

MEMORANDUM

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SUBJECT: Concept Paper for SOLIDARIOS Regional Matching Grant Fund
 for Latin America and the Caribbean

I. SUMMARY

SOLIDARIOS, the Council of American Development Foundations, is requesting a three-year grant in the amount of \$4,000,000 (\$825,000 in FY '83; \$1,250,00 in FY '84; and \$1,925,000 in FY '85) in order to establish a regional matching grant fund for Latin America and the Caribbean. These funds, which will be matched on a one to one basis by contributions from the local private sector of the respective countries and donations from other international sources, will be utilized to extend 119 small grants (28 in FY '83; 38 in FY '84; and 53 in FY '85) to local private agencies for socioeconomic projects benefiting low-income persons.

SOLIDARIOS, which is a federation of 14 national development foundations that currently operate in 13 Latin American and Caribbean countries, will manage the grant fund, monitor project achievement and audit the use of funds, utilizing existing personnel through the establishment of local review committees in each of the countries where the program will function.

The following points summarize the objectives and potential benefits of the proposal:

1. The major focus of the proposal is to establish linkages with indigenous development groups that have the support of the private sector — witnessed by their ability to match an AID grant.

2. Approximately 119 small grants (average size \$30,000 from AID plus matching counterpart of \$30,000) will be distributed directly to low-incomed groups over a period of 3 years. The grants will provide seed capital to:

a) Develop fund raising capabilities and programs within the private sector based upon a model set up by the Mexican National

Development Foundation, which raised \$2 million in matching grant funds during a six month period.

b) To pay for technical assistance elicited from local businessmen and entrepreneurs, to develop feasibility studies, and to provide technical and managerial training programs.

3. Another major objective of the proposal would be to reinforce SOLIDARIOS' established network of NDFs in Central and South America, and the Caribbean. The project would support private sector participation of groups and individuals in provincial rural and urban areas, whose developmental needs are not addressed by the existing programs of an NDF.

4. Granted, a \$1 for \$1 proposal does not demonstrate great leveraging capabilities, however, there is great potential for rallying the financial and technical support of the local business communities for the base level developmental efforts of these groups.

II. BACKGROUND

SOLIDARIOS, the Council of American Foundations, was founded in 1972 as a federation of 14 national development foundations (NDFs) operating in 13 Latin American and Caribbean countries for the purpose of supporting the individual and collective activities of its members. Towards that end SOLIDARIOS functions as a clearing house of information, organizes workshops and seminars, provides technical assistance in a variety of areas, and in general, attempts to collaborate with the private sector in order to contribute to the socio-economic development programs impacting on low-income persons.

In 1977 SOLIDARIOS established a Development Fund which is used to extend low-interest, credit financing to projects of its member agencies. This fund, which was initially financed by PACT (Private Agencies Collaborating Together), later received further donations and loans from AID and the Interamerican Development Bank (IDB).

SOLIDARIOS, in addition to the above, has received donations for its operations from a number of international sources (Rockefeller Brothers Fund, InterAmerican Foundation, etc.) including a DPG from AID that was used to improve the accounting systems of the NDFs and upgrade their planning, programming and evaluation techniques.

The NDFs that make up SOLIDARIOS' current membership are non-profit institutions that have operated since

the 1960's. Their objective is to seek an improved socio-economic level for low-income persons through human development, technical assistance and credit financing for projects that are conceived and managed by the beneficiaries.

Each NDF maintains a revolving loan fund for the purpose of financing the above mentioned projects for groups of persons that are normally outside the traditional sources of credit. The interest rates charged are in most cases equal to or slightly less than those set by the banking community, and the only guarantee required is the beneficiaries' moral commitment.

The organizational structure of the NDFs includes a Board of Directors formed from representatives of the local private sector, administrative personnel, and social workers who establish direct contact with the communities.

The NDFs are financed by donations from the private sector in their respective countries, as well as grants and loans from international institutions.

