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AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

PROJECT PAPER

SRI LANKA: PVO Co-Financing II
(383-0101)

July 17, 1987

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number

DOCUMENT CODE: 3

COUNTRY/ENTITY: Sri Lanka

3. PROJECT NUMBER: 383-0101

4. BUREAU/OFFICE: ANE Bureau 04

5. PROJECT TITLE (maximum 40 characters): PVO Co-financing II

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 31 YY 93

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 87 B. Quarter 4 C. Final FY 90

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

A. FUNDING SOURCE	FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(300)	(2,846)	(3,146)	(1,000)	(4,046)	(5,046)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.	200	1,000	1,200	500	2,954	3,454
Other U.S. 2.						
Host Country		29	29		100	100
Other Donor(s)						
TOTALS	500	3,875	4,375	1,500	7,100	8,600

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) FNX	250 B	070				1,546		2,546	
(2) SDX	760 B	840				–		2,250	
(3) HEX	710 B	030				–		250	
(4)									
TOTALS						1,546		5,046	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 230 040 110 240 250 840

11. SECONDARY PURPOSE CODE: 760 B

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

A. Code	PART	PVOU	PVON	TECH	INTR	EOTY
B. Amount	3,000	1,000	2,000	50	1,500	1,250

13. PROJECT PURPOSE (maximum 480 characters)

To enhance opportunities for local communities to participate in their own development by increasing the involvement and effectiveness of PVOs conducting development activities.

14. SCHEDULED EVALUATIONS: Interim MM 09 YY 90; MM YY; Final MM 03 YY 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES: ☒ 000 ☐ 941 ☒ Local ☐ Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

Controller's Review: [signature] 7/17/87

17. APPROVED BY

Signature: Gary L. Nelson [signature]

Title: Acting Director, USAID/Colombo

Date Signed: MM 07 DD 17 YY 87

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

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PVO CO-FINANCING II (383-0101)

PROJECT PAPER

JUNE 1987

USAID/SRI LANKA

UNCLASSIFIED

PVO CO-FINANCING II (383-0101)

PROJECT PAPER

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DEFINITION OF TERMS

DER.....	Department of External Resources
PVO Grant Agreement	Agreement between USAID and PVO engaging in a sub-project.
Intermediary Organization.....	A PVO responsible for managing micro-grants and other associated activities
MOPI.....	Ministry of Plan Implementation
Micro-grant.....	Grant to small regional or community based organization of less than $10,000, managed by an intermediary PVO Organization.
NGO.....	Non-Governmental Organization
Project (the).....	The PVO-Co-financing II Project
Project Grant Agreement.....	PVO Co-financing Project Agreement between GSL and USAID.
PRC.....	USAID Project Review Committee
PRG.....	Proposal Review Group
PVO.....	Private Voluntary Organization
PVO Association....	Parent PVO which includes a number of PVOs in its membership and a Board of Governors.
Sub-grant.....	A specific grant awarded to a PVO awarded under the PVO Co-financing II Project.
Sub-project.....	A specific project carried out by PVO under the PVO Co-financing II Project.

CONTRIBUTORS TO PROJECT DEVELOPMENT

PVO CO-FINANCING II - 383-0101

1. USAID/SRI LANKA

   a) Project Design Committee:

   Richard D. McLaughlin, Program Officer, (Chairman)
   N. Mahesan, PVO Officer
   William A. Binns, Office of Projects
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   Eilene Oldwine, Chief, Health, Population & Human Resources
   Richard Albores, Controller
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   b) Project Review Committee:

   Robert C. Chase, Director
   Gary L. Nelson, Deputy Director
   Dennis Zvinakis, Chief, Office of Projects
   Richard Albores, Controller
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2. GOVERNMENT OF SRI LANKA

   S.L. Kuruppu, Department of External Resources
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3. CONSULTANT

   Pamela Stanbury, Independent Consultant

PROJECT AUTHORIZATION

SRI LANKA

PVO CO-FINANCING II
Project No. 383-0101

1. Pursuant to Sections 103, 104, and 106 of the Foreign Assistance Act of 1961, as ammended, I hereby authorize the PVO Co-Financing II Project for the Democratic Socialist Republic of Sri Lanka (the "Cooperating Country"), involving planned obligations of not to exceed $5,046,000 in grant funds over a three year period from date of authorization subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is six years from the date of initial obligation. Funds are not authorized for obligation until the Congressional Notification expires without objection.

2. The project will assist the Cooperating Country to enhance opportunities for local communities to participate in their own development by providing grants to PVOs for community development activities, and by assisting PVO's to increase their effectiveness. The project provides funds for grants to PVO's, technical assistance, training and other operational support costs.

3. The Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with AID regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

4. (a) Source and Origin of Commodities, Nationality of Services:

Commodities financed by AID under the Project shall have their source and origin in the Cooperating Country or in the United States except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Cooperating Country or the United States as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

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Grants to PVOs under the project will follow AID regulations for PVOs on eligibility of goods for procurement.

(b) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Cooperating Country shall furnish in form and substance acceptable to A.I.D., evidence of the establishment of the Project Review Group, and of procedures for the review and approval of subprojects.

(c) The following waivers to A.I.D. regulations are hereby approved:

Pursuant to the authority delegated to me by A.I.D. Handbook 10, I hereby waive the requirement that the Cooperating Country fund the international travel costs of participants.

Signature: Gary Nelson
Gary Nelson
Acting Director
USAID/Sri Lanka

Date: July 17, 1987

Clearances: JEmmert, A/PRG
DZvinakis, PROJ
RAlbores, CONT

Draft: LChiles, RLA

2. PROJECT BACKGROUND AND RATIONALE

GOAL The goal of the Project is to increase the number and diversity of Private Voluntary Organizations (PVOs) addressing significant local and national development problems.

PURPOSE The Project purpose is to enhance opportunities for local communities to participate in their own development by increasing the involvement and effectiveness of PVOs conducting development activities.

The purpose is to be achieved within the context of PVO activities relating to the Mission strategic objectives of increasing rural productivity and income and promotion of private enterprise.

2.1 Background

The PVO Co-financing II Project (383-0101) is a continuation of the PVO Co-financing I Project (383-0060). The PVO Co-financing I Project was authorized in August 1979. The project attempted to multiply and improve local development efforts to benefit the poor majority in Sri Lanka with U.S. Government financial support for sub-projects planned and implemented by U.S. and indigenous Private Voluntary Organizations. (Note: PVOs are known locally as Non-Governmental Organizations or NGOs). PVO Co-financing I has been evaluated twice, first in 1983 and recently in 1986. Both evaluations concluded that the project objectives were being met.

After the first evaluation, the original PACD of the Project, August 31, 1986, was extended to August 29, 1989, and the life of project funding was increased from $2,500,000 to $6,483,000. Promotion of private enterprise was also added as an additional objective of the Project.

The Mission recognized the heterogeneity of the PVO sector, the diverse interests and skills of PVOs, and respected the independent nature of non-governmental organizations. The Mission encouraged widely varying sub-projects generated by the respective PVOs themselves. This reflected Mission efforts to accommodate the "pluralistic concept of diversity as strength" among PVOs. At the end of five years as the Mission strategy became more focused, the Mission policy on approving PVO sub-projects gradually shifted.

In recent years, the Mission has emphasized the integration of the Co-financing project with the USAID/Sri Lanka country program which changes every several years according to availability of U.S. funds, shifts in agency priorities, and economic changes within the country itself. Stricter linkage of the Co-Financing Project to Mission strategic objectives resulted in the rejection of PVO proposals that would have been considered appropriate earlier. This probably offset the action of the Mission to increase commitments by removing the upper limit for grants of $100,000 per PVO sub-project.

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Although larger sub-projects were approved, the required conformity with the CDSS priorities continued to restrict the rate of annual commitments under the Project.

In February 1987, with 30 months to reach the project completion date, the PID for PVO Co-financing II was approved. The Mission then decided not to consider new sub-project proposals under PVO Co-financing I, as they would have a high probability of not being completed before the PACD. The Mission also decided to deobligate the uncommitted balances amounting to $1,980,000 and to re-obligate $1,600,000 of that amount to PVO Co-financing II during FY 87.

The project will attempt to have a broad geographic spread and will consider sub-project proposals from or for any part of the country. Under the predecessor project, it was difficult to approve PVO sub-projects in the northern and eastern areas where the ethnic conflict has persisted. Though several PVO proposals intended for implementation in those areas were received, they were not considered, as site monitoring sub-projects was difficult. In order not to preclude projects in those areas from consideration, some alternatives to direct visits by the MOPI and/or USAID project managers will be considered. These might include requesting a monitoring visit by the relevant Government Agent or contracted project visits/assessments by an independent third party.

2.2 Rationale

The rationale behind PVO Co-financing II is consistent with that behind PVO Co-financing I. It is that most bilateral aid goes to major government development investments which have long-term payoffs; this project was seen as a mechanism to target increased assistance directly to the poor majority at the local level who are prepared to join in collaborative efforts to help themselves. The need is especially important in countries like Sri Lanka, where most development resources are concentrated centrally in national governments and relatively little in local governments or local private organizations. Assistance to PVOs was seen as one means to encourage the development of a wide range of organizations which can articulate community priorities and mobilize energies to implement them.

Sri Lanka has a long tradition of voluntary organizations oriented towards civic activities, the origin of which may be traced back to the times of the Sinhala kings. Peoples' participation in development activities of the time were the real beginnings of PVO activities in the country. PVOs as recognized today made their appearance in Sri Lanka only during the latter half of the 19th century during British colonial rule. They were decidedly urban-based and welfare oriented.

Today there are a large number of PVOs operating in Sri Lanka, but most are still welfare-oriented rather than

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development-oriented. There has been an increasing government recognition of the contributions NGOs can make to national development. As a result the policy environment for PVOs has improved considerably, particularly during the last ten years. The government is no longer preoccupied by a need to "control" or restrict voluntary activities. During this period a restructuring of local government administration was also effected. The Gramodaya Mandalayas, at the village level, are designed to enlist peoples' participation. Local registered voluntary associations are often entitled to representation on these councils. This model of Government and PVO partnership in development effort reflects the importance the government attaches to local organizations. With about 78 percent of Sri Lanka's population located in some 24,000 villages, there are substantial benefits to be derived from developing rural voluntary organizations.

It was in this context that the PVO Co-financing I Project was designed and approved. Under PVO Co-financing II the project will continue to meet basic human needs by bringing assistance as directly as possible to the poor majority and supporting self-help activities. The main element, providing sub-project co-financing grants to PVOs for development activities, continues the approach developed in PVO Co-financing I. However, several modifications to the predecessor project are added on the basis of interim project evaluations carried out in 1983 and 1986. These include improving PVO management skills, strengthening cooperation and coordination between PVOs, and reaching out to small regional PVOs and community-based organizations. While the bulk of the project funds are to be channeled directly to development-oriented sub-projects, the rationale behind the modifications is that many Sri Lankan PVOs have much room to improve their skills to manage development sub-projects effectively. By helping PVOs to develop their skills, it is anticipated that AID's mandate will be more readily met and the specific project goal and purpose will be achieved.

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3. PROJECT DESCRIPTION

3.1 Project Objectives

The goal of the PVO Co-financing II Project (383-0101) is to increase the number and diversity of private organizations which address significant local and national development problems.

The purpose of the Project is to enhance opportunities for local communities to participate in their own development by increasing the involvement and effectiveness of private voluntary organizations (PVOs) conducting development activities. The purpose is to be achieved within the context of PVO activities relating to GSL and Mission strategic objectives of increasing rural productivity and incomes and promotion of private enterprise.

3.1.1. Project Outputs

Project outputs include the following:

(1) By FY 93, at least 30 sub-project grants will have been provided to PVOs;

(2) By FY 93, at least one active PVO Association will have been substantially strengthened;

(3) By FY 93, at least 50 micro-grants will be provided to small regional and community-based PVOs;

(4) By FY 93, at least 20 indigenous PVOs will have been assisted to improve their management skills through training and workshop activities and technical assistance.

These measurable outputs are expected to contribute to the following:

(1) More active participation by local communities in development activities;

(2) Increased participation in the Project by small and regional PVOs and community-based voluntary organizations;

(3) Improved quality of sub-project proposals;

(4) Incorporation of sub-project evaluation recommendations in sub-projects;

(5) Geographic dispersal of sub-project grants;

(6) Continued PVO interest in skills upgrading in such areas as data collection, project management and implementation, and monitoring and evaluation;

(7) Community level activities and conditions which are sustainable after sub-projects are completed;

(8) An increased level of discussion among PVOs about common development problems.

3.2 Relationship to Mission CDSS Objectives

Under the PVO Co-financing II Project, two areas will receive priority attention: (a) increasing rural productivity and income, and (b) promotion of private enterprise. This emphasis is based on the Mission CDSS objectives.

While high priority will be given to sub-projects which fall within the priority areas outlined above, approximately 15% of the grant funds may be granted for PVO sub-projects falling outside the CDSS objectives, in such areas as health, education, human rights, or environmental protection.

3.3 Project Elements

The PVO Co-financing II Project includes one major element and three minor elements. The major element is sub-project co-financing grants to U.S. and indigenous PVOs. The minor elements include:

(1) micro-grants to small indigenous regional and community-based PVOs;

(2) improving PVO management skills; and

(3) strengthening of one or more PVO Associations.

Although the major element is consistent with the PVO Co-financing I Project, the three minor elements are new and are designed to correct some of the shortcomings of that project identified during project evaluations (1983, 1986).

The USAID contribution to the PVO Co-financing II Project is a total of $5.046 million. Of this, $3.750 million has been budgeted for support to PVOs and the sub-projects; $250,000 is for strengthening PVO Associations; $250,000 will be for micro-grants not exceeding $10,000 each to small regional PVOs and community-based organizations; $250,000 for building PVO management skills: $146,000 is set aside for evaluation of the Project, and $400,000 for contingencies.

Most of the project funds (including some of all four elements) will be used for operational grants to PVOs. Funds for the micro-grant component will be used for the micro-grants, the costs of the intermediary organization in administering the program, and for short-term technical assistance in setting up the program. Funds for strengthening PVO Associations will include both direct grants to the

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selected association and technical assistance under a direct AID contract or PVO grant. Funds for strengthening PVO management skills will be used to support series of PVO workshops or training sessions on designing, implementing, monitoring, and evaluating projects, to provide technical assistance to PVOs, and to fund the costs of Sri Lankan PVO staff in training established by other organizations.

Guidelines and Procedures for PVO Co-financing II Sub-project Grants

To assist PVOs interested in the Project, USAID is in the process of developing a set of guidelines and procedures. These indicate the PVO registration procedures, criteria for selection of grant proposals submitted by PVOs, guidelines to proposal preparation, proposal review process, guidelines for analysis and sub-project reporting and evaluation procedures. The guidelines will be approved in writing by the GSL and USAID, and issued as a project document. A draft of portions of the guidelines and procedures is included in Appendix E. Where relevant, reference to them will be made in the project description and project plans.

3.3.1 Sub-project Co-financing Grants

Funding of sub-project co-financing grants to Sri Lankan and U.S. PVOs is the major element of the Project and is the principal strategy for promoting participatory local level development. It is anticipated that by FY 93, at least 30 sub-project grants of at least $25,000 each will have been provided to PVOs. AID will contribute a total of $3.750 million for this element.

Sub-project grants will range in size from $25,000 upwards and will be co-financed by matching contributions of at least 25% from other non-USAID sources identified by the PVO sub-project grantee. Proposals with greater PVO or community contribution will be favorably received. The more established the PVO, the more it will be expected to contribute funds generated from non-USAID sources.

The sub-project co-financing element is consistent with the program carried out during PVO Co-financing I. Continuation of sub-project support is justified by the success of the first project. This element accomplishes four desired ends:

(a) it encourages a shift in orientation from welfare to development;

(b) poor beneficiaries are demonstrably reached;

(c) it enhances the capacities of local organizations;

(d) it builds PVO skills in project design, implementation and financial management.

Under PVO Co-financing II, modifications in approval criteria will be adopted to ensure consistentcy with the current CDSS and to meet the requirements for GSL proposal review.

Registration and Eligibility

To be eligible for sub-project co-financing grants, Sri Lankan and U.S. PVOs must clearly be private, non-government and non-profit organizations. Sri Lankan PVOs must be registered with the GSL and must be approved charities. USAID requires that they be registered with the U.S. Advisory Committee on Voluntary Foreign AID before they can receive AID funds. USAID will assist interested local PVOs with this registration. Detailed procedures for PVO registration are located in Appendix E.1.

Foreign PVOs are required to provide information to the Ministry of Plan Implementation and to sign a memorandum of understanding. AID also requires that they be registered with the U.S. Advisory Committee on Voluntary Foreign AID before their proposals are reviewed.

To be considered for funding, the PVO and its proposal must meet a set of minimum criteria for review. Some of these criteria are not specific to the substance of the proposal, but concern clarity and completeness and evidence of minimum non-AID funding. Beyond this, proposals are reviewed according to a set of criteria which reflect priority concerns of the project and reflect the quality of the proposed sub-project.

Eligibility of the PVO

(1) The PVO must be registered either with AID/W or, in the case of a local PVO, with USAID/Colombo.

(2) The PVO must be registered with GSL.

(3) The PVO must agree to follow standard USAID and GSL procedures and practices in sub-project implementation.

(4) The proposal must exhibit ability to contribute at least 25% of total costs from non-AID sources.

(5) The PVO must demonstrate capacity to design, implement and evaluate sub-project.

(6) The PVO must exhibit capability to manage the grant.

(7) The PVO must be able to demonstrate that it has knowledge and familiarity with Sri Lanka and the project area.

(8) A factor which may be taken into account is whether the PVO can demonstrate favorable past performance in managing projects with donor funding.

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(9) In addition, an intermediary organization proposing a micro-grant program must include its criteria for selection of micro-grantees and its general procedures for making such grants.

Eligibility of the Proposal :

1. Generally the proposal should be designed to increase productivity and income, and/or to promote private enterprise. Examples include activities concerning better production methods, delivery and marketing systems, small entrepreneur development, skills development and training to increase employment. Approximately 15% of project funds made available for grants to PVO's may be for projects in other areas such as health, education, human rights, and environmental protection. However, no projects may be approved for population or family planning activities.

2. The proposal may not contain any component which is either illegal or in direct contradiction of USAID or GSL regulations or policy, e.g., importation of firearms, or promotion of religious activities.

3. In addition, proposals must:

   (a) Be complete in presentation, i.e., all required sections are included.

   (b) Include an appropriate evaluation and monitoring plan, including necessary budget allocations.

   (c) Clearly identify that direct and indirect beneficiaries will be from the lowest income groups.

   (d) Demonstrates potential for timely completion of project activities.

   (e) Demonstrate technical feasibility.

   (f) Show a logical sub-project design which relates inputs to outputs and purpose.

   (g) Demonstrate that the local community will participate in sub-project activities where appropriate.

   (h) Demonstrate that the sub project is socially sound and economically feasible with positive economic returns where appropriate.

   (i) Demonstrate a PVO or local community contribution of at least 25% in cash or in kind.

   (j) Include an environmental analysis which demonstrates no negative environmental effects of the activity.

4. Other factors which may be taken into account are whether the proposal:

   (a) Promotes the role of women in development or otherwise promotes relatively disadvantaged groups.

   (b) Demonstrates that the end-of-project conditions are sustainable or replicable.

   (c) Has potential for developing capability of existing private local groups to actively and independently continue development activities.

   (d) Includes local community participation in all phases of proposed activities, beginning with design of activities.

   (e) Is in a region or for an activity under subscribed or already oversubscribed by the project.

   (f) Has cash for work and food for work components kept to a minimum.

Any changes in the above criteria will be agreed to in writing by the GSL and USAID.

Review of Sub-project Grant Proposals

An interested PVO may submit a brief concept paper to MOPI for review. If the concept paper is deemed acceptable by the PRG, consisting of the Secretary, Ministry of Plan Implementation (MOPI) or his nominee, the Additional Director of External Resources or her nominee and the USAID PVO officer, the PVO will be requested to submit a full sub-project grant proposal in accordance with the guidelines in Appendix E. The proposal will be reviewed by the PRG. The procedures for proposal review and approval have been revised from PVO Co-financing I and are presented in full detail in the Implementation Plan (Section 5).

Reporting

The PVO sub-project grantee will report to the Ministry of Plan Implementation and USAID. Quarterly progress reports will demonstrate sub-project inputs and outputs, achievements and a financial statement on status of funds. Midway and at the end of the sub-project, the PVO will submit a report that describes the history and accomplishments of its sub-project to date. An annual audit report of the sub-project will be prepared by an independent public accounting firm, approved by the GSL and USAID Controller. Details of sub-project grant reporting procedures are presented in the Monitoring and Evaluation Plan (Section 6).

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3.3.2 The Minor Elements

The PVO Co-financing II Project is intended to increase the number of organizations involved in development activities, increase their effectiveness, and enhance opportunities for communities to participate in their own development. The above sub-project funds are one means of accomplishing this. No less important in achieving the project purpose and goal are the other project elements.

Activities carried out under these elements of the PVO Co-financing II Project are designed to accomplish the following objectives:

(1) Strengthen PVO Associations;

(2) Establish a micro-grants program to support small regional PVOs and community organizations;

(3) Improve PVO management skills in planning, managing and evaluating development projects.

3.3.2.1. Strengthening PVO Associations

The PVO Co-financing II Project provides funding to strengthen one or more indigenous PVO Associations which show the potential to help develop the effectiveness of PVOs. A PVO Association is an organization or consortium which serves the needs of a range of independent member PVOs. The rationale for strengthening PVO Association capabilities is based on the PVO Co-financing I evaluation (July 1986). It concluded that many PVOs (a) lacked the skills and knowledge required to design and manage sub-projects effectively, (b) had relatively little interaction with other PVOs about their common development problems, and (c) did not know about or how to access the PVO Co-financing Project or other donor resources. Strengthening one or more PVO Associations is intended to address these limitations.

AID will initially provide support to one PVO Association. Following evaluation of its performance, further support and the strengthening of other PVO Associations will be considered. The budget for AID funding is $250,000. It is anticipated that by FY 93 at least one active PVO Association will be substantially strengthened.

Objectives

The PVO Association is expected to be an organization which will perform some or all of the following functions:

(1) Coordinate and stimulate discussion between PVOs about common development issues.

(2) Conduct and coordinate training and workshop activities for PVOs (see section 3.3.2.3);

(3) Disseminate information about PVO activities to member PVOs;

(4) Act as a liaison between PVO members and the GSL;

(5) Assist smaller PVOs in defining sub-projects and writing proposals;

(6) Assist in the review of co-financing subproject proposals;

(7) Produce a quarterly/monthly newsletter or magazine and distribute to PVOs.

A complete Action Plan for the first year will be prepared prior to entering into an agreement with the PVO Association. A longer range plan will be required for continued funding beyond the first year.

After the PVO Association is established and has proved to be an effective organization, it may also apply to manage a micro-grants program (see section 3.3.2.2).

Strengthening Strategy

In strengthening a PVO association, there will be several basic considerations. First, the organization and its constituent members must want to strengthen the association. Second, a consensus must be developed among the members about the long range program of the association, the services it will provide, and the activities it will organize. Third, care must be taken not to overwhelm the association with resources that cannot be sustained once USAID assistance ends. Fourth, the organization itself must want (and be involved in the selection of) any technical assistance provided by USAID. And finally, the plan for strengthening must be based on the specific features of that organization, on the level of participation of its members, on its staff and administrative support, on its existing program and activites; thus a detailed strategy could not be developed prior to selecting an association for strengthening.

However, the broad outlines of a likely strategy and several steps in strengthening can be suggested. The focus of the strategy would be on developing a consensus on the organizations goal and activities, then translating them into an effective program.

First, several candidate associations for strengthening may be invited to submit a proposal for support, indicating their short and long range plans for the organization, basic organizational and financial information, and the areas which members want to be developed. The crucial criteria in selecting the first organization for strengthening will be the evidence of support of the members for building up the organization and the willingness of members to devote energies to this effort.

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Second, the initial support of project funds would be only for a period of one year, during which time a long range (4 year) plan for program development would be drawn up and agreed to by members. Assistance to the association during that year would consist of two components: (1) a small direct grant to the association intended primarily to support a series of activities leading up to the development and adoption of a long range plan by the association members, and a proposal for further project support; and (2) technical assistance in PVO planning and organization development to help develop that plan.

Third, during the year the following events would occur. A one year action plan would be drawn up in close consultation with the USAID PVO Officer identifying steps leading to the adoption of the long range plan. A PVO specialist or organizational consultant would spend about two months doing an organizational assessment of the association. The organizational assessment would provide the focus for an initial workshop on the organization's direction and goals. Over the next few months, a series of meetings would be held and perhaps a working group convened to draft a long range plan for the association and a detailed proposal for USAID support. At the end, the plan would be presented to the full association membership. If desired, USAID would arrange further technical assistance to assist this process of developing a plan which has the support of its members.

Fourth, once the long range plan was adopted, the nature of support to the organization would change. Direct grants to the association (for 2 year periods) would support any of the program activities mentioned in the previous section on objectives, as well as the administrative support or development of any essential facilities. Occasional short-term technical assistance might still focus on organizational development, perhaps acting as a consultant for an annual review of the associations directions. Some commodity support for office equipment and a vehicle would be provided in the second and third years, but only after the association had adopted a long range plan.

Appendix F discusses several alternatives for this project element:

(1) strengthening a single association providing TA for about a year;

(2) providing simultaneous assistance to several associations using the same TA contractor; and

(3) supporting a US PVO to work closely with the association for several years.

Technical assistance envisioned for this project element, particularly during the first year of setting priorities and planning, would be contracted with a local Personal Services

Contractor, a US PVO experienced in providing such organization development support to other PVOs, oran IQC firm (preferably Grey Amendment).

Eligibility

To be eligible for strengthening funds, a PVO Association must be a Sri Lankan registered and approved charity according to the guidelines discussed in Appendix E.1. It must also include independent member PVOs, have a regularly elected board of governors, and have a director who is either elected or hired by the elected board. Some potential Sri Lankan PVO Associations to be considered for strengthening funds are discussed in appendix F.

USAID Management Effort

It is anticipated that the PVO Association will be an independent and participatory organization capable of managing and administering its activities. The assistance in developing that capacity will take the form of technical assistance from a US PVO. However, the USAID PVO Officer may also provide informal assistance as needed, particularly developing the Action Plan for the first year.

