



## AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES A.I.D. MISSION TO COSTA RICA

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June 27, 1986

Mr. Thomas R. Byrne, Executive Director  
 Private Agencies Collaborating Together  
 777 United Nations Plaza  
 Suite 600  
 New York, New York 10017

Subject: Operational Program  
 Grant No. 515-0232  
 PVO Support Grant

Dear Mr. Byrne:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, Section 106, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby authorizes a Grant to the Private Agencies Collaborating Together (hereinafter referred to as "PACT" or "Grantee"), in the sum of One Million Three Hundred Thousand United States Dollars (\$1,300,000). The Grant will assist in encouraging an increased U.S. PVO involvement in Costa Rica, and establish a sustained mechanism to disburse dollar funds for U.S. PVOs to complement local currency funded activities. In addition, the Project will assist in the establishment of an independent PVO umbrella support entity in Costa Rica, separate from CINDE. The new entity will obtain legal status and through the technical assistance and guidance provided by PACT, develop the institutional capacity to manage dollar as well as local currency grants. Simultaneously, PACT will channel U.S. dollars to fund U.S. PVO activity in Costa Rica.

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending five years thereafter. Except as provided for in Section "B" of Attachment I, this Grant provides funding for the activities planned during the first year of this period. Future year activities will be subject to the availability of future year funding.

This Grant is made to PACT, on condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment I, entitled "Schedule"; Attachment II, entitled "Project Description"; Attachment III, entitled "Standard Provisions for U.S. Grantees"; and Attachment IV, entitled "PACT/Sub-Grantee Standard Provisions", which are attached hereto and form part of this Agreement.

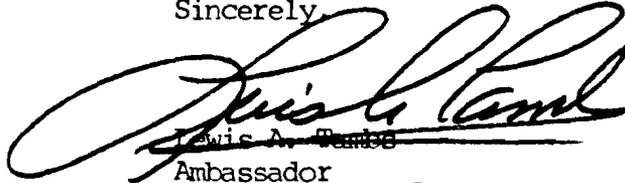
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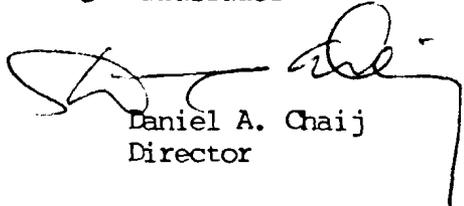
Grant Authorization Letter

Page 2 of 2

Please sign the original and five (5) copies of this letter to acknowledge your receipt of the Grant, and return the original and four (4) copies to USAID/Costa Rica.

Sincerely,

  
Lewis A. Tambor  
Ambassador

  
Daniel A. Chaij  
Director

Attachments:

1. Schedule
2. Project Description (Proposal as submitted by PACT)
3. ~~Standard Provisions~~
4. ~~PACT/Sub-Grantee Standard Provisions~~

Acknowledged:

Private Agencies Collaborating Together

  
By: Thomas R. Byrne  
Executive Director

Date: June 27, 1986

Attachments:

1. Schedule
2. Project Description (Proposal as submitted by PACT)
3. Standard Provisions
4. PAC/Sub-Grantee Standard Provisions

Acknowledged:

PACT

By: Mr. Thomas R. Byrne

Title: Executive Director, PACT

Date:

Fiscal Data

Appropriation:	72-1161021.6
Budget Plan Code:	LDAA-86-25515-DG13
Project No.:	515-0232
Congressional Notification Cable, dated May 6, 1986	142012
Total Estimated Amount:	\$4,900,000
Total Obligated Amount:	\$1,300,000
IRS Employer Identification Number:	13-2702768
Funding Source:	USAID/Costa Rica
Account:	SDA

Project Schedule  
Terms and Conditions

A. Purpose of Grant

The purpose of this Grant is to assist the USAID Mission to maintain its support to PVOs, and especially the U. S. PVO community. To achieve this purpose, the Private Agencies Collaborating Together (PACT) will provide technical assistance to assist in the establishment of an independent PVO umbrella support entity in Costa Rica separate from the Costa Rican Coalition for Development Initiatives (CINDE), while simultaneously channeling U.S. dollars to PVOs registered with AID/W to finance Operational Program Grant type activities. The Project is more fully described in Attachment 2 to this Grant entitled "Project Description".

B. Period of Grant

This Grant is effective as of the date of this Grant Agreement Letter and expires five years thereafter. PACT's significant in-country participation is estimated to be required for the first three years. By the end of the third year, the new PVO support entity should be able to manage the PVO portfolio adequately for the remaining two years of this Project. However, PACT will continue to operate as the funding mechanism as needed throughout the life of the Project.

C. Amount of Grant and Payment

1. The total estimated amount, subject to the availability of funding, of this Grant for the period of PACT's participation shown in B. above is \$4,900,000.
2. AID hereby obligates the amount of \$1,300,000.00 for program expenditures during the first year of project activities, as shown in Section I, the proposed Estimated Budget.
3. Payment shall be made to the Grantee in accordance with the procedures set forth in Attachment 3, Standard Provision 10, entitled "Payment - Letter of Credit".

D. The Project

PACT will assist the Mission to respond to the increasing volume of PVO activities by:

- (i) channeling dollar funding to U. S. PVOs,
- (ii) assisting in the creation of an independent Costa Rican PVO umbrella support entity, and

- (iii) strengthening the institutional capacity of the new PVO support entity to manage dollar as well as local currency grants. The parties therefore agree to the following, unless AID otherwise agrees in writing.

1. Management Structure

PACT will provide a resident advisor for three years, and as required and authorized by USAID, short-term technicians to assist in strengthening a PVO support mechanism for Costa Rica. These technicians will assist the PVO umbrella entity to identify appropriate methods to provide increased flexibility to approve sub-projects and to implement Operational Program Grant type projects. The PVO support entity's Board of Directors's (Board) will be composed of a minimum of five members approved by AID, the PVO support entity's Executive Director, two individuals representing the PVO community and two prestigious and knowledgeable representatives from the Costa Rican private sector community at large.

2. Proposal Analysis and Approval Process

Proposals for funding sub-project activity will be reviewed by the PACT resident advisor and the PVO support entity's staff and subsequently be passed with the corresponding analysis and recommendations to the PVO support entity's Board of Directors.

( i ) A quorum for project approval will require the representation of three Board members, provided that at least one of the members represents the PVO community. Project approval/disapproval will be decided by a simple majority vote of the Board members present. The Board will also be empowered to vote on recommendations by the PVO support entity's director or PACT's resident advisor to terminate any on-going project for non-compliance.

(ii) In the event that the Board and PACT are unable to reach mutual agreement during sub-project selection, PACT has the authority to reject dollar projects accepted by the Board, or to present to USAID/Costa Rica for Mission approval proposals rejected by the Board.

3. Mission Concurrence on Projects

All projects approved by the PVO support entity's Board require USAID/Costa Rica's written concurrence, before the final sub-project agreement is signed. Generally, the Mission will respond no later than two weeks after the Board's decision is submitted to USAID for approval.

#### 4. PVO Eligibility (Sub-Grantees)

a) In order for PVOs to be eligible to receive sub-grants, they must be registered with AID/W and demonstrate to PACT that they meet AID's privateness requirement that at least 20% of their total annual funding is from sources other than the United States Government. The list of eligible PVOs is maintained by AID/W, Office of PVOs.

b) The U. S. PVOs which receive sub-grants will be required to support their individual projects with a minimum of an additional 25% cash and in-kind contributions from non U.S. Government sources.

#### 5. Monitoring Responsibilities

Upon approval of sub-projects, the PVO support entity will be responsible for notifying the beneficiary agencies, and for arranging payment schedules to be incorporated into the Sub-Grant Agreement between PACT and the PVO. The disbursement to the sub-grantees will be made by PACT following the procedures established in attachment 4, PACT/Sub-Grantee Standard Provisions. During the implementation of each sub-project PACT and the PVO support entity will be responsible for ensuring that sub-projects are monitored on a regular basis, making site visits as appropriate, gathering data, and preparing quarterly progress summary reports.

#### 6. Implementation Plan

Within sixty days after signing the Grant Agreement, PACT will present to USAID/Costa Rica a six month implementation plan detailing as a minimum the following:

- ( i) the types and dates of technical assistance that PACT will provide;
- ( ii) a concept paper including a time table on how PACT proposes to assist in establishing an independent legal PVO support entity, separate from the existing CINDE operation;
- (iii) a schedule of the international visits proposed for the PVO support entity's staff, and objectives of each visit; and,
- ( iv) a schedule of seminars, workshops and other special events aimed at assisting the PVO community.

This Implementation Plan should be conjunctionally developed with the PVO support entity, revised semi-annually and presented to USAID/Costa Rica for concurrence.

7. Treatment of Pipeline Fund at End of Grant

After the new PVO support entity obtains legal status in Costa Rica, an amendment to the PACT Grant will be signed between USAID, PACT and the new PVO entity. If the schedule of disbursements to dollar grant recipients stretches beyond the three year period of PACT's significant in-country participation, PACT will continue disbursements, as needed, for the remaining two years. By this time the PVO support entity will have developed the capacity to manage dollar funded projects, and will continue to be responsible for monitoring the sub-grants. PACT's regional representative, during his scheduled trips to Costa Rica, will continue to provide periodic technical assistance to the new PVO support entity after PACT's three-year significant in-country participation without the allocation of additional AID funding.

