



**INTERNATIONAL
DEVELOPMENT
AND
PRIVATE VOLUNTARISM
*A MATURING PARTNERSHIP***

**ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID
1993 REPORT**

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A MATURING PARTNERSHIP**

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FOREWORD

Prepared by the Advisory Committee on Voluntary Foreign Aid, this report is directed to the Administrator of the U.S. Agency for International Development, the Secretary of State and those officials in the U.S. Government charged with the conduct of America's international development assistance program. The report discusses the role of America's private voluntary organizations (PVOs) in development assistance, the critical importance of an independent sector in developing and transitional societies, and the altered international context for foreign aid.

For over 100 years, millions of Americans have chosen PVOs as a conduit for their concern for people in need. Frequently, this has been in response to natural or man-made disasters when PVOs, through contributions of food, supplies and money along with volunteers, alleviate suffering. Through PVOs, Americans express their sustained concern for the long-term welfare and advancement of people throughout the world. A unique contribution that PVOs have made to international relations is the creation of worldwide people-to-people networks.

The Advisory Committee believes that PVOs are a powerful resource that bring a diverse and professional approach to development assistance. With their overseas programs, they form a broad universe, including credit unions, health education and labor organizations, civic associations, environmental organizations, and relief and development agencies.

America's private voluntary sector is complemented by the dynamism of indigenous, nonprofit, nongovernmental groups. Together, these organizations comprise a vital global independent sector. In many countries, the growth of the independent sector is the result of stimuli from PVOs and a consequence of the global democratic movement. The Advisory Committee firmly believes that countries with active independent sectors will address social and economic issues in a more equitable manner.

Advisory Committee members know that the growing competence of indigenous, nonprofit development agencies presents an opportunity. It is critically important for PVOs and the U.S. foreign assistance program to nurture the growth of these organizations. Assistance to local groups can be a cost-effective way to deal with social and economic problems. Moreover, working with local, nonprofit groups establishes a direct relationship with nonelite populations and by-passes bureaucratic government structures.

The Advisory Committee offers this report to the new Administrator of the U.S. Agency for International Development in the hope that our analysis and comments will be of assistance. This report was prepared because we believe that America's foreign assistance program should be recast to meet the challenges of our time and that the program will be greatly enhanced by harnessing the energy of this country's private voluntary sector. A revitalized foreign aid program can serve American interests, promote our values and be of immense benefit in dealing with the critical global issues facing the world.

John H. Costello
Chairman of the Committee

DEFINITIONS

To assist the reader of this report, the following terms are explained for convenient reference.

1. Private Voluntary Organizations or PVOs. This uniquely American term refers to U.S.-based, charitable organizations that operate programs overseas in developing and/or transitional societies. The organizations include: humanitarian relief agencies whose primary concern is the distribution of food and supplies to populations affected by famine or disaster; development agencies that finance and manage development projects in areas such as education, agriculture, health, family planning, and small-scale enterprise development; and U.S.-based cooperatives who work to further the objectives of the cooperative movement overseas.

2. International PVO. This term describes a broad category of PVOs registered both in the United States and in other industrialized countries and that usually carry out activities in several countries.

3. Nongovernmental Organization or NGO. The term refers to nonprofit groups in developing countries that work outside direct government control. NGOs work in relief and development, civic participation, and often in collaboration with U.S. or international PVOs.

4. Independent Sector. This term describes nongovernmental, nonprofit private sector organizations that provide services, function as advocates for specific human needs or aspirations and provide for individual participation in their societies. U.S. and international PVOs and NGOs are part of the independent sector.

5. USAID. The U.S. Agency for International Development, the U.S. Government foreign assistance agency.

EXECUTIVE SUMMARY

This report examines the activities of U.S. private voluntary organizations (PVOs) in the context of America's international development assistance program. It is the result of efforts from five meetings of the Advisory Committee on Voluntary Aid over an 18-month period. The discussion it presents draws upon work done over the last five years on the institutional effectiveness of private voluntary organizations and on the global conditions that shape the direction of private voluntarism.

The report defines the prospective role that private voluntary groups should play in light of changed global realities. It also makes recommendations for strengthening the effectiveness of these organizations as independent entities and in their partnership with the U.S. foreign assistance program.

The report contains four primary conclusions:

- America's foreign assistance objectives are increasingly congruent with the capacities and values of America's private voluntary community.
- PVOs can and should play a larger and more central role in the conduct of a revitalized U.S. foreign assistance program.
- America's foreign assistance program should concentrate deliberately on building and strengthening the independent sector in recipient countries. A strong, independent sector will reinforce or complement sustainable development and bolster democratic societies.
- A vital U.S. foreign assistance program will depend on a healthy and maturing partnership between PVOs and the U.S. foreign assistance agency. The relationship has always been a particularly beneficial one. However, existing strains in that relationship may undercut effectiveness.

The international conditions that once provided a coherent rationale for the foreign aid program, established by the Foreign Assistance Act of 1961, have changed. America's national interests and the needs of developing countries are dramatically different from those that shaped the approach to foreign aid during the 1960s, '70s and '80s.