3.3.2.2. Experimental Micro-grants Program

The micro-grants program is funded on an experimental basis to assist PVOs conducting very small scale, short term micro-grant projects. This program is designed to reach out to smaller regional and community-based PVOs who have the capacity to mobilize and manage local resources but lack the personnel, expertise, language skills or presence in Colombo to apply for the sub-project grant program outlined above. Management of micro-grant programs will be awarded to intermediary PVOs. It is anticipated that more than one organization will eventually be eligible for the management of this program, each functioning in a different geographic area.

The rationale behind the experimental micro-grants program and its administration by an intermediary organization is that:

(a) the grants will directly help local communities to participate in their own development;

(b) sub-project grants of less than $10,000 are too staff intensive for AID to administer directly;

(c) they would support small local organizations which could not manage larger sub-project grants but which have the capacity to make effective use of small grants;

(d) they would also give initial support to regional PVOs which show potential of "graduating" to managing a larger sub-project grant;

(e) an intermediary organization can be in closer and more frequent contact with micro-grantees and can assume necessary project and financial reporting;

(f) a greater number of small organizations may be reached than USAID can directly interact with.

It is anticipated that by FY 93, at least 50 micro-grants will be provided to small organizations through the medium of one or more intermediary organizations. AID's contribution to the micro-grants program is $250,000. Cash or in-kind contributions of at least 25% are required from non-AID sources. Each micro-grant will range in size from $500 to $10,000, although preference will be given to smaller individual micro-grants of less than $5,000.

The initial micro-grants program will be conducted experimentally by one intermediary organization. It will involve activities in two or three adjacent districts in Sri Lanka. Involvement in a smaller geographic area will permit more concentrated effort and will facilitate monitoring and permit greater assistance to micro-grantees in proposal writing, project design and implementation. If the micro-grants program is found to be successful after a two year trial period, it may be expanded to include other districts and possibly, other intermediary organizations.

Management of Micro-grants

Management of micro-grant program will be the responsibility of the intermediary organization which will administer the program and be responsible for processing, screening and approving applications for micro-grants. The intermediary organization will submit a summary to the PRG giving a brief description of each micro-grant project. However, final approval of micro-grants projects will be given by the intermediary organization based on criteria approved by the PRG. The procedures are described further in the Implementation Plan (Section 5).

In the initial stages, the PRG may assist the intermediary organization in screening appropriate proposals for micro-grant funding and will provide other assistance as required. An intermediary organization staff member will be requested to attend the PRG committee meetings to discuss its activities. Technical assistance may be provided to the intermediary organization to help set up the micro-grants program, if needed.

Criteria for Awarding the Micro-Grants Program

Potential intermediary organizations will be awarded a micro-grants program, based on the adequacy of their proposals submitted to the Proposal Review Group (see Appendix E.3.3). Proposals must include a set of simple but specific guidelines for acceptance of micro-grant proposals. A description of other organizations' experiences managing small grants in Sri

Lanka and recommended criteria for awarding small grants is found in Appendix G. A separate appendix (Appendix H) discusses the implications of including non-registered charities in the micro- rants program.

Types of Micro-grants to be Considered

It is expected that small regional and community-based projects will be of short duration, completed in a period of less than one year. They will often involve construction of community facilities or support of community affairs (e.g., forest nursery, firewood lot, community tank, well or pump, community center, library, agricultural fair or youth activity). They may also involve setting up local training institutes such as woodworking shops, construction of minor local irrigation works or improving existing works.

Micro-grant Program Reporting Procedures

The intermediary organization will be required to report to USAID and the Ministry of Plan Implementation as described further in the Monitoring and Evaluation Plan (Section 6).

3.3.2.3. Improving PVO Management Skills

In accordance with the goals and purposes of the PVO Co-financing II Project, one element of the Project is funding to help improve PVO skills in project design and implementation, financial management, and project monitoring and evaluation. To date, proportionately few indigenous organizations have developed the capacity to manage significant resources for development purposes. Funds under this element will be used to support series of PVO workshops or training programs, provide local or expatriate technical assistance to PVOs, fund costs of Sri Lankan PVO staff in training programs established by other organizations, or support the development of training materials relevant to a broad range of Sri Lankan PVOs. PVO training and workshop activities may be conducted or coordinated by the PVO Association or by PVOs themselves, in some cases, using technical assistance of a US PVO. Some technical assistance provided directly to PVOs under this element would be local consultants working directly for or under contract to a PVO Association.

Assistance in conducting training and workshop activities may be sought from one or more local training institutes such as the Sri Lanka Institute for Development Administration, the Sri Lanka School for Business Administration or the Sri Lanka Rural Development Training Institute. A brief discussion of training organizations in Sri Lanka is found in Appendix I.

USAID will contribute $250,000 to improve PVO Management skills. It is anticipated that by FY 93, at least 20 indigenous PVOs will be assisted to improve management skills.

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Objectives

The objectives of support for this element are to:

(1) enhance the capabilities of national, regional and community-based PVOs to plan, implement and evaluate their sub-projects;

(2) provide a means by which PVOs can learn from each others' experiences and coordinate joint activities;

(3) broaden the range of PVOs able to manage PVO co-financing sub-grants.

Eligibility

Funding for direct grant support to carry out activities under this element will be provided to (a) the PVO Association and (b) eligible PVOs. To be eligible for these funds, the PVO must clearly be private, non-governmental and a non-profit organization, registered according to the guidelines in Appendix E.1. In addition, USAID may contract directly with individual Sri Lankan or expatriate consultants, US PVOs or consulting firms, or Sri Lankan training institutes to provide short-term technical assistance or conduct training activities

Criteria for Awarding Funds for Training and Workshop Activities

Direct grants to a PVO for training programs and workshops are contingent on the PVO organization providing a proposal to the PVO Association or to the PRG through MOPI. Proposals must:

1. Be complete in presentation, i.e., all required sections are included.

2. Indicate the purpose, topics to be covered and plans for training.

3. Include necessary budget allocations.

4. Demonstrate knowledge and familiarity with Sri Lanka.

5. Clearly identify participants and extent of impact of proposed activity.

6. Demonstrate previous experience and skill in conducting the proposed activity or access to such skills.

7. Demonstrate a minimum of 25% cash or in-kind contribution from sources other than AID.

Preferred Characteristics of Training and Workshop Proposals:

1. Is consistent with GSL/USAID priority of imparting management skills to PVOs in sub-project design, implementation and monitoring and evaluation.

2. Demonstrates favorable past performance with AID and USAID/Colombo.

3. Promotes participation of PVOs working on women-in-development projects.

4. Has potential for developing capabilities of existing private local groups to manage sub projects.

5. Demonstrates potential for timely completion of training activities.

6. Demonstrates that the training and workshop activity is in a subject or region(s) not already oversubscribed by the project.

7. Supports a series or program of activities, rather than a single event.

The PRG, USAID and the GSL may review these criteria from time to time. Modifications to the criteria must be mutually agreed-to by USAID and the GSL (see Appendix E 3.2).

The Review Process

Training and workshop proposals will be reviewed by the PRG, following its general procedures discussed in the Implementation Plan (Section 5).

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4. COST ESTIMATE AND FINANCIAL PLAN

The total project cost is estimated at $8,600,000 of which AID will contribute $5,046,000 or 59% of the total project cost through a development grant. The non-USAID (PVOs, GSL and Community) contribution is estimated at a rupee equivalent of $3,554,000 based on current exchange rates. Because of the Co-financing nature of the project, many of the "costs" will not be identified until the PVO proposals are submitted. These cost estimates are based on experience with the Phase I Project. A summary of cost estimates is found in Table I. AID re-obligated funds from PVO Co-financing I total $1,600,000.

The foreign exchange component of the total AID funding is estimated to be low. As there are not many U.S. PVOs operating in Sri Lanka to contribute foreign exchange, it is expected that the Foreign Exchange Component of the total U.S./Sri Lanka PVOs, GSL and others contribution will be approximately 17.4%. Because the actual implementing entity will be the PVO and local community, the bulk of foreign exchange and local contribution will be made by them from non-GSL sources.

From past experience with Phase I, the GSL contribution will be made by line ministries directly to PVO sub-projects in specialized fields (i.e. forestation, irrigation, etc.). (See Table I for breakdown).

4.1 Project Components

The AID contribution will be for the following project components:

a) PVO Co-financing sub-project grants	= $3,750,000
b) Micro-grants to small PVOs or organizations	= $ 250,000
c) Building PVO Management Skills	= $ 250,000
d) Strengthening PVO Associations	= $ 250,000
e) Project Evaluation	= $ 146,000
f) Contingency	= $ 400,000
TOTAL	$5,046,000

4.2 Functional Accounts

U.S. dollar funding for the Project is designated by AID functional accounts, which are intended to identify sectors eligible for project funding and provide allocation of funding for each. The broad categories for funding are (a) Agriculture, Rural Development and Nutrition (ARDN), (b) Selected Development Activities (SDA), and (c) Health. Table II indicates the re-obligated and new funding allocations for each.

4.3 Payment Procedures

Sub-project grants

The total grant funds will be obligated to the Government of Sri Lanka and a commitment of funds will be made individually to PVOs on signing Grant Agreements for each approved sub-project they undertake. Commitment amounts will be stated in U.S. Dollars (i.e. ranging from $25,000 upwards). However, a sub-grant budget in rupees, reflecting the items approved to be funded for particular PVO sub-project will be an attachment to the PVO grant Agreement and subsequent disbursements will be based on this rupee budget. The agreement procedures are presented in detail, along with a review of the sub-project financing procedures, in Appendix E.6. It is planned that at least 30 sub-project grants will be funded by this project element before the PACD. The minimum sub-project to be considered will be $25,000 and the maximum will be determined by the PVO's ability to implement and properly manage the sub-grant and mobilize the required non-AID 25% contribution.

Immediately after signing a Grant Agreement and prior to disbursement of funds, the accounts of the PVO will be reviewed by the USAID Controller's office. Officials of the PVO will be briefed and provided with a reporting format prior to the commencement of each sub-project. In addition, periodic financial management reviews will be carried out during the life of the Project as normal project monitoring responsibilities. It is anticipated that workshop activities carried out to enhance PVO management skills will include financial management activities.

Once a Grant Agreement is signed with a PVO, the USAID Controller will consider a start up advance based on a forecast of the first three months cash requirements from the date of signing the Agreement. PVOs will be required to clear the advance by submitting expenditure receipts and the SF 1034 quarterly. On submission of these quarterly accounts, together with their forecast of sub-project expenditure for the next quarter, USAID will review the accounts. The USAID Controller will then apply the allowable expenditures against the advance and make a further advance amounting to the next three months sub-project cash requirement of the PVO. All payments, including advances, have to be approved by the Project Officer.

Strengthening PVO Associations

Funding will be provided to strengthen one or more PVO Associations. The recipient of strengthening funds will be required to follow the same procedures described above. Technical assistance will be funded under direct contract with USAID for up to four person-months of short-term technical assistance at $20,000 per person-month over the six year life of the project. It is planned that an initial PVO Association

will require vehicle support ($15,000) and locally procured office equipment and audio-visual equipment ($20,000). For the start-up of the Associations program, AID will fund a locally hired Sri Lankan consultant to work with member PVOs and the existing staff. His salary, travel and per diem is budgeted at $15,000 for the first 18 months. The development, publication and distribution of pamplets and materials of interest to the PVO community - including a quarterly monthly newsletter - is expected to be $30,000 over the life of the project. The final activity of this project element is the funding of training courses and workshops for the PVO community or in support of training being conducted by an individual PVO. The Association will develop a training plan for its program based on inputs and requests from the PVO members. The project will fund an estimated $15,000 per year for these activities.

Workshop and training activities will generally be managed by the PVO Association but it can also fund training requests by eligible PVOs. The organization will be required to submit accounts for training and workshop activities in its quarterly forecast of expenditures.

Improving PVO Management Skills

The other training and workshop grantees will be responsible for submitting quarterly accounts which will be reviewed by USAID before allowing for a formal advance of project funds. All payments, including advances, have to be approved by the Project Officer but much of the workshop and training costs will be paid directly to vendors by the USAID Controller. This item is budgeted at $30,000 over the 6 year life of the project. These funds will cover the local cost of about three weeks per year of workshops and/or seminars to be planned by individual PVOs for their internal staff and local community organizers.

Technical assistance for improving PVO management skills and to support training and workshops will be provided under this component of the Project at about eleven person-months and will be under direct contract with USAID. This T.A. cost will be provided in addition to the amount the PVO requested for the training and workshop activities. The contractor will submit vouchers to the USAID Controller for payment. The T.A. for eleven person-months is costed at $220,000 with these short-term consultants being utilized for 2 to 4 week periods on each visit.

Micro-grants

Funding will be provided to one or more intermediary organization to manage the micro-grants program. Administrative costs to manage the program will be included in the proposal funding. However, upto two person-months of T.A. will be funded from this project element to provide expatriate assistance that is in addition to the rupee amount requested by

the intermediary organization. Each micro-grant will range in size from $500 to $10,000, although preference will be given to micro-grants of less than $5,000. The review, approval and supervision process will be managed by the intermediary organization, according to clearly defined criteria. The micro-grants program will be monitored and evaluated separately after the first two years of operation to determine whether or not it is worth continuing.

Financial Management Procedures of PVOs

All PVOs are required to keep adequate accounting records and internal controls as well as a separate bank account and a cash book to ensure the proper accountability of all U.S. Government funds under the Project. Accounts of all PVOs are to be audited annually by an audit firm acceptable to USAID and MOPI.

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TABLE I

PROJECT FINANCIAL PLAN
(Source and Application of Funding - $000)

AMOUNT FOR AN INCREMENTALLY FUNDED PROJECT

	Cumulative Obligations as of July 1987				Future Years Anticipated				Total					
	AID		GSL		AID		PVO		AID		GSL		PVO	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
1. SUB-PROJECT GRANTS	500	2,246	-	80	47	957	450	2,544	547	3,203	-	80	450	2,544
2. MICRO GRANTS	40	160	-	-	-	50	-	65	40	210	-	-	-	65
3. STRENGTHENING PVO ASSOCIATION	80	120	-	-	-	50	-	25	80	170	-	-	-	25
4. MANAGEMENT SKILLS	-		-	10	200	50	-	25	200	50	-	10	-	25
5. EVALUATION	-	-	-	-	46	100	-	-	46	100	-	-	-	-
6. CONTINGENCY	-	-	-	10	87	313	50	295	87	313	-	10	50	295
TOTAL	620	2,526	-	100	380	1,520	500	2,954	1,000	4,046	-	100	500	2,954

TABLE II

PROJECTION OF OBLIGATIONS BY FISCAL YEAR
($ 000)

	1987	1988	1989	1990	TOTAL
AID RE-OBLIGATED FUNDS					
(a) Food and Nutrition	950	-	-	-	950
(b) Selected Development	400	-	-	-	400
(c) Health	250	-	-	-	250
AID					
(a) Food and Nutrition	1,546	-	50	-	1,596
(b) Selected Development	-	500	500	850	1,850
(c) Health	-	-	-	-	-
PVO, GSL & OTHERS	100	1,400	1,000	1,054	3,554
	3,246	1,900	1,550	1,904	8,600

TABLE III

PVO CO-Financing Life-of-Project
Cost Distribution
($000)

	No	Cost Factor	1988	1989	1990	1991	1992	1993	Total
I. Sub-grants:	-	-	800	1,200	1,200	550	-	-	3,750
(Minimum of 30)	-	-	(6)	(10)	(14)	(5)	-	-	(35 Projects)
II. Micro-grants:									
Grants	-	0.5 to							
	-	10	10	15	35	60	60	30	210
T.A.	2	20	10	10	10	05	05	-	40
III. PVO Association:									
T.A.	04	20	10	45	25	-	-	-	80
PSC	01	15	05	10	-	-	-	-	15
Commodities	-	-	-	10	25	-	-	-	35
Publication	-	-	05	05	05	05	05	05	30
Training	-	-	15	15	15	15	15	15	90
IV. Management Skills:									
T.A.	11	20	40	40	40	40	40	10	210
Training	-	-	05	05	05	05	05	05	30
V. Evaluation:	-	-	-	26	30	40	-	50	146
VI. Contingency	-	-	30	135	135	70	15	15	400

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5. IMPLEMENTATION PLAN

5.1 The Agreement

After the PVO Co-financing II Project is authorized, a Project Grant Agreement will be signed by the Ambassador and the Secretary of the Ministry of Finance and Planning, thereby obligating the first year of funds. The Director of the Department of External Resources will be designated as authorized GSL representative. The Ministry of Plan Implementation will be the GSL agency responsible for project management.

USAID will sign a sub-project Grant Agreement with each individual sponsoring PVO for all PVO sub-project proposals which have been favorably reviewed and are in compliance with the criteria defined in the Project Grant Agreement.

5.2 Implementation of Sub-Project Grants

Final responsibility for implementation of the PVO Co-financing II Project rests with the GSL. However, all sub-project PVOs, including the PVO Association, PVO intermediary organizations managing micro-grants programs and the micro-grantees themselves will be responsible for design and implementation of their specific sub-projects. The MOPI and USAID will provide assistance to PVO sub-project grantees at all stages of the Project and will receive copies of all required reports, audits and evaluations so proper and timely project monitoring can be accomplished.

PVO Registration

The GSL requires foreign PVOs to provide certain information to the Ministry of Plan Implementation and to sign a memorandum of understanding. Although this action might be done before a sub-project is prepared, the PVO may want to develop its proposal and then submit both the proposal and information for the memorandum of understanding at the same time. PVOs must also be registered with the U.S. Advisory Committee on Voluntary Foreign AID before proposals are reviewed.

Indigenous PVOs applying for sub-project funds are required to be registered with the GSL and must be an approved charity to be eligible for funding under the PVO Co-financing Project. USAID regulations require non-U.S. PVOs to be registered also with the U.S. Advisory Committee on Voluntary Foreign AID before they can receive USAID funds.

Intermediary organizations managing micro-grant programs are also required to be registered with USAID and the GSL and must be approved charities.

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Intermediary organizations managing micro-grant programs are also required to be registered with USAID and the GSL and must be approved charities.

Proposal Preparation and Approval

The procedures and administrative arrangements proposed under PVO Co-financing II are modified and adapted from those utilized under PVO Co-financing I. The major change is in the approval process for sub-project proposals. Additionally, the new procedures will include review and approval of new micro-grant proposals and funding for training and workshop activities.

Under PVO Co-financing I, the interested PVO was expected to submit a concept paper directly to USAID before GSL review. On approval of the concept paper, the PVO prepared the proposal in consultation with the GSL line ministry and sent it to the Ministry of Plan Implementation. The MOPI reviewed the proposal, approved it and forwarded it to the Department of External Resources (DER). DER in turn communicated the GSL decision to USAID. Then the proposal was reviewed by the Mission PVO Review Committee and if the committee concurred, a sub-grant was provided to the PVO.

Under the new procedures, the interested applicant may (but is not required to) prepare a brief one or two page concept paper and forward it to the MOPI. MOPI may request USAID or members of line ministries to assist in the review of concept papers as deemed necessary. If PRG finds the concept acceptable, MOPI will request the applicant to prepare a complete proposal according to the stipulated guidelines and criteria. MOPI will then circulate copies of the proposal among:

(1) Additional Director, Department of External Resources

(2) GSL Line Ministry/Ministries concerned

(3) the PVO Association, when one is approved by the GSL and USAID

(4) the USAID PVO Officer.

The agencies listed above shall review the proposals in detail and forward their comments to MOPI within three weeks of receipt of the proposal. The proposal will then be reviewed by the Proposal Review Group and recommendations forwarded to the Department of External Resources. A review of these procedures and flow chart is found in Appendix E.4.

The GSL Proposal Review Group

The proposal and comments on it will be reviewed by the Proposal Review Group (PRG) on the first Wednesday of each month or more often, if necessary. The PRG will consist of the Secretary, MOPI or his nominee, the Additional Director of External Resources or her nominee and the USAID PVO Officer. All three members have equal voice in determining acceptability

of proposals and all proposals must be reviewed by the PRG. The USAID PVO Officer will act as a liaison between the PRG and the USAID Project Review Committee.

If the PRG finds the proposal acceptable, it will make its recommendations to the Director, Department of External Resources, the GSL authorized representative who is responsible for coordination of all foreign donor assistance. The Department of External Resources forwards the proposal to USAID indicating that the Proposal Review Group has recommended approval of the proposal. The Director, USAID, will then enter into a Grant Agreement with the PVO if the sub-project is found to be in compliance with the Project Grant Agreement.

Neither USAID nor the GSL will independently disapprove sub-project proposals for reasons other than non conformity to the agreed criteria.

Proposal Review within USAID

Proposals will be sent to the USAID PVO Officer, who will circulate them among the members of the USAID Project Review Committee prior to review by the Proposal Review Group. The USAID Project Review Committee is chaired by the Program Officer and includes the following members: PVO Officer, Economic Specialist, Project Backstop Officer in the Office of Projects and the Controller. Other Mission staff may be asked to participate in the review of proposals involving a particular area of expertise such as agriculture or private enterprise.

The Project Review Committee is responsible for ensuring that proposals meet the criteria for approval of sub-projects set forth in the Project Grant Agreement between USAID and GSL. The USAID PVO Officer will convey any problems perceived by the USAID Project Review Committee to the PRG at its monthly meeting.

USAID may be requested to assist in proposal review at any stage. MOPI may request some assistance be provided to a PVO at the concept paper stage. While the PVO Association may eventually be able to assist the interested PVO, initially the services of USAID Mission staff or contracted technical assistance may be needed.

Financial Arrangements

After the Sub-project Grant Agreement is signed by the Director and the PVO, the USAID Controller will, with the approval of the PVO Officer, arrange to provide directly to the PVO's authorized representative advances funds for deposit into a sub-project bank account. Normally funds will be provided as an advance for up to three months' operations. Release of further funds will be based upon the progress of work and submission of accounts and documentation which clear the

advances quarterly, when approved by the USAID Project Officer and Controller. PVOs will be held fully responsible for all aspects of their sub-project or training and workshop activities, including development, approval and implementation of activities. The PVOs will also be fully responsible for all funds and for assuring the proper and timely conduct of audits, reports and prescribed evaluations. The intermediary organization will be held fully responsible for the micro-grants.

Reports and Audits

All PVOs under a Sub-project Grant Agreement with USAID are required to provide the following reports and audits to the Ministry of Plan Implementation and USAID:

(1) Quarterly progress reports due in January, April, July and October, during the sub-project implementation period. The first report may be for slightly more or less than three months depending on the month of start-up, so that all PVOs shall submit reports at approximately the same time;

(2) Annual audit report prepared by an independent public accounting firm, acceptable to the MOPI and USAID Controller;

(3) Quarterly financial statements on status of funds (to USAID Project Officer and Controller only);

(4) Mid-term and final sub-project evaluation reports.

PVO receiving funding for training and workshop activities will submit a final report to the Ministry of Plan Implementation and USAID after completion of the designated activity.

5.3 Procurement

USAID anticipates the procurement of a limited amount of commodities during the life of the project. This judgement is based on Mission experience with commodity procurements under the thirty-five plus sub-projects of the Phase I project. AID financing for commodities were for indigenous goods and/or off-the-shelf items and participating PVOs had no problem purchasing commodities per the Grant Agreement. However, often the sub-project commodities required were obtained by an in-kind contribution of the PVO or local community or were purchased by non-AID funding sources.

PVOs with sub-grants, therefore, will manage their own procurements, subject to regulations and guidance governing PVO grants. Commodity procurement guidelines are found in appendix E.7.

The project element for strengthening of the PVO Association has budgeted for one vehicle (i.e. van), office equipment and furniture, and audio-visual equipment and supplies. The procurements will be made by the PVO Association using grant procurement procedures, with guidance from USAID staff. It is anticipated that the purchases will all be made within the first two years of the project and will be obtained locally to ensure after sales servicing, local maintenancing, and availability of spare parts and supplies.

5.4 Technical Assistance

To assist in developing PVO management skills and to strengthen the PVO Association capabilities, USAID will fund one locally recruited consultant, for a Personal Service Contract of upto eighteen months, with expertise in PVO management. In addition, the USAID funds are provided for seventeen person-months of short-term expatriate technical assistance. The use of this T.A. will be distributed over the six year life of the project in support, principally, of the micro-grants, skills improvement, and PVO Association strengthening components. While the budget shows funding for short-term T.A. in all three components, it is planned that a consultant would have available time and expertise to provide support to several project efforts on the same visit.

The Mission will use AID-direct contracting procedures to obtain short-term contracts. Most will be drawn from existing Indefinite Quantity Contracts held in AID/W. It is expected that some T.A. in specialized areas can best be provided by "buy-ins" to centrally managed contracts with private firms or U.S. PVOs. Some short-term T.A. will be contracted in Sri Lanka using a Mission issued Purchase Order procedure. This will be particularly necessary where the training and workshop support activities require instruction in Sinhalese and/or Tamil.

It is essential that the technical assistance personnel have strong administrative and training capabilities, a thorough knowledge of small grants management and experience in managing PVO activities. USAID, in conjunction with MOPI and the PVO community, will identify and contract for appropriate U.S. and Sri Lankan consultants to work with Sri Lankan PVOs, PVO Associations and intermediary organizations.

5.5 Gray Amendment Firms:

There are no planned procurements that could make use of Gray Amendment (GA) suppliers or manufacturers. The project will not make use of either a procurement service agent or a single, prime technical assistance contractor. There is however, an opportunity for contracting with a minority/woman under a PSC providing support to the selected PVO Association. The Mission will give this serious consideration when identifing eligible candidates.

There will be an opportunity for GA firms to provide short-term consultants over the life of the project. As T.A. requirements are identified by the PVO community, the Mission will prepare PIO/Ts that will fund Work Orders with existing IQCs. The Mission will request that SER/OP/CM give priority to IQCs with GA firms and organizations if they can provide the needed expertise. The Mission will consider obtaining short-term requirements from a GA PVO if one can be identified and the contracting procedures are not cumbersome and protracted.

Under the main project element - sub-project grants to PVO, the Mission upon signing of the Project Agreement with the GSL will request AID/W (FVA/PVC) to issue an announcement that AID funded grants are available in Sri Lanka and interested GA PVOs should contact the MOPI for application guidance.

5.6 Training:

Project funds are provided for short-term training and workshop activities for both U.S. and Sri Lankan PVOs and use by the PVO Association. The U.S. and Sri Lanka PVO's are expected to conduct most of their training activities with local in-house staff and the participation of their volunteers and/or people from their community bases. The PVO grantees for this project will be supported by outside technical assistance in curriculum development, course presentation and material preparation if they so request it. This component is expected to fund an average of three weeks per year in workshop and training time, not including planning and course development.

