

BIBLIOGRAPHIC DATA SHEET

1. CONTROL NUMBER

2. SUBJECT CLASSIFICATION (695)

PN-AAK-478

PC00-0000-0000

3. TITLE AND SUBTITLE (240)

related to A.I.D.'s support for private and voluntary

4. PERSONAL AUTHORS (100)

organization development programs, 1972-1981

Snoddy, M.J.

5. CORPORATE AUTHORS (101)

AID

6. DOCUMENT DATE (110)

1981

7. NUMBER OF PAGES (120)

64p.

8. ARC NUMBER (170)

9. REFERENCE ORGANIZATION (130)

AID

10. SUPPLEMENTARY NOTES (500)

11. ABSTRACT (950)

12. DESCRIPTORS (920)

AID
development organizations
voluntary organizations
financing projects

foreign aid history
organizations policies

13. PROJECT NUMBER (150)

14. CONTRACT NO.(140)

AID

15. CONTRACT TYPE (140)

16. TYPE OF DOCUMENT (160)

PIN-AAK-478

HISTORICAL PERSPECTIVE OF
POLICY FORMULATION RELATED TO A.I.D.'S SUPPORT FOR
PRIVATE AND VOLUNTARY ORGANIZATION DEVELOPMENT PROGRAMS
1972-1981

Edited by
Michael J. Snoddy
Agency for International Development
Office of Development Planning
Bureau for Asia

September 28, 1981

Table of Contents

Preface.....	i
1981 PVO Allocations By Funding Mechanism.....	ii
General PVO Policy.....	1-31
Cooperatives.....	32-41
Matching Grants.....	42-59
A Footnote and A Comment.....	60

PREFACE

AID channels a great deal of its economic assistance through PVOs. The historical perspective which follows references the following AID financed PVO grant programs:

<u>PVO Program</u>	<u>Funding Bureau/Office</u>	<u>Year Program First Funded</u>
(1) Ocean Freight Reimbursement Program	FVA/PVC	1940s
(2) Cooperatives (Core Support)	FVA/PVC	1962
(3) Grants to Consortia	FVA/PVC	1972
(4) Co-Financing Program	Asia Bureau	1974
(5) Operational Program Grants (OPGs)	Regional Bureaus	1975
(6) Development Program Grants (DPGs)	FVA/PVC	1975-81
(7) Management Development Services (MDS)	FVA/PVC	1976
(8) Matching Grants (MGs)	FVA/PVC	1978
(9) Institutional Development Grants (IDGs)	FVA/PVC	1978
(10) Institutional Support Grants (ISGs)	FVA/PVC	1979
(11) Cooperative Development Fund	FVA/PVC	1981

PVO programs which are NOT a part of this historical perspective are:

(1) P.L. 480, Title II (Food for Peace)	FVA/FFP
(2) Emergency Assistance	
(3) Population Planning Program	Bureau of Science and Technology
(4) American Schools and Hospitals Abroad	FVA/ASHA
(5) Excess Property Program	FVA/PVC

1981 PVO ALLOCATIONS BY FUNDING MECHANISM*
(\$000,000)

<u>Funding Mechanism</u>	<u>Amount</u>
Ocean Freight Reimbursement Program	7.0
Cooperative (Core Support)	4.8
Consortia	6.3
OPGs/Co-Financing Programs	52.6
Management Development Services	3.1
Matching Grants	19.4
Institutional Development/Support	<u>9.6</u>
Sub-total	102.8
Population Planning Program	58.7
Excess Property Program	3.7
Title II, Food For Peace	462.20
Other	<u>79.50</u>
Total	\$706.90

*Funding data prepared by LUIS E. Arreaga-Roads, PPC/E/S in August 1980.

<u>DATE(s)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
January 24, 1972	Administrator's Reform Memorandum		Created Bureau of Population and Humanitarian Assistance (PHA). Administrator directed that a review be made of the AID relationship with PVOs, and that recommendations be made for strengthening PVO involvement in development work overseas. ^{1/}
Mid-1972	Report to the Administrator	Bureau for Population and Humanitarian Assistance (PHA)	<p>In a preliminary report to the Administrator, PHA noted:</p> <ul style="list-style-type: none"> "-- that no satisfactory method existed for effectively interrelating potential PVO resources and PHA planning with regional bureau planning; -- that AID tended to view the PVOs not as partners in development but more as hired agents (often hired as a last resort) for quite limited services on an occasional basis; -- that some evidence existed that the regional bureaus were interpreting AID's then new sectoral emphasis in such a way as to actually reduce rather than increase AID's projects and funding involving PVOs; -- that the above tendencies were affecting adversely existing PHA funding arrangements with PVOs because of the fall-off in project activity and the consequent distortion of relationships between overhead costs and actual project activity."^{2/}

^{1/} Operations Appraisal Staff, Office of the Auditor General, A.I.D., Appraisal Report on Utilization of Private and Voluntary Organizations in A.I.D.-funded Development Activities (Draft), Washington, D.C., December 1977. p.2.

^{2/} Operations Appraisal Staff, p. 2-3.

<u>DATE(s)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
January 1973	Administrator's Advisory Council		PHA presented several PVO issues for deliberation by the AAC. PHA again asserted that regional bureau and mission interpretation of sectoral priorities often worked against PVO participation in LDC development. In addition, PHA urged stable, interregional, general support grants to <u>cooperatives</u> in order to increase their development role overseas. ^{3/}
September 1973			PHA continued to argue that AID was not doing enough to assist and support PVOs. PHA denied any conflict between AID and PVO objectives, and urged increased funding and increased scope for PVO activities. Moreover, the matter of PVO "independence" was seen by PHA as part of the new way for AID to carry out its business. Again PHA made a strong recommendation that AID provide general support grants to cooperatives, including funds for project design. It was further envisaged that PHA/PVC would request cooperatives to make visits to LDC's for this purpose. Responsibility for putting together a financial package would, however, remain with the cooperatives. Optimally, this package would include some of the sponsoring cooperatives' own funds, "if these can be raised." ^{4/}
Late 1973	Amendment to Foreign Congress Assistance Act (FAA) regarding A.I.D. support to PVOs		"United States cooperation in development should be carried out to the maximum extent possible through the private sector, including those institutions which already have ties in the developing areas, such as education institutions, cooperatives, credit unions, and voluntary agencies."

^{3/} Operations Appraisal Staff, p. 2-3.

^{4/} Operations Appraisal Staff, p. 3.

<u>DATE(s)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
1974	Indonesia PVO Co-Financing Program Established	Asia Bureau	The Indonesia Co-Financing Program was the first mechanism established by AID to systematically make grants to PVOs for development projects (as opposed to relief).
February 5, 1974	Action Memorandum for the Administrator	AA/PHA, Jarold A. Kieffer	<p>A/AID approved sense of this paper which directed PHA to develop an AID Policy Determination on role of PVOs in carrying out the FAA. The private and voluntary sector was defined as:</p> <ol style="list-style-type: none"> 1) Organizations which are philanthropic . . . and which are basically supported by voluntary contribution; or 2) Organizations created under AID auspices and whose funds come totally or primarily from AID. <p>Involvement of PVO in development would be encouraged by</p> <ol style="list-style-type: none"> 1) Establishment of a special earmarked fund in AID/W for use by USAID's to fund PVO development projects; 2) Earmarked funds for Development Program Grants (DPGs) to enable PVOs to augment to augment their staffs and other capacities to enable them to plan programs and negotiate in LDCs for PVO projects. DPGs would be renewable. <p>Also:</p> <ol style="list-style-type: none"> 1) USAID's would be notified of AID policy on greater PVO involvement in development programs; 2) PHA would intensify its participation in the Agency program planning process and identify possibilities overlooked by Missions and/or regional bureaus.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 29-30, 1974	Development Assistance Policy Conference	AID and Advisory Committee on Voluntary Foreign Aid	<p>Conference focussed on the need to articulate AID's emerging policy to increase its collaboration with PVOs for development programs as specified in the amendments to the 1973 FAA. The concept of setting aside funds for PVO programs through Development Program Grants (DPGs) and Operational Program Grants (OPGs) was discussed and defined with the PVO community.</p> <p>DPGs are designed to assist PVOs in improving their capacity to plan, formulate, manage and evaluate programs and projects. OPGs are earmarked for implementation of development projects.</p>
August 8, 1974	Guidelines Governing Funding for PVOs for DPGs and OPGs (Interim)	Daniel Parker, Administrator	AID approves interim guidelines for DPGs and OPGs for PVOs.
October 22, 1974	Workshop on Grant Procedures	AID and Advisory Committee on Voluntary Foreign Aid	<p>This conference was organized at initiative of PVOs to explore specific administrative problems of applying for OPGs and DPGs and to discuss grants administration questions, i.e., approval authority including time frame, auditing practices of AID vis-a-vis PVOs, that OPGs and DPGs would be specific support grants (rather than general support grants), AID clearance of international travel, and approval of subordinant agreements.</p> <p>A clear and most important criteria for AID's selection of organizations to receive a DPG was that at the end of the three year period the PVO must demonstrate the ability to carry on that approved capability without AID funding.</p>
1975			AID begins making Operational Program Grants and Development Program Grants to PVOs.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
March 10, 1975	Memorandum for AA/PHA	AID Executive Secretary	Administrator responds to an AA/PHA February 10 memo on outstanding issues on OPGs to PVOs. A/AID reiterated support for PVOs and Congressional Presentation level of \$5 million for OPGs and \$6 million for OPGs in FY 75. AID countries should be given preference over phase-out and non-AID countries for OPGs. PVO OPG projects funded should be consistent with Congressional mandate. However, regional bureaus can give higher priority to proposals which harmonize with AID's sectoral emphasis in LDC development strategies.
September 24, 1975	Administrator's Advisory Council (AAC)		<p>PHA addressed the AAC with another issues paper. This time PHA embraced the concept of "shared management" with the regional bureaus, under which PHA would take the lead in policy and procedural matters covering PVOs. PHA took occasion to convey a considered PVO view: namely that the idea of "partnership" had not sufficiently filtered down to the field, and that an intended autonomy for the PVOs was frequently undermined at the project implementation stage.^{5/}</p> <p>PHA proposes to consolidate general program support grants, development program grants (DPGs) and, if desired, other grants and contracts into one centrally managed General Support Grant. Additional staffing needed in PHA, Bureaus, and USAIDs. PHA also proposes centrally administered, single source fund which would consolidate the PVO program and make it less competitive with regular bilateral projects. However, at PHA budget review, OMB reps, supported by PPC, took position that all PVO activities which receive substantial AID funding should conform to AID development priorities.</p>