In the current climate, a strong argument must be made for close cooperation between the U.S. foreign assistance program and the PVO community. PVOs and the U.S. Agency for International Development (USAID) have worked closely together for many years, creating a mutual understanding of goals, perspectives and operating procedures. This provides a strong basis to improve the relationship. In general, the PVO community has supported a vigorous development assistance program. PVOs continuously inform the American public regarding the value of foreign aid and the importance of developing countries. Most importantly, the new global problems that confront U.S. foreign policy involve many areas where PVOs have strong experience and competence.

The task for policy makers and PVO officials will be to revitalize the working partnership with mutual advantage to both the public and private institutions. Recognizing the challenge of balancing inherently different perspectives, the Advisory Committee recommends three initiatives to ensure a strong partnership:

- Recognize and endorse the important role PVOs play in international development through legislation and practice.
- Redesign the organizational structure to reflect the increased importance of PVOs/NGOs.
- Design a program to support the PVO/NGO role in strengthening the global independent sector.

The Context for Foreign Assistance

Foreign assistance operates within the fluid context of world events. Political, economic and social conditions influence the rationale, vocabulary and effectiveness of foreign aid.

International relations have undergone dramatic transformations during the last three years. These changes have altered many of the fundamental assumptions that structured foreign aid for the past 40 years. The transformations have changed the context of what foreign assistance provides and the framework for the relationship between the foreign aid agency and the PVO community.

- **New concepts of national security.** America's definition of its national security has evolved in response to the dramatically changed circumstances of the post Cold War era. Americans' current understanding of security goes well beyond military factors to include economic concerns, environmental issues and a host of global problems such as overpopulation and massive refugee flow across permeable borders. These transnational issues increasingly will determine the priorities and structures of the new foreign assistance effort.

- **The blurring of the North/South dichotomy.** About 30 years ago, the Third World was viewed as a homogeneous group of countries with a unified ideological orientation. This unity, if it ever was a reality, no longer exists. Today, the Third World is a collection of diverse nations with striking dissimilarities and needs. As a consequence, while the so-called North/South debate continues, it does so in a less strident and confrontational form than previously was the case.

- **The primacy of democratic systems and practices.** Democratic systems and practices are in ascendance. A remarkable shift toward pluralistic societies and democratic forms of governance is taking place. To what extent this trend will continue emphasizing the promotion and protection of individual freedoms remains uncertain. Regional and ethnic conflicts, frustration at the slow pace of change and the painful adjustments associated with the transition to open economies may strengthen the case for political centralization and curtailment of individual choice. Societies sinking into deeper levels of poverty and degradation are not societies likely to sustain democratic forms of government or civil liberties. The next few years will be a critical period for these nascent democratic systems.

- **The ascendance of the private sector.** The demand for political freedom accompanies a desire for economic freedom. Both are mutually reinforcing — the enjoyment of freedom of choice in one sphere stimulates the need for freedom of choice in the other. Many accept the belief that a dynamic private sector, both formal and informal, provides an engine for growth. However, effective commercial economies need mechanisms that will moderate open competition. These include regulatory bodies, established rules of fair play, informed and active civic associations, and social safety nets to protect the less fortunate. If these balancing mechanisms are not in place, the prospect for reverting to planned economies and statist systems increases.

• **The growth of indigenous organizations and the emergence of a global independent sector.** An explosive growth in the level of voluntary activity is occurring in virtually all developing and transitional societies. As recent as within the past 10 years, private voluntary organizations in this country and overseas were seen as peripheral adjuncts to a state-centered development process. They were viewed routinely as small, underfunded, unprofessional and/or grass roots. Today, whether in the area of poverty alleviation, environmental protection or civil society advancement, nonprofit organizations worldwide are at the forefront of social and economic change.

Despite these largely positive developments, deep pockets of poverty remain. More than a quarter of the developing world's population still lives in conditions of absolute poverty. From 13 million to 18 million people, mostly children, die from hunger and poverty-related diseases each year. These conditions not only cause immense suffering, they undermine the prospects for peace and stability in the post Cold War era.

A New Foreign Aid Program

The foreign aid program conceived in the clear dichotomy of the Cold War is now ill-suited to the more complex and volatile conditions of the 1990s. That program and the U.S. Agency for International Development, which has administered it, have served America well. Bilateral development aid has had an immense positive influence on both the speed and direction of the development process and on the lives of millions of people. However, the program and the institutions that administer it must change to reflect new global conditions.

The Advisory Committee on Voluntary Foreign Aid believes that four central principles should lead a new program:

• **Consistent with American values.** The foreign assistance program must be in unity with U.S. values and traditions. It needs to be driven by characteristically American themes to which Americans can relate, be proud and, thus, support. These include an emphasis on open, democratic systems of governance, primary reliance on the power and vitality of the private sector, respect for self-help and entrepreneurial initiative, a tradition of charity and generosity in times of need, and a concern for human rights.