The PVO Association workshops and seminars will appeal to the broader PVO community and be of a more structured nature. The planned activities will be scheduled four times a year and cover topics identified and prioritized by the Association membership. Additional sessions are to be conducted as course follow-up or to reach PVO staff and volunteers with more specialized material. As the project progresses, the PVO Association will begin to identifing and register Sri Lankan resource persons with the knowledge and inclination to provide short-term training or technical support to the small, widely dispursed PVOs. By project end, there may not be a cadre of resource people sustainable by volunteerism, but there will be a register or talent bank of persons with recognized skills, experience and training.

PVOs interested in conducting workshops focused on PVO management skills will apply for funding to the strengthened PVO Association or directly to MOPI. The proposal will include a list of possible PVO participants and criteria for participant selection. The sub-grantee will be responsible for arranging the activity but will be assisted by the USAID Mission where necessary. The PVO Association will be responsible for any procurement required for such activities but USAID will provide and fund necessary T.A. when and as needed.

It is not anticipated that training and workshop activities will take place outside Sri Lanka. However, PVOs interested in participating in off-island training or workshop activities may apply for funding through the Proposal Review Group.

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6. MONITORING AND EVALUATION PLAN

Under PVO Co-financing II, efforts are made to improve the quality of monitoring and evaluation. Monitoring and evaluation are a multi-tiered process; USAID and GSL are responsible for overall project monitoring and evaluation but rely on the careful monitoring and evaluation of all sub-project activities by the PVOs themselves. Lack of a data base at the sub-project level will limit the success of overall PVO Co-financing II Project monitoring and evaluation.

The purpose of monitoring and evaluation is to:

(1) follow progress of individual activities that are funded by the Project;

(2) assess impacts of activities on participants and communities;

(3) assess degree to which Project purposes and objectives are being met;

(4) enhance the capabilities of PVOs to manage their own sub-projects more effectively;

(5) record lessons learned for future project direction.

A number of steps are being taken to improve the total project monitoring and evaluation by improving the capabilities of PVO Co-financing sub-project grantees. These steps include the following:

(1) establishing a set of formal guidelines for conducting and reporting evaluations by PVOs;

(2) implementation of workshop and training activities in monitoring and evaluation techniques for PVOs.

6.1 USAID and GSL Monitoring and Evaluation Responsibilities

USAID and the Ministry of Plan Implementation are responsible for overall project monitoring and evaluation. While monitoring is carried out by those directly involved in the Project (USAID and GSL representatives), mid-term and final project evaluations will be carried out by a team of qualified consultants.

Project Monitoring

Part of USAID and MOPI's monitoring responsibility is the review of progress reports and financial statements submitted by PVOs and the PVO Association. Review of reports enables the Mission to monitor progress and accomplishments against the sub-project grantee's implementation plan.

The USAID Project Officer and the Deputy Director in the MOPI responsible for the GSL management of the Project, will also pay periodic visits to sub-project sites and monitor progress. The USAID PVO Officer will visit the sites at least twice a year but more often as is deemed necessary. The members of the USAID Project Review Committee will visit the sub-project and selected micro-grant project sites at least once a year during the life of the Project.

Overall progress will be monitored by the Mission Front Office during the quarterly review of all sub-projects and when submitting the semi-annual Project Implementation Reports to AID/W.

The Proposal Review Group will also review progress on all sub-projects, including micro-grants and training and workshop activities at its monthly meeting and take remedial measures as necessary through the relevant line ministry or intermediary organization.

Officials of the line Ministry/Ministries concerned will monitor the implementation of sub-projects throughout, as the majority of the sub-projects are implemented in collaboration with the line ministries. Micro-grants will not be monitored by line ministries.

Evaluation

Under PVO Co-financing II, $146,000 is allocated for project evaluations. Two types of evaluations are included:

(1) Mid-term and final project evaluation; and

(2) A micro-grants program evaluation.

Overall project evaluations will be conducted midway and at the completion of the PVO Co-financing Project. Each will be a detailed evaluation of the overall impact of all elements of the PVO Co-financing II Project. Particular attention will be given to the effectiveness of the Project in increasing the number and range of PVOs and community organizations involved in the Project.

The evaluations will also assess the effectiveness of the Project in imparting management skills to PVOs and community organizations, the adequacy of the training and technical assistance activities, the role of the intermediary organizations in managing micro-grants and the micro-grant projects themselves. Assessment of the financial management and accounting procedures adopted by micro-grantees and the intermediary organization will also be made.

A separate evaluation of the micro-grants program will be conducted after a period of two years (approximately December, 1990) and will assess the progress of this unique program.

This is an important evaluation since USAID and GSL representatives will have less contact with micro-grant recipients than they normally do with the larger sub-project grant recipients.

The evaluations will be conducted by a team coordinated by the USAID Mission. The team will comprise a staff representative of MOPI, a PVO representative, the USAID PVO Officer and other designated representatives of the USAID Mission.

6.2 PVO Sub-project Monitoring and Evaluation Responsibilities

Sub-projects will be monitored and evaluated by the responsible PVO. To ensure more accurate and useful monitoring and evaluation, a set of guidelines and procedures have been established. These procedures and guidelines are found in Appendix E.8 and are summarized here.

Sub-project monitoring

Monitoring will, in the first instance, be the responsibility of the PVO. Each approved sub-project proposal will contain a plan for how the PVO will monitor the following:

(1) achievements and progress towards targets;

(2) problems and constraints in achieving targets.

(3) purchase, delivery and use of commodities;

(4) finances;

(5) compliance with AID's standards and procedures;

The PVO sub-project grantee will provide (a) quarterly brief progress reports, (b) annual audit reports prepared by an independent public accounting firm, (c) quarterly financial statements on status of funds and (d) an end of sub-project report that describes the entire history and accomplishments of the sub-project. Additionally, PVO sub-project grantees will supply an Interim Problem Identification Report when any unforseen event occurs, such as the sudden loss of materials or staff.

In addition to the above reports, a midway and final performance report will be submitted to USAID and MOPI in place of reports otherwise due at this time. These will include a summary of activities and accomplishments to date, description of constraints and analysis of development impacts.

Sub-project Evaluation

PVO sub-project grantees are required to provide a detailed plan of how they will carry out their evaluations when they

submit a proposal. The evaluation plan should address the following:

(1) number of evaluations to be conducted;

(2) when they will be scheduled;

(3) what will be evaluated;

(4) what methods will be used;

(5) who will conduct the evaluation.

Annual evaluations will be carried out by the PVO sub-project grantees within 30 days of their annual audit. They will then submit a completed Project Evaluation Summary (PES) to the Project Evaluation Committee, consisting of the USAID Evaluation Officer, the Project Officer, the Controller and, as appropriate, concerned Technical Officers.

Baseline Data

In order to assess the achievements of a sub-project, it is important to have adequate baseline data from which to measure changes. The evaluation of PVO Co-financing I stressed the need to improve the quality of baseline data collected by PVOs. In PVO Co-financing II, PVOs will be required to conduct baseline surveys where appropriate so that before and after observations can be made. A plan for baseline data collection will be included in the PVO sub-project proposal. The guidelines for conducting baseline studies are included in Appendix E.8.

Case Studies

The evaluation plan will also consider how and whether case studies will be conducted. Case studies are an important means of collecting qualitative data on sub-project impacts and effects. In doing them, a small number of beneficiaries are followed more intensively to see what changes the sub-project has brought about.

6.3 Micro-grants Monitoring and Evaluation Responsibilities

Intermediary organizations will be responsible for monitoring and evaluating overall progress of their micro-grants. They will also be responsible for developing a set of very simple guidelines and procedures by which micro-grantees may monitor and evaluate their projects and report to the intermediary organization. Although these guidelines and procedures will not be rigorous, they will assist small regional and community-based PVOs in developing their management skills as well as to provide a means of collectively assessing the success of the total PVO Co-financing II Project. It is not anticipated that

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micro-grantees will devote much time to monitoring and evaluation which, given the size of their projects and their time frame, may detract from the purpose.

Micro-grant Monitoring

Intermediary organizations will be required to submit quarterly progress reports to the PRG. The intermediary organization representative will pay frequent visits to the micro-grant project sites and monitor progress. Trip reports will be included in the quarterly progress reports submitted to the PRG.

Micro-grant Evaluation

The intermediary organization will be required to carry out an annual evaluation within 30 days of its annual audit. It will then submit a completed Project Evaluation Summary (PES) to the Project Evaluation Committee. This will be a summary of activities and accomplishments of each micro-grant. It should also critically examine the processes by which it identifies possible micro-grants recipients, its criteria for approving micro-grants and its financial monitoring of each individual micro-grant project. The intermediary organization will also include an evaluation of the effectiveness of any training and workshop activities it carries out.

Baseline Data

For the micro-grants program, the intermediary organization may request that baseline data are collected for micro-grant projects. Although these may not be necessary in many cases, given the types of activities micro-grantees will be engaged in, there may be cases where they are appropriate.

6.4 Improving PVO Monitoring and Evaluation Skills

The strengthened PVO Association will play a critical role in assisting PVOs to develop skills in monitoring and evaluation. By providing those skills through workshops and training programs, PVOs will be able to manage their sub-projects more effectively. Imparting skills will help achieve the overall project goal of increasing the number and diversity of private organizations addressing significant local and national development problems. The strengthened PVO Association will submit progress reports and evaluation summaries, following the guidelines in Appendix E.8.

6.5 Audits

In as much as independent audits are required of all PVO sub-projects, and the Mission Controller will conduct periodic voucher verification, no additional funding for non-federal audits is required.

7. SUMMARIES OF ANALYSES

The following summarizes the technical, administrative, economic, social and environmental analyses. Full descriptions of these analyses are found in Appendix J. A set of guidelines to be used by PVOs in writing their specific sub-project analyses is in Appendix E.5.

7.1 Technical Analysis

The technical analysis of the Project involves two related components: (a) the technical feasibility of individual PVO sub-projects and (b) the technical feasibility of the overall Project. The technical feasibility of the overall Project rests on the feasibility of each individual sub-project carried out by a PVO. Each PVO sub-project proposal must contain a succinct analysis of the sub-project's technical merit.

PVO sub-project proposals are expected to be simple and straightforward in design. Complex technical analyses should be avoided except in rare cases. The Proposal Review Group will review the technical feasibility, cost-effectiveness and appropriateness of each proposal. In those cases where proposals have a strong technical aspect, such as construction, care will be taken to ensure that the PVO has employed proper technical expertise in developing its design and overseeing its implementation. USAID staff or technical consultants may be dispatched to the sub-project site to review the implementation of the technical component.

Under PVO Co-financing I, the technical feasibility of sub-projects was demonstrated, although some proposals were found to be unrealistic in their design. In particular, smaller organizations often lack the expertise to develop technically feasible sub-projects. Some of the new project elements are intended to increase the strength and technical feasibility of sub-projects. The Project Review Group will continue to review the technical analyses included in sub-project proposals and will advise where necessary.

The technical feasibility of the new project elements has not been previously demonstrated but were developed from strong recommendations made by the interim evaluation team. Intermediary organizations managing micro-grants program must ensure that the micro-grantees set forth realistic goals in terms of their technical feasibility.

Given the evaluation of PVO Co-financing I and the needs voiced by PVOs, the new elements are justified. While their technical feasibility cannot be fully known yet, the Project will implement them on a pilot basis.

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7.2 Economic Analysis

An economic analysis of the overall Project is not possible since the Project comprises a collection of sub-projects each with its own agenda. The PVO sub-projects supported by the overall Project range from activities which generate income and production to activities which are aimed at imparting PVO management skills. Each different PVO sub-project results in different rates of return.

It is possible to establish the economic viability of the overall Project in qualitative terms. The Project has several benefits:

1) it invests in diverse activities;

2) it allocates funds over the life of the Project which help mobilize underutilized community funds and/or resources;

3) it reaches the poorest of the poor;

4) it involves low capital costs;

5) it encourages use of appropriate technology;

6) sub-projects funded are small scale.

The sub-projects are not usually undertaken by the government because of resource constraints and are not undertaken by the private sector business because there is no direct financial return to investments. Additionally, the beneficiary groups that each sub-project and individual project carried out by a micro-grantee addresses are generally without means or leadership and cannot undertake activities on their own to generate increases in household incomes or improvements in living standards.

Under PVO Co-financing I, almost all the sub-projects that were supported were highly cost effective and had spread effects and impacts on income and employment generation. In view of the evaluations carried out, the economic feasibility of the large sub-project grants of greater than $25,000 each can be assumed.

The new elements of PVO Co-financing II focus on strengthening PVO organizations and broadening the number of PVOs eligible for funding. It is unrealistic to consider a quantifiable cost-benefit analysis of these elements at this stage since they are intended to indirectly benefit sub-projects by increasing their performance. However, these additional features will undoubtedly increase the economic justification of the overall Project.

7.3 Social Analysis

The social analysis of the Project focuses on four sets of questions:

(1) Social and cultural feasibility;

(2) Organizations supported;

(3) Social Consequences and Beneficiary Analysis;

(4) Diffusion Effects.

Social and Cultural Feasibility

The predecessor project provides sufficient experience to indicate that PVOs will come with useful co-financing proposals, provided the information about the Project is disseminated and that review criteria are clearly conveyed. Though PVO sub-projects may have a range of design, implementation, management, or technical problems, few, if any are likely to be "culturally inappropriate." The relevant feasibility questions are likely to revolve around locating viable economic and sustainable activities for the poor, matching the sub-project organizational structure to sub-project objectives or planning for the eventual withdrawal from project funding.

Organizations Supported

The social analysis demands asking what organizations will be supported and whether those organizations have the capacity to carry out sub-projects. Although this is known for the sub-projects, based on the experience in PVO Co-financing I, it is less clear for the new project elements.

Prior experience with co-financing sub-project grants has established that Sri Lankan PVOs will come forward with useful sub-project ideas and that there are sufficient PVOs which can implement such sub-projects. Some problems may be anticipated with smaller organizations trying to provide the required co-financing. The micro-grants program may assist smaller organizations to obtain funding from the Project.

Under the micro-grants program, small regional and community-based PVOs will be given the opportunity to participate in the Project. The registration requirements will be waived but the organization managing the micro-grants will be required to develop strict guidelines and procedures. These should permit the Project to reach a larger number of organizations while maintaining controls so that legitimate development-oriented sub-projects are carried out.

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The strengthening element and management skills element of the Project will support the activities of a broad range of PVOs. Although there is no strong PVO Associations in Sri Lanka at present, there are organizations with much potential. Significant funding and technical assistance will be required however. It is anticipated that once such a system is operating, many PVOs will be reached.

Social Consequences and Beneficiary Analysis

Based on the predecessor project, PVO Co-financing II is expected to have a significant positive impact on the poorest sectors of Sri Lankan society. The emphasis on development-oriented, rather than welfare-oriented sub-projects has encouraged some PVOs to shift their orientation and engage in sub-projects that will truly benefit the poor majority. The Project also will benefit women since sub-projects with a women-in-development focus will continue to be favored. This has been the case in the predecessor project.

The project will attempt to have a broad geographic spread and will consider sub project proposals from any part of the country. Under the predecessor project, it was difficult to approve PVO sub projects in the northern and eastern areas where the ethnic conflict has persisted. Though several PVO proposals from those areas were received, they were not considered, as monitoring sub projects was difficult. In order not to exclude projects in those areas from consideration, some alternatives to direct visits by the MOPI and/or USAID project managers will be considered. These might include requesting a monitoring visit by the relevant Government Agent or contracted project visits/assessments by another other PVO.

Diffusion Effects

The diffusion of technical innovations in PVO sub-projects and projects carried out by micro-grantees is not likely to be a major project impact. However, diffusion effects may be anticipated in the areas of:

1) changing orientation from welfare to development;

2) improved financial management;

3) improved design and definition of sub-projects;

4) improved evaluation.

7.4 Administrative Analysis

The administration for the Project falls with the GSL, USAID and the PVOs themselves. Some revisions in the administrative arrangement for review and approval of sub-projects have been made under PVO Co-financing II but it is not anticipated that there will be any problems faced by the

changes. In fact, it is anticipated that the new procedures will streamline the concept paper and proposal review process and provide a better mechanism for assisting PVOs interested in submitting sub-project proposals.

GSL

Within the Government, the Ministry of Plan Implementation (MOPI) will play an instrumental role as the initial recipient of sub-project concept papers and proposals, as a participating member of the Proposal Review Group and one of the principle agencies responsible for monitoring PVO sub-projects. The MOPI already oversees foreign and Sri Lankan PVO projects and is in close contact with the line ministries and divisions within MOPI concerned with food and nutrition, population and children's welfare. The MOPI feels that it can fully handle the workload required of the Project and has accepted its responsibilities as a member of the Proposal Review Group

Line ministries will play a role in assisting individual PVO activities in their areas of concern but no substantial workload will be put on any one Ministry.

A designated member of The Department of External Resources (DER) will serve on the Proposal Review Group to ensure that GSL criteria for sub-projects are met. No administrative difficulties are anticipated. The DER has accepted responsibilities as a member of the Proposal Review Group.

AID

The Project Review Group in the Mission will review all proposals to ensure that they comply with the criteria as set forth in the Project Grant Agreement with the GSL. As the personnel serving on the Project Review Committee were involved in PVO Co-financing I, no substantial increase in workload is anticipated.

PVOs

PVOs must demonstrate their administrative capabilities when submitting proposals. Since many PVOs are weak in their administrative capabilities, as borne out in the interim project evaluations, the new project elements aim to improve those skills. These elements will enhance the overall administrative feasibility of the Project.

Since very small regional and community-based PVOs cannot be expected to have sophisticated administrative skills, management for the micro-grants program will be undertaken by one or more intermediary organizations. They will be expected to help small PVOs develop their skills, thereby enhancing the Project as a whole. It is anticipated that the intermediary organizations will be larger organizations which have demonstrated administrative skills and trained staff but these

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will be demonstrated in their proposals. The PRG and the USAID Project Review Committee will assess those skills.

The strengthening element appears feasible administratively. Development of the administrative capability of the PVO Association will require significant levels of effort and therefore, the Project will proceed cautiously. Evaluation will pay particular attention to the administrative capabilities of the PVO Association.

7.5 Environmental Analysis

PVO Co-financing II will, from an environmental viewpoint, be similar to the PVO Co-financing I Project but will include smaller sub-projects and individual micro-grant projects distributed over a larger geographic area. Accordingly, no significant negative environmental effects are anticipated. In fact, some planned activities by PVOs such as continued reforestation, will result in significant environmental benefits to selected target populations. However, to ensure that any potential negative environmental impacts are minimized, all proposals will be required to include a brief assessment of the extent and nature of any potential environmental impacts associated with a proposed activity. These assessments will be reviewed by the PRG and the USAID Project Review Committee. Only those sub-projects found to be environmentally sound will be approved. If the environmental impact is anticipated to be significant, USAID will involve the Mission Environmental Officer in a more complete review of the proposal.

8. CONDITIONS PRECEDENT AND COVENANTS

The Project Grant Agreement will include the following conditions precedent to disbursement of funds:

1) A statement of the name(s) of the person(s) holding or acting on behalf of the Government of Sri Lanka and of ny additional representatives, together with a specimen signature of each person(s) specified in such statement.

The Project Grant Agreement will include the following special covenants:

1) The Grantee will facilitate the development and dissemination of information on the PVO Co-financing II Project to all interested parties and organizations. The information should include criteria for approval of individual PVO sub-projects.

2) The Grantee will expedite any approvals, clearances, registration, licences, permits or other assistance and actions by government agencies to strengthen the project's efforts to broaden the number of PVOs seeking access to project funds through one or more intermediary PVO organization. While directed at reaching small regional and community-based PVOs, the Grantee assistance will also be for establishment of a PVO Association that will coordinate activities between PVOs and disseminate information about PVO activities.

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

   (a) evaluation of progress toward attainment of the objectives of the Project;

   (b) identification and evaluation of problem areas of constraints which may inhibit such attainment;

   (c) assessment of how such information may be used to help overcome such problems; and

   (d) evaluation, to the degree feasible, of the overall development impact of the Project.

APPENDIX A

APPROVAL OF PID

Attachment 4

PID/P No. 383-249-3-77010

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AITAC

E.O. 12356: N/A
TAGS: N/A Asia Near East Project Advisory Comm.
SUBJECT: ANPAC MEETING ON PVO CO-FINANCING II PID (383-0101)

REF: SE COLOMBO 7963

1. ANPAC, CHAIRED BY DAA/ANE J. NORRIS, MET ON 23 JANUARY TO REVIEW SUBJECT PID. MISSION WAS AUTHORIZED BY ANPAC TO PROCEED WITH PROJECT DESIGN AND TO APPROVE PP IN THE FIELD. GUIDANCE TO MISSION ON SPECIFIC ISSUES DISCUSSED BY ANPAC IS PROVIDED BELOW.

2. PROGRAM FLEXIBILITY AND MORTGAGE: ANPAC BRIEFLY DISCUSSED CHALLENGE FACING MISSION WITH REGARD TO UNCERTAINTY ABOUT PEACEFUL SETTLEMENT OF ETHNIC CONFLICT AND FUTURE PROGRAM REQUIREMENTS IN EVENT THAT SUCCESSFUL NEGOTIATION IS ACHIEVED, PARTICULARLY THE LIKELY REQUEST FROM GSL FOR SUBSTANTIAL NEW COMMITMENT BY DONORS IN NORTHERN AND EASTERN DISTRICTS. ANPAC CONCLUDED THAT THIS ISSUE SHOULD NOT AFFECT PVO CO-FINANCING II, ALTHOUGH IT MIGHT SUGGEST CONSIDERATION OF A MODULAR APPROACH TO OTHER NEW PROJECTS BEING DEVELOPED IN FY 87 AND 88, TO FACILITATE LATER REPROGRAMMING SHOULD THAT BECOME NECESSARY.

CHECKED

3. PROJECT DISBURSEMENT AND PIPELINE: ANPAC EXPRESSED SOME CONCERN RE RELATIVELY LARGE UNDISBURSED BALANCE OF FUNDS IN PVO CO-FINANCING I (383-0082), WHILE NOTING MISSION'S ASSURANCE THAT MAJOR SHARE OF UNDISBURSED FUNDS ARE NOW IN FINAL COMMITMENT PROCESS. "ANPAC ALSO COMMENDED MISSION FOR DEVELOPMENT OF INNOVATPOE MICRO-GRANT PROGRAM AND INTENTION TO USE INTERMEDIARY PVO TO ADMINISTER MICRO-GRANT COMPONENT AND THEREBY SPEED DISBURSEMENT PROCESS. GC/ANE NOTED THAT EITHER GOVERNMENT-TO-GOVERNMENT AGREEMENTS OR (FOR MICRO-GRANTS) DIRECT GRANTS TO PVO FOR LATER AWARD TO OTHER PVOS FOR GRANT FINANCING OF SUBPROJECTS HAVE BEEN UTILIZED BY VARIOUS MISSIONS AND HAVE BEEN CONSIDERED VALID OBLIGATIONS. ANPAC SUGGESTS THAT MISSION DEVELOP AND SHARE WITH AID/W VIA CABLE) A DISBURSEMENT PLAN AS PART OF PP DESIGN, TAKING ACCOUNT OF PRIOR PROJECT EXPERIENCE AND EFFORTS UNDERTAKEN TO STREAMLINE

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DISBURSEMENT PROCESS IN NEW PROJECT.

4. INCLUSION OF HUMAN RIGHTS AND ENVIRONMENTAL ACTIVITIES AS ELIGIBLE SUBPROJECTS: ANPAC NOTED THAT THESE CROSSCUTTING CONCERNS COULD WELL BE INCORPORATED IN SUBPROJECT ACTIVITIES IN BOTH STRATEGIC (85 PERCENT) AND NON-STRATEGIC (15 PERCENT) AREAS, AND SUGGESTED THAT THEY BE LISTED IN PP AS SPECIFICALLY ELIGIBLE. FURTHER, ANPAC NOTED THAT SRI LANKA'S ETHNIC SITUATION MIGHT PROVIDE OPPORTUNITIES FOR HUMAN RIGHTS ACTIVITIES, WHICH CAN BE FUNDED FROM ANY ACCOUNT AND WOULD HELP AGENCY MEET REQUIREMENT OF CONGRESSIONAL EARMARK IN SECTION 116 (C) OF F.A.A.

5. EVALUATION PLAN: ANPAC NOTED THAT EVALUATION OF THE PREDECESSOR PROJECT LACKED PRECISE QUANTITATIVE AND QUALITATIVE INDICATORS OF PROJECT ACHIEVEMENT, AND RECOMMENDED THAT PROJECT COMPONENT FOR STRENGTHENING PVO SKILLS IN PROJECT DESIGN AND IMPLEMENTATION INCLUDE TRAINING AIMED AT SUCH MEASUREMENT OF IMPACTS, SO THAT REGULAR COLLECTION OF THESE DATA CAN PROVIDE A DATA BASE FOR NEXT EVALUATION.

6. COOPERATION WITH PEACE CORPS: ANPAC WISHED TO ENCOURAGE MISSION TO USE PCV'S, AS APPROPRIATE, IN ACTIVITIES UNDER SUBJECT PROJECT.

7. COORDINATION AMONG PVO'S: ANPAC SUGGESTED THAT MISSION CONSIDER EXPLORING WITH GSL THE FEASIBILITY AND POTENTIAL BENEFITS OF ESTABLISHING A COORDINATING GROUP FOR PVO'S ACTIVE IN SRI LANKA, INVOLVING COMMUNICATIONS, JOINT WORKSHOPS, ETC., AND POSSIBLY SET ASIDE PROJECT FUNDS TO HELP IT GET ESTABLISHED. SHULTZ

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APPENDIX 2A

Chp 2, HB 3
(TM 3:43)

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET (PID)

1. TRANSACTION CODE: [A] A = Add, C = Change, D = Delete — Revision No. ____ — DOCUMENT CODE: 1

2. COUNTRY/ENTITY: SRI LANKA

3. PROJECT NUMBER: 383 0101

4. BUREAU/OFFICE — A. Symbol: ANE — B. Code: 03

5. PROJECT TITLE (maximum 40 characters): PVO CO-FINANCING II

6. ESTIMATED FY OF AUTHORIZATION/OBLIGATION/COMPLETION
- A. Initial FY: 87
- B. Final FY: 89
- C. PACD: 91

7. ESTIMATED COSTS ($000 OR EQUIVALENT, $1 =)

FUNDING SOURCE	LIFE OF PROJECT
A. AID	DOLS. 5,046
B. Other U.S. 1.	
B. Other U.S. 2.	
C. Host Country	DOLS. 2,954
D. Other Donor(s)	500
TOTAL	DOLS. 8,500

8. PROPOSED BUDGET AID FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. PRIMARY TECH. CODE 2. Loan	D. 1ST FY 87 1. Grant	D. 1ST FY 87 2. Loan	E. LIFE OF PROJECT 1. Grant	E. LIFE OF PROJECT 2. Loan
(1) ENX	250	070, 240		1,546		2,546	
(2) SDX	760	840		1,500		2,500	
(3)							
(4)							
TOTALS				3,046		5,046	

9. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 030 | 070 | 110 | 240 | 250 | 840

10. SECONDARY PURPOSE CODE: 240 -2

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

A. Code	PART	PVOU	PVON	TECH	INTR	EQTY	
B. Amount							

12. PROJECT PURPOSE (maximum 480 characters)

To enhance opportunities for local communities to participate in their own development by increasing the involvement and effectiveness of PVOs conducting development activities.