E. Reporting and Evaluation

- (i) In addition to the Financial Status Reports required under the Federal Reserve Letter of Credit advance mechanism, PACT will present to AID/Costa Rica a written report on a quarterly basis detailing the advances and type of sub-grants, and the status of technical assistance provided to the PVO support entity.
- (ii) AID evaluation policy calls for undertaking evaluations when needed rather than according to a pre-set schedule. There are three possible points at which AID may determine an evaluation is necessary or desirable. First, project monitoring may reveal that an evaluation is needed to review the procedures established for authorizing sub-grants and/or to determine the effects of this project in smoothly implementing the mechanism for establishing the independent PVO support entity. Second, an evaluation of the project's effectiveness in establishing the independent PVO support entity and of the Entity's capability to become the implementing agency for the project may be appropriate prior to the termination of PACT's involvement in the project, especially if project monitoring reveals doubts on this issue. Finally, an end-of-project evaluation will be appropriate if a follow-on project is being considered or if such is otherwise determined as necessary. Otherwise, a Project Completion Report to the AID project manager will suffice.

In the case of any evaluation, criteria will be developed by the Mission and PACT. The evaluation will be conducted by a firm acceptable to USAID. The project budget will include a line item for evaluation which will be available for reprogramming if evaluations are determined to be unnecessary.

- (iii) Quarterly reports will be submitted in Spanish and evaluations reports will be submitted in English and Spanish, to the A.I.D. Project Officer in the General Development Division.

F. Publicity

The Grantee will provide appropriate publicity, and arrange for the sub-grantees to identify their sub-grants as projects to which the United States has contributed. Vehicles and equipment purchased with this Grant should be identified and appropriately marked as financed by AID.

G. Special Provisions

PACT must adhere to the applicable regulations contained in the Standard Provisions for U.S. Grantees (Attachment 3). The Standard Provisions which do not affect the administration of the program and which PACT is not required to follow are: 2. Allowable Costs and Contributions (Educational Institutions), 6. Negotiated Overhead Rates Predetermined, 8. Negotiated Overhead Rates - Educational Institutions, 11. Payment Periodic Advance, 12. Payment-Reimbursement, 21. Title to and care of Property (Cooperating Country Title).

H. Financial Plan

Following is the Financial Plan for this Grant. Revisions to this Plan shall be made in accordance with Standard Provision of this Grant, entitled "Revision of Financial Plans."

Subject to the availability of funding, A.I.D. will provide under this O.P.G., during a three year period, a total of \$4,900,000 million for PACT to assist in the establishment of a local PVO umbrella support entity and to channel U.S. dollars to PVOs registered with AID/W to finance OPG-type activities in Costa Rica. The funds will be used in accordance with the Estimated Budget presented on Pages 7-9. A fifteen per cent (15%) flexibility between line items in the above estimated budget is hereby authorized without prior written approval of A.I.D. However, PACT will inform A.I.D. of such changes in the quarterly report following the budgetary change.

PACT will support the Project with a minimum cash contribution of \$100,000. This counterpart contribution of \$100,000 will be disbursed over a three-year period, and will be used to complement the Grant to strengthen the development capacity of PVOs. PACT's counterpart contribution will assist in financing workshops, seminars, special events and interagency exchanges.

The PVOs receiving sub-grants under the Project will be required to provide a minimum contribution of 25 per cent of cash and in-kind contributions from other, non-U.S. Government sources. This counterpart contribution will total approximately U.S. \$1,200,000.

Each sub-grantee will be authorized to use up to 3 per cent of its sub-grant to contract a U.S. CPA firm or a local accounting firm affiliated to a U.S. CPA firm, to conduct a Financial and Compliance type audit of its project. This audit should be conducted upon completion of the activity, and four copies of the audit report (two in English and two in Spanish) will be submitted to PACT. One English and one Spanish copy will be submitted by PACT to A.I.D. ✓

In-kind support to be provided by the PVO support entity represents the local currency equivalent of approximately \$375,000 during the life of the Project.

Estimated Budget

<u>Budget Item:</u>	<u>\$ First Year Costs</u>	<u>\$ Future Funding</u>	<u>\$ Total Project Funding</u>
<u>Personnel</u>	<u>124,818</u>	<u>244,216</u>	<u>369,034</u>
PACT Project Fund Director, 10%; PACT Regional Representa- tive, 15%; PACT Administrative Assistance, 25%; Bilingual Secretary, 25%	30,938	61,876	92,814
PACT Resident Representative:			
Salary benefits	52,000	104,000	156,000
Settlement	6,000	6,000	12,000
Housing	12,000	36,000	48,000
Travel	1,280	3,840	5,120
Other	600	1,800	2,400
Short-term Consultant time	22,000	30,700	52,700
100 days year one, \$220 day			
85 days year two, \$220 day			
50 days year three, \$240 day			
<u>Travel</u>	<u>23,000</u>	<u>31,600</u>	<u>54,600</u>
Airfare	9,600	11,300	20,900
15 trips at \$640 year one			
10 trips at \$640 year two			
7 trips at \$700 year three			
Per Diem	7,000	9,450	16,450
Short-term Consultant			
100 days at \$70/day year one			
135 days at \$70/day, combined future years			
Support Personnel	4,200	7,350	11,550
60 days at \$70/day year one			
105 days at \$70/day combined future years			
Other Travel Costs	2,200	3,500	5,700
(visas, taxi, in-country transportation)			

<u>Budget Item:</u>	<u>\$ First Year Costs</u>	<u>\$ Future Funding</u>	<u>\$ Total Project Funding</u>
<u>Workshops/Technical Assistance Grants</u>	35,000	58,000	93,000
Per diem, honoraria, didactic materials, participant costs 5 events annually at \$5,000	25,000	50,000	75,000
Mini-grants to PVOs for inter-agency exchanges 10 first year \$1,000/e.a. 4 annually year two and three	10,000	8,000	18,000
<u>Training of PVO Support Entity's Personnel</u>	9,000	12,000	21,000
International Travel, per diem, registration fees, etc. 3 events in year one, \$3,000 e.a. 2 events in year two, \$3,000 e.a. 2 events in year three, \$3,000 e.a.	9,000	6,000 6,000	9,000 6,000 6,000
<u>Evaluation</u>	13,000	12,000	25,000
First year Evaluation	13,000		13,000
Final Evaluation		12,000	12,000
<u>Local Costs</u>	56,400	52,800	109,200
Vehicle	20,000	--	20,000
Vehicle Maintenance	6,400	12,800	19,200
Office Rental/Utilities	4,800	9,600	14,400
Office Equipment	12,000	6,000	18,000
Office Supplies	4,200	8,400	12,600
Communications	6,000	12,000	18,000
Other	3,000	4,000	7,000
<u>Dollar Grants to Projects</u>	869,000	2,720,000	3,589,000
11 projects year one, \$79,000 average 34 projects combined two future years, \$80,000 average			
Total Direct Costs	1,130,218	3,130,616	4,260,834
PACT Overhead 15%: Provisional	169,533	469,592	639,125
<b>TOTAL (Rounded)</b>	<b>1,300,000</b>	<b>3,600,000</b>	<b>4,900,000</b>

- 1) Amounts shown above represent the maximum costs associated with the hiring of a Resident Representative and his/her placement in Costa Rica. Depending on the person actually chosen for the position, the amounts could be substantially adjusted downward.
- 2) PACT's current, approved overhead rate is 20.93%. However, additional funding requests from AID/W to PACT, which are expected to be approved, will likely have the effect of lowering this percentage over the life of the project. A provisional figure of 15% has been used here. In any case, the overhead rate charged to USAID will be adjusted to reflect the actual approved level.

A PROPOSAL TO  
THE USAID/COSTA RICA MISSION

FOR AN  
OPERATIONAL PROGRAM GRANT

PRESENTED BY  
PRIVATE AGENCIES COLLABORATING TOGETHER

777 UNITED NATIONS PLAZA  
NEW YORK, NEW YORK 10017

MARCH 1986

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### Attachments:

- A. PACT Member Agencies: Who They Are and What They Do
- B. 1983 Annual Report
- C. PACT Funding Policy
- D. PACT Development Fund
- E. Grants to Consortia
- F. PACT High Risk/Demonstration Fund
- G. PACT Supportive Activities Fund
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- I. Project Selection Committee Members
- J. Project Fund Report, from the FY'84 Annual Report to AID
- K. List of Supportive Activities Grants
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- M. Report on Consortia Activity
- N. List of Latin American Projects Supported by PACT
- O. Summary Version of RRNA's 1982 Evaluation of PACT

## I. EXECUTIVE SUMMARY

Private Agencies Collaborating Together (PACT) is requesting that the USAID/Costa Rica Mission provide a two-year Operational Program Grant in the amount of \$3,338,491 (a total of \$1,418,201 in year one and \$1,920,290 in year two) for the purpose of undertaking a project to promote socio-economic development activity in Costa Rica through private sector involvement.

PACT is an international consortium of private voluntary agencies. Its principal goal is to support the initiatives of low-income persons in developing countries to improve their social and economic conditions through the collaborative efforts of private development agencies throughout the world, particularly by supporting and fostering local organizations increased strength and self-sufficiency. PACT's purpose is to increase the institutional capacity of private development agencies through the provision of funding and support services made available by a tested process which selects, funds, monitors and evaluates field-level development projects, and which directly involves/directly impacts on individuals and groups of persons with limited access to resources.