6.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
October 29, 1975	Administrator's Advisory Committee (AAC)		<p>Two major issues discussed:</p> <ol style="list-style-type: none">1) Whose programs are we talking about -- PVO's or AID's?2) To what extent do we have trust and confidence in PVOs? <p>The consensus was that OPG/DPG programs are shared programs, and that while we should foster a cooperative relationship with PVOs, their programs should also serve a regional bureau purpose. The continued prospect of limited foreign assistance funds and growing interest from the PVOs suggest that AID and PVOs should focus their cooperative efforts on those areas where objectives overlap.</p> <p>AAC members agreed that more uniform and simpler arrangements for PVO project review and processing were needed.</p> <p>General Support Grant mechanism (to consolidate numerous grants to a PVO) was discussed. Various reservations were advanced. Generally, a more cautious approach was advocated.</p>
May 5, 1976	GAO Report: Channeling Foreign Aid Through Private and Voluntary Organizations, A.I.D.	G.A.O.	<p>This GAO report was requested by the Chairman, Subcommittee on Foreign Operations, Senate Committee on Appropriations. The GAO report discussed:</p> <ol style="list-style-type: none">1) PVO Registration Policy -- GAO found that AID lacked a clear statement, applied Agency-wide, of which organizations are PVOs. Also, registration as a PVO was not a requirement to receive a grant or contract.

7.

DATE(s)

ACTION

AUTHOR/SPONSOR

POLICY/PROGRAM ISSUES

- 2) Improved Information System -- GAO found AID lacked a central system for reporting Agency-wide support or financing of PVO activities. Recommended that central repository of information on PVO programs be created.
- 3) Focal Point -- PVOs lacked a central point in AID where they can obtain information concerning AID geographic or functional bureau activities in which they may participate.
- 4) Grant vs. Contracts -- AID does not uniformly implement its own policy in deciding which instrument to use.
- 5) General Budgetary Support to PVOs -- AID justified its FY 76 request for PVO general support stating that although PVOs receive the bulk of their funds from private contributions, to help meet operational costs certain PVOs need general purpose funds from AID. GAO found that three PVOs received 80 percent (\$9 million) of the \$11.2 million provided by AID to 15 PVOs and these three PVOs received very small or no private contributions. Information on amount of private contributions to other 12 PVOs was in some cases unavailable from AID. AID made a budgetary support grant to OICI despite evaluation by the Auditor General of inadequate performance.
- 6) DPGs --
 - a. AID had not established criteria to determine the optimum number and types of organizations to receive DPGs. When is the saturation point reached or does AID plan to continue developing PVO planning and management indefinitely?

8.

DATE(s)

ACTION

AUTHOR/SPONSOR

POLICY/PROGRAM ISSUES

- b. Although AID expects that after the end of the DPG the PVO will carry on with its own funds, AID had not established criteria to judge the PVOs potential fund raising capability. GAO stated that measurements should be established before awarding the DPG to determine if the PVO is capable of generating sufficient donations to maintain and use the capacity developed.
- c. AID had not determined whether PVOs will be expected to develop projects which are designed in relation to AID's country development plans or projects which may be of interest to the PVO.
- d. PVC made a \$200,000 DPG in June 1975 despite pre-award survey findings that the PVO (1) had a less than adequate accounting system, (2) was insolvent, and (3) had never managed a program of the proposed size.

7) OPGs -- AID has not developed standard criteria to be applied by each bureau in evaluating proposals from PVOs for OPGs.

GAO suggested the Subcommittee may wish to study one issue being debated: "the degree of independence that private groups should have in carrying out their own programs with government financing."

Questions to be addressed include: (a) conformance of PVOs to AID's project design system and priorities; (b) accountability of PVOs for expenditure of AID grant funds; and (c) central AID management or decentralized AID management of PVO programming (PVCs proposed to GAO a central office be established in AID through which they would apply for grants and contracts and be accountable).

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
June 25, 1976	Revised Procedural Guidance for OPGs for PVOs	AIDTO CIRC A-342	<p>AID issues final guidelines for preparation and approval of OPGs to PVOs. These revised instructions were the result of an AID/PVO Working Group.</p> <p>States that it is AID policy to include overhead at established rates in arriving at the total cost and AID's share of the support for OPGs.</p>
August 1976 .	PHA FY 78 Budget Request	AA/PHA	<p>PHA proposes to establish a "clean" line item in the AID appropriations bill for PVOs.</p> <p>(Line item was not approved after Agency review of PHA's budget proposal.)</p>
September 21, 1976	House/Senate Appropriations Committee Report	U.S. Congress	<p>Conferees agree that a relationship between AID and the PVOs which creates a heavy dependence on the part of PVOs for U.S. Government funding of their overhead and personnel compensation costs is harmful to those interests. Conferees directed AID to establish funding guidelines which will restrict the level of "general support grants" to any PVO to an amount which does not exceed 50 percent of the annual cash requirements of overhead and personnel compensation costs of that organization.</p> <p>Conferees also directed AID to establish a registry of PVOs eligible for U.S. Government assistance by March 1977.</p>
September 29, 1976	OPG Cost Sharing Policy	AIDTO CIRC A-530	<p>Established AID policy that a 25 percent contribution to total life-of-project costs from non-AID sources will be expected for all OPGs. This would include cash and in-kind contributions from PVOs, local collaborators and host government contributions.</p>

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
November 15-17, 1976	Crystal City Conference	Sponsored by AID's Office of Private and Voluntary Cooperation (PVC) (Report of Conference was issued to AID by a working group of PVOs.)	<p>The purpose of the Conference was to assess the strengths and weaknesses of the Development Program Grant (DPG) program and to look to the future when this particular source of funding would no longer be available. Recommendations of the PVOs to AID included establishment of two new grant instruments:</p> <ul style="list-style-type: none"> -- Sustaining Development Grant -- would cover all categories of costs including overseas operational items, training, evaluation, overhead, and administrative expenses. -- Transition Grant -- follow-on DPG type grant for approximately twelve PVOs which would not have completed their institution building task. <p>PVOs also recommended:</p> <ul style="list-style-type: none"> a. DPGs not be limited to current 33 DPG grantees. (To meet this need PVC developed the Management Services Support (MSS) Grant category in which grants are made to PVOs to provide DPG type assistance to other PVOs); b. PVOs need to organize themselves better; c. AID need to organize itself better for its relationship with PVOs; d. AID should increase amount of funds channeled through PVOs; e. Separate Institute or Government Corporation outside AID to support PVOs was discussed.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
February 11, 1977	Letter to Senate Committee on Appropriations Subcommittee on Foreign Operations	John E. Murphy, Acting Administrator	AID responds to September 1976 House/Senate Appropriations Conference Committee Report that a fixed formula for financial support "should not be the sole determinant of dependency."
March 1977	<u>Audit of Development Program Grants (DPGs) to PVOs as Administered by PHA/PVC (Draft Report)</u>	AID's Area Auditor General/Washington	<p>Audit states that there exists a need for well-defined, explicit criteria for use in determining PVO eligibility for DPG grants. PVC follows a philosophy by which DPG grants are justified as long as they strengthen the role of PVOs by permitting them to take new initiatives in developing programs. This standard is insufficient by itself. The absence of firm criteria is resulting in:</p> <ol style="list-style-type: none"> a. DPGs being made without full agreement of AID offices concerned. (One AID office expressed objections on the grounds that a specific PVO had already developed a high level of technical expertise. Also PVC made a DPG to a PVO in the face of adverse findings contained in pre-award grant survey.) b. Insufficient attention being given to PVOs long term viability. The most important criterion for selection of PVOs to receive a DPG is that they must demonstrate ability to carry on their improved capability without AID funding. However, the recent Crystal City Conference recognized continued financial dependence of PVOs on AID. The widespread existence of this condition negates one of the key criteria of the DPGs. An explicit set of criteria together with demonstrable evidence to live up to these criteria would help screen out PVOs of questionable viability.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
March 11, 1977	<u>AID's "New Directions" with Private and Voluntary Organizations</u>	Judith W. Gilmore, PVC Office	<p>The Auditor General also recommended that PVC inform USAIDs of their specific roles with respect to program/project identification by PVOs and the need to insist on conforming with overall U.S. interests in a given area.</p> <p>This monograph served as a backdrop for policy discussions of the AID/PVO program which PVC initiated in the spring and which culminated in the February 8, 1978, Action Memorandum for the Administrator.</p> <p>Paper recommends AID relinquish its control over PVO programs and establish mechanisms which are more responsive to private and voluntary character of these organizations. Alternative funding and institutional arrangements need to be considered. Recommended three options, not mutually exclusive:</p> <ol style="list-style-type: none"> 1. A reinvigorated Advisory Committee on Voluntary Foreign Aid. 2. Internal AID reforms advocated as follows: <ol style="list-style-type: none"> a. a separate chapter, line item or title in FAA for PVOs; b. a separate bureau in AID established centralizing all PVO policy, PVO programs, and PVO funding; c. a higher level of PVO funding. 3. Establish a private institute or foundation for PVO programs outside of AID.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 1, 1977	PVOs testify before the Congress	Congressional Record (Senate)	<p>Senator Hubert Humphrey submits statements of representatives of three PVOs before his Foreign Assistance Subcommittee in the Congressional Record: C. Payne Lucas (Africare), Thomas Fox (Volunteers in Technical Assistance "VITA" and Chairman, Private Agencies Collaborating Together "PACT"), and Edward Bullard (Technoserve). Their recommendations included:</p> <ol style="list-style-type: none"> 1. Increased funding for PVOs. 2. AID's financial support to PVOs should be general and broad-based. 3. A separate Bureau of Private Developmental Assistance headed by an Assistant Administrator should be established within AID to maximize the success of PVOs. Mr. Lucas states that this would be a "one stop" place where all PVO assistance could be coordinated.
May 19, 1977	PVC FY 79 Annual Budget Submission Policy Review	PVC and Regional Bureaus	<p>PVC proposes new grant programs and a major increase in general budget support for PVOs from FY 77 operation of \$12.3 million to 40 PVOs to a proposed FY 79 stance of \$41 million to 30 PVOs. New grant programs proposed included:</p> <ol style="list-style-type: none"> 1. <u>Substantial Agency Assistance Grants</u> -- initially only to a few of the larger agencies (e.g. CARE, CRS, CWS, LWR, SCFCDF, WVRO). These grants would include administrative and project costs; it would consolidate all grants, contracts, etc. into one grant instrument; it would eliminate OPGs by the regional bureaus; eventually other PVOs would be included. 2. <u>Agency Assistance Grants</u> -- a new long term grant program on a sustaining basis proposed for ORT, YMCA, World Education, Planning