13. RESOURCES REQUIRED FOR PROJECT DEVELOPMENT

Staff: 1 AID/W Consultant or International Consultant
1 International Consultant resident in Sri Lanka

Funds: $ 15,000 - P D & S Funds

14. ORIGINATING OFFICE CLEARANCE — Signature: Robert C. Chase — Title: Director, USAID/Colombo — Date Signed: MM DD YY

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

16. PROJECT DOCUMENT ACTION TAKEN: S = Suspended, A = Approved, D = Disapproved, CA = Conditionally Approved, DD = Decision Deferred

17. COMMENTS

18. ACTION APPROVED BY — Signature — Title

19. ACTION REFERENCE

20. ACTION DATE: MM DD YY

AID 1330-2 (6-79)

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VZCZCCMI *
PP RUEHC
DE RUFHCM #9442/01 358 **
ZNR UUUUU ZZH
P 240914Z DEC 86
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 0557
BT
UNCLAS SECTION 01 OF * COLOMBO 09442

OFFICIAL FILE COPY

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCBASE
DRFTD: PRM:JE/PVO:NMAHESAN:YCC
CLEAR: PEM:RDMCL/PRM:JE/PIS
DISTR: AID AMB DCM

AIDAC

REF: (A) STATE 372178 (B) COLOMBO 07963

cc. PDSP
RLA
MWRD

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0161)

1. SUMMARY: AN ABBREVIATED PID IS PRESENTED FOR A PVO CO-FINANCING II PROJECT (383-0161). THIS NEW PROJECT WOULD PROVIDE FOR A GRANT OF DOLLARS 5,046,000 AND WOULD PERMIT CONTINUED SUPPORT OF THE TYPE OF PVO DEVELOPMENT ACTIVITIES NOW BEING FUNDED UNDER THE PVO CO-FINANCING PROJECT (383-0060). THE PURPOSE, STRUCTURE, AND MANAGEMENT OF THE NEW PROJECT WILL BE SIMILAR TO THE OLD PROJECT. SEVERAL CHANGES ARE PROPOSED BASED ON THE MISSION'S EXPERIENCE WITH THE PREDECESSOR PROJECT AND THE RECENT PROJECT EVALUATION. THESE INCLUDE MINOR CHANGES IN THE (1) APPROVAL CRITERIA FOR PVO SUBPROJECTS, (2) AN EXPERIMENTAL MECHANISM FOR FUNDING MICRO-GRANTS TO COMMUNITIES OR LOCAL PVOS, AND A (3) COMPONENT TO IMPROVE THE IMPLEMENTATION AND MANAGEMENT SKILLS OF PVOS.

- EXPEDITIOUS CONSIDERATION OF THE ABBREVIATED PID OR WAIVER OF PID REQUIREMENTS IS REQUESTED. THE MISSION PLANS TO APPROVE AND AUTHORIZE THE PROJECT PAPER. END SUMMARY.

2. RATIONALE FOR THE SUBMISSION OF AN ABBREVIATED PID PER HANDBOOK 2, CHAPTER 2, SECTION 2E.1.B: THIS ABBREVIATED PID IS BEING SUBMITTED BECAUSE THE PROPOSED PROJECT IS AN EXTENSION OF THE ON-GOING PROJECT. THE BASIC DEVELOPMENT PROPOSAL AND RELATED POLICY ISSUES REMAIN VALID AND ESSENTIALLY UNCHANGED FROM THOSE STATED IN THE INITIAL PROJECT AND THE PROJECT PAPER SUPPLEMENT DEVELOPED IN LATE 1983. THE CRITERIA FOR THE ABBREVIATED PID ARE ALSO MET, NAMELY THAT A RECENT EVALUATION HAS CONFIRMED THE ESSENTIAL VALIDITY OF THE PROJECT CONCEPT AND DESIGN AND DEMONSTRATED ITS POSITIVE IMPACT. assumption

IN THE ABBREVIATED PID WHICH FOLLOWS, SEVERAL CHANGES FROM THE EARLIER PROJECT ARE PROPOSED TO QUOTE FULL ADVANTAGE OF ACCUMULATED EXPERIENCE UNQUOTE, AS SUGGESTED IN PARA 3 OF REFTEL (A). THESE INCLUDE THE (1) ADDITION OF TWO SMALL COMPONENTS [illegible]ED IN THE EVALUATION, AND (2) CHANGES IN SUBPROJECT [illegible] CATEGORIES FOR CONSISTENCY WITH CHANGES IN

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THE MISSION STRATEGY. THE CHANGES ARE CLEARLY IDENTIFIED BELOW.

- ALL ELEMENTS REQUIRED OF AN ABBREVIATED PID ARE INCLUDED BELOW: (1) CONFORMITY TO THE CDSS; (2) VALIDITY OF ANALYSES IN THE EARLIER PROJECT PP; (3) EXTENT OF CHANGE IN THE FOLLOW-ON PROJECT OF OBJECTIVES, ACTIVITIES, AND BENEFICIARIES; (4) ESTIMATED COSTS; (5) PROJECT PREPARATION STRATEGY; (6) RECONFIRMATION OF THE PRIOR ENVIRONMENTAL EXAMINATION; (7) AND DISCUSSION OF NEW ISSUES.

required elements of abbrev. PID

3. (1) CONFORMITY WITH THE MISSION STRATEGY: THE EXISTING PVO CO-FINANCING PROJECT AND PVO CO-FINANCING II ARE CENTRAL TO ONE OF THE CROSS-CUTTING THEMES IN THE MISSION STRATEGY AS CURRENTLY BEING MODIFIED AS PER REF (F): NAMELY, INSTITUTIONAL STRENGTHENING OF PRIVATE ORGANIZATIONS COMMITTED TO LOCAL DEVELOPMENT INITIATIVES. PVO CO-FINANCING IS ONE OF THE MISSION'S PRIMARY MECHANISMS SUPPORTING PARTICIPATORY DEVELOPMENT THROUGH PRIVATE, NON-COMMERCIAL, VOLUNTARY ORGANIZATIONS. THROUGH THE DIALOGUE INVOLVED IN THE DEVELOPMENT OF PVO SUBPROJECTS AND BY PROVIDING RESOURCES OTHERWISE UNAVAILABLE, CO-FINANCING HAS CLEARLY HELPED INCREASE THE CAPACITY OF ABOUT A DOZEN SRI LANKAN PVOS TO DESIGN AND MANAGE DEVELOPMENT PROJECTS. IT HAS HELPED REDIRECT THESE PVOS FROM WELFARE-ORIENTED TO DEVELOPMENT-ORIENTED ACTIVITIES. IN TURN, MANY OF THE PVO SUBPROJECTS HAVE EITHER FORMED OR ARE WORKING WITH EXISTING COMMUNITY LEVEL ORGANIZATIONS TO IMPLEMENT DEVELOPMENT ACTIVITIES. PVO CO-FINANCING II IS PLANNED TO BROADEN THE SUPPORT NET TO INCLUDE A (1) GREATER NUMBER OF SMALL, REGIONAL, AND U.S. PVOS AND TO TAKE A MORE DELIBERATE APPROACH TO (2) BUILDING PVO SKILLS IN PROJECT DESIGN AND MANAGEMENT, FINANCIAL MANAGEMENT, AND EVALUATION.

con objective

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II

- PVO CO-FINANCING INVOLVES SEVERAL OTHER ELEMENTS OF THE MISSION DEVELOPMENT STRATEGY. MOST, THOUGH NOT ALL, OF THE SUBPROJECTS IN THE EXISTING PVO CO-FI PROJECT HAVE COMPONENTS INVOLVING AT LEAST ONE OF THE TWO PRIMARY CDSS OBJECTIVES: (1) IMPROVED

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TO SECSTATE WASHDC PRIORITY 0558
BT
UNCLAS SECTION 02 OF * COLOMBO 09442

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCHASE
DRFTD: PRM:JE/PVO:NMAHESAN:
YCC
CLEAR: PRM:RDMCL/PRM:JE/PDS
P:WB/RLA:LC/DD:GN/MI

AIDAC

REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)

AGRICULTURAL PRODUCTIVITY AND FARM INCOMES OR (2) INCREASED OFF-FARM EMPLOYMENT AND RURAL ENTERPRISES. A FURTHER MISSION CROSS-CUTTING OBJECTIVE, COST RECOVERY AND REDUCED SUBSIDIZATION, HAS ALWAYS BEEN A PART OF THE CRITERIA FOR SELECTION OF PVO SUBPROJECTS; SPECIFICALLY, A CRITERION FOR APPROVAL HAS BEEN THAT THE ECONOMIC ACTIVITIES PROMOTED ARE SUSTAINABLE WITHOUT CONTINUED SUBSIDIES. MOST OF THE FUNDING WILL BE ADDRESSED TO THE PRIMARY STATEGIC OBJECTIVES. SOME WILL BE FOR STRENGTHENING PVOS THEMSELVES AND NOT MORE THAN 15 PERCENT OF THE GRANT WILL BE USED FOR TARGETS OF OPPORTUNITY OUTSIDE STRATEGIC OBJECTIVES.

4. PROBLEM STATEMENT: IN ORDER TO BUILD THE CAPACITY FOR A SOCIETY TO RESPOND EFFECTIVELY TO LOCAL NEEDS, IT IS IMPORTANT TO ENCOURAGE THE DEVELOPMENT OF A WIDE RANGE OF ORGANIZATIONS WHICH CAN ARTICULATE PRIORITIES AND MOBILIZE ENERGIES TO ACT ON THEM. THIS IS ESPECIALLY TRUE IN COUNTRIES, SUCH AS SRI LANKA, WHERE MOST DEVELOPMENT RESOURCES ARE CONCENTRATED CENTRALLY IN NATIONAL GOVERNMENTS AND RELATIVELY LITTLE IN LOCAL GOVERNMENTS OR LOCAL PRIVATE ORGANIZATIONS. Base assumption

- NONETHELESS, THERE IS A LONG TRADITION OF PRIVATE VOLUNTARY ACTION IN RURAL SRI LANKA, OFTEN THROUGH SMALL, TEMPORARY GROUPS FORMED TO MEET A LOCAL NEED. THERE ARE ALSO A LARGE NUMBER OF REGISTERED NON-GOVERNMENTAL AND CHARITABLE ORGANIZATIONS. HOWEVER, MOST ARE WELFARE-ORIENTED RATHER THAN DEVELOPMENT-ORIENTED, AND MANY ARE URBAN-BASED.

- SINCE 1977 THERE HAS BEEN A MAJOR CHANGE IN THE GOVERNMENT ORIENTATION TO PVOS, RECOGNIZING THAT PVOS CAN USEFULLY UNDERTAKE A VARIETY OF DEVELOPMENT FUNCTIONS. THOUGH SOME PVOS HAVE BEEN ABLE TO ORGANIZE SUBSTANTIAL LOCAL ENERGIES THROUGH TRADITIONAL SHRAMADANAS (VOLUNTARY LABOUR WORKCAMPS), FEW ORGANIZATIONS HAVE DEVELOPED THE CAPACITY TO MANAGE SIGNIFICANT MATERIAL RESOURCES FOR DEVELOPMENT PURPOSES, AS THEY HAVE NOT HAD ACCESS TO THE RESOURCES TO DEVELOP THAT SKILL. IMPORTANT EXCEPTIONS ARE A FEW

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OLDER, BROAD-BASED AND WELL KNOWN ORGANIZATIONS (SUCH AS LANKA MAHILA SAMITI AND SARVODAYA). IN LARGE PART DUE TO THEIR EXPERIENCE WITH RESOURCES MANAGED UNDER THE PVO CO-FINANCING PROJECT, A FEW OTHERS HAVE NOW DEVELOPED THE CAPACITY TO EFFECTIVELY DESIGN AND MANAGE FAIRLY LARGE DEVELOPMENT PROJECTS.

5. PROJECT GOAL AND PURPOSE: THE GOAL OF PVO CO-FINANCING II IS TO INCREASE THE NUMBER AND DIVERSITY OF ORGANIZATIONS ADDRESSING SIGNIFICANT LOCAL AND NATIONAL DEVELOPMENT PROBLEMS.

- THE PURPOSE IS TO ENHANCE OPPORTUNITIES FOR LOCAL COMMUNITIES TO PARTICIPATE IN THEIR OWN DEVELOPMENT BY INCREASING THE INVOLVEMENT AND EFFECTIVENESS OF PVOS CONDUCTING DEVELOPMENT ACTIVITIES.

Q - do PVO methods accomplish this?

- THE PURPOSE IS TO BE ACHIEVED WITHIN THE CONTEXT OF PVO ACTIVITIES RELATING TO THE TWO NEW MISSION STRATEGIC OBJECTIVES: (1) INCREASING AGRICULTURAL INCOMES AND PRODUCTIVITY, AND (2) INCREASING OFF-FARM EMPLOYMENT THROUGH PRIVATE SECTOR DEVELOPMENT. BENEFICIARIES OF THE PVO SUBPROJECTS WILL BE FROM THE POOREST 50 PER CENT OF THE POPULATION.

6. PROJECT DESCRIPTION: THE PROJECT HAS ONE MAIN COMPONENT, SUBPROJECT CO-FINANCING GRANTS TO PVOS, AND TWO SMALLER COMPONENTS: MICRO-GRANTS TO SMALL COMMUNITY ORGANIZATIONS OR LOCAL PVOS, AND TRAINING AND TECHNICAL ASSISTANCE TO HELP IMPROVE PVO SKILLS IN PROJECT DESIGN AND IMPLEMENTATION, FINANCIAL MANAGEMENT, AND PROJECT MONITORING AND EVALUATION. A SUMMARY OF EACH COMPONENT FOLLOWS:

- identifying
- how

- A) CO-FINANCING GRANTS: THE MAIN STRATEGY FOR PROMOTING PARTICIPATORY LOCAL LEVEL DEVELOPMENT IS PROVIDING SUBPROJECT CO-FINANCING GRANTS TO RELEVANT DEVELOPMENT ACTIVITIES OF PRIVATE VOLUNTARY ORGANIZATIONS. SUBPROJECTS ARE QUOTE CO-FINANCED ENDQUOTE IN THAT USAID PROVIDES ONLY A PORTION OF THE FUNDING. THE SUBPROJECTS TO BE SUPPORTED WILL RELATE TO THE USAID MISSION STRATEGY OBJECTIVES OF

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CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCHASE
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CLEAR: PRM:RDMCL/PRM:JE/PI:P:WB/RLA:LC/DD:GN/M:

REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)
COFINANCING

INCREASING AGRICULTURAL PRODUCTION AND INCOMES AND INCREASING OFF-FARM EMPLOYMENT OPPORTUNITIES THROUGH PRIVATE SECTOR DEVELOPMENT. HOWEVER, THE RATIONALE FOR THE PVO SUBGRANTS IS NOT THAT THEY ARE NECESSARILY THE MOST EFFECTIVE WAY TO HAVE AN IMPACT ON THE STRATEGIC OBJECTIVES RELATED TO AGRICULTURE AND EMPLOYMENT. IT IS THAT THEY ACCOMPLISH FOUR THINGS RELATED TO THE PROJECT PURPOSE AND GOAL:

- (1) THE CO-FINANCING GRANTS EXCLUSIVELY FOR DEVELOPMENT ORIENTED ACTIVITIES ENCOURAGE A SHIFT IN ORIENTATION FROM WELFARE TO DEVELOPMENT.

- (2) TARGET BENEFICIARIES ARE DEMONSTRABLY REACHED BY PVO SUBPROJECTS. THE ORIENTATION OF PVOS TO WORK DIRECTLY WITH THE POOR ON A RELATIVELY SMALL SCALE MEANS THAT THE BENEFICIARIES ARE MORE READILY IDENTIFIABLE AND QUICKLY INVOLVED THAN IS SOMETIME THE CASE WITH LARGER SCALE GOVERNMENT PROJECTS AIMING FOR LARGER SCALE SECTORAL IMPACT.

- (3) PVOS APPEAR TO BE MORE EFFECTIVE THAN CENTRAL GOVERNMENT EMPLOYEES IN WORKING WITH AND THROUGH LOCAL LEVEL ORGANIZATIONS.

- AND (4) THE MANAGEMENT OF SUBPROJECT GRANTS, INITIALLY ON A FAIRLY SMALL SCALE, PROVIDES ON-THE-JOB EXPERIENCE THAT BUILDS PVO SKILLS IN PROJECT DESIGN AND IMPLEMENTATION AND IN FINANCIAL MANAGEMENT.

- SUBPROJECT GRANTS MAY RANGE IN SIZE FROM DOLLARS 5,000 UPWARDS. EXPERIENCE UNDER THE OLD CO-FINANCING PROJECT HAS BEEN THAT MOST GRANTS RANGE BETWEEN DOLLARS 50,000 AND 150,000. THE AVERAGE GRANT SIZE HAS INCREASED CONSIDERABLY OVER TIME. THE OPERATION OF THE PVO SUBPROJECT GRANTS COMPONENT WILL BE FURTHER DISCUSSED IN SECTION 7 BELOW.

- B) EXPERIMENTAL MICRO-GRANTS: IN LINE WITH A RECOMMENDATION OF THE RECENT EVALUATION OF THE PREDECESSOR CO-FINANCING PROJECT, A MECHANISM WILL BE

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DESIGNED TO EXPERIMENTALLY FUND VERY SMALL SCALE, SHORT TERM PROJECTS OF LOCAL COMMUNITY ORGANIZATIONS. THOUGH THESE ORGANIZATIONS APPEAR TO HAVE THE CAPACITY TO MOBILIZE AND MANAGE SMALL SCALE RESOURCES, THEY USUALLY DO NOT HAVE THE PERSONNEL, THE LANGUAGE SKILLS, OR THE PRESENCE IN COLOMBO REQUIRED TO APPLY FOR A REGULAR SUBPROJECT GRANT. FURTHERMORE, THE EXISTING APPROVAL PROCESS FOR SUBPROJECT GRANTS IS TOO STAFF INTENSIVE FOR THE GSL AND FOR USAID TO BE COST EFFECTIVE FOR MAKING VERY SMALL GRANTS. THE MICRO-GRANTS WILL RANGE IN SIZE FROM DOLLARS FIVE HUNDRED TO FIVE THOUSAND. THE REVIEW AND SUPERVISION PROCESS WOULD BE MANAGED ON AN EXPERIMENTAL BASIS BY ONE OR MORE PVOS, ACCORDING TO FAIRLY STRICT AND CLEARLY DEFINED CRITERIA. THIS EXPERIMENTAL PROGRAM WILL BE MONITORED AND EVALUATED SEPARATELY AFTER THE FIRST TWO YEARS OF OPERATION TO DETERMINE WHETHER OR NOT IT IS WORTH CONTINUING.

$500 - $5000

monitoring critical ident. of worthy org. + projects

- C) TECHNICAL ASSISTANCE AND TRAINING: UNDER THE NEW PROJECT, APPROXIMATELY 250 THOUSAND DOLLARS WILL BE AVAILABLE FOR TECHNICAL ASSISTANCE, PARTICIPANT TRAINING, OR IN-COUNTRY TRAINING AND WORKSHOPS TO BUILD SPECIFIC PVO SKILLS RELATED TO THE MANAGEMENT OF DEVELOPMENT ACTIVITIES AND THE MANAGEMENT OF GRANTS. AS SUGGESTED BY THE RECENT PROJECT EVALUATION, THE FOCUS WILL BE PRIMARILY ON PROJECT DESIGN AND IMPLEMENTATION, FINANCIAL MANAGEMENT, AND MONITORING AND EVALUATION. THE SPECIFIC MECHANISMS FOR THIS COMPONENT WILL BE ARTICULATED DURING PP DESIGN. TWO OBJECTIVES OF THIS COMPONENT ARE TO HELP (1) BUILD PVO EFFECTIVENESS AND (2) TO BROADEN THE RANGE OF SMALLER NATIONAL AND REGIONAL PVOS APPLYING FOR CO-FINANCING SUBPROJECT GRANTS.

$250,000

- D) PROJECT FUNDING AND IMPLEMENTATION: A FUNDING MECHANISM WILL BE DESIGNED FOR MAKING BLOCK OBLIGATIONS UNTIL THE PROJECT IS FULLY FUNDED AND MAKING SUBPROJECT PVO CO-FINANCING GRANTS FROM THOSE PROJECT FUNDS. THOUGH THE MECHANISM USED IN THE PREDECESSOR PROJECT (OBLIGATION OF GRANT FUNDS TO THE GOVERNMENT FOLLOWED BY A COMMITMENT OF FUNDS TO PVO

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UNCLAS SECTION 04 OF * COLOMBO 09442

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCHASE
DRFTD: PRM:JE/PVO:NMAHESAN:YCC
CLEAR: PRM:RDMCL/PRM:JE/PD:P:WB/RLA:LC/DD:GN/M

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REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)

SUBPROJECTS THROUGH IMPLEMENTING AGREEMENTS) HAS WORKED SATISFACTORILY FOR USAID, THE GSL, AND PVOS, QUESTIONS HAVE BEEN RAISED WHICH MUST BE RESOLVED DURING THE DESIGN PHASE ABOUT WHETHER THIS PROCEDURE SATISFIES CURRENT REQUIREMENTS OF A VALID OBLIGATION. *

- BOTH THE GSL AND USAID DESIGNATE STAFF FOR THE PROJECT. THE GSL PROJECT MANAGER IS LOCATED IN THE DEPARTMENT OF EXTERNAL RESOURCES OF THE MINISTRY OF FINANCE AND PLANNING. IT IS CO-MANAGED BY THE PVO COORDINATING OFFICER IN THE MINISTRY OF PLAN IMPLEMENTATION, WHO IS THE PRIMARY CONTACT OF THE PVO WITH THE GSL. SHE COORDINATES AND EXPEDITES THE SUBPROJECT APPROVAL PROCESS AMONG THE CONCERNED GSL LINE MINISTRIES, MONITORS PROGRESS DURING IMPLEMENTATION, AND SERVES AS A GSL REPRESENTATIVE ON EVALUATION TEAMS. AS WITH THE PREDECESSOR PROJECT, THE USAID PVO OFFICER WILL BE THE PRIMARY POINT OF CONTACT WITH THE PVO DURING THE EARLY PROJECT CONCEPTUALIZATION, SIGNING OF SUBPROJECT AGREEMENTS, AND LATER FOR MONITORING OF AND REIMBURSEMENT OF THE APPROVED SUBPROJECTS. BOTH THE GSL AND USAID MUST CONCUR IN ALL SUBPROJECT GRANTS.

7. OPERATION OF PVO CO-FINANCING GRANTS:

- A) ELIGIBILITY FOR CO-FINANCING GRANTS. TO BE ELIGIBLE TO APPLY FOR A SUBPROJECT GRANT, PVOS MUST CLEARLY BE PRIVATE, NON-GOVERNMENT, NON-PROFIT ORGANIZATIONS. THERE IS NO REQUIREMENT THAT THE ORGANIZATION OPERATE ENTIRELY WITH VOLUNTEERS, BUT MOST ORGANIZATIONS RECEIVING SUPPORT UNDER THE PREDECESSOR PROJECT SHOWED AN ABILITY TO MOBILIZE SUBSTANTIAL VOLUNTEER EFFORTS.

- SRI LANKAN PVOS MUST BE REGISTERED WITH THE GOVERNMENT OF SRI LANKA AS CHARITABLE ORGANIZATIONS EXEMPT FROM TAXATION (APPROVED CHARITY) AND MUST BE REGISTERED WITH USAID. THERE WILL BE CONSIDERATION DURING THE DESIGN PHASE OF WHETHER ORGANIZATIONS WITH OTHER TYPES OF LEGAL STATUS (E.G., COOPERATIVES) *

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SHOULD ALSO BE ELIGIBLE.

- U.S. PVOS MUST BE REGISTERED WITH THE U.S. ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID. TO OPERATE IN SRI LANKA, U.S. PVOS MUST ALSO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE GSL MINISTRY OF PLAN IMPLEMENTATION WHICH ESTABLISHES THE TERMS FOR THE PVO'S OPERATIONS IN SRI LANKA.

- B) CATEGORIES OF SUBPROJECTS: TO BE CONSIDERED FOR CO-FINANCING, PVO SUBPROJECTS MUST RELATE TO ONE OF THE OVERALL USAID MISSION STRATEGIC OBJECTIVES OF (1) INCREASING AGRICULTURAL PRODUCTION AND/OR INCOMES; OR (2) INCREASING OFF-FARM EMPLOYMENT OPPORTUNITIES THROUGH PRIVATE SECTOR DEVELOPMENT.

- HOWEVER, UP TO 15 PERCENT OF CO-FINANCING GRANT FUNDS MAY BE USED FOR PVO SUBPROJECTS RELATED TO OTHER AGENCY DEVELOPMENT CONCERNS WHICH ARE NOT CURRENTLY CENTRAL TO THE MISSION STRATEGY IN SRI LANKA.

IN ADDITION, PVO SUBPROJECTS WILL GENERALLY AIM TO ACHIEVE ONE OR MORE OF THE FOLLOWING SPECIFIC OBJECTIVES WHICH CONSTITUTE THE CATEGORIES OF DEVELOPMENT SUBPROJECTS TO BE FUNDED:

- (1) PROMOTE COMMUNITY-BASED, INTEGRATED RURAL DEVELOPMENT.