The project for which funding is being proposed is the outgrowth of a April/May 1985 consultancy which PACT performed at the request of the USAID/Costa Rica Mission. During this time PACT provided technical assistance to the Private and Voluntary Organization (PVO) Division of the Coalicion Costarricense de Iniciativas de Desarrollo (CINDE), a recently created Costa Rican entity that promotes private sector activity. PACT's assignment in this case was to assist CINDE/PVO expand and strengthen its program.

PACT effectively assisted CINDE/PVO management to clearly state its objectives and funding criteria, to develop guidelines for proposals, to define the various steps in its review and selection processes, to name a Project Selection Committee, to streamline its reporting requirements, and to outline a technical assistance program for the PVO community.

However, CINDE/PVO and PACT agreed that further assistance will be required in order to assure CINDE's role as a PVO support mechanism. Moreover, the consultancy identified the need for CINDE/PVO to be able to make dollar grants to PVO projects, in addition to the colon financing that is already available.

The result of the aforementioned actions is this unsolicited request for support of a project whose goal is:

"To improve the lives of low-income Costa Rican persons living in rural and urban communities, through socio-economic, participatory projects implemented by Costa Rican and internationally-based private and voluntary organizations".

The project will have four, highly interrelated purposes:

- 1) To facilitate the establishment of CINDE/PVO as an independent legal entity, separate from the existing CINDE operation.
- 2) To establish a U.S. dollar and colon, grant-making program in Costa Rica that will support socio-economic projects of PVOs working in Costa Rica.
- 3) To increase CINDE/PVO's efficiency and effectiveness as a grant-making and PVO-support organization.
- 4) To design, promote and implement a technical assistance program for the local and international PVO community.

The outputs, at the end of the second year of the projected activities will include the selection and funding of 30 projects in diverse functional areas; a smoothly-running project selection process capable of monitoring grants and reporting back on a timely basis; the promotion of between 10 workshops and/or special events, as part of a regular technical assistance program, to strengthen, at least, 150 employees of approximately 50 PVOs, through assistance in such elements as project design, proposal writing, monitoring, evaluation, identification of funding sources, reporting and project management, among other topics; and a separately-incorporated, PVO-support entity.

The attainment of the project's purposes, and the realization of the resultant outputs, will, however, depend heavily on AID's continued financial support for CINDE/PVO's operational and subgrant costs, particularly during the transition period.

PACT believes that it is in a prime position to implement this program, based on its thirteen years of experience, during which it has channeled \$35,000,000 of AID support (matched by at least an equivalent amount of non-AID resources) to 450 projects in Latin America, the Caribbean, Asia and Africa.

PACT is seen by many as a model for relationships between government and private agencies. This relationship is characterized by mutual respect, flexibility, and trust. PACT has built up an enviable credibility with U.S. and Third World agencies, USAID, national and international consortia, and other bilateral and multi-lateral bodies. It has established creative relations with a wide range of development agencies and acquired a thorough knowledge and appreciation of U.S., international, and local development agencies. PACT has a remarkably solid reputation for efficiency, competence, and integrity.

The recent evaluation of PACT that was conducted by Robert R. Nathan Associates at the request of AID concludes, among other things, that:

"In identifying and funding a number of outstanding projects and a good portfolio of projects in general, PACT fulfills the main current intention of AID".

Moreover, RFNA indicates that:

"...PACT does make a difference, improving the design and performance of its projects."

PACT will provide periodic reports on the results of the proposed project, supplemented by accounts of any special events as they take place. In addition, PACT staff and consultants will take care to maintain the USAID/Costa Rican Mission informed and involved over the course of the flow of activity.

An mid term evaluation of the project's impact will be undertaken by an acceptable third party near the end of the first year of activity.

An annual audit of PACT's financial records, including any provided under this project, will be performed by a recognized, public accounting firm.

## II. AN INTRODUCTION TO PACT

PACT is an international consortium of private voluntary agencies. Its principal goal is to support the initiatives of low-income persons in developing countries to improve their social and economic conditions through the collaborative efforts of private development agencies throughout the world, particularly by supporting and fostering local organizations' increased strength and self-sufficiency. PACT's purpose is to increase the institutional capacity of private development agencies through the provision of funding and support services made available by a tested process which selects, funds, monitors and evaluates field-level development projects, and which directly involves/directly impacts on individuals and groups of persons with limited access to resources.

Founded by eight private agencies, who were convinced that a coordinated approach to development efforts would increase their capabilities and maximize their effectiveness, PACT now has twenty-six members, including five Latin American and two African agencies. One of the Latin American and both of the African agencies are themselves consortia, bringing the number of agencies linked to PACT to 125. A list of member agencies and their program interests is included as Attachment A. A 1983 Annual Report is provided as Attachment B.

PACT was incorporated in 1971; staff was hired and initial financing secured in 1972. AID has been the primary funding source for PACT.

The principal operational mode of PACT is the transfer of resources. Since its founding, PACT has successfully managed a Project Fund, which has channeled \$35,000,000 of AID support (matched by a least an equivalent amount of non-AID resources) to 450 projects in Asia, Africa, Latin America, and the Caribbean. PACT's Supportive Activities Fund has been an innovative mechanism

for 440 small and flexible matching grants totalling more than \$1 million to non-project activities such as project planning, conferences, staff training, interagency technical assistance, publications and study visits. Attachments C, D, E, F and G provide the most recent overview of PACT funding policy.

While grant-making activities, including evaluation and assessment, account for the largest allocation of time and resources, PACT has also developed a broad range of services and supportive activities in an effort to improve the capability and effectiveness of PVOs, to reduce duplication, and to provide information necessary to the effective management of development programs.

#### A. Project Fund

Project Fund grants are intended for field-level projects where activities: 1) directly involved beneficiaries, and 2) anticipate observable changes at this level.

Grants from the Project Fund are made to both member and non-member agencies and to both U.S. and indigenous agencies. The Project Fund guidelines include the criteria used for selecting projects and the steps in the review and funding process. The main elements of the selection criteria and review process have been in place since 1972, although they have been modified and improved on several occasions, reflecting PACT's experience and the needs of PVOs.

The six principal criteria used to determine funding eligibility state that the project should:

- aim at improving the condition of life of beneficiaries who have limited access to resources,
- address a locally-determined need,
- contribute to the capacity of the beneficiaries to plan and manage the use of resources,
- promote collective action among the beneficiaries so that they respond not individually, but together, to their common needs,
- include contributions by the beneficiaries of ideas, time and materials, and
- address a development in such a way that the results can have a demonstrable impact beyond the specific endeavor.

Additional project-related materials can be found in Attachments H, I and J.

## B. Supportive Activities

The Supportive Activities Fund promotes a broad range of activities designed to improve the institutional capabilities of PVOs. The Fund was established in 1977 in response to the needs of membership agencies. Grants are intended to encourage and facilitate collaboration in a variety of activities through sharing of experience, skills and resources.

The types of activities funded include:

- project planning and proposal preparation,
- staff training,
- project evaluations,
- study visits to other agencies and projects,
- agency sponsorship of conferences/seminars/workshops,
- attendance by agency staffs at conferences/seminars/workshops,
- publication and distribution of manuals or other project-related documents,
- provision of technical assistance by the staff of one agency to another, and
- consultant services for specific tasks, such as assessing the feasibility of introducing a computer for financial operations.

Since 1977, 440 grants have been made, totaling more than \$1 million. The average award is approximately \$2,500, and for the past three years, PACT has made 60-70 grants per year. A complete list of grants is supplied in Attachment K.

## C. Consortia Grants

PACT has a particular interest in establishing relationships with other consortia. Three of the PACT members are consortia, and PACT has had a close contact with other groupings in Europe, Canada and developing countries.

Relationships with consortia provide the means for PACT and its members to establish ties with a large number of PVOs than would otherwise be possible. In addition, PACT believes that consortia in developing countries can play an important role in strengthening the institutional capabilities of the growing number of local agencies.

Through the Supportive Activities Fund, PACT began making small (generally under \$5,000) grants in 1977, to groups in Latin America, Africa and Asia for the purpose of assisting them to initiate activities, or, in the case of more established consortia, helping them provide services for their members. since 1977, 50 small grants have been given to consortia.

A complete listing of consortia grants, both prior and after 1981, is presented in Attachment L. A report on consortia activity can be found in Attachment M.

D. Evaluation and Assessment

Evaluation is an integral part of the PACT funding process. PACT uses evaluation to ensure responsible financial and program management, and to discuss project progress and results with beneficiaries and PVOs. PACT also feels a responsibility to play a leading role in assessing PVO experience and disseminating conclusions to PVOs and donors.

During the past three years, PACT has placed increasing emphasis on evaluation and assessment by:

- 1) Encouraging and assisting PVOs to monitor and evaluate projects
- 2) Assessing PVO Experience
- 3) Examining PACT's Own Process and Policies

E. Services

The services PACT provides to members and to non-member PVOs are designed to increase their institutional effectiveness. The services facilitate collaboration among agencies.

PACT has been selective in the services it has sponsored, preferring to assist other agencies to take on functions on behalf of the larger PVO community.