III. THE PROPOSAL

The non-government development institutions that are active in most Latin American and Caribbean countries have demonstrated considerable success in reaching and benefiting the lowest income groups in both urban and rural areas. The great majority of these agencies are, however, dependent on outside (international) sources for the support of their activities, and they have little or no input into the funding processes and criteria that are established and controlled by the resource agencies.

Furthermore, SOLIDARIOS believes, on the basis of its considerable experience as outlined in Section II, that the participation of the local private sector in the identification and solution of problems affecting the low-income majority is of paramount importance in order to help bring about long-term responses to the needs of these communities. It would therefore propose to establish a regional matching grant fund for Latin America and the Caribbean that would be characterized by its socio economic impact on low-income persons, its ability to assist and strengthen local agencies, its involvement of these groups in the decision-making process and its promotion of the local private sector involvement in the development activities of these agencies.

For that purpose, SOLIDARIOS requests AID consideration for a three-year matching grant in the amount of \$4 million (\$825,000 in Fy'83; \$1,250,000 in Fy'84; and \$1,925,000 in Fy'85) of which \$3,551,000 will be utilized to support

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119 socio-economic development projects (28 in Fy'83; 38 in Fy'84; and 53 in Fy'85), based on an average of \$29,840 per project. The remaining \$449,000 will be applied to cover the resultant technical assistance and administrative costs. AID funding will be matched on a \$1 for \$1 basis through both local contributions and funding from other international sources, with the focus being on maximizing the former.

IV. GOAL/PURPOSE STATEMENTS

The program goal of the regional matching grant fund for Latin America and the Caribbean is to promote the participation of marginal groups in the development processes of their respective countries, and to support the resultant community activities through the strengthening of local development agencies, the integration of the private sector in this effort and the similar involvement of public institutions.

The program purposes are therefore: 1) to establish within SOLIDARIOS the capacity to provide Latin American and Caribbean private and voluntary agencies with financial resources needed for their program activities; 2) to expand the present SOLIDARIOS technical assistance program by extending fund raising and other services to agencies that are not currently being helped; and 3) to increase the commitment of the local private sectors of the respective countries, both financially and in-kind.

V. PROGRAM ACTIVITIES

The regional matching grant fund for Latin America and the Caribbean will be built upon the existing SOLIDARIOS structure and activities. As was stated earlier, SOLIDARIOS currently extends credit financing and technical assistance services to 14 member agencies in 13 countries. This includes a well organized fund accounting and auditing system and the sponsorship of regular workshops on a variety of topics. In addition, SOLIDARIOS has established contact with and provides limited services to another, approximately 500 agencies through its regular publications and its directory of PVOs.

The development of a grant fund would parallel and complement SOLIDARIOS' recently established policy to radically expand its membership in existing and new Latin American and Caribbean countries. Both Active (with voice and vote), as well as Associate (voice, but no vote) members will be sought, and while no formal goals have been set, it is thought that this campaign will likely attract as many as 75-100 new groups over a three year period.

The importance of this new policy to the regional matching grant fund is intimately related to SOLIDARIOS' desire to involve the local agencies in the process of project identification and selection.

All of the projects that are to be considered for funding will first have to be screened by a local committee made

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up of actual and prospective members of SOLIDARIOS, utilizing commonly agreed upon criteria and procedures. Once approved at this level, projects will be forwarded to SOLIDARIOS' headquarters with a recommendation for funding, pending a final review and approval by SOLIDARIOS' Executive Committee. Contingent on their schedule of meetings (the Executive Committee normally meets 2-4 times a year), the entire review and selection process should be completed in no more than a 60-90 day period.

In those countries where a local consortium of private agencies already exists (eg. OCIT in Colombia, GTA in Panama, etc.), these groups will be given first consideration in terms of determining the membership of local review committee, presuming, of course, that any current SOLIDARIOS member in that country is part of the local group. Where there are no existing local consortia, SOLIDARIOS will encourage their constitution, formally or informally, from among the actual and potential members of SOLIDARIOS in that country.