- (2) DEVELOP THE INSTITUTIONAL CAPACITY OF INDIGENOUS PVOS TO EFFECTIVELY COLLABORATE WITH LOCAL COMMUNITIES IN CONCEIVING, DESIGNING, IMPLEMENTING AND EVALUATING DEVELOPMENT ACTIVITIES.

- (3) INCREASE THE PARTICIPATION OF WOMEN AND DISADVANTAGED SEGMENTS OF SOCIETY IN DEVELOPMENT ACTIVITIES WHICH ADDRESS PROBLEMS PECULIAR TO THEIR SOCIO-ECONOMIC STATUS.

- (4) INTRODUCE OR APPLY APPROPRIATE TECHNOLOGIES AT THE LOCAL LEVEL.

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TO SECSTATE WASHDC PRIORITY 0561
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UNCLAS SECTION 05 OF * COLOMBO 09442

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
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REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)

- C) FURTHER REVIEW CRITERIA: THE FOLLOWING CRITERIA ARE ALSO TO BE USED IN THE REVIEW AND APPROVAL OF SUBPROJECTS:

- (1) SUBPROJECTS MUST BE DEVELOPMENT-ORIENTED, RATHER THAN WELFARE-ORIENTED.

- (2) THE PVO MUST CLEARLY DEMONSTRATE AT LEAST A 25 PER CENT NON-USAID CONTRIBUTION TO THE SUBPROJECT (BY THE PVO, THE GOVERNMENT OF SRI LANKA, AND/OR LOCAL COMMUNITIES). ALL OTHER ELEMENTS BEING EQUAL PROPOSALS WITH A GREATER PVO/COMMUNITY CONTRIBUTION WILL BE MORE FAVORABLY RECEIVED. THE MORE ESTABLISHED THE PVO, THE MORE IT WOULD BE EXPECTED TO CONTRIBUTE FROM FUNDS IT HAS GENERATED ELSEWHERE.

- (3) BUSINESS OR ECONOMIC ACTIVITIES PROMOTED SHOULD BE SUSTAINABLE ONCE THE PVO SUBPROJECT ENDS, EVEN AT A REDUCED LEVEL OF ACTIVITY.

- (4) WITHIN SUBPROJECTS, ASSISTANCE GRANTS BY PVOS TO INDIVIDUAL BENEFICIARIES ARE DISCOURAGED IN FAVOUR OF LOANS, REVOLVING FUNDS, OR ASSISTANCE PRECEDED BY SUBSTANTIAL BENEFICIARY INPUTS OR ACTION.

- (5) POSSIBLE NEGATIVE ENVIRONMENTAL CONSEQUENCES MUST BE ANALYZED AND MITIGATED.

- D) SUBPROJECT APPROVAL PROCESS: DURING THE FINAL PROJECT DESIGN, THIS PROCESS WILL BE DETERMINED SO AS TO ADDRESS THE CONCERNS ON VALID OBLIGATION. CURRENTLY UNDER THE CO-FINANCING PROJECT, THE PVO SUBMITS A SHORT INITIAL CONCEPT PAPER WHICH IS REVIEWED BY USAID. IF APPROVED, THE PVO PREPARES A FULL PROJECT PROPOSAL AND BUDGET WITH THE ASSISTANCE OF THE APPROPRIATE GSL LINE MINISTRY. THE PROJECT PROPOSAL IS THEN REVIEWED BY THE GSL (THE LINE MINISTRY, THE MINISTRY OF PLAN IMPLEMENTATION, AND THE DEPARTMENT OF EXTERNAL RESOURCES). IF APPROVED AND RECOMMENDED BY THE GSL, THE FULL PROJECT IS GIVEN A FINAL REVIEW BY USAID.

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8. VALIDITY OF ANALYSES IN THE PVO CO-FINANCING PP AND THE DECEMBER 1983 PP SUPPLEMENT: THE ANALYSES IN THE ORIGINAL PROJECT PAPER REMAIN ESSENTIALLY VALID, WITH TWO NOTABLE EXCEPTIONS:

- A) THE ORIGINAL PP OVERESTIMATED THE NUMBER OF AMERICAN PVOS LIKELY TO BE INTERESTED IN PVO SUBPROJECT GRANTS FOR WORK IN SRI LANKA, AND PROBABLY UNDERESTIMATED THE POTENTIAL NUMBER OF SRI LANKAN VOLUNTARY ORGANIZATIONS CAPABLE OF SUCCESSFULLY MANAGING GRANTS. THE PP LISTED TWENTY AMERICAN PVOS WITH SOME TYPE OF PROJECT ACTIVITY IN SRI LANKA, AS PER THE THEN CURRENT LISTING OF U.S. PVOS OPERATING IN SRI LANKA IN THE TECHNICAL ASSISTANCE INFORMATION CLEARING HOUSE (TAICH) DIRECTORY OF U.S. ORGANIZATIONS IN DEVELOPMENT ASSISTANCE ABROAD. THE PP IMPLIED THAT MANY OF THE PVOS WERE LIKELY TO APPLY FOR USAID SUPPORT FOR PROJECTS IN SRI LANKA. THOUGH THE ORIGINAL LIST WAS PROBABLY ACCURATE, EXPERIENCE HAS NOW SHOWN THAT ONLY A FEW OF THE AMERICAN PVOS HAD, OR WOULD BE INTERESTED IN HAVING, AN ON-THE-GROUND PRESENCE IN SRI LANKA. THE INVOLVEMENT OF MANY WAS IN THE FORM OF SMALL GRANTS DIRECTLY TO AN AFFILIATED SRI LANKAN ORGANIZATION. ONLY FIVE AMERICAN PVOS (THE TARGETTED OUTPUT IN THE ORIGINAL PP) HAVE RECEIVED SUPPORT UNDER THE PVO CO-FINANCING PROJECT (TWO OF THESE PVOS ARE NO LONGER ACTIVE IN SRI LANKA). THREE MORE U.S. PVOS HAVE RECENTLY EXPRESSED THEIR WISH TO APPLY FOR GRANTS UNDER PVO CO-FINANCING II.

- B) SIMILARLY, THE ORIGINAL PP INCORRECTLY ASSUMED THAT THERE WOULD BE CONSIDERABLE DEMAND FOR COLLABORATIVE SUBPROJECTS BETWEEN AMERICAN AND SRI LANKAN PVOS, WHERE THE AMERICAN PVO WOULD BE HELPING TO BUILD THE CAPACITY OF THE SRI LANKAN PVO. IN FACT, THERE SEEMS TO BE RELATIVELY LITTLE INTEREST BY SRI LANKAN PVOS IN SUCH COLLABORATION. OF THIRTY SUBPROJECTS AT THE TIME OF THE SECOND INTERIM EVALUATION, ONLY FOUR SUBPROJECTS FELL INTO THIS CATEGORY. TWO OF THOSE SUBPROJECTS, BOTH INVOLVING THE SAME AMERICAN PVO, WERE CONSIDERED HIGHLY

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PP RUEHC
DE RUFHCM #9442/06 358 **
ZNR UUUUU ZZH
P 240914Z DEC 86
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 0562
BT
UNCLAS SECTION 06 OF * COLOMBO 09442

AIDAC

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCHASE
DRFTD: PRM:JE/PVO:NMAHESAN:
YCC
CLEAR: PRM:RDMCL/PRM:JE/PDS
P:WB/RLA:LC/DL:GN/MN:

REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)

SUCCESSFUL. ONE OF THE OTHER TWO WAS CONSIDERED NOTABLY UNSUCCESSFUL AND RESULTED IN THE TERMINATION OF THE GRANT AND TRANSFER OF THE SUBPROJECT WHOLLY TO THE SRI LANKAN PARTNER.

- C) THE CONSEQUENCES OF THIS CHANGE ARE AS FOLLOWS: AMERICAN AND SRI LANKAN PVOS ARE STILL CONSIDERED EQUALLY ELIGIBLE FOR CO-FINANCING GRANTS. PROPOSALS ARE JUDGED SOLELY ON THEIR OWN MERITS AND ON THE PVO'S ABILITY TO IMPLEMENT THEM, NOT ON TRYING TO ACHIEVE ANY PRECONCEIVED BALANCE IN THE NUMBER OF AMERICAN VS. SRI LANKAN PVOS. IT IS REALISTIC TO EXPECT THAT THERE WILL BE MANY MORE SRI LANKAN THAN AMERICAN PVOS SUPPORTED. IT IS ALSO LIKELY THAT THE AVERAGE CO-FINANCING GRANT TO AMERICAN PVOS WILL BE LARGER THAN TO SRI LANKAN PVOS, BECAUSE THE FEW AMERICAN PVOS NOW IN SRI LANKA ALL HAVE PROJECT AND FINANCIAL MANAGEMENT EXPERIENCE SUFFICIENT TO MANAGE RELATIVELY LARGER SUBPROJECTS. THOUGH SEVERAL SRI LANKAN PVOS ALSO HAVE THIS CAPACITY, THERE ARE MANY MORE PVOS WITH POTENTIAL OF RECEIVING CO-FINANCING SUPPORT WHICH EITHER WOULD NOT HAVE THE MANAGEMENT STRENGTH TO MANAGE LARGE CO-FINANCING GRANTS OR WOULD BE UNABLE TO RAISE COUNTERPART CONTRIBUTIONS, AT THE PRESENT STAGE OF THEIR DEVELOPMENT, SUFFICIENT FOR A LARGE SUBPROJECT GRANT.

9. EXTENT OF CHANGE IN THE FOLLOW-ON PROJECT FROM THE PREDECESSOR PROJECT (OBJECTIVES, ACTIVITIES, AND BENEFICIARIES): CHANGES ARE BEING MADE IN THE ACCEPTABLE SUBPROJECT CATEGORIES. THESE ARE PRIMARILY FOR CONSISTENCY WITH CHANGES IN THE MISSION STRATEGY. AMONG THESE THE MAIN SUBSTANTIVE CHANGE IS THE REMOVAL OF THE CATEGORY ACCEPTED UNDER THE PRIOR PROJECT: QUOTE TO ENHANCE OTHER ASPECTS OF LEVELS OF LIVING IN POOR, RURAL AND URBAN COMMUNITIES, SUCH AS HEALTH AND NUTRITION. ENDQUOTE. THIS CHANGE IS CONSISTENT WITH THE CURRENT STRATEGY. UNDER THE NEW PROJECT, NOT MORE THAN 15 PERCENT COULD BE GRANTED FOR PVO SUBPROJECTS FOCUSED PRIMARILY ON HEALTH EDUCATION OR OTHER AREAS OUTSIDE THE STRATEGIC OBJECTIVES. ANY SUCH PROJECT

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NEED TO BE EXCEPTIONAL DEVELOPMENT OPPORTUNITIES.

THE PROFILE OF BENEFICIARIES UNDER PVO CO-FINANCING II IS NOT EXPECTED TO BE IDENTIFIABLY DIFFERENT THAN UNDER THE PREDECESSOR PVO CO-FINANCING PROJECT. THE INTERIM EVALUATIONS CLEARLY ESTABLISHED THAT SUBPROJECTS ARE BENEFITING AND ENGAGING THE PARTICIPATION OF THE TARGET POPULATION, NAMELY PEOPLE FROM THE POOREST 50 PER CENT OF THE POPULATION LIVING IN RURAL AND URBAN COMMUNITIES. AS HAS BEEN THE CASE LATELY UNDER THE OLD PROJECT, IT WILL REMAIN DIFFICULT IN THE NEAR FUTURE TO SUPPORT PVO PROJECTS IN THE EXTREME NORTH AND EASTERN PARTS OF THE COUNTRY, EXCEPT FOR A FEW NATIONAL ORGANIZATIONS CARRYING OUT PROJECTS BOTH THERE AND IN THE SOUTH. AFTER A SETTLEMENT OF THE ETHNIC CONFLICT IS REACHED, IT WILL BE A MATTER OF SOME URGENCY TO IDENTIFY ORGANIZATIONS IN THE NORTH AND EAST WHICH CAN UNDERTAKE LOCAL DEVELOPMENT ACTIVITIES.

10. PROJECT COST: THE TOTAL COST OF THIS PROJECT IS ESTIMATED AT EIGHT MILLION DOLLARS BROKEN DOWN AS FOLLOWS:

-	AID CONTRIBUTION	DOLLARS 5,046,000
-	NON-AID CONTRIBUTION	DOLLARS 2,954,000

THE BREAKDOWN OF THE AID CONTRIBUTION BY PROJECTS COMPONENTS IS EXPECTED TO BE ROUGHLY AS FOLLOWS:

-	PVO CO-FINANCING GRANTS	DOLLARS 4,500,000
-	MICRO-GRANTS TO SMALL PVOS) OR COMMUNITY ORGANIZATIONS):	DOLLARS 250,000
-	BUILDING PVO MANAGEMENT SKILLS):	DOLLARS 250,000
-	PROJECT EVALUATION	DOLLARS 46,000
-	TOTAL	DOLLARS 5,046,000

11. RECOMMENDED ENVIRONMENTAL THRESHHOLD DECISION: PVO CO-FINANCING II WILL, FROM AN ENVIRONMENTAL VIEWPOINT, BE QUITE SIMILAR TO THE PRESENT PVO

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PP RUFRC
DE RUFHCM #9442/07 358 **
ZNR UUUUU ZZH
P 240914Z DEC 86
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 0563
BT
UNCLAS SECTION 07 OF * COLOMBO 09442

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCHASE
DRFTD: PRM:JE/PVO:NMAHESAN:
YCC
CLEAR: PRM:RDMCL/PRM:JE/FDS
P:WB/RLA:LC/DD:GR/M

AIDAC

REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)

CO-FINANCING PROJECT. THE 1986 INTERIM EVALUATION OF THE PRESENT CO-FINANCING PROJECT FOUND QUOTE NO INSTANCE OF DETRIMENTAL EFFECTS ON THE PHYSICAL ENVIRONMENT FROM PROJECT ACTIVITY UNQUOTE DUE LARGELY TO THE RELATIVELY SMALL-SCALE AND WIDESPREAD NATURE OF SELECTED SUBPROJECT ACTIVITIES. ACCORDINGLY, NO SIGNIFICANT NEGATIVE ENVIRONMENTAL EFFECTS ARE ANTICIPATED FROM THE PROPOSED CO-FINANCING PROJECT. TO ENSURE THAT THIS STATEMENT REMAINS TRUE, ALL SUBPROJECT PROPOSALS WILL BE REQUIRED TO INCLUDE BRIEF ASSESSMENTS OF THE EXTENT AND NATURE OF ANY POTENTIAL ENVIRONMENTAL IMPACTS ASSOCIATED WITH A PROPOSED ACTIVITY. THESE ASSESSMENTS WILL THEN BE REVIEWED BY THE USAID PROJECT REVIEW COMMITTEE (INCLUDING THE MISSION ENVIRONMENTAL OFFICER) TO DETERMINE IF ANY ADVERSE ENVIRONMENTAL EFFECTS ARE ANTICIPATED FROM A GIVEN ACTIVITY; AND, IF WARRANTED, TO RECOMMEND APPROPRIATE MITIGATIVE MEASURES TO PROPERLY AMELIORATE ANY SUCH EFFECTS. BASED ON THE ABOVE, A NEGATIVE ENVIRONMENTAL THRESHHOLD DETERMINATION IS RECOMMENDED FOR THIS PROJECT PURSUANT TO SECTION 216.2(C)(1)(I) OF THE REVISED AGENCY ENVIRONMENTAL PROCEDURES.
12. DESIGN ISSUES: THE FOLLOWING ISSUES WILL BE RESOLVED DURING THE PP DESIGN PROCESS. THEY HAVE BEEN ALLUDED TO PREVIOUSLY.

- A) LEGALITY OF THE FUNDING MECHANISM. THE QUESTION OF THE VALIDITY OF THE PROCEDURES FOR OBLIGATING AND COMMITTING FUNDS UNDER THE OLD PROJECT, GIVEN THE JOINT GOSL AND USAID APPROVAL PROCESS, MUST BE RESOLVED. IF THE PROCEDURES ARE NOT VALID, A NEW FUNDING MECHANISM WILL HAVE TO BE DESIGNED.

- B) MICRO-GRANTS. A MECHANISM WILL HAVE TO BE DESIGNED FOR FUNDING, MANAGING, AND REVIEWING THE EXPERIMENTAL MICRO-GRANTS COMPONENT DISCUSSED ABOVE IN SECTION 6.B. DECISIONS WILL ALSO HAVE TO BE MADE ABOUT THE TYPES OF LOCAL ORGANIZATIONS ELIGIBLE FOR * THE MICRO-GRANTS.

- C) ELIGIBILITY FOR SUBPROJECT GRANTS. THE ISSUE

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OF WHAT TYPES OF ORGANIZATIONS ARE ELIGIBLE FOR CO-FINANCING SUBPROJECT GRANTS WILL BE REVIEWED. POSSIBLY NO CHANGE IS NEEDED. HOWEVER, THE MISSION MAY DECIDE TO BROADEN THE CRITERIA SOMEWHAT TO INCLUDE COOPERATIVES OR OTHER TYPES OF ORGANIZATIONS NOT REGISTERED BY THE GSL AS QUOTE CHARITABLE ORGANIZATIONS ENDQUOTE.

- D) AS PER REF (A), CONSIDERATION WILL BE GIVEN TO THE POSSIBILITIES OF CREATING A BETTER QUANTITATIVE DATA BASE FOR THE EVALUATION OF SUBPROJECTS AND THE PROJECT AS A WHOLE.

- E) AN APPROPRIATE MECHANISM WILL BE DESIGNED TO PROVIDE TECHNICAL ASSISTANCE AND TRAINING TO INDIGENOUS PVOS, AS PER SECTION 6.C.

- F) APART FROM THE DESIGN OF THE MICRO-GRANT PROGRAM, A STRATEGY WILL BE CONSIDERED FOR BROADENING THE RANGE OF SMALLER NATIONAL OR REGIONAL PVOS RECEIVING REGULAR CO-FINANCING SUBPROJECTS GRANTS.

4. INFORMATION ON THE PID FACESHEET IS GIVEN BELOW:

- BLOCK 1 : A
- BLOCK 2 : SRI LANKA
- BLOCK 3 : 383 0101
- BLOCK 4 : A. ANE
- B. 03
- BLOCK 5 : PVO CO-FINANCING II
- BLOCK 6 : A. FY 87
- B. FY 89
- C. 93
- BLOCK 7 : A. DOLS 5,046
- B. -
- C. DOLS 2,954
- D. -
- TOTAL - 8,000
- BLOCK 8 :

1.A.PNP, B.250, C1.070,240, D1.DOLS 1,546 E1.DOLS 2,546
2.A.SDA, B.700, C1.840 D1.DOLS 1,500 E1.DOLS 2,500

- BLOCK 9 : SECONDARY TECHNICAL CODES:
- 030, 070, 110, 240, 250.

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VZCZCCMI *
PP RUEHC
DE RUFRCM #9442/08 358 **
ZNR UUUUU ZZH
P 24#9142 DEC 86
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 0564
BT
UNCLAS SECTION 08 OF 08 COLOMBO 09442

CLASS: UNCLASSIFIED
CHRGE: AID 12/17/86
APPRV: DIR:RCCHASE
DRFTD: PRM:JE/PVO:NMAHESH
YCC
CLEAR: PRM:RDMCL/PRM:JE/PI
P:WB/RLA:LC/DD:GN/

AIDAC

REF: (A) STATE 372178 (B) COLOMBO 07963

E.O. 12356: N/A
SUBJECT: PVO CO-FINANCING II (PROJECT 383-0101)

- BLOCK 10 : 240-2
- BLOCK 11 : SPECIAL CONCERNS CODES:
- PART, PVOU, PVON, TECH, EQTY, INTR.
- BLOCK 12 : TO ENHANCE OPPORTUNITIES FOR LOCAL
- COMMUNITIES TO PARTICIPATE IN THEIR OWN
- DEVELOPMENT BY INCREASING THE
- INVOLVEMENT AND EFFECTIVENESS OF PVOS
- CONDUCTING DEVELOPMENT ACTIVITIES.
- BLOCK 13 : IT IS PROPOSED TO CONTRACT THE SERVICES
- OF INTERNATIONAL CONSULTANTS AND/OR
- OBTAIN AID/W EXPERTISE TO PREPARE PP.
- ESTIMATED COST DOLLARS FIFTEEN
- THOUSAND.
- BLOCK 14 : ROBERT C. CHASE, DIRECTOR

14. PROJECT DESIGN STRATEGY. THE MISSION PLANS TO ENGAGE TWO CONSULTANTS FOR THE PREPARATION OF THE PROJECT PAPER. IT SHOULD BE POSSIBLE TO OBTAIN THE SERVICES OF AN INTERNATIONAL CONSULTANT RESIDENT IN SRI LANKA FOR DOING THE BULK OF THE PROJECT PAPER PREPARATION. IT WILL PROBABLY BE NECESSARY TO BRING A SECOND CONSULTANT (OR AN AID/W STAFF MEMBER) FAMILIAR WITH PVO CO-FI PROJECTS FOR A SHORTER PERIOD TO HELP DEAL WITH THE SPECIAL DESIGN ISSUES NOTED ABOVE. FIFTEEN THOUSAND DOLLARS IS BUDGETED FOR THE DESIGN EFFORT.

15. EARLY REVIEW OF THIS ABBREVIATED PID IS REQUESTED IN AID/WASHINGTON. ALTERNATELY, IN LIGHT OF THE MINOR CHANGES FROM THE PREDECESSOR PROJECT, AUTHORITY TO APPROVE THIS ABBREVIATED PID AT THE MISSION IS REQUESTED, OR TOTAL WAIVER OF PID REQUIREMENTS. THE PROJECT PAPER WILL BE APPROVED AND AUTHORIZED IN THE MISSION. SPAIN
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AID 1020-28(11-72)

APPENDIX B
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: From FY 87 to FY 93
Total U. S. Funding 5.1
Date Prepared: 5/4/87

Project Title & Number: PVO Co-Financing II - 383-0101

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: To increase the number and diversity of organizations addressing significant local and national development problems.	**Measures of Goal Achievement:** Increased productivity and income for the poor majority.	Central bank statistics	**Assumptions for achieving goal targets:** That the PVOs can assist and motivate the poor majority to increase their productivity, income and thus their standard of living
Project Purpose: To enhance opportunities for local communities to participate their own development by increasing the involvement and effectiveness of PVOs conducting development activities. The purpose is to be achieved within the context of PVO activities relating to the new Mission strategic objectives of increasing rural productivity and income and promotion of private enterprise.	**Conditions that will indicate purpose has been achieved: End of project status.** Annual rate of assistance by U.S. and indigenous PVOs from own resources increased by 10%.	National Statistics	**Assumptions for achieving purpose:** PVOs will improve their financial base to increase their assistance for activities in Sri Lanka.
Outputs: Completed sub-projects; More U.S. PVOs active in building up institutional capability of indigenous PVOs; More indigenous PVOs bedoming involved in self-reliant development activities.	**Magnitude of Outputs:** - 30 sub-grants provided - 50 minor grants provided - one or more umbrella organizations established. - 20 indigenous PVOs assisted to improve management skills	USAID and HOPI implementation records.	**Assumptions for achieving outputs:** GSL encouragement and support for U.S. and indigenous PVOs expand activities will contin. Increased interest of indiger PVOs in meeting AID requirem for funding.
Inputs: AID - Grant funding GSL - Continuation of PVO activities and support funds PVOs - Funds and management	**Implementation Target (Type and Quantity)** AID - $ 5.1 million GSL - Staff time and support fund-$0.500 million PVO - $ 3.0 millions	USAID and HOPI implementation records	**Assumptions for providing inputs:** GSL policy of encourag promotion of private enterprise will continu and in turn private enterprise will increase

App 35 Ch 3, HB (12 3-19)

APPENDIX C

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5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded from Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1987 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.	By Congressional Notification
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Yes (b) Yes
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	N/A
4. FAA Sec. 611(b); FY 1987 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No
7 FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	(a) N/A (b) Yes (c) Yes (d) N/A (e) Yes (f) N/A
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	U.S. PVOs will take part in implementing Sub projects
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	Generally a matching contribution is expected but the non-USAID contribution should be at least 25% of the sub-project costs. An estimated 35% of project costs will be met by non-USAID contributions. No U.S. owned Sri Lanka rupees are available for project expenditure.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No

11. FY 1987 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? — N/A

12. FY 1987 Continuing Resolution Sec. 558 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers? — (a) No (b) No

13. FY 1987 Continuing Resolution Sec. 559. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? — No

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14. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded, by helping to increase production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of

Yes

N/A

U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

15. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? — No

16. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate sysem for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? — N/A

17. FY 1987 Continuing Resolution Sec. 532. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? — No

FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and — (a) The Sub project will mainly benefit the rural poor by increasing their income and productivity.

	insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.	(b) The project does not involve cooperatives directly, but the cooperatives will benefit indirectly by way of technical assistance through PVOs. (c) The project will principally be focussed on self-help activities to benefit the poor. (d) The project will address the active participation of women in all activities. (e) The project includes a small component of training activities in regional countries.
b.	FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used?	Yes
c.	FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	Yes
d.	FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to whch the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	Yes
e.	FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?	Yes

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	Based on experience with PVO Co-financing I, this project aims at upgrading the indigenous PVOs by bringing them to a higher level of capability and influence to serve the poor.
g. FY 1987 Continuing Resolution Sec. 540. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?	No
Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?	No
Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No
h. FY 1987 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?	No
If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?	N/A
i. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes

j.	FY 1987 Continuing Resolution. How much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?	Such organizations will be advised of the project and invited to submit proposals. Contracts for technical services are also possible through IQC's.
k.	FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?	N/A
l.	FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?	N/A
m.	FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water	N/A

control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

2. Development Assistance Project Criteria (Loans Only)

N/A

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

c. FY 1987 Continuing Resolution. If for a loan to a private sector institution from funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds?

d. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

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3. Economic Support Fund Project Criteria N/A

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?

c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction, operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? — Yes

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? — Yes

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? — N/A

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) — N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those — N/A

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countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes Yes

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes

9. FY 1987 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? N/A

10. FY 1987 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A

B. CONSTRUCTION

1.	FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?	N/A
2.	FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?	N/A
3.	FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?	N/A

C. OTHER RESTRICTIONS

1.	FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?	N/A
2.	FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?	N/A
3.	FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?	Yes

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4. Will arrangements preclude use of financing:

a.	FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 540. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion?	Yes
b.	FAA Sec. 483. To make reimburse-bursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?	Yes
c.	FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?	Yes
d.	FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes
e.	FAA Sec. 662. For CIA activities?	Yes
f.	FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	Yes
g.	FY 1987 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?	Yes

h.	FY 1987 Continuing Resolution Sec. 505. To pay U.N. assessments, arrearages or dues?	Yes
i.	FY 1987 Continuing Resolution Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?	Yes
j.	FY 1987 Continuing Resolution Sec. 510. To finance the export of nuclear equipment, fuel, or technology?	Yes
k.	FY 1987 Continuing Resolution Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	Yes
l.	FY 1986 Continuing Resolution Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?	Yes

APPENDIX - D

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நிதி, திட்டமிடல் அமைச்சு
DEPARTMENT OF EXTERNAL RESOURCES
Ministry of Finance and Planning

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உள்நாட்டுறைவரிக் கட்டிடம் (15வது மாடி)
Inland Revenue Building (15th Floor)

තැ. පෙ. 277, කොළඹ 2.
அ. பெ. இல. 277, கொழும்பு 2.
P. O. Box 277, Colombo 2.