• **Reflection of American interests.** The foreign assistance program needs grounding in a realistic assessment of America's national interest if it is to gain and sustain the support of the U.S. public. This includes an appreciation of the direct link of developing societies to the long-term economic and environmental security of the United States. It also involves an understanding of worldwide sustainable growth and political stability. Americans must comprehend that the international capacity to deal constructively with social and environmental problems directly affects their own long-term interests. Public awareness of the practical importance of development must be a cornerstone of the new foreign assistance effort.

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• **Based on humanitarian concern.** The program must be able to tap America's powerful wellspring of caring, compassion and generosity for the needy. An effective foreign aid program must be based on both national self-interest and humanitarian concern, and it must balance these twin interests so that they are mutually supportive.

• **Coherent and focused.** The foreign aid program must focus on tangible problems that are relevant to American experience and America's perception of the challenges that it faces. The program should be structured around clearly defined problem areas, such as human resources development, food production, family planning services, strengthening of democratic structures and specific environmental problems (for example, the protection of biological diversity). This approach is consistent with the depoliticizing of foreign aid and with America's pragmatic, solution-oriented approach to challenges. It should emphasize cost effectiveness, accountability and sustainability. Americans will identify with and support approaches that are straightforward and understandable.

Within the framework of these fundamental principles, the following four program themes should guide program design, help set funding priorities and govern organizational structure:

• **Sustainable development.** Development programs must promote economic growth and social progress that alleviate poverty while at the same time protect the environment for future generations. This means agricultural production that meets food needs while enhancing the natural resource base; energy production that provides for growing economies while reducing urban pollution and helping to prevent global warming; forestry practices that provide resources for development while conserving biodiversity; and basic education that results in reduced fertility, better health, increased productivity and the growth of democratic processes.

• **The strengthening of democratic systems.** The world faces a unique "window of opportunity" to solidify representative democracy as its predominant political system. A clear, long-term priority of America's foreign assistance program requires further strengthening of democratic systems of governance and mechanisms that support individual freedoms. The world is looking to America as a model. While the United States cannot export its own unique democratic procedures, Americans most certainly can work with different societies to adapt these procedures to local practice.

• **A healthy balance between the government and the private sector.** The foreign assistance program should continue to evolve to a new balance which clearly recognizes the strengths derived from collaboration between the governmental sector and the private for profit and nonprofit sectors. Together, these sectors are better able to "reinvent" community and economic services. This does not mean that the emphasis on policy or structural reform should be neglected. Rather, it proposes placing greater attention on the private sector to identify creative policy alternatives, advocate for change and ensure that the benefits of structural reforms reach throughout the society in an equitable manner.

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People at lower levels of society must realize they have the possibility of upward mobility.

- **A growing role for the independent sector.** As a corollary, the foreign assistance program should rely increasingly on the energy and competence of indigenous, nongovernmental institutions.

The role of the independent sector is particularly important as governments downsize, privatize and shed the functions they no longer can afford. In addition, expanding the USAID/PVO partnership offers the opportunity for foreign governments to realize their own partnerships with NGOs. This public-private alliance strengthens such essential governmental services as education, health, sanitation and rural transportation. NGOs also can be highly effective advocates for policy reform. They frequently represent large, vocal and well-informed constituencies, and their positions tend to mirror more accurately the diversity of a society than do government structures. NGO flexibility and responsiveness can provide testing vehicles for new ideas and approaches.

Most importantly, a vigorous independent sector is an essential building block of democracy. NGOs understand the nuts and bolts of citizen participation. Their work promotes citizen involvement at the local level and serves to strengthen representative democracy from the bottom up.

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America's Private Voluntary Community

Approximately 375 U.S.-based private voluntary organizations are registered with the U.S. Agency for International Development. Their areas of competence include virtually every aspect of social and economic concern, and their geographic coverage spans the globe. In 1991, the U.S. independent private voluntary sector financed an estimated \$2.5 billion in international relief and development projects compared to \$1.2 billion provided by the U.S. Government.

In view of the size, diversity and evolving composition of the PVO community, generalizing about areas of interest and strength is difficult. The interest and direct involvement of PVOs in carrying out development projects began in the 1960s and grew significantly through the '70s and '80s from a desire to deal with the underlying causes of hunger and disease. A USAID grant program designed to strengthen their institutional ability to plan, manage and evaluate such activities supported and encouraged PVO movement into long-term development. PVOs currently are well-positioned to participate in building healthy democratic societies that include a strong independent sector.

Over the last two decades, the proficiency of PVOs as development agents has grown impressively. PVOs have established a strong comparative advantage in the following areas:

- Managing community-based projects that rely on local participation and an understanding of local practices and values;
- Training and institution-building assistance to local private and voluntary social service organizations, particularly in establishing managerial and organizational capability; and,
- Technical competence in a variety of sectors, including family planning, education, natural resource management, small-scale enterprise development, improved small farming practices and health delivery systems.

PVOs take a cooperative and participatory approach to development. They are grass-roots agents that practice skills involving democratic processes. PVOs are sensitive to local conditions and to the social and cultural factors that will determine long-term community commitment. They are effective in maintaining human relations, developing networks with indigenous organizations and establishing access to local leaders.

