

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D. C. 20523

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

PUBLIC REPORT OF MEETING

March 25-26, 1982

Cooperation Between American Corporations
And Private Voluntary Organizations
In the Developing World

Prepared By

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

A G E N D A

DEVELOPMENT IN THE THIRD WORLD: NON-PROFIT/CORPORATE COOPERATION

THURSDAY, MARCH 25, 1982

PRINCE GEORGE HOTEL, 14 E. 28th Street, New York City

- 9:00 A.M. Plenary Session
E. Morgan Williams, Presiding
President, Cooperative League of the U.S.A.
and Chairman, ACVFA
- 9:15 A.M. Keynote Speaker: William C. Norris, Chairman of the
Board and Chief Executive Officer,
Control Data Corporation
Member, President's Task Force on
Private Sector Initiatives
- 10:00 A.M. Advisory Committee/Audience Discussion
- 10:15 A.M. BREAK
- 10:30 A.M. Report from A.I.D. Private Enterprise Bureau
Mrs. Elise duPont, Assistant Administrator
- 11:00 A.M. Question and Answer Period
- 11:30 A.M. PANEL PRESENTATION
- Case Histories of Collaborative Efforts
- Ambassador Jean Wilkowski, Chairman of the Board
Volunteers in Technical Assistance (VITA)
 - Charles Dean, President
The Cooperative Housing Foundation
Washington, D.C.
 - James Kammerert, Senior Vice President
Equibank with Luke Hingson, Executive Director
The Brother's Brother Foundation, Pittsburgh, PA
- 12:30 P.M. LUNCHEON
- Speaker: Curtis T. White, Chairman
International Institute for Trade and
Development
- 2:00 P.M. Remarks from Julia Chang Bloch, Assistant Administrator
For Food for Peace and Voluntary Assistance

THURSDAY, MARCH 25, 1982
(Continued)

2:15 P.M.

"What Can the Advisory Committee Do To Further
The Economic Development Objectives of A.I.D.?"

Discussion Leaders: E. Morgan Williams, Chairman ACVFA
Kenneth M. Smith, President
International Management and
Development Group, Ltd., and Member
ACVFA

3:15 P.M.

Policy Report From the A.I.D. Administrator
M. Peter McPherson

Audience Dialogue with the Administrator

4:00 P.M.

Small Discussion Groups "Corporate-PVO Cooperation
in Economic Development"

5:30 P.M.

Reception

List of Resource Persons for Panel and Workgroups

- J. Calvin Williams, Director
Private Sector Development, Peace Corps
- Theodore Hagans, President
Hagans Enterprises
Member, U.S. Trade & Investment Mission to Africa
- Robert Driscoll, Executive Director
Fund for Multinational Management Education, Inc.
- Ann McKinstry Micou, Director of Communications
U.S. Council for International Business
- Christian R. Holmes, Deputy Assistant Administrator
Bureau for Private Enterprise
- Virginia Martinez, President
Martinez Associates, Inc.
- Laurel Druben, Project Director
Appropriate Technologies International
- Marina Fanning-Firfer, Director
Inter-American Development Institute
- Kate Semerad, Director
Office of Inter-bureau Affairs
Bureau for External Relations

FRIDAY, MARCH 26, 1982

DAG HAMMARSKJOLD AUDITORIUM
United Nations Plaza (42nd & First Avenues)

9:00 A.M.

Opening Remarks: E. Morgan Williams
Chairman, ACVFA

Speaker: Rev. Dr. Henry Andersen, Pastor
Fairmount Presbyterian Church
Cleveland, Ohio

9:30 A.M.

Question/Answer Period directed by Advisory Committee

9:45 A.M.

Reports from Thursday PVO-Corporate Workshops

10:15 A.M.

The AID/PVO Policy Paper

Julia Chang Bloch, Assistant Administrator
For Food for Peace and Voluntary Assistance

- Background on Development of the Policy
- Introduction of A.I.D. Panel

TESTIMONY FROM PVO COMMUNITY

PVOs Testifying:

- American Council of Voluntary Agencies for Foreign Service
- CARE, Inc.
- Church World Service
- Goodwill Industries of America, Inc.
- Meals for Millions/Freedom from Hunger Foundation
- Overseas Education Fund
- PACT, Inc.
- Private Agencies in International Development
- Save the Children
- SER-Jobs For Progress, Inc.
- Technoserve, Inc.

Time will be allotted for additional comments from the audience.

FRIDAY, MARCH 26, 1982
(Continued)

12:00 P.M.

Other Committee Business

- Creation of Sub-committees
 - AID/PVO Policy
 - PVO-Corporate Relations
 - Development Education
 - PVO-University Relations
 - Other

12:30 P.M.

Closing Remarks: E. Morgan Williams
Chairman, ACVFA

1:30 P.M.

Convening of AID/PVO Policy Sub-Committee
Delegates, Dining Room -- U.N. Plaza

-- E. Morgan Williams
Chairman, ACVFA

OVERVIEW

Over two-hundred individuals representing 90 private voluntary organizations (PVOs) and 22 transnational corporations met with the Advisory Committee on Voluntary Foreign Aid in New York City, on March 25 and 26, 1982. The first day of the meeting, held at the Prince George Hotel, had as its purpose to continue discussions regarding increased cooperation between PVOs and corporations involved in social investment, or development activities. The purpose of the second day of the meeting, held at the U.N. Dag Hammarskjold Auditorium, was to review the draft policy paper on AID-PVO cooperation, and generate specific recommendations regarding AID-PVO policy.

Several very interesting presentations were given by corporate and PVO executives; they stimulated active and fruitful discussions among the Committee members and participants. Four major topics were interwoven throughout the first day.

- 1) The need for better communication between PVOs and corporations was stressed repeatedly. Better communication in terms of specifically who to speak with as well as regarding what to speak of, and when to initiate discussions. Increased sharing of information on each other's development activities was advocated by both corporate and PVO representatives. Further, PVOs were urged repeatedly to learn to present themselves in terms business executives could understand.
- 2) Several corporate representatives expressed a keen interest in acquiring PVO expertise in exchange for funding and in-kind management or other assistance. Specific examples of health care programs, worker language training and dealing with small farmers were given. In attempting to take advantage of these opportunities, PVOs will have to learn how to operate in terms of capital and investment, as opposed to grants management.

- 3) During the workgroup sessions following the plenary, several corporate representatives expressed a desire to work directly with PVOs; indicating some frustration with federal regulations and procedures. PVOs were advised to work with the field managers of large corporations, as they have more autonomy and understanding of local conditions.
- 4) As a result of the extensive dialogue, a role was suggested for the AID's Bureau of Private Enterprise: that resources could be provided for specialized workshops, and for developing a data base on corporate and PVO development activities.

During the second day of the meeting, written testimony was presented from eleven representatives of private voluntary organizations regarding the draft policy paper on AID support for the International Programs of PVOs. Five major points were brought out repeatedly in this testimony.

- 1) Several PVOs expressed concern that proposed new policies regarding allocations of funds and program decision-making will be particularly detrimental to the effective participation and growth of relatively new, small or innovative PVOs. The basis for this concern lies in part in the lack of on-going representation in-country by the smaller PVOs, and occasional lack of access to mission personnel by more innovative PVOs.
- 2) The question of how in-kind contributions from all sources are entered into the equation determining PVO grant eligibility was raised repeatedly. It was advocated that in-kind contributions, including that of volunteers, would be counted as part of the 20% requirement for non-U.S. Government objectives and bear no relation to the implementing agency's PVO status. The desirability of devising non-monetary tests of privateness was also discussed.
- 3) The draft policy paper was criticized as being too general in nature. Meaningful specifics regarding the PVO community and AID-PVO relations were too often left out, and complex procedural and regulatory changes were not clearly expressed. Also, several individuals urged a more equal partnership-oriented tone for the paper.

- 4) The point was strongly made that, in the quest for increased cooperation with AID, PVOs must be careful not to obscure the humanitarian concerns which motivate private support for their work.
- 5) To raise the level of private support, more development education is needed, tying in with the need for improved communication and information sharing between PVOs and corporations.

Following another hour of testimony and comments from Committee members and several conference participants, Mr. Williams announced the formation of four subcommittees: Development Education; PVO-University Relations; PVO-Corporate Relations, and AID-PVO Policy. The respective chairmen are: Roy Pfautch, Carl Taylor, Ken Smith and E. Morgan Williams.

The next meeting of the Advisory Committee is scheduled for June 10th and 11th to be held in Washington, D.C. The major theme for that meeting will be Development Education. There will also be an up-date on final AID decisions regarding the policy paper.

OPENING REMARKS

The chairman of the Advisory Committee on Voluntary Foreign Aid, Mr. E. Morgan Williams, President of the Cooperative League of the U.S.A., called the meeting to order, and introduced those members of the committee who were present: Dr. Robert Marshall, Mr. George Abbott, Mr. John W. Sewell, Mr. Kenneth E. Smith, and Ms. Michaela Walsh. Mr. Robert Nathan, Mr. Roy Pfautch, Mr. Markham Ball, and Dr. Carl E. Taylor arrived later due to a shut-down of the New York airport.

Mr. Williams reviewed the agenda for the two-day meeting, and welcomed participants, noting with pleasure the increased corporate representation over the December meeting. He stated that PVO-Corporate relationship is at a cross-roads and expressed a hope that this meeting would lead to an exchange of ideas, leading creatively towards charting a future course for working together in development. He pointed out that one of the major functions of these meetings is to allow PVO and Committee participation in the AID policy process regarding PVO-AID cooperation, to ensure dialogue resulting in constructive suggestions for the AID Administrator.

Following his opening remarks, Mr. Williams introduced Ms. Elise duPont, Assistant Administrator of the Bureau for Private Enterprise, emphasizing her experience and expertise in foreign trade and legal matters. Ms. duPont in turn introduced the keynote speaker for the meeting, Mr. William C. Norris, Chairman of the Board and Chief Executive Officer of the Control Data Corporation. She did so by stating that "...CD (has) put technology to work to solve social problems, and to change people's

lives for the better, whether they live in decaying city ghettos, or in rural poverty. Problem-solving is really Bill Norris' primary interest ...Our speaker advocates a new role for the modern corporate leader. To turn the profit motive into an engine for social change and improvement."

"What is necessary now is a fundamental change in corporate strategy toward turning major unmet needs into profitable business opportunities with an appropriate sharing of costs between the private sector and government. Business must take the initiative and provide the leadership for planning and managing the implementation of responsive programs."

THE ROLE OF CORPORATIONS IN THE DEVELOPING WORLD

Keynote Address by Mr. William C. Norris, President and Chief Executive Officer of Control Data Corporation, Member of the President's Task Force on Private Sector Initiatives.

In reviewing the role of the corporation in development, and in presenting development projects in which Control Data (CD) has participated, Mr. Norris reiterated that corporate participation must be part of a much expanded public/private sector cooperation which includes government, foundations, churches, universities, unions and others.

"Fifty years ago, technology was virtually as available to individuals and small organizations as it was to large organizations. But this is not the case today. Hence, increasing the availability of technology, i.e., knowledge to allow individuals and small organizations to be more productive, is urgently needed. This is one of the most important (development) needs, yet least understood."

Control Data, as a leader in computer-based educational technology, has been working to make technology more available to those who need it. In his presentation, Mr. Norris described CD's development efforts in the areas of education, health care, technology transfer, assistance to small business, and urban and rural revitalization. Before going into detail,

Mr. Norris made the point that, while most of these projects have taken place in the U.S., all are relevant to developing countries. In particular, the "links" used in the Minnesota Network for Stimulating Innovation and Job Creation he felt are applicable to small business development overseas. These links are: technology--financing--management assistance, education and training, marketing, and efficient access to (sharing of) facilities and services.

In addition to its work in rural areas of Minnesota, Alaska and New England, Control Data participates in activities sponsored by the U.S. Business Committee on Jamaica. Goals for these activities include:

- to introduce new, feasible technologies that will not only stimulate economic recovery, but begin the process of building the infrastructure that Jamaica needs as a developing country;
- to stimulate and foster indigenous entrepreneurship in Jamaica and support new, emerging private enterprise;
- to assist in teaching new skills to Jamaicans so that they may meet the job requirements of these new businesses; and
- to recognize, as representatives of the U.S. private sector, that self interests will best be met by helping Jamaica develop the capabilities that will assure sustained growth.

Control Data was instrumental in the establishment of a for-profit consortium called Jamaica Opportunities for Business Success, or JOBS; U.S. and Jamaican companies and the government of Jamaica make up the consortium. JOBS offers a variety of computer-based education services, data services and other services in support of small enterprises. Emphasis

will be on basic skills, high school equivalency, teacher training and vocational education and training. Both classroom and on-the-job training will be provided; the first job-related skills training will be in culinary arts and accounting. Business services to be provided by JOBS will include: financial and management assistance; education and training; consulting and technology identification and transfer services.

A second consortium being formed is called Rural Venture Jamaica; it will work closely with Rural Venture U.S., and will include U.S. companies in Jamaica. The purpose of Rural Venture Jamaica is to help increase the efficiency of small-scale farming.

Mr. Norris summarized the role of corporations in development advocating that "corporations take the initiative in cooperation with government and other sectors, with an appropriate sharing of costs, to address the needs of developing countries." The Jamaica consortia in particular is an approach that is both equitable and powerful.

Questions following Mr. Norris' presentation focused on the need to develop specific mechanisms for channeling private sector investment, and for ensuring participation of PVO's in the activity. Discussion included corporate preference for cash versus in-kind contributions to development efforts; Mr. Norris indicated he thought that preference would depend on a particular company's resources. Mr. Norris was asked about private corporations providing management assistance to public corporations (e.g., utilities) overseas; he replied that this certainly was a possibility, but that small-sector enterprises would most likely be the principal object of business investment.

The full text of Mr. Norris' presentation is attached to this report as Annex #1.

AID'S NEW BUREAU FOR PRIVATE ENTERPRISE (PRE)
Remarks by Mrs. Elise duPont, Assistant Administrator, Bureau for Private Enterprise, AID.

After a brief mid-morning break, Mr. Williams reconvened the meeting by introducing Mrs. duPont a second time. Mrs. duPont then gave an overview of the goals and activities of AID's new Bureau for Private Enterprise (PRE). In summary the purpose of the Bureau is three-fold:

- to strengthen indigenous private sectors through transfer of corporate capital, technology, and management skills;
- to leverage AID funds to attract other sources, using the International Finance Corporation as a model; and
- to build markets and foster stability through economic growth.

Mrs. duPont stressed that while many of the Bureau's activities are new to AID, there has also been a continuation of several AID programs like the Housing Guaranty Program and the Office of Business Relations.

In preparation for facilitating the transfer of corporation capital and know-how, the Bureau has been sending investment missions to ten countries selected for their existing private sector absorption capacity, and government attitudes toward foreign participation. Thus far, five missions -- to Indonesia, Sri Lanka, Kenya, Thailand, and Jamaica -- have been completed. The remaining five are expected to be completed by this summer and will include the countries of: Zimbabwe, Ivory Coast, Pakistan, Egypt and Costa Rica.

In pursuit of its goals, the new Bureau has the authority to participate in co-financing, direct lending to joint ventures, and can aid in capitalization of intermediary institutions. It can also take an active, open role in advising host country governments regarding the business development and investment climate in their countries.

The Bureau has developed criteria for selecting projects. The proposed projects should:

- create jobs;
- strengthen small and medium enterprises;
- have a considerable development impact; and
- be able to serve as a model.

Mrs. duPont indicated that successful implementation of the Bureau's plans will require intensive cooperation from many sources and the Bureau intends to actively expand its development contacts. The findings from the Bureau's investment missions will be shared with the Overseas Private Investment Council and vice versa, as well as with the Export-Import Bank and the Trade and Development Program. The Bureau is also engaged in discussions with the International Executive Service Corps regarding opportunities in the field of management training.

Mrs. duPont briefly described two projects of interest to the PRE Bureau before opening the floor for discussion. The first project involves a seed company in Kenya that is struggling to conduct research and development on new varieties, and to develop its extension activities, and its cold storage capacity. The Bureau is presently investigating

ways to fund this agricultural infrastructure project. The second project underway involves the establishment of a venture capital fund in Jamaica for the purpose of creating jobs in agribusiness, and increasing foreign exchange earnings.

In the question and answer period following Mrs. duPont's presentation, the discussion focused on the specifics of PRE relations and dealings with the private sector, the role of the Bureau in identification of projects for joint PVO-Corporate involvement, and availability of PRE personnel at the mission level. For example, while the Bureau's ability to assist projects in countries with currency problems, particularly African countries, is as yet undefined, the Bureau will be assessing the capabilities of local banks regarding the feasibility of lines of credit, joint ventures, technical assistance, and various financial intermediary functions.

Mrs. duPont noted that reports on the Bureau's investment missions will be published, and will be available to the PVO community through Mr. Doug Trusell. Further, a 15-member Advisory Committee to the Bureau of Private Enterprise will be established shortly.

While Mrs. duPont expressed a desire for assistance in creative financing from corporations, there was also some concern expressed by several speakers on the role of PVO's with private sector initiatives proposed by the Bureau for Private Enterprise. The need for effective identification by PVO's of income-generating, self-sustaining activities was given particular attention, accompanied by requests for training for PVO's in ways to identify programs.

In response to a question from the floor regarding project implementation, Mrs. duPont noted that:

- the Bureau for Private Enterprise (PRE) has central funding of its own, and also has control over set-aside money within the Regional Bureaus. This latter money will be used for private enterprise projects which will come under the shared control of PRE and regional offices.
- PRE will identify projects to receive central and regional funding, with input from the local missions. The missions will have implementation authority, with the exception of projects identified and funded by the financial community (i.e., banks, through leveraging of AID funds.) The latter projects will be administered by the financial institutions.
- currently, PRE personnel are all located in Washington, D.C., but in future there may be staff stationed in key country missions.

The Bureau hopes to use the knowledge of mission personnel in devising ways to generate participation of small and medium size indigenous businesses directly in development efforts.

PANEL PRESENTATIONS: COLLABORATIVE CASE STUDIES

Mr. Charles Dean, President
Cooperative Housing Foundation (CHF)

The first "case-study" presentation was given by Mr. Charles Dean, President of the Cooperative Housing Foundation (CHF) in Washington, D.C. Mr. Dean began by distinguishing cooperatives from PVOs (in that cooperatives must be profitable), and by further describing CDOs, or Cooperative Development Organizations. He named some U.S.-based CDOs working overseas: the National Rural Electric Cooperative Association, Agricultural Cooperative Development International, the Credit Union National

Association, the Cooperative League of the U.S.A., the Volunteer Development Corps, and Cooperatives for American Relief Everywhere (CARE).

Mr. Dean then launched into a discussion of AID's Housing Guaranty Program, in operation since 1965. This program has been a very successful means of leveraging private investment for development, and will continue under the aegis of the Bureau for Private Enterprise.

The Housing Guaranty Program is essentially a two-tiered system of guaranteed loans for housing construction and related community development. AID provides a 100% guarantee to a U.S. investor (e.g., a Savings & Loan, or an insurance company), who then makes a loan to a host government, which in turn makes a guarantee back to AID. The investor has no concern with project development. For its guarantee to private U.S. investors, AID charges a fee of from 1 to 2 percent of the loan value.

The host country recipient (e.g., Central Bank) makes a sub-loan to local agencies, who in turn support local co-ops, private builders, suppliers, etc. The Cooperative Housing Foundation provides technical assistance at this level. Mr. Dean specifically mentioned the establishment of building materials production centers as a means of job creation. He stressed that designs and materials used in Housing Guaranty-funded projects have been of local origin since the early 1970s, and that emphasis has been on assistance to low-income communities.

One of several questions from the floor queried Mr. Dean on the program's financial record. Mr. Dean referred to the Annual Report of the Program, and declared that the only difficulties encountered to date had been in Chile and Argentina, in which cases AID paid-off on the guarantee.

Mr. Luke Hingson, Executive Director and
Mr. James Kammert, Chairman of the Board
Brother's Brother Foundation

Mr. Hingson, Executive Director of Brother's Brother, began his talk with a brief history of the organization, beginning with its founding by Dr. Robert Hingson, the inventor of the jet injection method of vaccination, in 1958. The original purpose of the foundation was to assist developing countries establish or expand their immunization programs. Since that time, Brother's Brother has gone on to specialize as an active conduit for in-kind contributions, particularly medical supplies and equipment, educational supplies, seed and agricultural implements, relief supplies, etc., that are used for specific projects.

In handling surplus goods, Brother's Brother has had to develop systematic procedures for making fast, appropriate decisions regarding the disposition of those goods. These procedures include: maintaining regular contact with marketing, inventory and shipping personnel of potential donor corporations; knowing what the need is in potential recipient countries; and being able to arrange prompt transportation and delivery of goods. Mr. Hingson said several times that working through national trade associations has proven to be very productive in this regard. He also recommended that corporations build in time for surplus disposal decisions into their accounting cycle, so that there is time for PVOs to properly place available goods. Brother's Brother also tries to get recipients to request transportation of the goods, as this seems to be the most effective way of securing transportation.

Mr. Hingson pointed out that "each year, U.S. PVOs provide between \$700-800 million in assistance to developing countries...\$150 million of this is provided by businesses in cash and gifts-in-kind. Eighty percent of corporate contributions each year are gifts-in-kind."

Mr. James Kammert, Senior Vice President of Equibank, is also Chairman of the Board of Brother's Brother Foundation. Following Mr. Hingson's presentation, Mr. Kammert went through a "checklist" which he uses to describe Brother's Brother to corporations in their terms -- a "mutual language of management" in which he described the Foundation's goal, strategic plan, market, organization, management, operation, finance and reporting.

During the question and answer period, Mr. Kammert made it clear that Brother's Brother cannot only broker people, ideas and materials among corporations and countries, but also among PVOs, if a systematic procedure for doing so could be developed.

DEVELOPMENT AND GROWTH THROUGH ACCELERATED
JOINT VENTURE ACTIVITY

Luncheon Address by Mr. Curtis T. White,
Chairman of the International Institute
for Trade and Development.

Mr. Williams introduced Mr. White, who is also a communications regulatory consultant to UNESCO, and partner in the law firm of Hayes and White. Following an overview of the general imbalance of commercial and non-commercial trade internationally, Mr. White laid out the three distinct yet interlocking goals of major development players:

- host country governments -- interested in acquiring mid-level skills and associated technologies, economic growth, and the means to meet the needs of their citizens,
- PVOs -- interested in development, relief and rehabilitation, and
- businesses -- interested in new markets.

He urged that PVOs and corporations "go with the flow", and stated that problems in cooperation to date have stemmed from program implementation. There simply has not been enough reassessment and learning taking place. Cooperation among players takes on even greater importance when the growing Third World needs are put up against shrinking First and Second World economies. Mr. White advocated setting aside mutual suspicions in order to "build a bridge that promotes the establishment of permanent cooperative relationships" among the players. "To do this", he said, "development needs must begin to be articulated from more than one perspective."

As an example of a new (to most PVOs) perspective, Mr. White used the example of the Institute's efforts in setting new regulatory frameworks (and tariff structures) within which multinational corporations must operate, to the benefit of host countries. Toward the goal of fostering the greater international economic interaction which is vital to the development process, the International Institute for Trade and Development is setting up a clearinghouse on trade cooperation -- an on-line development regulatory database.

Ms. Julia Chang Bloch, Assistant Administrator,
Food for Peace and Voluntary Assistance Bureau,
Agency for International Development

Following Mr. White's presentation, Mr. Williams introduced Ms. Julia Chang Bloch, Assistant Administrator of the Bureau for Food for Peace and Voluntary Assistance. Ms. Bloch expressed her delight at the corporate participation at the meeting and reiterated that charity was not the subject at hand. Rather, the task before us is to make the expression of social consciousness profitable. She stated that it is in the self-interest of corporations to actively participate in economic development efforts. She also stated that "those of us interested in dealing with solutions to poverty...ought to focus on the commonalities that bind us...we all have a stake in development." She urged the meeting to go beyond dialogue to the specifics of cooperation.

Mr. M. Peter McPherson, Administrator,
Agency for International Development

Mr. McPherson discussed both the AID-PVO relationship and PVO-Corporate relations. In his discussion of the AID-PVO relationship he stated that while AID-PVO interests do overlap, they cannot and should not be identified as the same. AID wishes to discourage government funding, lower administrative costs, and increase the accountability of PVOs. He referred to the policy paper in delineating major proposed changes:

- Increased emphasis on integration of individual country programs. It is hoped that more active involvement of PVOs in country programming will help bring this about.

- A test of "privateness" for PVOs to pass in order to qualify for operating program grants or matching grants. The purpose of this is to maintain the independence, constituency and awareness of PVOs.
- Phasing out of institutional development grants. Some technical assistance will continue to be provided.
- Increased attention to diversity within the PVO community in registration and other procedures.

In closing, Mr. McPherson also highlighted the role of indigenous PVOs as an important AID policy issue and indicated that AID will play a more catalytic role in fostering greater private sector cooperation in AID development efforts.

The questions following Mr. McPherson's presentation focused primarily on the impact of proposed changes in AID regulations and procedures on PVO programming and participation in local development efforts.

One PVO representative asked what input the PVOs will have in planning the joint (AID-PVO) country planning process. Mr. McPherson replied that the PVO role will vary from country to country, although general guidance to missions will be provided. Another PVO representative requested more PVO participation in Washington-based reviews of country program strategies.

Concern was apparent regarding the 20% (non-U.S. government contributions) test of "privateness" to be applied to PVOs. The Administrator was questioned on whether the purpose is to foster "independence or stability". The development of other tests for privateness was suggested by a representative of OIC/International. Full debate on this issue

was reserved until the second day of the meeting scheduled specifically for testimony on the policy statement.

Mr. McPherson also assured the PVO representatives that their concerns and comments would be fully considered by him personally prior to final approval of the policy statement. (The full text of Mr. McPherson's presentation is attached to this Report as Annex 2.)

Mr. Lee Bloom, Chairman
Unilever USA

Mr. Lee Bloom, Chairman of Unilever USA and Chairman of the U.S. Council for International Business, made a very provocative comment from the floor during the question/answer period following Mr. McPherson's speech. He appealed to AID to continue to work to discover how private voluntary organizations and private enterprise for profit can work together in the interest of development. He cited examples of how Unilever had worked in Africa and many other countries since the turn of the century and had developed products and services for the people. "In the particular case of Zaire where there were no hospitals in the area where we were operating we created them, with help from some private voluntary organizations." He also stated that meetings like this one are essential because of some concerns expressed at the December 1981 Advisory Committee meeting that PVOs are not certain whether it's ethical and moral to deal with multinational corporations. He stated that "aid, charity and provision of services is needed but in the end what will raise the standard of living in the developing world is to build economies -- is investment in local training by people who are experienced in (business) matters, so that they will create industries, create businesses, create products

for their people for export, which will then create markets for all of us."

Several other representatives of the corporate community actively participated in audience discussions. Representatives from Mobil, Bendix, Xerox, Continental Grain and Standard Oil of California each made brief remarks. Major points made included:

- Corporations with management expertise need a mechanism for readily transferring it to those host country governments and enterprises that desire it; they look to PVOs to help foster their credibility.
- PVOs should recognize that they have products and services that are truly valuable to corporations, in the area of health services, for example.
- Some multinational corporations are striving to build world development structures.
- More indepth, detailed communication between PVOs and corporations regarding their development activities is crucial if cooperation is to occur.

WORKGROUPS ON "CORPORATE-PVO COOPERATION IN ECONOMIC DEVELOPMENT"

Following the plenary session, the conference participants divided up into four work groups to discuss specific instances of PVO-Corporate cooperation, and AID proposals in this regard.

GROUP A

Resource Leaders: Ambassador Jean Wilkowski and
Laurel Druben, A.T. International

Approximately fifteen people attended the workgroup led by Ambassador Jean Wilkowski and Laurel Druben. Ambassador Wilkowski began the

discussion by describing VITA -- Volunteers in Technical Assistance -- and its work in developing and disseminating appropriate technologies. She focused on five instances where VITA worked directly with large corporations: Gulf & Western in the Dominican Republic; GE and Sperry Holland in Mexico; Control Data in the District of Columbia; IBM in the Sahel; and Monsanto in Indonesia.

The procedures varied from case to case. Ambassador Wilkowski condensed these experiences to arrive at four basic elements that must be present for effective cooperation:

- the corporation must have a stated policy regarding its social investments,
- the PVO must be specifically aware of that policy, and be knowledgeable of the company's operations.
- there must be a mutuality of interest, particularly in instances involving funds that are "locked" due to currency restrictions, and
- ability of the PVO to identify a mutual interest and initiate discussions with the corporation.

A suggestion was made that PVOs would find a directory of current corporate social investment activities most useful. Further, Mr. Bruce Potter, representative of Mobil Oil Company, suggested that PVOs work with field, rather than central offices, as they have more autonomy, and are more cognizant of local needs. He also stated that there are corporate managers with enlightened views and what is needed is some creative proposals from the private voluntary organizations and AID.

In addition to "hard" technology, such as that developed by VITA - corporations working overseas are also interested in getting assistance in other areas. They are particularly interested in using PVO's expertise in providing management, vocational and English as a Second Language (ESL) training, and in running health services more cost-effectively.

Both corporate and PVO opinion of the Bureau of Private Enterprise and of AID local missions in this workgroup was rather low. Both cited cumbersome procedures, lack of information, and general discourteousness as common obstacles experienced in attempts to work with AID. Direct PVO contact with local corporate managers was viewed as a more appropriate route to cooperation.

GROUP B

Resource Leader: Frank Lavin, PVO Liaison Officer
Asia Bureau
Agency for International Development

Between 20 and 25 people attended the workgroup led by Mr. Frank Lavin of USAID, Asia Bureau. Mr. Lavin asked members of the group for their thoughts on specific applications of the ideas discussed in the plenary session.

Regarding communications, two points were made. One, that PVOs can best represent themselves to the corporate world, rather than relying on AID to do it for them. Second, that the Council for Economic Development be regarded as the "spokesman" with the greatest credibility in the corporate community. A recurrent theme was that PVOs need to illustrate to the corporate community that PVOs can play a role in the Third World activity of corporations. A directory of PVO resources, geared to the

corporate community was suggested. PVO and AID representatives were reminded that corporation executives prefer to deal with specific cases, not generalities; they were warned against an overly systematic approach.

Three specific types of PVO-Corporate cooperation were discussed:

- devising programs to deal with cultural and economic dislocations resulting from corporate activity in Third World areas,
- providing technical and worker training to indigenous populations to meet corporate requirements, and
- establishing a research and training institute to create models for use by indigenous groups and industry.

There was disagreement on the best way to begin cooperation, whether by PVO initiatives versus corporate initiatives. Possible mechanisms or channels mentioned were the U.S. Department of Commerce (International Trade Administration), local World Affairs Councils, and trade associations.

GROUP C

Resource Leaders: Ann Micou
United States Council for International Business and
International Chamber of Commerce, and

Calvin Williams, Director
Private Sector Programs, Peace Corps

PVOs and corporations are already involved successfully in development activities in many countries. The group led by Ann Micou and Calvin Williams highlighted the positive reasons for working together and ways for strengthening the channels of communication towards this end. Concern was expressed that corporate and PVO collaboration be implemented

in ways that increase, rather than diminish, scarce host country resources and enhance human dignity. An ongoing dialogue between PVOs and corporations in Washington and in the field will help to ensure effective cooperation.

The group discussed various possibilities for developing a systematic exchange of information on development projects between the PVO and corporate sectors. Three specific action recommendations were made: (1) Increase the circulation of Technical Assistance Information Clearinghouse (TAICH) documents on PVOs to corporations. This could be achieved by expanding the TAICH mailing list and providing copies of TAICH studies to AID's Bureau for Private Enterprise and to the Overseas Private Investment Corporation for distribution to interested corporations. (2) Provide information to PVOs on corporate activities in developing countries. Existing sources include the World Trade Academy publications and the Enterprise and Development Newsletter put out by the United States Council for International Business. (3) Lastly, AID Missions should provide information to corporations about what is going on in development in their country and involve corporations wherever possible in what PVOs and AID are doing.

GROUP D

Resource Leader: Robert Driscoll, Executive Director
Fund for Multinational Management Education

Sixteen people attended the workgroup led by Robert Driscoll of the Fund for Multinational Management Education. The discussion focused on procedures for developing and funding joint projects at the local level.

A wide range of experience regarding workable approaches was discussed. In general, it was agreed that PVO requests for funding need to be tailored to those items that would benefit the corporation, such as health care, educational services, etc.

The point was raised that corporations are interested in cost-effective operations, while most volunteer agencies are not known for good management. Thus, it behooves the project identifier to look for projects where the PVO's technical or cross-cultural expertise can be complemented by the corporations management expertise, to the benefit of the community and the corporation.

As an example of this type of partnership, one of the members of the group described a pepper growing operation in Honduras. A corporation needed a supply of peppers from which to produce pepper sauce for sale. The corporation was not accustomed to dealing with small farmers who would grow the peppers, however a local Jesuit-run training center was. The center provided seed, fertilizer and training to the local people to grow hot peppers, which they in turn sold to the corporation at a 20% profit. Creativity and communication were the keys to this successful partnership between a corporation and a non-profit, voluntary training center.

MARCH 26, 1982

DAG HAMMARSKJOLD AUDITORIUM
UNITED NATIONS

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THE AID-PVO RELATIONSHIP

Mr. Williams opened the second day of the meeting of the Advisory Committee on Voluntary Foreign Aid with a review of the agenda and procedures for testifying. He reiterated that the purpose of that day's meeting was to constructively critique AID's proposed policy paper on Agency support for the international programs of private and voluntary organizations (PVOs). He also informed the participants that at the end of the meeting a subcommittee on AID-PVO policy would be established and PVOs were invited to participate. He also requested written statements from those testifying, to be entered into the record.

Special Guest Speaker: Dr. Henry Andersen, Pastor
Fairmont Presbyterian Church
Cleveland, Ohio

Mr. Williams then introduced a guest speaker, Dr. Henry Andersen, Pastor of Fairmont Presbyterian Church in Cleveland, Ohio. Dr. Andersen was invited to report on a local model of PVO-Corporate collaboration. As the pastor of the largest Presbyterian church in Cleveland, Ohio, Reverend Andersen convened with the sponsorship of the World Council of Churches, a "Conference on Christian Responsibility for Economic and Social Well-Being" in Geneva, Switzerland. This conference brought

together corporate executives, bankers, other business men, community leaders from Cleveland, Ohio and other jurisdictions to discuss development issues in the Third World and to identify how the group could follow-up with concrete action from the conference. Actual business case studies were used as discussion points at this conference. Distortions in perceptions were overcome by face to face encounters, in a setting which encouraged the recognition that each has unique gifts to bring, as change agents, to development efforts. Through this process, participants came to realize that they needed each other.

Dr. Andersen reported that once "generalities" were agreed on, the conference members set about the task of defining a specific activity which they could undertake that would be of genuine assistance to people in a developing country. Representatives of the conference elected to go to Tanzania, partially because of its well-established national, indigenous churches. Dr. Andersen talked of his project in terms of the Cleveland Covenant, in which the church serves as a facilitator of reciprocal relations between differing communities.

Through listening to members of the Tanzanian Council of Churches and government workers, arrangements for medical and management training via businesses and clinics in Cleveland is being arranged. Rotations of Tanzanians to Cleveland and "Clevelanders" to Tanzania are being planned.

Members of the committee expressed hope that Dr. Andersen's experiment will not lose momentum. Several questions were raised to Dr. Andersen, particularly about the receptivity of the Tanzanian government toward his efforts. Dr. Andersen replied that he was working on a people-

to-people level through the church organizations. He also expressed his opinion that the Tanzanian government might be wavering a bit from its traditional socialist policies because of the severity of economic problems there and the fact that the head of state is growing very old.

THE AID-PVO POLICY DISCUSSION

Following Dr. Andersen's presentation, Julia Chang Bloch, Assistant Administrator for Food for Peace and Voluntary Assistance directed attention to the policy paper. She gave background on the policy review process and procedures for testifying. The following AID personnel were available for technical assistance during testimony:

- Kate Semerad, Director
Office of Interbureau Affairs
Bureau for External Relations
- Jan Miller
General Counsel's Office
Expert on legislation
- Tom Fox, Director
Office of Private Voluntary Cooperation
FVA Bureau
- Judy Johnson
Bureau of Management Services
Expert on contract policy
- Fred Schieck
Bureau for Program and Policy Coordination
Expert AID Washington/field mission relations
- Karen Poe
Bureau for Program and Policy Coordination
Expert on program policy

Prior to opening testimony, Mr. Williams discussed the need to operationalize Mr. McPherson's ideas regarding PVO participation at the mission level. He asked persons giving testimony to try to stick to

specifics, and to transcend misperceptions of each other. He also advised the participants that accountability -- a major issue in the paper -- is a two-way street, and that the policy paper should be viewed accordingly. (Copies of written testimony presented at the meeting are attached in the Annexes.)

The first person to testify was Mr. Charles McCormick of the American Council of Voluntary Agencies for Foreign Service. The Council represents 47 different agencies with combined budgets of \$900 million per year; two-thirds of this figure comes from private individuals. Mr. McCormick stated that because of this citizen support, PVOs operate a delivery system with goals different from AID's. This in turn demands greater personal involvement, which Mr. McCormick contrasted with AID's more systematic design and accountability. He expressed concern that new rules may "tilt the balance" too far toward central coordination and accountability, to the detriment of diversity and flexibility. He asked if PVOs would be able to operate in countries where AID does not have missions, and still be eligible for funding.

The second person to testify was Mr. Ralph Devone, Assistant Executive Director of CARE. In documents already submitted to the Advisory Committee, CARE stated that it agrees with the 20% test for privateness of overall agency programs. Mr. Devone stressed, however, that any regulation stemming from the legislation should identify the items to be included in the equation from which the 20% is derived. CARE believes that contributions in-kind from the U.S. government should not be counted, as they support specific government objectives, and are not reflective of PVO status. Private or any other non-U.S. government in-kind

contributions should be counted. In summarizing his testimony, Mr. Devone stated that AID should not help only those PVOs with higher operating costs and steady marginal costs (such would be the effect, he believes, of new rules applying to Operational Program Grants).