14 July 1987

By Hand

Mr. Gary Nelson,
Acting Director,
USAID.

Dear Mr.Nelson,

P.V.O. Co-financing Project II

On behalf of the Government of Sri Lanka we wish to make a formal request for USAID assistance for undertaking a "follow - on" project to the currently on-going P.V.O. Co-Financing Project. As you are aware a "follow-on" project was strongly recommended by the P.V.O. Co-financing Evaluation Team in their Second Interim Evaluation Report of July 1986. The purpose, objectives & management structure of the proposed new project would be basically the same as in the present project, except for a few changes aimed at " fine tuning" the functioning of the project. The main intention would be to enhance opportunities for local communities to participate in their own development by increasing the involvement and effectiveness of private voluntary organisations.

The new project is designed to support P.V.O. activities in the fields of agriculture, rural development and nutrition and also assist in selected development activity such as privatisation. Proposals to be supported under the new project would be approved by a three member Committee consisting of representatives of the Ministries of Finance and Planning and Plan Implementation and the USAID Mission in Colombo.

It is anticipated that the new project will be implemented over a 6 year period commencing in the Second half of 1987.

To assist us in undertaking this programme we request USAID assistance in a sum of us $ 5.046 million as an outright grant to be disbursed over the life of the project. The P.V.O. contribution in both cash and kind is estimated at 25% of total project costs.

We shall be grateful if you would obtain the formal concurrence of your authorities for the USAID support requested for the P.V.O. Co financing Project II.

Yours sincerely,

(M.A.Mohamed)
Director,
External Resources.

APPENDIX E

DRAFT GUIDELINES AND PROCEDURES FOR THE USAID/SRI LANKA PVO CO-FINANCING PROJECT II (383-0101)

Appendix E consists of the draft guidelines to assist interested PVOs in applying for funding under the project. The focus is on PVO sub-project grants and on intermediary organizations interested in managing a micro-grant program. After negotiation between the GSL and USAID, the guidelines will be issued as an official project document.

Sections 1 to 3 of the draft are not presented in the Appendix, as they have already been incorporated into the body of the Project Paper. They include the following:

E.1 - PVO Registration
E.2 - Criteria for Selection of Proposals
E.3 - Proposal Preparation

Sections 4 through 9 are presented on the following pages

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APPENDIX E.4

GRANT REVIEW PROCEDURES

After the PVO completes its design work and prepares a proposal in accordance with the guidelines it submits the proposal for approval to the offices responsible for review. A flow chart indicating the review process is found in Figure E.4.1. The proposal is first sent to the Ministry of Plan Implementation, which has responsibility for coordinating all PVO activities.

The MOPI will, within one week of receipt of the proposal, distribute copies of it to:

(1) the USAID PVO Officer

(2) the Additional Director, Department of External Resources

(3) the GSL Line Ministry/Ministries concerned

(4) the PVO Association, when one is approved by GSL and USAID.

The agencies listed above shall review the proposals in detail and forward their comments and/or concurrence to the MOPI, within three weeks of receipt of proposals.

Then, the GSL Proposal Review Group, consisting of the Secretary of MOPI or his nominee, the Additional Director of External Resources or her nominee, and the USAID PVO officer shall review all proposals on the first Wednesday of each month or more often, if necessary. The USAID PVO officer will, as a member of the committee, be responsible for ensuring that proposals meet AID's criteria, as set forth in the Project Grant Agreement and act as a liaison between the PRG and the USAID Project Review Committee.

In view of the general experience with a large number of PVO proposals, the Proposal Review Group will be particularly alert to the following:

(1) Proposals which are poorly conceived and badly presented;

(2) Proposals which set forth unrealistic goals and targets;

(3) Proposals which lack a plausible design strategy for achieving objectives

(4) Proposals which lack a plausible implementation plan;

(5) Proposals with inordinately high cost/benefit ratios;

(6) Proposals with budgets having inordinately high and/or improperly calculated overhead rates;

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(7) Proposals which do not represent a collaborative endeavor;

(8) Proposals which appear to be technically unsound;

(9) Proposals which may incur negative environmental impacts

If the PRG finds the proposal acceptable, it will make its recommendations to the Director, Department of External Resources, who is responsible for coordination of all foreign donor assistance.

The Department of External Resources then forwards the proposal to USAID, indicating that the Proposal Review Group as approved the proposal, and the Director, USAID will then enter into an Implementing Agreement with the PVO.

Proposal Review Within USAID

The USAID PVO officer, on receipt of the proposal from MOPI, will circulate the proposal among the members of the USAID Project Review Committee for their concurrence. The Project Review Committee will consist of:

1) Program Officer (Chairperson)

2) PVO Officer

3) Economist

4) Chief, Office of Projects

5) Controller

Other Mission staff may be asked to participate in the review of proposals involving a particular area of expertise, e.g., agricultural, private enterprise, etc. Mission staff with technical expertise in a particular area may also be asked to assist PVOs in developing their proposals if deemed necessary. The views of the USAID Project Review Committee will be conveyed to the PRG by the USAID PVO Officer.

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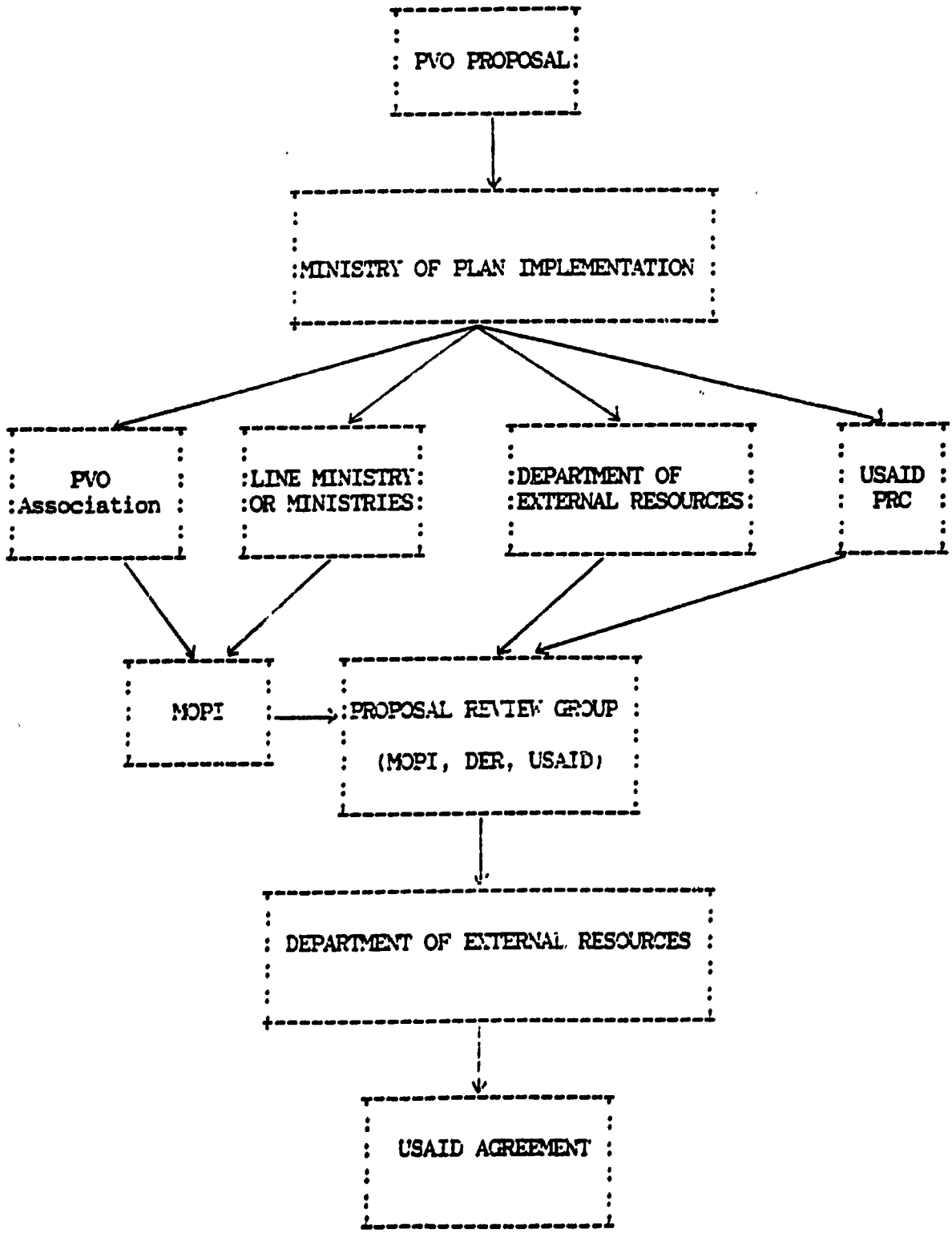
FIGURE E.4.1

PROPOSAL REVIEW FLOW



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GUIDELINES FOR ANALYSIS

PVO proposals are analyzed by the PRG to ensure that they are economically and socially sound, technically, financially and administratively feasible and do not have harmful impacts on environment. The following guidelines are to be considered by PVOs applying for funding since they will be judged on the basis of these analyses. The USAID Project Review Committee will review proposals also to verify that sub-project proposals meet their stipulated criteria. Training and Workshop proposals are not required to provide these analyses except where specifically relevant.

E.5.1 Economic Analysis

The PRG will analyze each proposal for likely economic return and cost effectiveness. For "directly productive" activities, the net return to the individual producers must be shown to be sufficiently attractive to undertake the intended activity. In all cases, the cost effectiveness of the proposal will be assessed to determine the economic viability.

Proposals should include the degree of economic viability which is expected from the PVO sub-project or micro-grant project. Measures of economic benefits expected to be gained from the proposals and to justify the proposals are required. Proposals which will be favored include use of (1) local materials; (2) locally available labor and unemployed or under-employed labor; (3) locally-made and/or repairable tools and equipment and (4) paraprofessional technical, health and education workers. The GSL's economic policies affecting product prices, labor costs, etc., also can have a profound positive or negative impact on sub-project viability and will be considered by the PRG.

Each proposal will be expected to include a calculation of cost per beneficiary as part of its economic analysis. While no rigid maximum cost per beneficiary is imposed, this factor will be reviewed closely by the PRG. Proposals with excessive costs per beneficiary of more than $10 to $30 must have a strong justification in terms such as multiple benefits, spread effects to other beneficiaries or projects, or benefits accruing beyond the life of the sub-project or micro-grant project. Normally, a high cost per beneficiary will not be favorably considered as compared to proposals tapping available low cost resources and with the possibility of being widely replicated at the local level with limited resources.

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E.5.2 Social Analysis

This section includes a set of social criteria and guidelines for formulating sub-project proposals. The sociological aspects of the proposed activities will be reviewed and only those proposals found to be socially sound will be approved by the PRG. Each proposal must include a social analysis statement.

Proposals should have the following features: (1) reflect insight and sensitivity to local conditions; (2) demonstrate that community members will be fully involved in all steps of the sub-project; (3) use technology that is appropriate; (4) consider benefits to women and minority groups.

PVO proposals must contain and meet the test of a social soundness analysis. This analysis will ascertain that (1) the target beneficiaries are poor people or those whose basic needs are not satisfied; (2) the activities have potential spread effects and the benefits can be sustained or are durable; and (3) the activity's positive social impact outweighs any possible negative impact on intended beneficiaries. In addition, the activity should address the extent that it has considered the role of women in development. The social analysis will identify beneficiaries by sex, numbers and socio-economic strata.

Proposals which will be favorably reviewed include those in which the beneficiaries are people living in poor rural and urban communities. They will be primarily among the poorest 50% of the population, whose per capita income is significantly less than the national average of about $250. Special consideration will be given to proposals that focus on women in development. In addition to sharing more or less equally in the benefits of self-help activity, the education levels and civic involvement of Sri Lanka's women suggest that they will in many instances be the prime movers in generating and implementing community self-help activities.

E.5.3 Technical Analysis

Each proposal will be required to contain a brief, but succinct analysis of its technical feasibility. Substantial or complex technical analysis should not be necessary in most cases and should be avoided, unless specifically requested by USAID. Each proposal will receive a thorough technical appraisal by the PRG. Whether the proposed sub-project is technically feasible and appropriate will be a basic concern of the Committee. Depending on the depth of any given technical question, USAID or outside technical expertise will be called upon to advise the Review Committee. Where determined appropriate, USAID staff or technical consultants may be dispatched to proposed sub-project sites where they may more thoroughly review a proposed sub-project's aspects.

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In those cases where a proposal has a strong technical aspect such as certain types of construction or highly specialized activities, care will be taken to ensure that the PVO has employed adequate technical expertise in developing its proposal. Particular attention will be given to whether the proposal has considered alternate technologies. The PRG will compare cost effectiveness, impacts on employment, potential spread effects and the community's ability to effectively utilize and maintain the technology.

AID policy guidelines encourage PVOs to develop and test new approaches to development and apply "appropriate technology." The PVO Co-financing II Project will promote innovative approaches, particularly those which are conceived at the local level and which promote the utilization of local resources. Technical analysis of PVO sub-project proposals will be conducted with an appreciation of the inherent risk which must be assumed in pursuing imaginative and innovative endeavors.

E.5.4 Administrative Feasibility

The administrative capability of the implementing agent (i.e., the sponsoring PVO) will be a key element in the success or failure of a sub-project. Thus, each sub-project proposal will contain a brief, but succinct analysis of the PVO's administrative capabilities. If the PVO (US or Sri Lankan) has successfully completed a sub-project in Sri Lanka, its administrative capability for the proposed sub-project will require less attention, other than an explanation that the proposed sub-project is within its capability to administer. A US PVO with no prior operating experience in Sri Lanka, will have to explain in greater detail the administrative arrangements for carrying out sub-projects. Proposals from PVOs which have had administrative difficulties with previous sub-projects will not be favorably received unless corrective measures have been taken.

E.5.5 Environmental Assessment

Proposals are required to include a brief analysis of sub-project impacts on the environment. Proposals will be reviewed by the PRG to ensure that the sub-project will not have a negative impact on the environment. Only those sub-projects found to be environmentally sound will be approved by the PRG and USAID Project Review Committee.

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THE GRANT IMPLEMENTING AGREEMENT

When a proposal has been approved, a Grant Implementing Agreement with the PVO sub-project grantee will be prepared by USAID. Expected time for draft and approval of the sub-grant is four weeks.

The Grant Implementing Agreement consists of three parts:

(1) The Sub-grant:

Establishes the terms of the sub-grant, the level of funding, the level of involvement of the parties and identifies the authorized representatives of the sub-grant.

(2) The Sub-project Description:

This section is derived from the approved sub-project proposal, often through discussion among parties. The sub-project description consists of a description of the goals, objectives, implementation activities, reporting requirements and budget. It is particularly important that the PVO sub-grantee be satisfied with the description. The end result is the description of the tasks which the PVO will be expected to undertake. The sub-project description identifies the quantifiable outputs the PVO has set to measure success and the indicators by which the progress will be evaluated.

(3) Grant Standard Provisions:

Grant Standard Provisions are attached to and included as part of the Grant Implementing Agreement. PVO field staff are expected to be thoroughly familiar with this section, as it describes regulations covering all aspects of sub-project implementation, e.g., procurement, sub-contracting, transportation. PVO sub-grantees are expected to be familiar with these provisions.

E.6.1 Sub-Grant Financing

The USAID contribution to PVO sub-grantees covers all U.S. Dollar costs specified in the Grant Implementing Agreement. An example follows which is derived from the detailed budget presented in the PVO's sub-project proposal. The Grant Financial Plan is the primary document for financial planning and reporting on the sub-grant by the PVO. The detailed proposal budgets, however, will be used by USAID in monitoring and evaluating the sub-grant.

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Financial Plan
(U.S. Dollars)

Cost Element	AID sub-grant Contri-bution	PVO	GSL	Other	Total
1. Personnel	62,500	12,833	22,500	43,333	141,166
2. Travel and Allowances	26,666	-	2,333	-	28,999
3. Equipment	37,000	3,333	8,333	1,666	50,332
4. Construction	27,500	-	500	2,000	30,000
5. Training	3,500	666	3,833	-	7,999
6. Other Direct Costs	18,000	-	-	-	18,000
TOTAL	175,166	16,832	37,499	46,999	276,996

Adjustments and Amendments to the Financial Plan

Adjustments among cost elements in the sub-grant Financial Plan are permitted. Adjustments which raise or lower the amount of any given U.S. dollar line item less than 15% are permitted without prior approval of the PRG. However, prior written notification of such a change is required and will be routed through MOPI.

Adjustments among cost elements in the Grant Financial Plan which alter any given element by 15% or more require prior approval by the PRG. To obtain this approval, the PVO must submit a written request for adjustment and justification of the need for such a change.

The example Financial Plan shown above is illustrative. If the PVO sub-grantee wants to shift $2,750 from Cost Element 4, to Cost Element 5, he could not do so. Though the sum is only 10% of the Construction element, it would raise the Training element by almost 80%. The PVO sub-grantee may shift the equivalent amount of funds from (4) to (3) (without USAID approval) as this is not more than 15% of either line item.

At no time will a sub-grant be amended which combines Cost Elements. Again, using the illustrative Financial Plan as an

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example, the sub-grantee may not create a Cost Element, "Construction and Equipment" from the separate elements of Construction and Equipment.

Method of Payment

Payment will be by quarterly advances. The USAID Controller, upon assurance of the PVO's capability to manage and account for funds, authorizes an initial advance for a period of three months for deposit into a separate PVO bank account. The PVO is issued subsequent advances upon presentation of quarterly accounts to the USAID Controller.

Financial Reports

Sub-Grant reporting is the responsibility of the PVO sub-grantee. PVOs are expected to maintain a complete record of primary documentation of financial transactions (e.g., invoices, receipts, vouchers for U.S. Dollar and Sri Lanka Rupee expenditures incurred by the local office). They are also expected to meet the reporting requirements described in the Grant Implementing Agreement.

Required documentation for funds periodically advanced by the Mission will be specified in the Grant Implementing Agreement. At a minimum, a PVO is required to demonstrate, prior to receiving its first advance, that field office financial and accounting capabilities are in place to adequately account for these funds. Expenditure reports, vouchers and other required documentation will be identified by the USAID Controller in the PVO sub-grant and must be submitted to USAID for approval prior to the receipt of subsequent advances.

GSL Contribution

If the sub-grant contains a contribution from the GSL, the PVO must ensure that the required sum of money is provided in the GSL annual budget and must produce, at the beginning of each year, a letter from the GSL Department concerned. The letter must state that the required sum of money has actually been provided in the GSL budget.

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COMMODITY PROCUREMENT

PVO sub-grantees are required to follow standard business practices with AID contributed funds. Methods for estimating costs, bidding for materials and services, and financial management must meet general accounting procedures. There are restrictions on certain commodities, and source and origin requirements on others. The Grant Standard Provisions spell out these requirements, only some of which are introduced here.

Source and Origin

Definitions:

Source: The country from which a commodity is shipped to the cooperating country (in this case, Sri Lanka)

Origin: The country in which the commodity is mined, grown or produced[1/].

Potential countries of source and origin are grouped by Geographic Code, as indicated on Table E.7.1. Aid regulations regarding source and origin of goods purchased under the sub-grant vary according to the dollar value of the purchase.

Ineligible Goods and Services

Under no circumstances shall the sub-grantee procure any of the following under:

(1) military equipment;

(2) surveillance equipment;

(3) commodities and services for support of police or other law enforcement activities;

(4) abortion equipment and services;

(5) luxury goods and gambling equipment;

(6) weather modification equipment.

1/ A commodity is produced when through manufacturing, processing or a major assemblage of components, a commercially recognized new commodity results from the original commodity.

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If AID determines that the sub-grantee has procured any of the ineligible goods and services specified under the sub-grant and has received reimbursement for such purpose, the sub-grantee agrees to refund to AID the entire amount of the reimbursement.

Restricted Goods and Services

The sub-grantee shall not procure any of the following goods or services without the prior written authorization of the Grant Officer:

(1) agricultural commodities;

(2) motor vehicles;

(3) pharmaceuticals;

(4) pesticides;

(5) rubber compounding chemicals and plasticizers

(6) used equipment;

(7) U.S. Government-owned excess property;

(8) fertilizer.

If AID determines that the sub-grantee has procured any of the specified restricted goods under its sub-grant without prior written authorization of the Grant Officer and has received reimbursement for such purpose, the sub-grantee agrees to refund to USAID the entire amount of the reimbursement.

Major sub-grant purchases of commodities are reviewed and approved by the PRG and the USAID Project Review Committee during the proposal review process. However, as the sub-project develops, needs may change. Should sub-project adjustments require changes in procurement needs, USAID must be informed. USAID must authorize all procurement of Restricted Items, prior to purchase.

1. When the total procurement element during the life of this grant is valued at $250,000 or less, the following rules apply:

   i. All goods and services, the costs of which are to be reimbursed under this grant and which will be financed with U.S. dollars, shall be purchased in and shipped from only "Special Free World" countries (i.e. AID Geographic Code 935) in accordance with the following order of preference:

      A. The United States (AID Geographic Code 000)

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B. The Cooperating Country

C. Selected Free World Countries (AID Geographic Code 941)

D. Special Free World countries (AID Geographic Code 935)

ii. Applications of Order of Preference: When the grantee procures goods and services from other than U.S. sources, under the order of preference in paragraph (b) (1) (ii) above, the grantee shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and shall be based on one or more of the following reasons, which will be set forth in the grantee's documentation:

A. The procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U.S. sources.

B. The price differential for procurement from U.S. sources exceeded by 50% or more the delivered price from the non-U.S. source

C. Impelling local political considerations precluded consideration of U.S. sources

D. The goods or services were not available from U.S. sources, or

E. Procurement of locally available goods and services, as opposed to prcurement of U.S. goods and services, would best promote the objectives of the Foreign Assistance program under the grant.

2. When the total procurement element exceeds $250,000, the following rule applies: Except as may be specifically approved or directed in advance by the grant officer, all goods and services, which will be reimbursed under this grant and financed with U.S. dollars, shall be procured in and shipped from the U.S. (Code 000) and from any other countries within the authorized geographic code as specified in the schedule of this grant.

Shelf items whose origin is a Code 941 country may be purchased for any amount up to the maximum authorized under the sub-grant. Shelf items from Code 899 countries, but not in 941, are eligible if the price of one unit does not exceed $5,000. The total cost of items purchased from 899 countries, but not in 941, is $25,000 or 10% of the sub-grant authorized maximum, whichever is higher. It cannot exceed $250,000 without a specific waiver.

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PRINCIPAL GEOGRAPHIC CODES

Code 000 The United States:

Including areas of U.S. - associated sovereignty.

Code 899 Free World:

Any area or country in the Free World, excluding the cooperating country. The Free World excludes the following countries: Albania, Bulgaria, Cambodia, Cuba, Czechoslovakia, Hungary, North Korea, Mongolia, Poland, Roania, USSR, Vietnam, Laos, German Democratic Republic, Peoples Republic of China.

Code 935 Special Free World:

Any area or country in the Free World, including the cooperative country itself.

Code 941: Selected Free World:

Any independent country in the Free World, except the cooperative country itself and the following:

Andorra	Luxembourg	Afghanistan	Kuwait
Austria	Malta	Angola	Libya
Belgium	Monaco	Australia	Mozambique
Denmark	Netherlands	Bahrain	New Zealand
Finland	Norway	Canada	Qatar
France	Portugal	Cyprus	Saudi Arabia
Germany, Federal Republic of (including West Berlin)	San Marino	GabonKong	Singapore
	Spain	Hong Kong	South Africa
	Sweden	Iran	Syria
	Switzerland	Iraq	United Arab Emirates
Greece	United Kingdom	Japan	
Ireland	Vatican City		Yemen Arab Republic
Italy	Yugoslavia		
Iceland	Liechenstein		

AID Grants normally specify that the source and origin of goods and services by the United States, Code 000, except that grants to the Relatively Least Developed Countries (RLDCs) specify Code 941 and the cooperating country as the authorized source and origin for goods and services.

Source: Handbook 18, Appendix D, AID Geographic Codes and Handbook 11.

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These reports will include:

(1) A description of activities and accomplishments since sub-project inception and how implementation stands in relation to the proposed implementation schedule.

(2) A description of constraints or problem areas which have inhibited or are inhibiting sub-project activity and a statement of the method chosen to deal with the problem area or constraint, along with an analysis of this method's effectiveness.

(3) An analysis, to the extent feasible, of the overall development impact of the sub-project, taking into account proposed sub-project objectives and outputs.

(4) For the midway performance report, implementation plans for the remainder of the sub-project, including major procurement, subcontracts, redirections or revisions in implementation strategies.

If a PVO Evaluation Plan includes self-evaluations or a series of evaluations which, in the opinion of USAID and GSL fulfill grant midway and final reporting requirements, these reports may be waived.

E.8.2 Evaluation

The success of the PVO Co-financing II Project depends on careful evaluation of the project elements. Evaluation is an integral part of the development process and provides feedback and guidance, as well as relative and absolute assessments of project progress towards achievement of objectives. All PVO proposals submitted to the PRG are required to contain a detailed evaluation plan, the design of which depends on the type of sub-project, its duration, and the availability of personnel.

Sub-project design is the starting point for evaluation. The grant proposal establishes the intent, the plan, the means for measuring progress, and the assumptions which effect the sub-project. Sub-project evaluation considers each of these elements to assess progress. An Evaluation Plan should include the following information:

(1) Number of evaluations: The number of evaluations should be related to the sub-project events, management needs and availability of people and cost.

(2) Schedule of evaluations: The timing of evaluations should be related to decision-making needs and major sub project phases.

