can be said about relative management intensiveness of different modes? Is it, for example, true that contracting out the day to day management/oversight of individual PVO activities to an umbrella contractor significantly reduces a Mission's management burden?
 - B. What are the trade-offs in terms of quality/efficiency of services delivered under different management modes?
 - C. Are there any ideal areas of middle ground, i.e., are there certain management/oversight functions that should ideally be kept within a Mission and others that are best contracted out?

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Annex A

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Annex B

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