The services PACT provides are:

- 1) Information Exchange
- 2) Group Benefits Plan
- 3) Salary and Benefits Survey
- 4) PVO Associations
- 5) Technical Assistance

### III. PROJECT BACKGROUND

As a result of a visit by the AID/LAC Liaison Officer during January 1985, the USAID/Costa Rica Mission received a request from the Coalicion Costarricense de Iniciativas de Desarrollo (CINDE) for PACT to provide technical assistance to help CINDE expand and strengthen its PVO program.

A technician selected by PACT was asked to conduct a review of CINDE's PVO portfolio with the objective of identifying administrative needs and proposing alternative solutions to the program constraints. The assistance was to include, but not be restricted to:

- A. Management assistance in four specific areas:
  - 1. Project identification and selection
  - 2. Proposal review process
  - 3. Project monitoring (accountability and financial reports)
  - 4. Project evaluation
  
- B. Assist the PVO Unit in developing an organizational plan
  - 1. Review CINDE's existing plan and recommend specific actions for execution
  - 2. Establish mutually agreed upon objectives to implement the plan within a specific time frame
  
- C. Identify institutional or personnel constraints which restrict CINDE from establishing procedures to be more responsive to PVOs
  - 1. Explore the receptiveness of diversifying the project portfolio
  - 2. Explore and recommend methods to develop stronger ties to the PVO community
  - 3. Explore the possibility of CINDE collaborating with Peace Corps/Costa Rica to identify projects and agencies
  - 4. Determine the feasibility of developing a bi-partisan, broad-based project selection committee
  
- D. Develop a managerial plan that will lead to a more autonomous PVO Unit

After collectively spending 20 days preparing for this assignment, e.g., reading background materials, interviewing persons directly familiar with CINDE programs, and producing relevant Spanish-language documents, the PACT team, which included the Executive Director, the Project Fund Director and the PACT Technician, traveled to Costa Rica on April 21, 1985.

The three held preliminary meetings with CINDE, USAID and PVO officials during few days of an effort to establish a good working relationship and reach a clear understanding of the assigned tasks.

The PACT technician then remained behind to complete the proposed agenda of activities.

In the ensuing weeks, additional group and individual meetings were held in order to obtain a more in-depth view of CINDE's programs and processes, and analyze where modifications might be appropriate.

The PVO section of CINDE is but one of four divisions of a recently created (Fall of 1982) organization charged with promoting private sector activity in Costa Rica (note: no attempt is made here to describe the background and activities of CINDE since it is well-known to most readers). While enjoying a major portion of the overall budget, CINDE/PVO had been given a lower priority than some of CINDE's other activities. For that reason, CINDE/PVO may have been operating at a disadvantage in terms of policy-setting and decision-making at the Board and top management levels.

Nevertheless, CINDE/PVO had made significant strides in developing a support program for both local and international PVOs operating in Costa Rica, although at the same time suffering from the results of having had to design new processes and procedures in isolation from other similar experiences such as PACT's.

Thus while many component parts of CINDE/PVO's system for supporting project were well-suited to their constituency, others had become unnecessarily bureaucratic in a short period of time. Perhaps the area where this was most evident and had impacted most heavily on the grant recipients of CINDE/PVO funding was the area of reporting.

Moreover, a number of policy questions related to the "who", "what" and "how" of funding had remained undefined, and the process for reviewing and selecting projects had not been completely understood by all parties concerned.

Due to a limited availability of staff time CINDE/PVO had likewise been unable to clearly define and/or implement a program of technical assistance for the community of PVOs, and the need for this was becoming increasingly apparent as CINDE/PVO had identified and been confronted with serious deficiencies on the part of the PVOs. Principal among these were program design, implementation, evaluation and proposal writing capabilities.

In addition, the lack of dollar funding ability had severely hampered CINDE/PVO's relationship with international PVOs who have both dollar and colon expenses that need to be covered.

Finally, it was found that the CINDE/PVO staff, while highly intelligent, energetic, personable and flexible in its approach, had suffered in terms of pure numbers and the lack of an adequate experience base vis-a-vis grant-making and working with PVOs. This situation was partially improved with the addition of two new staff members during late 1984 and early 1985, but further on-the-job and formal training was deemed necessary.

In an effort to respond to these findings and the assigned scope of work, the PACT technician, in close collaboration with CINDE/PVO produced a number of working documents and made various recommendations that can be characterized by the following points:

- CINDE/PVO's funding policy, objectives, criterias and norms were clearly set out in a public document, including a separate set of indications for dollar grants
- The procedures for receiving, reviewing and selection (or rejecting) a project were detailed in an internal document, and a flow-chart identified the individual steps in the projected 8-10 week process
- Guidelines for presenting a project to CINDE/PVO were established, with the objective of obtaining a more even quality of proposals for review
- An independent project selection committee was created with final authority to approve/reject funding up to U.S.\$100,000
- The monitoring and reporting processes were considerably streamlined and simplified, reducing the burden on both CINDE/PVO and the PVO recipient
- Guidelines for grant agreements were suggested
- A loan policy was outlined
- The development of a technical assistance program, as a complement to the financial assistance program, was recommended, and some potential component parts of that process were put forth for discussion
- Job descriptions, which delineate the respective staff responsibilities were drafted, and an organizational chart containing three new positions was developed
- Some suggestions for providing on-the-job and more formalized training of CINDE/PVO personnel were outlined for consideration
- Budgetary control features and bibliography recommendations were also provided.

The enclosed proposal, presented in the following pages, is an attempt to describe how PACT will further assist CINDE/PVO put these recommendations into practice.

#### IV. PROJECT GOAL/PURPOSE (Logical Framework)

Based on the findings of PACT's April/May 1985 consultancy with CINDE, PACT is proposing that the USAID Mission in Costa Rica provide funding under an Operational Program Grant mechanism in order to facilitate the continued flow of technical assistance to CINDE/PVO and to make available dollar funding for development projects.

The Goal Statement, Purpose Statement and other component parts of the logical framework for this two-year project are as follows:

##### Program Goal

To improve the lives of low-income Costa Rican persons living in rural and urban communities, through socio-economic, participatory projects implemented by Costa Rican and internationally based private and voluntary organizations.

##### Measures of Goal Achievement

- An increase in productivity
- An increase in income
- An improved standard of living
- An increased awareness of the need for development among participant groups.

##### Means of Verification

- Semi-annual reports from the individual PVOs managing funded projects
- Impact evaluations undertaken for specific projects
- Periodic reports from PACT

##### Important Assumptions

- That the general conditions within Costa Rica remain favorable for development activities
- That the PVOs have adequate levels of human and financial resources in order to implement their programs

Project Purposes

- 1) To facilitate the establishment of CINDE/PVO as a independent legal entity, separate from the existing CINDE operation.
- 2) To help CINDE/PVO create a dollar, grant-making program to complement their existing process in colones
- 3) To promote the design and implementation of a CINDE/PVO technical assistance program for the local and international PVO community
- 4) To increase CINDE/PVO's efficiency and effectiveness as a grant-making and PVO-support organization

End of Project Status

- A smoothly-running process that provides CINDE/PVO with the option to make dollar as well as colon grants to qualified PVO projects
- A CINDE/PVO support system that is able to process grant application within an 8-10 week period, monitor project progress, evaluate project impact, and report back to all interested parties on a timely and informative basis
- The existence of a separate set of activities which provide on-going assistance to the PVO community in such areas as project design, proposal writing, project implementation, project monitoring and evaluation, and report writing, among others
- A separately-incorporated, PVO support entity.

Means of Verification

- Periodic report
- Visits to PVO headquarters and project sites
- Contact with the PVO community
- A third party evaluation within the project period ✓

Important Assumptions Affecting Purpose/Goal Link

- That PACT maintains and hires additional qualified personnel
- That PACT give the program adequate backstopping and flexibility to operate freely
- That the PVO community continues to cooperate

- That the PVO community takes advantage of the technical assistance activities and applies the lessons learned

### Outputs

- 1) Dollar and colon grants to PVO projects
- 2) Clearly stated funding policy, project selection guidelines, proposal guidelines, reporting guidelines and a functioning Project Selection Committee
- 3) Trained CINDE/PVO personnel
- 4) Training workshops for PVOs, interagency exchanges, and one-on-one consultations with PVOs

### Magnitude of Outputs

- Approximately 30 projects receiving an annual grant of \$80,000 ?
- Bi-monthly meetings of the Project Selection Committee which process an average of 2-4 projects per meeting (for both dollars and colones)
- Approximately 185 days of on-the-job training in grants management and technical support management
- Seven formal training opportunities for CINDE personnel in other countries
- Approximately 5 workshops/seminar programs for PVOs, per year
- Approximately 20 interagency exchanges, per year

### Means of Verification

- Periodic reports
- Visits to PVO headquarters and project sites
- Contact with the PVO community
- Funding approval memos
- A third party evaluation near the end of the first year of the project
- Annual audit reports

Important Assumptions Affecting Output/Purpose Link

- That sufficient numbers of international PVOs can be attracted to Costa Rica and present qualified projects
- That the right combination of persons can be assembled for the Project Selection Committee and that they will be open to providing their time to CINDE/PVO
- That PACT can identify the necessary mix of consultants and staff
- That training opportunities can be coordinated
- That PVO needs can be correctly ascertained

Inputs

- 1) AID: A two-year OPG funding agreement
- 2) PACT: Permanent personnel and consultants  
Technical Assistance  
Administrative backstopping
- 3) CINDE/PVO: Personnel  
Administrative budget
- 4) PVO Community: Personnel  
Matching funds for projects