CARE believes that determination of independence should not be solely predicated on a test of "privateness". This should be made on a case by case basis, taking into account other factors, such as the presence of "substantial" public support; this type of provision would ensure needed flexibility and protection of smaller PVOs. Further, CARE suggested that the effective date of any such test should be no earlier than that designated by Congress. Mr. Devone reiterated that the 20% test should not be used for registration, but only for determining eligibility for specific types of grants, as included in the 1981 legislation.

At this point in the testimony, the distinction between the 20% overall international program requirement, and the 25% per project requirement was made by Karen Poe of AID.

Paul McCleary, representing Church World Service, also testified. He focused on issue 3 of the draft policy paper -- accountability. While in agreement with the thrust of the section, Mr. McCleary made an important distinction between fiscal and management accountability, and the accountability to prior principals, purposes and commitments that is demanded of PVOs. Mr. McCleary also reminded those charged with managing scarce government resources of the special requirements of PVOs.

The next person to testify was Mr. Peter J. Davies of Meals for Millions/Freedom from Hunger Foundation. Mr. Davies began by stating his concern regarding the absence of the word "partnership" in the draft policy paper. Given that he would like to ensure PVO access to policy formulation, he is disturbed by the emerging distinction of policy functions between the Bureau of Program and Policy Coordination and the Bureau for Food for Peace and Voluntary Foreign Assistance. Mr. Davies urged that guidelines for PVO participation in country programming be developed as soon as possible.

In expressing his concern about equitable criteria for Operational Program Grants and the reduced role of matching grants proposed in the policy paper, Mr. Davies stated that the paragraph on the importance of the bilateral program is too strongly worded. He asked that the final policy paper explicitly recognize and reinstate the difference between PVO work and bilateral programs, and strike a better balance between central and local grant authority.

Mr. Robert Ransom from Goodwill Industries focused his testimony on the need to develop selection criteria for matching grants. He suggested five possible criteria, designed to provide room for small, innovative PVOs under the matching grant program. Specifically, AID should take into account:

- the PVO's capacity for innovation, stressing their ability to implement new approaches to development;
- the PVO's ability to mobilize other resources, not just cash resources, but in-kind contributions and the work of volunteers;

- the countries in which the PVO is working, especially if it operates in countries which are not AID priorities, or in which AID has no presence, in order to complement AID's efforts;
- the capacity of the PVO to contribute to development in sectors complementary to AID's priority sectors;
- the emphasis and success of the PVO in institutionalizing its efforts, particularly in terms of the development of indigenous leadership and organizations.

Mr. Ransom stressed the need for PVOs to participate in determining the final criteria to be applied for matching grants. Mr. Ransom urged that central bureaus have final authority over matching grant decisions although he did not deny that decentralization can be a good thing based on his own experience.

The next person to testify was Elise Smith, on behalf of the Overseas Education Fund (OEF). She presented OEF's concerns for the smaller, specialized PVOs. Her organization has a large constituency, but is not yet a membership organization. Further, there has been a continuing and growing demand for OEF's expertise in income-generating projects for women. Ms. Smith stated that the 20% privateness requirement, plus a 25% project cash requirement could deprive AID of OEF's technical expertise; she expressed the hope that more flexible criteria would be developed.

The Executive Director of PACT, Dr. Robert F. O'Brien, was the next individual to testify. He stressed the concern of the many PVOs with whom he has contact regarding the implementation of the policy paper. In this context, he delineated five risks. The first is that of over-

control. Dr. O'Brien characterized the policy paper as government intervention into the private sector. The second is the risk of inflexibility. In the interest of simplicity, the policy paper as written does not do justice to the heterogeneity of PVOs. Thirdly, AID runs the risk of overkill. Throughout the policy paper, numerous "problems" between AID and the PVOs are referred to, but are never named and discussed specifically -- thus, they cannot be addressed constructively.

The fourth risk he identified was the risk to relationships -- the relationships between PVOs and the people, indigenous organizations, and Third World governments with which they work. The policy puts private voluntary institutions at risk by alienating their constituencies. In regard to constituencies and Corporate-PVO relations, Dr. O'Brien expressed concern regarding difficulties of communication (referred to during the first day of the conference). He also thanked Tom Fox for his efforts to overcome these difficulties.

The next testimony came from another consortium, Private Agencies in International Development (PAID), represented by its' co-chairperson, Tom Keehn. Mr. Keehn suggested changing the title of the policy paper to "AID/PVO Partnership in International Development Programs." He suggested that such a change would serve as a reminder that PVOs are more than just implementors of AID policies. He also reminded the Committee of Congress' recognition of PVOs' special expertise through the Percy-Pell Amendment to the Foreign Assistance Act of 1981, which requires that from 12 to 16 percent of FAA funds be channeled through PVOs.

Regarding decentralization of AID's procedures, Mr. Keehn reiterated the difficulty of allowing small PVOs (who don't always have representatives in-country) to participate meaningfully in the country programming process with mission personnel. Imaginative ways of doing so need to be explored, perhaps including meetings between mission directors and PVOs, when mission directors are in Washington.

Mr. David Guyer testified for Save the Children Foundation. He focused on the implementation of the new Comprehensive Program Grants (referred to on page 20 of the draft policy paper). He characterized the proposed process as simple and flexible. These Comprehensive Program Grants could be applicable to small, medium and large agencies; similar programs have been successfully undertaken for several years by the Norwegian, Canadian, Dutch, Swedish and German development agencies. Mr. Guyer also urged that the new grants be geared more toward operations of 5-10 years duration, as this would be more effective for development. He also strongly stated PVO support for a continued, active role of the Bureau for Food for Peace and Voluntary Assistance.

Mr. Edward Bullard testified from TechnoServe, Inc. He restated five major points, all of which had been covered by earlier speakers; he urged AID to take note of this repetition. These five issues are:

- Anything more restrictive than the legislated 20% rule would be detrimental to the development process, given most PVOs' reliance on host country contributions in-kind.
- The same is true for the composition of matching funds of OPGs.
- AID should not move away from institution building.

- The new comprehensive program grant strategy is very important for the future, especially to replace combinations of grants currently available.
- There is a need to stress partnership over competition.

The next speaker was Mr. Fred Devine from CARE. His major concern was that a humanitarian focus must be reinstated into the policy paper and the discussion, as this is the only basis for public and congressional support. He stated that Congress has clearly said that AID should resist making PVOs an arm of the U.S. government. The host country's own development strategy, and the PVO's development strategy must be taken into account together with AID's development strategy. In his view, the voluntary agency sees the world the way it is, not the way it would like it to be; this stands in contrast to the strategic concerns, however valid, of AID. Guidelines for PVO participation in the CDSS should be drawn up and submitted for PVO review before being sent to the field. Mr. Devine stated: "We must ensure that the PVO voice can be heard, as the humanitarian development instrument of the American people. This Committee is part of a great heritage...(since) after World War II...it is a means of informing Congress of the force of humanitarian concern of the people of the United States...If this Committee becomes but a rubber stamp of AID, we have all lost."

Mr. Boyd Lowry of CODEL, expressed his appreciation to all those who helped make the meeting a success and urged AID to ignore the GAO recommendation to abolish the Advisory Committee. Mr. Williams stated that the Committee has registered a formal rebuttal to the GAO report;

particularly given that the data used was secured before the new ACVFA was established. Assistant Administrator Bloch added that AID also disagrees with the GAO recommendation.

Mr. Lowry then contrasted the internal coordinating and simplifying mechanism of the PVO community, namely the several consortia, with AID's proposed external mechanism of the grant process. He also stated that relying on country missions as the focal point for AID-PVO relations puts some PVOs (who are only represented by consortia personnel) at a disadvantage. He further stated that the apparent intent to give matching grants to consortia does not make sense. Regarding accountability, Mr. Lowry simply reviewed the eleven evaluations of various kinds undergone by CODEL in the past eighteen months. Such procedures have not been stringent, nor have they been cost-effective, and they should not be inflicted by the missions on PVOs. Finally, Mr. Lowry concurred with David Guyer regarding the time frame for grants, stating that the requirement to show results in 2-3 years works against development.

Following this last testimony, Mr. Williams and other members of the Committee made their summary statements of appreciation to all participants in the meeting, for comments from PVOs, and laid out agenda items for future action. This agenda, as expressed by Mr. John Sewell, will include:

- relationships (of AID and PVOs) to indigenous PVOs,
- development education, and
- ways in which government can help PVOs get more private resources, via tax incentives, matching grants, etc.

Mr. Williams then opened the discussion to comments from the floor. A number of recommendations were made and questions raised as follows:

Mr. Peter J. Davies recommended that workshops be held among mission directors, PVO personnel and central bureau personnel, to find a match between funding priorities and PVO goals.

Mr. Robert Nathan recommended that the final version of the policy paper treat much more explicitly the problems of bureaucracy, the difference between AID and the PVOs, and those among PVOs.

Mr. James McCracken said a very firm, warm "Thank You" to Tom Fox, on behalf of all those present.

Mr. Quy Nguyen recommended that AID actively consider alternative measures of "privateness" such as degree of voluntarism, type of reporting etc.

Mr. Paul McCleary urged that PVOs recognize that development needs and development efforts are affected by more than the AID budget and programs. The broader panorama of U.S. policies and activities should be the focus of PVO attention. The need for development education is urgent.

Mr. Brad Smith inquired as to when there would be a definition of policy regarding indigenous PVOs. He was told one will be worked on over the next 4 to 5 months.

In her closing remarks, Assistant Administrator Bloch made clear that in compiling the policy paper there had been no intent to homogenize the PVO community. She further stated that the deep respect of the

current administration for AID's contribution to U.S. foreign policy has resulted in the first foreign aid bill passed by Congress in 3 years. She also stated that while Congress did pass the Biden-Pell amendment in December, 1980, it did not appropriate any funds. Nonetheless, the Bureau for Food for Peace and Voluntary Foreign Assistance has allocated \$750 thousand in support of the Congressional "earmark" under the 1981 FAA that AID spend up to \$1 million to support development education. In closing, Ms. Bloch acknowledged the dedication of Tom Fox to the PVO community over the past three years, and wished him well in his future endeavors.

Before adjourning the meeting, Mr. Williams announced sub-Committee Chairperson assignments, as follows:

- Development Education: Mr. Roy Pfautch
- PVO-University Relations: Dr. Carl E. Taylor
- PVO-Corporate Relations: Mr. Ken Smith
- AID-PVO Policy: Mr. E. Morgan Williams

He reiterated that PVOs are invited to participate in these sub-Committees; anyone wishing to do so should contact Dr. Toye Byrd's office. The next meeting of the Advisory Committee will be held June 10 and 11 in Washington, D.C. Mr. Williams thanked Dr. Toye Byrd and her staff for their work in running the conference, and then adjourned the meeting.

A N N E X E S

ANNEX 1: Remarks by: Mr. William C. Norris, President and Chief Executive Officer -- Control Data Corporation

ANNEX 2: Presentation by: Mr. Peter McPherson, Administrator, Agency for International Development

ANNEX 3: PVO Testimony Written Statements

ANNEX 4: Non-Profit/Corporate Cooperation in Economic Development in the Third World -- Dr. Toyé Brown Byrd

ANNEX 5: Presentation by: Ambassador Jean Wilkowski

ANNEX 6: Participant List

ANNEX 1

Remarks by:

WILLIAM C. NORRIS
President and Chief Executive Officer

Control Data Corporation

ROLE OF CORPORATIONS IN THE
DEVELOPING WORLD

IT IS A GREAT PLEASURE TO PARTICIPATE IN THIS MEETING WITH THE THEME OF NON-PROFIT/CORPORATE COLLABORATION ON ECONOMIC DEVELOPMENT IN THE THIRD WORLD. IN MY PRESENTATION, I WILL BE TALKING PRIMARILY ABOUT THE ROLE OF THE CORPORATION IN SUCH DEVELOPMENT BECAUSE I AM IN THE CORPORATE SECTOR. HOWEVER, AS WILL BE SEEN, THIS ROLE MUST BE PART OF A MUCH EXPANDED PUBLIC/PRIVATE SECTOR COOPERATION WHICH INCLUDES GOVERNMENT FOUNDATIONS, CHURCHES, UNIVERSITIES, UNIONS AND OTHERS. IN OTHER WORDS, IT IS RESPONSIVE TO PRESIDENT REAGAN'S CALL FOR GREATER PUBLIC/PRIVATE SECTOR COOPERATION IN BOTH DOMESTIC AND INTERNATIONAL DEVELOPMENT EFFORTS.

I AM NOT AWARE OF A MORE IMPORTANT SUBJECT, AND IT IS ONE TO WHICH MY COMPANY HAS DEVOTED A LARGE AMOUNT OF ATTENTION FOR MANY YEARS. ATTENTION HASN'T BEEN JUST CONTEMPLATION BUT INCLUDES EXTENSIVE EXPERIENCE IN THE UNITED STATES WITH MAJOR COOPERATIVE PROGRAMS ADDRESSING MAJOR UNMET NEEDS OF SOCIETY AND ALTHOUGH LESS, BUT STILL CONSIDERABLE, EFFORT TO USE THE SAME APPROACH IN DEVELOPING COUNTRIES. THIS EXPERIENCE TEACHES THAT THE CORRECT ROLE OF CORPORATIONS IN THE DEVELOPING

WORLD SHOULD BE THE SAME IN THE DEVELOPING WORLD AS IT IS IN THE UNITED STATES -- PROVIDING CHANGES ARE MADE.

TO MOVE FROM GENERALITIES TO SPECIFICS, I WILL REVIEW THE ROLE OF CORPORATIONS TODAY IN THE UNITED STATES, WHY AND HOW IT MUST BE VASTLY CHANGED, AND SHOW THE RELEVANCE OF A CHANGED ROLE TO DEVELOPING COUNTRIES.

THE NEED FOR CHANGE IS THE CONTINUING DETERIORATION IN THE QUALITY OF LIVING IN THE UNITED STATES RESULTING FROM TOO MANY OF THE MAJOR NEEDS OF OUR SOCIETY NOT BEING ADEQUATELY ADDRESSED. THE LIST OF UNMET NEEDS IS LONG AND INCLUDES BETTER, MORE AVAILABLE AND LESS COSTLY EDUCATION AND TRAINING, REVITALIZATION OF POVERTY-STRICKEN URBAN AND RURAL AREAS, ADEQUATE HEALTH CARE, LESS COSTLY FOOD AND HOUSING, A MORE PRODUCTIVE, LESS ENVIRONMENTALLY DESTRUCTIVE AGRICULTURE, A MORE VIABLE SMALL BUSINESS SECTOR, BETTER ACCESS TO TECHNOLOGY AND ALTERNATE AND LESS COSTLY SOURCES OF ENERGY.

MANIFESTATIONS OF THESE UNMET NEEDS ARE ABUNDANT. MILLIONS OF FUNCTIONALLY ILLITERATE, DISADVANTAGED YOUNG PERSONS ARE POURING OUT OF SCHOOLS IN OUR COUNTRY; THERE IS NEAR DISASTROUS DECAY OF OUR INNER CITIES AND POVERTY-STRICKEN RURAL AREAS;

FOOD COSTS ARE SO HIGH THAT MANY OF OUR ELDERLY, HANDICAPPED AND DISADVANTAGED PERSONS ARE HARD PRESSED TO ACHIEVE AN ADEQUATE DIET; THE PRODUCTIVITY OF OUR AGRICULTURE IS BEING UNDERMINED BY ENVIRONMENTALLY DESTRUCTIVE PRACTICES; AND INDIVIDUAL AND COMMUNITY INITIATIVES ARE BEING CONSTRAINED BECAUSE OF LACK OF ACCESS TO TECHNOLOGY. FIFTY YEARS AGO, TECHNOLOGY WAS VIRTUALLY AS AVAILABLE TO INDIVIDUALS AND SMALL ORGANIZATIONS AS IT WAS TO LARGE ORGANIZATIONS. BUT THIS IS NOT TRUE TODAY. HENCE, INCREASING THE AVAILABILITY OF TECHNOLOGY, I.E., KNOWLEDGE TO ALLOW INDIVIDUALS AND SMALL ORGANIZATIONS TO BECOME MORE PRODUCTIVE IS URGENTLY NEEDED. THIS IS ONE OF THE MOST IMPORTANT NEEDS, YET LEAST UNDERSTOOD.

FOR TOO LONG IN THE UNITED STATES, THE PREVAILING VIEW HAS PERSISTED THAT GOVERNMENT IS PRIMARILY RESPONSIBLE FOR MEETING THESE NEEDS. BUT THE RECORD SHOWS CLEARLY THAT GOVERNMENT HAS BEEN UNABLE TO COPE WITH OUR MAJOR UNMET SOCIETAL NEEDS, AND, AS A RESULT, THEY ARE GROWING TO DISASTROUS PROPORTIONS. BEING MASSIVE IN SIZE, MASSIVE RESOURCES, USUALLY BEYOND THOSE OF A SINGLE COMPANY, MUST BE AGGREGATED IN COMPREHENSIVE PROGRAMS FOR ADEQUATELY ADDRESSING MOST OF THEM.

WHAT IS NECESSARY NOW IS A FUNDAMENTAL CHANGE IN CORPORATE STRATEGY TOWARD TURNING MAJOR UNMET NEEDS INTO PROFITABLE

BUSINESS OPPORTUNITIES WITH AN APPROPRIATE SHARING OF COST BETWEEN THE PRIVATE SECTOR AND GOVERNMENT. BUSINESS MUST TAKE THE INITIATIVE AND PROVIDE THE LEADERSHIP FOR PLANNING AND MANAGING THE IMPLEMENTATION OF RESPONSIVE PROGRAMS IN COOPERATION WITH GOVERNMENT, LABOR UNIONS, UNIVERSITIES, CHURCHES, FOUNDATIONS, COMMUNITY-BASED ORGANIZATIONS AND OTHER SECTORS OF SOCIETY. EITHER COOPERATIVE PROJECTS OR JOINT VENTURE COMPANIES CAN BE USED.

CONTROL DATA ADOPTED SUCH A STRATEGY FIFTEEN YEARS AGO. IT HAS BEEN PURSUED VIGOROUSLY AND IT HAS PROVEN SOUND. THE POINT TO BE MADE HERE IS THAT THIS STRATEGY SHOULD BE WIDELY ADOPTED NOT ONLY IN OUR OWN SOCIETY BUT IN DEVELOPING COUNTRIES BECAUSE THE TYPE OF PROGRAMS UNDERWAY IS APPLICABLE THERE ALSO, AS I WILL SHOW IN THE NEXT FEW MINUTES.

I WILL NOW REVIEW SIX OF THESE PROGRAMS, WHICH ARE IN EDUCATION, HEALTH CARE, TECHNOLOGY TRANSFER, ASSISTANCE TO SMALL BUSINESS AND URBAN AND RURAL REVITALIZATION. AS WILL BE SEEN, ALL ARE RELEVANT TO DEVELOPING COUNTRIES. IN FACT, THE LAST PROGRAM REVIEWED WILL BE ONE IN THE DEVELOPING COUNTRY OF JAMAICA.

EDUCATION

CONTROL DATA'S LARGEST PROGRAM ADDRESSES THE WORLDWIDE NEED FOR BETTER, MORE AVAILABLE AND LESS COSTLY EDUCATION AND TRAINING. THE ONLY PRACTICAL WAY TO MAKE SIGNIFICANT PROGRESS IN ADDRESSING THIS MASSIVE AND URGENT NEED IS THROUGH THE USE OF TECHNOLOGY SUCH AS TELEVISION, AUDIO/VIDEO TAPES, TELEPHONE AND SATELLITE TRANSMISSION, COORDINATED IN A NETWORK LEARNING SYSTEM WITH COMPUTER-BASED EDUCATION.

CONTROL DATA HAS BEEN ENGAGED IN DEVELOPING SUCH A SYSTEM, CALLED PLATO COMPUTER-BASED EDUCATION FOR 20 YEARS. THIS EFFORT INCLUDES SCORES OF COOPERATIVE PROJECTS WITH THE GOVERNMENT, UNIVERSITIES, FOUNDATIONS, LARGE COMPANIES, SMALL ORGANIZATIONS AND INDIVIDUALS.

MOST OF THE INITIAL FUNDING WAS PROVIDED BY THE NATIONAL SCIENCE FOUNDATION IN SUPPORT OF A COOPERATIVE PROJECT BETWEEN THE UNIVERSITY OF ILLINOIS AND CONTROL DATA. AFTER EXPENDITURES OF APPROXIMATELY \$25 MILLION IN GOVERNMENT FUNDING, FEASIBILITY OF THE APPROACH WAS VERIFIED AND SINCE THEN, MOST OF THE FUNDING WHICH IS IN EXCESS OF \$900 MILLION HAS BEEN PROVIDED BY CONTROL DATA. THE PROJECT WITH THE UNIVERSITY OF ILLINOIS HAS CONTINUED WITH FUNDING BY CONTROL DATA. HOWEVER, IT IS ONLY ONE OF 40 PROJECTS WITH OTHER UNIVERSITIES. IN

ADDITION, THERE ARE MANY MORE COOPERATIVE PROJECTS WITH OTHER ORGANIZATIONS AND INDIVIDUALS FOR THE PURPOSE OF CREATING COMPUTER-BASED TRAINING AND EDUCATION COURSES.

AS A RESULT OF THIS SUBSTANTIAL EFFORT, A WIDE RANGE OF HIGH QUALITY PLATO INSTRUCTION HAS BEEN MADE AVAILABLE, INCLUDING COURSES FOR BUSINESS, INDUSTRY AND AGRICULTURE; FOR ACADEMIC AND VOCATIONAL COURSES FOR HIGH SCHOOL AND COLLEGE STUDENTS, AND BOTH REMEDIAL AND CONTINUING EDUCATION COURSES FOR OUT-OF-SCHOOL ADULTS. ESPECIALLY IMPORTANT ARE THE BASIC SKILLS AND HIGH SCHOOL SKILLS CURRICULA.

BASIC SKILLS: CONTROL DATA HAS BEEN CO-DEVELOPING THE BASIC SKILLS CURRICULUM FOR MANY YEARS. PRESENT LESSONS HELP UNDERACHIEVING STUDENTS ADVANCE FROM A THIRD-GRADE TO AN EIGHTH-GRADE EQUIVALENCY IN READING, LANGUAGE AND MATH SKILLS. LESSON MATERIALS FOR 0-3 GRADES IS BEING DESIGNED.

IMPRESSIVE RESULTS ARE BEING OBTAINED. FOR EXAMPLE, IN THE CITY OF BALTIMORE, 24 FUNCTIONALLY ILLITERATE ADULTS ADVANCED ALMOST ONE FULL GRADE LEVEL IN READING AFTER ONLY 22 HOURS OF INSTRUCTION -- 20 OF THEM ON PLATO. ANOTHER GROUP OF 200 HIGH SCHOOL STUDENTS IN THE STATE OF FLORIDA ACHIEVED AN AVERAGE OF ONE GRADE LEVEL AFTER ONLY 14 HOURS OF COMPUTER TERMINAL TIME

-- AND THEY WERE THE FAILING STUDENTS WHO WERE THREATENED WITH THE PROSPECT OF NOT GRADUATING BECAUSE OF THE MINIMUM COMPETENCY REQUIREMENTS OF THAT STATE.

HIGH SCHOOL SKILLS: THE PLATO-BASED HIGH SCHOOL SKILLS CURRICULUM IS CALLED THE GENERAL EDUCATION LEARNING SYSTEM. THIS SYSTEM CONSISTS OF COURSES FOR READING, MATHEMATICS, WRITING, SCIENCE AND SOCIAL STUDIES WHICH CORRESPOND TO THE FIVE SECTORS OF THE GED EXAMINATION WHICH IS THE MAIN CRITERION IN THIS COUNTRY FOR AN ADEQUATE LEVEL OF SKILL ACHIEVEMENT IN THESE SUBJECTS.

PLATO COMPUTER-BASED EDUCATION HAS PROVEN COST EFFECTIVE IN MANY FIELDS AND IT WILL PENETRATE VIRTUALLY ALL AREAS OF EDUCATION AS COURSES BECOMES AVAILABLE, AS COSTS CONTINUE TO DECREASE WITH INCREASED USES, AND AS ELECTRONIC COMPONENT COSTS CONTINUE THEIR PHENOMENAL DESCENT. IN FACT, WE SEE COMPUTER-BASED EDUCATION AS THE ONLY PRACTICAL MEANS TO ADEQUATELY SERVE THE MASSIVE AND URGENT EDUCATIONAL NEEDS OF BOTH THIS COUNTRY AND DEVELOPING COUNTRIES, PARTICULARLY IN SITUATIONS WHERE SKILLED TEACHERS ARE IN SHORT SUPPLY.

HEALTH CARE

ADEQUATE HEALTH CARE IS ANOTHER MASSIVE AND URGENT NEED CRYING

FOR MORE APPROPRIATE TECHNOLOGY. IN THE U.S., COST IS THE DOMINANT ISSUE, WHEREAS IN DEVELOPING COUNTRIES, TO A GREAT EXTENT, IT IS NEITHER AFFORDABLE NOR AVAILABLE.

IN ORDER TO DEVISE AND REFINE A REALISTIC APPROACH, ONE HAS TO HAVE GRAPPLED WITH SOME OF THE VERY WORST PROBLEMS IN HEALTH CARE. IN THE UNITED STATES, MANY INDIAN TRIBAL RESERVATIONS, WHERE AVAILABLE HEALTH CARE IS APPALLINGLY POOR, ARE PRIME EXAMPLES. HERE, EXCEPT FOR WIDESPREAD MALNUTRITION, CONDITIONS ARE NOT TOO DIFFERENT FROM THOSE IN MANY DEVELOPING COUNTRIES.

ON SOUTH DAKOTA'S ROSEBUD INDIAN RESERVATION, CONTROL DATA HAS WORKED WITH TRIBAL LEADERS TO APPLY COMPUTER TECHNOLOGY AND MANAGERIAL PROCESSES TO IMPROVE HEALTH CARE DELIVERY DRAMATICALLY. FIVE YEARS AGO, ONE WOEFULLY UNDERSTAFFED SMALL HOSPITAL WAS RESPONSIBLE FOR THE CARE OF 8,500 NATIVE AMERICANS. THOSE WHO REQUIRED CARE HAD TO TRAVEL UP TO 130 MILES ON DIRT ROADS, WITH LITTLE OR NO TRANSPORTATION TO GET IT. TODAY, CONTROL DATA'S MEDICAL VAN TRAVELS THE RESERVATION TAKING THE CARE TO 900 RESIDENTS PER MONTH, WITH SIGNIFICANT IMPROVEMENT IN THE HEALTH OF THE TRIBE. IN ADDITION FOUR CLINICS HAVE BEEN ESTABLISHED AND INDIAN PARAMEDICS HAVE BEEN TRAINED.

SUBSTANTIAL GAINS HAVE BEEN MADE, BUT THERE IS STILL URGENT NEED FOR FURTHER IMPROVEMENT AT ROSEBUD. THE NEXT PHASE OF THE PROGRAM IS TO TEACH TRIBAL MEMBERS SELF HEALTH CARE, AIMED AT THE AVOIDANCE OF ACCIDENT AND ILLNESSES, USING CONTROL DATA'S STAYWELL PROGRAM WHICH IS BASED ON PLATO COMPUTER-BASED EDUCATION. EVERYTHING CONSIDERED, THIS IS THE ONLY POSSIBLE WAY TO ACHIEVE THE NEEDED IMPROVEMENT IN INDIAN HEALTH AND THE HEALTH OF OTHER IMPOVERISHED PEOPLE. TEACHING PEOPLE HOW TO AVOID ILLNESS IS ALSO THE MAJOR MEANS OF IMPROVING HEALTH IN WESTERN SOCIETY. CONSEQUENTLY, WORLDWIDE, THE PATHWAY TO BETTER HEALTH AT AN AFFORDABLE COST HAS TO BE DIRECTED TOWARD TEACHING THE PREVENTION OF ILLNESS THROUGH THE USE OF THE COMPUTER AS OPPOSED TO AFTER-THE-FACT MEDICINE.

TECHNOLOGY TRANSFER

THE NEED FOR MORE EFFICIENT TRANSFER OF TECHNOLOGY IS BEGINNING TO BE MET BY THE ONGOING MASSIVE EXPANSION IN AVAILABILITY OF INFORMATION VIA THE COMPUTER. INDIVIDUALS AND SMALL ORGANIZATIONS ARE GAINING IMPROVED ACCESS TO INFORMATION. THIS IS BENEFICIAL BUT INADEQUATE. INFORMATION IS NOT KNOWLEDGE OR "HOW TO" OF TECHNOLOGY. SMALL BUSINESS, NOT BEING SELF SUFFICIENT IN TECHNOLOGY, NEEDS MUCH BETTER ACCESS TO IT -- AS DO INDIVIDUALS, BE THEY DOCTORS, DENTISTS, ENGINEERS, ARCHITECTS OR FARMERS -- TO KEEP ABREAST OF CHANGE,

THERE IS AN ANOMALY HERE. HUGE VOLUMES OF TECHNOLOGY ARE CREATED IN UNIVERSITY LABORATORIES AND GOVERNMENT AGENCIES. YET MUCH OF IT LIES DORMANT; LITTLE IS TRANSFERRED TO SMALL COMPANIES AND INDIVIDUALS FOR CONVERSION TO NEW OR IMPROVED PRODUCTS AND SERVICES.

SIMILARLY, LARGE STORES OF UNDERUTILIZED TECHNOLOGY EXIST IN LARGE CORPORATIONS. MOST FIRMS USE ONLY PART OF THEIR TECHNOLOGY IN THEIR OWN COMMERCIAL ACTIVITIES. THE REMAINDER MAY HAVE COMMERCIAL USE ELSEWHERE. EVEN MORE IMPORTANT, FIRMS UTILIZE TECHNOLOGY IN ONE PRODUCT OR INDUSTRY THAT HAS APPLICATION TO OTHER PRODUCTS OFTEN IN VERY DIFFERENT INDUSTRIES, BUT THE USE THERE HAPPENS ALL TOO INFREQUENTLY.

CONTROL DATA'S TECHNOTECH SERVICE IS HELPING TO SUBSTANTIALLY INCREASE THE FLOW OF TECHNOLOGY TO INDIVIDUALS AND SMALL ENTERPRISE.

TECHNOLOGIES ARE BEING ASSEMBLED WITH PRIORITY PLACED ON SMALL SCALE AGRICULTURE, SOLAR ENERGY, URBAN AND APPROPRIATE TECHNOLOGY. FOR A SEARCH FEE, A TECHNOTECH USER GAINS ACCESS TO TECHNOLOGIES THAT HAVE BEEN PROVEN ELSEWHERE AND CAN BE APPLIED IN ANOTHER SETTING. LATER IN MY TALK, IT WILL BE SEEN HOW THESE DATA BASES ARE EFFECTIVELY UTILIZED WHEN I REVIEW SMALL SCALE AGRICULTURE PROGRAMS.

SMALL BUSINESS

IN REVIEWING PROGRAMS TO ASSIST SMALL BUSINESS, IT SHOULD FIRST BE NOTED THAT IN RECENT YEARS, SMALL COMPANIES HAVE CREATED THE MAJORITY OF NEW JOBS IN MOST WESTERN COUNTRIES. BELATEDLY, THESE COUNTRIES HAVE AWAKENED TO THE CONTRIBUTIONS OF SMALL ENTERPRISE TO JOB CREATION AND ARE NOW LEGISLATING MORE SUPPORT FOR SMALL BUSINESS THAT INCLUDES TAX BREAKS, INCREASED AVAILABILITY OF CAPITAL FINANCING AND R&D SUBSIDIES.

WHILE THIS TYPE OF SUPPORT IS IMPORTANT, IT IS NOT NEARLY ENOUGH TO STIMULATE THE VAST INCREASE NEEDED IN THE NUMBER OF NEW BUSINESSES AND SMALL FARMS. THE ONLY FEASIBLE WAY TO ACHIEVE THIS IS THROUGH THE BETTER UTILIZATION OF EXISTING RESOURCES TO AVOID BIG INCREASES IN GOVERNMENT SPENDING AND UNNECESSARY DIVERSION OF SCARCE TALENT.

MAJOR RESOURCES THAT ARE PRESENTLY UNDERUTILIZED ARE NOT ONLY THE TECHNOLOGIES, BUT ALSO THE PROFESSIONAL AND MANAGEMENT RESOURCES OF BIG BUSINESS, UNIVERSITIES, RESEARCH INSTITUTES AND GOVERNMENT AGENCIES.

HELPING SMALL ENTERPRISE IS A MAJOR BUSINESS OPPORTUNITY FOR BIG BUSINESS. THERE ARE ENORMOUS OPPORTUNITIES FOR LARGE COMPANIES AND SMALL COMPANIES, WORKING TOGETHER, TO ADDRESS

SUCH MAJOR NEEDS OF SOCIETY AS ALTERNATE AND LESS COSTLY SOURCES OF ENERGY, MORE ENERGY CONSERVATION, MORE CONSERVATION OF NATURAL RESOURCES, URBAN REVITALIZATION, MORE EFFICIENT FOOD PRODUCTION, AND BETTER RURAL LIVING.

LARGE AND SMALL COMPANIES CAN COOPERATE DIRECTLY OR THROUGH CONSORTIA FORMED TO ASSEMBLE THE DIVERSE RESOURCES THAT ARE REQUIRED FOR HOLISTIC SOLUTIONS TO PROBLEMS SUCH AS SUBSTANDARD URBAN AND RURAL LIVING. CONTROL DATA IS PARTICIPATING IN CONSORTIA AND WORKING DIRECTLY WITH SMALL COMPANIES. LET ME PROVIDE EXAMPLES OF BOTH.

THE DIRECT APPROACH CONSISTS OF PROVIDING A WIDE RANGE OF SERVICES TO HELP SMALL ENTERPRISE. TWO OF MANY CONTROL DATA SERVICES WILL BE CITED AS EXAMPLES, STARTING WITH TRAINING.

TRAINING: CRITICAL TO SUCCESS IN SMALL ENTERPRISE IS MORE RELEVANT, HIGHER QUALITY MORE ACCESSIBLE AND LOWER COST TRAINING. CONTROL DATA IS ADDRESSING THIS NEED WITH ITS PLATO COMPUTER-BASED EDUCATION SERVICE. TRAINING IS CURRENTLY DELIVERED IN LEARNING CENTERS AND WITH TERMINALS INSTALLED ON THE USER'S PREMISES. THE COST IS SUBSTANTIALLY LESS THAN THAT OF CLASSROOM-BASED COURSES IN LARGE COMPANIES BECAUSE IT ENJOYS ECONOMIES OF SCALE. MANY COURSES ARE BEING DEVELOPED FOR

SMALL ENTERPRISE, INCLUDING COURSES IN HOW TO START-UP AND MANAGE A SMALL BUSINESS OR A SMALL FARM.

BUSINESS & TECHNOLOGY SERVICES CENTERS: ANOTHER IMPORTANT SERVICE FOR SMALL BUSINESS IS OUR BUSINESS AND TECHNOLOGY SERVICES CENTER, WHICH PROVIDES VARIOUS COMBINATIONS OF CONSULTING, SHARED FACILITIES AND SERVICES FOR FACILITATING THE SUCCESSFUL START-UP AND GROWTH OF SMALL BUSINESSES. A CLUSTER OF BUILDINGS CONTAINING FLEXIBLE LABORATORY AND OFFICE SPACE IS SUBDIVIDED AND LEASED TO SMALL BUSINESSES. THE BUILDINGS CONTAIN SUCH CENTRALLY SHARED FACILITIES AND SERVICES AS A LIBRARY; MODEL SHOP; CLEAN ROOMS; DRAFTING, ACCOUNTING, CONSULTING, PURCHASING AND LEGAL SERVICES; AS WELL AS A COMPLETE RANGE OF COMPUTER SERVICES, INCLUDING TECHNOLOGY LOCATING AND TRANSFER SERVICES AND COMPUTER-BASED EDUCATION.

ECONOMIES OF SCALE MAKE IT POSSIBLE TO PROVIDE OCCUPANTS OF THE CENTER AND SMALL COMPANIES LOCATED NEARBY WITH NEEDED FACILITIES AND SERVICES OF MUCH HIGHER QUALITY FOR CONSIDERABLY LOWER COST THAN EACH WOULD BE CAPABLE OF OBTAINING OR PROVIDING FOR ITSELF. BENEFITS ALSO ARE OBTAINED FROM THE ENHANCED ENVIRONMENT FOR PEER INTERCHANGE, AND TO FACILITATE THE BENEFITS OF THAT, WE ARE FOCUSING EACH CENTER ON A PARTICULAR TECHNOLOGY AREA, SUCH AS ENERGY.

FOCUSING COMMUNITY RESOURCES

ALSO IMPORTANT TO ASSURING THE SUCCESS OF SMALL ENTERPRISE IS THE MEANS OF BRINGING THE UNDERUTILIZED RESOURCES OF BUSINESS, GOVERNMENT AND UNIVERSITIES TO BEAR ON HELPING SMALL ENTERPRISE. DOING THIS MOST EFFECTIVELY REQUIRES THE USE OF COMMUNITY-BASED ORGANIZATIONS. I WILL DESCRIBE THREE ORGANIZATIONS OF THIS TYPE, THE MINNESOTA COOPERATIVE FOR SMALL BUSINESS, THE MINNESOTA SEED CAPITAL FUND AND THE MICROELECTRONICS AND INFORMATION SCIENCE CENTER (MEIS).

MCO: THE OBJECTIVE OF THE MINNESOTA COOPERATION OFFICE, OR MCO IN SHORT, IS TO FOSTER THE START-UP AND PROFITABLE GROWTH OF SMALL BUSINESS IN THE STATE OF MINNESOTA. THE MCO IS A NON-PROFIT CORPORATION BEING FINANCED DURING THE EARLY YEARS BY CONTRIBUTIONS AND GRANTS -- IT IS PLANNED THAT THE ORGANIZATION WILL EVENTUALLY BECOME SELF-SUPPORTING FROM CLIENT FEES AND FUNDS GENERATED BY INVESTMENTS IN CLIENT COMPANIES.