While these agencies, at the local level, and through their membership in SOLIDARIOS (and thus their voice and vote), will have the final word in terms of determining project selection criteria and procedures, it is fair to say that the following criteria will be included:

- A. Projects should be designed to benefit low-income groups.
- B. Projects should attempt to meet important, locally defined needs.
- C. Projects should involve the beneficiary groups in planning and implementation phases, and include some monetary and/or in-kind commitment on their part.
- D. The project designs should include clearly defined objectives, and
- E. Projects should reflect a realistic degree of socio-economic impact in relation to cost.

Again, while being subject to the review and modification of the participating member agencies, it is expected: 1) that the grant funding will be limited to local, not-for-profit agencies that are legally registered under the laws of their respective countries; 2) that funding on an annual basis, will normally not exceed \$30,000 (with the average being \$25,000)*; 3) that the recipient agencies will be expected to match the SOLIDARIOS grant, dollar for dollar, at least 50%

* Due to inflation and other factors both the maximum funding level and the average grant amounts will increase 15% per year, rounded off to the nearest thousand. This would mean that in year two the average grant would be \$29,000 and the maximum \$35,000, and that in year three these numbers would be \$33,000 and \$40,000, respectively.

of which should come from the local private sector -- not including beneficiary participation; and 4) that the grants will be made for one-year periods for up to three years.

It is further assumed that grants from SOLIDARIOS' regional fund will be restricted to direct project expenses (personnel, travel, supplies) and their related administrative costs (rent, accounting, utilities, etc.), and that such things as equipment purchases and seed capital assignments will not be permitted.

Once funding has been extended to a given project, the local committee will continue to play a role in the monitoring and evaluation functions by means of periodic visits and via receipt of regular reports (financial and narrative). Although the final responsibility for these functions will rest with SOLIDARIOS, the committees represent a vital link in the process and provide the possibility for a quicker and more personalized response to the recipient agencies.

SOLIDARIOS headquarter personnel will conduct annual financial audits of the grants, utilizing existing procedures.

In addition to the project selection and funding functions, SOLIDARIOS will also provide the agencies with technical assistance in fund raising for the dual purpose of helping guarantee the match of AID funds, and more importantly to ensure the involvement of the local private sector in the development processes.

This part of the program is critical, as was stated earlier, not only because of the need to create and sustain long-term financial sources, but as a means of integrating a group of persons into (development) activities that they are normally excluded from.

SOLIDARIOS will draw upon its own experience and that of its members (in particular the NDFs in Mexico, the Dominican Republic, Guatemala and Nicaragua), in order to extend these services via local and regional workshops, individual consultations and exchange visits.

Evaluation of the regional grant program, both the financial and technical assistance aspects, will be implemented, based on the enclosed logical framework, during the third year of the proposed period for the purpose of determining the need for and desirability of extending and/or expanding the program.

VI. PROGRAM JUSTIFICATION

SOLIDARIOS considers the regional matching grant fund to be of critical importance vis-a-vis the potential increase of in the quantity and quality of development programs affecting low-income persons, as well as the positive impact it will have on SOLIDARIOS as an institution, and the benefits it will provide AID.

From the standpoint of the ultimate beneficiaries, the regional grant fund represents the potential for an increased and more rapid response to their needs from the private agencies providing the services. Furthermore, to the extent that the economic elite of the local private sector can be sensitized to the plight of those less fortunate and integrated into the development processes, the more likelihood there will be for important changes to take place in the basic fabric of the society which affects them.

The private agencies of a given country, those that are currently or potentially SOLIDARIOS members, as well as grant recipients at large, stand to benefit in a manner similar to their low-income collaborators. The increased level of resources obtained from new sources such as SOLIDARIOS and the local private sector will allow them to respond to project needs in a quicker fashion and at a higher level of activity. In addition,

the involvement of the private sector, and their increased understanding of the development processes, provide local PVOs with a new set of partnerships with groups that, at best were formally neutral, and that can now be molded into positive forces that will influence still others. Moreover, the regional grant fund represents, for probably the first time, a funding process into which they can have a direct input --- both from the standpoint of procedures as well as management.