Level of Effort/Expenditure

- 1) AID: OPG Grant funding to PACT in the amount of \$3,338,491  
Colon funding to the PVO support agency for subgrants and operational costs
- 2) PACT: Project Fund Director, 10%; Regional Representative, 15%;  
Admin. Assistant, 25%; Bilingual Secretary, 25%; and 185 days  
consulting time
- 3) CINDE/PVO: Current staff, plus three additional persons to be hired  
An annual administrative budget of approximately  
U.S.\$150,000
- 4) PVO Community: Approximately 150 people to be trained  
Matching funds in the amount of \$800,000

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Means of Verification

- Periodic reports from PACT
- A third party evaluation near the end of the project period
- Quarterly reports from the individual FVOs (to PACT)
- Annual audit reports from PACT

Important Assumptions affecting Input/Output Link

- That the scheduled inputs are timely
- That the disbursement of funds and the contractual arrangements do not cause any obstacles or delays in the project
- That the consultative inputs can be coordinated with the needs of the project
- That the FVOs can identify additional sources of funding

V. PROPOSED ACTIVITIES

PACT is proposing to undertake a project to promote socio-economic development activity in Costa Rica, through private sector involvement. This project will have three, highly interrelated areas of attention: dollar grants to individual FVO projects of international agencies; grant-management assistance to CINDE, a Costa Rican FVO-support organization; and technical assistance programs for the FVO community in Costa Rica. All three of these activities will be implemented in closed partnership with CINDE's FVO Division, which will be spun off as an independent, private organization.

Of critical importance to the overall success of the proposed program will be the creation and development of a FVO support agency, utilizing the existing FVO Division of CINDE as a basis on which to build a new organization. (Note: All future references to "CINDE/FVO" will specifically refer to this independent entity that has yet to be named).

The outputs, at the end of the second year of the projected activities will include the selection and funding of 30 projects in diverse functional areas; a smoothly-running project selection process capable of monitoring grants and reporting back on a timely basis; the promotion of between 10 workshops and/or special events, as part of a regular technical assistance program, to strengthen at least 150 employees of approximately 30 FVOs, through assistance in such elements as project design, proposal writing, monitoring, evaluation, identification of funding sources, reporting and project management, among other topics; and a separately-incorporated, FVO-support entity.

PACT's Project Fund Director will have the overall responsibility for project management, although at the operational level, the project coordination will be in the hands of the PACT Resident Representative in Costa Rica working in tandem with the CINDE/PVO Director.

A description of the proposed activities follows:

A. Start-Up Phase

An initial three-month phase, to set the stage for the remaining activities, is proposed. During this time period, a concerted effort will be made: 1) to establish new governance mechanisms for CINDE/PVO and 2) to design organizational and financial work plans to ensure its growth, 3) to further develop CINDE/PVO's project selection guidelines and other related materials, 4) to offer two workshops to the PVO community in topic areas relevant to the proposed program.

One of the first areas of attention during the start-up phase will be the determination of the legal, organizational and financial aspects of CINDE/PVO's new identity. The exact nature and structural make-up that will be assumed by CINDE/PVO as an independent organization will be the result of a careful analysis of the various factors affecting its long-term operational and financial stability.

In addition to making a decision regarding various aspects of CINDE/PVO's institutional development, PACT will collaborate closely with CINDE/PVO staff in the preparation of work plans during the start-up phase. Documents will be designed related to staff development, Board of Directors make-up, management structure, portfolio transfer from CINDE, financial management and fund raising among other areas of interest and need.

In terms of project selection guidelines and procedures PACT's own processes will be used as the model for continuing to improve the Spanish-language documents tailored for the Costa Rican context. Among the pieces that will receive attention will be the policy statement, the set of project criteria, the description of the selection process, the suggested format for presenting proposals, and the project monitoring and evaluation process. Selected individuals and PVOs in Costa Rica will be called upon to help in the development of these materials.

As a parallel activity, PACT and CINDE/PVO will offer a two phased agenda of workshops for the PVOs working in Costa Rica, in an effort to establish a firm foundation for the program.

The first of these will be conducted for the basic purpose of introducing the program, discussing the proposed format, and obtaining feedback and suggestions. The second event, somewhat longer than the first, will deal with specific skill areas that will be important to the overall success of the program. These include planning, project design and proposal writing. Project implementation, project monitoring and project evaluation as well as sectoral workshops will be the subject of future events.

At the end of this initial period, PACT and CINDE/PVO will be prepared to implement the core set of activities, as described in the following section.

E. Establishment of CINDE/PVO as an Independent Legal Entity

CINDE/PVO and PACT will, in addition to the activities previously mentioned, begin a process that will culminate in the establishment of the CINDE/PVO operation as an independent legal entity, entirely separate from the main body of CINDE.

During the first three months, as was described in Section V.A., CINDE/PVO and PACT will conduct a study of the existing alternatives and determine which type of organizational structure is best suited for CINDE/PVO.

After presentation of these results to the appropriate authorities within CINDE/PVO, and other interested parties, steps will be taken to create a new organization which will collaborate with PACT and become the operational arm of the program described in the following sections. Although there are many unknowns at this time it is assumed that the existing CINDE/PVO personnel will make up the staff of the new entity, but that new Board members, office space, organization name, administrative procedures, etc. will have to be acquired and developed over time.

Of particular importance to the long-term development of an independent, PVO-support organization will be the design of a number of related work plans and the decisions regarding various issues.

From an organizational standpoint CINDE/PVO will have to determine whether or not to become a membership type agency. Governance questions, such as size and type of Board will be critical to CINDE/PVO's ability to operate and fund raise efficiently. Staffing members and patterns will likewise need to be established, as will management and administrative procedures.

In terms of finances, CINDE/PVO will have to negotiate the transfer of funding from CINDE itself in order to cover the grant obligations of its existing portfolio of projects, plus any additional assistance that they may be able to provide. A new operational budget will have to be developed for both the short and long-term. Sources of funding will need to be identified to cover these costs, and a local and international fund raising strategy will have to be designed to attract the required revenue. This latter plan will need to be put into practice as quickly as possible.

*fund  
raising*

PACT, through its Resident Representative, and by means of inputs from specialized consultants, will assist and advise CINDE/PVO during the transition from being a division within a larger organization to an independent entity. PACT will be able to call upon its own experience as well as others to help CINDE/PVO develop into a viable, PVO support agency.

### C. Grants to Individual PVO Projects

PACT proposes to carry out this part of the project and accomplish the stated objectives through the utilization of established procedures and practices, rather than create something entirely new, and therefore untried. The project selection and monitoring processes outlined in this section will be somewhat modified to meet the particular needs of CINDE/PVO, but the system will otherwise be essentially the same as the existing one that has proven itself over the course of the past thirteen years (Note: On a worldwide basis, PACT is currently processing approximately 50 field-level projects a year. A list of the Latin America region projects is contained in Attachment N.)

Given that the purpose of this project is to expand and strengthen CINDE's grant-making capabilities, as well as improve the lives of low-income people, PACT will work through and with CINDE/PVO's existing grant-making process in order to extend dollar grants to PVO projects.

While PACT technicians will be intimately involved at all levels of the selection process, from project identification to review, analysis, approval and monitoring, it will be PACT's intent to have the appropriate CINDE/PVO personnel take the lead in these activities. PACT's role will include, but not be limited to, advice, critical comment, suggestions, formal training and teaching by example. ✓

The funding policies and procedures that will be utilized during the review and monitoring of projects seeking dollar grants will be those of the CINDE/PVO unit, which as a result of PACT's earlier consultancy, are totally consistent with PACT's own, both in theory and in substance.

Copies of CINDE/PVO's revised policies and procedures were provided to USAID/Costa Rica as attachments to PACT's report following the consultancy and should be considered as an appendix to the OPG submission. CINDE/PVO's Board of Directors has approved these documents with only very minor modification, and they are in the process of being operationalized at this moment.

Specifically PACT helped CINDE/PVO establish six criteria as the basis for judging funding eligibility. These are similar to PACT's own criteria and are consistent with CINDE/PVO's stated objectives. They should be viewed as the beginning of a dialogue, and not as a set of rigidly-applied principles.

1. The project should be oriented toward the increase of productivity, employment and income for low-income groups of people.
2. The project should benefit persons in the private sector.
3. The project should address a locally-determined need.
4. The project should contribute to the capacity of the beneficiaries to plan and manage the use of their own resources.
5. The project should promote group action as generally preferable to individual action.
6. The project should include contributions by beneficiaries of ideas, time and materials.

In order to meet these criteria, projects should have certain characteristics. They should:

- make the best possible use of local resources (human, material, and organizational),
- take into account the roles and needs of the various members of the community,
- respect the local culture,
- preserve or enhance the ecological balance of the area,
- utilize technology that can be assimilated by the beneficiaries,
- be of appropriate cost in relation to local levels of wealth and expected results, and
- benefit the greatest number of people possible, regardless of sex, religion, or political affiliation.

Beneficiaries should increasingly be involved in:

- identification of needs and selection of solutions,
- identification of risks,
- design of the project,
- implementation of the project,
- continuous assessment of the project, and
- sharing the cash and in-kind costs of the project.