PVOs are good at controlling costs, and they tend to design activities that are lean and manageable. Because their roots are in the community, PVOs normally use local resources and local management. Thus, they are in a good position to nurture the transition from external support to self-support.

PVOs have maintained a unique and lead role in managing emergency food relief programs and in responding to natural and man-made disasters. Whether directly or through the World Food Program, private relief agencies are responsible for distribution of virtually all commodities available under Title II of Public Law 480. This expertise provides a means through which America can effectively respond to humanitarian crises around the world. No other nation has either this type of "delivery system" or one with such an excellent record.

PVOs also have played an increasingly active and vital role in development education — informing the American public on development and global issues. Since 1982, USAID has maintained a grant program to assist in this effort. Many PVOs also engage in active advocacy efforts to support the U.S. development assistance program, the needs of developing nations and the importance of particular transnational issues. PVOs are the “connecting links” between the U.S. public and beneficiaries in other countries.

Education and advocacy efforts are essential in building a more informed electorate, broadening the base for an internationalist world view and helping to generate private funds to augment international development assistance programs. These efforts are particularly important at this time of transition as America assesses its global responsibilities and begins to structure a new set of principles to guide international relations.

Just as with all groups, PVOs deal with some areas in which they are less proficient. While generalization is difficult, PVOs should work to:

- Place priority concern on long-term results while recognizing the importance of immediate impact;
- Manage effectively limited human and financial resources and provide technical back-stopping;
- Give increased attention to the importance of strategic planning and stress organizational development skills; and,
- Recognize and understand the larger policy context, improving in-depth policy and economic analyses and increasing access to national level policy makers.

As partners in development, both USAID and the PVO community must be cognizant of and take steps to improve PVO competence.

The Global Independent Sector

The work of America’s private voluntary sector complements the growth and dynamism of indigenous, nonprofit organizations that operate overseas either side by side or in loose cooperation with American groups. These organizations comprise vital independent sectors that are emerging in many countries, particularly in societies that had previously restricted rights of free association and individual expression. Growth of these independent sectors is both a cause and a consequence of the global democratic movement. The growth also is related to the primacy of the private sector, which has resulted, in part, from the stimulus and encouragement of American and other international PVOs. Worldwide, nongovernmental organizations (NGOs) number in the hundreds of thousands.

A strong independent sector and the growth of a rich variety of community service groups are critical to social and economic development. Active independent sectors embody free association and democratic expression. The groups that comprise this sector have a vested interest in maintaining democracy and in protecting civil liberties. They also provide a forum for the expression of political alternatives and a constructive outlet for potentially destabilizing minority viewpoints. Independent sector institutions can function as the conscience of the consumer, promoting regula-

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tory reform and the adoption of standards and codes of conduct imperative in a capitalist system. As such, they help to ensure that open market economies will be maintained. Community service institutions are active in promoting change and in advocating an energetic response to health, education, environment, migration, human rights and other issues with an international dimension. They have an important operational role and often present an alternative to government-run social service programs.

Collaboration among and between indigenous NGOs, PVOs and international PVOs has increased dramatically. This reflects growing attention to common global issues. It also recognizes that the combined efforts of many organizations working together and across national borders can make a significant impact.

Newly formed NGOs can learn much from their international colleagues. PVOs transmit valuable ideas and information, as well as technical assistance in all aspects of management and institutional development. Of equal importance, is the fact that when U.S. organizations establish partnerships with local entities, they are more effective.

The ascent of global advocacy groups was impressively apparent at the June 1992 Earth Summit in Rio de Janeiro. NGOs from countries of widely disparate economic conditions found mutual cause in working toward a common environmental endeavor. The emergent global independent sector is an important phenomenon that will increasingly influence the conduct of international affairs.

The PVO Partnership With USAID

PVOs and USAID share many common values and objectives. The relationship has been interactive and mutually beneficial. USAID has influenced significantly the growth and direction of the private voluntary community. The Agency has impacted positively on PVOs by encouraging them to engage in long-term development work, helping strengthen their institutional capacity and supporting specific program initiatives in such areas as child survival, small-scale enterprise and development education.

PVOs also have influenced USAID. This is manifest in the language and practice of development assistance, including the emphasis on poverty alleviation, sustainable agriculture, small-scale farming systems, child survival, community development, the promotion of microenterprise and support for democratic societies.

Although PVOs and USAID share many common objectives, differences do exist. While there is broad coalescence around long-term development objectives, PVOs have a humanitarian focus that is a constructive balance to a foreign aid agency that must be sensitive about political and security concerns. PVOs advocate higher priority for programs that deal with poverty and basic human needs as well as more forceful attention to the plight of refugees and internally displaced persons.