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
May-July 1977	Task Force on PVOs	Judith W. Gilmore, PVC Office, as Chairman; Regional Bureau Representatives as Task Force Members	<p>Assistance, etc., which have a high level of development expertise because of the DPG and their services are much in demand for which people are unaccustomed to paying. This grant program would pay for administrative costs, project planning, implementation and evaluation</p> <p>(a) a smaller Agency Assistance Grant program would be created for certain DPG holders, which are unable to assume the costs of the DPG after the expiration of the grant;</p> <p>(b) long term Agency Assistance Grants would be given to the Asia Foundation, IESC, etc. on a case-by-case basis.</p> <p>The rationale for core grants in the past was that although the organizations do not have large constituencies or membership, they provide valuable services to AID and the voluntary sector. Some of the agencies were created by the U.S. Government for a specific objective and others were assisted because of a legislative mandate. The FY 79 PVC ABS for the first time provided a single underlying rationale and consistent approach for providing core support.</p> <p>Regional Bureau comments on PVC budget was that the principle objective of support to PVOs is to get the job of development done in LDCs rather than to primarily help PVOs.</p> <p>Objective of Task Force was to have a fundamental reexamination of the philosophical premises of the PVO relationship ending with an options paper for the Administrator. Issues discussed for which options were prepared included:</p> <ol style="list-style-type: none"> 1. What is the primary purpose of AID's support for PVOs?

15.

DATE(s)

ACTION

AUTHOR/SPONSOR

POLICY/PROGRAM ISSUES

2. Organizational eligibility: What is a PVO?
3. Eligibility of indigenous PVOs for AID funding.
4. Program eligibility: Should AID-supported PVO activities in LDCs be confined to AID programming emphases as defined by AID Regional Bureaus or Missions?
5. AID review, approval, monitoring and accountability requirements of PVO programs.
6. Alternative funding mechanisms for PVO programs.
7. Levels of AID support:
 - a. appropriate mix of AID funding for PVO activities between field projects and institutional strengthening;
 - b. criteria AID should apply in determining that PVOs do not become overly dependent on U.S. Government funding for their budgetary support.
8. Optimal size for OPG projects.
9. Organization and coordination of AID-financed support to PVOs, e.g. PVO funding by one central bureau; PVC/regional bureau split or emphasis on regional bureau funding.
10. How AID can be structured to ensure policy and operational coordination in its relations with PVOs.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
June 28, 1977	An Analysis of AID's Grant Support of PVO Programs	Michael J. Snoddy	Report states that AID has not clearly articulated its objectives with regard to PVOs. Recommended that AID should fund only those PVO programs and projects when AID and the PVO have mutual program interests. Recommends that AID not establish a central bureau to manage its PVO programs. States that AID policy should reflect a view that decisions made by missions affecting PVOs are more informed than decisions made in Washington.
June 1977	Action Memorandum for the Administrator	Administrator Gilligan	Administrator approved policy delegating authority to USAID Missions to approve OPGs up to \$500,000 life-of-project funding.
May-September 1977	Proposed "Sustaining Agency Assistance Grant" to World Education (WEI)	PVC Office	PVC proposes to provide continuing core support for project funding to WEI via a General Support Grant. For FY 78 AID's share (including OPGs) would be 82% of the total WEI budget. Simultaneously, PVC in its ABS submission, states that 17 PVOs are targeted to receive "Agency Assistance" type grants. Regional bureaus refuse to clear WEI grant. Policy issue taken to DA/AID, R. Nooter. Nooter concluded September 1977 meeting saying he would study the matter but AID already had six PVOs mostly AID funded, and we did not need a seventh. Mr. Levin, AA/PHA, states question is not whether WEI should receive general support funds, but one of direction for the Agency in its dealings with PVOs. In a September 27, 1977, memo PHA states that AID needs to examine how we can support over the long term PVOs which are providing useful services to AID without undermining their voluntary nature and their style of operations. Since the direct and indirect costs in OPG projects can never sustain

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
December 1977	<u>Appraisal Report on Utilization of Private and Voluntary Organizations in AID-funded Development Activities</u> (Draft)	Auditor General's Operations Appraisal Staff	<p>central programming and new project development, how can an agency such as World Education, without a long-standing and reliable public constituency base raise the necessary funds for these purposes? What kind of grant mechanism can be developed to avoid excessive "dependance" on the U.S. Government and at the same time provide enough flexibility and stability to cover the necessary general support requirements of certain organizations?</p> <p>(Footnote: PVC began to provide general grant funds to WEI beginning August 77 "while issue of general core support funding was being resolved by AID." In April 1978, WEI received the newly established Institutional Development Grant from AID.)</p> <p>Purpose of study was to address long standing policy problems of ambivalent relations between AID/W and the PVOs. Auditor General surprised to find AID has had an ill-defined position towards PVOs since 1972.</p> <p>Findings included:</p> <ol style="list-style-type: none"> 1. AID lacks an operationally useful definition of a PVO; Auditor proposes limiting the notion of U.S. PVOs to those falling under Sections 501(c) (3) of the IRS Code; those which do not receive at least 20% of their overseas support from private U.S. sources would be removed from PVC responsibility, and not be eligible for OPGs or matching grants. The element of private and voluntary contributions is key element in differentiating among PVOs and determining eligibility for AID grant financing.

DATE(s)ACTIONAUTHOR/SPONSORPOLICY/PROGRAM ISSUES

2. Most PVOs receiving DPGs and OPGs have moved from relief to micro-development.
3. Matching Grant program would be established with virtual autonomy for PVOs able to qualify; would be outside the purview of regional bureaus and missions; would be centrally funded; whether AID funds be divided between overhead and program costs would be negotiated.
4. Capacitating Grants program would be created as a modified DPG program to be phased out over five years, be limited to Section 501 (c) (3) PVOs and those raising 20% private money.
5. PVC would administer NO general support grant whether labeled "core," "consolidated," "sustaining," or "institutional" grants. These PVC managed general grants threaten to create dependency. (PVC data show an intent to obligate \$20 million for such grants in FY 78 to 24 PVOs.)
6. Centralized v decentralized: a central PVO office? PVOs have proposed a one-stop funding office in AID from which they would engage in a partnership dialogue. No magic solution to this debate. Under guise of "partnership" with AID PVOs would have AID use its funds to close gap between PVO capacity for performance and PVO capacity for private fund raising. From PVO point of view, issue is not one of dependency but dependability on AID. AID needs to focus on basic issue of PVOs as AID instrument and AID as a resource to PVOs.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
January 6, 1978	Memorandum for the Assistant Administrator, Bureau for Program and Policy Coordination (AA/PPC)	AID Administrator, John J. Gilligan	<p>7. Organizations such as cooperatives, which cannot raise funds from private sector would be viewed and utilized primarily as instruments in implementing AID-determined programs.</p> <p>8. In field report, Auditor found that the more effective and significant projects were those where the PVOs and USAIDs collaborated on project development and maintained continuing dialogue during project implementation.</p> <p>Administrator directs AA/PPC to establish Working Group to develop an AID policy on PVOs by January 27, including (a) establishing an operational definition of PVOs, and (b) to what extent AID's financial support to PVOs should be related to a PVO's ability to raise funds from the private sector.</p>
February 8, 1978	Action Memorandum for the Administrator from DA/AID, Robert Nooter (Memo was approved by Mr. Nooter)	Memo drafted by Bureau for Private and Development Cooperation (AA/PDC). (Auditor General, in comments on Action Memo, expresses surprise to be reading a paper prepared by PDC since the Administrator requested that the policy be prepared by PPC, largely because it would be a disinterested party.)	<p>Approved policies included:</p> <ol style="list-style-type: none"> 1. A new PVO definition (to determine <u>eligibility</u> for AID grant programs (not for registration purposes), requiring an organization to raise 20% of its resources from the private sector. Organizations which do not meet this definition would be eligible for AID contracts, but would not be eligible for OPGs or any form of central support except as noted in #2 below. 2. Organizations which rely almost entirely on AID funding (Cooperatives, OICI, IESC, VITA, Meals for Millions) would not be PVOs. (A separate task force which was to recommend to the Administrator how to deal with their future never met.)