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APPENDIX E.8

GRANT REPORTING AND EVALUATION

E.8.1 Grant Reporting

PVOs receiving sub-project grants, any intermediary organization managing micro-grants and the PVO Association assisting to develop PVO management skills will all provide the following reports and audits to the Ministry of Plan Implementation and USAID.

(1) Quarterly brief progress reports due in April, July, October and January, during the implementation period. The first report may be for slightly more or less than a three months period depending on the month of start-up, so all PVOs shall submit reports at approximately the same time. A sample report is presented in section E.8.3.

(2) Annual audit reports prepared by an independent public accounting firm, approved by the GSL and USAID Controller. This report should be for financial activities on a calendar year basis and is due in January of each year. If the PVO begins activities in the last half of the calendar year, a separate audit report will not be required for that year.

(3) Mid-term and end of sub-project reports must describe the entire history and accomplishments of the PVO sub-project. These are due midway and within three months of completion of the PVO sub-project.

(4) Quarterly financial statements on status of funds.

Special Reports

PVO grants will require an "Interim Problem Identification Report" when any event occurs between reporting periods which will have a significant effect on sub-project implementation. Examples are major loss of materials or unexpected key staff departures. Reports will identify the problem, describe actions taken and proposed to resolve the problem, and include any request for USAID or GSL assistance.

Midway and Final Performance Reports

A midway and final performance report will be submitted within 30 days of reaching the sub-project midpoint and completion date, respectively. These reports will be submitted in place of reports otherwise due at this time.

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(3) Type of information to be evaluated: Some examples of the types of information to be evaluated include whether the design is adequate, whether inputs are adequate, whether inputs are on schedule, whether expected results are probable.

(4) Methods of data collection: The plan should include a statement of how data for evaluation purposes will be collected (interviews, inspection, case studies, etc.)

(5) Responsibility for evaluation: The personnel responsible for evaluations should be considered (whether insiders, outsiders or a combination).

Baseline Data

For sub-projects, the Evaluation Plan will also include an explanation of the procedures for collection of baseline data. Baseline data should be tailored to the purposes and beneficiaries of the project. As part of the sub-project start-up, appropriate surveys will be conducted so that before-and-after observations can be made as activities progress. Socioeconomic data should be disaggregated by sex, economic activity and other relevant criteria.

The baseline data plan should consider the following:

(1) Who will collect the data;

(2) What types of data will be collected;

(3) How they will be collected (interview strategy, sampling, etc.)

(4) What format the baseline data will be in so that they can be used at a later stage in the sub-project.

The organization responsible for managing micro-grants may include simple procedures by which micro-grantees may conduct baseline surveys for their small activities, where applicable.

Case Studies

To facilitate evaluation of sub-projects, PVOs will identify selected cases for in-depth study. Case studies may focus on individual participants in the sub-project, families, communities, firms, etc., as appropriate to the work assisted. Case studies are an important source of qualitative data and should be included in evaluations.

Evaluation Format

PVO grantees will be responsible for evaluation of their sub-projects. They will conduct an annual evaluation within 30 days of their annual audit and submit a completed Project

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Evaluation Summary (PES) to the GSL Ministry of Plan Implementation and USAID. A confirmed copy of the audit will be attached. The Ministry of Plan Implementation and USAID may participate in the evaluation of any PVO sub-project, as determined necessary. PVOs are required to notify USAID and MOPI at least 30 days prior to the initiation of their annual evaluation.

The USAID Project Officer will review each PES submission for the purpose of identifying those with actual or potential problems. All PES submissions so identified will be submitted for review by the Project Evaluation Committee, consisting of the Project Officer, the Controller and appropriate Technical Officers. Should the Project Evaluation Committee find serious problems or violation of agreement by the PVO, the committee may recommend appropriate actions, including the termination of disbursement.

The following list of topics to be covered in a sub-project evaluation is derived from the AID Project Evaluation Summary. Each section is not to be more than 200 words. A separate section should focus on individual cases and offer comparative analyses of each case studied over the course of time.

(1) Summary:

Progress in relation to design, prospects of achieving purpose and goal, major problems encountered;

(2) Evaluation Methodology:

Reasons for evaluation (such as clarification of sub-project design, measuring progress, improving implementation); methods used, cost, data sources, participants in evaluation;

(3) External Factors:

Changes in sub-project setting which have impact on sub-project, continuing validity of assumptions;

(4) Inputs:

Problems encountered with commodities, technical services, training or other inputs as to quality, quantity. Changes required in type or amount of inputs to produce outputs.

(5) Outputs:

Actual progress measured against projected targets; changes required in outputs to achieve purpose;

(6) Purpose:

Progress toward expected results, expected achievements, reasons for shortfalls;

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(7) Goal/Sub-goal:

Status of progress towards goals and shortcomings;

(8) Beneficiaries:

Direct and indirect beneficiaries number and nature of benefits);

(9) Unplanned Effects:

Advantageous and disadvantageous effects and required changes in sub-project design and execution;

(10) Lessons Learned:

Advise to colleagues concerned with similar problems; suggested follow-on activities;

(11) Recommendations:

Recommended actions for remainder of sub-project.

The PVO evaluations will be shared between USAID and the Ministry of Plan Implementation to determine future directions of the Project and project elements. Evaluations by PVO grantees will provide much of the information needed to evaluate the success of the overall Project.

ACTIVITY PROGRESS REPORT NO. _____

1. General Reference Section
(The Information in this section provides for a quick identification of the activity)

A. Name of PVO :

B. Title of Activity :

C. Country/Area of Activity :

D. Activity No. :

(PVO and/or AID)

E. AID Grant Agreement No. :

F. Total Value of Activity :

G. Date of Last Report :

H. Date of this Report :

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2. Expenditure/Financial Section
(The inclusion of a financial summary will preclude the need to refer to regular financial reports that are submitted quarterly)

A. Amount of AID Grant :

1. Funds received to date :

2. Expenditures to date :

3. Balance due under Grant :

B. Amount of Other Resources Programmed :

1. Total cash inputtodate :

2. Total value of commodities/services to date :

3. Balance remaining :

3. Brief Summary Statement of Progress During Reporting Period:

4. Brief Statement of Overall Status of Project/Activity from beginning date:

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5. Progress Relationg to the Accomplishment of the Specific Purposes as contained in the Implementation plan of the Proposal:

A. Task No.1
(State the task and describe or list specific accomplishments during the reporting period which relate to it. Do the same for other tasks)

B. Task No.2

C. Task No.3

6. Beneficiaries:

A. Direct Beneficiaries:
(Indicate the number and type involved during the reporting period and the way in which they benefitted)

B. Indirect Beneficiaries:
(Give the best estimate of the number and type and how they benefitted)

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C. Cumulative totals since start of activity:

1. Direct:

2. Indirect:

7. Problems Encountered:

8. Required Actions:
(List any lessons learned and any unexpected positive and negative results experienced during the reporting period)

9. Attachments:
(Attach any detailed financial reports, charts, graphs, maps, newspaper articles, photos or other documentation which support or expand upon items 1 to 7 above)

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SUMMARY

1. PVOs must be registered with USAID. For micro-grantees receiving funding through an intermediary organization, this requirement is waived.

2. Minimum estimated total cost (AID, PVO and/or Host Country) generally should be $25,000. Preference will be given to relatively small development activities. (Micro-grants will be for smaller amounts ranging from $500-$10,000.)

3. The PVO and GSL are expected to provide fifty percent (50%) of the total cost. In exceptional cases, contributions of not less than twenty five percent (25%) may be considered.

4. The PVO will prepare its proposal which should be brief (10 to 20 pages).

5. Proposals for sub-grants and proposals to manage micro-grants are then submitted for approval to the GSL Ministry of Plan Implementation. Proposals for training and workshop grants will be handled through the strengthened PVO Association.

6. The GSL Proposal Review Group will consider the proposals on the first Wednesday of each month and if approved, forward it to the Director of External Resources for transmission to USAID. If the proposal is not approved, the proposal will be returned directly to the sponsoring PVO with a brief, but specific explanation as to why the proposal was rejected.

7. The Director, USAID will enter into a Grant Implementing Agreement with the PVO.

8. The PVO will be held responsible for all aspects of its sub-project, including its development, approval and implementation.

9. The PVO will report its activities and financial status to the Ministry of Plan Implementation and USAID.

10. The sponsoring PVO will conduct an annual evaluation within thirty days of its annual audit and submit to the GSL, MOPI and USAID, a completed Project Evaluation Summary (PES) with a confirmed copy of the audit.

APPENDIX F

PVO ASSOCIATIONS IN SRI LANKA

Strengthening and support of a PVO Association (generally termed "umbrella organization" in Sri Lanka) through the PVO Co-financing II project is aimed to provide skills to PVOs, provide a means of disseminating information and direct funds to a broader range of small PVOs and organizations.

In Sri Lanka there already exist a number of associations. While none of these is particularly strong at present, each has certain potential capabilities. The Central Council of Social Services and the NGO Council are both broad-based organizations which include a wide variety of member PVOs. The Sri Lanka Women's Conference (SLWC) and the Water Supply and Sanitation Decade Service (WSS-DS) are both consortia which have a more specific focus. In addition, large PVOs such as Sarvodaya, the Lanka Mahila Samiti and Nation Builders are associations in the sense that they have affiliates and sub-offices and/or provide funds to small community based non-profit organizations throughout the country.

The Central Council of Social Services

The CCSS is the oldest of Sri Lankan associations, having been founded in the 1940s. Oriented towards a broad spectrum of social service activities, its membership includes approximately 100 PVOs working on a wide variety of projects. The CCSS has the distinct advantage of being a registered charity.

The goals of CCSS are to provide a national forum for exchange of ideas among affiliates. It organizes seminars, undertakes special studies of problems referred by other agencies and cooperates with social service organizations in carrying out work programs.

CCSS notably has had periods of activity and inactivity. Based on discussions with PVO leaders, the CCSS appears to be currently in a state of relative inactivity. Additionally, the arrival of other consortia and the relatively broad orientation of CCSS have led smaller PVOs to seek affiliations that meet their specific needs. Finally, although the president and board are democratically elected leaders of the CCSS, some PVO personnel interviewed were dissatisfied with the recent control of CCSS by Sarvodaya. PVO personnel voiced mixed feelings about the suitability of CCSS as a PVO Association to be funded by USAID and all agreed that CCSS would require a significant effort to be strengthened.

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NGO Council

The NGO Council is also a large association founded recently in 1981. It currently has 91 members, 35 of which are themselves associations (such as YMCA, Sarvodaya and Lanka Mahila Samiti). Its aim is to assist PVOs, promote collaboration between PVOs and avoid duplication of efforts. To be a member of the NGO Council, organizations must be working in more than one village, they must be accountable to their members and they must be engaged in development oriented projects.

Although the NGO Council is currently not a registered and approved charity, it has recently applied for registration under the Society's Ordinance. It anticipates registration by June, 1987.

The NGO Council functions in a manner very similar to CCSS. It differs in that it also includes members who are not purely social service oriented. Thus, organizations that are concerned with environmental protection and are development oriented are also represented. However, there is a great deal of overlap between the two organizations.

Although the NGO council has much potential, it has not been realized to date. It has office space independent of any one of its member affiliates and employs a clerk/typist although otherwise is supported by voluntary labor. However, PVO personnel interviewed felt that the NGO Council was inactive at the moment and had little knowledge of its agenda.

Sri Lanka Women's Conference

The SLWC is a consortium organization which brings together similar associations working for women's and children's welfare. Its objectives are to help improve the status of women and initiate programs towards that goal. Membership is limited to women's associations. It currently includes 36 affiliates and is in the process of applying to become a registered and approved charity.

The SLWC has coordinated some workshops and training programs but only to a limited extent. Facilities for such programs have been donated by the YWCA, which is an affiliated member. The SLWC is also run by voluntary labor but does not have any office facilities. Its member affiliates, mostly Colombo based PVOs, are strong organizations with expertise and leadership capabilities. Some PVO personnel interviewed felt that the SLWC is still more welfare oriented than development oriented.

Water Supply and Sanitation Decade Service

The WSS-DS is a consortium of approximately 30 members. Its objectives are to encourage PVO members to participate

actively in improving water supply and sanitation, to service PVOs in their effort to achieve those objectives and to channel communication between PVOs and the government. It is not currently a registered charity.

Of all the associations, the WSS-DS is the only organization that is actively involved in training and workshops and disseminating information to member PVOs through its newsletter, 'Links'. Its active role may be attributed to the funds to support a core staff provided initially by the UNDP. PACT has subsequently provided core funding and support for training and workshop activities. Current efforts are being made to permit long-term functioning of the organization through income-generating activities such as sales of manuals it produces. The WSS-DS also receives some overhead funds from contracts, although this is minimal.

Valuable lessons may be learned from the experience of the WSS-DS since it has had experience in setting up training programs and workshops and in acting as an active liaison between PVOs. It is in the process of compiling a useful directory of personnel and institutions capable of providing training and training facilities. It is also considering a micro-grants program to small community-based organizations, particularly those that are not reached by other organizations.

Other organizations

A number of nationally and internationally known Sri Lankan PVOs have become large enough and strong enough so that they have become associations in their own right. Sarvodaya and Lanka Mahila Samiti both have regional and sub-offices throughout the country. Nation Builders, although not as large and not having as broad a geographical focus, has begun working with small community-based organizations to help them get funding and articulate their needs. In general, the sub-offices of these types of organizations are all working towards the same goal and are less concerned with reaching out to other PVOs and community based organizations.

Recommendations for Strengthening PVO Association Capabilities.

Given the weaknesses of currently existing PVO associations, strengthening will require substantial assistance from professionals skilled in PVO management. Three alternative strategies are suggested for enhancing cooperation and coordination among PVOs, all of which rely on the assistance of consultant specialists and at least one locally recruited full-time staff member.

The first and second options rely on short term consultants while the third relies on a longer term collaborative effort between a U.S. PVO and Sri Lankan association. The first is to strengthen a single association and the second is to strengthen

a number of PVOs which are already acting as consortia in their own right but currently lack the funds and capability to work with smaller PVOs. The third option is to strengthen an association by providing long-term collaborative support with a U.S. PVO contracted by the AID Mission.

Option 1

The first alternative is to select one currently active association and provide assistance to it. Assistance would be provided by expert consultants in PVO program management. Consultant services would be provided for approximately 10 months to a PVO association.

A negative feature of this alternative is that there are currently no strong PVO associations operating in Sri Lanka and a great deal of management effort may be required of the AID Mission since consultants would be short-term. Of all the candidates, PVO personnel interviewed generally feel that the CCSS is the strongest one to receive strengthening funds. It is the oldest organization, includes a wide range of members who can act as resources and is a registered charity itself. While the CCSS is seen as stronger than the NGO Council, it was also felt that the current leadership has drawn the CCSS under the wing of Sarvodaya which not all members appreciate. While leadership is determined by vote, problems of participation in association activities may be expected, given some prevailing sentiments.

Positive features of this option include that costs for consultants would be minimal compared to alternatives 2 and 3. Also, under option 1, the association would be viewed as a Sri Lankan organization rather than an international one and might be more likely to continue after the foreign assistance is withdrawn.

Option 2

A second alternative to decentralize efforts to enhance cooperation and coordination among PVOs by strengthening a number of different large organizations having specific areas of focus. Strong PVOs with well-trained staff such as the Lanka Mahila Samiti and Sarvodaya could be strengthened in their capabilities to reach out to smaller regional and community-based PVOs working towards similar goals. Again, expert consultant services would be provided to help coordinate micro-grants program, to set up training and workshop activities and to set up a learning and linkages program between PVOs.

The advantage of this option is that it is more likely to serve specific PVO needs. Additionally, operating costs would be reduced because office space and facilities would be available through the established organizations.

A potentially negative aspect of this approach is that fear of domination by these larger organizations, each with its own philosophical biases, may be an impediment to smaller organizations getting involved in coordinated activities.

A second disadvantage of this alternative is that it puts a large management burden on the USAID and GSL officials involved in the project and is difficult to control and monitor both financially and otherwise. The effectiveness of consultants working with the organizations would also be minimized since they would be working with a number of different organizations rather than concentrating their efforts.

Option 3

A third option is for USAID to contract the services of a U.S. PVO which would work closely on a long-term collaborative basis (approximately 3 years) with one of the Sri Lankan associations discussed above. A U.S. PVO would establish an office with one of the PVO associations and help develop their management capabilities. After a period of three years it would then withdraw.

The main advantage of this option is that it relieves USAID of many management responsibilities such as recruitment of consultants and working with the association to develop procedures and guidelines for the micro-grants program. Under option 1, since consultants are short-term, AID may have to bear some of the management responsibilities. However, option 1 shares many of the advantages of option 3 but at a lower cost. It is estimated that to contract out to a U.S. PVO will cost approximately $1 million for a period of 3 years.

Aside from the high costs of bringing in a U.S. PVO full-time, a second disadvantage of this option concerns the issue of sustainability. If too much reliance is placed on the U.S. PVO, the PVO association may not continue to function once the U.S. PVO completes its contract.

EXPERIENCE OF OTHER ORGANIZATIONS IN MANAGING SMALL GRANTS

A number of organizations operating in Sri Lanka have had experience managing small grants to small regional and community-based PVOs. A review of some of their experiences helps provide guidelines for AID's proposed micro-grants program.

Canadian International Development Agency

The Canadian International Development Agency (CIDA) supports a small grants fund, known as the Mission Administered Fund (MAF) which operates in many countries, including Sri Lanka. In Sri Lanka, the fund is administered through the mission under the supervision of one locally recruited staff member. The aim of MAF is to support small Sri Lankan PVOs engaged in development oriented projects. Projects which are supported range from between CD 5,000 to CD 15,000, though MAF does also fund projects as small as CD 500.

The criteria for selection of MAF-funded projects is very simple and unstructured. A proposal review group examines project proposals on an approximately quarterly basis. Little attempt is made to solicit proposals since the program is now well advertised and received. Small PVOs and community organizations hear of the MAF program through word of mouth and CIDA has not had any problems having to solicit proposals.

The proposal review group may check up on the organization requesting funds if there is some skepticism about its legitimacy but ordinarily this is not deemed necessary. PVOs or other organizations submit a brief (3 page) application indicating their aims and objectives. A sample proposal is included in Appendix H.1. Projects are only funded for one year, by legal requirements of CIDA. The main criteria on which projects are rejected are if they are welfare oriented, are funding for an individual, are profit oriented or are support for recurrent costs.

MAF grantees are required to submit midterm and final reports to CIDA but financial monitoring is kept to a minimum (see Appendix G.2). Since the grants are small, they feel this would place too much burden on the organization receiving funding and CIDA itself does not have the staff to do so. Periodic evaluations are made by the CIDA MAF officer. It is estimated that perhaps a small (5%) amount of funds are misappropriated but generally it is felt that the MAF program operates effectively.

The MAF program operates purely between CIDA and the organization receiving funds. CIDA is not obligated to channel

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funds through the Ministry of Plan Implementation or any other governmental body.

Although in Sri Lanka, the MAF program is operated through the mission, elsewhere CIDA has contracted out the small grants program to PVOs with some success. Proposals for small grants are reviewed by a committee consisting of the contracting PVO and CIDA staff. In Sri Lanka, because of the lack of a strong umbrella organization, CIDA felt it was more effective to hire a staff member within CIDA to administer the program.

Children's Secretariat

The Children's Secretariat, operating under the Ministry of Plan Implementation, is engaged in a program to provide small grants to rural development societies throughout Sri Lanka. Financed in part by UNICEF, the program's goals are to improve conditions of children through organized involvement of people. The average size of grants is approximately Rs. 15,000.

The Children's Secretariat manages the program. It provides training to members of rural development societies in proposal writing and project management. Training programs are organized by districts, and usually include approximately 30 members. Participants are taught how to draft proposals and what to include. Proposals are short (about 6 pages) and briefly state objectives, time frame and budget. Proposals are hand written and usually in the local language.

Much of the field level work is carried out by District Coordinators who are working out of the planning branch of the katcheris. District coordinators are responsible for organizing training workshops and monitoring projects. In Colombo, administration is carried out by one director, two assistant directors, one development officer, one plan implementation officer and two clerk/typists.

Proposals for projects are accepted on loosely defined criteria that the grantee organization be voluntary, non-profit making and non-governmental. Since the District Coordinators are in close contact with rural development organizations, they are responsible for ensuring that the grantee is legitimate. Proposals are reviewed by the Colombo project staff in consultation with the appropriate district coordinators.

Since the Children's Secretariat does not have sufficient funds at all times to fund all proposals, priority is given to projects in less developed districts and districts where little aid is already being given. Less priority is given to the merits of each proposal. Projects are to be carried out within a period of one fiscal year.

IRED

IRED is a Swiss-based organization which, although not a funding agency itself, is concerned with information sharing between small community-based PVOs, linking those organizations with funding sources and assisting small PVOs in developing management skills. In Sri Lanka, its fundamental philosophy is that small organizations are often ignored and left out of funding agencies' agendas due to domination by larger and more professional PVOs.

IRED has been working closely in Puttalam District, where it develops linkages with organizations by identifying strong leaders (which it calls 'animators'). Animators are locally recognized people who have been involved in development projects and show demonstrable leadership skills. They function in a manner similar to IRED by providing information and skills to local PVO groups.

Although it has a different mandate from CIDA and the Children's Secretariat, IRED offers some useful lessons. First, it emphasizes the need to support smaller organizations which are otherwise ignored by funding agencies. Often their members are less powerful and wealthy than members of larger organizations. Second, it emphasizes the need for greater localized effort to manage projects since this cannot be effectively done out of Colombo alone.

Conclusions

Both CIDA and the Children's Secretariat's small grants programs are quite loosely structured and flexible in terms of criteria for selection of proposals and required status of the grantee organizations. Proposal requirements are simple and straightforward. The organizations requesting funding are judged legitimate by village opinion or other informal means. They are not required to be formally registered PVOs Projects are deemed acceptable provided they are development oriented and sustainable.

Informal procedures employed by other organizations should not serve to sanction a loose approach to micro-grant funding. Efforts should be made to define the criteria for acceptance of micro-grant projects, so that the participants know what is expected of them. However, the above examples highlight the importance of simple and direct procedures which will permit a larger number of small organizations to participate in the program. Simple procedures will also permit the micro-grants granting agency to quickly respond to grantees.

To summarize the experience gained from other organizations managing small grants, the following steps are recommended:

1. The granting agency should have someone working frequently in the geographic area where funds are to be allocated.

This will help identify sources of need, provide a means of verifying legitimacy of proposed grantees, and help organizations plan and implement projects.

2. Proposals should be simple and short. A maximum of 6 pages is recommended. Potential grantees should briefly state goals and objectives, time frame and budget.

3. Project time-frames should be relatively short. Although both the Children's Secretariat and CIDA require projects to be completed in one year, some flexibility should be permitted to encourage successful project continuation.

4. Monitoring and evaluation by micro-grantees should be simple but rigorous. Both quantitative and qualitative accounting of successes or failures should be demanded.

Canadian High Commission
6, Gregory's Road
Colombo 7

Tel: 595841/2/3

Date:

PROJECT SUBMISSION FORM

Please answer the questions below, unless they are not applicable, and return this form to the above address.

1. Name of Project:

2. Name of Organization & Location :

3. No. of Males & Females at Management Level in the Organization:

   Males :

   Females :

4. Executive Director -
   Name & Address :

Tel. No. - Office :
Home :

5. Brief Description of Organization :

6. Objectives of the Organization :

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6. Types of projects previously Implemented :

7. Specific Objectives of the Project :
(What does the project intend to achieve?)

8. Who and how many people are likely to benefit from this project :

9. How will they benefit :

10. Describe the Project :
(What it consits of -- activity engaged in, training, lands, buildings, training equipment, furniture, materials, services, instructors, financial contributions, etc.)

11. Detailed Breakdown of costs involved :
(Please give details of all component costs, whoever the donor might be)

12. What component the Canadian High Commission is being requested to fund :

13. Identify, with evidence, other sources of funding which will cover the components not covered by the Canadian contribution :

14. Which other funding agencies have you approached for assistance for this project :

15. What does the organization expect to contribute to this project :
(Land, building, furniture, equipment, running costs, contingencies, etc.)

16. How will the project be supervised:
(What qualified local/foreign persons are available to help implement the project)

17. Starting and termination dates of the project :

18. How will local people help implement this project :

19. What authorizations are required and from what authorities :

TRAINING CENTERS IN SRI LANKA

There exist in Sri Lanka a number of training centers which could conduct management workshops for PVOs. The two most widely known centers are the Sri Lanka Institute of Development Administration (SLIDA) and the National Institute of Business Management (NIBM).

SLIDA operates out of Colombo with a staff of 30 teachers. They bring village leaders together and offer a variety of courses in community participation, etc.. One of their strong points is financial management. Since they are subsidized by the government, their courses are relatively inexpensive and operate on a non-profit basis. Near Kandy, SLIDA is developing a small campus, with quarters, library and computer facilities.

NIBM is more oriented to the private sector business corporations. Although it is reputed to offer excellent courses in management, it is not subsidized and therefore courses are quite expensive.

The Sri Lanka Foundation Institute (SLFI) is a PVO institute, founded in 1973. Its aim is to promote diffusion of knowledge. To achieve this aim, it holds meetings, conferences and lectures. Although not a training institute per se, it is involved in training NGOs in community development. It is capable of organizing seminars and has facilities to accommodate participants.

The Rural Development Training Institute also organizes training activities for various types of community groups, including those associated with CARE's Change Agent Program. It has an affiliation with MOPI.

Each of the above institutions operates in a slightly different way but each has potential for servicing the needs of PVOs to develop management skills and enhance cooperation. Other training institutes may be identified by the strengthened PVO Association. Attention should be given to the resources available in Sri Lanka to help carry out training and workshop activities.

PROJECT ANALYSES

The following includes the technical, social, economic, administrative and environmental analyses for the Project. PVOs are required to submit analyses in their individual sub-project proposals according to the guidelines found in Appendix E.5. Since the PVO Co-financing II Project is not a single project, but rather is comprised of many smaller and different sub-projects, overall project analyses depend on the project elements.

I.1 Technical Analysis

The technical analysis of the Project involves two related components. The first is the technical feasibility of individual sub-projects and the second is the technical feasibility of the overall Project. The criteria for selection of acceptable proposals must form the basis for the technical feasibility of the overall Project. The requirement that each proposal submitted for review contain a brief, but succinct analysis of its technical feasibility will remain an integral part of PVO Co-financing II. Proposals are expected to be relatively simple and straightforward in design. As such, substantial or complex technical analyses are to be avoided unless specifically requested by the Proposal Review Group or USAID Project Review Committee.