Differences with respect to foreign aid priorities are not unhealthy. By presenting a different perspective, PVOs offer alternative viewpoints and focus attention on important foreign policy issues that warrant public debate. In the end, such actions can enhance U.S. public support. However, tensions in the relationship still need to be addressed. Important issues include:

Understanding PVO Capacity

A traditional view depicts PVOs as limited to the management of emergency feeding programs or small grass-root development projects, with little potential for modeling or repetition. This is an outmoded perspective. Many PVOs have developed highly sophisticated programming systems, and they design and carry out sustainable projects with broad impact. PVOs have extensive technical abilities and an aptitude to design and manage complex projects that link community-based activities with structural policy reform. Most importantly, in their work with local groups, PVOs have developed strong skills as intermediary organizations. They provide training, give support and facilitate services.

The USAID policy statement dealing with PVOs is more than a decade old. While numerous evaluations have been conducted, they have not been synthesized into a generic document to provide useful Agency-wide guidance for regional bureau and field staff. As a consequence, appreciation of the changing role and growing capabilities of the PVO community is inconsistent.

Maintaining Independence – The Shift to a Contractor Relationship

USAID has been becoming more directive in its relationship with PVOs. It often emphasizes achieving Agency objectives and performance requirements in contrast to supporting a PVO's own independent programs and capabilities. The balance point has shifted even further as a result of USAID's strong emphasis on program concentration along with its insistence that PVOs tailor their field activities around the same focal points. A continuous shift toward a "fee for service" model will produce a loss in institutional independence and a preoccupation with format and procedure at the expense of results.

Sharing Costs

Increasingly, USAID is turning to PVOs to perform services in particular areas, which many find positive and productive. Cost sharing in some instances may require the organization to divert funds from core programs and skew priorities in favor of USAID objectives. The cost-sharing issue will become incrementally acute as PVOs collaborate more on foreign aid projects in regions such as Eastern Europe, the Newly Independent States and Southern Africa.

Changing Roles: The Ascendance of Local Organizations

The growing competence of indigenous NGOs presents an opportunity for PVOs to develop new collaborative partnerships.

Most U.S. groups strongly support a growing and more central role for NGOs and have, in fact, founded many NGOs. At the same time, American and international PVOs recognize the need to stay rooted in some operational activities. The charitable donations they receive are related to their operations, and their capacity to continue as effective development agents depends on their ability to learn from experimental projects. In the long run, a lower operational profile for U.S. and international PVOs is a reality. USAID's role in this transition is important because it frequently supports both indigenous and American groups. The evolution of these relationships must be handled with strategic care and sensitivity. USAID and the PVO community need to design an approach that emphasizes a role for U.S. groups while creating long-term collaboration with local organizations.

PVOs have extensive technical abilities and an aptitude to design and manage complex projects that link community-based activities with policy reform.

The Role of Private Voluntarism

America's private voluntary organizations are well-positioned to play a larger role in the conduct of this country's development assistance program. Their values and traditions are squarely consistent with the central principles that should guide the program in coming years. Their skills and experience relate directly to the priorities that the program should pursue.

PVOs are a powerful resource. Many have become mature, highly professional development agencies. Their independent programs complement official forms of foreign assistance and provide testing grounds for new approaches. They are efficient and cost-effective executors of USAID projects. PVOs deal with problems of overpopulation, famine, drought, refugees, illiteracy, human rights and multiple threats to the earth's environment.

Efforts that strengthen civic participation and voluntary associations at the community level serve to build pluralistic structures and the practical habits of democracy starting from its base. In general, PVOs and the nongovernmental sector provide an important balance to an effective open market system. Their concerns for worker and consumer protection, industrial pollution, labor rights and unfair competition improve the likelihood that systems of free enterprise will be maintained and will serve the wider community.

PVOs are by and large popular with the American public. They have cultivated a large and diverse constituency, and they have worked with their supporters to develop a better understanding of development issues and global problems. The support that PVOs provide to the foreign assistance program strengthens that program's credibility with the American people.

PVOs have an extremely important role in nurturing the growth of indigenous, nongovernmental organizations. They are well-positioned to fund local projects jointly, provide technical assistance for building managerial and organizational skills, transmit knowledge, and provide an enriching fabric of contacts and global resources. More generally, they can perform a very useful mentoring role with indigenous NGOs as these groups work to define their own abilities and identities and move to the center stage of the development process.

Development education programs contribute significantly to an internationally literate U.S. citizenry. PVOs will continue to have a critically important role in broadening and deepening America's understanding of global issues, foreign cultures, and the importance of developing and transitional nations to U.S. prosperity and security. Efforts to inform Americans are all the more important due to a disposition to isolationism, which is particularly counterproductive at a time when U.S. interests are tightly linked to global markets and the global economy.

With a plethora of experience and expertise, PVOs will continue to play a central role in administering emergency feeding programs for refugees and displaced persons and in responding to natural and man-made disasters worldwide. They should continue to carry out projects in areas where they have an established capacity, including rural health, education, family planning, small-scale agriculture, natural resource management and private enterprise development. PVOs also should have important new operational roles in the areas of environmental advocacy, human rights monitoring, consumer protection, regulatory and market surveillance systems, and develop-

ment of the institutions and skills that are requisite for functioning democratic systems of governance.