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
February 10, 1978	Conference for AID-related Private and Voluntary Organizations	AID and PVC Office	<ol style="list-style-type: none"> <li data-bbox="1260 241 2114 403">3. PVC authorized to discuss concept of a matching grant to support specific development oriented program which would be broader than specific projects (re OPGs) but more targeted than general support. <li data-bbox="1260 436 2083 598">4. Management Development Services, to provide management's assistance to small PVOs who do not warrant separate DPG grants, would be continued. However, New Transcentury, et al, would not be considered PVOs. <li data-bbox="1260 631 2114 826">5. A new "Institutional Development Grant" program was approved to provide three to five year transitional funding to (a) PVOs unable to sustain their programs at the expiration of the DPG and (b) a few PVOs which never received DPGs. <li data-bbox="1260 859 2098 1053">6. Grants to Consortia -- i.e. PACT, CODEL, NCIH, CCSH -- would be continued and funded through Matching Grants or Institutional Development Grants. The assumption that the consortia would leverage funds for overseas development from <u>small</u> private agencies has proven correct. <li data-bbox="1260 1087 2048 1209">7. OPGs were to be limited to activities in AID recipient countries, while centrally funded PVC general support would not be subject to such a restriction. <p data-bbox="1188 1242 2083 1338">At this conference the policies approved in the February 8, 1978, Action Memorandum for the Administrator were reviewed and explained.</p> <p data-bbox="1188 1371 2066 1462">Important emphasis made at the conference by Administrator Gilligan and Deputy Administrator Nooter included:</p>

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			<p>1. <u>Matching Grants</u>: AID decided not to go forward with a matching grant program related to a PVOs general activities or one on an additive basis where the PVO would have to prove additionality in raising additional funds.</p> <p>The Matching Grant concept proposed is an overseas program matching grant. It would be for those PVOs which have achieved institutional self-sufficiency. The matching grant would be an intermediate step between an OPG (which would be more specific, detailed and projectized) and a completely unprogrammed support grant (which would be at the other end of the line). AID would not cover the organizational costs of PVOs under a matching grant. AID's intent is to provide expanded support for overseas programs consonant with the FAA. AID's assumption is that you are an ongoing institution and you have an overhead you are supporting. Therefore, AID would not go beyond an overhead factor on the overseas development activities. The matching grant would not be designed to directly support the home office staff.</p> <p>The PVO's matching grant proposal would be centrally funded and reviewed with some regional bureau clearance.</p> <p>2. <u>Collaborative Arrangement</u> -- Mr. Nooter stated that the OPG mechanism provides a mechanism to meet the goal of collaboration with AID. The OPG mechanism has become the proven operational way in which we've been relating together and with some success.</p>

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
November 15, 1978	<u>Private and Voluntary Organizations in Foreign Aid</u>	Elliot Schwartz, Office of Management and Budget	<p>The report's major conclusion is that PVOs offer a potentially attractive alternative means for overcoming some of the current AID personnel constraints to increased bilateral development assistance program levels. Although the impact would be limited relative to AID's projected increase in funding, at the margin, AID could realize some personnel savings by reallocating resources toward central bureau funding of PVO programs. The report's major recommendation is that AID initiate a study of the feasibility of allocating a larger percentage of bilateral development assistance funds to the PVOs.</p> <p><u>Improving the Utilization of PVOs.</u> AID does not have a clearly defined policy of support for the PVOs in terms of how that support meshes with AID's overall program objectives. Specifically, AID needs to determine whether its support is for the independent programs of the PVOs or for the comparative advantages in delivery of Basic Human Needs (BHN) projects which the PVOs possess.</p>
March 30, 1979	Central Program Strategy Statement (CPSS) for the Bureau for Private and Development Cooperation	AA/PDC	<p>The CPSS, a newly established AID planning and resource allocation mechanism, is a five-year rolling document whose objective is to set forth an evaluable overall central bureau strategy framework, within which funding and program decisions can be made.</p> <p>PDC in its CPSS stated that the AID program with PVOs has several components:</p> <ol style="list-style-type: none"> <li data-bbox="1253 1301 2018 1356">a. grants in support of program activities of the PVOs; <li data-bbox="1253 1394 2055 1485">b. to a lesser extent, of the PVOs headquarters' ability to implement effective development programs;

23.

DATE(s)

ACTION

AUTHOR/SPONSOR

POLICY/PROGRAM ISSUES

- c. management assistance to PVOs;
- d. a focal point for resolution of matters affecting AID's relationship with PVOs;
- e. an information center, a public participation and advocacy point for PVO matters, within AID and to the general public;
- f. PVO registration;
- g. ocean freight reimbursement.

PDC's strategy called for a significant increase in support to PVO programs, most notably support which is administered centrally: from FY 1979 level of \$30.8 million to FY 85 level of \$85 million.

The issues paper for the Acting Administrator's review of the PDC CPSS prepared by the CPSS Review Group stated that it was difficult to determine what strategy PVC was pursuing. It was their consensus that the primary program direction of PDC was to continue to build up and to utilize the capacity of PVOs. Most of the PDC program activities were designed to further this goal. Also, the CPSS provided almost no information on what are the needs for PVO services in the regions.

Acting Administrator Nooter approved the CPSS on June 15, 1979, noting that the proposed Assistance Planning Level for PVC for FY 1981 was over 43% above the FY 1980 CP level, with the largest increase in the Matching Grant category. This is in line with the Agency's policy of increased commitment to this new program area. However, an appropriate rate of increase beyond FY 1981 was not decided during the CPSS review. Although it was suggested by PPC that, given our commitment to this program, the proposed FY 1985 level was too low and might need to be substantially higher,

<u>DATE(S)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
November 1979	<u>An Analysis of AID Relation- ships with Indigenous Private and Voluntary Agencies*</u>	Loren Finnell, Private Consultant to PDC/PVC	<p>possibly reaching \$50 million by 1985, the consensus was that we have not yet had enough experience with the Matching Grant program to evaluate how fast and to what level it should increase.</p> <p>Mr. Finnell reviewed AID's current relationship with Indigenous PVOs (IPVOs) and made specific recommendations for further AID action. He concluded that AID <u>should</u> make a concerted effort to provide assistance to the IPVOs, but that it should <u>not</u> attempt to duplicate the role of other participants in the development process, i.e. PACT, ATI, CODEL and many non-U.S. sources which are already responding financially to considerable numbers of IPVOs. Mr. Finnell recommended:</p> <ol style="list-style-type: none"> 1. that AID consider <u>direct</u> support to a limited number of larger IPVOs (having a minimal annual budgetary level of U.S. \$1 million) and that these direct grants be centrally funded by PDC/PVC; 2. that USAID's be delegated authority for registering IPVOs; 3. that AID continue funding those PVOs (i.e. PACT, ATI, CODEL, SOLIDARIOS, etc.)-making sub-grants/loans to IPVOs; 4. AID financial support for management services to IPVOs should be increased to the maximum extent possible.

*The Asia Bureau dissented from the Finnell report:

(1) Mr. Frederick Schieck, DAA/ASIA, noted that Mr. Finnell was a PVO employee for 13 years and most recently (until 1979) employed by PACT, a PVO organization which would be affected by whatever policy AID adopts regarding IPVOs. Mr. Schieck stated that he didn't feel comfortable that the best interests of AID as a public entity were being served in this situation; (2) Mr. Schieck disagreed with Mr. Finnell's criteria for determining IPVO eligibility for direct AID grants (those IPVOs with minimum \$1 million annual budget) since very few IPVOs can raise such sums. Mr. Finnell's proposal would effectively eliminate AID from a direct relationship with most IPVOs. What's left is the proposition that AID channel funds for IPVOs through US PVOs which accords with Mr. Finnell's finding that US PVOs object to AID establishing direct financial links with IPVOs.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
January 1980	Report to Congress on the <u>Current Status of the AID/PVO Relationship</u>	U.S. International Development Cooperation . Agency/Agency for International Development	<p>This report outlined the evolution of the AID/PVO relationship. It discussed lingering questions and problem areas and provided the IDCA perspective to an International Development Institute under IDCA to support PVOs.</p> <p>AID and IDCA conclude they would not recommend separate institute because:</p> <ol style="list-style-type: none"> 1. Most of the problems are solvable within the current structure or would not be significantly affected by the creation of a new U.S. Government-funded structure; 2. A separate institute might impair much useful collaboration and communication, even in the field; 3. There is no apparent consensus now among the PVOs that an institute is the most desirable solution to the problem and tension points. <p>(In a November 16, 1979, memorandum, AA/PDC C. Raullerson states that while he is not now advocating an institute, he feels there is a strong argument in support of a strengthened and differently structured PVO program. PDC/PVC proposes an annual set aside or line item of funds restricted to PDC/PVC grants and OPGs where AID deliberately seeks to promote the special character and independence of the PVOs and which simultaneously supports those aspects of the PVO program which simply should not compete with AID's bilateral program. At a November 19, 1979, Assistant Administrator's meeting with A/AID, the consensus went against a separate line-item.)</p>

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 24, 1980	Ocean Freight Program Evaluation	Development Associates, Inc.	<p>Evaluation states that the principal concern of Congress four years ago was to establish a system of priorities to ensure that limited funds would be used for maximum impact in the more critical areas of development, relief and rehabilitation. In the intervening four years AID and the PVOs have been unable to produce a consensus on the criteria and priorities for the program.</p> <p>The data contained in this evaluation cannot provide concrete answers to the questions of funding and justification because there is <u>no policy framework in which to organize the analysis or qualify the study variables.</u> But, the overriding issued based on the key questions and available data is what criteria should be established or what process instituted in light of increasing demand and decreasing or limited resources. This issue is critical to the planning and programming of both AID and the PVOs and each should attempt to cooperatively reach an agreement on planning and budgeting.</p> <p>Findings of study also included:</p> <ol style="list-style-type: none"> 1. that the bottom low income countries classified by per capita income level receive the lowest percent of reimbursed freight costs; 2. the program has been effective in terms of Section 123(b) FAA. 3. Five PVOs received 77 percent of the total reimbursement costs; 27 other PVOs received the remaining 23 percent.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 1980 - January 1981	Monitoring of PVO Grants		AA/ASIA, John H. Sullivan cites several instances of gross mismanagement by PVOs of AID grants and notes conflicting Agency guidance between Handbook 13 and Handbook 17 on responsibility for monitoring centrally funded Washington grants. Are USAIDs or AID/Washington responsible for monitoring? AA/ASIA requests Administrator discuss subject of monitoring responsibilities at special senior Agency management meeting. Administrator issues broad management tenants for monitoring such grants in December 1980. PDC/PVC issues specific guidance to Missions on monitoring responsibilities for PDC/PVC grants to PVOs on January 22, 1981 (State 16729). PVC states that principal responsibility is vested in the respective project officers in PDC/PVC.
May 11, 1980	Senate Report	Senate Committee On Foreign Relations	The report stated that the "Committee has, on numerous occasions in recent years, sought to give prominence to the partnership role with AID which U.S. private and voluntary organizations (PVOs) and cooperatives are to play in advancing the "New Directions." ". . . In 1978 the Committee added a new Section 123 to the Foreign Assistance Act which recognized the PVOs' as an important means of mobilizing private American financial and human resources.' The Committee found it to be in the national interest for the PVOs and cooperatives to 'expand their overseas development efforts' using federal funds 'without compromising their private and independent nature.' The Committee also expressed concern that AID should better facilitate the work of PVOs in light of testimony in 1977, 1978 and once again this year, which has reinforced the view that the creative potential of such organizations remains underutilized.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
November 20, 1980	Amendments to FAA	House/Senate Conference Report	<p>"The Committee wishes to state its ongoing concern that the Administration give fresh attention to revised structural arrangements not only to serve the needs of the PVOs and cooperatives, but also to enhance further their potential as effective development instruments."</p> <p><u>Project Preparation</u>: Permits AID to fund part of the cost of project preparation activities of PVOs. Such reimbursement will be made only if necessary and on a case by case basis (Section 307(1) FAA).</p> <p><u>Agency Procedures</u>: Directs AID to simplify procedures for development and approval of projects to be carried out by qualified PVOs (Section 307 (2) FAA).</p> <p><u>Country Prohibitions</u>: Permits PVO activity to continue in countries where prohibitions on U.S. assistance have subsequently become applicable (Section 307 (3) FAA).</p>
January 1981	<u>Alternative Grant Models</u> (A study of Canada's pro- gram in support of PVOs)	Patrick F. Morris, Consultant to PVC	<p>The purpose of the study was to identify potential new approaches to the way AID, as a donor Agency, relates to PVOs. PVC was particularly interested in the bloc grant or Agency Project Fund (APE) approach used by the Canadian International Development Agency (CIDA) to fund PVOs (in Canada, Non-Governmental Organizations NGOs).</p> <p>CIDA makes generally two types of grants to NGOs:</p> <ol style="list-style-type: none"> 1. <u>Project Grants</u>: It has been the primary mechanism for CIDA's support for Canadian NGOs since the NGO division was created in 1969.