The various entry point that PACT/CINDE will utilize to relate to and therefore strengthen private development agencies can be broken down into the following categories:

- Project identification and information gathering
- Project review and selection
- Project implementation and monitoring
- Project reporting and evaluation
- Project learning and feedback to relevant audiences

The identification process will take place in many different ways. Proposals can be solicited or unsolicited. In addition to agencies indigenous to and/or currently operating in Costa Rica, PACT's considerable travel in the Latin America Region, plus referrals made by groups in this area, have allowed PACT to develop a large portfolio of potential candidates for attention, including a number of PACT's member organizations. Moreover, PACT's participation in a wide variety of conferences and workshops has resulted in an existing flow of project ideas. CINDE/PVO too has an existing portfolio of projects, proposals and general information.

Both local and international based PVOs will be attended to, and while CINDE/PVO currently places emphasis on productive-type projects, integrated projects, and other functional areas may be supported in the future, finances permitting.

Information gathering is an important part of the project identification process, and the PACT system that is being adopted by CINDE/PVO is both field-tested and considered to be very satisfactory by both the requesting agencies and the staff who do the data collection. This includes an assessment of the institutional track-record and the principal officers of the requesting agency, interviews with field-level operators and site visits to the project locale.

The review and selection process flows from the identification and information-gathering activities, and normally consists of the following steps:

- The agency submits a brief concept paper of not more than five pages describing the project, the agency, the total costs and the amount likely to be requested.
- Staff contact the agency and advise it whether or not to submit a full proposal.
- A member of the staff arranges a site visit to discuss the project with the agency.

- When both staff and the agency are satisfied that the proposal is ready, the staff conducts an internal review and then prepares a written analysis and a recommendation for funding.
- The staff analysis and recommendation, and the agency's proposal are submitted to the Project Selection Committee for its approval.
- Once support for a project is approved, a Grant Agreement is drawn up outlining the activities, the budget, administrative arrangements, reporting obligations, and the terms and conditions of the Grant (note: in the case of this project, CINDE/PACT will notify the USAID Mission of all approvals for dollar grants, and allow two weeks for any objections, before drawing up a Grant Agreement.).

When reviewing proposals for funding, insight is sought into a number of subsidiary issues which suggest the extent to which the applicant organization can produce the intended results and meet the funding criteria. These fall into five general categories:

1) Experience

- Does the proposing organization, either through its members or partners, demonstrate competent, committed leadership, a good record of performance and credibility with its constituents?

2) Design and Evaluation

- Does the project possess a sound and well-articulated implementation plan compatible with the goals and objectives proposed?
- Does the plan demonstrate beneficiary participation in design, implementation and evaluation, or increasing opportunity for participation and control over time?
- Is there is well-designed evaluation plan, capable of demonstrating that performance does result in goal accomplishments? Does it address the key issues?
- Is the cost of the activity appropriate in relation to local levels of wealth and expected results?
- Does it make effective use of local resources (human, material and organizational)?

3) Capacity Building/Self-Sustainment

- Do proposals from internationally-based agencies specifically include one or more Costa Rican organizations as full and active partners?

- Will the international organization assist the local agency to assume complete program and financial management, or demonstrate progress toward that end, within three years?
- Does the project demonstrate a reasonable leveraging potential to improve local institutional arrangements and access to available resources?

4) Assistance Provided

- Is the technical assistance provided by the external agency compatible with local needs and roles?
- Does it respect local culture?
- Does the intervention preserve or enhance the ecological balance of the area?
- Does it utilize technology that can be assimilated by the beneficiaries?

5) Accountability

- Is the grantee able to provide periodic narrative reports summarizing progress and assessing results?
- Does an adequate financial system exist to provide sufficient evidence that the funds are used appropriately?

Upon the completion of the review and selection process, the implementation and monitoring phases of the project begin. Crucially important to the monitoring process is the field visit to verify the project's progress. Staff field visits and meetings with the key project participants facilitate a deeper appreciation of the project's processes and impact potential.

Reporting and evaluation is a practical tool that can assist the requesting agency and the beneficiaries to adjust plans and activities to changing circumstances, to gain access to the ongoing process of projects, and to analyze the results and their consequences for the agency, the beneficiaries, and the community in which the activity is located.

Regular reporting is designed to 1) ensure the responsible management of grant monies, 2) promote a partnership relationship with the implementing agency, and 3) encourage recipient agencies to more systematically review progress and make adjustments for future planning.

Two types of reports are required for all grants:

1) Financial

- quarterly reporting on the use of grant funds

- annual audits by a qualified certified public accountant, attesting to the receipt and use of grant funds

## 2) Narrative

- quarterly reporting on the monitoring of activities, including information of the assessment of progress and the analysis of results

The learning and feedback function embraces both monitoring and evaluation, and focuses on development subjects that have been signalled as mutually important to support agencies and the broader PVO community. The information and lessons learned or extracted from the projects form an integral part of the overall funding process, and the resulting experience can serve a wide audience.

Given this understanding of the PACT/CINDE review and selection processes, and the manner in which projects will be monitored and evaluated, it is easy to observe, in general, how the dollar grant monies provided under this project will be administered and channeled into appropriate socio-economic development projects in Costa Rica.

While it would be impossible at this time to project just exactly how and to which agencies the dollar grant monies will be applied, CINDE/PVO's existing portfolio and contacts, plus PACT's own conversations with international PVOs and its local network of contacts allows the following list of potential grantees to be drawn up:

### Aid to Artisans

ATA has already submitted, and CINDE/PVO has approved, a two-year project to assist local artisans and identify markets for their products. The two-year cost in dollars is \$192,250.

### Technoserve

TNS has received two years of CINDE/PVO support for a small business development program currently working with between 5-10 cooperative groups. Dollar costs for the next two years would be approximately \$200,000.

### AITEC

AITEC has received support from CINDE/PVO for a micro-enterprise program. Dollar costs will be approximately \$150,000.

### CARE

CARE regional and local representatives have concluded a month long study and discussion with other PVOs, and they are now prepared to submit a proposal to CINDE/PVO for an integrated development program. Two-year dollar costs will be approximately \$100,000.

### Partnership for Productivity

PfP has completed the design and proposal writing phases for a small business development program, and are prepared to begin discussions with CINDE/PVO. Approximate dollar costs for the first two years are \$200,000.

### IESC and CUSO

Both of these executive service organizations have received CINDE/PVO funding in the past and are expected to present further funding proposals in the future.

### Others

Also currently operating in Costa Rica and/or having shown interest in possible projects are Save the Children Federation, the Salvation Army, Catholic Relief Services, World Vision, and Agua del Pueblo.

As a further explanation of the above mentioned process, it should be noted that one of its most important features is the input of the Project Selection Committee, a group that was created during PACT's initial contact with CINDE/PVO and which has final authority to approve multi-year projects up to an annual level of U.S.\$100,000.

This Committee, which will also be the focal point for selecting recipients of dollar sub-grants, is to be made up of 5-7 individuals from the Costa Rican private sector that are not connected with CINDE.

Over the grant period, the PACT Resident Representative will work in tandem with the Project Selection Committee in assuring proper review procedures, in assisting with the drafting of any conditions of grant approval and in establishing the appropriate reporting system for the various grants.

Although it will be PACT's intention to work exclusively with and through CINDE/PVO's existing selection processes in extending dollar sub-grants, PACT will reserve the right to override staff the Project Selection Committee decisions in cases where it is deemed prudent and necessary for the responsible management of the OPG.

Once dollar grants have been reviewed and approved in this manner, and USAID/Costa Rica has received the appropriate notification, a grant agreement will be drawn up for signature by PACT, CINDE/PVO and the grant recipient.

This document, which is similar to the one that CINDE/PVO will be utilizing for local currency grants, will outline the grant purpose, reporting schedule and requirements, disbursement schedule, and terms and conditions, including those that might be required by the OPG agreement.

Actual disbursements of dollars will be made by PACT in New York City.

PACT will provide a modified version of the standard provisions to all sub-grantees as part of the grant agreement.

In view of the fact that the schedule of disbursements to dollar grant recipients will likely stretch beyond the contemplated two-year period of the OPG agreement between the USAID Mission to Costa Rica and PACT, it is suggested that in keeping with the objective to establish a dollar grant capability within CINDE/PVO, any remaining, undisbursed funds be transferred to that entity at the project assistance completion date.

It is understood that at that time, CINDE/PVO will have the sole responsibility for oversight and monitoring of the sub-grants, and that PACT's role in this area will have been concluded.

Some ongoing technical assistance by PACT may be envisioned in specific subject areas.

D. Grant-Management Assistance to CINDE/PVO

The second area to be focused on by this project is in close harmony with the first. It is, moreover, a direct outgrowth of the April/May 1985 consultancy with CINDE/PVO during which the groundwork was laid for more longer-term assistance.

During the initial consultancy, PACT assisted CINDE/PVO management to clearly state its objectives and criteria, to develop guidelines for proposals, to define the various steps in the review and selection processes, to name a Project Selection Committee, and to streamline its reporting requirements from grantees.

Although CINDE/PVO has processed and approved 49 projects for a total of 175,242,942 colones (U.S.\$3,245,245) during the first two years of operation, both CINDE/PVO and the PVO community, as well as the USAID Mission have manifested the need to make a number of modifications in order to upgrade the existing procedures. This openness to change, especially on the part of CINDE/PVO, has proved to be key to allowing PACT to make a variety of suggestions based on its years of experience with grant management.