The Challenge to PVOs

As indigenous NGOs are strengthened, USAID should encourage collaborative efforts with U.S. PVOs across national boundaries. While PVOs assume a more central role in the development process, they will be required to strengthen their own capacities in several areas:

- **The enhancement of analytical capability.** The changing nature of the development process and the evolving roles that PVOs will play require additional analytical competence. New areas of emphasis such as democracy and governance, protection of the global environment, and creation of reciprocal and collaborative relationships between institutions require thorough understanding. This is particularly the case with respect to adapting American democratic systems and attitudes to local conditions and in comprehending the role and dynamics of the independent sector.

- **The formation of new alliances.** The complex, long-term, interrelated nature of many of the world's most significant issues suggests the importance of new and flexible institutions. The capacity to forge, sustain and adjust a variety of affiliations will be increasingly important to organizational viability. Information alliances based on the transmission of knowledge will be a defining organizational structure in the new era of development. Forming cooperative relationships will involve a wide spectrum of institutions, including indigenous and international organizations, private multinational enterprises, universities, research organizations, development consulting firms and other PVOs.

- **The reality of change.** International realities suggest a period of institutional turbulence and a significant change in the way that PVOs function. In the next decade, many PVOs will have to evolve from an operational to a facilitative role. Partnership relations and skills in the areas of capacity building, networking, negotiation and advocacy will be of increasing importance. PVOs will have to decide whether to move into new and unfamiliar sectors. And, those PVOs that continue to operate in a particular area will need to make heavy investments in improved technical capacity. A number of PVOs will have to decide whether and to what extent they should act as contractors for the foreign assistance agency, weighing the risks and benefits that this association constitutes.

New roles will place massive strains on limited financial resources and stretch fund-raising abilities. Strategic planning and institutional repositioning will be important factors to long-term organizational viability and effectiveness.

A decentralized, operational structure gives importance to centralized policy making that can ensure consistency and respond to important policy initiatives.

Improving the Partnership

Both PVOs and the U.S. foreign assistance program are adapting to the new conditions of the 1990s. Roles and instruments are being redefined.

This period of change requires openness in communication, flexibility in operation and patience in reaching agreement. Maintenance of an effective working partnership will require that both parties strategically manage an inherently complex relationship during a period of transition. For USAID, the challenge will be to understand the strengths, limitations and comparative advantages of the PVO community and to design funding instruments and a set of working relationships to mirror those capacities. For PVOs, the challenge will be to strengthen organizational and technical aptitudes and to reorganize program directions without losing institutional identity.

Many of the tensions originating between the PVO community and USAID are inherent in the relationship between government and the private sector. They have been exacerbated by the transitional difficulties that foreign aid has faced — the loss of public support, the multiplication of objectives, and the accretion of earmarks and special interest stipulations.

The Advisory Committee believes that an effective relationship will rest on the following:

- **Clear articulation of role and function.** A recasting of development assistance priorities provides an opportunity to delineate more clearly the roles of private voluntary organizations and to relate these to U.S. foreign assistance priorities. Clarity of role and affirmation of function will improve communication, ensure a more uniform approach in dealing with PVOs and provide a basis for compatible program initiatives.

- **Strong capacity to make and enforce policy.** As a corollary, it is important that the development assistance program has at its core the ability to formulate and ensure adherence to policy. The organizational principles inherent in USAID's delegated and decentralized structure should be retained — individual country relationships are far too complex to be administered from Washington, D.C. But a decentralized, operational structure gives increased importance to centralized policy making that can ensure consistency and respond to important policy initiatives in a coordinated fashion.

- **A strengthened aptitude to measure impact and effectiveness.** The precise role for PVOs and their deployment in any particular case should hinge on an objective assessment of their institutional strengths and weaknesses.

- **Support for organizational adaptation to change.** New methods are called for to encourage organizations to shift emphasis, acquire new skills and risk entry into new markets. The Agency and the PVO community have been reluctant to introduce new grant programs in view

Reform should shift the emphasis from micro-management to an emphasis on performance and results.

of budget constraints. This resistance needs to be reassessed. PVOs are diverse and flexible, but the changing menu of global issues requires continuous adaptation. In particular, grant programs should be considered that would increase the qualifications of PVOs to work more effectively with local NGOs, enhance PVO capacity in the areas of democratic procedures and provide assistance to strengthen technical ability in new areas of emphasis. USAID's highly effective program that assists PVOs with strategic planning should be expanded.

- **More flexible operating guidelines.** Federal procurement regulations are inherently complex and burdensome. It is necessary for private entities that wish to deal with the government to understand and comply with these requirements.

Nevertheless, USAID's regulations have become encrusted with peripheral requirements and imposed procedures that discourage many PVOs from working with the Agency. This has resulted in a loss of effective development programs for both parties.

The Advisory Committee believes considerable room exists for reform of the procurement, monitoring and reporting procedures imposed on PVOs and NGOs. The approach should be shifted from an emphasis on micromanagement to an emphasis on performance and results.