For SOLIDARIOS the advantages of the implementation of this program are likewise multiple. It will provide SOLIDARIOS with an additional means of responding to its constituency, apart from the already existing credit financing and technical assistance activities. As stated earlier, it will also complement and enhance the newly adopted campaign to increase membership. This, in turn, will have a positive effect on its level of outreach within existing countries of operation and new ones as well. From a cost standpoint, the impact group of beneficiary agencies will grow considerably with only a relatively small increase in expense.

Lastly, AID will also gain from the provision of these funds to SOLIDARIOS in that it would no doubt cost

AID/WDC and the respective missions a good deal more in time and money in order to respond to the level of requests anticipated, and to monitor and evaluate the individual grants. Finally, the existence of a local consortium or project review committee will provide the USAID mission's program personnel with the possibility of relating to a single entry point into the PVO community rather than having to deal with the multiplicity of styles, methodologies and requirements represented there.

LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY

PROGRAM OR SECTOR GOAL

To promote the participation of marginal groups in the development processes of their respective countries, and to support the resultant community activities through the strengthening of local development agencies, the integration of the private sector in this effort and the similar involvement of public institutions.

PROJECT PURPOSES

- 1) To establish within SOLIDARIOS the capacity to provide Latin American and Caribbean private and voluntary agencies with financial resources needed for their programs;
- 2) To expand the present SOLIDARIOS technical assistance program by extending fund raising and other services to agencies that are not currently being helped; and
- 3) To increase the commitment of the local private sectors of the respective countries, both financially and in-kind.

OBJECTIVELY VERIFIABLE INDICATORS

MEASURES OF GOAL ACHIEVEMENT

- 1) Increase in number and amount of projects for participating PVOs.
- 2) Improvement in project selection processes.
- 3) Increase in number of low-income groups assisted.
- 4) Increase in private sector participation in socio-economic development activities.

CONDITIONS THAT WILL INDICATE PURPOSE HAS BEEN ACHIEVED, END OF PROJECT STATUS.

- 1) Financial resources will have been distributed according to commonly agreed upon and established criteria and guidelines.
- 2) Project review committees will have been formed and be functioning in each country of operation.
- 3) Groups of individuals in the private sectors of the respective countries will have been recruited and be participating in the development processes.
- 4) PVO personnel will have received technical assistance in fund raising and other areas.
- 5) Matching funds will have been raised by the PVOs from the local private sector and international donors.

MEANS OF VERIFICATION

- 1) Statistical and comparative analyses of PVOs.
- 2) Semiannual or annual reports from SOLIDARIOS.
- 3) Audit reports.
- 4) Final evaluation report.

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- 2) Field visit reports from SOLIDARIOS staff members
- 3) Review of PVO accounting records by SOLIDARIOS auditor
- 4) Special reports
- 5) Audit reports
- 6) Final evaluation report

IMPORTANT ASSUMPTIONS ASSUMPTIONS FOR ACHIEVING GOAL TARGETS

- 1) That PVOs are not satisfied with current funding mechanisms and that they are willing to participate.
- 2) That common criteria and guidelines can be designed and agreed to
- 3) That the private sectors in the respective countries are willing to participate with time and money

ASSUMPTIONS FOR ACHIEVING PURPOSE

- 1) That SOLIDARIOS has the managerial and technical capabilities to implement this project
- 2) That the PVOs will be receptive to the assistance
- 3) That the respective local sectors will respond at the desired levels

LOGICAL FRAMEWORK MATRIX CONTINUED

NARRATIVE SUMMARY

OUTPUTS

- 1) Grants to PVOs
- 2) Technical assistance to PVOs
- 3) Private sector participation
- 4) Local PVO involvement in project selection