DATE(s)ACTIONAUTHOR/SPONSORPOLICY/PROGRAM ISSUES

2. Bloc Grant or Agency Project Fund (APF): The bloc grant covers a multitude of projects carried out by an NGO with an established track record (while the project grant covers only one project). Since its establishment in 1978/79, eleven APF grants have been made accounting for \$7.2 million or eleven percent of the NGO budget. The bloc grant funds a NGO which has a portfolio of projects (\$50,000 or smaller) totalling at least \$200,000. Individual project review is eliminated for projects under \$50,000. Projects over \$50,000 are reviewed and approved separately. A safeguard of the system provides that if CIDA, on the advice of a Mission, does not want to support a particular project, the NGO is required to finance it completely from its own resources.

Findings of Morris Study:

1. CIDA does not normally support administrative expenses of NGOs except as part of a development project where no more than ten percent of any grant can go for administrative costs (even here the NGO must match 50 percent of the administrative costs).
2. All projects are subject to matching requirements: NGO one to CIDA three for all projects under \$100,000, one to one for all projects over \$100,000.
3. Individual CIDA officers responsible for specific NGOs. Therefore NGOs have a single point-of-contact in CIDA.
4. Project auditing has become a bone of contention in the NGO community.

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			<p>5. Grants are awarded and monitored from Canada. Project proposals over \$50,000 are submitted to field Missions which can register their objections if they have any.</p> <p>6. Project funding is for one year.</p> <p><u>Recommendations to AID:</u></p> <p>1. AID build into our Matching Grant program an ex post rejection of projects.</p> <p>2. Create a single point of contact within AID for PVOs.</p> <p>3. Simplify standard terms and conditions of grants including procurement regulations.</p> <p>4. Build a consensus within AID and the PVO community in applying strict developmental criteria for AID-funded projects.</p>
May 15, 1981	Committee Report	Senate Committee on Foreign Relations	<p><u>PVO Line Item:</u> The Committee adopted an amendment introduced by Senator Pell directing AID to channel not less than sixteen percent of the AID program budget through PVOs. This would mean an estimated \$240 million in FY 82, as compared with an estimated \$220 million, or thirteen percent, in FY 81.</p>
May 19, 1981	Committee Report	House Foreign Affairs Committee	<p><u>PVO Registration Policy:</u> The Committee notes with concern the number of agencies registered with AID as PVOs and yet receiving very little financial support from the private sector. At least thirty PVOs registered with AID receive more than 80 percent of their total funding from AID. Committee urges AID to be more stringent in registering groups as PVOs.</p>

<u>DATE(s)</u>	<u>ACTION</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
September 1981	PVO Registration Policy	Kate Semerad, AA/FVA	<p><u>Ocean Freight Reimbursement:</u> The Committee urges AID and the PVOs to cooperate in developing a cost-sharing approach to the ocean freight reimbursement program. Such an approach, the Committee believes, would increase the scarce resources available for shipping commodities overseas by mobilizing private resources to help meet the demands for ocean freight requests.</p> <p>Ending over two years of internal AID debate, an Action Memorandum on PVO registration policy has been sent to Administrator McPherson for his expected approval. The new policy will, for the first time, establish a standard to measure the "privateness" of an organization. It will be <u>required</u> that at least twenty percent of an applicant's cash income come from private U.S. sources. Currently registered PVOs would be allowed a three year phase-in period to meet this new requirement.</p>

Attachments:

- A. AID Policy Formulation on Cooperatives
- B. AID Policy Formulation on Matching Grants

A.I.D. POLICY FORMULATION ON
COOPERATIVES*

Governing Legislation

Section 123 (a) F.A.A. in 1978, declares a public policy in favor of public subsidies to supplement private financial resources in order to expand the overseas development activities of PVOs and cooperatives without compromising their private and independent nature.

Section 111 F.A.A. directs that high priority be given to the development and use of cooperatives in developing countries which will enable and encourage greater numbers of the poor to help themselves toward a better life.

Section 601 (a) F.A.A. also encourages the participation of cooperatives in the implementation of U. S. Government foreign assistance programs.

*This section refers to the six U. S. cooperative development organizations which receive institutional support grants from A.I.D.:

- (1) ACIDI - Agricultural Cooperative Development International
- (2) CHF - Cooperative Housing Foundation
- (3) CLUSA - Cooperative League of the United States of America
- (4) CUNA - Credit Union National Association
- (5) NRECA - National Rural Electric Cooperative Association
- (6) VDC - Volunteer Development Corps

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 1978	Wingspread Conference	Agricultural Development Council	<p>The Wingspread Conference reviewed the role, objectives and funding support for U. S. cooperatives. Scholars, donor agency representatives, cooperative leaders of the U. S., Europe and the Third World were participants. The conclusions drawn from that exercise include:</p> <ol style="list-style-type: none"> 1. That there is indeed a role for American (and other foreign) cooperatives to play in LDC development, but that the fit must be carefully made; 2. That cooperative development should be recognized as a long-term process and that U. S. Government and cooperative movement commitments must be of a longer term nature than has been common in the past; 3. That U. S. (and other foreign) cooperatives have served best in providing technical assistance to already organized native cooperatives, to national confederations, and to regional cooperative organizations; and, as a corollary, have done less well at organizing local cooperatives and cooperative movements in the LDCs; 4. That A.I.D. and the American cooperatives should place new emphasis on direct cooperative to-cooperative relations and less on cooperatives as instruments of government-to-government aid programs;

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			<p>5. That U. S. Government support should be provided in a manner that leaves maximum flexibility in the hands of the cooperatives;</p> <p>6. That U. S. Government support should not in the long-run be the sole financial basis for direct cooperative-to-cooperative relations. An increasing part of the cost should be raised from within the American cooperative movement itself.</p>
June 1, 1978	Committee Report	House Appropriations Committee	<p>The Committee expects AID to place a high priority on credit union development activities in regional and country program planning. In doing so, it should be indicated that credit union development projects: (1) frequently require long-term funding commitments; (2) require work with a broad cross-section of both urban and rural groups; and (3) require increased support not only to local and national credit union organizations but to regional and international credit union organizations as well.</p>
May 11, 1979	Committee Report	Senate Committee on Foreign Relations	<p>Over the years, the Committee has become convinced of the important role which cooperatives can play in development assistance efforts overseas.</p> <p>Therefore, the Committee is concerned that, although some progress has been made in providing cooperatives with the kind of support required, there appears to remain a tendency within AID to regard cooperative activities as being outside the mainstream of U. S. development assistance efforts.</p>

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			Support of cooperative development activities should be expanded further by AID through existing and new funding mechanisms. Operational Program Grants have proven to be one effective means of supporting such activities, and funds provided through such grants should be substantially increased. Core Support grants should be provided for the U. S. cooperative development organizations in a manner which will assure the increased availability of the technical assistance and project management capabilities represented by these on a renewable basis for a minimum of three to five years. Further consideration of a small loan window and/or special cooperative development fund which would provide loans and grants of up to \$1 million for cooperative organizations overseas would be highly desirable.
May 18, 1979	An Assessment of Selected Cooperative Development Projects In Africa and Asia	John R. Shaffer, Consultant	<p>Observations:</p> <ol style="list-style-type: none"> 1. Coop projects visited were on target in terms of their project goals; 2. Modus Operandi: staffs of coop development organizations were only in direct touch with and/or directly involved with the poor to a limited degree. Generally, little was going on to contribute to the building of a primary coop infrastructure at the grass roots level. There is a need for this. However, U. S. coops disagree on whether they have a role in organizing primary coops;

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			<ol style="list-style-type: none"> 3. Quality of coop staff is uniformly high: U. S. coop staff generally do not have local language competency. General problem noted that there is no training program to address lack of trained managerial staff in LDCs; 4. Support received by coops from U. S. headquarters was good; 5. USAID staff comments on quality of coop development staff and relationships with missions were very positive. Because of turnover in USAID staff, coops had to periodically orient new AID staff on coop activity. <p>Conclusions:</p> <ol style="list-style-type: none"> 1. Projects visited represented a reasonable and effective use of tax money; 2. There was little sense of an overall strategy within the cooperative development organizations for development of primary cooperatives.
March 7, 1980	Report to the Congress on Cooperative Development Activities FY 78 - FY 81	A.I.D.	A.I.D. submitted this report at the request of the Senate Foreign Relations Committee. The report noted that A.I.D., between FY 78 and FY 81, will have engaged in 207 cooperative projects totalling approximately \$135 million in AID funding.