THE MCO'S BOARD OF DIRECTORS CONSISTS OF LEADERS FROM MAJOR SECTORS OF SOCIETY INCLUDING BUSINESS, ACADEMIA, CHURCH AND GOVERNMENT. THE APPROACH IS SIMPLE: AN ENTREPRENEUR HAS AN IDEA FOR A NEW PRODUCT OR SERVICE AND WANTS TO START A COMPANY -- THE MCO HELPS DEVELOP A BUSINESS PLAN AND OBTAIN FINANCING. THE PERMANENT STAFF IS SMALL, BUT THE MCO DRAWS ON

A VOLUNTEER ADVISORY PANEL OF ENGINEERS, SCIENTISTS AND EXECUTIVES FOR THE SPECIFIC EXPERTISE REQUIRED TO EVALUATE AND HELP PREPARE BUSINESS PLANS. IF THE PLANS ARE PROPERLY CONCEIVED, THE CHANCES OF RECEIVING ADEQUATE FINANCING AND ACHIEVING ECONOMIC VIABILITY ARE SUBSTANTIALLY INCREASED.

MINNESOTA SEED CAPITAL FUND: CAPITAL FROM MORE CONVENTIONAL SOURCES SUCH AS VENTURE CAPITAL COMPANIES AND BANKS IS OFTEN NOT AVAILABLE FOR NEW COMPANIES DURING THEIR INITIAL FORMATION AND EARLY DEVELOPMENT STAGES. BECAUSE OF THIS, THE MINNESOTA SEED CAPITAL FUND HAS BEEN FORMED, WITH AN INITIAL CAPITALIZATION OF \$5 MILLION. COMBINED WITH OTHER SOURCES OF CAPITAL, THE FUND PROVIDES ENTREPRENEURS IN MINNESOTA WITH MORE POTENTIAL FINANCING POSSIBILITIES THAN ARE AVAILABLE IN ANY OTHER STATE.

MEIS: THE MICROELECTRONICS AND INFORMATION SCIENCE CENTER AT THE UNIVERSITY OF MINNESOTA IS AN INDUSTRY-UNIVERSITY COLLABORATION EFFORT. ITS OBJECTIVE IS TO INCREASE THE AMOUNT OF RESEARCH AND DEVELOPMENT IN PIVOTAL AREAS -- AND EQUALLY IMPORTANT -- TO FACILITATE THE COMMERCIALIZATION OF THE TECHNOLOGY CREATED. FUNDING IS PROVIDED BY INDUSTRY AND THE U.S. GOVERNMENT, WITH EQUIPMENT AND FACILITIES SHARED BETWEEN INDUSTRY AND THE UNIVERSITY.

EVEN THOUGH A MAJOR PART OF THE INDUSTRY FUNDING IS PROVIDED BY BIG BUSINESS, ONE IMPORTANT AND ESSENTIAL ASPECT OF THE PROGRAM IS THAT SMALL ENTERPRISES WILL HAVE EQUAL ACCESS TO THE RESULTS OF THE R&D. IT IS CONTEMPLATED THAT MANY NEW COMPANIES WILL BE SPAWNED.

NETWORK FOR INNOVATION: AS YOU CAN SEE BY THE SLIDE, THE MCO, THE SEED FUND AND THE SCIENCE CENTER, ALONG WITH OTHER CONTROL DATA SERVICES, AND SERVICES OF ORGANIZATIONS NOT MENTIONED, CONSTITUTE WHAT IS CALLED THE MINNESOTA NETWORK FOR STIMULATING INNOVATION AND JOB CREATION. THIS NETWORK PROVIDES THE SUPPORT NEEDED FOR EACH MAJOR LINK IN THE CHAIN OF SUCCESS FOR SMALL ENTERPRISE. THE LINKS ARE TECHNOLOGY, FINANCING, MANAGEMENT ASSISTANCE, EDUCATION & TRAINING, MARKETING AND EFFICIENT ACCESS TO FACILITIES AND SERVICES. UNFORTUNATELY, IN OUR PRESENT ECONOMIC SYSTEM, MAKING THESE SUCCESSFUL LINKAGES IS LEFT TOO MUCH TO CHANCE, WITH AN UNDUE BURDEN ON THE ENTREPRENEUR. AS A CONSEQUENCE, A HIGH PERCENTAGE OF NEW BUSINESSES FAIL.

ON THE OTHER HAND, THROUGH EXPANDED INITIATIVES AND COOPERATION AMONG INDUSTRY, GOVERNMENT AND UNIVERSITIES, ALL OF THE LINKS IN THE CHAIN OF SUCCESS CAN BE STRONGLY FORGED AND VASTLY INCREASE THE SUCCESS RATE FOR NEW ENTERPRISES AND HELP ASSURE

THE PROFITABLE GROWTH OF EXISTING ENTERPRISES. THE MINNESOTA NETWORK MODEL IS BEING WIDELY REPLICATED IN THE UNITED STATES AND OVERSEAS.

URBAN REVITALIZATION

TO MOST EFFECTIVELY ADDRESS URBAN REVITALIZATION, CONTROL DATA HAS JOINED WITH OTHER COMPANIES AND TWO CHURCH ORGANIZATIONS TO FORM A CONSORTIUM CALLED CITY VENTURE, INC. FOR THE FIRST TIME, ADEQUATE CAPABILITY HAS BEEN ASSEMBLED IN A UNIQUE AND EFFICIENT POOLING OF THE RESOURCES OF INDIVIDUAL ORGANIZATIONS. CITY VENTURE PLANS AND MANAGES INNOVATIVE PROGRAMS FOR THE REVITALIZATION OF EXISTING URBAN CENTERS AND THE CREATION OF NEW CITIES. CITY VENTURE'S APPROACH MANDATES THAT PLANS FOR BUILDING OR RESTORING A COMMUNITY MUST BE BASED PRIMARILY ON MEETING THE NEEDS OF RESIDENTS FOR HIGH-QUALITY, ACCESSIBLE, AND AFFORDABLE EDUCATION AND TRAINING -- AND, EVEN MORE IMPORTANTLY, THEIR NEEDS FOR DECENT JOBS. SMALL ENTERPRISES ARE A MAJOR SOURCE OF JOBS, AS WELL AS AN IMPORTANT MEANS FOR BUILDING, REBUILDING, AND MAINTAINING HOUSING AND COMMERCIAL CENTERS. SMALL BUSINESSES ALSO PARTICIPATE IN PROVIDING HEALTH CARE, EDUCATION, AND OTHER SOCIAL SERVICES.

CITY VENTURE IS ONLY TWO AND ONE-HALF YEARS OLD, BUT IN THAT TIME GOVERNMENT-FUNDED CONTRACTS HAVE BEEN OBTAINED FOR

PROJECTS IN MINNEAPOLIS, TOLEDO, PHILADELPHIA, BALTIMORE, ST. PAUL, CHARLESTON, SOUTH CAROLINA, NEW YORK CITY, MIAMI, BENTON HARBOR, MICHIGAN, AND LONDON.

TO GIVE YOU SOME INDICATION OF THE IMPACT OF A TYPICAL CITY VENTURE PROJECT, LET ME QUOTE FROM A RECENT SPEECH BY MR. GEORGE HAIGH, THE CHIEF EXECUTIVE OF TOLEDO TRUST INC. AND ONE OF THE LEADERS RESPONSIBLE FOR THE EFFORT TO REVITALIZE THE WARREN-SHERMAN AREA IN TOLEDO. QUOTE:

"THE PROJECT BEGAN WITH A NEIGHBORHOOD THAT SUFFERED UNEMPLOYMENT IN EXCESS OF 32 PERCENT; INADEQUATE, RUN-DOWN HOUSING, LOW HOUSEHOLD INCOMES; INADEQUATE SHOPPING FACILITIES; LACK OF SMALL BUSINESS; AND LACK OF RECREATIONAL FACILITIES. CRIME, ARSON AND PRIDE-SAPPING NEIGHBORHOOD DECAY WERE ALL TOO EVIDENT.

USING CITY VENTURE AS A CATALYST AND GAINING THE TRUST AND ACTIVE DECISION-MAKING INVOLVEMENT OF NEIGHBORHOOD PEOPLE, NEIGHBORHOOD ORGANIZATIONS, THE CITY OF TOLEDO, AND SEVERAL PRIVATE BUSINESSES, A UNIQUE PROGRAM BEGAN TO RAPIDLY TAKE SHAPE. NOT A PROGRAM FEATURING HANDOUTS, BUT ONE THAT WOULD PROVIDE IMPROVED NEIGHBORHOOD HOUSING, TRAINING AND EDUCATION FOR HUNDREDS, OVER A THOUSAND ADDITIONAL NEIGHBORHOOD JOBS, A

NEW BUSINESS AND TECHNOLOGY CENTER TO HELP MINORITY BUSINESS, A NEW SHOPPING CENTER, NEW PARKS FOR RECREATIONAL USE -- AND THE LIST GOES ON. MOST IMPORTANTLY, HOWEVER, IS THAT THESE PROGRAMS ARE ALL INVESTMENTS THAT ARE AIMED TO PRODUCE PROFIT FOR THE PRIVATE SECTOR, PRIDE FOR THE NEIGHBORHOOD, AND REAL OPPORTUNITIES FOR PEOPLE." END OF QUOTE

THE TOLEDO EXPERIENCE IS BEING DUPLICATED IN OTHER LOCATIONS IN THE UNITED STATES IN WHICH CITY VENTURE IS OPERATING, AND THERE IS ALREADY A SIZEABLE BACKLOG OF OTHER CITIES WISHING TO BE SERVED, INCLUDING A NUMBER OVERSEAS.

RURAL DEVELOPMENT

OBVIOUSLY, ACHIEVING AN ADEQUATE LEVEL OF EFFORT AND SKILL TO MEET URBAN NEEDS WILL REQUIRE COOPERATION ON A VAST SCALE. ACHIEVING A SUFFICIENT EFFORT IN AGRICULTURE IS AN EVEN GREATER CHALLENGE. A GLIMPSE EVIDENCES THE AWESOME MAGNITUDE OF THE NEED IN THE WORLD FOR IMPROVED AGRICULTURE. THERE ARE OVER ONE BILLION SMALL FARMERS IN THE DEVELOPING WORLD, YET PER CAPITA FOOD PRODUCTION IS DECLINING IN ALL DEVELOPING REGIONS EXCEPT IN ASIA. WITHOUT GREAT IMPROVEMENT IN SMALL-SCALE AGRICULTURE, THERE IS LITTLE HOPE FOR SIGNIFICANT ECONOMIC PROGRESS, BECAUSE THE INITIAL PROGRESS ACHIEVED WITH LARGE-SCALE "GREEN REVOLUTION" AGRICULTURE OF THE LAST HALF CENTURY HAS SLOWED SHARPLY IN RECENT YEARS.

MORE EFFICIENT SMALL-SCALE AGRICULTURE IS ALSO URGENTLY NEEDED IN MOST WESTERN COUNTRIES BECAUSE IT IS THE BEST WAY TO REDUCE FOOD COSTS, ARREST ENVIRONMENTAL DEGRADATION AND CREATE MORE BADLY NEEDED JOBS IN RURAL COMMUNITIES.

TO HELP ACHIEVE MORE EFFICIENT SMALL SCALE AGRICULTURE, CONTROL DATA IS SPONSORING DEVELOPMENT PROJECTS AND PARTICIPATING IN ANOTHER CONSORTIUM CALLED RURAL VENTURE. PARTICIPANTS IN RURAL VENTURE INCLUDE CORPORATIONS, FOUNDATIONS, FARM COOPERATIVES, CHURCH ORGANIZATIONS AND INDIVIDUALS. RURAL VENTURE'S MAIN THRUST IS TO INCREASE THE PRODUCTIVITY AND PROFITABILITY OF SMALL FARMS AND TO ASSIST IN THE START-UP AND PROFITABLE GROWTH OF SMALL BUSINESSES IN RURAL COMMUNITIES.

WITH RESPECT TO SMALL FARMS AND SMALL SCALE FARMING, IT IS NOW EVIDENT THAT WITH PROPER SELECTION AND APPLICATION OF NEW AND EMERGING TECHNOLOGIES, AND WITH ADEQUATE ONGOING R&D, SMALL SCALE FAMILY FARMS AND FOOD PROCESSING OPERATIONS CAN REDUCE THE COST OF FOOD, MAKE A SIGNIFICANT CONTRIBUTION TO FOOD PRODUCTION, DO IT IN MORE ENVIRONMENTALLY PROTECTIVE WAYS, AND PROVIDE A DECENT LIVING FOR THE OPERATORS. THESE RESULTS CANNOT BE ACCOMPLISHED OVERNIGHT, BUT THERE IS ENOUGH EXISTING APPLICABLE TECHNOLOGY TO PERMIT MEANINGFUL PROGRESS IN A FEW YEARS AND, WITH ADEQUATE AND CONTINUING SUPPORT, TO REACH OBJECTIVES IN A SIGNIFICANT NUMBER OF AREAS IN 10 TO 15 YEARS.

COMPUTER TECHNOLOGY IS THE CENTERPIECE OF THE STRATEGY. DATA BANKS OF AGRICULTURAL TECHNOLOGY ARE BEING ASSEMBLED AND COMPUTER-BASED EDUCATION COURSES ARE BEING WRITTEN COOPERATIVELY WITH A LARGE NUMBER OF UNIVERSITIES, FOUNDATIONS AND OTHER ORGANIZATIONS. COMPUTER-OPTIMIZED SELECTION OF CROPS, LIVESTOCK, EQUIPMENT, AND OTHER TECHNOLOGIES ARE MADE FOR EACH SMALL FARM, AND PLATO COMPUTER-BASED EDUCATION AND TRAINING COURSES ARE BEING PREPARED TO HELP INDIVIDUAL FARMERS APPLY THE TECHNOLOGIES EFFICIENTLY.

COURSES: THE COURSES BEING DEVELOPED TO HELP SMALL FARMERS COVER A WIDE RANGE AS YOU WILL NOTE FROM THE CHART. A SUBSTANTIAL NUMBER ARE IN USE WITH MANY MORE TO BECOME AVAILABLE LATER THIS YEAR AND NEXT YEAR.

THESE ARE INTENSIVE, PRACTICAL COURSES THAT PROVIDE "HOW TO" KNOWLEDGE. TYPICAL IS THE PLATO SHEEP PRODUCTION AND MANAGEMENT COURSE. IT WAS COOPERATIVELY DEVELOPED BY WINROCK INTERNATIONAL LIVESTOCK RESEARCH AND TRAINING CENTER, ROCKEFELLER BROTHERS FUND, PIPESTONE MINNESOTA AREA VOGATIONAL TECHNICAL INSTITUTE, AND CONTROL DATA. THIS PLATO COURSE PROVIDES THE BASIC KNOWLEDGE TO EFFICIENTLY RUN A SHEEP OPERATION. THE SHEEP LESSONS ARE STORED IN THE COMPUTER AND ACCESSIBLE THROUGH THE PLATO TELEVISION-LIKE TERMINALS OPERATED

BY STUDENTS AT THEIR OWN PACE VIA TYPEWRITER LIKE KEYBOARDS AND TOUCHING THE TERMINAL SCREEN. THE LESSON INFORMATION IS DISPLAYED IN THE FORM OF NUMBERS, TEXT, DRAWINGS AND ANIMATED GRAPHICS. THERE IS CONTINUOUS INTERACTION -- A GIVE AND TAKE -- ON A PERSONAL, ONE-TO-ONE BASIS SUPPLEMENTED WITH FILMS AND TEXTS, THEREBY CREATING AN EFFECTIVE LEARNING EXPERIENCE WHICH IS PRACTICALLY NOT ACHIEVABLE BY ANY OTHER METHOD ON A BROAD BASIS IN SMALL SCALE FARMING.

DATA BANKS: AG TECH, THE TECHNOTECH COMPUTER DATA BANK OF AGRICULTURAL TECHNOLOGY PROVIDES INFORMATION ON SUBJECTS OF PARTICULAR IMPORTANCE TO SMALL FARMERS, INCLUDING FARM MACHINERY, ENERGY CONSERVATION, HOME FOOD PROCESSING, LAND DEVELOPMENT, LIVESTOCK DISEASES, ETC. IT PROVIDES COMPLETE AND PRACTICAL INFORMATION ON THESE TOPICS.

ANOTHER DATA BANK IMPORTANT IN BOTH RURAL AND URBAN AREAS IS CALLED LOGIN, THE ACRONYM FOR LOCAL GOVERNMENT INFORMATION NETWORK. IT PROVIDES "HOW TO" INFORMATION TO LOCAL URBAN AND COUNTY GOVERNMENT OFFICIALS IN MANY FIELDS INCLUDING PROCUREMENT, PERSONNEL MANAGEMENT, STREET AND WATER SYSTEM MAINTENANCE, ENERGY CONSERVATION, HEALTH CARE AND DOZENS OF OTHER SUBJECTS.

LOGIN IS PARTICULARLY USEFUL TO SMALLER CITIES AND VILLAGES BECAUSE THEY DON'T HAVE THE STAFF TO LOCATE OR EVALUATE POTENTIAL SOLUTIONS TO PROBLEMS. NO PREVIOUS EXPERIENCE WITH COMPUTERS IS REQUIRED TO OBTAIN INFORMATION FROM AG TECH OR LOGIN USING A SMALL DESK-TOP TERMINAL OR VIA A TELEPHONE CALL.

AGRICULTURE AND BUSINESS SERVICE CENTERS: TO FACILITATE THE DELIVERY OF PLATO COMPUTER-BASED EDUCATION AND TRAINING COURSES FOR SMALL FARMERS, AGRICULTURE AND BUSINESS SERVICES CENTERS, OR AG CENTERS IN SHORT, ARE BEING ESTABLISHED. EDUCATION AND TRAINING AND OTHER SERVICES ARE AVAILABLE FROM AGRICULTURE AND BUSINESS SERVICES CENTER. IN FACT, AN AG CENTER IS SIMILAR TO THE BUSINESS & TECHNOLOGY CENTER DESCRIBED EARLIER. THE ESSENTIAL DIFFERENCE BEING THAT THE AG CENTER DOES NOT OFFER BUILDING SPACE AND SERVICES RELATED TO OCCUPANCY.

SMALL SCALE PROJECTS

NEXT, BECAUSE OF THE CRITICAL IMPORTANCE OF MORE EFFICIENT SMALL SCALE AGRICULTURE TO DEVELOPING COUNTRIES, I WILL REVIEW PROGRAMS IN CONTROLLED ENVIRONMENT AGRICULTURE, THE DEVELOPMENT OF WIND POWER GENERATION, SEVERAL SMALL SCALE AGRICULTURAL PROJECTS IN THIS COUNTRY AND A PROGRAM IN JAMAICA WHICH INCLUDES SMALL SCALE AGRICULTURE.

CONTROLLED ENVIRONMENT AGRICULTURE: CONTROLLED ENVIRONMENT AGRICULTURE IS IMPORTANT TO VIRTUALLY ALL PARTS OF THE WORLD. CONTROL DATA IS MAKING A MAJOR INVESTMENT TO DEVELOP DIFFERENT TYPES OF SMALL SCALE CONTROLLED ENVIRONMENT GREENHOUSES THAT ARE HIGHLY EFFICIENT, PROVIDE FASTER GROWTH, HIGHER YIELDS HIGHER QUALITY, AND THAT ARE SUITABLE FOR USE IN DIFFERENT GEOGRAPHICAL LOCATIONS. ONE TYPE OF GREENHOUSE UTILIZES WASTE HEAT FROM MANY DIFFERENT SOURCES. THE GREENHOUSE SHOWN HERE IS INSTALLED ON THE ROOF OF A BUILDING AND USES HEAT FROM LARGE COMPUTERS INSTALLED ON THE FLOOR BELOW. ANOTHER TYPE UTILIZES ONLY ARTIFICIAL LIGHT.

WIND POWER: OUR PROGRAM IN WIND POWER HAS THE OBJECTIVE OF DEVELOPING GENERATORS FOR PRODUCING ELECTRICITY AND PUMPING WATER AND ARE TO BE USED MAINLY BY SMALL FARMS AND SMALL COMMUNITIES. WIND IS A PARTICULARLY IMPORTANT SOURCE OF ENERGY IN MANY DEVELOPING COUNTRIES. A 10 KW WIND GENERATOR IS IN PRODUCTION AND OTHER MODELS ARE UNDER DEVELOPMENT. JOINT VENTURES ARE BEING SOUGHT IN OTHER COUNTRIES TO DEVELOP ADDITIONAL MODELS AND TO MANUFACTURE AND SELL EXISTING EQUIPMENT LOCALLY.

PINE CITY: THE FIRST SMALL FARM PROJECT WHICH STARTED IN 1979 IS FINANCED BY CONTROL DATA AND MANAGED BY RURAL VENTURE. ITS

OBJECTIVE IS TO ASSIST A GROUP OF 18 SMALL FARMERS. TODAY, THE PROJECT IS PART OF A LARGER PROGRAM SIX-COUNTY RURAL VENTURE PROJECT IN EAST-CENTRAL MINNESOTA.

PARTICIPANTS CAME TO THE PINE CITY PROGRAM WITH FARMING EXPERIENCE RANGING FROM NONE TO TEN YEARS; MANY OF THEM HAD FAILED TO ACHIEVE MORE THAN LIMITED SUCCESS BEFORE THE PROGRAM STARTED.

THE FARMS INVOLVED VARY BETWEEN FIVE AND 140 ACRES IN SIZE; THE LAND IS MARGINAL, PREDOMINANTLY WOODED, AND IS LOCATED IN AN AREA CONSIDERED BY THE GOVERNMENT TO BE ECONOMICALLY DEPRESSED. IN ADDITION TO HELP IN PREPARING A BUSINESS PLAN AND IN OPERATING THE FARM, CONTROL DATA IS ALSO FURNISHING PERSONAL DEVELOPMENT SERVICES TAILORED TO THE NEEDS OF EACH INDIVIDUAL.

AT THE BEGINNING OF THE PROGRAM, ALL THE PARTICIPANTS WERE PART-TIME FARMERS. BY THE SPRING OF 1980, FOUR HAD PROGRESSED ENOUGH TO SUPPORT THEMSELVES AS FULL-TIME FARMERS.

PRINCETON: A SECOND CONTROL DATA FINANCED PROJECT IN PRINCETON, MINNESOTA, INVOLVES A GROUP OF 15 BEGINNING FARMERS. IT BEGAN IN 1980 AND IS ALSO BEING MANAGED AS PART OF RURAL VENTURE'S AREA-WIDE PROGRAM IN MINNESOTA.

THE MAIN OBJECTIVE OF THE PRINCETON PROGRAM IS TO ESTABLISH SUCCESSFUL OPERATIONS WHICH CAN BE WIDELY REPLICATED. THE FARMS ARE 80 TO 140 ACRES IN SIZE AND THE LAND SOMEWHAT BETTER THAN IT IS IN THE PINE CITY PROJECT. UNLIKE THE PINE CITY PARTICIPANTS, MOST OF THE PRINCETON FARMERS ARE NEW TO THE LAND.

CONSTRUCTION OF EARTH-SHELTERED HOMES AND A VARIETY OF FARM BUILDINGS IS NOW UNDERWAY AND WILL BE COMPLETED SOON. THE FIRST CROPS WERE PLANTED AND LIVESTOCK OPERATIONS LAUNCHED IN THE SPRING OF LAST YEAR. THIS SLIDE IS A PICTURE OF THE PRINCETON AG CENTER WHICH AS I NOTED EARLIER IS AN ESSENTIAL ELEMENT OF EACH SMALL FARM PROJECT.

ALASKA: TWO OTHER RURAL VENTURE PROJECTS ARE LOCATED IN NORTHWEST ALASKA NEAR THE VILLAGES OF AMBLER AND SELAWIK, ALASKA. BOTH LIE WITHIN THE ARCTIC CIRCLE. AMBLER IS A VILLAGE WITH A POPULATION OF 200; SELAWIK'S POPULATION IS 600. THE OBJECTIVE OF THE AMBLER PROJECT WHICH STARTED THREE YEARS AGO IS TO ESTABLISH AN INTEGRATED SMALL FARM OPERATION WHICH COMBINES VEGETABLE AND SMALL GRAIN GROWING WITH LIVESTOCK PRODUCTION. THIRTY-FIVE ACRES OF TUNDRA HAVE BEEN CLEARED THUS FAR. CABBAGE AND POTATOES HAVE BEEN SUCCESSFULLY GROWN THIS YEAR. WHEAT AND BARLEY HAVE BEEN PLANTED AND IT IS TOO EARLY TO KNOW IF IT WILL MATURE. THE AMBLER FARM IS OPERATED BY AN ESKIMO WHO IS THE FIRST ESKIMO FARMER IN HISTORY.

THE OBJECTIVE OF THE PROJECT AT SELAWIK IS SIMILAR TO THE ONE AT AMBLER EXCEPT THE FARM IS PRESENTLY OPERATED BY THE VILLAGE AS A COMMUNITY EFFORT. EVENTUALLY, IT WILL BE DIVIDED AMONG INDIVIDUALS. THE SELAWIK PROJECT WILL ALSO ADDRESS SMALL SCALE FOOD PROCESSING. WIND GENERATORS OF THE TYPE DESCRIBED EARLIER WILL BE INSTALLED TO PROVIDE MUCH LOWER COST ELECTRICITY.

WHILE BOTH PROJECTS ARE STILL IN AN EARLY PHASE, IT IS CLEAR THAT ESKIMOS, WHO HAVE YET TO MAKE THE TRANSITION FROM GAINING A LIVELIHOOD THROUGH HUNTING AND GATHERING WILL SOON HAVE THE OPTION OF PRODUCTIVE CAREERS IN SMALL ENTERPRISE.

NEW ENGLAND: THE FOCUS OF RURAL VENTURE'S CONTRACT WITH THE NEW ENGLAND REGIONAL DEVELOPMENT COMMISSION IS IMPROVED AND EXPANDED SHEEP PRODUCTION IN A SIX-STATE AREA OF NEW ENGLAND. THE NET INCOME OF NEW ENGLAND SMALL FARMERS AND RELATED BUSINESSES WILL BE INCREASED BY APPLYING THE LATEST TECHNOLOGY TO SHEEP PRODUCTION. DURING THE FIRST YEAR OF THE PROGRAM, 25 FARMERS ALONG THE CONNECTICUT RIVER VALLEY ARE PARTICIPATING. PLANS ARE BEING FORMULATED TO INCREASE THAT NUMBER TO 60 FARMERS.

JAMAICA

THE PROGRAM IN JAMAICA HAD ITS ORIGIN IN THE MEETING BETWEEN PRIME MINISTER SEAGA OF JAMAICA AND PRESIDENT REAGAN EARLY LAST YEAR. ONE OUTCOME OF THE MEETING WAS THE ESTABLISHMENT OF THE U.S. BUSINESS COMMITTEE ON JAMAICA TO HELP IMPROVE ECONOMIC AND HUMAN CONDITIONS IN JAMAICA WHICH HAD BEEN DETERIORATING. E.G., THE UNEMPLOYMENT RATE IS AROUND 30% AND THERE ARE SOME 350,000 YOUNG PEOPLE BETWEEN THE AGES OF 15 AND 21 WHO ARE FUNCTIONALLY ILLITERATE.

I AM A MEMBER OF THE U.S. BUSINESS COMMITTEE AND ACTIVELY INVOLVED IN HELPING TO IMPROVE ECONOMIC PERFORMANCE IN JAMAICA PRIMARILY THROUGH COOPERATIVE PROJECTS AND JOINT VENTURES IN BOTH INDUSTRY AND AGRICULTURE.

GUIDELINES WHICH HAVE BEEN ESTABLISHED FOR THESE EFFORTS INCLUDE:

- TO INTRODUCE NEW, FEASIBLE TECHNOLOGIES THAT WILL NOT ONLY STIMULATE ECONOMIC RECOVERY BUT BEGIN THE LONG PROCESS OF BUILDING THE BUSINESS AND SOCIAL INFRASTRUCTURE THAT JAMAICA NEEDS AS A DEVELOPING, FREE-ENTERPRISE-BASED COUNTRY.

- TO STIMULATE AND FOSTER INDIGENOUS ENTREPRENEURSHIP IN JAMAICA AND SUPPORT NEW, EMERGING PRIVATE ENTERPRISE.

- TO ASSIST IN TEACHING NEW SKILLS TO THE JAMAICANS WHO WILL BE NEEDED TO MEET THE JOB REQUIREMENTS THAT THESE NEW BUSINESSES WILL REQUIRE.

- AND TO RECOGNIZE THAT AS REPRESENTATIVES OF THE U.S. PRIVATE SECTOR, OUR OWN SELF INTERESTS WILL BEST BE MET BY HELPING JAMAICA TO DEVELOP THE CAPABILITIES THAT WILL ASSURE SUSTAINED GROWTH.

JOBS: ONE OF THE FIRST ACTIONS TAKEN WAS THE ESTABLISHMENT OF A FOR-PROFIT CONSORTIUM ORGANIZATION CALLED JAMAICA OPPORTUNITIES FOR BUSINESS SUCCESS, OR JOBS IN SHORT. PARTICIPANTS IN JOBS INCLUDE U.S. AND JAMAICAN COMPANIES AND THE GOVERNMENT OF JAMAICA. JOBS OFFERS COMPUTER-BASED EDUCATION SERVICES, DATA SERVICES, AND OTHER SERVICES FOR SUPPORTING SMALL ENTERPRISE. EMPHASIS IN EDUCATION WILL BE PLACED ON TEACHER TRAINING, TEACHING BASIC SKILLS, HIGH SCHOOL EQUIVALENCY AND VOCATIONAL EDUCATION AND TRAINING. INITIALLY, JOBS WILL CONTRACT WITH THE GOVERNMENT OF JAMAICA TO FURNISH THESE SERVICES TO PUBLIC EDUCATIONAL INSTITUTIONS AND TO INDUSTRY FOR EMPLOYEE ON-THE-JOB TRAINING. THE FIRST COURSES FOR ON-THE-JOB TRAINING WILL BE IN THE HOTEL INDUSTRY. OFFERINGS WILL COMMENCE ABOUT JUNE 1ST CONSISTING OF BASIC AND HIGH SCHOOL SKILLS. THE FIRST JOB-RELATED SKILLS TRAINING WILL BE CULINARY ARTS AND ACCOUNTING.

IT SHOULD ALSO BE NOTED IN CONNECTION WITH THE USE OF COMPUTER-BASED EDUCATION THAT SMALL COMPANIES WILL BE ESTABLISHED IN JAMAICA THAT WILL DEVELOP COMPUTER BASED EDUCATION COURSES BOTH FOR USE IN JAMAICA AND FOR EXPORT TO OTHER COUNTRIES.

FOR SMALL BUSINESSES, A WIDE RANGE OF SERVICES WILL BE PROVIDED TO HELP NEW COMPANIES STARTUP INCLUDING JOINT VENTURES ESTABLISHED BETWEEN JAMAICAN AND FOREIGN ORGANIZATIONS AND TO HELP EXISTING COMPANIES GROW PROFITABLY. THE BUSINESS SERVICES WILL BE DELIVERED VIA BUSINESS AND TECHNOLOGY CENTERS AND WILL INCLUDE FINANCIAL AND MANAGEMENT ASSISTANCE, EDUCATION AND TRAINING, CONSULTING SERVICES, AND TECHNOLOGY LOCATING AND TRANSFER SERVICES.

RVJ: A SECOND CONSORTIUM BEING FORMED IS CALLED RURAL VENTURE JAMAICA. IT WILL WORK CLOSELY WITH RURAL VENTURE U.S. STOCKHOLDERS IN RURAL VENTURE JAMAICA WILL BE DRAWN FROM A NUMBER OF SECTORS OF JAMAICAN SOCIETY, SIMILAR TO RURAL VENTURE U.S. AND WILL ALSO INCLUDE U.S. COMPANIES OPERATING IN JAMAICA. THE OBJECTIVE OF RURAL VENTURE JAMAICA IS, OF COURSE, TO HELP IMPROVE THE EFFICIENCY OF SMALL SCALE FARMING. THERE ARE SOME 150,000 SMALL/MEDIUM SCALE FARMS IN JAMAICA.

WHILE BOTH OF THE CONSORTIUMS IN JAMAICA ARE STILL IN EARLY STAGES, THERE IS STRONG CONSENSUS AND SUPPORT FOR THEM. I BELIEVE THIS STEMS FROM THE BELIEF THAT THE APPROACH IS BOTH POWERFUL AND EQUITABLE. POWERFUL, BECAUSE IT DRAWS ON SOME OF THE MOST ADVANCED TECHNOLOGIES AND THEIR APPLICATION IS TAUGHT IN THE MOST COST-EFFECTIVE MANNER THROUGH THE USE OF THE COMPUTER. EQUITABLE, BECAUSE THE ORGANIZATIONS HAVE SUBSTANTIAL JAMAICAN OWNERSHIP AND ARE DIRECTED BY JAMAICANS FOR ENDS DISCERNED TO BE MOST APPROPRIATE FOR JAMAICAN INTERESTS. THEY THUS MEET A NEED THAT IS BASIC IN ANY SUCCESSFUL EFFORT TO TRANSFER TECHNOLOGY TO A DEVELOPING COUNTRY; THE CREATION OF INDIGENOUS PRIVATE SECTOR ORGANIZATIONS WHICH CAN SERVE AS THE MECHANISM FOR DELIVERY.

CONCLUSION

AND ON THAT ENCOURAGING NOTE, I WILL START TO CONCLUDE BY RETURNING TO THE OBJECTIVE OF THIS TALK WHICH IS TO DEFINE THE ROLE OF CORPORATIONS IN THE DEVELOPING WORLD. I BELIEVE THAT I HAVE ACCOMPLISHED THAT BY DESCRIBING WHAT IS BEING DONE, I.E., "HOW TO" AS OPPOSED TO A PHILOSOPHICAL DISCUSSION OF WHAT OUGHT TO BE DONE.

THE ESSENCE OF THE ROLE IS THAT CORPORATIONS TAKE THE INITIATIVE IN COOPERATION WITH GOVERNMENT AND OTHER SECTORS

WITH AN APPROPRIATE SHARING OF COSTS TO ADDRESS THE NEEDS OF DEVELOPING COUNTRIES AS PROFIT MAKING OPPORTUNITIES. EITHER COOPERATIVE PROJECTS OR JOINT VENTURE COMPANIES CAN BE USED. NEEDED EXPANSION IN AGRICULTURE AND INDUSTRY CAN BEST BE ACHIEVED WITH SMALL ENTERPRISE. IN ORDER TO ACCELERATE GROWTH IN SMALL ENTERPRISE, HIGH PRIORITY MUST BE GIVEN TO CLOSING EDUCATION AND TRAINING GAPS AND PROVIDING THE OTHER NECESSARY INFRASTRUCTURE OF SERVICES TO HELP ASSURE ITS SUCCESS. ALSO, TECHNOLOGY MUST BE MADE MORE ACCESSIBLE AND ASSEMBLED IN FORMS THAT ARE MOST USEFUL TO INDIVIDUALS AND SMALL ENTERPRISE.

THE ROLE THAT I AM ADVOCATING FOR CORPORATIONS HAS YET TO BE WIDELY ADOPTED, BUT IT WILL BE ADOPTED AS GROWING SUCCESS IS DEMONSTRATED ON A SUBSTANTIAL SCALE WITH PROGRAMS SUCH AS I HAVE DESCRIBED TODAY.

582Z

ANNEX 2

Presentation by:

M. PETER MCPHERSON
Administrator

Agency for International Development

STATEMENT OF M. PETER MCPHERSON
BEFORE THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

March 25, 1982

Good afternoon, it is a pleasure and welcome opportunity for me to address this forum of our Advisory Committee on Voluntary Foreign Aid. I am very pleased to see such a large show of support from the private business and non-profit communities for the important work of international development. I would like to thank the Advisory Committee for bringing these groups together and providing me with the opportunity to address this audience.

Private and voluntary organizations (PVOs) are a heterogeneous universe. Although your membership is diverse in size, expertise and financial support, you bring unique skills to the job of Third World development. Your staff typically live and work where the problems are--side by side with the subsistence farmer, herder or merchant. The knowledge of the local environment and language which results from this grass roots contact allows you to maneuver quickly to meet changing needs. Such flexibility can enhance the effectiveness of your development efforts.

AID, by its very nature as a government development agency, operates very differently from private and voluntary development agencies. However, we do share the same objectives:

- helping the people of the Third World to develop their own skills and abilities to solve their own problems, and
- developing democratic institutions in the broadest sense which help people to achieve control over their own lives and in the end, to take responsibility for their own development; their own future.

As you and I are aware from personal experience, it is only at the point when people are willing and able to assume the responsibility for their own future that development becomes self-sustaining. As the magnitude of Third World problems has grown--so have the ramifications of these problems for the rest of the world. It is important at this juncture that public and private development agencies work together to pursue our common goal to achieve sustained third World development.

Let me first of all assure you that this Administration recognizes the tremendous resource that the private sector represents in our international development efforts. Private voluntary agencies have an important role to play in assisting

to implement the President's strategy for foreign economic development. As you know, the President is very supportive of the contributions of the voluntary sector, of individuals or groups of people working to solve problems themselves not waiting for the government to solve them for them. This, of course, is precisely what most PVOs are doing and have been doing for a long time. As the Administrator of AID, I intend to increase the involvement of private voluntary agencies in AID development programs in ways that will maintain your independence of action and direct people to people approach to development, characteristics which are important complements to AID's government to government development program.

I think it might be useful for me to outline some of my assumptions about the responsibilities entrusted to AID and those entrusted to the private sector, and then comment a bit on where those responsibilities and interests intersect. For I sense that at least part of the PVOs' concern about our policy direction relates to this broad question.