OBJECTIVELY VERIFIABLE INDICATORS

MAGNITUDE OF OUTPUT

- 1) 119 grants (28 in Fy'83; 38 in Fy'84; 53 in Fy'85) averaging \$29,840 each over a three year period
- 2) 15 seminars and workshops (3 in Fy'83; 6 in Fy'84; 6 in Fy'85) and 30 individual consultations (6 in Fy'83; 12 in Fy'84; 12 in Fy'85)
- 3) \$4,000,000 of matching funds (\$825,000 in Fy'83; \$1,250,000 in Fy'84; \$1,925,000 in Fy'85)
- 4) 20 local, project review committees formed and functioning

MEANS OF VERIFICATION

- 1) Semiannual or annual reports from SOLIDARIOS
- 2) Field visit reports from SOLIDARIOS staff members
- 3) Review of PVO accounting records by SOLIDARIOS auditor
- 4) Special reports
- 5) Audit reports
- 6) Final evaluation report

IMPORTANT ASSUMPTIONS

ASSUMPTIONS FOR ACHIEVING OUTPUT

- 1) That the requisite number of requests will be available
- 2) That the necessary human resources can be identified

INPUTS

- 1) AID grant
- 2) Local private sector and international donor resources
- 3) SOLIDARIOS staff and management
- 4) PVO personnel

IMPLEMENTATION TARGET (TYPE AND QUANTITY)

- 1) \$4,000,000 grant
- 2) \$4,000,000 matching funds
- 3) Partial time of SOLIDARIOS Executive Director, headquarters office staff, field representatives and auditors
- 4) 60 committee members from local PVO committee

ASSUMPTIONS FOR PROVIDING INPUTS

- 1) Semiannual or annual reports from SOLIDARIOS
- 2) Field visit reports from SOLIDARIOS staff members
- 3) Review of PVO accounting records
- 4) Special reports
- 5) Audit reports
- 6) Final evaluation report

- 1) That the human, financial and material resources are available as foreseen

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VIII. IMPLEMENTATION SCHEDULE

T I M I N G

A C T I V I T Y

FY' 83				FY 84				FY 85			
1	2	3	4	1	2	3	4	1	2	3	4
<u>MEMBERSHIP PROMOTION</u>											
1. Contact Potential Members in Approximately 25 countries											
2. Follow-up visits with those demonstrating interest											
3. Preparation and receipt of applications											
4. Review and approval of applications											
<u>GRANT FUND</u>											
5. Preparation of Descriptive materials in draft form											
6. Contact interested local groups, including actual and potential members of SOLIDARIOS											
7. Formation of local project review committees											
8. Review and modification of grant criteria, procedures and guidelines											
9. Processing of grant applications											
10. Funding of small grants											
<u>TECHNICAL ASSISTANCE</u>											
11. Conduct survey to establish level of need and number of participants											
12. Design individual responses as required											
13. Contact collaborating agencies, eg.NDFs, and others											
14. Prepare technical assistance responses											
15. Seminars, Workshops, individual consultations											

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IX. PROPOSED BUDGET

	FY' 83	FY' 84	FY' 85	TOTAL
<u>PROJECT FUNDING</u>				
Projected Number of Grants	28	38	53	119
Average Grant Level	\$ 25,000	\$ 29,000	\$ 33,000	\$ 29,840
Total Grant Funding	700,000	1,102,000	1,749,000	3,551,000
<u>TECHNICAL ASSISTANCE/ ADMINISTRATIVE COSTS</u>				
Salaries, fees and benefits	\$ 70,000	80,000	\$ 90,000	\$ 240,000
International and local Travel	40,000	50,000	60,000	150,000
Supplies, Rent, Postage, Telephone, Printing and Other	15,000	18,000	26,000	59,000
TOTAL GRANT COSTS	\$ 825,000	\$ 1,250,000	\$ 1,925,000	\$ 4,000,000
MATCHING AMOUNT FROM LOCAL AND INTERNA- TIONAL INSTITUTIONS	\$ 825,000	\$ 1,250,000	\$ 1,925,000	\$ 4,000,000