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
March 30, 1980	AID Policy on Cooperatives	Action Memorandum for the Administrator	<p>After over a year of debate, the Administrator approved a new policy on "AID - U. S. Cooperative Relationships." The new policy:</p> <ol style="list-style-type: none"> 1. Encourages U. S. cooperatives to relate directly to developing country cooperative counterparts on a cooperative-to-cooperative basis and will support this effort beyond the framework of the usual government-to-government bilateral programs; U. S. coops should decentralize their international headquarters staffs to LDCs. Coops can work in non-A.I.D. countries; 2. Institutional support to U. S. coops will be centrally funded (AID will use PVO "matching grant" review procedures to review coop country program activity.) U. S. coops will not need U. S. government approval for specific activities, for travel and for other aspects of the work; 3. Continuing use of coops through OPGs or as a resource in our bilateral programs (application of the collaborative assistance method - Policy Determination 65 - will be extended to the coops); 4. The success of this policy requires an expanded commitment of financial resources by U. S. coops on a cost sharing basis, the details to be agreed with the cooperatives; <p>Asia Bureau dissented from the proposed policy citing: (1) Invalid assumptions underlying the policy that coops can go it alone through provision of technical assistance without the broader support</p>

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 16, 1980	Committee Report	House Foreign Affairs Committee	<p>of A.I.D. particularly for large scale funding. While the coop policy states that the coops must raise funds to support their activities, nothing is said regarding order of magnitude. In the absence of evidence that the coops can raise funds, AID will continue to bear the burden of funding these programs; (2) AID missions are improperly taken out of the <u>primary</u> review process and decisions will be made centrally.</p> <p>The committee strongly support AID's recent decision to establish a collaborative assistance method for the U. S. cooperative development organizations and to encourage U. S. cooperatives to relate directly to developing country cooperative counterparts on a nongovernmental basis. Greater availability and flexibility in the use of operational program grants would, in the committee's judgement, improve AID's effectiveness in achieving this objective. It also believes that the International Development Cooperation Agency (IDCA) and AID should further study the need for a small loan and grant window, and/or a special cooperative development fund, for U. S. cooperatives participating in overseas development work.</p>
April 28, 1980	Improvement In Cooperative Development Requires Concentration on Critical Factors Affecting Success (Draft)	G.A.O.	<p>AID has had some success in its cooperative development activities GAO reviewed in the Philippines, Paraguay, and Liberia. The record of success in these countries, however, does not establish cooperative development as a consistent and successful method for helping the poor.</p>

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			In planning and carrying out cooperative activities, AID needs to give more attention and oversight to the many factors affecting project success. These factors include viability of local institutions, purpose of the cooperative, membership training, cultural traditions, and economic environment.
August 1980	FY 82 Annual Budget Submission	PVC	A proposal by PVC to establish a cooperative development fund was approved to implement the Agency's new cooperative policy of March 1980. The cooperative development fund will finance proposals of U. S. cooperatives for cooperative-to-cooperative activity in LDCs on a cost-sharing basis with A.I.D. An important reason for AID's establishment of the cooperative development fund was to encourage U. S. cooperatives to begin to raise funds from their U. S. members. (To date AID has received a few proposals from U. S. coops and no acceptable proposals to use the cooperative development fund.)
October 1980	Assessment of Cooperative Development Organizations	Development Associates, Inc.	This study examined the relationship between AID and the six major cooperatives as expressed in Institutional Support Grants awarded to them. Findings included: 1. Coops have good program staff; 2. Institutional Support Grants were effective for establishing and maintaining a coop

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			development expertise used by A.I.D.;
			3. A.I.D. missions responded positively to coops; but coops were rated low on: (a) increasing number of coops at the local level; (b) improving the operations of the cooperatives at the national level;
			4. A common criticism of the coops, except FCH, was that they lacked an institutionalized policy that in their AID supported work they were committed to serving the poor (coops will be expected to have such a policy when AID makes future grants to them).
			5. The new AID coop policy encourages coops to decentralize their staffs overseas; however, the Development Associates questioned cost effectiveness of this.
			6. Institutional Support Grants to cooperatives should be more specific in their objectives.
			7. <u>Fundraising</u> - AID was cautioned that such capabilities won't be developed overnight. It was recommended that AID fund the coops as a consortium for the costs of staff needed to develop and implement a fundraising campaign.
			8. <u>Evaluation</u> : Coops don't have evaluation systems which (a) deal with program quality and effectiveness; (b) assess impact.

A.I.D. POLICY FORMULATION ON COOPERATIVES

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
June 1981.	Analysis of the Cost-Sharing Potential of AID-Supported U.S. Cooperative Development Organizations	Michael Washburn And Associates, Consultant to PVC	<p>The contractor prepared a report analyzing the issues raised by the new A.I.D. policy on cooperatives (approved March 30, 1980) which states that its success depends on an expanded commitment of resources by U. S. cooperatives on a matching grant basis.</p> <p>Conclusions and recommendations:</p> <ol style="list-style-type: none"> 1. <u>Attitudes</u>: Coops (except CUNA) generally have negative attitudes towards fundraising which are deeply imbeded. U. S. coops are more like contractors and less like PVOs; they are businesses, not charities. 2. <u>Fundraising</u>: Contractors conclude that substantial potential exists for raising a significant amount of contributed income; 3. <u>Financial Expectations</u>: <ul style="list-style-type: none"> FY 82: \$500,000 - \$1 million FY 83: \$1 million - \$1.5 million FY 86: \$3 million - \$6 million 4. <u>Policy</u>: (a) Coops are uncertain regarding whether AID will reduce funding for core support; coops should view cost-sharing as an opportunity, not a threat; (b) AID guidelines for the cost-sharing program should be kept simple; (c) AID policy restricting giving support to coops to develop fundraising capacity is a major obstacle to tapping resources of the coops. (This is a legislative restriction which would have to be changed by the Congress).

POLICY FORMULATION ON MATCHING GRANTS (MGs)

To understand the evolution of the Matching Grant Program the reader should also refer to the main section of this "Historical Perspective" noting particularly the:

-- February 8, 1978 Action Memorandum for the Administrator

and the

-- February 10, 1978, Conference for AID-related Private and Voluntary Organizations.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
June 9, 1978	Action Memorandum For The Administrator	Anthony M. Schwarzwaldler, AA/PDC (Acting)	<p>Administrator Gilligan approved a new policy establishing a Matching Grant (MG) program for PVOs.</p> <p>Matching grants have two prime objectives: (1) to expand the development activities of those PVOs which have been successful in responding to the basic human needs of the poor; and (2) to stimulate increased private support for these overseas programs.</p> <p>A.I.D. funds would be provided for a discrete overseas development program in a particular functional or geographic area. The program proposal would provide sufficient information to permit a reasonable review of future activities and assure field missions and Congress that the activities are consistent with our legislative priorities. Countries where activities are to be carried out should be specified, but individual projects do not need to be described in the same detail as in the case of an OPG.</p> <p>Matching Grants should be made available to PVOs with established credentials (track record of performance) and sufficient private resources to match the A.I.D. contribution on a one-to-one basis (cash). Matching Grants will be made for up to three years and for a maximum of \$1,000,000 per year for any one agency.</p> <p>A.I.D. will pay indirect costs (overhead) on Matching Grants to PVOs.</p>

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
June 27, 1978	"Dear Colleague" Letter to PVO Community	Anthony M. Schwarzwaldler, AA/PDC (Acting)	Announces MG program to PVOs; includes brief description of requirements including five criteria for MGs and approval procedures.
June 27, 1978	Background Paper AID Matching Grants	PDC/PVC	Puts A.I.D. MGs for PVOs into historical and issue perspective; quotes from various documents which dealt with MGs as they were being proposed, discussed and structured.
August 15, 1978	"Dear Colleague" Letter to PVO Community	John A. Ulinski, Jr. Director, PDC/PVC	Expands and clarifies MG program.
September 1978	Matching Grant Proposals	Luther World Relief and YMCA	Approved by AID with regional bureau clearances.
November 16, 1978	Memo to PDC/PVC, John Ulinski	Michael J. Snoddy, ASIA/DP	States Asia Bureau cannot clear Save the Children Federation (SCF/CDF) MG proposal as it does not meet Agency MG grant criteria. SCF's proposal states that the time under its Development Program Grant (DPG) has been inadequate to meet the objectives of the DPG and requests AID to provide additional resources to complete the institutionalization process. SCF requests \$3 million over three years. SCF proposes to hire 25 persons (most to be located in the U. S.) at a cost of \$750,000 for salaries and travel out of a total of \$1 million for the first year.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			<p>Asia Bureau states that SCF MG proposal is merely a three year extension of their DPG and is not a field oriented development program called for under AID's new matching grant policy.</p> <p>Based on Asia Bureau criticism, PVC requested SCF to revise its MG proposal. The revision was submitted in January 1979 and funded by PVC.</p>
November 23, 1978	Memorandum to PDC/PVC, Thomas Fox	Michael J. Snoddy, ASIA/DP	States Asia Bureau cannot clear Medical Assistance Program, Inc. (MAP) MG proposal as it does not meet Agency MG grant criteria.
November 23, 1978	AID Project Review Committee Meeting: re CODEL proposal for a matching grant	PVC and Regional Bureaus	CODEL proposal receives positive review by the Committee. However, DAA/PDC, T. Schwarzwaldner raises question as to why PVC proposes funding it as a MG instead of a consortia grant. T. Fox states that it should be a consortia grant. It doesn't exactly meet the criteria of a MG.
December 5, 1978	Memorandum to AA/ASIA, John H. Sullivan	Michael J. Snoddy	Cites confusion in Agency policy regarding the MG program and implementation of that policy guidance and procedures for review of MG proposals; States PVOs are unable to specify specific activities they plan to undertake in a particular country. Recommends that MG program be discussed at Dec. 8, 1978 Regional Assistant Administrator's meeting to clarify Agency policy.
December 15, 1978	Minutes of Regional AAs Meeting with the Administrator of Dec. 8, 1978	Administrator, Deputy Administrator, Regional Assistant Administrators	Discusses problems associated with MG program; GC states we need additional regulations on MGs. Sullivan states one MG proposal didn't list the countries in which it proposed to work. PDC admits