The new procedures for the obligation of funds, against the criteria for selection of PVO sub-projects will ensure maximum involvement between the PVO and the line ministry as well as enhance the PVO's ability to develop sub-projects that are of interest to the broader developmental objectives of the GSL.

In those cases where sub-project proposals have a strong technical aspect, such as certain types of construction or highly specialized training activities, care will be taken to insure that the PVO has employed adequate technical expertise in developing its sub-project proposal. Proposals will be evaluated based on their cost effectiveness, impacts on employment, potential spread effects and the community's ability to effectively utilize and maintain the technology.

AID policy guidelines encourage PVOs to develop and test new approaches to development and apply "appropriate technology." The PVO Co-financing Project will promote such innovative approaches, particularly those which are conceived at the local level and which promote the utilization of local resources.

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Project Elements

In the technical analysis of this Project, the technical feasibility of the project elements must be assessed. The predecessor PVO Co-financing Project indicates that the sub-project element of granting funds of greater than $25,000 is technically feasible but will be enhanced with modifications. Some of the other project elements are new and their technical soundness is less well known. The feasibility of each component is discussed in turn.

a) Sub-project Grants

Under PVO Co-financing II steps are being taken to ensure that adequate technical analyses by PVO grantees will take place and to ensure that sub-projects are technically feasible. Although overall the PVO Co-financing I interim evaluation was a positive one, one of the weakest areas was the technical implementation capacities of PVOs. The skills and efficiency of PVOs, especially smaller PVOs, were weak and many were unable to develop manageable and realistic sub-project design plans. The evaluation team noted that "there is often a mismatch between the objectives of the project, the structure through which it is to be implemented, and the context in which it is to operate."

The lessons learned from PVO Co-financing I have led to greater emphasis on enhancing the technical skills of PVOs undertaking sub-projects and broadening the range of sub-projects funded through the experimental micro-grants program. It is anticipated that the novel approaches will themselves will enhance the technical capabilities of the PVOs themselves.

b) Micro-grants Program

The recent evaluation of the predecessor project suggested that PVO Co-financing II experiment with micro-grant funds to very small scale efforts of local community organizations. This aspect of the Project, described in Section 4.3.2.2, is an attempt at addressing the evaluators' concerns. The mechanism developed will enable indigenous organizations to promote small development efforts which may be the first step toward a community's larger development goals.

c) PVO Association Strengthening Program

The 1986 evaluation also recommended strengthening one or more PVO Associations to coordinate activities between PVOs and develop training and workshop activities. Although there are no strong PVO Associations at present in Sri Lanka, there is interest in developing such an organization and there are skilled people capable of carrying out the management duties.

d) Improving Management Skills

The 1986 evaluation also recommended improving management skills of PVOs. The new provision for technical assistance will strengthen the PVO's ability to design, implement and evaluate their sub-projects. This is a simple procedure of providing workshop and training activities and technical assistance to PVOs. It is technically feasible, given the expertise both in Sri Lanka and abroad.

I.2 Economic Analysis

Providing an economic analysis of the overall Project is not possible due to the fact that the PVO Co-financing II Project is not a single project with quantifiable costs and benefits. Rather, it is a collection of a number of small and medium scale sub-projects, each with different activities and beneficiary groups. Although all these activities aim at a common objective of improving the social and economic life of the lowest strata of the population in Sri Lanka, the objectives of these sub-projects vary from activities which generate income and production to activities which lead to the improvement of social welfare of a given community. Additionally, new activities to improve management skills of PVOs have indirect benefits of increasing the capabilities of PVOs to carry out successful development sub-projects.

Each of the project activities results in different rates of return and accordingly, the appropriate rate of return of the overall Project is the weighted average rate of return of all the project elements. However, since the rate of economic return is not the principal criteria for accommodating each project element within the framework of the overall Project, there are no individual rates of return for each component. Thus, it is difficult to provide an average rate for the entire Project.

Qualitatively, however, it is possible to establish a number of distinct economic advantages of the approach taken under PVO Co-financing II. These advantages suggest that the Project is to be successful from an economic perspective.

1. Comparative Advantage:

The activities undertaken under the Project are not usually undertaken by the government because of resource constraints including financial, institutional and manpower. They are also not undertaken by the private sector because there is no direct financial return of reasonable magnitude to investments by the private sector. Moreover, the beneficiary groups that the sub-project and micro-grants elements address are without adequate means and in the absence of support from PVO organizations, they cannot undertake activities on their own to generate household income or improve the living standard and welfare of these communities.

2. Investment in Diverse Activities:

The approach taken contrasts with projects based on one specific activity. The PVO Co-financing II Project diversifies the use of investment activities so that the risk of failure to use investment funds profitably is spread out among the various project elements.

3. Time element:

Project funds will be allocated in small increments over the life of the Project. This permits USAID and GSL to learn from mistakes made in early stages of the Project and take corrective action. For example, funds for the micro-grants program will be allocated on an experimental basis in tranches, thereby providing an opportunity to assess the costs and benefits of this component before proceeding further.

4. Reaching the Poorest of the Poor:

The Project deals directly with the needs of the most disadvantaged groups by focusing on sub-projects at the grassroots level. The direct benefits may be expected to occur more quickly than projects which are larger and only indirectly aimed at alleviation of poverty.

5. Low Capital Costs:

Capital costs will be incurred during the life of the Project but will be relatively low compared to other development projects. Use of local labor and of appropriate simple technology are encouraged in sub-project and micro-grant projects.

6. Small Scale:

The scale of project elements tends to be relatively small. Although the sub-project grants may each range from $25,000 upwards, the new experimental micro-grants program involves grants from between $500 to $10,000. The small scale is more proportionate to the financial resources available to the participant communities and their skill levels. The small scale of project elements will likely permit more sustainable and replicable activities by community members in the absence of outside sources of funding.

Particular Advantages of Sub-projects

The sub-project element of PVO Co-financing II is an extension of the activity carried out under PVO Co-financing I. Its extension is warranted, given the perceived economic benefits of the first project. Under PVO Co-financing I, PVO support was extended to a variety of activities, most of which were directly related to income generating activities such as food production, including increased productivity and cottage

industries. PVOs also supported a number of sub-projects aimed at institution building in the rural sector, transfer of appropriate technology, human resource development, environmental management and improved basic community facilities. All these sub-projects were required to submit expenditure statements, including the financing of expenditures not met by USAID and income statements. The sub-project proposals, together with the expenditure and income statements were reviewed under the Project by the USAID Project Review Committee. Its decision to support a given PVO activity was generally taken in light of the following:

1. Whether the sub-project is cost-effective;

2. Whether the proposed activity leads to the duplication of efforts either by the government or any other parastatal organization;

3. Expected benefits of the sub-project and the degree of spread effects of anticipated benefits;

4. Socio-economic characteristics of the target group;

5. Geographical locations of the proposed sub-project;

6. Opportunities for self-employment and the degree of participation by disadvantaged groups and women;

7. The prospects of self-sustaining the proposed activity once the USAID support terminates.

Almost all the sub-projects that were supported under the PVO Co-financing I Project were highly cost effective, mainly because of the availability of free labor, inputs and the use of local resources and cost saving technologies. The spread effects and the potentials for income and employment generation were also quite significant. If the rates of return on the sub-projects were computed, they would certainly exceed the commonly accepted rate of return of 13% for financing sub-projects in the public sector. The two evaluations conducted in 1983 and 1986 have clearly justified, on economic grounds, the continued USAID support for PVO sub-projects.

Particular Advantages of New Project Components

The proposed PVO II Project has several features which enhance the use of USAID support to PVO organizations. These new project elements focus particularly on (a) developing better coordination between established organizations, (b) building up of PVO management skills and (c) reaching out to smaller regional and community-based PVOs through the experimental micro-grants program. These new components are a result of recommendations given by the teams evaluating PVO Co-financing I. Strengthening coordination and building PVO management skills are expected to derive indirect benefits by

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enhancing PVO capabilities to carry out successful sub-projects, avoiding duplication of effort and learning from eachother's experiences. The micro-grants program is expected to directly benefit the poorest segments of the population and broadens the number of PVOs engaging in development-oriented sub-projects. All these additional features of the Project will undoubtedly increase its economic justification.

I.3 Social Analysis

In the social analysis of this project, three sets of questions need to be addressed:

(1) Social and Cultural Feasibility:

Are the project elements compatible with the socio-cultural environment? Is it reasonable to expect the presumed project participants to respond to the various elements as planned? And is the orientation of the Government of Sri Lanka supportive of development efforts of voluntary organizations?

(2) Analysis of Organizations Supported:

Do organizations exist which are likely to respond to the invitation for development sub-project proposals? Can they raise the requisite counterpart contributions? Can they adequately define and manage sub-projects? What types of organizations are the different project elements likely to engage? What are the skills and capacities of these organizations? And what impact will the topical selection criteria and eligibility criteria have on organizations which apply for grants?

(3) Social Consequences and Beneficiary Analysis:

What social groups will the Project help, not help, or adversely affect? What will be the likely distribution of participation or benefit by socioeconomic groups? By gender? By ethnic group and region?

(4) Diffusion Effects:

Is the Project likely to result in the diffusion of any technical or organizational innovations?

Since the basic structure of the Project is similar to the predecessor PVO Co-financing I Project, many of these questions can be answered by reference to the experience with that project. Two interim project evaluations have presented information relating to some of the questions. However, the new smaller elements of the Project (micro-grants, PVO Association strengthening and enhancing PVO management skills) require additional consideration.

Because of the project structure where new PVO proposals will be presented and considered during the life of the Project, the answers to many of the social impact questions we usually ask of projects depends on the individual PVO sub-projects which are submitted and approved. Though the acceptable categories for PVO sub-project proposals will be somewhat narrower than in the predecessor project, there will still be considerable variation among sub-projects implemented by PVOs themselves. Beneficiaries, for example, will vary substantially among sub-project and micro-grant projects and PVO workshop and training activities in type, number and extent of benefit. For this reason, a simple beneficiary analysis is required as a part of PVO proposals.

I.3.1 Social and Cultural Feasibility

The basic socio-cultural feasibility issue concerns the sub-project and micro-grants elements, although consideration must also be given to the feasibility of strengthening PVO Association capabilities and enhancing PVO skills must also be considered. Questions to be asked include: can the Project function as expected in the context of Sri Lankan voluntary organizations? Are the project elements, particularly the sub-project and micro-grants elements, compatible with the socio-cultural environment? And can the presumed participants and beneficiaries reasonably be expected to participate in sub-project activities as planned?

The predecessor PVO Co-financing I Project provides sufficient experience to make fairly confident predictions on this score. PVOs will come with useful proposals, provided that the information about the grants is disseminated and that proposal review criteria are clearly conveyed. Though PVO sub-projects may have a range of design, implementation, management or technical problems, few, if any, are likely to be "culturally inappropriate."

A large portion of the grants can be expected to go to Sri Lankan organizations, where the sub-projects have been designed by Sri Lankans. Even the several U.S. PVOs working in Sri Lanka (e.g., Save the Children) have senior Sri Lankan program staff or even a Sri Lankan director. Though many PVO leaders have urban backgrounds, the PVO organizational ideologies and field experience of most PVOs results in their designing and conducting sub-projects and micro-grant projects which are responsive to the needs of the rural poor. In many, though not all cases, sub-project and micro-grant proposals will be for work in geographic or topical areas where the PVO is already experienced.

Many of the larger Sri Lankan PVOs still have a paternalistic or welfare orientation, do not set development goals, and do not involve beneficiaries in sub-project decisions. However, there are also a number of development-oriented PVOs which value self-reliance,

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beneficiary participation, and working through local community organizations. Co-financing grants under the predecessor project have encouraged some welfare-oriented PVOs to undertake development sub-projects.

For individual sub-projects and micro-grants projects, the relevant feasibility questions are likely to revolve around locating viable economic and sustainable activities for the poor, matching the proposal's organizational structure and strategy to sub-project objectives, using an unfamiliar technology requiring more organizational effort than apparent, or planning for the withdrawal from a sub-project.

A portion of grant funding is allocated to strengthen one or more PVO Association and to enhance PVO management skills. These new elements of the project largely will involve Sri Lankan PVOs which have some, though limited contact with one another. Although there are risks of PVOs feeling their power is being eclipsed by other PVOs under this project element, PVO leaders generally feel the benefits outweigh the costs. While some PVOs may choose not to participate in activities, it may be assumed that the majority are interested in greater cooperation between PVOs and participating in training and workshop activities.

I.3.2 Analysis of Organizations Supported

Perhaps the most important aspect of the social analysis for this Project relates to the voluntary organizations whose sub-projects would be supported. The basic questions are:

Are there eligible organizations available likely to respond to the invitation for development proposals?

Do they have the capacity to carry out such sub-projects?

And can they raise the requisite counterpart funds?

More broadly, what is the range of voluntary organizations which exist in Sri Lanka? Which are likely to be selected out for support under different project elements? What are the skills and capacities and shortcomings of these organizations? And to what extent are U.S. PVOs working in Sri Lanka likely to apply for or be eligible for co-financing grants?

There are four types of support for PVO activities included in this Project:

(1) Larger PVO co-financing sub-project grants;

(2) small experimental micro-grants;

(3) strengthening of one or more PVO Association;

(4) building PVO management skills.

Each type of support is oriented towards a different set of voluntary organizations and implies a different set of organizational arrangements. The organizations related to each of these elements will be considered separately.

Co-financing Sub-project Grants

This element for large sub-projects will account for the bulk of the project expenditures and is consistent with PVO Co-financing I. Prior experience with co-financing grants has established that (1) Sri Lankan PVOs will come forward with useful sub-project ideas, (2) there are sufficient PVOs which can implement such sub-projects and (3) with some qualification, PVOs can raise the resources needed for their minimum contribution.

Under PVO Co-financing I, sub-project grants were made to 29 PVOs. Of the organizations, 21 were Sri Lankan PVOs and 8 were American-based PVOs. Of the grants approved, only two were cancelled, both for American-based organizations. For every sub-project grant which was approved by the GSL and USAID, approximately two proposals were rejected, in most cases at the concept paper stage. The 1986 interim evaluation describes the PVOs supported under PVO Co-financing I.

Under the predecessor project, co-financing grants originally were considered in the range of $5,000 to $100,000. Most earlier grants were in the range of $20,000 to $50,000. The smaller grants were applied for and awarded for several reasons. Some of the applicants initially had little management experience, and needed to establish a track record before being considered for larger sub-grants. Several organizations which originally managed smaller sub-projects subsequently received larger grants for other activities. Most of the Sri Lankan PVOs do not have the financial base to locally raise the required contribution to match a co-financing grant of $50,000. Thus, the larger grants have gone primarily to larger Sri Lankan organizations (such as Sarvodaya) or American organizations (like CARE or Save the Children) which have both strong project management skills and a good base for fund-raising in the U.S.. The $100,000 limit on co-financing grants was later raised to $300,000 and ultimately removed. In the last years of awarding grants under the predecessor project, several have been for more than $300,000. But among the Sri Lankan PVOs which have received grants, only a few have the financial base to provide the required matching contributions. Thus, for the development of the Sri Lankan PVOs, grants in the range of $20,000 to $100,000 will continue to be important.

Though the diversity of PVOs supported under the predecessor project is apparent, the most recent evaluation team was of the view that there were still a fair number of other PVOs which had not been supported, though their capacities or reputations were similar to those PVOs which had been funded. The teams concluded that the following factors limited the range of PVOs funded, in addition to the size-of-project considerations mentioned above:

(1) poor channels of information about co-financing grants;

(2) long and cumbersome application process;

(3) lack of skills in sub-project proposal preparation;

(4) lack of english language skills.

Under PVO Co-financing I, the primary eligibility criteria for Sri Lankan PVOs was that they be registered with the GSL as "charitable organizations" and that they be registered with USAID. One concern of USAID has been whether the requirement of registration as a charitable organization excluded other types of private, non-profit, tax-exempt organizations involved in the range of development activities the Project is trying to encourage. Some organizations which appeared to be excluded are those registered as cooperatives or cooperative federations. Also, once a settlement to the ethnic conflict in the north and east is achieved, would the "citizens councils" found in some of the major centers be eligible for co-financing grants? The answer to this concern is in part found in the section on micro-grants project. For larger organizations applying for sub-project grants, the registration criteria still seem to encompass a wide variety of organizations. Finally, as registration can usually be accomplished in three to six months, the eligibility requirement is being left as in the predecessor project.

Under this Project, the range of sub-projects which will be eligible will be notably narrower than in the predecessor project, as noted in the functional accounts (Appendix F). There is some risk associated with this narrowing of selection criteria, the effect of which is difficult to predict confidently. In short, the risk is that there will be a lower number of eligible sub-project proposals because sub-projects will be required to be in areas where relatively few PVOs are strong.

Micro-grants

The micro-grants program is a new experimental program, arising out of the limitations of PVO Co-financing I in reaching small regional and community-based PVOs. There are numerous small regional and community-based PVOs in Sri Lanka which lack the capacity to manage grants of greater than 5,000 or $10,000. Following a set of simplified guidelines and

procedures for grant applications, such organizations will be given the opportunity to participate in the co-financing project. It is anticipated that the larger PVO or intermediary organization handling a micro-grant project, will have to work closely with potential PVOs to encourage them to apply for funds. By waiving the GSL registration criteria for micro-grantees, it is anticipated that a greater number of small PVOs will be reached.

PVO Association Strengthening

The project element to strengthen one or more PVO Association so that it can coordinate activities among PVOs and undertake workshop and training activities will require careful selection of an appropriate organization. A review of existing PVO Associations in Sri Lanka is found in Appendix F. While strengthening will require significant effort, given the weaknesses of existing organizations, the potential benefits are great. Currently, PVOs lack any strong coordination and often there is overlap between projects carried out by different PVOs and a lack of opportunity to exchange ideas. This element too is experimental and will require careful planning and technical assistance.

Improving PVO Management Skills

It is anticipated that the PVO Co-financing II Project will assist PVOs in developing their management capabilities through workshop and training activities. These activities may be expected to reach any interested PVOs, provided they are made aware of the activities and given the opportunity to participate. While there is a risk that only larger PVOs will take initiative in participating, the PVO Association responsible for coordinating activities will have to be sensitive to the needs of smaller organizations. There are a number of active and useful training institutes in Sri Lanka that can provide assistance in developing management skills (see Appendix I) and it is anticipated that they will be used as appropriate.

I.3.3 Social Consequences and Beneficiary Analysis

Some main issues of concern in social analysis are the potential beneficiaries - Who will the Project help? Not help? Adversely affect? Under PVO Co-financing I, according to the evaluation teams' rough estimates, the Project benefitted approximately 130,500 people, through increased income and employment, training, project assets for households, infrastructure development, health, and nursery and pre-school care. A summary of the benefits are found in the 1986 interim evaluation of PVO Co-financing I.

Under PVO-Co-financing II, the beneficiaries will be slightly different, given the new criteria for funding under the changed CDSS. Thus, those benefitting from health sub-projects will be reduced.

In conjunction with the predecessor project, PVO Co-financing II will continue to have its greatest impact on the poorest segments of Sri Lankan society. The implementing organizations are systematically biased in favor of working directly with poorer and disadvantaged segments of society. Additionally, the Project will encourage, through its selection criteria, a shift from purely welfare activities to development-oriented activities.

The geographic and ethnic distribution of the Project will be limited somewhat due to the ethnic conflict which limits support of sub-projects in the North and East. However, some national organizations, such as Sarvodaya may continue to support work in both the North and South. After a settlement is reached, the eligibility criteria may be amended to support sub-project grants by non-registered organizations in the North and East.

Women In Development Analysis

The second interim evaluation of that project commented that the project had an extremely good record among AID projects in effectively involving and benefiting women. Of the 29 sub-projects which had then been approved, eight focused primarily on women, and eight were integrated which either had elements focused on women or a high proportion of women participants. There were only four sub-projects which did not substantially involve women in some way.

Taken as a group, the sub-projects were seen as having increased the incomes of women, either through self-employment enterprises, training skills for employment, or direct employment. In several sub-projects where incomes and employment were not directly affected, women were major decision makers in the use of sub-project resources in their villages. In several sub-projects which had much broader objectives, the PVO's entree into the community was through a women's association, such as a mother's club.

The evaluation also noted a tendency in skills training to divide training into culturally conceived female (sewing, dairy, etc.) and male (masonry, carpentry, mechanics) skills, despite the evidence from one urban PVO sub-project that women could be successfully trained and employed in the latter, more lucrative professions. On the other hand, several of the most interesting of the PVO sub-projects helped develop women's microenterprises.

Under PVO Co-financing II, continuing special consideration is given to sub-projects concerning women and it is anticipated that they will be a significant portion of the direct beneficiaries.

I.3.4. Diffusion Effects

Local diffusion of technical innovation in sub-projects and the micro-grants project is possible but not likely to be a major project impact. However, the potential diffusion effects of improving PVO management capacities may be greater but cannot be fully known at this time. Finally, the diffusion effects through PVO Association coordination activities have the greatest potential.

Some project impacts on PVOs which may possibly extend beyond those actually receiving PVO co-financing grants are difficult to measure. They may be summarized as follows:

(1) orientation from welfare to development;

(2) improved financial management by PVOs;

(3) improved ability to design and implement development projects;

(4) improved monitoring and evaluation by PVOs undertaking development projects.

I.3.5 Conclusions

The feasibility of successful sub-project grants by PVOs is clearly established by the predecessor project. The new elements of the project are experimental and will be tested cautiously. In particular, the micro-grants program will be evaluated separately from the overall project evaluations to determine its success.

The PVO Association strengthening element addresses a real need and its feasibility is likely. It too will be considered experimental however.

The Project has a very high probability of directly involving large proportions of poor, disadvantaged groups and women, based on the success of the predecessor project.

While the ethnic conflict continues, there will remain some difficulty in working with organizations based in the North and East. The Mission will continue to seek such possibilities where either some degree of monitoring is possible, or the integrity and reputation of the PVO is such that minimal monitoring may be acceptable.

The project purpose contains both a statement of goals and means. Achievements of the project purpose (enhancing opportunities for local communities to participate in their own development) is clearly established as feasible by the predecessor project. The goals of increasing the involvement and effectiveness of PVOs is clearly a long-term development objective, but one on which progress can be expected during the life of the Project.

I.4 Administrative Feasibility

The final evaluation of PVO Co-financing I indicated that the administrative arrangements were well handled and project management was excellent. Under PVO Co-financing II, the administrative arrangements are modified slightly to ensure compliance with USAID's agreement with GSL. These modifications, however, are not expected to affect significantly the administrative feasibility of the Project. Additionally, a new element of the Project, in which one or more intermediary organization takes on an administrative role and manages the micro-grants program, is expected to relieve the AID Mission of administrative responsibilities for which it does not have staff to handle.

GSL

Within the Government, the administrative burden for sub-project activities will fall mostly on the various line Ministries concerned with individual PVO activities. This will be spread among a number of ministries, and the ministerial administrative duties for an individual sub-project is nominal. Thus, the PVO Co-financing II Project does not place a substantial administrative load on the line ministries.

In view of the revised procedures to be followed in approving sub-projects, the Ministry of Plan Implementation and the Department of External Resources will have greater administrative involvement in this Project than in PVO Co-financing I and all members of the PRG will have equal voting rights when recommending approval of a particular proposal. MOPI has nominated a Deputy Director to handle the overall Project and to sit as a member of the Proposal Review Group. The Ministry of Finance and Planning (Department of External Resources) too has appointed a member of the Proposal Review Group but it is anticipated that their additional workload will not be substantial. Therefore, no administrative difficulties are anticipated. Both Ministries have accepted the additional responsibilities.

USAID

A full-time senior FSN is the Project Manager for PVO Co-financing I and he will also be the Project Manager for PVO Co-financing II. He will act as secretary of the USAID Project Review Committee and will continue to perform the same functions as before. The workload of the USAID Project Review Committee will not be increased substantially.

Final recommendation for approval of proposals will be made by the Proposal Review Group who will submit their recommendation to the Department of External Resources. Approval will not be made by the USAID Project Review Committee. No additional workload is anticipated and in fact, it is anticipated that the new sub-project approval process

will be more streamlined than was previously the case under PVO Co-financing I.

PVOs

The administrative capability of the implementing agent (i.e., the sponsoring PVO) will be a key element in the success or failure of project elements. Each proposal submitted for PVO Co-financing II funding will contain a brief, but succinct analysis of the PVO's administrative capabilities.

Novel Approaches

Under PVO Co-financing II, new elements have been added to enhance the administrative capabilities of PVO participants. These elements include developing institutional capabilities of PVOs and strengthening the coordinating function of one or more PVO Association.

Except for a handful, most of the indigenous PVOs depend on voluntary and part-time staff to manage their activities. Even in the case of the few that have paid staff, the remuneration is poor and therefore they are unable to attract and retain the services of talented and qualified personnel. There is thus an urgent need to strengthen institutional capabilities, particularly management and technical capabilities of the indigenous PVOs. There is also an urgent need to enhance collaboration and sharing of information among PVOs. A sum of $250,000 has been earmarked for improving PVO management skills and $250,000 for strengthening one or more PVO Association to coordinate activities among PVOs. It is anticipated that these project elements will contribute to greater administrative feasibility of the Project and of future projects of this kind.

I.5 Environmental Assessment

PVO Co-financing II will, from an environmental viewpoint, be quite similar to the PVO Co-financing I Project. The 1986 interim evaluation of Co-financing I Project found "no instance of detrimental effects on the physical environment from project activity" due largely to the relatively small-scale and widespread nature of selected sub-project activities. Accordingly, no significant negative environmental effects are anticipated from the proposed Co-financing II Project. In fact, planned activities by sub-projects and the new micro-grants projects such as continued reforestation and conservation education work will result in significant local environmental benefits to selected target populations and areas. However, to ensure that any potential negative environmental impacts are minimized, all sub-project proposals and micro-grant proposals will be required to include brief assessments of the extent and nature of any potential environmental impacts associated with a proposed activity. These assessments will then be reviewed by the Proposal Review

Group and the USAID Project Review Committee (including the mission environmental officer), to determine if any adverse environmental effects are anticipated from a given activity. If warranted, they will recommend appropriate mitigative measures to properly ameliorate any such effects. Based on the above, a negative environmental threshold determination is recommended for this Project pursuant to Section 216 2 (C) (1) (I) of the revised agency environmental procedures.