AID, as the official arm of the U.S. Government responsible for economic development support to developing countries, is an instrument of our total foreign policy. As a result, in determining where it will concentrate its resources for

development, it must factor in a wide range of considerations. Our government's judgment about the national interest is, obviously, one of those considerations, as are strategic, geopolitical and economic factors.

The private sector, of course, has some different priorities and motivations. The business sector seeks to market its products, purchase materials for those products, and return a fair profit to its shareholders. As such, it is always looking for relationships which might serve that purpose. The American people have their own interests. In addition to a concern that their products are affordable and of good quality and that our nation lives in peace with other nations, many Americans want to express their humanitarian concern for other peoples or their interest in one cause or another through voluntary associations. Obviously, this is the principal form of support which sustains the PVOs and which determines their values and independent character.

Of course, my outline cannot stop here, since motivations and priorities are not as compartmentalized as I may appear to be suggesting. There is, in fact, considerable overlap among these three actors - the government, the business sector, and the humanitarian motivation of so many of the American people.

The AID-PVO relationship itself is a function of that overlap, a very important one. In many circumstances, PVOs are very effective as development agencies; and it is, therefore, in AID's interest to support that work when it coincides with our priorities. A similar logic leads me to say that it is in the national interest that our commercial relationships with Third World nations be smooth and productive - and that the diversity and values of the American people are communicated around the world.

Nevertheless, while acknowledging and valuing those areas where our interests do overlap and where we can and do work together, it is important to underline that our motivations, interests and responsibilities are not and should not be identical. We can and should seek to minimize those differences, but they will still remain. A PVO will want to work in a country or in an area that does not coincide with AID's priorities; and I am well aware that AID may undertake a program that some PVOs would question. I hope we will always have the ability to pursue our separate goals while being able to work together on those priorities we share.

Let me spend a few moments talking more specifically about some of AID's priorities, particularly as they affect PVOs.

POLICY STATEMENT ON AID-PVO RELATIONSHIP

In the past several months, AID has been conducting a major review of its relationship with private voluntary organizations (PVOs). The purpose of this review is to identify issues and make recommendations that will result in a more effective relationship between AID and PVOs. This has been a healthy internal process which allowed us to harmonize several perspectives within AID: the field Mission, the regional bureau and the central bureau perspectives. The internal process was a necessary first step which allowed a consensus to emerge within the Agency. Several shifts in our PVO policy are being contemplated in the PVO statement which you have before you. They will be discussed in full detail by the panel of key senior AID staff which will appear before you tomorrow. These changes aim:

- to increase the economic development impact of PVO programs through increased program integration and focusing resources on field programs;
- to discourage dependence on U.S. Government financing of the international development programs of PVOs;
- to reduce the administrative cost to both AID and PVOs

of AID funded PVO programs by simplifying management and administrative procedures to the maximum extent possible and creating a central focal point for PVO relationships with AID within the Food for Peace and Voluntary Assistance Bureau (FVA); and

- to insure that AID funds are used in ways that reflect our legislative mandate, yet do so in a way that calls into full play such unique capabilities of voluntary agencies as your knowledge of the local situation and your programming and managerial flexibility.

On March 10th, we transmitted the product of this internal exercise to the Advisory Committee and the PVO community in order that we may benefit from your insights. The paper was transmitted with my insistence that no final decisions would be made until after the March public business meeting of the Advisory Committee. This meeting provides a final phase in what I believe has been an open and fair process of PVO participation in the proposed PVO policy.

The PVO community has expressed some anxiety that AID has undertaken a major PVO policy revision without consulting the community itself. Let me assure you that this is not the case. I believe it would have been premature for AID to

distribute earlier drafts of the policy paper to the community because these earlier versions did not represent a consensus within AID. This consensus is important because too often in the past the Agency has spoken with more than one voice to the PVO community.

During the past six months, I have welcomed meetings with individual PVO leaders and found these meetings to be very useful. We have been able to explore together many of the disputed issues and concerns. I think we are now well on the way to a consensus on the overall thrust of a workable policy statement.

I hope that we can devote time here to an honest and straight forward discussion of the most pressing unresolved PVO concerns. I have seen the comments on the proposed policy statement prepared by several PVOs and see that there is clearly need for more forthright public discussion on our relationship.

I also hope that in your deliberations today, you will make specific suggestions for improving those areas of the proposed policy statement that appear unclear.

Be assured, your concerns and comments which come through the final recommendations from the Advisory Committee, after this meeting, will be fully considered prior to my final approval of the policy statement.

Allow me to outline briefly the five principal changes that are being proposed in the policy statement:

1. Increased emphasis is placed on country program integration in order to maximize the effectiveness of development resources in Third World countries. All AID-funded programs operating in a country including those of the PVOs will be increasingly focused on that country's development priorities and requirements whether the program is centrally funded or Mission funded. It will no longer suffice for centrally funded grants to be supportive only of AID's overall development objectives and sectoral policies. In addition, they will have to be consistent with AID's country specific strategies. We shall simultaneously involve PVOs earlier and more systematically in our country programming process. Our final product, the Country Development Strategy Statement (CDSS), will often profit from your advice.

2. A test for privateness is added to the requirements to qualify for the PVO grant program rather than as a condition for PVO registration (as was originally contemplated). The test requires that an organization obtain at least 20 percent of its financial resources for its international programs from private sources in order to qualify for matching grants and operational program grants. The purpose of the test is threefold: 1) to discourage dependence on USG financing of PVO's international programs and thereby ensure that PVOs maintain their independence of action; 2) to ensure that PVOs continue to leverage additional private financial resources for development, and 3) to simultaneously build an awareness of Third World development issues and programs among the American public.

I realize that there are some differences between the 20 percent requirements proposed by AID and that recently enacted by Congress. We have received extensive comments from the PVO community on the issue and my staff is in the process of consolidating the comments and preparing recommendations for me. I assure you that I will carefully consider your comments in arriving at a final decision.

3. Increased emphasis is placed on utilization of existing U.S. PVO capacity to undertake field programs. AID has over the years helped the PVO's to develop their capacity to do international work. That capacity now exists and therefore building U.S. PVO institutional capacity will be done more selectively. Institutional development grants will no longer be provided; instead, specific support services will be made available based on the identification of a specific need, such as, training PVO personnel in evaluation techniques or financial management practices.

4. The diversity of the PVO community will be taken into account by AID. AID has traditionally treated PVO's as a homogeneous group. However, as a practical matter, there are several distinct subgroups within the PVO "universe": traditional voluntary organizations (volags), non-profit consulting firms, cooperatives and credit unions, labor institutes, population intermediaries, and other non-profit intermediaries. New policy development, including eligibility for grant programs reserved to registered PVOs, will explicitly take this diversity into account.

5. The PVO administrative relationship with AID is simplified. The number of grant mechanisms is reduced; the

management and administrative requirements of the PVO field support program will be standardized to the maximum extent feasible; policy and program implementation will be monitored for consistent application; and a central point of contact in AID for PVO information coordination and dissemination is established in the FVA Bureau.

Let me clarify several aspects of these proposed changes which have caused concern within the PVO community:

1. PVOs and the CDSS. I have stated that we are interested in having PVO programs more closely related to overall AID objectives and activities in the LDCs and that an important way to achieve this is through PVO participation in the Country Development Strategy Statement (CDSS) process. The CDSS is the basic document in which AID analyzes a country's economic and social development situation and defines an assistance strategy to address identified constraints. The CDSS is also the first step in AID's budgetary planning process for any given year. In it, the individual AID Mission proposes the amount and type of resources AID should apply in support of the host country's development. Because the CDSS is revised and updated frequently and contains analyses of various development constraints, host country institutions and possible means of

program implementation, it provides the most useful opportunity for PVO input to AID's planning process. The CDSS is prepared at the country level, and it is there that the PVO community can make its most practical input. By participating with the AID Mission in the formulation of our country strategies, the PVOs will be able to assure that the AID Mission has considered adequately the potential of indigenous private organizations and the appropriate role of the U.S. based PVOs working in that country. In this process, we can fashion a more collaborative relationship which takes into account the interests and capabilities of the PVOs while helping them appreciate the development context in which AID seeks to operate.

Focusing AID funded PVO programs on development needs and priorities on a country specific basis does not eliminate a PVO's independence to program its activities in a particular country. It does not mean that, in a particular country, a PVO must always work in the same sectors and the same geographic regions that AID does. Nor, in most cases, does AID intend to carefully prescribe the method of implementation to be followed. What it does mean is that the PVO programs must be an integral part of a consistent and coordinated utilization of development resources in each country where we operate.

AID's country programs derive from the analysis of the conditions retarding development in that country, and a purposeful focusing of resources on those constraints to, or opportunities for, development where AID judges that it has a comparative advantage. Budget, personnel, and technical constraints in most instances will not permit the AID country program to address all of the priority development constraints in a country. Thus, a PVO might well work in a region or sector where AID is absent, thereby expanding the scope of AID's total development effort in a country. The family planning organizations provide an example of how PVO activities supplement AID's bilateral program in a number of countries. The West Bank/Gaza and the South Pacific programs are examples of PVO management of all or most of our activity in a particular region. Alternatively, PVOs might augment existing AID programs in certain sectors or regions. The critical point is not the sector or regional allocation of PVO activity, but rather the imperative need to focus resources on the development needs of a particular country, since each country's development needs are specific to that country.

Let me hasten to add at this point that I see no conflict between closer PVO participation in developing AID country strategies and maintenance of PVO independence from AID. Indeed, it was precisely our concern about that independence

that let us reaffirm, in the new policy paper, the requirement that at least 20 percent of a PVO's funding for international programs be from private sources. AID is as interested as you that the PVOs not become dependent on, and thus possible creatures of, AID financing. Thus, our interest in the 20 percent rule.

2. Cooperatives and the 20 percent private funding requirement.

Several cooperative organizations have expressed concern that the 20 percent rule will mean an end of AID financing for their country level cooperative activities. Let me assure you, that this is not the case. In January I placed a one year moratorium on the application of any new cost-sharing requirements on the AID funded international programs of the cooperative organizations. I will carefully consider the implications of the 20 percent rule on the important work of the cooperative organizations before making a final policy decision on this issue.

If the 20 percent rule were applied to the cooperative organizations it would mean that such organizations would not be eligible for what AID calls Operational Program Grants (OPGs), unless they met the 20 percent criterion. However, there are a number of other AID funding instruments which would

continue to be available. These include the Institutional Support Grants which the U.S. cooperative organizations have been receiving in recent years, and we see these grants to the cooperatives continuing for some time.

At the individual country level, the cooperative organizations would continue to be eligible to provide technical assistance and training under AID contractual arrangements, as they always have. Indeed, AID looks to these organizations as our primary source of assistance in projects designed to develop or expand host country cooperative institutions. Such contractual arrangements have traditionally been the major form of the AID's field Mission relationship with the U.S. cooperative organizations, and regardless of our decision on the 20 percent rule I expect that this will continue in the future.

3. Small PVOs. I am also aware that some of the smaller PVOs are concerned that the combination of the 20 percent rule and the increased focus on country programming may make it more difficult in the future for them to participate in AID funded programs. We will carefully consider your comments and recommendations on this issue as we put the policy statement into final.

FUTURE DIRECTIONS: INDIGENOUS PVOs

Our efforts to increase the responsibility of our field Missions for our country development programs and to simultaneously improve relations between our Missions and PVOs working in country have surfaced questions regarding the Agency's role in supporting the development of indigenous PVOs. The role of indigenous PVOs is an important area of the AID-PVO relationship that has not been addressed in depth in the current policy paper. Immediately after the present exercise is complete, the question of how AID supports indigenous PVOs as entities in their own right and as collaborators with U.S. PVOs will be addressed in a separate policy statement. We will be looking to the Advisory Committee and the PVO community to participate actively in this process.

COLLABORATION BETWEEN THE NON-PROFIT AND CORPORATE COMMUNITIES

The AID-PVO policy discussion relates largely to the funding relationship between AID and the PVOs. I want to emphasize, however, that no matter how carefully U.S. foreign aid dollars are applied to development programs, there is not enough government money to accomplish the development task

before us. For this and many other reasons, we will explore the role of AID as an energizer for private efforts. The basis of AID's policies and future program directions will be built on the realization that it is only through the matching of public and private resources that we can mobilize adequate resources to meet our development objectives. Public resources used wisely can attract private resources in even greater quantities and the concentration of the two can mean an even greater impact on development.

In looking to the private sector for cooperation in our development goals, we are guided by several reality factors:

1. The needed capital for economic development in our foreign assistance program cannot come from government alone. A critical part of resources needed by the less developed countries lie beyond our government's reach.
2. The skills and other human capital which the less developed countries need must also come largely from private sources. Even our Federal government, as large as it is, simply does not have the human resources needed to do the job.
3. The roles of the private non-profit and for-profit sectors must be greatly expanded. Such collaboration will insure that the economic development we do achieve will provide the pluralism and the democratic balance which we seek.

A well balanced strategy of assistance to less developed nations must contemplate that there will be a role for all sectors of the U.S. economy.

We believe that AID should play more of a catalyst role in persuading and assisting segments of the U.S. private sector to expand their activities to the less developed countries. And as businesses seek new opportunities in these developing countries they should be encouraged to assist with development activities as a normal part of their operations. It is here where the corporate sector and the private voluntary organizations must collaborate.

The Advisory Committee has played a very important role in focusing on this topic in its past two meetings and encouraging the dialogue on this topic among representatives from corporations, from PVOs and from AID.

I am also gratified by the results of a survey which was conducted by our Advisory Committee staff with TAICH on the subject of PVO/Corporate Collaboration in Development. Of the 155 registered PVOs surveyed, 124 responded.

The survey contained a question which asked the PVO executives: WHAT ROLE SHOULD AID PLAY IN THE AREAS OF PVO/CORPORATE COOPERATION IN DEVELOPMENT? Several very creative ideas were expressed by a number of PVOs; including the following:

- Fund workshops between PVOs and corporations to explore the joint venture possibilities.
- Support PVO projects which can, in turn, be funded by corporations.
- Provide seed monies for joint ventures.
- Provide cost-sharing grants to encourage corporate grants up to 50 percent.
- Provide grant incentives to PVOs to survey the corporate sector to identify incentives which would attract corporate support of PVOs.
- Encourage indigenous PVO business activities.

NEW DIRECTIONS FOR THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

I am happy to have observed that our Advisory Committee on Voluntary Foreign Aid has become a very active and involved advisory group. Under its new leadership and staff, the

Advisory Committee can be a vital link between AID and the PVOs. The Committee has played a key role in the formulation of the AID-PVO policy paper and we will continue to seek their advice in the implementation phase.

To assist in this task, during this meeting of the Committee, the chairman plans to establish a sub-committee on AID-PVO Policy. This sub-committee will invite representation from the PVO community. Its function will be to keep the PVO community informed and obtain comment from PVOs on implementation, including any subsequent issue-oriented policy documents which may be developed.

I believe the Advisory Committee can provide an important vehicle for AID to continually capture the spirit of the PVO community. It has posed to AID such questions as: What portion of AID resources will be channeled to the programs of PVOs? How can PVOs be more involved in formulation of AID sector programs? How does AID envision involvement of the PVOs in its Private Sector Initiative and in the Caribbean Basin Initiative?

For example, responding to a letter from Advisory Committee chairman, Morgan Williams and member, Ken Smith, I have asked

the Regional Bureaus to address the question of how they view involvement of PVOs in the private sector initiative efforts.

Additionally, several key AID staff have met with Ken Smith to discuss his proposals that encourage the Advisory Committee to focus its future activities specifically on the Agency's program priorities, especially the expansion of collaboration with other segments of the private sector.

DEVELOPMENT EDUCATION

The Biden-Pell Amendment to the International Security and Development Cooperation Act of 1980 charged AID to encourage the ongoing work of private and voluntary organizations to address the problems of world hunger. This legislation offers us the unique opportunity to assure that the American people understand the profound impact world hunger and its related conditions have on them personally. It also allows AID to engage the American public in a dialogue to explore what ramifications, both public and private, development assistance has on the world's political and economic stability. According to the Presidential Commission on World Hunger, the frustrated desire of the poor for food and other basics is "the most potentially explosive force on earth today." Today, what

happens in developing countries impacts directly or indirectly on the United States.

In the latter part of 1981, AID initiated a multifaceted program to meet the goals of the Biden-Pell Amendment. The program consists of several levels of activity which are interrelated and contribute to a long term effort in development/hunger education.

The major element is the development education grants program to private and voluntary organizations and cooperatives. Approximately 10-12 grants totaling \$500,000 will be awarded in mid-April, 1982. These grants support, on a cost shared basis, projects designed to inform and educate the American public of the imperative need to alleviate the development problems of the Third World.

The second level of activity is the public schools curriculum project which will bring development issues into the school systems and encourage the leadership of national educational associations to recognize the value and significance of understanding global issues.

The third level consists of a series of regional media roundtables on Third World development and economic/trade issues. Participants in the roundtables will be media executives, business leaders and directors of private and voluntary organizations. We hope that these sessions will improve the quality and quantity of coverage and analysis in U.S. media of global issues. In 1982, roundtables are scheduled in Seattle, WA, Milwaukee, WI, St. Louis, MO; and San Diego, CA.

The Seattle Roundtable has already taken place and we hope to see positive media coverage from the Pacific Northwest as well as increased activity by individuals and groups that participated. Assistant Administrator Jay Morris participated in the Seattle Roundtable and I will be taking an active role in the Milwaukee and St. Louis sessions.

I value this opportunity to discuss with you today the relationship between AID and the PVO community in achieving sustaining Third World development. I want to leave you with one thought--we are working for the same goal. This Administration is looking for creative solutions to old problems. So are PVOs! We are looking for some new funding solutions for problems that cannot be helped by funding alone.

So are PVOs! We not only have common goals, we have common problems. I am committed to emphasizing the commonality and searching for positive solutions so that all may benefit.

I would like to leave the Advisory Committee with a final charge. I hope that you will listen carefully to the comments of the PVO community today and tomorrow and after reviewing the policy statement itself, that you will give me the benefit of your wisdom on this important topic.

At this point, I am pleased to respond to your specific questions.

ANNEX 3

PVO TESTIMONY WRITTEN STATEMENTS

AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, INC.
200 Park Avenue South, New York, N.Y. 10003

Telex: 667828, Phone: (212) 777-8210
Telecopier Information: (212) 777-8210

DISCUSSION PAPER

Prepared for a meeting with Mr. M. Peter McPherson
Administrator, Agency for International Development

The American Council of Voluntary Agencies for Foreign Service (ACVAFS) is a 38-year-old membership organization of 47 voluntary agencies having as their constituencies a major cross section of the American people. To understand the ACVAFS membership, one must comprehend the nature of the non-profit entities within its constituency. The definition of a voluntary agency, even though not precise, but having stood the test of time, has been officially used by the U.S. Government to exemplify the best traditions of a responsible democratic system: "a non-profit organization established and governed by a group of private citizens for a stated philanthropic purpose, and supported by voluntary contributions from individuals concerned with the realization of that purpose." These contributions can include cash, gifts-in-kind, and services in support of humanitarian and long-term development programs.

A Multi-Million Dollar Private Foreign Assistance Program

The most recently published A.I.D. report entitled "Voluntary Foreign Aid Programs" indicates that some 36 ACVAFS member agencies are registered and receive nearly 60% of the private contributions received by all registered agencies, i.e. \$406 million of the reported \$680 million. These same member agencies receive approximately \$350 million in A.I.D. grants, contracts and other subventions, for overseas assistance programs, out of a \$618 million total, generally directed to the U.S. non-profit sector.

Other ACVAFS member agencies, not included in the 36 cited above, are involved in humanitarian and development assistance programs involving several other millions of dollars. These agencies either do not wish to be registered with A.I.D. or work closely with other elements of the U.S. Government such as the Department of State or the Department of Health and Human Resources.

Public/Private Partnership

Since the founding of the ACVAFS in 1943, members have had a basic belief in the principle of partnership as a cornerstone of their relations with the U.S. Government. They fully recognize that their programs and objectives for overseas may not always coincide with those of the public sector. These voluntary agencies have maintained working relations with the Department of State and successive foreign assistance agencies beginning with the Economic Cooperation Administration/Technical Cooperation Administration, the Foreign Operations Administration, to the present Agency for International Development, always reserving the right to disagree when program objectives conflict with their constituencies' mandates.

Items of Concern

A meaningful public-private humanitarian and development assistance partnership is dependent on a candid dialogue between all parties concerned. To begin that dialogue, we wish to emphasize particular concerns which either enhance communications or serve as a deterrent to the partnership relationship:

1. The heterogeneity of the private non-profit community is seen as a strength reflecting diverse development program capabilities. To tap the richness in program and resources of this diverse and sometimes unwieldy community demands the ability to separate the major components making up this vast grouping. It must be recognized that a cooperative is not the same as a labor group. A consulting firm, even though non-profit in nature, is much different than a voluntary agency which thrives on program mandates and resources from a private constituency. Therefore, a single set of federal regulations, rules or directives cannot possibly address the historical, structural and financial resource differences of this diverse community.
2. The public/private partnership needs to be continually nurtured. We believe that the most cost effective programs are taking place within the non-profit sector. Therefore, the maximum possible allocation of A.I.D. funds and resources should be directed to this sector for significant humanitarian and development assistance efforts. Utilizing the private non-profit sector not only encourages private initiatives, but also follows a policy espoused by the President of the United States.
3. The most significant A.I.D. funded programs of ACVAFS members have been possible with centrally-funded grants which support innovative projects of both large and small agencies. A decentralized A.I.D. funded program tends to force voluntary agency grantees to adopt U.S. foreign policy priorities, limiting their innovative privacy role while at the same time bypassing smaller agencies which are not capable of having a presence in many countries where there are A.I.D. missions.
4. The 47 members of the ACVAFS support the registration requirement of 20% of agencies' income from non-U.S. Government sources, as a guideline to their privateness. However, all should recognize that autonomy from the U.S. Government is not determined by percentages alone.
5. ACVAFS members have long advocated and still support a single focal point within A.I.D. to address their concerns, such as the Bureau for Food for Peace and Voluntary Assistance. Such an office within A.I.D. should understand the special nature of the voluntary agency community and have the active support of the A.I.D. Administrator.

6. The desirability of a uniform interpretation of regulations by the regional bureaus has been expressed by the ACVAFS members. We welcome efforts toward streamlining grant management in this area.
7. The model of block or comprehensive program grants advocated by the President of the United States is an innovative mechanism which might be utilized to enhance the capabilities of U.S. voluntary agencies with an experiential record in humanitarian and development assistance programs overseas. Such a mechanism has been implemented in Canada and Europe with the active participation of voluntary agencies.
8. Another mechanism which could be significantly utilized by A.I.D. to promote collaboration among many operating agencies is "consortia." The cost effectiveness of this form of collaboration deserves continuing support. It helps A.I.D. not only to address the heterogeneity of voluntary agencies but also in reaching agencies with which A.I.D. has little or no contact.
9. Accountability and evaluation are areas of continuing special concern to voluntary agencies, because of the need to carefully husband all funds received from the American public. Therefore, accountability and evaluation are "inbuilt" components of voluntary agencies, always needing review and correction.
10. In a viable working relationship, mutual trust and genuine appreciation of the unique and complementary character of true partners represents the basis for fruitful and effective programs between the public and non-profit sectors needed to carry out the necessary urgent task of alleviating poverty in the Third World.

* * * *

TESTIMONY OF MR. RALPH DEVONE,
ASSISTANT EXECUTIVE DIRECTOR OF CARE,
AT THE MEETING OF THE ADVISORY COMMITTEE
ON VOLUNTARY FOREIGN AID,
MARCH 25-26, 1982

Good morning. My name is Ralph Devone. I am Assistant Executive Director of CARE, a private, voluntary relief and development agency that has a long history of productive partnership with AID. CARE has previously submitted to AID written comments on the proposed revision to Regulation 3^{1/} (dealing with registration) and appreciates this additional opportunity to comment upon the recommendations on this subject contained in the Action Memorandum for the Administrator.^{2/}

I wish to emphasize that CARE agrees with those recommended changes that would make AID's requirements no more stringent than the recently enacted legislative 20 percent test. However, before discussing these points of agreement, I wish to clarify three issues on which I believe that AID's position remains unclear.

First, if a percentage test is adopted, the regulations should enumerate what items will be counted toward the 20 percent (the numerator of the fraction) and in the "base" (the denominator of the fraction). Of principal concern is the treatment of in-kind contributions.

Contributions in kind from the United States Government should not be included in the fraction at all. Both the legislative 20 percent test and the proposed Part

203 are in agreement on this issue, although AID states that "seven of the seven respondents commenting on this issue favor permitting the inclusion of such contributions [i.e., in-kind contributions] in meeting the test."^{3/} CARE stated in its filed written comments, however, and here asserts again, that it does not favor inclusion of governmental in-kind contributions in the proposed percentage test. Governmental contributions in kind (such as commodities under P.L. 480 or surplus property) or the equivalent of in-kind contributions (such as reimbursements for overseas freight or payments for specific services or goods) are provided in order to advance specific governmental programs and objectives, and as such are not indicative of a PVO's general dependence on government funding.

Moreover, including governmental contributions in kind would lead to an undesirable result. If Food For Peace commodities were counted in the 20 percent test, for example, then a PVO that distributed such commodities abroad might fail to qualify unless its operating costs exceeded 25 percent of the value of the commodities distributed and all its operating costs were paid for by contributions from nongovernmental sources.^{4/} This is surely an undesirable result. The Agency should not institute a test that would actually favor organizations whose operating costs are high and whose marginal costs do not decrease.^{5/}

The Agency should follow the lead of Congress by explicitly excluding from any percentage test the value of any commodities or goods received from the United States Government, as well as the value of any services or goods donated indirectly by the Government by means of funding for specific goods or services (such as paying for overseas freight charges).

On the other hand, CARE believes that contributions in kind from sources other than the United States Government help to establish the "private" nature and independence of a PVO and would be appropriately included in both the numerator and denominator of the fraction. This could not now be done in cases where the legislative 20 percent test applies, for that test was not intended to include "the value of in-kind support, services of volunteers, or commodities made available to the organization for overseas distribution."^{6/} However, AID should always take private in-kind contributions into account wherever the legislative test does not apply, and, even where that test does apply, AID should consider the extent of private in-kind contributions in deciding in a particular case whether to grant a waiver from the 20 percent test.

Second, CARE questions the need for any generally applicable percentage test of "privateness" or "independence" from governmental funding. Determinations of

independence should be made on a case-by-case basis, taking into account such factors as whether the PVO has a history of receiving substantial public support or whether the PVO is so constituted and operated as to be likely to attract substantial public support. If public support is "substantial," there should be no need for the PVO to pass a 20 percent test of independence.

If, however, a 20 percent test is instituted, it should be accompanied by an express waiver provision which follows the one instituted by Congress in the last sentence of Section 123(g).^{7/} Such a waiver provision would make the regulations flexible enough to allow AID to employ the most effective organizations available to administer the foreign assistance program of the United States. At the same time, such an explicit waiver provision would be informative to PVO's concerning the basis for any possible waiver from the percentage requirement.

Third, CARE recommends that the effective date of any percentage test should be no earlier than that deemed appropriate by Congress. The provisions of Section 123(g) should be followed in regard to this issue.

CARE urges that the above recommendations be accepted and be reflected explicitly in any revised regulations. CARE also supports the following changes to proposed

Regulation 3 that have been recommended in the Action Memorandum for the Administrator:

1. The 20 percent test would not be a requirement for registration as such, but only for eligibility to receive specific grants referenced by Section 123(g) of the Foreign Assistance Act of 1961, as amended. That is, the 20 percent test would apply if a PVO seeks to receive from AID:

- a. Matching Grants
- b. Operational Program Grants (OPG's)
- c. Co-financing Grants
- d. Grants for other specialized, PVO-initiated activities.

However, meeting the 20 percent test would not be a prerequisite for AID funding in the case of:

- i. Food For Peace Programs (P.L. 480)
- ii. Ocean Freight Reimbursement
- iii. Excess Property Program
- iv. "Specific AID programs," such as institutional support grants to cooperatives, credit federations, labor institutes and family planning groups

v. Any other program not expressly listed under Section 123(g) of the Foreign Assistance Act of 1961, as amended.

2. In meeting any applicable 20 percent test, any support from "sources other than the U.S. Government," not merely support from "private U.S. sources," would be counted toward the required 20 percent.

CARE supports these two recommended changes for the reasons given in its filed written comments.

CARE greatly appreciates this opportunity to comment upon the recommended changes to proposed Regulation

3. I would be happy to answer whatever questions you may have, whether now or at any later time.

FOOTNOTES

1/ Letter from Wallace J. Campbell, President of CARE, to Robert McCluskey of AID (January 7, 1982); Comments on Proposed 22 C.F.R. Part 203 by Joseph H. Price and Vern R. Walker (January 29, 1982).

2/ See Attachment B of Action Memorandum for the Administrator from John R. Bolton (AA/PPC) and Julia Chang Bloch (AA/FVA) (March 3, 1982); proposed Regulation 3, 22 C.F.R. Part 203, 46 Fed. Reg. 60009 (December 8, 1981).

3/ Memorandum, supra note 2, Attachment B, Annex I, at 2.

4/ For example, if commodities distributed had a value of \$1,000,000, then operating costs would have to equal or exceed \$250,000 in order for the PVO to qualify under the 20 percent test:

$$\frac{\$250,000}{\$250,000 + \$1,000,000} = \frac{1}{5} = 20\%.$$

5/ Including the value of contributions in kind from sources other than the United States Government does not have this unfortunate result because the value figure is included in both the numerator and denominator of the fraction.

6/ Conference Report on S. 1196, 127 Cong. Rec. H9642, H9662 (December 15, 1981).

7/ That sentence provides:

The Administrator of the agency primarily responsible for administering this part may, on a case-by-case basis, waive the restriction established by this subsection, after taking into account the effectiveness of the overseas development activities of the organization, its level of volunteer support, its financial viability and stability, and the degree of its dependence for its financial support on the agency primarily responsible for administering this part.

STATEMENT TO THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID BY ADMIRAL DAVID M. COONEY, PRESIDENT AND CHIEF EXECUTIVE OFFICER , GOODWILL INDUSTRIES OF AMERICA, INC.

March 26, 1982
New York City

Members of the Advisory Committee,
Ladies and Gentlemen:

The organization which I represent, Goodwill Industries of America, is an organization with a dual personality. On the one hand, Goodwill is a household word in America, a place to donate used goods, a place where disabled Americans find vocational training and employment. Goodwill Industries in 170 communities in the U.S. earned over \$300 million in revenue in 1981, permitting some 60,000 disabled persons to receive training and employment. Goodwill is the largest, private, nonprofit, voluntary vocational rehabilitation organization in the U.S. today.

On the other hand, little known to the American public, Goodwill is international, with 42 organizations in 31 countries affiliated with the International Council of Goodwill Industries. The Goodwill philosophy, not charity but a chance for disabled people to work, is not a recent 'export' to other countries - the first Goodwill established outside North America dates from 1925 in Montevideo, Uruguay. Goodwill Industries has been initiating the creation of jobs and income for the unemployed and poor with disabilities in developing countries for over 55 years. Today, Goodwill Industries of America is the primary American nongovernmental source of expertise and technical assistance in the field of vocational rehabilitation in developing countries.

For the past six years, with the full encouragement and financial support of AID, Goodwill initiated programs and relationships in two new regions of the world - Africa and the Caribbean. Goodwill Industries of America increased its international staff and overseas activities, which increased the number of Goodwill affiliates to eight additional organizations in Africa and five in the Caribbean. Employment creation projects were conceived, funded, implemented - indigenous organizations trained and employed more disabled youths and adults. AID funds were supplemented by grants from other sources and by local contributions - no OPGs were used. Goodwills in the U.S. donated used equipment and sent volunteer consultants in support of these projects.

For six years, Goodwill Industries of America has worked in partnership with AID and with other PVOs. During this period, Goodwill increasingly urged AID and PVOs to end their systematic exclusion of the disabled, and to include disabled children, youths and adults as participants and beneficiaries of their development activities.

Today, Goodwill Industries finds itself in a difficult situation, due in part to an already changing AID/PVO relationship. On March 31, the Goodwill-AID partnership will officially end. Goodwill international staff has already been reduced, activities overseas curtailed, continuing relationships with affiliate organizations have become uncertain. The establishment of a Goodwill Industries international capability and involvement in Africa and the Caribbean, which was the purpose of AID's six-year investment, is now in jeopardy.

Goodwill Industries of America is among the smaller PVOs making an impact by helping create jobs and income in many developing countries by mobilizing resources in the U.S., but it is typical of the type of agency that will be hurt by many of the proposed changes in AID procedures and priorities and the resultant break in continuity of the AID/PVO relationship.

Of particular concern is the effect on small agencies of the continuing shift in PVO support decision-making to country Missions, the potential elimination of support to agencies working in non-AID designated priority sectors, and the exclusion of agencies, which, due to the nature of their development activities and structure, cannot satisfy the emerging rigid AID economic benefit criteria governing matching grants.

Goodwill Industries of America desires a more effective working relationship between AID and PVOs. But that relationship should start with, and indeed encourage, the diversity within the PVO community - not subvert that diversity in the name of Agency priorities and management efficiency.

Thank you very much.

ID2982bf



Meals for Millions / Freedom from Hunger Foundation

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COMMENTS ON THE DRAFT AID POLICY: "SUPPORT FOR THE INTERNATIONAL PROGRAMS OF PRIVATE VOLUNTARY ORGANIZATIONS"

Peter J. Davies
President

I appreciate, as I am sure my colleagues in the PVO community do, the spirit of dialogue and, in particular, the AID Administrator, Peter McPherson's desire to have input from the PVO community before AID's policy review is completed.

In reviewing the draft policy Action Memorandum For the Administrator, Attachments A and B, and Annexes, I am struck by the absence anywhere in the document of the word, "partnership." AID and the PVO community have worked hard over several years to achieve a partnership relationship and I trust the absence of this word does not mean that there is any less of a partnership than existed before.

If one were to summarize one's primary concern in reviewing this draft policy, it would be to wish to assure that the PVO's, through the Advisory Committee on Voluntary Foreign Aid, continue to have access to policy formulation, both with respect to relations with and regarding funding of PVO's.

The proposed division of roles of PPC and FVA, placing policy formulation exclusively in PPC while relegating to FVA

only an implementing function may tend to isolate the PVO community. Hence, I agree fully with the observation of Robert J. Marshall, former Acting Chairman of the Advisory Committee (p. 3 of the Action Memorandum For The Administrator), that:

"FVA's experience in working with PVO's is essential to policy formulation" and like him, I doubt that "the separation of policy formulation from implementation would prove effective or efficient."

There are several specific concerns that are raised in the body of Attachment A that merit comment:

- 1) FVA should continue to have a significant role with respect to relations with PVO's: in policy formulation as well as implementing centrally funded PVO grants, and carrying out an information and liaison role.
- 2) If the Missions are to be given greater responsibility, along with the Regional Bureaus, for PVO programs, it will be necessary, in my view, to pay particular attention to orienting Mission Directors, Program Officers and other AID personnel on the role and unique characteristics of PVO's. A clear understanding throughout AID, despite its own heterogeneity, is essential if we are to maximize the effective partnership with PVO's in carrying out mutual development objectives.

One idea would be for the Administrator to prepare a videotape for wide dissemination to Missions, spelling

out the Agency's PVO policy. In addition, Mission Directors and others should meet with PVO's active in respective countries, when they return to Washington on consultation or home leave, to supplement in-country meetings. Great attention needs to be paid to "getting the message across."

- 3) I welcome the suggestion that PVO's in a given country be invited at an early stage to participate in country programming, provided the PVO's continue, as suggested, to be allowed "ample scope for independence in the actual design of project activities."
- 4) I believe that PVO's generally will welcome AID's "developing OPG guidelines which are sufficiently specific that they discourage unnecessarily divergent Regional Bureau or Mission interpretation." (p. 3.-81a). I would caution, however, that the criteria covering OPG's, as for Matching Grants, must remain flexible and provide the widest latitude to the PVO's to "plan, design, manage and evaluate" their own projects.
- 5) Regarding centrally funded Matching Grants, it is essential that a balance is struck between centrally funded and project specific grants (OPG's) rather than tipping the scale in favor of OPG's, as suggested in Recommendation No. 1, p. 19.

As I mentioned to the Administrator on previous occasions, placing greater emphasis on OPG's works to the detriment of the smaller PVO's that do not have a presence in a key country. OPG's definitely favor the larger PVO's that have personnel in many countries.

- 6) I recognize AID's desire to fund PVO's that already have achieved a "track record," such as our own. However, I am concerned that too great emphasis on "track record" may result in failing to join in partnership with some of the more innovative agencies that have not had the opportunity to compile one.
- 7) Point I on Page 17 states: "Funding for PVO programs should be competitive with other AID projects within each regional and Central Bureau." This recommendation raises some serious red flags in my mind. I spent many years in AID and my experience leads me to question whether it is realistic to expect that a PVO program, which is not under the management control of an AID official, can effectively compete for scarce funds with bilateral programs that are more directly controlled by Mission and Regional Bureau personnel.

This concern comes home, starkly -- is reinforced -- on Page 19, paragraph 3, which suggests that "The bilateral program, as funded through the Regional Bureaus, is and ought to remain the cornerstone of the U. S. government foreign assistance relationship with host governments, regardless of the organizational entity with which we are dealing, be it a university, research institute, consulting firm or PVO."

That key paragraph misses the point of PVO programs: programs that are normally grass roots, bottom up, field oriented and, most importantly, are not directly subsumed

under bilateral programs with host governments. In fact, there is running throughout the draft policy paper an assumption that PVO programs are part of the AID program, rather than programs that are funded in part by AID but "planned, designed, managed and evaluated" by PVO's themselves in accordance with their own Board determined objectives.

Many times, and in many forums, I have highlighted the distinction between grants and contracts, and yet I continue to find a fuzziness regarding the difference between PVO grant funded programs and contracts. Contractual arrangements are quite different from grants, and this distinction still needs to be more clearly understood throughout the Agency.