POLICY FORMULATION ON MATCHING GRANTS

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			the Save the Children Federation proposal wasn't sufficient; Administrator Gilligan states that it would be useful to review the procedures to see what is required of people and what is not. Regulations are needed the Administrator concluded.
December 22, 1978	Memorandum to DA/AID Robert Nooter	Calvin Raulerson, AA/PDC	Re-affirms language of June 9, 1978 Action Memo; lists criteria for MGs; lists three unresolved questions (promises answer by Jan. '79); Acknowledges that some of the PVO proposals received to date have not met the standards outlined in memo.
December 1978 - May 1979			Asia Bureau encourages PDC/PVC to send comprehensive guidance to field missions describing MG program since Missions have never been notified of MG program's existence.
January 5, 1979	Memorandum to PDC/PVC, Donald Parker	Robert Halligan AA/ASIA (Acting)	Clears Technoserve MG proposal for work in Latin America. States that we would need more data on Technoserve's plans should they wish to work in Asia since the work they propose in Latin America is of an institution building nature.
February 1979	Memorandum for AID/W Distribu- tion	Steven Bergen PDC/PVC	Establishes internal AID procedures for reviewing MG proposals (and other centrally funded grants).
March 9, 1979	Action Memorandum For The Deputy Administrator (Robert Nooter)	Calvin Raulerson AA/PDC	Requests DA/AID approval on several MG policy issues; States that it seems sensible to encourage PVOs to meet the match in cash. Establishes AID policy that first priority will go to organizations which can meet the match with cash. In-kind contributions

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			would be allowed as elements of the match however. Established additional criteria for MG proposals as guidance to PVOs as they prepare MG proposals.
March 15, 1979	Information Memorandum for the Deputy Administrator	Calvin Raulerson, AA/PDC	Lists steps agreed to at February 26, 1979 meeting with DA/AID. Among other things states that DA/AID encouraged PDC/PVC to be selective in seeking other bureaus clearances on action memos. While bureaus should always be consulted and informed, PDC/PVC need only seek clearances where the respective Bureau's direct interest and program is involved.
April 20, 1979	Memorandum For Assistant Administrators and Mission Directors	Robert Nooter, Acting Administrator	Provided first description of Matching Grant program sent to AID missions. Included a brief summary of the basic features of MG program.
May 9, 1979	Meeting	Thomas Fox and Michael Snoddy	Mr. Fox stated that since MGs only go to those PVOs with proven track records, the Agency didn't need as great of a review and oversight of a PVO's MG program as it does for the OPG program. Mr. Fox questioned the need and utility of mission review of MG proposals. Mr. Snoddy stated that only missions could make informed decisions on country specific proposals. Mr. Fox stated that he didn't mean this as a "threat," but a "constructive criticism" that unless the Asia Bureau changed its position regarding mission review of MGs that Acting Administrator Nooter would probably agree with him that missions do not have a role to play in the MG review process. Mr. Snoddy agreed that this important issue should be brought to Mr. Nooter for a policy decision.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
May 14, 1979	Action Memorandum For The Acting Administrator (Robert Nooter)	John H. Sullivan, AA/ASIA	<p>Memorandum was a follow-up to the May 9 Fox/Snoddy meeting.</p> <p>Memo states that Agency MG guidelines are unclear as to role and function of Regional Bureaus and Missions in MG approval process vis-a-vis PDC/PVC; cites questions needing resolutions; reviews Asia Bureau experience with Save the Children Foundation (SCF/CDF) and World Vision Relief Organization (WVRO) matching grant proposals to emphasize that earlier involvement in the review process by regional bureaus and missions would result in better MG proposals and faster approval of those programs.</p> <p>Requests Mr. Nooter convene a meeting with Regional AAs to discuss these issues. (Meeting with Mr. Nooter was not held with Mr. Nooter in lieu of May 25 meeting with Sullivan and Raulerson).</p>
May 23, 1979	Memorandum to AA/PDC, C. Raulerson and JAA/PDC, A. Schwarzwalder	Thomas Fox, PDC/PVC	<p>Defines key issues for May 25 meeting including:</p> <ol style="list-style-type: none"> 1. Isn't the matching grant program for PVOs substantially different from other centrally-funded programs, in terms of AID's appropriate role and control of the grantee? 2. Why is the Asia Bureau's understanding and/or handling and/or acceptance of the matching grant program significantly different from other Regional Bureaus? <p>Sketches ideal senerio including if MG is tentatively approved by PVC, proposal (with Action Memorandum, in some cases) would be circulated to relevant bureaus</p>

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
May 25, 1979	Meeting	John H. Sullivan, AA/ASIA Robert Halligan, ASIA/DP Calvin Raulerson, AA/PDC Thomas Fox, PDC/PVC	<p>for clearance and comment. Missions where significant activity under MG will take place will be specifically queried, to ensure overall compatibility with host country realities and for information. Final decision rests with PDC, unless Regional Bureaus and PDC can't agree on compatibility of PVO program with FAA in that Region/country.</p> <p>Participants agreed that Missions have a right to comment on MG proposals (but not to clear) and Regional Assistant Administrators would clear MGs on behalf of their bureaus.</p> <p>Asia Bureau reps stated that the April 20 Nooter Memorandum which outlined a "summary" description of the MG program did not contain all of the criteria and guidelines of the new MG program. The April 20 memo was not sufficient for missions to be able to make informed comments on individual MG proposals. The PDC reps stated that they felt the Nooter memorandum was sufficient guidance. However, PDC reps agreed the Asia Bureau could codify the various MG memoranda and forward it to its Asia Missions.</p>
July 14, 1979	Airgram to all AID Missions (AIDTO Circ A-172)	Fred Simmons, AA/PDC (Acting)	<p>Following DA/AID, Robert Nooter's April 20 memorandum, this airgram provided additional information describing the matching grant program to AID missions. It transmitted the Schwartzwalter letter to PVOs and the Background Paper entitled "AID's Matching Grants: A Summary Description" both dated June 27, 1978.</p>

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
August 10, 1979	Action Memorandum For The Administrator	Fred Simmons, AA/PDC (Acting)	<p>Administrator approves following changes in matching grant policy:</p> <ol style="list-style-type: none"> 1. <u>Eligible Matching Funds</u> -- Changed policy which required that the PVO's cash contribution come from private sources in two ways: <ol style="list-style-type: none"> (a) to permit a PVO to use host country government funds for up to ten percent of the total AID and PVO matching grant budget (in other words a PVO can use host country government funds for up to twenty percent of its share of the match); (b) funds from private entities which are partially funded by the U.S. Government like Private Agencies Collaborating Together (PACT) or Appropriate Technology International (ATI) might be counted as eligible non-Federal contributions by the PVO in the same ratio as the entity is funded by the government. For example, if PACT is funded eighty percent by AID, a PVO could allocate twenty percent of a PACT grant to its matching share. 2. <u>Functioning of the Match</u> -- Changed MG policy which had required a PVO to match the AID MG funds with its own on a pari passu basis (at an equal rate or pace each year). New policy provides for obligatory reconciliation of the match by the PVO only at the close of the (three year) grant period.

POLICY FORMULATION ON MATCHING GRANTS (MGs)DATE(S)ACTIVITYAUTHOR/SPONSORPOLICY/PROGRAM ISSUES

August 1979

Action Memorandum
for the Assistant
Administrator, PDC

Thomas Fox, PDC/PVC

3. Advance Notification of a PVO's Travel Intentions -- Eliminated policy which required the grantee to notify the AID project officer at least thirty days in advance of travel overseas.
4. Sub-grant Agreements -- PVOs making sub-grant awards do not need prior approval from AID.
5. U.S. Auditors and Sub-recipients -- Provides that AID Auditor General will take reasonable steps to coordinate scheduling and conduct of fiscal or program audits of non-U.S. sub-grantees with the U.S. PVO in advance.

AA/PDC approves \$2.6 million MG to World Vision Relief Organization (WVRO).

Action memo notes that although one MG criterion is that aspiring PVO grantees have an established track record in development, WVRO is still in the process of establishing such a record. The Asia Bureau concurred in the proposed matching grant with the stipulation that monies for years two and three be provided only after an evaluation of WVRO's performance under the MG. PVC concurred with this request in the Action Memo. (Evaluation of WVRO program was not conducted until eighteen months later in March 1981 after second year trauunch of funds had been made.)

Footnote: At a June 9, 1981 PVO Liaison Officer's meeting Tom Fox stated that, in retrospect, there were probably at least two PVOs, WVRO and Medical Assistance Program, Inc. (MAP), which did not possess an adequate track record to receive a matching grant.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
August 28, 1979	Requests AA/PDC, Calvin Raulerson clear cable to Asia Missions on MG criteria.	John H. Sullivan, AA/ASIA	<p>Cable was a follow-up to May 25 Sullivan/Raulerson meeting in which it was agreed that Asia Bureau would codify the various MG criteria for its Asia Missions.</p> <p>The cable codified in one place all of the Agency's criteria developed by PVC and used by PVC, the regional bureaus and the missions in receiving MG proposals.</p> <p>Recommends AA/PDC not clear cable in its present form.</p> <p>States that there is little value to yet another listing of already transmitted criteria for MGs. States that the Nooter April 20 memo and the AIDTO Circular A-172, dated 7/14/79, should be Agency basic reference points on MGs. Suggests that Missions only be asked for general country specific comments and recommendations on MG proposals or on the PVO.</p>
September 13, 1979	Memo to AA/PDC, Calvin Raulerson	Thomas Fox, PDC/PVC	<p>Mr. Raulerson does not clear Asia Bureau cable. States that we have provided field missions with enough guidance on MG program. Suggests PDC and Asia get together to discuss Tom Fox's concerns. Offers assistance in redrafting cable.</p>
September 14, 1979	Memo to AA/ASIA, John H. Sullivan	Calvin Raulerson, AA/PDC	<p>The topic of the conference was the "AID/PVO Relationship." What is the most desirable relationship between AID and the PVOs?</p>
September 17 -18, 1979	Tarrytown, N. Y. PVO Conference	Advisory Committee on Voluntary Foreign Aid	<p>ohn H. Sullivan (AA/ASIA) made a presentation to the conference participants emphasizing the PVO Co-financing Programs in most of the Asia Missions. In addition, he</p>