The stage is thus set to intensify the level of technical assistance, to provide both on-the-job and formal training for CINDE/PVO personnel and at the same time collaborate with and monitor CINDE/PVO's processing of dollar grants in addition to the colon grants that it is currently giving to PVOs.

During the two years financed under this project, PACT will work closely with CINDE/PVO to begin utilizing and applying all of the components and suggestions that resulted from the consultancy period. The PACT Resident Representative will work closely with the Manager of CINDE/PVO and the three

other staff members (one person is yet to be hired) as they process various projects, fund them and then monitor progress. This will apply to both colon and dollar requests, but will be particularly evident in the latter case. (note: PACT will utilize CINDE/PVO to review, select and monitor dollar requests for funding, but disbursements will come from New York. The PVO reporting will be directed to CINDE/PVO).

This on-the-job training will cover all facets of grant management, and be somewhat more intense during the earlier part of the assignment. The PACT Resident Representative will provide the bulk of the input in this area, assisted however, by PACT's Project Fund Director, PACT's Regional Representative for Latin America, and consultants.

The more formalized training will take various forms. One possibility is for CINDE/PVO staff members to take advantage of specific workshops and seminars in the U.S. and/or other Latin American countries in technical areas that are of interest to CINDE/PVO.

More to the point, however, will be individually-tailored trips with multiple purposes. For example, it will likely be worthwhile for one or more of the staff members to come to the U.S. during the time when PACT is preparing for a Project Selection Committee of its own. This would allow for the person(s) to familiarize themselves with the way PACT reviews projects and observe first-hand a Project Selection Committee meeting. Visits to the headquarters offices of some of the international organizations operating in Costa Rica would also help them gain a better understanding of how they operate.

A second possible trip would be to the Dominican Republic, where the management of SOLIDARIOS' Loan Portfolio (an area of interest for CINDE/PVO) could be observed and studied. In addition, such a visit would provide the opportunity to look at a number of good "productive" projects such as those of the Dominican Development Foundation, and Mujeres en Desarrollo, as well as ongoing artisan projects. The Dominican Republic also has a large (50 member) association of PVOs.

Other development program visits in Central and South America could easily be arranged through PACT's membership and extended contacts.

Also of potential interest in terms of monitoring of projects, would be to have one of the CINDE/PVO staff accompany PACT's Regional Representative as he visits PACT-funded projects in a number of countries. This would not only provide an insight in project supervision, but is would give an introduction into a variety of program formats.

In summary then, the thrust of these activities will be to help ensure that CINDE/PVO achieves its goal having an efficient and effective grant-making process, through on-the-job and formal training, while at the same time monitoring the extension of dollar grants to individual PVO projects.

E. Technical Assistance Programs for the PVO Community

The third component part of PACT's input to CINDE/PVO under this project is aimed at helping them to institute a technical assistance program for the PVO community, as a complement to the financial assistance that CINDE/PVO is already providing.

During the PACT consultancy with CINDE/PVO, it was suggested and agreed to, that this program be established separate from the financial activities, and that the Assistant Manager of CINDE/PVO be given the responsibility to implement the program along with one other person, yet to be hired.

The first steps to be undertaken, some of which have already been initiated, will be to take an inventory of the existing PVOs in order to ascertain who makes up the potential audience and impact group for these activities. Immediately following the identification of the beneficiary group, CINDE/PVO must then do a needs assessment of these agencies as a means of setting priorities and establishing goals.

These two activities will also provide the basis for designing the actual component parts of the program and allowing for guidelines to be defined.

All of these activities will need to be coordinated with the existing PVO Advisory Committee so as to assure their cooperation, and the responsiveness of the program.

While the needs assessment and the PVO consultations will dictate the exact nature of the technical assistance program, it is possible, based on previous experience with activities of this type, to project the types of assistance that will be necessary, and the areas of interest that will be identified:

Types of Potential Assistance

- Gathering and dissemination of technical information
- National and international interagency exchanges
- One-on-one technical assistance: CINDE/PVO to an individual PVO, and PVO to PVO
- Seminars, workshops and other special events, directed by CINDE/PVO and/or other organizations/individuals

Areas of Potential Interest

- Project identification
- Project design
- Project implementation
- Project methodologies
- Project monitoring
- Fund raising ✓ *unit*
- Proposal writing
- Impact evaluations
- Report writing
- Recruiting and supervision of personnel
- Project administration
- Financial administration
- Identification of funding sources
- Budget preparation
- Technical information and sectoral-type workshops on micro-enterprises, small business enterprises, low-cost housing, handicrafts, non-formal education, primary health care, marketing, women in development, institutional strengthening, management, etc.

PACT will provide CINDE/PVO with various types of inputs as they develop the technical assistance program. In terms of human resources, PACT's Regional Representative for Latin America is a highly experienced trainer with a particular expertise in the area of project and program evaluation, having authored several publications dealing with this subject. In addition, he, along with PACT's former Representative for Latin America are currently undertaking a similar activity for PVOs in Bolivia (e.g. inventory, needs assessment, training, etc.), and they will be able to share a wealth of experience regarding their findings there.

Likewise, one of the members of PACT's "extended family", Grupo de Tecnologia Apropiada located in Panama City, has recently provided similar services for the PVO community in Panama, which resulted in an extremely useful publication, Como Hacerlo, y Hacerlo Bien. Institutions like GTA could most likely be contracted to help CINDE/PVO design and implement their program.

Finally, a PACT member agency like SOLIDARIOS (the Dominican Republic) has provided its own membership with a variety of useful training activities in the areas of programs and services and could also be counted upon to collaborate on technical assistance tasks.

Funding provided under this project would allow PACT to finance the inputs of its Representative for Latin America in addition to those of other agencies. It would also provide funding for approximately 5 training programs (the number will depend on the design) each year, and similarly finance inter-agency exchanges. In this latter category, CINDE/PVO would expect to sponsor annually 20 exchanges at an average cost of \$1,000 each with the recipient agency sharing in the overall expenses.

VI. IMPLEMENTATION SCHEDULE

Activities	Year One				Year Two		
	1	2	3	4	1	2	3
1. Arrival of PACT Representative and initial meetings with USAID, CINDE/PVO and PVOs	↔						
2. Set up office	↔						
3. Determine organizational and legal formate of an independent CINDE/PVO	↔						
4. Incorporate and formalize CINDE/PVO as a separate entity	↔	→					
5. Design work plans for operating as a separate organization related to management, finances and fund raising.	↔	→					
6. Interview, select and hire for new CINDE/PVO positions	↔						
7. Provide on-the-job training for CINDE/PVO staff and Board	←						
8. Up-date and modify funding policy, criteria, guidelines and procedures	↔	→					
9. Identify and recruit Project Selection Committee members	↔	→					
10. Conduct Needs assessment of PVOs working in Guatemala	↔	→					
11. Design program of technical assistance for PVOs, including an event to introduce the program, and a second one on project planning, design and presentation	↔	→					
12. Promote and implement introductory workshop	↔	↔					

Activities	Year One				Year Two			
	1	2	3	4	1	2	3	4
13. Promote and implement project planning, design and presentation workshop		↔						
14. Conduct other events, as required		↔	↔	↔	↔	↔	↔	↔
15. Review project proposals		←						→
16. Schedule meetings of the PSC and fund projects		→	↔	↔	↔	↔	↔	↔
17. Undertake project monitoring and evaluation			←					→
18. Perform annual internal assessment of the PACT/CINDE/PVO program				↔				↔
19. Present periodic reports to AID		→		↔		↔	↔	↔
20. Contract a third party evaluation of program impact						↔	↔	

## VII. JUSTIFICATION

PACT provides AID with the means to carry out its mandate for international development assistance via the private and voluntary sector by offering a proven alternative to the frequent one-dimensional, bilateral relationships that exist between AID and individual U.S. indigenous PVOs.

Moreover, PACT affords AID with a viable vehicle to respond to the crisis situation that was outlined in a national bipartisan commission report on Central America that called for private sector involvement to help close the gap between rich and poor.

PACT not only exhibits a structure that extends financial support for selected private agency projects in a wide range of interest areas, e.g. small business development, agriculture, malnutrition, education, housing, etc., but it further enables PVOs to work together, to meet, to share information and services, and to use their field experience to help form PACT policies that directly influence their own activities. PACT's unique blend of membership structure and a meaningful variety of grant-making and service delivery mechanisms places the organization in a ideal position to build on its thirteen years of experience, and help meet development needs in the Third World.

In addition, PACT's tested processes and procedures for supporting the efforts of private sector institutions make it a perfect match for being able to assist CINDE/PVO in its own early stages of development, when it is attempting to establish itself as an important assistance organization for local and international PVOs working in Costa Rica. In particular PACT's knowledge and experience in the areas of project design, project selection, project monitoring, project evaluation and project reporting will be critical to being able to aid CINDE/PVO's own development.

PACT's ability to strengthen voluntary organizations and promote private sector activity can be seen in the recent evaluation of PACT that was conducted by Robert R. Nathan Associates, Inc. (see Attachment O for a summarized version of their findings) at the request of AID. That report 13 firms that PACT has accomplished the goals and objectives set forth in its contracts with AID.

More specifically, the reports states that:

"In identifying and funding a number of outstanding projects and a good portfolio of projects in general, PACT fulfills the main current intention of AID."