- 3) On Page 22, the paper suggests, laudably, that PVO's in specific countries need to come together to exchange ideas. Since many PVO's are not AID funded, and some are indigenous, I would not think it a good idea for AID Missions to fund such exchanges, although facilitating them may be helpful.
- 9) On the same page, 22, under C1, I would caution that "technical assistance to AID regions and missions, at their request, to plan, design, manage and evaluate PVO programs and, if possible, to suggest new and innovative projects and programs involving PVO's," misses the point. It should be the responsibility of PVO's to "plan, design,

manage and evaluate" their own programs and they must be guaranteed the independence to do so, as suggested in a later section of the draft policy.

- 10) At the outset of this paper, I refer to the respective PVO policy formulation role of PPC and FVA. I would suggest here that if PPC is to be the "honest broker," it should be given this function only if its personnel operate sincerely on the premise that PVO's are cost effective in carrying out development programs at the grass roots where bilateral programs are usually inappropriate.

PPC also needs to recognize the PVO's role to plan, design, manage and evaluate their own programs and to be guaranteed the independence to do so; with, of course, appropriate accountability for funds spent and results achieved.

- 11) In reaffirming the functions of the FVA Bureau (Page 25, 2a), I would caution that if FVA is to inform Bureaus and Missions on the strengths and characteristics of specific PVO's, they need to have sufficient staff of high calibre with travel funds to meet with and know specific PVO's in depth. I agree with the suggestion on Page 26 to hold workshops for PVO's, but would suggest that this needs to be a two-way exchange and dialogue so that Regional Bureaus are exposed to the thinking and approach of PVO's rather than simply "disseminating relevant AID documents" and informing PVO's on AID policies.

- 12) Finally, I would urge that the Advisory Committee be given a larger role in formulating AID policy toward PVO's and in

monitoring how well AID Regional Bureaus, AID Missions and FVA are carrying out AID policy. Perhaps the Chairman of the Advisory Committee could sit in on reviews of overall PVO policy. Again, it is a question of a two-way exchange or dialogue which enables the Advisory Committee to carry back to AID PVO concerns. Perhaps we should consider the Advisory Committee becoming the effective "honest broker" to assure that the partnership we all desire is a true partnership.

March 23, 1982

Overseas Education Fund

2101 L Street, N.W., Suite 916 Washington, D. C. 20037
Telephone 202 / 466-3430 • Cable Ovation

Willie Campbell, *President*
Elise Fiber Smith, *Executive Director*

MEMORANDUM TO: Members of the Advisory Committee on Voluntary Foreign Aid

FROM: Willie Campbell, President, Overseas Education Fund *WC*

DATE: March 26, 1982

RE: AID's March 3 Policy Statement

Although we have reservations about a number of policies proposed in the March 3 Policy Statement, we believe these reservations will be covered by other PVOs.

This testimony is to express the particular concern of the Board of Directors of the Overseas Education Fund in regard to:

1. The proposed 20% regulation that AID may require of PVOs in the future
2. The proposed requirement that part of the 25% non-AID funding requirement for OPGs be a cash contribution from the PVO obtained from private sources.

OEF has worked in developing countries for over thirty years. With the passage of the Percy Amendment and the growing recognition of women in the development process by Third World countries and international donor agencies, OEF has increased its technical assistance to women at an accelerated pace over the past five years largely through the availability of AID funds. As more resources became available from the

United States government because of the Percy Amendment, OEF's expansion included a larger number of operational program grants and other grants from AID during that period.

OEF is one of several smaller PVOs which has an important constituency in the United States, but receives a lesser amount of private dollars than the large membership, church-supported, or relief-oriented PVOs. OEF is not a membership organization but has a constituency represented by Leagues of Women Voters throughout the United States, other national women's organizations in the Coalition for Women in International Development, and women's community groups in eight major United States cities involved in OEF's Women and World Issues Workshops.

In addition, OEF has just instituted a National Committee-- Women in Business for Women in Development-- to enlarge OEF's constituency of women interested in development issues and programs to include the growing network of successful women entrepreneurs and outstanding women in corporations.

OEF's constituency represents an important segment of United States society, but it is a constituency of women that historically has had limited financial resources in private dollars for work overseas. Many of these women commit moderate amounts of money for the domestic activities of their own organizations. Only now is the potential for women's giving within the United States for international programs at a take-off point.

Data also show that United States foundations have designated a very small amount of grants to women's programs domestically, with an

even smaller amount going to women's programs overseas. The same can be said of United States corporations. So, OEF has an up-hill job: to tap the potential power of women as funding sources, and to persuade United States corporations and foundations that women's programs overseas deserve substantial support.

We believe that OEF and other PVOs that do not receive large amounts of private money, but represent an important constituency in the United States, and carry out quality development programs overseas may be penalized by a new 20% regulation. If opportunities increase for the technical expertise these PVOs can provide in developing countries, the sudden increase in United States government grants and contracts will result in a greater dollar volume of total activities. But it is very difficult to increase private sector donations at the same growth rate, thus the percentage of private versus public money gets skewed. If delivery of quality technical assistance to developing countries is one of the ultimate goals of PVOs, the Congress and AID, then some small PVOs will be penalized for a "success" that is demonstrated by the increased demand for their services and need for increased funding by the United States government.

In addition, if AID is now to require that part of the 25% non-AID funding requirement for OPGs be a cash contribution from OEF's private sources, OEF and other PVOs like OEF, will be even harder pressed.

We have known for the last several years that eventually we should need to raise 20% of our budget from private sources because both

AID and the Congress have issued warnings to this effect. Consequently, we have planned a fund raising strategy to meet that requirement as soon as possible. The possibility that AID might require also a cash contribution from private sources for OPGs catches us now completely off guard and without a strategy to raise this additional private money. For, additional money it would have to be. Most of our private funds now go for development education programs in the United States, money for overhead expenses not always covered by government grants, and accelerated fundraising efforts.

We believe it is important to look at the above factors and provide flexibility in the 20% regulation and in the cash requirement for OPGs. In fact, we believe that the will of Congress as expressed in the Percy Amendment may well be denied by such a regulation and cash requirement if applied to a PVO like OEF whose programs focus on women in the Third World.

At OEF we are committed to raising private monies for our development efforts overseas. We believe it is not healthy for OEF's independence to rely heavily on government funds. We also believe that OEF's constituency will be more deeply involved in development issues if they make financial commitments to development programs.

Our Financial Development Committee and our Board of Directors have already begun the implementation of a strategy to increase OEF's income from the private sector. For the last several years, private income has increased. Eventually, we hope to obtain well over 20% of our funds

from private sources. We are concerned, however, that we may not be able to comply with a 20% requirement if the regulation does not allow for some flexibility or if it is applied before the three-year grace period in the legislation. We are even more deeply concerned now about compliance if a cash contribution for OPGs from private sources is required.

Finally, it is our hope that AID will include PVO representation in its proposed task forces, as well as institute a process for continuing avenues of communication with PVOs.

Private Agencies in International Development
2101 L Street, Northwest
Suite 916
Washington, D.C. 20037
202/822-8429

Statement by
Thomas B. Keehn
Acting Executive Director,
Private Agencies in International Development
to the
Advisory Committee on Voluntary Foreign Aid

New York, N.Y.

March 26, 1982

During the P.A.I.D. Forum in Washington, D.C. March 17, 1982, representatives of some 60 private and voluntary organizations and cooperatives had an opportunity to hear about and discuss the proposed AID policy statement on international development programs of PVOs.

To provide the context for consideration of the AID policy paper, Forum participants listened to a presentation by Dr. Henry Nau of the National Security Council on U.S. foreign assistance priorities. Development assistance and basic human needs programs (such as those carried out by PVOs) were placed in the broad spectrum of security, political and economic priorities as determined by the Administration.

Mr. Peter McPherson, AID Administrator, made a general statement on AID's policy toward PVOs. Four respondents from the PVO community then pointed out some of the concerns and priorities which they see emerging in the policy paper.

Forum participants met in four groups with resource persons from the PVO community, staff members from Congressional Committees and AID. A paper commenting on the AID policy statement prepared by P.A.I.D. was available as a resource document during this process.

It would have been helpful if the AID statement had been available earlier so that the response and discussion could have been more targeted. Nevertheless, P.A.I.D. welcomes the opportunity to initiate discussion of a very important policy document with AID.

It is clear that there are differences in perception and in broad policy directions between AID and the PVO community. This is healthy if it is approached in an open, creative process.

In capsule form, here are some of the major concerns of PVOs on the proposed AID policy statement:*

*More detailed comments are given in the attached note prepared by P.A.I.D.

- o The fundamental assumptions of the AID policy paper indicate that AID's view of the PVOs' role in development is different from the PVO view. The PVOs regard their role as complementary to that of AID, but distinct from U.S. foreign policy strategy. PVOs feel that their role as independent development agency practitioners -- and not just implementors of AID policies -- needs fuller recognition.
- o The central problem between the PVO community and AID relates to AID's tendency to fit PVO programming into AID program "parameters". While there is, on the face of it, little objection to the idea that AID funding made available to PVOs should be spent in ways which are consistent with AID's broad objectives in a given country, there is every reason to assume that a detailed integration of PVO activities with AID objectives would and should produce difficulties.
- o The PVO community is concerned about the potential divisiveness of financial tests for privateness. There is a broad spectrum of views on the validity of the 20%, ranging from all-out support to total rejection. The suggestion of the policy paper to adopt the flexibility of the legislative language, in defining "funds outside the U.S. government sources", is very welcome. The division of the PVO community into subgroups for the purpose of eligibility for participation in certain grant programs makes for some problems. The differences between PVOs who act as "intermediaries" or as "initiators" of programs, and the implications for funding needs to be explored.
- o Smaller PVOs would have the most difficulties under suggested policy changes. These PVOs would find difficulties in meeting the new requirements for eligibility for the PVO "grant" program. Small PVOs would also find difficulties in raising necessary cash contributions under proposed

new policies for OPGs. In addition, small PVOs would find problems in initiating programs in countries where they have no established presence.

o Decentralization, in the view of many agencies, would have negative effects on PVO relationships with AID in some countries. It would accentuate unevenness from mission to mission as they deal with PVOs and lead to more intervention by AID missions into the work of PVOs. It would increase the competition of PVOs and other agencies for AID funding. For these reasons, PVOs generally favor more flexible, central funding mechanisms with maximum independence and programming initiatives for PVOs.

o Evaluation criteria for AID-funded PVO programs need to reflect PVOs' own priorities as well as those of AID.

o The proposed split of functions between FVO and PPC would remove policy-making functions from implementation and informational roles. This will further insulate AID policy decisions.

We believe that the Advisory Committee discussion and hearings are important steps in expanding the dialogue between PVOs and AID on policy issues. This process should continue including PVO participation in the Task Forces which AID proposes to establish. P.A.I.D. is prepared to participate in appropriate ways in the months ahead.

March 16, 1982

Comments on Proposed AID Policy Statement on
Programs of Private and Voluntary Organizations

Introduction

The "partnership" between AID and the PVO community, formally mandated by Congress in 1973, has been subject to an intensive policy review by the new AID administration. The initial reception by the PVO community to the process, premises and implications of the review has not been favorable. In fact, the initial review paper, intended by AID to make the relationship "more effective", has actually increased tensions.

AID has opened a dialogue with the PVO community to diminish the tensions. This dialogue, to continue in various public forums, has been helpful. The revised draft of the policy paper reflects some of these talks. It is hoped that the meeting in New York on March 25 of the AID Advisory Committee will represent a continuation of this consultative process, and not a final statement on the issue.

This paper outlines some concerns raised by the revised draft of the policy paper. It attempts to survey the premises and implications of the AID paper for a wide, diverse PVO community.

I. Assumptions About AID-PVO Relationships

The premises and assumptions about the purpose of the AID-PVO relationship, implicit in the revised draft, are quite different from those of the PVOs. The PVOs view their role as complementary and additive to U.S. government efforts, but also as distinct from that of the U.S. government. The PVOs do not regard their programs as another part of the U.S. foreign policy toolbox in a specific country. Congressional language repeatedly supports this view:

..."it is altogether crucial that as AID expands the level of support of the private voluntary sector, it resists the temptation to treat PVOs as agencies which exist solely to serve AID purposes....there is also a strong national interest in protecting and preserving the independence and voluntary nature of such organizations....their effectiveness as non-political, people to people agencies can easily be eroded if they become or are perceived as becoming simple extensions of the U.S. government." (Report of the Senate Committee on Foreign Relations No. 97-83).

AID's response to this mandate is to reaffirm the importance of PVOs -- the "diversity of approach", the outreach to LDCs, and the ability to leverage and mobilize additional funds -- but only in response to AID-determined priorities. The problem of preserving PVO programming integrity still remains. Although the policy paper does try to involve PVOs in decisions, it does not make an explicit recognition of the PVOs' independence from AID-determined priorities for location or type of PVO programs.

AID regards itself as the "custodian" responsible for the use of its funds. It expects PVOs to work within AID-determined "parameters," and feels under "no obligation to fund activities which we believe inconsistent with our objectives." The policy paper assumes that its problems with the PVO community are caused primarily by AID's desire for accountability and management, while not addressing itself to the role of PVO programs in a broad development strategy. The paper does not recognize the role of PVO programming as an alternative approach to achieving development objectives.

These are serious disagreements in assumptions and approach. They are, admittedly, very much aggravated by assumptions on the part of the PVO community that the new administration does not place a high priority upon the meeting of basic human needs in LDCs - and regards strategic and political interests as paramount. This is an area where additional interchange between the PVO community and AID would be helpful.

The review's proposed AID policy actions will have implications in several important areas for the PVO community:

- o PVO programming initiatives will be reduced;
- o The number and types of the PVOs working with AID will be reduced;
- o AID officials who are making PVO policy and budget decisions in Washington will be further insulated from PVOs;
- o Some problems in the accountability and evaluation process, as now proposed, will be accentuated.

II. Preserving Programming Independence and Initiative

The policy paper advocates the continuation of the trend in AID support for PVO field programs rather than PVO capacity-building support. The paper perceives PVO problems with this approach only in terms of the appropriate grant mechanism. Most PVOs understand that budget constraints are forcing a reduction in AID support for building PVO capacity for development programs. The problems PVOs find with increased emphasis on support for country-specific, AID-determined projects, focus on the desirability of PVO programs being initiated only in specific countries for specific AID-determined purposes.

The revised policy paper admirably attempts to involve PVOs in many consultative activities in the field. It advocates PVO review and participation at a mission level on mission plans and strategies. It also

contains some good ideas about facilitating field cooperation between PVOs.

The purpose for these useful suggestions are, however, not merely consultative. AID intends to involve PVOs in the overall country programming process to provide PVOs an "early feel of the principal country programming parameters" and, moreover, to "tie PVO policy to each country's development strategy."

The paper remains unclear about funding PVO programs which are not AID country-selected or AID priority-determined. Moreover, even if AID really means to provide programming support outside AID-determined parameters, the desire to make PVO programs competitive with other AID projects within each regional bureau will certainly diminish the desire of a mission director to allocate resources to independent PVOs.

A good example of problems caused by country-specific AID-determined programming may be unfolding with the implementation of the Caribbean Basin Initiative. Many PVOs are disturbed by resources being allocated to this effort if the Initiative does not address the "basic human needs" of the people of the area. Some PVOs may not participate because they do not have an established presence to consult and negotiate with the mission. This favors large PVOs who have the resources and personnel to be at a specific country at a specific time.

The present policy paper does not deal adequately with the possibility of AID-funded PVO activities in non-priority regions or countries. There is little mention of the intentions of AID continuing funding of projects in non-AID recipient countries.

III. Preserving the Diversity of the PVO Community

Congress and the development community have regarded the diversity of the PVO community as a strength in the development process. More and different approaches have been seen both to produce innovation and to deal more adequately with specific circumstances. Congress has noted that the increase in the number of PVOs working with AID has also produced an overall growth in the level of privately donated resources which PVOs add to the process. The outreach to the U.S. public provided by the diverse organizations in support of international development is also an important benefit.

The policy paper, instead, finds this "heterogeneity" an impediment to a coherent policy. The paper attempts to sort out the various categories of PVOs and relate them to their eligibility for certain kinds of grants. Additionally -- in the proposed implementation of the "20% rule" -- there will be important distinctions made in the PVO community.

The paper focuses on the "traditional volag". These organizations are defined as ones which have broad financial support in the U.S. private sector. These volags "initiate" projects overseas which AID funds (AID terminology). The grant mechanisms for these programs will be OPGs and matching grants. This has been termed the PVO Grant Program.

* The paper also recommends a consolidation of grant mechanisms. Institutional support grants will not be part of the PVO Grant Program.

For these volags, proposed language for the 20% rule will add certain eligibility requirements for participation in the PVO grant program, distinct from registration criteria. The PVO which wishes to participate in the "PVO Grant Program" will need to show it can raise 20% of its funds from non-U.S. government sources. The revised proposed standard would permit contributions from foreign institutions or governments and public international organizations as the source of this 20%.

The suggested policy directions would be different for the funding of international programming of cooperatives, credit unions, AFL-CIO Labor Institute and Family Planning Organizations. AID believes these agencies function as "intermediaries" for AID programs, and entered the international field as a result of AID initiative and funding. These agencies have relied mostly on institutional support grants. (These grants are not considered part of the PVO Grant Program by AID.) AID therefore considers the continued funding of an institutional support grant for an organization is not contingent on meeting eligibility requirements proposed by the 20% regulation.

The revised proposals for implementation have in some ways been made more flexible, but it will make some difficulties by separating the criteria for registration as a PVO and eligibility for PVO grants. One important implication may be the effect of splitting the voluntary agency community vis-a-vis earmarking of AID funds for PVO activities (as mandated by PL 97. 97-113).*

The recommendations for the streamlining of the grant program will be welcome. However some of the suggestions will impact on the ways PVOs initiate and carry out their programs. Major suggestions about the grants program include:

- o Develop more explicit criteria for matching grant program;
- o Eliminate institutional support grants and consortia grants as separate categories of support in the PVO Grant Program;
- o Require that PVOs share the cost of all field grants by phasing in over the next 3 years the requirement that the 25% non-AID funding requirement for OPGs be a cash contribution from the PVO obtained from private sources.

These new policy directives will work to diminish the numbers of PVOs working in the field for the following reasons:

1. The matching grant program will concentrate on a limited number of PVOs for specific programs in high priority sectors. These will be large PVOs who may be more willing and more likely to tailor their programs to AID strategies.

* It is our understanding that the PVO Grant Program and the institutional support grant program will both be considered a part of the PVO earmark (12 to 16%).

2. Smaller PVOs may not be able to maintain the 25% cash contribution required by OPGs (this will be in addition to meeting requirements under the 20% rule).
3. Small PVOs will be unable to maintain the presence in various countries which is needed to initiate and sustain contact with AID missions in order to initiate projects.
4. Many PVOs will not be able to meet AID program priorities. The objectives and goals of many PVOs, which are developed by the PVOs' own constituencies, simply will not parallel those of the U.S. government. This is probably the greatest source of tensions between the PVOs and AID.

All of these factors will contribute to a reduction in the number and kinds of PVOs which work with AID.

IV. Accountability

As the protector of federal funds, AID is anxious to cut costs and improve the administration of its responsibilities. The PVO community understands this desire and would welcome working with AID officials to establish simpler and uniformly applied auditing procedures. A major problem has occurred over the audit-access of AID over the books and field operations of U.S. PVO grantees and subgrantees. This is a topic which requires more discussions between AID and PVOs.

V. Evaluation

Accountability of funds is separate from evaluation of programs. The criteria used by AID to determine the PVO "track record" for initiation or continuation of AID-funded projects are not specified in this policy statement. AID has established that a PVO "track record" includes its record of work in development. It is hoped that some evaluation criteria can be mutually determined that would balance two points of view:

- o criteria that measure the PVOs' adherence to their own missions, priorities, and goals; and
- o criteria that measure the adherence of PVOs to AID's own objectives and goals.

The policy paper has suggested that an AID task force be created to deal with the simplification of the PVO grant program and auditing procedures. In addition, the problem of appropriate balance among evaluation criteria needs to be addressed. The internal AID task force should include AID Advisory Committee members and PVO representation.

VI. Organizational Changes

The organizational changes would separate the PVO policy formulation role from implementation. The paper recommends a greatly increased informational role for the present FVO office, and the enhancement of the role of PPC in PVO policy matters. PPC would, through a PVO policy advisor, deal with all PVO policy matters, allocation of budget resources for PVO programs, and review overall agency PVO strategy in AID country development strategies. This would create several problems:

- o There would be problems in maintaining the PVO earmark, mandated by Congress. Funding levels for PVO activities would compete within the overall AID budget process.
- o The fragmentation of the office would complicate the way PVOs do their business in the bureaucracy, creating additional officers and extra layers to deal with.
- o The separation of policy, advocacy, and implementation roles would diminish the bureaucratic "clout" of the FVO office.

Thanks to the rapid actions of a number of PVOs, dialogue has opened with AID about these proposed policies. PVOs should press forward to ensure that the community presents AID with policy alternatives. This policy review has been brewing for a long time, and is intensifying as AID funding levels drop and the Administration wants greater control over dwindling resources. If the PVO community cannot achieve policy flexibility through dialogue with the Executive Branch, we will need to seek legislative assistance.

Key:

FVO = Food and Voluntary Organization

PPC = Program and Policy Coordination

Statement of

DAVID L. GUYER
PRESIDENT, SAVE THE CHILDREN

Before

THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

March 26, 1982

Mr. Chairman and Members of the Committee, it is a real pleasure to be here with you today to discuss issues which are critical not only to the relationship between AID and the private voluntary organizations, but in fact to the success of the entire effort to assist in the development process around the world by both the private and public sectors.

We welcome the opportunity for constructive interaction presented by this gathering and hope that this will be only the beginning of an ongoing, mutually beneficial dialogue on issues of concern to all of us. We recognize that there are differences in many of the points of view presented here. We see this process as one in which we can work together to hammer out those differences and resolve them cooperatively. I should mention that this process parallels the one going on within the PVO community itself. In both situations we consider the discussion to be a healthy phenomenon which highlights the vitality, creativity and strength within our community.

A decade ago, Save the Children embarked upon a new and innovative development system highlighting the now familiar integrated self-help approach which fosters health, education and productivity. During the past seven years, Save the Children and USAID have been engaged in a cooperative effort to expand the reach of these development assistance programs in Latin America, Asia, the Middle East and Africa. The effort had enabled our organization to upgrade professional capabilities, extend our Field programs to new geographic areas and refine our approaches to development.

The USAID/SAVE collaboration began in June 1975 with a \$1,152,000 Development Program Grant which assisted SAVE in applying its Community-Based Integrated Rural Development (CBIRD) methodology to new country programs and to improve the professional qualities of its staff. With the assistance of the DPG and several Operational Program Grants (OPG's), as well as increased private funding, the Agency doubled the number of country programs while recruiting and training a core headquarters staff having academic and practical experience in community development. More sophisticated planning, management and evaluation systems were also developed to support the expansion efforts.

Since 1970, expansion has continued under a \$3,757,000 Matching Grant, but with a greater emphasis in refining field programs through planning, systematic implementation, training, evaluation and upgrading management skills. Through the Matching Grant and new OPG's, staff and consultants were made available to support these activities and to assist in specific project and sector development. Sectoral strategies and methodologies were designed and tested for adaptation to specific country programs.

This USAID/SAVE collaborative relationship would not have been possible without SAVE's privately stimulated growth over the past seven years:

- Revenues have more than tripled from \$7.4 million in FY'75 to an estimated \$24.9 million in FY'82.
- Roughly 80% of these revenues have come from non-governmental sources over the past seven years.
- Our outreach has been extended from 19 international and domestic programs in 1975 to 41 today.

USAID's support has been a catalyst for our growth, as well as for the expansion of other private voluntary agencies, by helping us to professionalize our headquarters and field office capabilities and by encouraging us to extend our programs to new countries.

We are now at a crossroads. Much has been accomplished over the recent past in nurturing and strengthening the partnership between the private voluntary agencies and our government counterpart. We applaud the steps taken by the AID Administrator and his staff to take stock of the present situation and come forward with some suggestions for the future.

These suggestions, embodied in the draft policy paper before us today, warrant our serious attention and thoughtful discussion. Fortunately, many of the critical issues have been debated in this and other forums over the past few weeks. Let me briefly highlight our own position on these important points.

- The heterogeneity of the PVO community is an asset, not a liability, and should be strengthened and encouraged.
- Based upon our analysis of the will of the American public, AID development assistance funding allocated to PVO's should be raised at least to the 16% level at an early date as mandated by Congress. The PVO community has the capacity to utilize these increased resources in a cost-effective manner.
- Although we agree in principle to the concept of decentralization, care must be taken to ensure that Field Mission Directors are cognizant and supportive of the emphasis placed upon private voluntary development assistance. Strict accountability for mission performance must be adhered to.

- ° Save the Children has consistently supported the 20% non-U.S. Government funding rule. However, we strongly endorse the most liberal interpretation of the rule so that funds from all outside sources, i.e. United Nations, European Economic Community (EEC), host country governments, as well as foreign private donors be included in the match.
- ° We strongly support the strengthening of the Bureau for Food for Peace and Voluntary Assistance (FVA) as the focal point within AID for PVO relations. We believe that strengthening the central coordination and policy formulation function of FVA will assist the PVO's, the regional bureaus and the missions in disseminating and utilizing information effectively.
- ° We encourage the Administrator to take steps to ensure the uniform interpretation of policies, procedures and regulations both at the Headquarters and Field Mission levels.
- ° We believe that the Block or Comprehensive Program Grant concept should be given the highest priority. This innovative and flexible model is consistent with the views of the Administration and would have the support of a broad constituency. In order to assure its success, PVO's should play a major role in the design of the new grant system.
- ° AID's support of non-governmental consortia should be continued and expanded as it is a significant mechanism for bringing the private sector into development.
- ° Increased attention should be given to uniform procedures for programs evaluation and accountability; too often in the past, this has been a haphazard process.

The benefits of close and ongoing collaboration between AID and the growing private voluntary sector are obvious to all. The mechanism now in place encourages forward movement and we are looking forward to continuing to work together in the future.



54 Wilton Road
Westport, Conn. 06880 USA
(203) 226-7272

February 16, 1982

Mr. Robert S. McClusky
Chief, Public Liaison Division
Office of Private and
Voluntary Cooperation
Bureau for Food for Peace and
Voluntary Assistance
U.S. Agency for International
Development (Room 227, SA-8)
Washington, DC 20523

Dear Mr. McClusky:

Save the Children has a long and successful history of encouraging private sector participation and support of its programs. In part, this is because the Agency believes it can achieve its special mission most effectively when the "privateness" of its efforts on behalf of needy children, families and communities throughout the world is beyond question. In recent years, American private sector support of Save the Children has increased substantially and now includes:

- Contributions from more than 180 corporations and 70 private foundations;
- Donations from over 150,000 U.S. citizens, and
- The support of volunteer groups from 18 different U.S. metropolitan areas.

In light of this background, Save the Children finds it is very much in sympathy with the intent of the proposed AID rule requiring PVOs to receive at least 20% of their funds from private resources. In fact, we have publicly advocated such a rule since the issue was first raised. Application of the proposed rule would, in no way, penalize our Agency. However, we would like to comment on two aspects of the proposed rule that would, we believe, strengthen the ability of PVOs to become part of the U.S. presence overseas without diluting the "privateness" of such organizations.

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Programs

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American Indian

Appalachian

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Southern States

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Africa

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Latin America

Middle East

First, we suggest adhering to the language of Section 123(g) of the FAA that at least 20% must be from sources "other than the U.S. Government" rather than the more restrictive language of Section 203.2b of AID's proposed rule which requires this proportion to be from "private U.S. sources".

1. This change would be in keeping with the philosophy of self-help since it encourages (or at least would not discourage) U.S. PVOs in their efforts to catalyze private enterprise in LDCs on behalf of development activities. PVOs, because of their "privateness", are frequently the only U.S. entities that can mobilize private enterprise in other countries for development work.
2. This change would be consistent with AID policies designed to promote consortia in international cooperation on development projects. Contributions to a PVO's work from the EEC and from other overseas NGOs, for example, under the proposed rule would not meet the 20% test. Such an exclusion would stimulate PVOs to shift more of their attention to the U.S. private sector and away from the broader international community. Such a shift may well be inimical to the achievement of long-term development outcomes.
3. Permitting PVOs to count income from all private sources would facilitate their operations in general, thereby contributing to a diversified and enlarged U.S. presence overseas.

Second, we suggest changing the requirements that excludes contributions-in-kind from the 20% requirement to one that permits such contributions to be counted toward meeting this test. There are two principle lines of reason to support this change.

1. This change would be consistent with the U.S. Government's overall policy of encouraging volunteerism among the American public. Organizations that have volunteers contributing time and support of their activities ought to have the value of this time recognized. To do less is to send a contradictory message to the American public and suggests to PVOs that they ought to spend more time fund raising among corporations and less time stimulating volunteer efforts. A de-emphasis on volunteers would also hurt the PVO community in pursuing its special people-to-people approach to development.

Mr. Robert S. McClusky

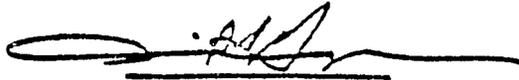
Page 3

February 16, 1982

2. The rule as it is now proposed would exclude from the 20% requirement contributions-in-kind made by corporations in direct support of a PVO's work. Gifts such as medicines, construction equipment, farm implements, office machinery, photographic supplies, textbooks and seeds have a readily ascertainable value and constitute an important PVO resource. A policy that fails to recognize the value of such contributions is one that does not fully promote a partnership between PVOs and U.S. private enterprise.

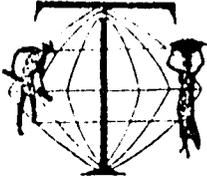
In summary, we believe the two suggestions we are proposing will contribute to a strengthened U.S. presence overseas by private PVOs with more flexibility while maintaining standards for "privateness". In this way, the PVOs can truly be the "third avenue" of development as Congress envisions.

Sincerely,



David L. Guyer
President

DLG:lmc



TECHNOSERVE

11 BELDEN AVENUE NORWALK CONNECTICUT 06850 USA

TELEPHONE: (203) 846-3231
CABLE: TECHNOSERVE
TELEX: 965 981

STATEMENT TO THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

by

EDWARD P. BULLARD, PRESIDENT

TECHNOSERVE, INC.

on

AID/PVO POLICY PAPER

March 26, 1982

I am Edward P. Bullard, President of Technoserve. Technoserve is pleased to be able to participate in the on-going dialogue with AID which began almost ten years ago. We wish to thank our colleagues in AID for the thought and effort which went into developing the AID/PVO Policy Paper. We do have some comments and recommendations on the proposed policies which follow:

1. We support the recommendation in the Paper regarding the legislated standard of 20% funding from non-U. S. Government sources in order to qualify for PVO type grants. This proposed solution will eliminate what would have been a significant disincentive for raising funds from host country governments, institutions and projects.
2. We do not feel that the 25% non-AID funding requirement for OPG's should be restricted exclusively to "private sources". Host country governments and parastatal development institutions should be encouraged to participate as partners in the development process, rather than being excluded from financially contributing to that process.
3. The Paper states that "increased percentages of AID funding for PVO activities

should be allocated to PVO field programs, as opposed to institution building (capacity building) support". This may be a necessary shift in emphasis brought on by resource constraints. However, it must be clearly understood that no PVO can operate an effective overseas field program without itself being a strong, capable institution. Funding must be available to insure that PVOs can, at least, maintain their institutional capability and integrity.

4. A number of PVOs, including Technoserve, currently receive both Matching Grant funds and funding from multiple OPGs. While causing some administrative problems, this arrangement has not been a bad one for Technoserve. Our organization has recently received approximately 60% of its support for its overseas programs from the combination of these two sources.

If, however, the new policy is generally going to preclude a PVO from receiving both centrally managed Matching Grants and Mission managed OPGs, then a new grant mechanism must be developed for those organizations currently receiving both types of support. The proposed "Comprehensive Program Grant that is centrally managed and administered with appropriate regional bureau review" would seem to be an excellent vehicle for selected PVOs. We would urge that this new Program Grant concept be developed as quickly as possible.

5. The Paper stresses the need for greater participation by the PVOs in the CDSS and ABS processes. There is, nevertheless, a strong theme of "competition" which runs throughout the document. While competition and selectivity are necessary in the broad sense, the stress on competition seems unfortunate for two reasons.

First, it seems unlikely that PVOs will be able to successfully compete for funds when a Mission director is faced with the choice of reducing his or her own program or that of a PVO.

Second, and most important, we find no reference in the document to the idea of "partnership". It would seem that the emphasis should be on the partnership

relationship between PVOs and AID so that, together, we might work towards the process of human development around the world. The effective partnership between PVOs and FVA/PVC and PVOs and field Missions has been evolving since 1972.

Technoserve has not and does not perceive a great difference between AID's overall development goals or strategies, and those of most PVOs. The difference would seem to be more of scale than of philosophy. We trust that our future relationships will be characterized by a continuation of this partnership rather than by competition.

MEETING OF THE ADVISORY COMMITTEE
ON VOLUNTARY FOREIGN AID
MARCH 25-26, 1982

Statement by:

Frederick W. Devine
Deputy Executive Director
CARE
Cooperative for American Relief Everywhere, Inc.

TOWARD THE IMPROVEMENT OF RELATIONSHIPS BETWEEN
VOLUNTARY AGENCIES AND THE U.S. GOVERNMENT

Within the past decade there has been a steady increase in the extent of complimentary action and common concern between U. S. voluntary agencies and the U. S. Government with respect to foreign assistance. Two factors have contributed to this trend:

(1) the American public's increased commitment to dealing more extensively and broadly with the underlying causes of world hunger and poverty through the programs of voluntary agencies:

...during late 1979 the Gallup Organization in conjunction with Potomac Associates undertook a survey of the views of the American public on World Hunger and the role that the U.S. should play in its alleviation. To the question of what kind of agency would be preferred if the amount of aid to less developed countries were increased, 42% of the respondents voted for giving it "through voluntary organizations such as CARE or through religious organizations," 33% preferred international organizations (for example, the World Bank or the United Nations), and only 18% preferred adding the increased funds to official United States Government foreign aid. The Report also states that "By 1985, PVO's could probably double the amount of AID funds that they can administer effectively, with little strain or fear of exceeding their absorptive capacity."

and (2) the mandate of the U.S. Congress encouraging the Agency for International Development to enlarge its support for the voluntary agencies and other private non-profit organizations.

...it is altogether crucial that as AID expands the level of support of the private voluntary sector, it resists the temptation to treat PVOs as agencies which exist solely to serve AID purposes.....there is also a strong national interest in protecting and preserving the independence and

voluntary nature of such organizations.....their effectiveness as nonpolitical, people to people agencies can easily be eroded if they become or are perceived as becoming simple extensions of the U.S. government. (Report of the Senate Committee on Foreign Relations No. 97-83).

Yet the experience of many voluntary agencies in this partnership with government has often been one of frustration. The difficulty lies in government's practice of making policy, funding and regulatory decisions which affect voluntary agency operations without prior consultation with the agencies. Since one of the great strengths of voluntary agencies' work is its grassroots character, unexpected changes which weaken their capacity are directly felt by poor communities of the Third World. Moreover, the efficiency with which voluntary agencies carry out their programs makes it in government's best interest to seek their counsel at the point where decisions are made. Unfortunately present access by voluntary agencies is generally restricted to A.I.D., normally at the level of functional offices.

The following steps would create a more constructive relationship between the government and voluntary agencies engaged in foreign assistance programs:

1. A decision by the Administration to affirm the value of prior consultation with voluntary agencies in connection with program, policy or funding decisions which affect their work;
2. The initiation of discussion with voluntary agencies on establishing a mechanism for this consultation; and,
3. A commitment by the Administration to implement new procedures which will improve the sense of partnership between the voluntary agencies and government.

These steps will contribute to greater effectiveness of both governmental and private efforts in foreign assistance.

AFRICAN
International Medical & Research Foundation

333 United Nations Plaza · New York, N. Y. 10017 · (212) 949-6421

30 March 1982

Mr. E. Morgan Williams
Chairman
Advisory Committee on Voluntary
Foreign Aid
Agency for International Development
Washington, D.C. 20523

Dear Morgan:

Since our organization, the African Medical & Research Foundation (AMREF) did not testify at the 26 March meeting, I would like to offer a few points for the Advisory Committee's consideration.

As I mentioned in our "meeting" on the corner of First Avenue and 44th Street, hopefully your Committee will in the future encourage as widespread a participation as possible from the PVO community. There seems to be a tendency for the same people to continuously say the same things. Because of this, I fear that the impact of what is being said is weakened. Listeners tend to concentrate less the second and third time around. New faces will probably present much of the same line but at least the faces will be different.

The following comments refer specifically to the policy paper.

1. The 20% rule: Now that Congress acted, there seems little point in arguing against a 20% rule (which I did in a letter dated 22 December 1981). In the choice between the Statutory Test and AID's proposed Regulation 3, AMREF strongly urges the Advisory Committee to recommend acceptance of the Statutory Test. Since there is concern about a PVO's dependency upon AID, the PVO's should be encouraged to seek funding wherever they can get it - from private sources in the U.S. and abroad and from other governments and international agencies. While encouraging PVO's to diversify their funding, the policy should be as unrestrictive as possible. AID's Regulation 3 is restrictive and would be more harmful to smaller organizations.

2. 25% non-AID funding requirement for OPG's: AMREF recommends maintaining the existing policy that allows 25% funding for an OPG to be from any non-AID source. By requiring part of the 25% from private sources, it adds an additional burden to the PVO (with a 20% rule) and eliminates host country contributions

Most PVO's consider host country contributions as a firm commitment to what they are doing overseas. In a one-million dollar OPG, a \$250,000 commitment from the government of Sudan or Sri Lanka can be much more significant than a similar amount raised from private sources outside the host country. The policy paper is both restrictive and vague by requiring part of the 25% be a cash contribution from private sources. What part?