RECOMMENDATIONS

The Advisory Committee on Voluntary Foreign Aid recommends three initiatives to ensure a strong and effective partnership between the private voluntary community and to strengthen the partnership between that community and the U.S. foreign assistance program.

1. Legislative recognition should be given to the important role of private voluntary organizations. The statutory base of the foreign assistance program should recognize explicitly the role of America's private voluntary community in the conduct of this country's foreign assistance program.

- Any new foreign assistance legislation must delineate a central role for America's private voluntary community.
- Directions, executive orders and related enabling documents should clearly state support for full participation of PVOs in America's foreign assistance programs.
- The partnership between USAID and the PVO community should affirm the role of PVOs in every sector and program area involved in achieving sustainable development.

2. The new foreign assistance program should include a program initiative explicitly designed to support the PVO/NGO role in strengthening the independent sector in developing and transitional societies. Independent sectors are critical to establishing viable democratic systems and effective market-based economies. They function to support many of the priority objectives of the development assistance program from family planning to small-scale enterprise development to environmental education and protection. The foreign assistance program should be designed to accelerate the emergence of healthy independent sectors in developing and transitional societies. It should work largely, though not exclusively, through the PVOs that constitute America's own independent sector. Drawing on America's unique experience in building such a sector, the program should emphasize an understanding of the dynamics of a functioning independent sector and the role that this sector plays in an open, democratic society.

An initiative to support the independent sector should be carried out through both central and mission-funded activities. Guiding policies, methods and procedures should be established centrally. Program elements should include:

- **The transfer of knowledge and experience.** Understanding the role and function of the independent sector in strengthening pluralism, democracy and functioning open-market systems;
- **The policy framework.** Legal structures, government policies, tax and charitable-giving regulations; and,
- **The institutional framework.** Establishing indigenous public and private institutions that nurture a strong, independent sector.

3. A responsive organizational structure needs to be put in place. The structure of the new foreign assistance program needs to be designed in a manner that reflects the increased importance of relations with the private voluntary community. The revised organizational apparatus should have the following attributes:

- A central body that establishes and monitors uniform policy with respect to the role and function of the private voluntary community. This jurisdiction must function in a manner that reflects unique country conditions and a decentralized decision-making structure. An early task should be to draft guidance with respect to the capacity of PVOs.
- A central resource that provides for organizational strengthening of PVOs. This should include funds and technical assistance for strengthening an organization's capacity to support its activities overseas, enable its management systems to become more professional, and enhance its ability to collaborate with NGO partners.
- A structure that imparts a clear focal point of authority and responsibility regarding PVO affairs. The authority requires sufficient power within the bureaucracy to establish and enforce clear standards and consistent operating practices on an agency-wide basis.
- A mandate within the confines of federal procurement regulations to tailor operating procedures and the mechanics of grant making to program goals and to the special characteristics of the PVO community. Initial efforts should include a review of procurement policy and procedure as well as an analysis of cost sharing practices and policy.

Long-Term Issues in the USAID/ PVO Partnership

A major concern of the Advisory Committee is that the partnership between the PVO community and USAID remains healthy and constructive. Despite the coalescence around guiding principles, tensions in the current relationship need to be addressed for the PVO community to realize its full potential. Some of these tensions are inherent in the relationship between the government and the private sector. Some are specific to the interaction between the Agency and the PVO community. Their resolution involves the persistent clarification of ambiguity inherent in any effective partnership.

Maintaining Independence – The Shift to a Contractor Relationship

When USAID originally began supporting PVOs, a clear distinction existed between the unrestricted support grants to independent organizations for pursuing their own goals and the funding of PVOs to carry out specific USAID purposes. In recent years, this distinction has become blurred. The current emphasis is more directive and contractual with a focus on performance, inputs and accountability. USAID insists that PVOs tailor their field activities around these focus areas. The balance point has shifted even further as a result of USAID's strong emphasis on program concentration by country missions. The danger is a loss in institutional independence and a preoccupation with a short-term format and procedure at the expense of long-term results.

Both USAID and the PVO community are at fault. In an effort to ensure results, the Agency has been more and more detailed and prescriptive in its grant requirements. The negotiation of these instruments is increasingly akin to a contract. And, in a desire to guarantee complete accountability, the Agency has imposed a near Byzantine fabric of compliance and reporting procedures that focus on form rather than substance.

On their side, PVOs have been attracted by the opportunity to compete for these new funding opportunities and have been willing to shape their programs and organizations accordingly. This can pose a Faustian dilemma. Contracts carry programmatic and financial benefits but may place the PVO in a subordinate relationship that could threaten the very flexibility, innovation and independence central to PVO excellence.

The increasing confusion in the partnership is characterized by the growing reliance on a hybrid vehicle called a cooperative agreement, which blends elements of a grant and contract. Cooperative agreements are attractive to USAID because they allow greater involvement in grant management. They are popular with PVOs because they are grants and because open competition can be waived. The disadvantage is that cooperative agreements tend to obscure the fundamental nature of the relationship. PVOs feel resentful because the Agency intrudes to a greater degree than had been anticipated. The Agency is frustrated because the PVO, mindful of its independence, sometimes resists direction.