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
September 28, 1979	Memo to: AA/PPC, Alex Shakow; AA/ASIA, John H. Sullivan; AA/PDC, Calvin Raulerson	Robert Nooter, Acting Administrator	<p>responded to questions from the PVO community, some of which had to do with the matching grant program. Alex Shakow (AA/PPC) stated that he disagreed with Mr. Sullivan's interpretation of Agency matching grant policy.</p> <p>Mr. Nooter states that he has received feedback from some PVO representatives at the Tarrytown PVO conference who were upset by what seemed to be disparities between AID MG policy as presented by Sullivan compared to that described by Shakow. States that he will arrange a meeting soon to discuss this and reach a consensus on policy.</p>
October 3, 1979	Meeting	Douglas Bennet, A/AID Robert Nooter, DA/AID Calvin Raulerson, AA/PDC John H. Sullivan, AA/ASIA Alex Shakow, AA/PPC Thomas Fox, PDC,PVC	<p>Meeting was a follow-up to Mr. Nooter's Sept 28 memorandum.</p> <p>AA/ASIA, John H. Sullivan made several points:</p> <ol style="list-style-type: none"> 1) AID started the multi-million dollar MG program without completely thinking it through; 2) Agency guidance on MGs has never been clear. This is why PVC has had to continually write new Action Memorandum either clarifying MG policy or establishing new policy and criteria. 3) In order to understand the MG program one must refer to over four different Action Memoranda and eight other Agency documents. Only a few of these have been sent to the missions and the rest have had limited distribution elsewhere. Therefore, it is difficult for AID staff in Washington and our missions, and the PVO community to understand the MG program.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
October 4, 1979	Telcon	Thomas Fox, PDC/PVC to Michael J. Snoddy, ASIA/DP	<p>4) The Asia Bureau cable which Mr. Raullerson refused to clear last month is the only document which synthesizes in one place all criteria developed by PVC for the MG program. The Asia Bureau cable would help clarify the MG program to everyone.</p> <p>Mr. Raullerson, Shakow, and Nooter argued that the current guidance the Agency had provided to the missions AID/Washington, and the PVOs was sufficient. They stressed that the Nooter April 20, 1979 memo was the best reference document to understand the MG program.</p> <p>Mr. Bennet, newly confirmed AID Administrator, concluded that current Agency guidance on the MG program was inadequate. He directed that <u>explicit guidance</u> including criteria be prepared and sent worldwide to all AID missions (not just Asia) on their roles and responsibilities regarding the MG program. Although Mr. Bennet thought that some aspects of the Asia Bureau cable seemed overly specific and needed modification, he directed that the Asia Bureau cable be used as a model for drafting the explicit guidance to the field.</p> <p>Finally, Mr. Bennet directed that a letter to the PVO community be prepared for his signature expressing his support for the matching grant program.</p> <hr/> <p>Mr. Fox stated that one happy result of the meeting yesterday was that Mr. Bennet instructed PVC to come up with worldwide instructions to missions on how to deal with MG proposals. Mr. Fox concluded that he would make the first draft of the guidance.</p>

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
October 29, 1979	"Dear Friend" Letter to the PVO Community	Douglas Bennet, Jr., A/AID	Mr. Bennet expresses strong support for PVO programs including the MG program.
January 20, 1980	Worldwide Cable to AID Missions (State 15988)	Douglas Bennet, Jr. Administrator	Entitled "USAID Role re Centrally Funded Grants to PVOs Including Criteria for Analysing Matching Grant Proposals," the cable was a result of the Oct. 3, 1979 meeting with the Administrator. The cable was a compromise resulting from three months of intense debate between the Asia Bureau and PDC/PVC over what constituted the criteria for the MG program.
February 14, 1980	Guidelines to PVOs For Applications For Matching Grants	Austin Heyman, PDC/PVC	PVC issues additional written guidance to PVOs as they prepare grant applications for matching grants.
March 27, 1980	Memo to PDC/PVC, Thomas Fox	George Hill LAC/DP	The Latin American Bureau requests the results of PDC/PVC's analysis of the degree to which each MG proposal responds to the objective "to facilitate increased resources for developing countries."
April 7, 1980	Memo to LAC/DP, George Hill	Thomas Fox, PDC/PVC	Mr. Fox responds that he will do an analysis of existing grants and communicate the results to Mr. Hill.
April 7, 1980	Memo to AID PVO Liaison Committee, et al.	Thomas Fox, PDC/PVC	States that a PVC task force has met over the past four months to refine and articulate the selection criteria PVC uses to make MGs. Memo lays out a tentative scoring scheme for ranking MG proposals. Provides for a common deadline (October 1) for MG proposals to be submitted to AID for review.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
April 25, 1980	Memo to PDC/PVC, Thomas Fox	Robert Halligan, ASIA/DP	<p>Although regional bureaus were not represented on the task force, they were invited to provide comments on the PVC draft policy.</p> <p>Congratulates PVC on the selection criteria and new procedures for reviewing MGs.</p> <p>However, Mr. Halligan revises PVC's criteria to be consistent with Administrator Bennet's cable to field missions of January 20, 1980 (State 15988).</p>
June 11, 1980	"Dear Colleague" Letter to the PVO Community	Thomas Fox, PDC/PVC	<p>Announces new MG review process to the PVO community which provides for common time-frame for reviewing and awarding MGs. Deadline for submissions will be Oct 1, 1980</p> <p>"Restates" the principal criteria used in awarding MGs.</p>
June 23, 1980	Matching Grantee Workshop	PVC	Current MG recipients attended the workshop to assess the status and direction of the program.
November 3, 1980	Memo to ASIA/DP Michael Snoddy	Thomas Fox PDC/PVC	<p>Responds to Mr. Snoddy's request to be a participant in the initial screening of the MG proposals which were submitted by PVOs to PVC in October.</p> <p>Mr. Fox states that his office will do the initial screening. Regional Bureaus will be involved in the next step of the formal Agency Review process.</p>

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
December 22, 1980	Memo to Regional Bureau PVO Liaison Officers	Thomas Fox, PDC/PVC	Responding to a request by the Asia Bureau, PVC lists factors it will utilize in assessing a PVO's track record.
January 22, 1981	Worldwide Cable to AID Missions (State 16729)	Thomas Fox, PDC/PVC	<p>Responding to a Spring 1980 Asia Bureau initiative, PVC issues specific guidance to all AID missions on monitoring responsibilities for PDC/PVC grants to PVOs.</p> <p>States that principal monitoring responsibility is vested in the respective project officers in PDC/PVC.</p>
May 18, 1981	"Dear Colleague" Letter to the PVO Community	Thomas Fox, PDC/PVC	<p>Announces deadline for submission of MG proposals for FY 82 funding of September 15, 1981. States that PVC has worked hard to collect and put into a single document all relevant information about AID's matching grant program -- its objectives, eligibility standards, criteria, and applications and review procedures. The letter states that this document supersedes but does not change the substance of previous handouts about the MG program.</p> <p>(Comment: The May 18 "Dear Colleague" Letter is not merely a restatement of the MG program and how it works. It does represent <u>new policy</u> which was not approved by senior Agency management. Finally, it is not a comprehensive document containing all the relevant information noted by PVC.)</p>
June 9, 1981	Informal PVO Liaison Committee Meeting	Regional Bureau PVO Liaison Committee Members; Karen Poe, PPC/PB Thomas Fox, PDC/PVC	Objective of the meeting was to informally review the history of the matching grant program with an eye to the future.

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
June 24, 1981	Memo to Regional Bureau PVO Liaison Officers	Thomas Fox, PDC/PVC	<p>Mr. Fox states that at the June 9 meeting, it was discussed how Regional Bureau PVO Liaison Officers might more fully participate in PVC's annual review of MGs. Mr. Fox noted that by having regional bureau representation integrally involved in the review process, all concerned should benefit.</p> <p>Changes in the review process will now include Regional Bureau PVO Liaison Officer involvement in the following two stages:</p> <ol style="list-style-type: none"> (1) Optional concept paper phase; and (2) PVC's "in-house" review phase
June 1980 - Present	Proposed Policy on Possible Overlap Between MGs and Operational Program Grants (OPGs)	PVC and the Regional Bureaus	<p>The Agency has held three meetings (June 17, 1980, October 30, 1980 and March 26, 1981) in attempting to agree on a policy as to the proper relationship of activities a PVO may carry out under a MG with those covered by an OPG. No agreement has been reached between PVC and the regional bureaus on this issue. There are several important reasons why some of the regional bureaus feel the MG activities of a PVO should be separated from its OPG activities:</p> <ol style="list-style-type: none"> 1) project outputs can be clearly measured; 2) project accomplishments can be clearly attributed to either the OPG or the MG; 3) a PVO will be better able to account for its separate MG or OPG funds;

POLICY FORMULATION ON MATCHING GRANTS (MGs)

<u>DATE(S)</u>	<u>ACTIVITY</u>	<u>AUTHOR/SPONSOR</u>	<u>POLICY/PROGRAM ISSUES</u>
			4) responsibility for monitoring a PVO's activities is clearly with PVC responsible for MG activity and the AID mission responsible for the OPGs;
			5) AID will be better able to evaluate the respective MG or OPG project;
			6) MG funds should not be used for designing OPG projects.

A FOOTNOTE AND A COMMENT

As noted throughout this "Historical Perspective" AID has been urged by some PVOs and by our Office of Private and Voluntary Cooperation (PVC) to continue long term institutional or generalized support for PVOs. 1977 was a key year as the Agency debated the various options. A major focus of that debate was to answer the question why AID supports PVOs: Is our goal to support PVOs for their own sake or is our goal to get something beneficial happening in the field at the disadvantaged small group level? The regional bureaus clearly favored this second approach.

When the matching grant program was approved by the Administrator in June 1978 the principal was established for an overseas development program. Matching grants would be made only to those PVOs which had achieved institutional self-sufficiency. AID would not cover the organizational costs of PVOs under a matching grant. AID would, however, pay an overhead factor to support the home office activities of a PVO in the U.S. Notwithstanding this approved policy, most of the matching grants approved by AID have provided for AID sustaining a portion of the home office costs of the PVO. Thus the rhetoric of some in the Agency that we have wound down institutional support for PVOs as the Development Program Grant (DPG) program has been phased out and the Matching Grant program moves into high gear bears looking into.

Finally, despite years of discussion and debate, the Agency has never clearly articulated a policy on PVOs. That task still remains before us...