3. Central v. regional emphasis within AID: Contrary to the publically stated position of some PVO's, AMREF feels comfortable with the policy paper's emphasis on mission centered activities and OPG's. The reasons for our position are as follows: AMREF has deliberately opted to specialize and function in a definitive geographic area, namely East Africa. We have no need for field staff in other regions to liaison with missions. We have long been decentralized, with a very small staff in the U.S. and a larger operational headquarters in Kenya. This allows for close contact with AID and other donor agency field personnel. We only operate in the health sector and specialize in health, emphasizing quality in the implementation of programs. Field staff often are in a better position to make qualitative judgements on a PVO's capabilities than do people in Washington.

One underlying theme of the position paper seems to be a focus on quality and accountability. AMREF would hope that PVO's do not see these factors as threats but rather as challenges. While AMREF was founded in the U.S. in 1957, we have only been involved with AID since 1978. In our short U.S. government experience, we have found that decisions concerning program funding are less "political" in the missions than they are in Washington. Mission decisions in our case have revolved around program substance and PVO implementation capability. In deciding on whether or not funds are to be granted, we would want those most familiar with our field performance to have the major input.

While supporting a mission orientation, AMREF would still hope that FVA plays a significant role in any central grant program. However, we feel that the central grant program should be somewhat different than it is today. We would like to see two separate central grant categories - one for PVO's with little or no overseas experience and one based on past performance.

In the first category, a separate fund would be available to PVO's with no track record or no track record in a specific

region. Here, missions should have little input except to assess program need. FVA would play the major role in deciding on these grants which would be limited in amount so they serve as pilot projects. A grant ceiling might be \$500,000. This would enable newer, smaller PVO's to get involved and establish a track record.

The second category of central grant would be larger and evaluation criteria include past performance and implementation capability. Here, missions and FVA would have co-responsibility for the award decision.

Hopefully, these few comments prove helpful in the Committee's deliberations. I would be happy to elaborate further should you so desire.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael S. Gerber". The signature is fluid and cursive, written over a white background.

Michael S. Gerber, Ph.D
Executive Director

cc: Michael H. Alderman, M.D. Chairman
James R. Sheffield, Vice Chairman

March 19, 1982

We can only hope that the final resolution of this problem is one that will enable The Asia Foundation to continue its beneficial relationship with AID for many years to come.

Sincerely yours,

A handwritten signature in cursive script that reads "Robert S. Schwantes". The signature is fluid and connects the letters together.

Robert S. Schwantes
Executive Vice President

OFFICE MEMORANDUM ●

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST
IN THE UNITED STATES OF AMERICA

TO : Larry Minear

DATE: April 5, 1982

FROM : Paul F. McCleary *Paul*

SUBJECT: Testimony before the Advisory Committee of Aid on March 20th at the U.N.

Mr. Chairman, my name is Paul McCleary. I am the Executive Director of Church World Service. CWS is a member of the American Council of Voluntary Agencies. We have agreed that as member agencies of ACVA, we will give testimony on specific portions of the proposed statement in order to avoid duplication. The section to which I would wish to refer is the section on accountability. CWS has reviewed the section on accountability and has two comments which we would like to enter into the record.

The first is a reaction to the current proposal on accountability. In principle, we are in agreement with the proposals being made. We do not have a specific recommendation or reaction to these. It seems to us that the request for accountability is reasonable in the light of the history of relationships and granting patterns between PVO's and AID.

The second is we wish to remind the Advisory Committee that there are larger accountabilities than the accountability at issue in this section of the paper. That is, PVO's are committed to principles or causes which bring them into existence. These accountabilities take primacy over accountabilities involved in the handling of resources. This is not to free us from the responsible handling of resources committed to us but judgments about the receiving or rejection of the use of government monies is based upon these primary principles on which a PVO functions. A commitment to the poorest of the poor; to the Third World; or to religious convictions; takes primacy over the types of accountability defined in this section and guide the establishment of such relationships.

This independence of a PVO or this uniqueness of a PVO needs to be protected by the kind of grants made and the way in which grants are offered. Accountabilities are defined in this section then become determinative as to whether or not a PVO will violate its own principles in order to receive resources.

I am grateful to you for this opportunity to testify.

PFMc:rh



CODEL, INC.

5 APR 1982

Coordination in Development

March 31, 1982

Dr. Toye Brown Byrd
Executive Director
Advisory Committee on Voluntary
Foreign Aid
Agency for International Development
Washington, D.C. 20523

Dear Dr. Byrd:

The meeting of the Advisory Committee in New York City this past week demonstrated again the importance and value to both AID and PVOs of this forum to facilitate communication on many issues of mutual interest. It was encouraging to hear from both the Chairman, Morgan Williams, and the Assistant Administrator, Julia Chang Bloch, their statements that the Advisory Committee is to continue and be strengthened.

The discussion of the Action Memorandum for the Administrator AID provided insights from numerous viewpoints. This letter is to record and amplify on my own remarks made at the meeting.

The AID Action Memorandum is a paper for management purposes of AID. As such it seeks to reduce the complexity of work with so many different types of PVOs which in this memorandum are divided into five sub-groups. It is helpful to distinguish among the PVOs, however constituencies are important to determine the voluntary character of PVOs.

Within the fifth category called "Traditional Voluntary Organizations (Volags)" there is a wide variety which this community of organizations itself has addressed by the formation of consortia for selected purposes. These consortia enable the community to bring together many more organizations so their planning, energy and work are coordinated to the maximum impact. This is a simplification offered by voluntary agencies which arises out of the totality of the community. As AID and Congress seek to encourage the independence and clarification of the voluntary community these consortia are available to AID for its simplification needs as well. Consortia also extend outreach. For example, CODEL has forty member organizations of whom only eight have direct grant relations with AID. Neither CODEL nor its members are dependent on AID funding for their existence. The purpose of consortia is to foster cooperation among their members. For CODEL, AID funding extends the development outreach which its members determine. It is a long standing internal CODEL policy to exceed with private funds the General Support Grant from AID.

The proposed Action Memorandum for the AID Administrator states:

"The bilateral program, as funded through the Regional Bureaus, is and ought to remain the cornerstone of the USG foreign assistance relationship with host governments, regardless of the organizational entity with which we are dealing be it a university, research institute, consulting firm or PVO". p.19

This emphasis on the Regional Bureau and AID country missions exhibits an apparent AID need to deal with everyone in the same way whether the organizations are as disparate as "a university, research institute, consulting firm or PVO." When these organizations are based in the USA there is a cost screen erected by AID which is cost effective for no one.

The loss of such central funding as General Support Grants to consortia will be a severe diminution of flexibility and cost effectiveness to both PVOs and AID. Also central funding enables agencies to deal with development needs which are transnational, generic and in countries with or without AID missions.

The references in the Action Memorandum to consortia as a single agency seems to highlight the Matching Grant applicable to consortia. In the Advisory Committee the AID representative's comments raised the specter of a different type grant for every PVO. General Support Grants to Consortia do not mean a special type grant for every PVO, which is precisely one of the values of central grants to consortia.

A further difficulty of the AID country missions as the focal point for relations with PVOs and consortia is that it means voluntary agency field personnel must be competent both to meet voluntary agencies requirements overseas and to negotiate Operation Program Grants with AID missions. The government personnel have views and commitment to work with PVO representatives which vary from one AID mission to the next. This is not a cost effective procedure for consortia of PVOs or AID.

The focus on country missions as the cornerstone of AID bilateral assistance means more US citizens resident in countries overseas. Is there not a political risk akin to Iran's holding hostages for 444 days? AID decentralization to the regional bureaus and overseas country missions may have a management logic which is both costly and risky.

The Action Memorandum recommendations call for each AID mission in the Developing Countries to appoint a PVO Liaison person. This is a step to be encouraged. These appointees should be periodically notified to the PVO Community. This step will help avoid the frustration of a PVO representative trying to meet with AID mission representatives for whom such contacts are not a priority. There is a willingness on the part of centrally funded PVOs to share project updates with AID country missions so that they are aware of all AID funded PVO activities in the host country. As AID becomes unified

Dr. Toye Brown Byrd
March 31, 1982
Page 3

in its approach to development overseas through many channels, the present country mission stress and partial ownership of AID work will be diminished and the AID relationship with PVOs and other categories of partners can be strengthened overall from Administrator to Country Mission.

Regarding the references to accountability of funds by PVOs the CODEL experience is instructive. During a recent eighteen month period, CODEL had eleven evaluations. While the majority of these were internal management evaluations of finance, program and evaluations of selected policies, five of these eleven evaluations were by different parts of the US Government. I refer to : AID/FVA/PVC, the Inspector General Auditors, and the General Accounting Office. None of these external audits were undertaken with common assumptions or understanding about CODEL and the manner in which it functions. Although each office was aware of the other prior audits, the findings did not seem to feed into the evaluation or the audit in process. The result of three of these audits is a tome for each. This is not a helpful form for management purposes, particularly when the written document as in one instance is based on assumptions of operation which do not apply to a consortium. There are substantial costs involved for both the Government and the PVO which is so thoroughly scrutinized. The costs are both monetary and limited time of personnel involved. One of these audits meant facing substantial auditor cynicism regarding the earning of interest on AID funds received. Since the Federal Reserve Letter of Credit mechanism used by CODEL is the reimbursement of private funds advanced, there is a substantial loss of interest earnings on private funds with this method. However the cynicism meant the procedure, dates involved, and explanations, required a substantial portion of the three week audit time before the circumstances which was self evident, was accepted.

If the type of "stringent" accountability referred in the Action Memorandum is the type of accountability suggested by the above, it is not particularly meaningful or cost effective and certainly should not be applied by country missions to PVO sub-grantees overseas. Also there should be some acknowledgment that PVOs with a constituency have a built-in stewardship requirement which is not unlike that of the government's to the US tax payer. Such internal audits and evaluations should be part of the help in US Government Audits that in turn need to take into account prior work done by government representatives.

The CODEL experience with the General Support Grant and other aspects of relationship with AID has been carefully scrutinized in a study done by the Center of Concern entitled Religious Private Voluntary Organizations and the Question of Government Funding. This document which is available from Orbis Books, Maryknoll, New York as part of the Probe Third World Study Series, affirms that under certain circumstances an organization such as CODEL can use AID funding to extend its development work. The enclosed issue of CODEL News details the findings of this study in the form of a series of questions

Dr. Toyce Brown Byrd
March 31, 1982
Page 4

addressed to the PVO. CODEL has had an affirmative experience with AID funding in the form of the General Support Grant.

Under the best relationship possible between AID and the PVO community there seems to be a built in bias against development which is difficult to change in the Action Memorandum referred. The bias against development is due to the need for long term results which are sought over a 5 - 10 year period while the Administration needs results within 2 - 3 years. If this mutual difficulty is recognized, perhaps that in itself will be a help in improving the relationship between AID and the PVO community, which does offer hope and dignity for the people reached in the Third World by this partnership.

Thank you for the opportunity to address the Advisory Community for Voluntary Foreign Aid and to share these follow-up remarks.

Very sincerely yours,



Boyd Lowry
Executive Director

BL:as
Enc.

April 6, 1982

APR 7 REC'D

Mr. E. Morgan Williams
Chairman
Advisory Committee on Voluntary Foreign Aid
The Cooperative League of the U.S.A.
1828 L Street, NW
Washington, DC 20036

Dear Mr. Williams:

The Institute for International Development, Inc. (IIDDI) has, since its origin in 1971, maintained a single-minded involvement in small business development in Third World countries. Our current and projected emphasis is to build local indigenous institutions that are equipped, after several years of close association with IIDDI, to carry on this activity interminably without further input from IIDDI.

We have received centrally-funded grants from AID since 1972, the current grant being a matching grant which terminates June 30, 1982. Over the past ten years AID funds have represented approximately a third of IIDDI total income. The 1982 IIDDI annual budget is \$1,100,000.

First, we would offer the observation that the recent (March 25-26) meeting in New York City was the most productive ACVFA meeting we have attended. On this occasion it was clearly evident that ACVFA is effectively implementing its mandate of representing the PVO community to AID and vice versa. Specifically, we wish to commend the Committee for facilitating the dialogue between AID and the PVO's on the current policy matters bearing on the AID/PVO relationship. We are hopeful that this type of open and candid exchange will continue in the future. Further, we applaud the attempts to simplify the PVO administrative process at AID. Much can be done in this area and this initial step is most encouraging.

In regard to the policy statements, specifically, we want to go on record as endorsing, in particular, the following:

1. the opportunity for the PVO's participation in the planning process at the host country level
2. the spirit of the 20% funding requirement

3. the expansion of the matching grant and the de-emphasis of institution building grants to PVO's.

We have, however, certain concerns about several aspects of the proposed policy as follows:

1. We are concerned about the possible implications of AID's preoccupation with the heterogeneity of the 156 registered PVO organizations as related to future AID policy decisions. We understand the formidable management and administrative task on the part of AID in handling such diversity. In the process of taking steps to alleviate this problem, we urge that AID recognize and respect the PVO "distinctives" (particularly among the VOLAGS) and the importance of preserving these distinctives in its quest for more coherent decision-making and management effectiveness.
2. We are concerned about the continued "drift" toward Mission-funded support for PVO programs (as opposed to ~~centrally-funded support~~). The cost to ~~the PVO's~~ of administering a number (depending on the countries involved) of Mission-funded grants would be appreciably higher than comparable costs for a centrally-funded grant because of the need for increased personnel and travel. This would be particularly applicable to the smaller PVO's such as IIDI. Adding to the administrative and overhead costs at the expense of program allocations runs counter to the objectives of the PVO's and, I'm sure, AID as well.
3. We are concerned about the current level of AID support for PVO programs (13% of the proposed development assistance budget for FY 1982) in relation to the target of 16%. We urge that specific steps be taken to insure that the target level be reached at the earliest in view of the following:
 - a) the rapidly increasing number of PVO's
 - b) the general upgrading in PVO capability
 - c) the emphasis of the current administration on the private sector involvement in Third World countries.

Page 3

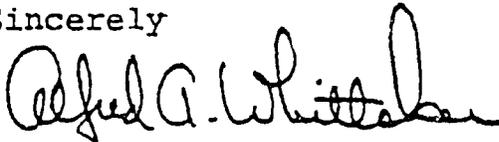
Mr. E. Morgan Williams

April 6, 1982

4. We are concerned about the proposed role of the FVA bureau as the implementer of PVO policy with little or no participation in policy formulation. Through direct and frequent contact with the PVO community, its programs and problems, the FVA bureau is in a strategic position to provide valuable input for policy guidance. We urge that provision be made for the FVA bureau to actively participate with the PPC bureau in the formulation of policy effecting PVO's.

We appreciate the opportunity to express these reactions and suggestions for the Committee's consideration.

Sincerely

A handwritten signature in cursive script, appearing to read "Alfred A. Whittaker".

Alfred A. Whittaker
Chairman

fe



INTERNATIONAL COUNCIL ON SOCIAL WELFARE

U. S. COMMITTEE

1730 M Street, N.W., Suite 911

Washington, D.C. 20036

(202) 785-0817

COMMENTS ON AID'S PROPOSED POLICY STATEMENT ON AID SUPPORT FOR THE INTERNATIONAL PROGRAMS OF PVOs

ICSW/U. S. Committee comments are limited to the principal changes that are being proposed.

- A. The move toward decentralization and incorporating grant projects into country strategy plans poses problems for medium and smaller agencies as they do not have field personnel in the developing countries to make known their needs and to work closely with mission personnel. The continuous joint planning required is beyond the resources of many agencies.
- B. The new policy should provide for some central funding to meet the interests of these medium and smaller agencies who will not be in a position to participate actively in country planning. The successful experience of the Canadian International Development Agency in the use of comprehensive program grants suggests a useful alternative approach.
- C. The proposed test for privateness, that a PVO obtain at least 20 percent of its international project funds from private sources, should not be the exclusive criterion of "independence." An established development record of stability and integrity in operating projects would seem equally relevant.
- D. The role of indigenous PVOs is an important area that needs considerable attention. Because of our immediate concerns with and knowledge of the social welfare organizations in other countries, the U. S. Committee would be interested to participate actively in discussions of this area of AID-PVO relationships. The International Council on Social Welfare is represented by indigenous organizations in many of the third world countries.
- E. An important asset of the PVOs is their diversity of approach and their close direct ties with indigenous organizations. The new AID policy should protect these assets that have contributed substantially to solution of local development problems.

April 2, 1982



3 APR 11 1982

LUTHERAN WORLD RELIEF

March 31, 1982

Dr. Toye Brown Byrd
Executive Director
Advisory Committee on Voluntary Foreign Aid
Agency for International Development
Washington, DC 20523

Dear Dr. Byrd:

I want to take advantage of your invitation to comment on the proposed A.I.D. policy toward private voluntary organizations.

As you know, Lutheran World Relief has enjoyed a long, and I think mutually beneficial, relationship with A.I.D. I believe it is fair to comment that both A.I.D. and LWR share a common respect and confidence for each other. This results from almost thirty-five years of association, and although we have differing perspectives on some issues, nevertheless I believe that this association has contributed significantly to the commitment we share of helping the poorest majority raise their standard of living as well as their dignity as human beings.

As an independent PVO, we have viewed our relations with A.I.D. as a ~~partnership~~. Each of our organizations has something to offer the other. AS I carefully read the Proposed Policy Paper, however, it became clear to me that under the new ~~proposed rules there would be a diminution of that collegial partnership~~. This view is reinforced by the statement on Page 3 of the draft which reads, "... it will provide PVOs a sense (underlining added) of participation." Further, in that same paragraph, the last sentence reads, "The final decision of these parameters is, of course, the sole responsibility of A.I.D." Under these conditions LWR perceives its relationship to A.I.D. being an extension of the U.S. Government rather than a partnership arrangement. Consequently, we are concerned about the proposed change, not only in terms of our previous partnership but also in terms of the working relationship we have with collegial, autonomous agencies around the world. It also appears to us that participation in the CDSS is possible only for the larger PVOs who have local representation in countries around the world. Unfortunately as one of the smaller PVOs, we do not have the luxury of such worldwide representation. LWR sees, therefore, a change of image and possibly a loss of input and certainly a loss of independence when A.I.D. begins to operate under the new proposed

NORMAN E. BARTH.

ROBERT J. MARSHALL, President MAURICE D. WHITE, Secretary MARIE SUMP, Treas.

Executive Director NEIL R. BRENDEN, J. ROBERT BUSCHE, Assistant Executive Directors KENNETH R. KILLEN, Director for Water & Resc.
JOSEPH A. SPRUNGER, Director for Grant Relations GENE THIEMANN, Director for Interpretation SHEILA HAMMERER, Program Finance Man.

policy.

The draft Policy Statement seems at a variety of points to respect more fully A.I.D.'s perceived needs than it does PVOs' natures and styles. The insistence on not allowing (unless by Mission agreement) Matching Grant funds to be spent in a country where a given PVO has an OPG is one such example. To state the point in somewhat over-simplified fashion, the Matching Grant fund activities is essentially the PVOs'; the OPG activity A.I.D.'s. Why cannot a PVO be both independent and intermediary? Someone has observed that the PVOs' dual relationship with A.I.D. "faces crisis." I wonder if that crisis may be less the financial dependency on A.I.D. than an attempt by A.I.D. to fit PVOs into its own mold.

In the operational arena, the proposed policies would work a considerable hardship upon LWR. As you know, we have very few staff members overseas. In order to actively and meaningfully participate in country programs designed at the A.I.D. mission level, it would seem prudent to have LWR personnel in that particular country. Under the present centrally managed grants, this is not necessary. Furthermore, our experience with OPGs (i.e. Tanzania) has been that it has required a great deal of time; in fact, the one OPG we have took two and a half years approximately to negotiate and two mission directors.

I appreciate your consideration of the above points and thank you for the opportunity of addressing them to you and to the committee.

With best regards,

Sincerely,

Norman E. Barth
Executive Director

NEB:jmg

C. Dr. Robert J. Marshall
President, Board of Directors



National Council of Negro Women, Inc.

INTERNATIONAL DIVISION

April 21, 1982

Mr. Peter M. McPherson
Development Education Program
Advisory Committee on Voluntary
Foreign Aid
USAID, Room 217, SAs
Washington, D.C. 20523

Dear Mr. McPherson:

We welcomed the opportunity to participate in the meetings with the Advisory Committee on Voluntary Foreign Aid held in New York. We look forward, with a great deal of anticipation to utilizing our years of experience in working with the corporate community to enhance programs in developing countries.

The National Council of Negro Women, Inc. wholly supports the views already submitted by the PVO collaboration of PAID, and I am writing to submit a supplemental statement on the proposed policy of USAID in support of the International Programs of Private Voluntary Organizations.

We certainly accept the nature of accountability. We feel it is equally important to stress the importance of the credibility which PVO's bring to the development process. The direct, people to people contact has been a very important instrument through which our government extends its help in developing countries.

It is our experience in every country that it is a great strength for the U.S. that the National Council of Negro Women can meet with people of the third world and say quite honestly: that while our services are made available with support from a federal agency, our democratic government leaves us free to work with people, on their needs and concerns without strings attached. We believe that this kind of relationship is invaluable.

We are concerned about the categorical designations. In this regard, I want to point out that some organizations like the National Council of Negro Women have international programs as a clearly designated part of the total organizational program. From the inception of our International Division it was recognized that the uniqueness of our contribution was in the fact as an organization we had at that time, 40 years experience working among the rural poor in our own country. Even now our strength for the future lies in a constituency that reaches

Mr. Peter M. McPherson

-2-

some 4 million women, with a great potential for sustaining interest and support of development activities.

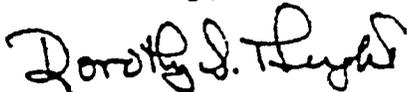
It is also true that in some countries governments have provided funds to supplement U.S. aid of PVO programs. Often, it is the initial work of the PVO's which attracted country government support in a specific area. Should not these contributions and support be recognized?

We have a major concern for women in the development process. The statement presented by OEF for the Collaboration, recognizes the need for special emphasis on women. This is not only important in implementing the Percy Amendment, but also because the work of women is not always deemed important enough to be given equal consideration. Yet, every study makes it clear that until life is improved for women, there will be little progress.

Private Voluntary Organizations have a particular mission and way of work which should not be appreciably altered as the PVO seeks opportunities to work with Aid in the development Process.

We appreciate the opportunity to work with you in this significant endeavor.

Sincerely,



Dorothy I. Height
National President
National Council of
Negro Women, Inc.

DIH:vb

SISTER CITIES INTERNATIONAL

The President of the United States
Honorary Chairman

5 April 1982

Dr. Toye Brown Byrd
Executive Director
Advisory Committee on Voluntary Foreign Aid
Agency for International Development
New State Department Building
Washington, DC 20523

Dear Dr. Byrd:

We share many of the general concerns expressed by our colleague PVO's at last week's ACVFA meeting in New York on the proposed AID policy statement on Programs of Private and Voluntary Organizations. Our particular concerns, broadly stated, are:

1. That AID's premises about the purpose of the AID/PVO relationship are different from those of the PVO's. PVO's do not (and in many cases cannot) regard their programs as another part of the U.S. foreign policy toolbox in a specific country.
2. That the new policies will have the effect of making PVO's less independent, creative and flexible.
3. The small PVO's, in particular, will be adversely affected by these policies and the result may be a reduction in the number and types of PVO's working with AID.
4. That the current financial criteria for proof of "privateness" does not take into consideration or give value to the significant in-kind contributions made by private volunteers. This policy in particular will serve to decrease the amount of voluntarism and private support for international development.
5. That the current emphasis away from centrally funded grants toward mission grants is structurally incompatible with the activities of many small PVO's, who do not (for financial or philosophical reasons) have on-site field personnel. This policy will also reduce the number of PVO's working with AID for purely mechanical and bureaucratic reasons.

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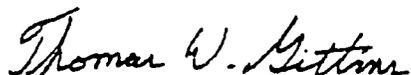
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Dr. Toye Brown Byrd
5 April 1982
Page 2

In response to the ACVFA request for PVO's to make specific comments and recommendations on the proposed AID policy statement, we have prepared an analysis of how the proposed policy will affect the Sister Cities International Technical Assistance Program. We hope that this in-depth look at the impact on Sister Cities International will give AID a better understanding of what effect the proposed policy will have on the many small PVO's that rely heavily on American Voluntarism. After listening to AID Administrator McPherson speak at the recent ACVFA meetings, we sincerely believe that the negative results detailed in the attached analysis are not what was intended by Mr. McPherson and the senior AID staff who developed the policy. We are therefore confident that the final policy statement will attempt to address these unintended impacts and result in a continuation of what has been a mutually beneficial relationship..

Sincerely,



Thomas W. Gittins
Executive Vice President

cc: Peter McPherson
Julia Chang Bloch
Thomas Fox
Steve Bergen
Wilbert Holcomb
Richard Neuheisel

REFLECTIONS ON THE PROPOSED-AID - PVO POLICY STATEMENT

FROM THE PERSPECTIVE OF SISTER CITIES INTERNATIONAL

The Sister Cities International Perspective

Sister Cities International (SCI) is a PVO that promotes the use of and heavily relies on volunteers -- private American citizens from over 700 cities throughout the United States -- to implement development assistance projects. During the last five years, with partial support from AID institution building grants, SCI has established a Technical Assistance Program (TAP) which focuses on improving the lives of disadvantaged residents of urban areas in Africa, Latin America and the Caribbean.

The primary delivery system of this technical assistance is through personal channels of communication and involvement of American Volunteer technicians who want to help their Sister City. The primary operating methodology is to advise, train and assist local authorities and technicians in their own efforts to provide direct services and assistance to their urban poor and disadvantaged. In the past two years alone, professionally qualified and highly motivated volunteers from over 25 American cities have provided valuable technical assistance to their sister cities.

The SCI/TAP program is consistent with, and a good example of, President Reagan's policy of encouraging the use of volunteers in finding solutions to public problems.

The exploding urban crisis is a high development priority for all Third World countries today. Though AID is mandated to focus its resources primarily on rural development problems, it is able to expand the scope of its total development effort through a coordinated utilization of SCI's unique resources and capabilities.

The SCI/Technical Assistance Program has proven to be a flexible and staff-efficient means of involving the private sector in sensitively transferring Amer-

ican know-how in a managerially and technically effective manner. With a relatively small amount of support from AID, SCI has been able to leverage and mobilize significant additional resources for international development.

Furthermore, it is clear that increasing the involvement of the U.S. private sector in international development, through the SCI/TAP mechanism, has helped indirectly to build an awareness of overseas development issues among the American public. SCI/TAP is an action-oriented program that has helped educate Americans experientially. It is clearly in our national interest to promote people-to-people exchanges which allow Third World citizens to know Americans and the way of life they represent, even when (or, perhaps, especially when) their governments are not speaking.

We believe that the SCI/TAP program is consistent with AID's own focus on:

1. helping the people of the Third World to develop their own skills and abilities to solve their own problems;
2. transfer of technical know-how, rather than massive resource transfers;
3. decentralized bilateral assistance;
4. involving the American private sector in international development; and
5. educating the American people on development assistance issues and the profound impact world hunger and its related conditions have on them personally.

In summary, the SCI/TAP program has been successfully established through a mutually beneficial and healthy relationship between SCI and AID. Beyond that, under the current centrally-funded grant arrangement, AID invests a modest amount of federal money (\$150,000/year) which allows Sister Cities International to leverage additional private financial resources and expand the activities of the U.S. private sector in the less developed countries. Simultaneously, the grant arrangement allows SCI to maintain its independence of action, its flexibility and creativity and, most importantly, its direct people-to-people approach to development.

After careful consideration of the proposed new AID-PVO policy, SCI has concluded that its effect will be to greatly reduce the likelihood of AID grant support to SCI and as a result, the loss to AID of an established developmental resource.

Effects of AID-PVO Proposed Policy Statement

We agree with AID that the heterogeneous nature of the PVO community "has been a serious impediment to coherent PVO policy and program formulation, monitoring and implementation" and applaud its effort to divide the PVO "multi-faceted universe into functionally similar sub-categories," to "improve coherent decision making and management effectiveness in implementing PVO policy." But we feel that the present AID effort does not go far enough in this direction.

As defined by the proposed AID PVO policy, SCI is considered a traditional voluntary organization or "volag." We submit that the subgroup of "volags" is also a heterogeneous sub-universe and that the same logic applied by AID in refining its definition of PVOs is relevant to refining its definition and understanding of "volags."

Specifically, it appears to us that it makes little managerial and practical sense for AID to regard an organization like SCI, which receives AID grant support amounting to \$150,000/year and relies almost exclusively on U.S.-based volunteer professionals, in the same manner as it regards CARE or Save the Children, which have multimillion dollar budgets and rely almost exclusively on paid professional staff based in the field.

After multiple readings of the proposed AID policy and in-depth discussions at the ACVFA meeting, we come to the conclusion that SCI simply does not "fit" into AID's new policies and that the new policies are oriented toward the CAREs and the SCFs of the "volag universe." This lack of clear distinction among volags in the proposed AID policy will be a serious impediment to coherent program formulation and monitoring of the SCI/Technical Assistance Program. It is difficult for SCI to know what is now expected of it and it will be hard for AID personnel to apply pertinent requirements.

SCI's assessment of the proposed AID policy has raised the serious concern that this policy does not appear to acknowledge that organizations like SCI exist and have a contribution to make to international development. More specifically, SCI has concluded that the proposed policy would:

1. decrease the economic development impact of SCI programs by reducing or eliminating the small amount of money granted by AID, which is currently used as a catalyst for mobilizing and leveraging significant resources from the U.S. private sector;
2. penalize SCI for its unique capabilities, resources and framework which encourages self-help and does not believe in having permanent field staff in a sister city;

3. hinder SCI's programming and managerial flexibility;
4. change the current positive environment for a direct people-to-people approach to development by forcing it to be more closely identified and responsive to AID field missions;
5. decrease the use of volunteers and correspondingly increase development program costs through increased use of paid professionals;
6. increase administrative costs to both AID and SCI by increasing management and administrative procedures;
7. belittle the value of and discourage contributions of time, money and material made by private U.S. citizens by not recognizing the value of such "in-kind" contributions to development programs;
8. limit the opportunities for Americans of all walks of life to build an awareness of Third World development issues and programs;
9. result in AID's being unable to utilize SCI's unique capabilities and comparative advantages in urban development, which AID helped to develop;
10. limit the American government's ability to maintain a positive but inexpensive development assistance role in AID "graduate" countries like Colombia and Brazil.

SCI believes that the negative impacts listed above are real possibilities and that they are relevant to many other similar PVOs. SCI also believes that these results were not the intent of AID senior staff who developed the proposed policy. We suggest, therefore, as a first step, that AID consider further refining of its current categories of "volags" to reflect the existence of PVOs like Sister Cities. This step would allow AID to develop more relevant and realistic policies for organizations like SCI and would lead to more practical and mutually beneficial relationships.

Mrs. Julia Chang Bloch

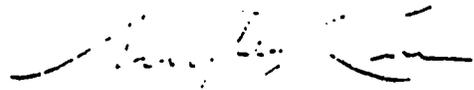
March 23, 1982
page 2

New York this Thursday. There appears to be no place on the agenda for this topic, however. Perhaps you intend to provide time for such a discussion.

I will forward my response directly to the Advisory Committee in case time does not permit any discussion on the draft paper.

With kindest best wishes.

Sincerely yours,

A handwritten signature in dark ink, appearing to be "Julia Chang Bloch", written in a cursive style.

MKR/acg

enclosures

February 24, 1982

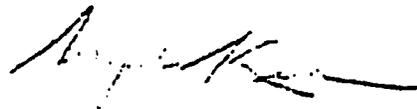
view of the President's point of view concerning increased involvement of the private sector in all forms of assistance, domestic and foreign.

A year and a half ago the Africa Bureau was most gracious in scheduling for me one hour briefings by twelve mission directors during their CDSS sessions. I found these briefings immensely instructive and, I hope, the twelve found IHAP more comprehensible as a PVO. There is really no substitute for focused dialogue.

In my travels in Asia and Africa I have met a number of mission directors who are highly imaginative and have thoughtfully conceptualized how PVO's can operate in effective partnership with AID. Unfortunately, this is a minority group to be sure, but it is encouraging to come across such persons, for they demonstrate what can be achieved. This type of director would be of great assistance to others in conceptualizing effective working arrangements with PVO's, and they could also be invited to participate in the Washington meetings I have suggested between mission directors and PVO's. I would be pleased to furnish you with the names of the directors I am referring to if you would like to know who they are.

Thank you for your consideration in seeing us Friday. I hope the discussion was helpful to you as well.

Sincerely yours,



MKR/acg

cc: Mrs. Julia Chang Bloch,
Assistant Administrator, PVA

February 24, 1982

Mr. M. Peter McPherson
Administrator of AID
320 21st Street, N.W. - Room 5942
Washington, D.C. 20523

Dear Mr. McPherson:

I think that you will be pleased to hear that the consensus of the PVO's which met with you last Friday afternoon was that the meeting was very constructive. As you probably know there has been a feeling over recent years among the members of the American Council that too often when policies affecting PVO's were being discussed by AID, the voluntary community was not consulted. The PVO's have good cause to be concerned, for over the past six or so years AID has often adopted policies without any or sufficient discussion with the voluntary agencies. In some instances, such as the ocean freight subsidy cut back two years ago, PVO operations were very hard hit, for the retrenchment occurred after the beginning of the fiscal year of all of the agencies involved, creating havoc with their budgets. I think that FVA under Julia Chang Bloch has improved communications markedly with the PVO's and she is to be commended for her efforts.

Since very few AID personnel really understand the operations of PVO's, it stands to reason that we be consulted in a systematic way whenever the question of a change of AID policy relating to PVO's is being considered. If such a dialogue can be made ongoing, with AID and the PVO's speaking to each other about substantive issues and problems during the course of the year, so many of the problems which have alienated the PVO's in recent years could have been avoided. AID, in turn, could have evolved more thoughtful policies if such dialogue had been institutionalized. Advisory Committee meetings are not the right setting for the type of exchange I am recommending for no real discussion can take place between AID, Advisory Committee members and PVO's.

February 24, 1982

For the record I would like to reiterate two matters I addressed at our meeting last Friday: 1) the 20 percent registration requirement and, 2) the possible reduction in central funding for PVO's. 1) Since many PVO's generate funding from sources in foreign countries (this approach will be adopted increasingly by PVO's with American private sources unable to fund all of our requirements), the 20 percent total should include monies raised overseas by PVO's. An added fact to keep in mind is that it is now often less expensive for a PVO to raise funds in foreign countries, since the cost of fund raising in the United States has escalated radically during the last five years.

2) While there is no gainsaying the point you made at our meeting that AID missions are in closer touch with the development situation in their countries than staff in Washington and, therefore, are better judges of the usefulness of AID-funded projects, the absence of a respectable amount of project funds from Washington will create special problems for agencies which do not have a worldwide representation, which are in the majority. Since many such agencies are more innovative and cost effective in their programming, a reduction in the scope of their operations would be regrettable.

Unless this fact is kept in mind the ultimate effect of "streamlining" AID's operations will be to further enhance the position of the oligopoly which currently dominates the voluntary sector in contracts and grants negotiated with AID.

In my judgment it is unfortunate that under the assault of the Regional Bureaus, the original intent that Matching Grant funds could be used for innovative projects, not necessarily connected with CDSS priorities, is now changed and projects must secure mission approval. This will lead to fewer innovative projects at a time when innovation in project development should be encouraged. As to the question of the "orientation" of mission directors about PVO sensibilities and policies, this can be easily handled if, during the period when they are back to defend their CDSS documents, group meetings with PVO representatives could be arranged in Washington. Having the directors visit the American Council in New York, as suggested at Friday's meeting, is costly and a waste of their time. Such dialogue is now critical in

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**THE TWENTY PERCENT RULE:
DEFINING PRIVATE AND VOLUNTARY ORGANIZATIONS**

The recently enacted legislative requirement that at least 20 percent of a PVO's funds must come from non-United States Government sources to qualify for Agency for International Development (AID) grants is a classic example of the interaction between Congress and AID. The origin of this idea can be traced to Senator Inouye, who was chairman of the Appropriations Subcommittee on Foreign Operations until the Republicans won control of the Senate last year. But it was Chairman Zablocki of the House Foreign Affairs Committee--a champion of PVOs--who eventually was responsible for its enactment. Its passage was also a victory for AID's regional bureaus who advocated a stringent test for PVO privateness.

Implementation of the 20 percent test could result in the closing down of up to 30 registered PVOs, though the more powerful groups (such as United States cooperative organizations) will probably gain waivers. The consequences of the new financial test could change the landscape of PVOs, and dramatically affect not only individual PVOs, but alter AID's portfolio of PVO programs.

How did we get to this situation? Why was the PVO community caught offguard twice: once when the Administration changed the 20 percent guideline to a rule; and, again, when Chairman Zablocki stuck it into a conference report which was then adopted by both the House and Senate and, thus, enacted into law? This paper explores the genesis of the 20 percent rule, differences between the proposed 20 percent regulation and new legal requirement, and the future consequences.

PRESSURE FROM THE HILL: Senator Inouye has a prosecutor's view of Congressional oversight. He believes in separating out the operating budget of an agency and giving it close scrutiny. Bureaucrats, he feels, are concerned first about the perks of power and, then, about the exercise of their responsibilities. He directed his former staffer, Bill Jordan, an ex-FBI agent, to ferret out AID's bureaucratic abuses. "By taking care of little things," Inouye said, "the big issues resolve themselves."

In 1976, Jordan decided to extend this principle to PVOs. At the time, there was a legislative proposal on the Hill geared towards ending the abuses of certain charities who were raising public funds principally to pay the cost of administration and

further fundraising. Senator Mondale introduced a bill to require all charities to spend at least 50 percent of their funds raised from the U.S. public for programs to intended beneficiaries. Jordan decided to apply a similar test to PVOs. He proposed a variation that all PVOs receiving AID funds must raise at least 50 percent of their administrative and overhead costs from the public.