There is no easy resolution to this problem. The dilemma it poses and the potential threat to PVO effectiveness and to USAID accomplishing its own objectives must be

recognized. To some extent, the problem exists in every financial relationship between a public and private institution or individual. In the USAID/PVO instance, the situation has been exacerbated because of the growing competence of PVOs and because of the Agency's preoccupation with accountability and control.

A related issue involves the question of privacy. Freedom from government interference is a distinguishing characteristic of the independent sector. There is understandable concern that excessive financial reliance on the government can erode effective independence. Congress has expressed its concern for this problem by requiring that a PVO must receive at least 20% of its income from private sources to be eligible for government funds.

The issue of dependency and privacy is complex because it is a condition that is difficult to measure. The ratio of private to public funding is one indication but not the only conclusive measure of independence. An organization may receive no government funds but bend its program priorities to win a USAID grant while a PVO that receives a preponderant share of government money may perform in a self-confident, independent fashion.

Nevertheless, institutional independence is an important and legitimate concern. It should engage both the foreign assistance agency and the PVO community. A concern for effective independence needs to be integrated with the full range of USAID/PVO relationships to ensure that small, and sometimes quite fragile, private entities do not lose their unique identity and sense of direction.

The Advisory Committee believes that the so called "privacy test" is only one of a variety of indicative measures that should be employed in evaluating effective independence.

Sharing Costs

Cost sharing is a venerable practice in grant making. When an organization receives unrestricted grant funds to pursue its programs, a frequent practice requires cost sharing to leverage funds. Cost sharing is employed to avoid single source dependency, ensure that the recipient has a broad base of financial support, and promote program sustainability. In the case of a contractual relationship in which the government purchases services, there is no comparable requirement — PVOs are being paid for a service they perform. They should not be required to subsidize a government program.

Difficulties arise when confusion surfaces with respect to "Whose program is it?" Increasingly, USAID is turning to the PVO community to perform a service in a particular area. Cost sharing in these instances may require the organization to divert funds from core programs and skew priorities in favor of USAID objectives. The dilemma is complex because some PVOs welcome an opportunity to work in these new areas and have the capacity to do so. The cost-sharing issue will become more acute as PVOs increasingly collaborate on foreign aid projects.

The Advisory Committee strongly believes that cost sharing should continue when the purpose is to support an existing program or institution. When the Agency is the

initiator and the objective is to meet an Agency priority, cost sharing requirements should be reduced or eliminated.

Changing Roles: The Ascendancy of Local Organizations

The growing competence of indigenous organizations presents an opportunity to build toward collaborative action. For years, PVOs have been working with and through local NGOs. Partnering relationships have helped these local organizations become financially and programmatically viable. Their transition from the periphery to the center stage of the development process has been, in significant part, a consequence of the support and encouragement of international PVOs.

Assistance to local NGOs can be a cost effective way of addressing a range of social problems while at the same time strengthening the independent sector. NGOs are often a powerful voice for enlightened policy reform. Working with these groups bypasses bureaucratic government structures and establishes a direct relationship between donor and beneficiaries.

Evaluations indicate that the abilities of indigenous groups are mixed. Some are clearly capable of administering USAID funds while others are not. In general, studies and evaluations have shown that a long-term, sustaining relationship with an experienced, international PVO is strongly correlated with institutional viability.

Most American groups strongly support a growing and more central role for local organizations. This is consistent with deeply held beliefs regarding the appropriate location of responsibility within a society. It also makes practical, cost-effective sense. Long-term, reciprocal relationships benefit both groups. While PVOs pass on important skills, they also gain new insights and perspectives from their local colleagues.

The Advisory Committee believes that American organizations need to stay rooted in some operational activities. The charitable donations they receive relate to their operations, and their capacity to continue as effective development agents depends on their ability to learn from experimental grass-roots' efforts. Most importantly, PVOs have an important long-term intermediary role that should not be neglected.

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Committee Background

The Advisory Committee on Voluntary Foreign Aid has long served as a link between the U.S. Government and the U.S. private voluntary organizations active in relief, rehabilitation and development overseas. First operational as the President's Commission on War Relief Agencies in 1941 and renewed the following year as the War Relief Board, the Advisory Committee was established by Presidential Directive May 14, 1946. While its focus and responsibilities have changed over the years, its basic mandate is to be a citizens' committee that provides the underpinning for cooperation between the public and private sectors in the U.S. foreign assistance program.

The Advisory Committee's members are private American citizens with a wealth of experience and deep personal interest in international development. They are appointed by and provide advice to the Administrator of the U.S. Agency for International Development, whom they serve without compensation. Committee members bring with them differing perspectives and expertise that serve to broaden the context within which they raise questions and provide recommendations to the Administrator.

Members come from a variety of backgrounds, reflecting the diversity of the U.S. private voluntary sector. They have significant experience in cooperative and business development, health, education, finance, law, relief and refugee assistance, and community development.

HISTORY

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