In terms of its ability to strengthen private sector institutions, its relationship to them, and the funding processes, the report goes on to conclude that:

"...PACT and AID expect that PACT will make a difference in the improved design and performance of the projects it funds and of their sponsoring agencies. Based on the interview findings, RRNA concludes that PACT does make a difference, improving the design and performance of its projects".

"The process of questioning and involvement which marks PACT's relationship with particular projects and agencies represents a contribution to the whole effort of its PVO members and of LDC PVOs as well. PACT often contributes funds at a strategic early period in the life of a project".

"Most LDC agencies receiving PACT project funds appreciate the process of PACT involvement."

"The similarity of RRNA and PACT staff assessments of projects indicates that the PACT staff maintains both involvement and objectivity. Also, the similarities indicate the degree to which the PACT criteria and other indicators can serve as effective standards in project review and selection."

"PACT's diverse and inclusive membership is a resource to be maintained."

These and other comments by the RRNA evaluators underline PACT's ability to process, relate to and finally strengthen private sector institutions working to solve the problems of poverty, malnutrition, illiteracy, etc. that are prevalent in many parts of the world.

#### VIII. EVALUATION AND REPORTING

PACT's accountability to AID is a function of its role as an intermediary organization between AID and U.S. and local PVOs. There are two interrelated levels of accountability within the AID/PACT relationship: PVOs to PACT (and CINDE in this case), and PACT(CINDE) to AID.

Earlier sections of this proposal have described how PACT's structures and processes ensure financial and programmatic accountability of its sub-grantees. PACT required agencies to submit periodic financial and narrative reports on projects receiving PACT funds. These reports are reviewed by staff as part of PACT's internal monitoring system. Moreover, these reports fit within an overall program of evaluation and assessment designed to provide a review and analysis of PVO experience and thus strengthen existing and future projects. PACT views this as an integral part of its obligations as a responsible donor. PACT has fiduciary responsibility

to AID to account for the use of its monies so that AID can, in turn, fulfill its legislative mandate as a custodian of taxpayer funds. Over the past thirteen years, PACT has accepted and met this responsibility. As an intermediary between AID and U.S. and local PVOs, PACT will make a special effort to fulfill its obligations to both parties, while assuring the independence of the PVO activities.

In the case of this project, where PACT will not only be funding individual projects of specific PVOs, but also providing technical assistance to a local support organization, PACT will be working with CINDE personnel to provide some of the relevant documentation.,

Reporting to AID will therefore consist of:

A. Funding Approvals

As was indicated in the project description section, PACT will be utilizing CINDE/PVO's existing selection process to approve requests for dollar funding in Costa Rica rather than using the New York-based operation. Immediately after approving dollar funding for new and/or previously supported projects, PACT, through regular procedures that will be established at CINDE/PVO, will inform the USAID Mission representatives regarding the funding decisions. The Mission will then be allowed a two week interval to voice any objection before funding is actually obligated via a grant agreement with the PVO in question.

The USAID Mission will be provided with a copy of CINDE/PVO's review and recommendations for the project, which will include a summary of activities and a proposed budget. In addition a cover memo will detail any pertinent actions taken by the Project Selection Committee affecting the funding.

B. Periodic Reports

In addition to the Financial Status Reports required under the Federal Reserve Letter of Credit advance mechanism, PACT will present to USAID/CR a written report on a quarterly basis detailing the advances and type of sub-grants, and the status of technical assistance provided to the designated PVO unit.

On an informal, but regular basis, PACT will maintain close contact with the Mission's General Development Division, and inform them of the project's activities and progress.

Finally, PACT is audited on an annual basis by the Certified Public Accounting firm of Coopers & Lybrand. Copies of this report will be made available to AID.

C. Evaluation

Two evaluations will be conducted during the life of the project. The first evaluation will be conducted at the end of the first year's activities. The evaluation will be conducted by a firm acceptable to USAID. The evaluation will determine the effects of this Project in smoothly implementing the mechanism for establishing the CINDE/PVO operation as an independent unit. It is anticipated that this evaluation will gather the data necessary for assessing the strengths and weaknesses of the project and suggest mid-course corrections where necessary. The final evaluation will be conducted upon completion of the project. The evaluations should be project funded and included in the budget.

D. Treatment of Pipeline Fund after PACT's Participation

The project anticipates that the CINDE/PVO unit will be spun off as a separate entity. After the new entity obtains legal status in Costa Rica an amendment to the PACT Grant will be signed between USAID, PACT and the new PVO entity. The Grant amendment will include a clause stating that funds for sub-projects that remain undisbursed after the end of three years will be sub-granted to the new organization and disbursed through it. By this time the new entity will have developed the capacity to manage dollar funded projects, and will continue to be responsible to monitor the sub-grants. It is understood that PACT will continue periodic technical assistance to the new PVO entity after the third year, without the allocation of additional Mission Grant funding.

IX. THE REQUEST

In order to undertake the project outlined in the previous pages, PACT is requesting that the USAID/Costa Rican Mission provide a two-year Operational Program Grant in the amount of \$3,338,491 (\$1,418,201 - year one and \$1,920,290 in year two).

Of these totals, \$2.4 million dollars will go directly, in the form of sub-grants, to private sector, non-profit institutions operating a variety of development projects in Costa Rica. The agencies receiving these funds will match the PACT support with a minimum of an addition \$800,000 of cash and in-kind contributions from other, non-U.S. government sources.

The processes for identifying, reviewing, selecting and monitoring these sub-grants was discussed earlier, but it should be added here that all financial reporting, including annual audit covering the use of the PACT monies, will be handled in accordance with established (AID approved) procedures.

The average annual sub-grant is projected to be \$80,000 based on the assumption that no colon amounts will be applied (note: if these monies are utilized to cover only dollar costs of projects, the average input per project would be approximately \$20,000 and the number of projects would be increased accordingly.). Some 12 grants are expected to be made during the first year of the project, and another 18 will be extended in the second year, including refundings. Although no sub-grants are scheduled for subsequent years, PACT would be capable of processing a minimum of an additional 24 projects in the event that funding from USAID Costa Rica were available at that time.

A mini-grant program totaling \$40,000 will provide support to project related activities of individual PVOs. These grants will average \$1,000 each and be matched by the recipients on at least a one-to-one basis.

Other than sub-grants, the budget request also includes some \$50,000 per year for workshops, seminars, special events and interagency exchanges that will help provide technical assistance to the PVO community in Costa Rica. Another \$21,000 will allow CINDE/PVO staff members to receive formal training.

The remaining monies in the request, \$827,491, will be required to cover the direct and indirect expenses, e.g. salaries, benefits, international travel, communications, local costs, etc., related to the provision of technical assistance and the monitoring of the sub-grant processes.

PACT is audited on an annual basis by the firm of Coopers & Lybrand. Copies of this audit report will be made available to AID.

In addition, PACT will report to AID semi-annually regarding the financial aspects of this program, as part of the regularly required procedures.

X. PROPOSED BUDGET

The following budget represents the annual costs associated with the implementation of the proposed project:

<u>Budget Item:</u>	<u>Year One</u>	<u>Year Two</u>
<u>Personnel</u>		
PACT Project Fund Director, 10%; PACT Regional Representative, 15%; PACT Administrative Assistant, 25%; Bilingual Secretary 25%	\$30,938	\$30,938
PACT Resident Representative:	52,000	52,000
(1) Salary benefits	55,000	55,000
Settlement	6,000	<del>6,000</del>
Housing	12,000	12,000
Travel	1,280	1,280
Other	600	600
Consultant time, 100 days year one, 85 days year two 240/day	22,000 <del>24,000</del>	18,700 20,400
<u>Travel</u>		
Airfare - 15 trips, year one, 10 trips year two \$640	9,600	6,400
Per Diem - 160 days, year one, 140 days year two \$70/day	11,200	9,800
Other travel costs	2,200	2,000
<u>Workshops/Technical Assistance Grants</u>		
Travel, honoraria, didactic materials, participant costs - 5 events annually \$5,000	25,000	25,000
Mini-grants to PVOs for inter-agency exchanges - 20 annual \$1,000	20,000	20,000
<u>Training of CINDE/PVO Personnel</u>		
International travel, per diem, registration fees, etc. - 5 events in year one, 2 in year two \$3,000	9,000 <del>15,000</del>	15,000 6,000

Local Costs

Vehicle	20,000	—
Vehicle Maintenance	6,400	6,400
Office Rental/Utilities	4,800	4,800
Office Equipment	12,000	6,000
Office Supplies	4,200	4,200
Communications	6,000	6,000
Other	3,000	3,000

Dollar Grants to Projects

12 projects year one, 18 year two, \$80,000/annually	<u>960,000</u>	<u>1,440,000</u>
Total Direct Costs	1,229,218	1,665,818
PACT Overhead 15% (2)	<u>184,983</u>	<u>249,872</u>
Totals	<u>\$1,413,600</u>	<u>\$1,915,690</u>
Two-Year Request		\$3,329,290

- (1) These represent the maximum costs associated with the hiring of a Resident Representative and his/her placement in Costa Rica. Depending on the person actually chosen for the position, the amounts could be substantially adjusted downward.
- (2) PACT's current, approved overhead rate is 20.93%. However, additional funding requests, which are expected to be approved, will likely have the effect of lowering this percentage to between 10-12% over the next two years. An intermediate figure of 15% has been used here. In any case, the overhead rate charged to USAID will be adjusted to reflect the actual approved level.

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