The Jordan-inspired test was never enacted, though Senator Inouye put the language in the Appropriations Conference Report of 1976. AID responded that the report did not address the real issue of dependency, and that its language was "fraught with confusion," the wording ambiguous. Instead, AID wrote to Inouye that "we do not view a financial formula as defined in the Conference Report as the ultimate test to determine this dependency. We believe an independent board of directors, the absence of intrusion by government into the management of an agency a PVO's ability to determine its own programs and management, and its attitude and approach to government are better measures of independency and must also be considered."

The other foreign policy committees, concerned about loss of jurisdiction, protested Inouye's 50 percent rule. The Senate Foreign Relations Committee said in a 1977 committee report that a 50 percent rule would adversely affect "the congressionally mandated expansion of U.S. financial support for an expanded PVO role in overseas development." The Committee concluded that such a rule is not "the proper way to lessen undue dependency on AID's financial support." The House Foreign Affairs Committee also expressed concern and, what was later to prove ironic, said AID should "make deliberate decisions with respect to appropriate amounts and percentages of government funding, not on the basis of a fixed formula, but on the basis of a case-by-case judgment of the most effective way to carry out development assistance programs."

The Inouye conference language also required AID to establish a registry of PVOs receiving grants from AID with budgetary information on the top five salaried officers and overseas country directors, indicative of the Inouye approach to oversight. Registration had already been required in the Foreign Assistance Act for PVOs to receive PL 480, ocean freight reimbursement and excess government property. In response to the Inouye language, AID in 1977 began to require as a matter of policy that PVOs seeking AID grants be registered.

Registration had been the responsibility of the Advisory Committee for Voluntary Foreign Aid, established in 1946 for war relief to Europe. The Advisory Committee's primary function was to register PVOs, but it had from time to time

resisted AID desires to register certain organizations, such as U.S. cooperative organizations, which strictly speaking were not, in its views, PVOs. Because of various disputes between AID and the Advisory Committee, AID sought and obtained a change in law to require that PVOs seeking AID grants and subventions be registered by the Agency, rather than the Committee. The Committee was asked to advise on standards and criteria for registration and to serve as an appeals mechanism for advice if AID refused to register a PVO.

AID DEBATES 20 PERCENT RULE: Within AID, the 20 percent test can be traced to an Operations Appraisal staff report, in December 1977, by AID's Auditor General. Its central finding was the following: "in the absence of an operationally useful definition for a PVO, there can be no real communication within AID regarding an appropriate posture toward the PVO community." The report challenged the current flexible financial test for PVOs. Earlier, in March 1974, the Administrator had defined PVOs as "organizations that are philanthropic or service in purpose, deliberately non-profit, non-political, independent in policy and non-governmental, and so recognized." These organizations fall into two categories: (1) those that are created under AID auspices and whose funds come totally or primarily from AID; and (2) those that are basically supported by voluntary contributions and receive some direct financial assistance from AID for the specific support of programs in the LDCs. These funds might constitute varying amounts of the budgets of these organizations, but in no case were they the organization's sole source of revenue.

In setting requirements for registration in 1977, AID proposed that an organization whose operations are primarily based in a less developed country, but which has acquired a certificate of exemption from taxation as a non-profit organization under four specific sections of the U.S. Internal Revenue Code and has a managing body, of board of director trustees, a majority of which are U.S. citizens, is considered to be a U.S. PVO. The Auditor General found this definition to be "open-ended" and "a serious impediment to coherent Agency decision-making and management" for PVO programs. It said that "efforts to formulate a bounded definition for PVOs must incorporate the matter of private and voluntary contributions." Such a concept is "so fundamental" as to represent "an essential ingredient to any definition of PVOs." The report cites the Director of the American Council of Voluntary Agencies for Foreign Service who provided a definition of PVOs which he said had stood the test of time: "non-profit organizations established by a group of private citizens for a stated philanthropic purpose, and funded by voluntary contributions from individuals concerned with the realization of their purpose."

AID's Advisory Committee publication, A Look to the Future, emphasized the need for voluntary contributions "lest either government controls or government largesse suffocate their traditions of selfless service and individual commitment." It was the position of the central bureau with responsibility for PVOs that registration was only the first step and a "minimum" eligibility standard for PVOs. After registration, there were pre-grant audits for agencies new to AID and a determination of a capability to carry out specific program activity. The Auditor General concluded that "the making of grants to PVOs without regard to the donative element became institutionalized, with the result that AID must now contend with a self-inflicted wound."

FROM GUIDELINE TO RULE: Beginning in 1978, AID undertook a process to again issue its standards for registration. The key issue was a financial test for PVOs. The central PVO bureau proposed making the 20 percent test a guideline. But, the regional bureaus (except the Africa Bureau) and the policy bureau argued that the 20 percent criterion should be "a minimum for assuring the 'private and voluntary' nature of PVOs which AID wishes to fund." They protested the central bureau's definition which proposed that AID permit an organization to be registered which either receives financial contributions or has voluntary staff or program participants. They argued both are needed. Otherwise, AID may end up registering consulting firms.

The central PVO bureau, while sympathetic with the basic principle of a 20 percent test, believed more flexibility was necessary. It proposed a definition which defined PVOs as non-profit organizations that are legal entities; private non-governmental and receiving financial support--normally at least 20 percent of the cost of its international activities--from private sources); and voluntary (i.e., receive voluntary contributions of money, time or in-kind support from the general public and engaged in or anticipate becoming engaged in, voluntary charitable or development assistance operations abroad). The bureau said that this "more flexible definition would permit utilization of the 20 percent threshold as a general guideline rather than as a pre-established requirement. The extent to which any deviation from the 20 percent formula would be permitted would be a matter of judgment, based on AID's knowledge of the PVO and its potential contribution." The bureau argued against a rigid "numerical formula." It said there were some 30 registered PVOs that mobilize private resources which, while close to the 20 percent threshold, may not quite meet it. To make them ineligible for PVO grants would be "offensive to them and will cause us needless aggravation." To waive the requirement will "simply generate substantial paperwork."

In deciding partially for the central PVO bureau in this dispute on January 19, 1981, AID Administrator Doug Bennet reaffirmed a 1978 policy and said, "I do not find any case made here for dropping the present 20 percent rule (guideline) for specific grants, etc. It seems to me that PVOs can be qualified according to certain flexible criteria, as proposed by PDC (the Central Bureau) but that, when specific international undertakings are to be funded by AID the 20 percent test should be met." He proposed discussing this formulation with Advisory Committee. In April 1981, the Advisory Committee adopted the position that PVOs should be required to meet the 20 percent financial test. The registration criteria was prepared for submission to the Federal Register during the summer of 1981. In raising the issue with Administrator Peter McPherson, the 20 percent proposed guideline was justified by the Central Bureau as a manager's decision rather than an ideological issue given the diversity of PVOs and different motivations of AID support for their work.

ADMINISTRATION AND ZABLOCKI TEAM UP: As AID moved to publish these regulations in the Federal Register, the 20 percent guideline was changed at the last minute to a requirement. This change was the result of the new Republican leadership which tended to be skeptical of PVOs as well as perceived pressure from the Hill. It was a victory for regional bureaus which have resisted unfettered, centrally-funded PVOs which were not under their control." PVO programs tend to compete with bilateral government-to-government programs which AID officers design, implement and monitor. Their professional success is determined by projects they run or negotiate with the host country, not by projects independently undertaken by PVOs. With diminishing resources, the regional bureaus see central support as reducing funding for country programs. Thus, Republican leadership at AID decided on a tougher test and got a sympathetic response from most of the AID bureaucracy. In a separate action, the new leadership at AID began a policy review of PVOs, now in progress. The principle issue in this review is how much the regional bureaus and AID missions should "control" PVO programs.

This change of position in AID coincided with Chairman Zablocki's effort to require the 20 percent rule. He charged Marion Chambers of his staff to prepare for three days of full committee hearings in 1981. She focused her efforts on the "privateness" issue. The PVO hearings never took place, though PVOs did testify at public hearings on foreign assistance at which the issue came up. The American Council of Voluntary Agencies for Foreign Service endorsed the concept of the 20 percent rule, though it did not support legislative enactment. The American Council, composed mostly of large PVOs, has been

criticized as being a forum concerned primarily with issues affecting the more established PVOs. This is in the face of a growing number of newly registered PVOs which together now total about 150 agencies. Out of about 50 letters to AID concerning the 20 percent regulation, only one PVO supported the rule. This large PVO said, "The proposed rule seems to us to be in the interest of a vital voluntary sector in stipulating a measurable criterion to determine PVO status." The letter said the PVO supports "a 20 percent level or even higher of income from private sources" and that a three-year transition period is "sufficient for agencies failing to meet the requirement."

When the Committee marked up the 1981 bill, Chairman Zablocki unsuccessfully moved an amendment to put the AID proposed 20 percent guideline into a requirement of law. (During the discussion, Congressman Findley said the financial test should be 50 percent in funds from the public, not merely 20 percent.) The amendment was overwhelmingly defeated on an eight to fifteen vote with several committee members expressing concern about the impact of the amendment on certain PVOs. Zablocki argued that PVOs represent themselves as private and voluntary agencies, not as dependent of the U.S. Government.

Chairman Zablocki and his staff later saw an opportunity to achieve what they had failed to do in Committee. Earlier, the Senate had passed an authorization bill, but chances looked dim for consideration in the House until President Reagan and the State Department decided that the flexibility and additional funds for security and military assistance were worth the effort to line up Republican support on the Hill. As the first session of the 97th Congress wound down, the Foreign Aid Authorization Bill was rushed to the House floor where it quickly, and surprisingly, passed. A late night conference took place to get a final bill prior to adjournment. When the House and Senate conferees met, they only discussed military and security issues. The staff had earlier drafted compromises on all economic issues which the conferees accepted without discussion. Here where Zablocki slipped in the 20 percent rule.

THE COMPROMISE: The Senate bill had adopted a provision, sponsored by Senators Percy and Pell, which would earmark 16 percent of all AID functional accounts (agriculture, health, population, education and technical assistance) for PVO programs. The Amendment was worked out by Senator Percy, chairman of the Senate Foreign Relations Committee who is supportive of PVOs. For years, Senator Pell, the ranking Democrat on the Committee, had been urging the abolition of AID: all non-security-related bilateral programs would be run by the PVOs under the supervision of the State Department. His views originated from his

experience as a State Department officer who had handled Hungarian relief using American PVOs, after the 1956 revolt. Pell proposed an amendment to require that 20 percent of all AID programs be operated through PVOs as the first step towards his goal. Percy moved 16 percent--a split between the Pell mark and the current AID level of 12 or 13 percent based on a broad definition of PVOs including some that are not registered, such as indigenous and international agencies.

The final provision worked out by staff in the conference was, therefore, a trade-off between the 16 percent earmark and the 20 percent rule, Zablocki had earlier attempted to get through his committee. The conference compromise was to require a 12 percent floor or earmark for PVO programs. As one House staff member said: "we picked a number that would be meaningless." In exchange, the Senate got a 16 percent "target" for PVO programs over the next three years, and a slightly expanded base for the floor which includes, in addition to functional accounts, the Sahel and Disaster Assistance programs. The result is that PVOs receive some assurance of at least maintaining current levels of financial support and a possibility for increased funding.

But they also ended up with the 20 percent rule. With Administration help and urging, the House won the conference issue, although it was technically outside the scope of the conference. (It is reputed that an AID general counsel actually wrote the language based on the earlier Zablocki amendment at two o'clock in the morning during the all-night staff pre-conference.) The intent was to write into law the proposed provisions in the Federal Register, but in using Zablocki's language, the requirement is different in several significant respects from those of the proposed regulations recently published for public comment.

DIFFERENCES BETWEEN THE PROPOSED RULE AND THE LEGISLATIVE PROVISION: The new law amends Section 123, where the basic authorities of PVO programs are contained, to require that after December 31, 1984, with a grandfather clause for current grantees, PVOs seeking AID funds for programs they initiate must have 20 percent of their total annual financial support for their international activities from non-U.S. Government sources. The registration conditions in the Federal Register require 20 percent of a PVOs income from U.S. private resources. Thus, the legislation is less onerous and less private in requiring "sources other than the U.S. Government." Rather ironically, it provides a loophole for international PVOs who could be dependent on non-U.S. bilateral or multilateral agencies, and qualify as "private and voluntary" under the legislation. It rewards PVOs--U.S. or internationally based--

who have diversified development portfolios with an array of financial resources from other bilateral and multilateral sources.

There is a waiver provision for PVOs that does not meet the 20 percent test. The AID Administrator would be permitted to grant waivers based on the following criteria: (a) the PVC's effectiveness; (b) its level of volunteer support; (c) its financial viability; and, (d) its dependence on AID. But, the waiver is on a case-by-case basis which could be interpreted to mean grant-by-grant--like filling up a financial bottle until it spills over at 30 percent. This interpretation would be time consuming and an administrative nightmare especially for PVOs operating grant programs from a variety of AID missions in different parts of the world. The case-by-case waiver could more easily be applied PVO-by-PVO as required on an annual basis. Flat exemptions for categories of PVOs, such as family planning organizations, could probably be made. However, a Zablocki staffer is reported to have said that the chairman would look at such flat out exclusions "with a jaundiced eye."

There is a qualifying provision in the accompanying conference report which seems to differentiate between "PVO-initiated activities" and grants "in support of specific AID programs." This language can be interpreted to exclude three groups from the 20 percent test who are not strictly considered PVOs, i.e., free labor institutes, voluntary international family planning organizations and U.S. cooperative organizations. Such organizations could be excluded from the 20 percent requirement since AID's grants to them can be interpreted "in support of specific AID programs." Yet, AID funding to them could still be counted in meeting the 12 percent floor.

There are a number of problems that must be resolved in applying the 20 percent rule. Though the law does not take effect until 1984, the Administration will be in the process of interpreting the hastily drawn provision. Enactment of the legislation invalidates portions of the proposed registration requirement pertaining to the 20 percent test. Presumably, this portion of the registration requirement will be resubmitted in the Federal Register for public comment, though this is not required since AID has the necessary authorities to establish such standards. Although the U.S. cooperative community undertook a letter writing campaign against the proposed 20 percent test in the Federal Register, the PVO community remained mostly silent. However, enactment of the Zablocki 20 percent rule has awakened their interest. If there is another period for public comment, the PVO community should be more forthcoming. Meanwhile, they may have to rely on the Advisory Committee to assure that their interests are taken into consideration in broadly interpreting the new legislation.

CONCLUSIONS

There are several conclusions that can be made concerning the 20 percent test. It is arbitrary. There is no study or evidence to show that PVOs that raise at least 20 percent of their funds for overseas work, from either private or non-U.S. Government sources, are "more private" or better able to carry out foreign aid operations than those that raise less than 20 percent. There is now only one definition of what a PVO is in the law--the financial test. Yet, the finances of a PVO are only part of the total considerations of what makes it a private and voluntary entity. In some respects, the 50 percent test on administration and overhead is a more direct financial test of dependency (although it would be even more stringent on PVOs and almost impossible to administer). It is hard to consider an organization as a PVO when all or most of its staff is paid for by the government. Adoption of the 20 percent rule could result in pressure to raise the outside funding level to 51 percent, a truer test of financial independence, but which would be very detrimental to PVOs.

There are some indications that the rule was intended to weed out PVOs viewed as "bad apples" who take advantage of the U.S. Government. Yet, in the deliberations about the 20 percent rule, there has been little focus on identifying those PVOs that should not be registered. As one PVO representative wrote AID, the 20 percent test is like "using a sledge hammer to attack a thumb tack."

Neither does the 20 percent rule go to the heart of the value of PVO programs. It is their broad support from the public, the people-to-people approach outside the government framework and their effectiveness and efficiency in providing assistance to the grassroots in LDCs that distinguishes PVOs. In these terms, dependency on AID is somewhat peripheral. For example, the 20 percent test in both the proposed regulation and law exclude in-kind contributions. In terms of technical assistance, expert volunteers may often be a more efficient and economical mode of assistance than, for example, sending a high-priced AID official or technician. Yet, PVOs specializing in voluntary placement will by their nature have difficulty raising overhead costs and, in this sense, will probably remain largely dependent on AID's financial support. Under the law, they would be eligible for exemption on an annual basis from the 20 percent test--but it will be hard to maintain continuity of such an organization with the potential for being "defunded" in any given year. The 20 percent test, thus, undercuts the potential to mobilize human versus financial resources from the public.

The 20 percent rule also clearly discriminates against smaller and newer PVOs, and especially minority PVOs, in favor of large PVOs that have established a broad-based constituency. This bias may hurt AID where it can be most valuable in terms of encouraging the growth of innovative programs or expanded PVO programs to Africa, for example. New PVOs would have a hard time meeting the 20 percent test to carry out initiatives such as women in development or non-petroleum based energy programs--two areas where AID has been at the forefront. Through excluding in-kind contributions, PL 480 is apparently not to be counted in the 20 percent rule. This is clearly intended to exempt big PVOs, such as CARE and Catholic Relief Services, both of which would have difficulty with a 20 percent rule if PL 480 were factored in.

The 20 percent rule as proposed in the regulations will also hurt PVOs that are trying to diversify their sources of financial support. For example, an organization which is attempting to get funding from host countries or indigenous organizations would be hurt by a 20 percent test which applies only U.S. sources. The worst of both rules would be to combine the legislative language requiring non-U.S. Government sources and the proposed regulation requiring U.S. private sources for meeting the 20 percent test.

The 20 percent test puts about 30 organizations, now registered with AID, in limbo. Some organizations will always be hovering near the 20 percent level of outside (private and/or non-U.S. Government) sources. They will be unsure from year to year whether or not they will get a waiver and be able to continue their programs. The executives of such organizations will have to devote their full time to fund raising or politics, either to meet the test or to apply political pressure for a waiver, rather than devote their energies to managing their PVO.

The test is a floating target based on a PVO's fund raising and AID's decision to increase its funding to such an organization. Thus, AID will be subject to the vagaries of a PVO's fund raising capability and the PVO will be limited programmatically by an artificial cap (80 percent government funding). Further, organizations which have successful fund raising efforts will tend to want to expand programs to justify the confidence of their contributors which means that they will apply for more grants. This could result in a ratchet effect: more fund raising begets more grants, thus keeping them around the 20 percent figure in outside funding. This house of cards could collapse in any given year or combination of years when fund raising takes a dip which could be the result of any number of things: loss of a good fund raiser; bad publicity;

an economic downturn; competition from another PVO or charity tapping the same contributors; and even changes in public moods or developmental fads.

There is no question that the 20 percent rule will end up creating more red tape for AID and the PVOs at a time when AID is dramatically cutting back its Washington head-quartered staff who will oversee application of the rule. Certain organizations with strong Hill support can be expected to gain a waiver easily; others who may run superior programs but do not have the same political clout, could be severely impacted. The Administration could apply the 20 percent test to weed out less politically acceptable organizations through not allowing waivers. Thus, the result will be the need for PVOs to enhance their political strength. Their current weakness is demonstrated by the fact that the PVO community was caught totally offguard by enactment of the 20 percent test and played a minimum role in fashioning the compromise in conference.

There is a cardinal lesson in the 20 percent rule saga: PVOs must reexamine the current administrative structure of AID and determine whether or not this structure is compatible with the use of PVOs in carrying out development programs. AID is structured to emphasize country programs and AID-mission direction--the primary focus of power within the bureaucracy. For PVOs to have more independent and larger programs will require a greater flexibility in AID funding, not a tightening of financial eligibility. It is time to consider the idea of a semi-autonomous organization, such as the Overseas Private Investment Corporation, which could protect the privateness of PVOs while at the same time enhancing their independence through broad, less restrictive worldwide grants.

The history of the 20 percent test suggests that there are fundamental difficulties in the current PVO arrangement with AID. If the day is ever to arrive when there truly is a "Third Avenue of Development"--PVO programs to rival bilateral and multilateral government-based programs--PVOs will have to rethink how closely they can work with government without being pulled into the web of government controls.

January 25, 1982

ANNEX 4

Non-Profit/Corporate Cooperation
in
Economic Development in the Third World

At the December, 1981 Advisory Committee on Voluntary Foreign Aid meeting, the Chairman and members of the ACVFA instructed the Executive Director to conduct a brief survey of PVOs prior to the March, 1982 meeting on the question of PVO-Corporate Collaboration to inform the Committee on the extent of interest in this area among the PVOs.

The findings of the survey were deleted from the March, 1982 ACVFA meeting agenda in the interest of time. Therefore, the survey findings are attached to the March ACVFA Report for the record.

NON-PROFIT/CORPORATE COOPERATION IN ECONOMIC DEVELOPMENT
IN THE THIRD WORLD

Report on a Survey of PVOs Conducted by the
Advisory Committee on Voluntary Foreign Aid With Assistance
From the Technical Assistance Information Clearing House

Toye Brown Byrd, Ph.D.
Executive Director, ACVFA, AID

March 20, 1982

ACKNOWLEDGEMENTS

A special word of gratitude is offered to Mary Ellen Burgess, Director, the Technical Assistance Information Clearing House (TAICH) and Wynnta Boynes, TAICH Editor, for their assistance with this survey.

They worked with the review group, revised the questionnaire until it was ready for mailing, handled the mailing to all PVOs, and conducted an unrelenting follow-up with PVOs to secure the fantastic response rate.

Mrs. Boynes also tirelessly and efficiently tallied the responses.

A special thank you is also given to Leon Marion, Executive Director of the American Council of Voluntary Agencies for Foreign Assistance for his cooperation and to all the TAICH staff who assisted in this effort.

REPORT ON SURVEY OF PVOs
REGARDING INTEREST IN COOPERATION WITH THE CORPORATE SECTOR ON DEVELOPMENT

I. BACKGROUND INFORMATION

Of 155 registered PVOs surveyed, 123 completed and returned the questionnaire. The spread of responses was fairly equal across the many categories of PVOs.

The Advisory Committee recommended at the December 10, 1981, meeting that Committee staff conduct a survey of registered PVOs in response to the suggestion from several attendees that the topic of collaboration was not a priority concern of the general PVO community¹. These comments appeared to be contrary to high interest expressed by some PVOs at the meeting and the actual experiences of other PVOs as reported on the program of the December Advisory Committee meeting.

Shortly after the December meeting of the Advisory Committee, the Committee's Executive Director and other staff met with the TAICH Director and Editor to construct a survey. After the survey was designed, it was reviewed by several members of TAICH Advisory Committee and other agency representatives. The reviewers suggested several changes in the wording of questions. For example, there was a great deal of concern that the term "collaboration" had too many connotations and lacked sufficient definition by AID; therefore, references to this term in the questionnaire were deleted.

1/ See page 32, Report of the Advisory Committee Meeting, December 9-10, 1981.

The questionnaire was directed to the chief staff officer of the PVOs.

II. PURPOSE OF THE SURVEY

The purpose of the survey was to ascertain whether the topic of PVO-Corporate cooperation was really relevant and of interest to the PVO community.

III. THE SURVEY QUESTIONNAIRE

The questionnaire was structured to get at one primary question: Is there interest in the PVO community for greater cooperation and involvement with the corporate sector? Three of the five questions were structured from several approaches to provide ample flexibility and opportunity for PVOs to express their interest in this question.

See Appendix 1 for full questionnaire.

IV. FINDINGS

Question 1: Is your organization currently involved with the corporate sector (U.S., Foreign, multinational) on development projects in the Third World?

The survey revealed that more of the PVOs which responded are currently not involved with the corporate sector (66 no/57 yes). However, this means that 45% of the respondents are currently involved with corporations in some manner.

Question 2: What is your organization's level of interest in pursuing the following kinds of relationships? Low - Moderate - High

PVOs were questioned on their level of interest in pursuing relationships with corporations. Relationships were further delineated into major

activities: contractual, building links; dialogue and information exchange; and, corporate support of PVOs. By far, the highest level of interest was expressed in the areas of PVOs seeking corporate support of in-kind gifts and funding for PVO initiated projects.

This question also contained an open-ended response option of "other". In this set, only 1 PVO specifically suggested interest in partnership with corporations. One other indicated interest in working with corporations to promote corporate understanding of PVOs. One other suggested a role for PVOs in training for management of industries in LDCs.

Question 3: If your organization has a moderate to high interest in establishing a relationship with the corporate sector, with which type of organization would your organization give priority to in initiating cooperation? U.S. - Foreign - Multinational: Small - Medium - Large: Other

When asked: what type of corporation they preferred to get involved with, PVOs preferred U.S. and U.S. multinationals. There were very few preferences registered for corporating with foreign corporations. PVOs also registered a preference to work with large and medium sized companies, in that order.

Question 4: What role should the Advisory Committee on Voluntary Foreign Aid play in the area of nonprofit/corporate cooperation?

When asked about the role of the Advisory Committee in facilitating PVO-Corporate cooperation, most respondents checked "facilitate dialogue and coordinate and disseminate information on both sectors." Only 8 out of the 123 respondents checked "encourage joint ventures." However, the majority of respondents checked "all of the above" suggesting that most PVOs felt the Advisory Committee should facilitate dialogue, coordinate and disseminate information and encourage joint ventures.

Question 5: What role should AID play in the area of nonprofit/corporate cooperation?

When asked: What role should AID play in the area of nonprofit/corporate cooperation, 21% gave no answer to this open-ended question and 6% wrote in "none".

The majority of responses to this question however, fell in the area of facilitate dialogue and communications between PVOs and corporations.

A small number or 8% suggested that AID ought to encourage greater communication and joint ventures. Twenty-three percent of the PVOs who responded to the questionnaire gave specific suggestions for the AID role. These responses have been grouped in the following areas:

1. Fund workshops between PVOs and corporations to explore the joint venture possibilities.
2. Support PVO projects which can, in turn, be funded by corporations.
3. Provide seed monies for joint ventures.
4. Provide funding for Product Development and Market Testing particularly for LDCs.
5. Provide small grants for dialogue opportunities.
6. Provide matching grants to encourage corporate grants up to 50%.
7. Provide grant incentives to PVOs to survey corporate sector to identify incentives which would attract corporate support with PVOs.
8. AID ought to match appropriate PVOs with corporate projects.
9. Intermediary role; encourage indigenous activities.
10. Host series of workshops and receptions between corporate offices and PVO representatives.
11. Verify credibility of non-profit organizations in corporations.
12. "Honest Broker" assisting widest cooperation between PVOs and the corporate sector.

It was also interesting to note that one organization responded to this question with the following:

1. "They (AID) make everything too complicated - who knows?"

Another respondent wrote:

"AID could benefit from, as well as, contribute to, the (PVO-Corporate) dialogue."

V. CONCLUSIONS

The high response rate to the questionnaire indicated PVO support for the Advisory Committee effort in conducting the survey.

Although the majority of PVOs are not currently involved with corporations, a majority reported high interest in developing relationships with corporations. Clearly, there is high interest among a significant group of PVOs to become involved with corporations. However, at the current time, this interest appears concentrated primarily in areas of traditional PVO-corporate relations; that is, the pattern of PVOs seeking corporate support for PVO initiated programs in the form of corporate giving of funds and in-kind gifts.

It is important to note that there was a preponderance of responses from the Church-related organizations that indicated no current involvement with the corporate sector and low interest in pursuing cooperative efforts.

One such organization wrote a letter giving a very detailed explanation of

the organization's responses to the questionnaire. One paragraph from that letter regarding our question on AID's involvement was quite revealing:

"AID would not have a functional role in relating to the corporations if private non-profit agencies decided to work with corporations. Our agency would be open to working with one or several selected corporations if we could agree on goals in the local community of the Third World. I would not see any need for AID if such cooperative arrangement were developed."

From this survey, there exists very little evidence in the language of the PVOs that much is occurring in the areas of collaboration, joint ventures or partnerships. There was, however, a strong response pattern encouraging both the Advisory Committee and AID to sponsor and facilitate greater dialogue and communications between the PVOs and corporate sector.

APPENDICES

NAME OF ORGANIZATION _____

RESPONDENT'S NAME & TITLE (please print) _____

1. Is your organization currently involved with the corporate sector (U.S., foreign, multinational) on development projects in the Third World? Yes ___ No ___

If yes, briefly describe the nature of this involvement.

2. What is your organization's level of interest in pursuing the following kinds of relationships? Low Moderate High

- | | | | |
|---|-------|-------|-------|
| a. Contractual relationship with corporation to provide development project assistance | _____ | _____ | _____ |
| b. Building links - nonprofit facilitates exchange and resource flow between corp./community/government | _____ | _____ | _____ |
| c. Dialogue/information/experience exchange | _____ | _____ | _____ |
| d. Corporate support (loan of personnel) | _____ | _____ | _____ |
| e. Corporate support (loan of equipment) | _____ | _____ | _____ |
| f. Corporate support (gifts in kind) | _____ | _____ | _____ |
| g. Corporate support (funding) | _____ | _____ | _____ |
| h. Other (please specify) _____ | | | |

3. If your organization has a moderate to high interest in establishing a relationship with the corporate sector, with which type of organization would your organization give priority to in initiating cooperation?

U.S. ___ Foreign ___ Multinational ___
Small ___ Medium ___ Large ___
Other _____

4. What role should the Advisory Committee on Voluntary Foreign Aid play in the area of nonprofit/corporate cooperation?

- | | |
|---|----------------------------|
| a. Facilitate dialogue _____ | |
| b. Encourage joint ventures in development projects _____ | d. All of the above _____ |
| c. Coordinate & disseminate information to both sectors _____ | e. None of the above _____ |

5. What role should AID play in the area of nonprofit/corporate cooperation? _____

RETURN TO:

200 Park Avenue South, New York, New York 10003

The brief survey on nonprofit/corporate involvement is attached.

Your response will help the Advisory Committee on Voluntary Foreign Aid determine general views within the nonprofit community regarding this topic.

RETURN COMPLETED SURVEY TO TAICH NO LATER THAN FEBRUARY 19. (Envelope enclosed)

Please feel free to make additional comments or attach any reports, documents or case studies that help to further explain your agency's viewpoint.

RETURN TO: TAICH, 200 Park Avenue South, New York, New York 10003.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

February 1, 1982

Dear

Interest was generated at the October, 1981 meeting of the Advisory Committee on Voluntary Foreign Aid to explore the topic of nonprofit/corporate collaboration in the developing world. This subject has also received priority attention by top AID Administration officials as reflected both in statements of AID policy trends and establishment of the Private Enterprise Bureau within AID.

The December 9, 1981 sessions of the Advisory Committee meeting were devoted primarily to nonprofit/corporate collaboration. Comments from officials of nonprofit organizations reflected varying degrees of interest and concern around this subject. The Advisory Committee responded to this situation by instructing the Executive Director to conduct a brief survey of the registered organizations to determine general views within the community regarding this topic and report back to the Committee by its March 1982 meeting.

After exploratory discussion with several voluntary agencies and the Advisory Committee chairman, the attached survey was developed with the assistance of the Technical Assistance Information Clearing House (TAICH) of the American Council of Voluntary Agencies for Foreign Service, Inc.

Survey responses will be analyzed and a general summary of findings presented to the Advisory Committee at its March meeting. The summary will not include quotes or direct references to individual comments. The primary purpose of this survey is to get some systematic feedback from the nonprofit community on this subject.

Please take a few minutes of your time to respond and return it to TAICH in the enclosed envelope.

Your participation and cooperation in this matter will enable the Advisory Committee to facilitate greater two-way communications between the nonprofit sector and AID.

Thank you.

Sincerely,

Taye Byrd
Taye Brown Byrd, Ph.D. per *WB*
Executive Director

ANNEX 5

Presentation by:

AMBASSADOR JEAN WILKOWSKI

CASE STUDIES IN VITA'S EXPERIENCE

by

Ambassador Jean Wilkowski
Chairman of the Board
Volunteers in Technical Assistance

(Remarks prepared for the meeting of the Advisory Committee on Voluntary Foreign Aid, New York, N.Y., March 25-26, 1982)

The subject is of considerable personal interest to me because of close working relationships which I had with American corporations engaged in investments and trade in various parts of the world where I served during my career in the U.S. Foreign Service. These relations were intensified in my last two assignments, first as chief of mission in southern Africa, and later as U.S. Coordinator for the UN Science and Technology Conference in Vienna.

In preparing for the Vienna meeting my office engaged in an extensive dialogue with representatives of over 200 American corporations in search of an appropriate policy on technology transfer with the Third World so as accurately to reflect the true interests of both the public and private sectors in American society. Perhaps the greatest reward for these efforts were the remarks of a CEO of a U.S. corporation and a Third World diplomatic representative. One said, "The triangular dialogue which the U.S. promoted between North and South governments and multinational corporations operating in the South was highly educational in indicating mutually beneficial ways of collaboration. The other said, "We in the business world had a poor appreciation of the existence and intensity of feeling of Third Worlders against multinational corporations. We need to continue to work to correct these feelings whether justified or not."

During the conference, those private sector representatives on the U.S. delegation, including two distinguished CEOs of major corporations, voluntarily offered to make the management and organizational skills of their corporations, and others which they would encourage, available to individuals and institutions desiring to expand the private enterprise base in the Third World.

It seems a natural extension of my work at the Vienna conference and the Foreign Service to participate in such implementing activities as the continuing seminar on "Multinational Corporations and Third World Poverty", sponsored by the University of Notre Dame, and the Mohonk Conference on "Multinationals: New Approaches to Agriculture and Rural Development", organized by the Fund for Multinational Management Education and the Aspen Institute for Humanistic Studies.

Both of these institutions had been commissioned by my office to sponsor private-public dialogues used to help formulate U.S. policy for the Vienna Conference.

One of the most satisfying extensions of my work on the Vienna Conference was the invitation to serve on the board of Volunteers in Technical Assistance. When I came on VITA's board a little over a year ago in January of 1981 I stressed the need for diversified and broader funding which would among other things look to the corporate sector because of the mutuality of interests in the Third World. There is hardly a corporation operating in the Third World today that does not have an image concern, i.e., how it is viewed and whether justly viewed by the host country. Most corporations naturally want that image to be as favorable as possible and they are willing to support intermediaries -- be they PVOs or others -- who will help improve that image. But there is another consideration which is more fundamental. Many corporations, while driven by profits and accountability to stockholders, are genuinely concerned about the welfare of individuals and the society in which they operate, whether it is in the U.S. or the Third World. Many of these corporations have codes for their own conduct, guiding principles, and policy statements which speak to these concerns and to corporate social responsibilities. It is in these policies that much mutuality of interest with PVOs is found.

If all the pieces were assembled, an impressive story could be told of how corporations are helping economic and social development around the world. For example, in Indonesia since 1979 CALTEX has provided road networks, low cost housing, schools and scholarships. MOBIL in Indonesia is helping to create domestic suppliers and even exporters of fruits and vegetables and other commodities. Chase Manhattan Bank in Panama has channeled excess funds into basic agricultural development. Burroughs in Zimbabwe has turned over previously blocked funds to OXFAM for projects in basic human needs. DOW Chemical in collaboration with CARE in Chile has built kindergartens for pre-schoolers. EXXON operated a medical center in Pakistan. Massey Ferguson helped double wheat production in Brazil. There are many more examples, but the composite story has never been fully told or evaluated so the picture remains spotty and often blurred. Too frequently the role of corporations in assisting development in the Third World is badly misunderstood and the object of considerable bias and prejudice.

Let me tell you a bit about VITA and of some of its most recent relationships with corporations in pursuit of mutual interests.

Indeed VITA's very origins are found in corporate concern for society. Twenty-two years ago a group of scientists and engineers at General Electric at Schenectady, New York, who had worked on the Manhattan Project in New Mexico, got

together and discussed the question of the social accountability of scientists. Busy during most of their working days with questions of sophisticated, high technology, these people at General Electric wondered if they could not voluntarily offer their advice and counsel on the simple technical concerns of people in the Third World and thereby help to better their lives. They set themselves up as sort of a mail order house in technical inquiries. That was 22 years ago. Today VITA has grown into an integrated development system. A total of 40,000 inquiries were received over that period. The replies of the technical volunteers and VITA staff are now housed in an impressive documentation center and cover over 800 different technologies. As inquiries tended to cluster around such subjects as building materials, food, energy and small business, VITA got into publishing and now has nearly 100 titles to its name, with translations in several languages. The number of volunteers has grown to around 4,000 and the number of consultancies engaged in technology transfer around the world is currently running at a rate of around 100 a year in addition to the traditional inquiry service.

I should now like to tell you about five recent examples of VITA relations with American corporations operating in the Third World:

- Gulf and Western in the Dominican Republic
- General Electric and Sperry Holliand in Mexico
- Control Data at VITA headquarters near Washington, D.C.
- IBM in the Sahel and
- Monsanto in Indonesia.

After explaining how these relationships came about I would like to draw some very tentative conclusions as to what these preliminary experiences suggest in the way of future action for VITA and other PVOs and possibly for AID.

Gulf and Western in the Dominican Republic

Under AID's energy program with VITA, Gary Garriott, one of VITA's technicians, was on a micro-hydro consultancy with a local university in the Dominican Republic. Knowing of Gulf and Western's extensive social development progr for its employees, Garriott called on Gulf and Western to explain its general services. From this VITA initiative a series of informal discussions and exchanges of letters followed. Eventually a meeting was held at VITA headquarters involving Gulf and Western principals in New York and a local engineer from G&W's operations in the Dominican Republic. Finally in December of last year an invitation went from G&W to VITA to submit a proposal which would identify seven work areas focused on water, sanitation systems and other types which would constitute a part of G&W's major social development program.

Two factors appear to be behind G&W's motivation -- a sincere corporate concern for basic human needs and a desire to improve its public image.

VITA hopes soon to receive a favorable response from Gulf and Western and to begin the desired feasibility studies and formulate needed recommendations prior to commencing a significant technical assistance program for G&W.

General Electric and Sperry Holland in Mexico

Back in 1976 the then executive director of VITA acted on a suggestion from a VITA board member that GE might be willing to fund certain collaborative efforts in research and development. Accordingly, VITA looked into the various Third World countries where GE was operating and hit upon Mexico mainly because of its adjacency and known interest in wind energy. At about the same time VITA was engaged in developing a major energy project with AID.

GE funded a concept paper to explore what might be done. GE representatives in Mexico then suggested a collaborative technical effort with the Instituto de Investigaciones Electricas (IIE) in Mexico City. Following VITA discussions with IIE a specific proposal was prepared covering research and development on water pumping windmills and electric wind generators.

The project has been in progress at IIE laboratories in Mexico since 1977 and has been making slow, but steady progress. Once the models under current development are proven it is expected they will be patented and licensed in Mexico and that small businesses to produce them will follow. When successfully marketed, VITA would then publicize the technology in those other countries of the world which have wind conditions similar to Mexico.

Control Data Corporation

Three years ago CDC came to VITA with knowledge of VITA's extensive documentation center, covering over 800 technologies of importance to the Third World. CDC sought collaboration in developing an appropriate technology data base, called "APTECH". The name has since been changed to "DEVELOP", and should be marketed soon. An agreement was reached whereby VITA prepared over 1,300 abstracts of its technologies for CDC and 600 pieces of bibliographic information. VITA was paid for this service, a total of nearly \$112,000 over three years. Other institutions and PVOs such as ATI have also contributed to this system. The CDC "DEVELOP" service is offered on a fee basis, and leads into more detailed technical information available directly from participating institutions, like VITA.

IBM-Europe

VITA's relationship with IBM grew out of a referral and not as a direct result of either a corporate or VITA initiative. There had been a meeting in the Sahel region of West Africa in mid-1979 which brought together representatives of Western and other donor nations -- both public and private -- with African leaders of the Sahel countries to formulate policies on forestry and conservation of natural resources. The meeting recommended that research and development projects be started and funded on cookstoves and domestic use of firewood, followed by extension services.

As a result of this meeting, the Club du Sahel approached IBM-Europe for funding. It also recommended that VITA be considered to do the technology transfer. IBM-Europe approached VITA and VITA responded with a proposal for research and development and dissemination. In response IBM-Europe committed \$100,000, or approximately one-third of the total project, which began in 1980. Other contributors to the project are AID, CILSS, U.S. Peace Corps, the West German Government, UN/ILO, ITOG of London, and a Dutch university. VITA's technician in the field, Dr. Tim Wood, is the coordinator of the project.

The project will probably need a second funding tranche for which pledging will be sought in mid-1982 from IBM and others.

Monsanto, Indonesia

This is a somewhat different case not involving a contractual relationship covering payment by a corporation to VITA for its services, rather one in which close contact between a company and our institution resulted in new ideas and avenues for development.

Recognizing that VITA wanted to explore relationships with corporations in order to make a contribution to AID's new program emphasis on private enterprise and development, Dick Fera, Director for Latin American and Asian Operations, identified and wrote to the field managers of 150 U.S. companies operating in Indonesia. The American Chamber of Commerce there and the Coca Cola representative picked up the initiative and arranged for Dick to speak to a group of representatives of American firms. Monsanto was among these, as were representatives of USAID and the American Embassy.

The Monsanto rep explained to Fera that his company was interested in getting more pesticides and herbicides out into the countryside to help increase food production. Monsanto focused on backpack sprayers as a simple practical way and offered to draw on VITA technologies for more information. In the meantime the Monsanto rep became aware of a basic technical component in Malaysia which would permit production of the sprayer in Indonesia. This is moving forward and a local

market for 200,000 units is now projected. Monsanto remains interested in VITA technologies related to agricultural chemicals and our correspondence in this area is proceeding.

This experience prompted Fera to realize the need for a more detailed on-site survey of corporation needs to develop VITA contractual relationships in Indonesia. He has thus contacted the USAID mission in Jakarta with a preliminary proposal in which AID is being asked to underwrite such a survey. The objective would be to consult with U.S. corporate interests there to suggest improvements in their technical processes (e.g. the backpack sprayer), actually transfer VITA technology in the form of products, processes, and know-how, develop new technologies, and assist in establishment of new small rural and urban industries.

Some Observations, Conclusions and Recommendations

1. These five cases over the past five years, each of which arose somewhat casually and not as a result of any specific program or well-defined strategy, offer lessons which at best are only tentative and preliminary. A much more concerted drive related to a new program now being designed at VITA, with particular emphasis on the Caribbean Basin, needs to be implemented and evaluated before more reliable conclusions are available.

2. The foregoing examples illustrate that initiative for action varied among the main actors. In the case of Gulf and Western, VITA took the initiative with direct contact in the field. This is also true in the case of GE and Sperry Holland, although the original suggestion came from a VITA board member. In the case of Control Data and Dow Corning the initiative was with the corporation. In the case of IBM-Europe, a third party (Club du Sahel, with support from persons in, the OECD secretariat, and friendly to VITA) started the ball rolling. While some companies with strong corporate social responsibility strategies, like Control Data, which is both advanced and experienced in its strategy, urge corporations to take the initiative, it is doubtful that PVOs should stand idle while corporations decide to act. Instead the PVOs should take the initiative with the corporations. While corporations should have a social conscience and a corporate strategy related thereto, they have no obligation in this connection. Yet many companies are increasingly finding that they can do well by doing good. Moreover, as public policy has changed and budgets are curtailed, they have been increasingly deluged with requests for more corporate philanthropy. Thus they should not be expected to seek out the PVOs. The PVOs should seek out the corporations.

3. Unspecified general grants are not the preferred route of corporations and not necessarily the best way for a PVO to approach a corporation. The PVO should research and study potential donors and try to define its proposal in

specific -- very specific -- terms and find where the coincidence of interests exists. For example, many corporations find that as their activities in Third World countries grow, they have increasing need for better trained workers and managers, for improved health facilities, and better housing. Many corporations have expanded their operations to include education and training programs, schools and clinics, and low cost housing.

If PVOs can provide these services to corporations at better or comparable quality and lower cost, corporations could be persuaded to consider their specific proposals. Similarly, as corporations expand, they have need of local suppliers or contractors. This has often been a way of encouraging and starting up small new local industries. Sears Roebuck in Mexico is a classic example of a U.S. firm which encouraged local procurement and helped to expand the private enterprise base.

Many opportunities exist but the PVOs are hard put to investigate these opportunities, that is, to identify projects without funding assistance for travel, per diem and consultancy. AID should consider funding project identification surveys by PVOs in the same manner and for the same purpose that it funded high level reconnaissance missions to key developing countries under its private enterprise and development policy. Once the coincidence of interests can be identified between PVO and corporation, the discussion can proceed to the possibility of contractual relations in which both parties benefit, i.e. moving from mutuality of interest to mutuality of benefit. In many instances AID policy objectives can be served.

4. It is wrong to think of these relationships as three-cornered only, i.e., PVOs, corporations and AID. The host country has to be brought into the picture somehow and at the appropriate time if the project is to proceed smoothly and without later objections. In all examples given here (with the exception of Control Data, which was largely a U.S. based relationship in the early stage of the project) the host country was involved either at the government or private national level. Implicit here is the need to investigate and not to ignore local institutions and requirements, especially indigenous PVOs. Host governments may insist upon some role for them in the transfer of technology.

5. To help PVOs in their approaches to corporations and to further AID policy objectives in private enterprise and development, AID may wish to consider giving assistance to the holding of a conference of U.S. corporations on case studies involving their economic and social investments in development, especially those involving PVO collaboration, or to help publish a directory of corporate social responsibility actions in the Third World. For example, the Fortune 500 "Directory of Corporate Philanthropy" put out by the Public Management Institute in San Francisco, California, relates largely to domestic activities and is not a good index of the

kinds of corporate social responsibility activities engaged in by U.S. corporations in developing countries. Although the United States Council for International Business is providing a useful service with its publication on "Enterprise and Development", it is a running commentary on activities that come to the Council's attention over a short time frame from one edition to the next. It is not a complete directory which categorizes corporations and activities by developing countries over say an annual period.

ANNEX 6

Participant List

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID (ACVFA) MEETING

MARCH 25 - 26, 1982

PARTICIPANT LIST

Advisory Committee on Voluntary Foreign Aid (ACVFA)

<u>Chairman:</u> E. Morgan Williams The Cooperative League of the USA 1828 L Street, N.W. Suite 1100 Washington, D.C. 20036	<u>Vice Chairman:</u> Robert J. Marshall Lutheran Theological Seminary 4201 North Main Street Columbia, S. C. 29203
--	--

Advisory Committee Members:

- George Abbott
Ithaca Textiles Incorporated
650 5th Avenue
New York, New York 10019
- Markham Ball
Wald, Harkrader and Ross
1300 19th Street, N.W.
Washington, D.C. 20036
- Robert R. Nathan
Robert R. Nathan Associates, Incorporated
1301 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
- Roy Pfautch
Civic Services, Incorporated
314 North Broad Street
St. Louis, Missouri 63102
- John Sewell
Overseas Development Council
1717 Massachusetts Avenue, N.W.
Washington, D.C. 20036
- Kenneth Smith
International Management and Development
Group, Limited
1750 Pennsylvania Avenue, N.W.
Suite 304
Washington, D.C. 20006

Advisory Committee Members (continued)

- Carl E. Taylor
Department International Health
School of Hygiene and Public Health
The Johns Hopkins University
615 West Wolfe Street
Baltimore, Maryland 21205
- Michaela Walsh
Women's World Banking
P. O. Box 1691
Grand Central Station
New York, New York 10017

AFRICARE

- C. Payne Lucas
AFRICARE
1601 Connecticut Avenue, N.W.
Suite 600
Washington, D.C. 20009

AFS/Intercultural Programs

- William M. Dyal, Jr.
AFS/Intercultural Programs
313 E. 43rd Street
New York, New York 10017

A. T. International

- Laurel H. Druben
A. T. International
1724 Massachusetts Avenue, N.W.
Washington, D.C. 20036

African American Institute

- Calvin H. Raullerson
African American Institute
833 United Nations Plaza
New York, New York 10017

African Medical Research Foundation

- Michael Gerber
African Medical Research Foundation
833 United Nations Plaza
New York, New York 10017

Agribusiness Council

- Eugene Grasberg
Agribusiness Council
345 East 46th Street
New York, New York 10017

Agricultural Cooperative Development Institute

- Bartlett Harvey
Agricultural Cooperative Development
Institute
1012 14th Street, N.W.
Washington, D.C. 20005

Allis-Chalmers

- Lee Appleton
Allis-Chalmers
9 West 57th Street
New York, New York 10019

American Committee for Shaare Zedek Hospital in Jerusalem, Incorporated

- Robert Frankel
American Committee for Shaare Zedek
Hospital in Jerusalem, Incorporated
49 West 45th Street
New York, New York 10036

American Council of Voluntary Agencies for Foreign Service

- Winta Boyres
American Council of Voluntary Agencies
for Foreign Service
200 Park Avenue, South
New York, New York 10003

American Council of Voluntary Agencies for Foreign Service (continued)

- Mary Ellen Burgess
American Council of Voluntary Agencies
for Foreign Service
200 Park Avenue, South
New York, New York 10003
- Leon Marion
American Council of Voluntary Agencies
for Foreign Service
200 Park Avenue, South
New York, New York 10003
- Jane Meskill
American Council of Voluntary Agencies
for Foreign Service
200 Park Avenue, South
New York, New York 10003
- Dao Spencer
American Council of Voluntary Agencies
for Foreign Service
200 Park Avenue, South
New York, New York 10003

American Dentists for Foreign Service

- Dr. Herman Ivanhoe
American Dentists for Foreign Service
619 Church Avenue
Brooklyn, New York

American Friends Service Committee

- David Elder
American Friends Service Committee
1501 Cherry Street
Philadelphia, Pennsylvania 19102

American Institute for Free Labor Development

- James Holway
American Institute for Free Labor
Development
1015 20th Street, N.W.
Washington, D.C. 20015

American MidEast Education and Training Service (AMIDEAST)

- Jim McCloud
AMIDEAST
1717 Massachusetts Avenue
Washington, D.C. 20036

American NearEast Refugee Aid (ANERA)

- Peter Gubser
ANERA
1522 K Street, N.W.
Suite #202
Washington, D.C. 20005

American ORT Federation

- Paul Bernick
American ORT Federation
871 Broadway
New York, New York 10003
- George L. P. Weaver
American ORT Federation
2025 I Street, N.W.
Suite 1002
Washington, D.C. 20006
- Arlene Lear
American ORT Federation
817 Broadway
New York, New York 10003
- Diana Richards
American ORT Federation
817 Broadway
New York, New York 10003

Barbados Consultate General

- Joel C. Pilgrim
Barbados Consultate General
300 2nd Avenue
New York, New York 10017

Breakthrough Foundation

- Stephan Gallagher
Breakthrough Foundation
1702 Franklin Street
San Francisco, California 94115

Brother's Brother Foundation

- Luke Hingson
Brother's Brother Foundation
824 Grandview Avenue
Pittsburgh, Pennsylvania 15211

Pearl S. Buck Foundation, Incorporated

- William A. Major
Pearl S. Buck Foundation, Incorporated
Box 181
Perkasie, Pennsylvania 18944

CARE

- Ron Burkard
CARE
660 First Avenue
New York, New York 10016
- Fred Devine
CARE
660 First Avenue
New York, New York 10016
- Peg Ford
CARE
660 First Avenue
New York, New York 10016
- Margaret New
CARE
660 First Avenue
New York, New York 10016
- Sandra Sennett
CARE
660 First Avenue
New York, New York 10016

CODEL

- Boyd Lowry
CODEL
79 Madison Avenue
New York, New York 10157

Caribbeana Council

- Kathleen A. Sheehan
Caribbeana Council
2016 O Street, N.W.
Washington, D.C. 20036
- Walker A. Williams
Caribbeana Council
2016 O Street, N.W.
Washington, D.C. 20036

Catholic Relief Services

- Reverend Robert Charlebois
Catholic Relief Services
1011 First Avenue
New York, New York 10022
- John Donnelly
Catholic Relief Services
1011 First Avenue
New York, New York 10022
- Anthony Foddai
Catholic Relief Services -- USSC
1011 First Avenue
New York, New York 10022
- Raymond Panczyk
Catholic Relief Services
1011 First First Avenue
New York, New York 10022

Center for Applied Linguistics

- Mary Ann Zima
Center for Applied Linguistics
3520 Prospect Street, N.W.
Washington, D.C. 20007

Center for Integrative Development

- Deborah Bell
Center for Integrative Development
777 United Nations Plaza
New York, New York 10017

Center for Systems and Program Development, Incorporated

- Rosemary Davis
Center for Systems and Program
Development, Incorporated
1511 K Street, N.W., Suite 740
Washington, D.C. 20005

Chase Manhattan International Foundation

- Lynn Van-Dorn
Chase Manhattan International
Foundation

Chevron Oceanic, Incorporated

- Al Clark
Chevron Oceanic, Incorporated
30 Rockefeller Plaza
New York, New York 10021

Christian Childrens Fund

- James MacCracken
Christian Childrens Fund
205 East Cary Street
P. O. Box 26511
Richmond, Virginia 23261

Church World Services

- Bernard A. Confer
Church World Services
National Council Churches of Christ
475 Riverside Drive
New York, New York 10027
- Frank Kiehne
Church World Services
National Council Churches of Christ
475 Riverside Drive
New York, New York 10027

Church World Services (continued)

- Paul F. McCleary
Church World Services
National Council Churches of Christ
475 Riverside Drive
New York, New York 10027

Cilgia Enterprises, Incorporated

- Andrea C. Engler
Cilgia Enterprises, Incorporated
1110 Vermont Avenue, N.W.
Suite 620
Washington, D.C. 20005

Communications Psychotherapist and Educationalist (sic)

- Galeyn Remington
Communications Psychotherapist and
Educationalist (sic)
26 East 60th Street
New York, New York

Consortium for Community Self-Help

- Blanche A. Case
Consortium for Community Self-Help
515 Park Avenue
New York, New York 10022

Continental Grain Company/Continental Milling Corporation

- Gary A. Drimmer
Continental Grain Company/
Continental Milling Corporation
277 Park Avenue
New York, New York 10172

Control Data Corporation

- William C. Norris
Control Data Corporation
HQ V001
P. O. Box 0
Minneapolis, Minnesota 55440

Cooperative League of the United States of America

- Martha McCabe
Cooperative League of the USA
1828 L Street, N.W.
Suite 1100
Washington, D.C. 20036

Creative Associates, Incorporated

- Faye E. Coleman
Creative Associates, Incorporated
3201 New Mexico Avenue, N.W.
Washington, D.C. 20016
- I. Cheryl Jones
Creative Associates, Incorporated
3201 New Mexico Avenue, N.W.
Washington, D.C. 20016

Delson and Gordon

- William A. Davis, Jr.
Delson and Gordon
1900 L Street, N.W.
Washington, D.C. 20036

Dooley Foundation/INTERMED-USA

- Lucia Lermond
Dooley Foundation/INTERMED-USA
420 Lexington Avenue
New York, New York 10017

Tom Dooley Heritage, Incorporated

- Cheryl Baker
Tom Dooley Heritage, Incorporated
P. O. Box 1907
Grand Central Station
New York, New York 10017
- Eileen Beck
Tom Dooley Heritage, Incorporated
P. O. Box 1907
Grand Central Station
New York, New York 10017

Fairmount Presbyterian Church

- Dr. Henry W. Anderson
Mary E. Anderson
Fairmount Presbyterian Church
2757 Fairmount Boulevard
Cleveland Heights, Ohio 44118

Food for the Hungry, Incorporated

- Larry Glass
Food for the Hungry, Incorporated
7729 East Greenway Road
Scottsdale, Arizona 85260

Ford Motor Company

- J. W. Fredericks
Ford Motor Company
1345 Avenue of the Americas
New York, New York 10105

Foreign Policy Association

- Helen Seidler
Foreign Policy Association
205 Lexington Avenue
New York, New York 10016

Foster Parents Plan

- John G. Anderson
Foster Parents Plan
155 Plan Way
Warwick, Rhode Island 02887

Foundation for the Peoples of the South Pacific, Incorporated

- Stanley W. Hosie
Foundation for the Peoples of the
South Pacific, Incorporated
200 West 57th Street
Suite 808
New York, New York 10019
- Elizabeth Silverstein
Foundation for the Peoples of the
South Pacific, Incorporated
200 West 57th Street
Suite 808
New York, New York 10019

Fund for Multinational Management Education

- Robert Driscoll
Fund for Multinational Management
Education
684 Park Avenue
New York, New York 10021

Goodwill Industries of America

- Robert Ransom
Goodwill Industries of America
9200 Wisconsin Avenue
Bethesda, Maryland 20814

Greenland International/Texas Corn Growers Company

- Mohsen Shawarby
Greenland International/Texas Corn Growers
Company
P. O. Box 93
Mohegan Lake, New York 10547

Ken Guscott Associates

- Dorothy P. Garrison
Ken Guscott Associates
4058 Prudential Towers
P. O. Box 443
Boston, Massachusetts 02199

Hadassah

- Selma Mammen
Hadassah
50 West 58th Street
New York, New York 10019

Hill and Knowlton

- Michael Claes
Hill and Knowlton
633 3rd Avenue
New York, New York
- Sheila Durante
Hill and Knowlton
633 3rd Avenue
New York, New York

House Foreign Affairs Committee

- Lewis Gulick
House Foreign Affairs Committee
2170 Rayburn Building
Washington, D.C. 20523

Howard University

- Walter C. Carrington
Howard University
2900 Van Ness Street, N.W.
Washington, D.C. 20008

INA International Corporation

- F. P. Crawford
INA International Corporation
120 Wall Street
New York, New York 10005

Impact on Hunger

- General Paul Feyereisem
Impact on Hunger
New York, New York

Industry Council for Development

- Walter W. Simmons
Industry Council for Development
300 East 44th Street
New York, New York 10017

Institute of Cultural Affairs

- Sir James Lindsay
Institute of Cultural Affairs
4750 North Sheridan Road
Chicago, Illinois 60640
- Mariann Mann
Institute of Cultural Affairs
4750 North Sheridan Road
Chicago, Illinois 60640

Institute of Cultural Affairs (continued)

- George Walters
Institute of Cultural Affairs
4650 N. Sheridan Road
Chicago, Illinois 60640

Institute for International Development

- Alfred Whittaker
Institute for International Development
360 West Maple Avenue, Suite F
Vienna, Virginia 22180

Institute of International Education

- Mary Louise Taylor
Institute of International Education
809 United Nations Plaza
New York, New York 10017
- Robert White
Institute of International Education
809 United Nations Plaza
New York, New York 10017

Institute of International Trade and Development

- Mary Brooner
Institute of International Trade and
Development
1110 Vermont Avenue, N.W.
Suite 620
Washington, D.C. 20005

Institute of International Trade and Development (continued)

- Patricia G. Nelson
Institute of International Trade and
Development
1110 Vermont Avenue, N.W., Suite 620
Washington, D.C. 20005
- Curtis T. White
Institute of International Trade and
Development
1110 Vermont Avenue, N.W., Suite 620
Washington, D.C. 20005

Institute of Linguistics, Incorporated

- Robert L. Hancock
Institute of Linguistics, Incorporated
1800 K Street, N.W.
Suite 801
Washington, D.C. 20006

Inter-American Development Institute

- Marina Fanning-Firfer
1555 Wilson Boulevard
Suite 600
Rosslyn, Virginia 22209
- Janet C. Tuthill
- Laurin M. Watkins
- Leni Berliner

Interfaith Hunger Appeal

- George A. Little
Interfaith Hunger Appeal
468 Park Avenue, South
New York, New York 10016

International Alliance for Children, Incorporated

- Jan Mabasa
International Alliance for Children,
Incorporated
2 Ledge Lane
New Milford, Connecticut 06776
- Eric Perez
International Alliance for Children,
Incorporated
2 Ledge Lane
New Mildord, Connecticut 06776
- Barbara Shimmel
International Alliance for Children,
Incorporated
2 Ledge Lane
New Milford, Connecticut 06776

International Council on Social Welfare

- John H. Moore
International Council on Social
Welfare
431 East 20th Street
New York, New York 10010

International Eye Foundation

- Jack W. Swartwood
International Eye Foundation
7801 Norfolk Avenue
Bethesda, Maryland 20814

International Human Assistance Program, Incorporated (IHAP)

- Suk Ta Limb
IHAP
360 Park Avenue, South
New York, New York 10010
- Jeannette North
IHAP
360 Park Avenue, South
New York, New York 10010

International Human Assistance Program, Incorporated (IHAP) (continued)

- Myles K. Ren
IHAP
360 Park Avenue, South
New York, New York 10010
- Cyriac Thannikary
IHAP
360 Park Avenue, South
New York, New York 10010

International Institute for Rural Reconstruction

- Ping-Sheng Chin
International Institute for Rural
Reconstruction
1775 Broadway
Suite 619
New York, New York 10019
- Shirley D'Auria
International Institute for Rural
Reconstruction
1775 Broadway
Suite 619
New York, New York 10019

International Planned Parenthood Federation

- Milo Schaub
International Planned Parenthood
Federation
105 Madison Avenue
New York, New York 10016

International Rescue Committee

- Alton Kastner
International Rescue Committee
386 Park Avenue, South
New York, New York 10016

International Voluntary Services

- John Rigby
International Voluntary Services
1717 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Helen Keller International, Incorporated

- Margaret C. Bayldon
Helen Keller International, Incorporated
15 West 16th Street
New York, New York 10011
- John H. Costello
Helen Keller International, Incorporated
15 West 16th Street
New York, New York 10011
- Edward Glaeser
Helen Keller International, Incorporated
15 West 16th Street
New York, New York 10011

Kettering Foundation

- William P. Shaw
Kettering Foundation
5335 Far Hills Avenue
Dayton, Ohio 45429

La Leche League International

- Betty Ann Countryman
La Leche League International
4140 East 75th Street
Indianapolis, Indiana 46250

Lauhoff Grain Company

- F. Robert Melina
Lauhoff Grain Company
210 Bay 7th Street
Brooklyn, New York 11228

League of Women Voters

- Edith Segall
League of Women Voters
1730 M Street, N.W.
Washington, D.C. 20009

Arthur D. Little, Incorporated

- Thomas C. O'Conner
Arthur D. Little, Incorporated
Acorn Park
Cambridge, Massachusetts 02140
- Joseph W. Rollins, Jr.
Arthur D. Little, Incorporated
Acorn Park
Cambridge, Massachusetts 02140

Lutheran World Relief (LWR)

- Norman E. Barth
LWR
360 Park Avenue, South
New York, New York 10010
- Neil Brendan
LWR
360 Park Avenue, South
New York, New York 10010

Ginny Martinez Associates

- Evelyn A. Foley
Ginny Martinez Associates
1777 F Street, N.W., #100
Washington, D.C. 20006
- Ginny C. Martinez
Ginny Martinez and Associates
1777 F Street, N.W., #100
Washington, D.C. 20006

Meals for Millions/Freedom from Hunger Foundation

- Barbara Cox
Meals for Millions/Freedom from Hunger Foundation
815 2nd Avenue
Suite 1001
New York, New York 10017
- Peter J. Davies
Meals for Millions/Freedom from Hunger Foundation
815 2nd Avenue
Suite 1001
New York, New York 10017

Merck, Sharp and Dohme International

- Robert A. Brown
Merck, Sharp and Dohme International
Box 2000, Building 32-51
Rahway, New Jersey 07065

Merk and Company, Incorporated

- Susan Crowley
Merk and Company, Incorporated
Box 2000, Building 32-51
Rahway, New Jersey 07065
- Robert Fluss
Merk and Company, Incorporated
Box 2000, Building 32-51
Rahway, New Jersey 07065

Mobil Oil Corporation

- Bruce Potter
Mobil Oil Corporation
Room 429
150 East 42nd Street
New York, New York 10017

Robert R. Nathan Associates, Incorporated

- Molly Tatel
Robert R. Nathan Associates, Incorporated
1301 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

National Association of Social Workers

- Starr Huffman
National Association of Social Workers
1425 H Street, N.W., 6th Floor
Washington, D.C. 20005

National Council for International Health

- Russell E. Morgan, Jr.
National Council for International Health
2121 Virginia Avenue, N.W., Suite 303
Washington, D.C. 20037

National Council of Negro Women, Incorporated

- Dorothy Height
National Council of Negro Women, Incorporated
815 2nd Avenue
New York, New York 10017
- Olive Sampson
National Council of Negro Women, Incorporated
1819 H Street, N.W., Suite 900
Washington, D.C. 20006

National Wildlife Federation

- Barbara Bramble
National Wildlife Federation
1412 16th Street, N.W.
Washington, D.C. 20036

Near East Foundation

- Delmar J. Dooley
Near East Foundation
29 Broadway
New York, New York 10006

New TransCentury Foundation

- Bernard Fisker
New TransCentury Foundation
1789 Columbia Road, N.W.
Washington, D.C. 20009
- Bonnie Ricci
New TransCentury Foundation
1789 Columbia Road, N.W.
Washington, D.C. 20009

OISCA

- Toshihiro Nakano
OISCA
6-12
Tokyo 160, JAPAN

One America, Incorporated

- Julia Robinson
One America, Incorporated
1523 L Street, N.W., 7th Floor
Washington, D.C. 20007

Opportunities Industrialization Center, International (OIC)

- Quy Nguyen
OIC International
240 West Tulpehocken Street
Philadelphia, Pennsylvania 19144
- Gary Robinson
OIC International
240 West Tulpehocken Street
Philadelphia, Pennsylvania 19144

Overseas Education Fund

- Mrs. Willie Campbell
Overseas Education Fund
2101 L Street, N.W.
Washington, D.C. 20037
- Nancy Fischer
Overseas Education Fund
2101 L Street, N.W.
Washington, D.C. 20037
- Gretchen Maynes
Overseas Education Fund
2101 L Street, N.W.
Washington, D.C. 20037
- Elise F. Smith
Overseas Education Fund
2101 L Street, N.W.
Washington, D.C. 20037

PACT, Incorporated

- Robert O'Brien
PACT, Incorporated
777 United Nations Plaza
New York, New York 10017
- Alison Smith
PACT, Incorporated
777 United Nations Plaza
New York, New York 10017

Partners of the Americas

- William S. Reese
Partners of the Americas
20001 S Street, N.W.
Washington, D.C. 20009

Partnership for Productivity

- Andrew H. Oerke
Partnership for Productivity
2441 18th Street, N.W.
Washington, D.C. 20009

Peace Corps

- Thomas Roach
Peace Corps
806 Connecticut Avenue, N.W.
Washington, D.C. 20525
- J. Calvin Williams
Private Sector Development
Peace Corps, Room 1200
806 Connecticut Avenue, N.W.
Washington, D.C. 20036

Planned Parenthood of New York City

- Bill Cox
Planned Parenthood of New York City
380 2nd Avenue
New York, New York 10010
- Peter Purdy
Planned Parenthood of New York City
380 2nd Avenue
New York, New York 10010

Planning Assistance, Incorporated

- Stephen H. Fisher
Planning Assistance, Incorporated
141 5th Avenue
New York, New York 10010
- Charles A. Patterson
Planning Assistance, Incorporated
141 5th Avenue
New York, New York 10010
- Mary Ruth Snyder
Planning Assistance Incorporated
141 5th Avenue
New York, New York 10010

Population Crises Committee

- Sharon L. Camp
Population Crises Committee
1120 19th Street, N.W.
Washington, D.C. 20036

Population Resource Center

- Susan B. Fisher
Population Resource Center
622 3rd Avenue
New York, New York 10017
- S. Bruce Schearer
Population Resource Center
622 3rd Avenue
New York, New York 10017

Private Agencies in International Development

- Thomas B. Keehn
Private Agencies in International Development
2101 L Street, N.W., Suite 916
Washington, D.C. 20037

Pro-Humanity USA

- Albricht Hering
Pro-Humanity USA
Box 264, RFD #2
Putney, Vermont 05340

Project HOPE

- William B. Walsh
Project HOPE
Health Sciences Education Center
Carter Hall
Milwood, Virginia 22646
- William B. Walsh, Jr.
Project HOPE
Health Sciences Education Center
Carter Hall
Milwood, Virginia 22646

Reader's Digest

- Mari Ann Blatch
Reader's Digest
200 Park Avenue
New York, New York 10017

Rockefeller Foundation

- Kenneth Goody
Rockefeller Foundation
1133 Avenue of the Americas
New York, New York 10036
- Geraldine Mannion
Rockefeller Foundation
1133 Avenue of the Americas
New York, New York 10036

Sahara Energy Corporation

- Keith M. Jackson
Sahara Energy Corporation
910 16th Street, N.W., Suite 600
Washington, D.C. 20006

Salvation Army World Service

- Ernest A. Miller
Salvation Army World Service
1025 Vermont Avenue, N.W.
Washington, D.C. 20005
- John Wiggins
Salvation Army World Service
1025 Vermont Avenue, N.W.
Washington, D.C. 20005

Save The Children

- Stuart Coan
Save The Children
54 Wilcon Road
Westport, Connecticut 06880
- Jonathan Deull
Save The Children
201 L Street, N.W., Suite 9L
Washington, D.C. 20036
- David L. Guyer
Save The Children
54 Wilton Road
Westport, Connecticut 06880

Save The Children (continued)

- Doug Hill
Save The Children
54 Wilton Road
Westport, Connecticut 06880
- Mary E. King
Save The Children
2119 Leroy Place, N.W.
Washington, D.C. 20008

Seventh Day Adventist World Service

- Milton E. Mebblett
Seventh Day Adventist World Service
6840 Eastern Avenue, N.W.
Washington, D.C. 20012

Sister Cities International

- Eduardo Perez
Sister Cities International
1625 I Street, N.W., Room 424
Washington, D.C. 20006

Technoserve, Incorporated

- Edward P. Bullard
Technoserve, Incorporated
11 Belden Avenue
Norwalk, Connecticut 06850
- William Farren
Technoserve, Incorporated
11 Belden Avenue
Norwalk, Connecticut 06850

The Agricultural Development Council

- James M. Dillard
The Agricultural Development Council
1290 Avenue of the Americas
New York, New York 10104

The Cooperative Housing Foundation

- Charles Dean
The Cooperative Housing Foundation
2501 M Street, N.W., Suite 450
Washington, D.C. 20037

The Episcopal Church Center

- Edward A. Holmes
The Episcopal Church Center
815 2nd Avenue
New York, New York 10017

The Experiment in International Living

- Charles MacCormack
The Experiment in International Living
Kipling Road
Brattleboro, Vermont 05301

The Goodwillie Group

- Susan Goodwillie
The Goodwillie Group
108 Mt. Vernon Street
Boston, Massachusetts 12108

The Heritage Foundation

- Philip Lawler
The Heritage Foundation
513 C Street, N.E.
Washington, D.C. 20007

The Pathfinder Fund

- Howard K. Gray, Jr.
The Pathfinder Fund
1330 Boylston Street
Chestnut Hill, Massachusetts 02167

The Resource

- Loren Finnell
The Resource
38 Mayhew Avenue
Larchmont, New York 10538

Transportation Institute

- Jill Finsen
Transportation Institute
923 15th Street, N.W.
Washington, D.C. 20005
- * also representing Frank Drozak, Seafarer's
International Union

Unilever United States, Incorporated

- Lee H. Bloom
Unilever United States, Incorporated
10 East 53rd Street
New York, New York 10022

United Nations Development Programs (UNDP)

- Clyde Applewhite
UNDP
42nd Street and First Avenue
New York, New York 10017

United Nations

- Eric Carlson
United Nations New York City
25 Giletta Court
Closter, New Jersey 07624

United States Agency for International Development (USAID)

Administrator: M. Peter McPherson
USAID
Washington, D.C. 20523

United States Agency for International Development (USAID) (continued)

- Judith D. Johnson
USAID
3863 North 30th Street
Arlington, Virginia 22207

Advisory Committee on Voluntary Foreign Aid

- Toye Brown Byrd
USAID/ACVFA
Washington, D.C. 20523
- James Berger
USAID/ACVFA
Washington, D.C. 20523
- Vera Connolly
USAID/ACVFA
Washington, D.C. 20523
- Mary Coss
USAID/ACVFA
Washington, D.C. 20523
- Dagnija Kreslins
USAID/ACVFA
Washington, D.C. 20523
- Gerald Stromer
USAID/ACVFA
Washington, D.C. 20523

Africa Bureau

- Henry L. Smith
USAID
AFR/PVO
Washington, D.C. 20523

Asia Bureau

- Frank Lanvin
USAID/Asia
1013 Maryland Avenue, N.E.
Washington, D.C. 20002

Bureau for External Relations

- Kate Semerad
USAID/Bureau for External Relations
Washington, D.C. 20523

United States Agency for International Development (USAID) (continued)

Bureau of Private Enterprise

- Elise DuPont
USAID/Bureau of Private Enterprise
Washington, D.C. 20523

Food for Peace and Voluntary Assistance

- Julia Chang Bloch
USAID/FVA
Washington, D.C. 20523
- Peggy Sheehan
USAID/FVA
Washington, D.C. 20523
- Judith Gilmore
USAID/FVA/PPE
Washington, D.C. 20523
- Deborah Mace
USAID/FVA/PVC
Washington, D.C. 20523

Latin America and Caribbean Bureau

- Alfredo Perez
USAID/Latin America and Caribbean Bureau
Washington, D.C. 20523

Office of the General Counsel

- Jan Miller
USAID/Office of the General Counsel
Washington, D.C. 20523

Office of Public Affairs

- Betty Snead .
USAID/OPA
Washington, D.C. 20523

United States Agency for International Development (USAID) (continued)

Bureau for Program and Policy Coordination

- Karen M. Poe
USAID/PPC/PB
Washington, D.C. 20523

Private and Voluntary Cooperation

- Thomas H. Fox
USAID/PVC
Washington, D.C. 20523
- Austin Heyman
USAID/PVC
Washington, D.C. 20523

United States Business Committee on Jamaica

- Paul H. Rogers
United States Business Committee on Jamaica
684 Park Avenue
New York, New York 10021

United States Committee of the International Council on Social Welfare

- Katherine A. Kendall
US Committee of the International Council on Social Welfare
1730 M. Street, N.W., Suite 911
Washington, D.C. 20036

United States Council for International Business

- Ann McKinstry Micou
US Council for International Business
121 Avenue of the Americas
New York, New York 10036

United States Department of Agriculture (USDA)

- Clarence Gordy
USDA
14th and Independence Avenue, S.W.
Washington, D.C. 20520

United States Foundation for International Scouting

- James W. Sands
US Foundation for International Scouting
1325 Walnut Hill Lane
Irving, Texas 75062

VITA

- Ambassador Jean Wilkowski
VITA
3706 Rhode Island Avenue
Mt. Rainier, Maryland 20712

World Education, Incorporated

- George Baldino
World Education, Incorporated
251 Park Avenue, South
New York, New York 10010

World Federation of Health Agencies for the Advancement of Surgical
Contraception

- Joseph Dwyer
World Federation of Health Agencies for the
Advancement of Surgical Contraception
122 East 42nd Street
New York, New York 10068

World Rehabilitation Fund, Incorporated

- Sylvia Wackstein
World Rehabilitation Fund, Incorporated
400 East 34th Street
New York, New York 10016

World Neighbors

- James O. Morgan
World Neighbors
5116 North Portland
Oklahoma City, Oklahoma 73112

World Vision

- Dean R. Hirsh
World Vision
919 Huntington Drive
Monrovia, California 91740

Young Men's Christian Association of the USA, International Division (YMCA)

- Bradford K. Smith
YMCA, International Division
291 Broadway
New York, New York 10007

Young Women's Christian Association, National Board (YWCA)

- Rosalie Oakes
National Board, YWCA
600 Lexington Avenue
New York, New York 10021

Also Attending:

James H. Baird
215 Atlee Road
Wayne, Pennsylvania 19087

Richard C. Bernard
Consultant
501 Fifth Avenue, Suite 1808
New York, New York 10017

Ajit Dutta
Private Consultant
301 N. Beauregard Street, Apt. 1005
Washington, D.C. 22312

J. Rogers Flathers, Jr.
Marketing Consultant, Non-Profit Organizations
35 East 20th Street
New York, New York 10003

Huntington Harris
RFD #1, Box 469
Leesburg, Virginia

Stephen Kester
510 Broome Street
New York, New York 1001

Lorna Stevens

George Worthington